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# Regional and International Coordination of Regulatory Practices

Aditya Narain

Advisor, Monetary and Capital Markets, IMF

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Part I

# **INTRODUCTION**

# The Many Dimensions of Regulatory Coordination

Regulation, Supervision, Resolution

Formal /  
Informal

Ongoing/  
Crisis

Bilateral / Multilateral

Domestic / Cross-border

Forums

Info Sharing / Coordinated or Joint Action;  
Letters / MOUs/Treaties; Visits /Colleges

Hierarchy and Instruments

# Premises of international regulatory coordination

- Coordination issues arise from
  - global nature of finance superimposed on national structures of supervision
  - asymmetry of home-host interests.
- Origin of current approach in the Basel concordat; focus on cross-border banking in the AEs
- Cross-sector dimension highlighted with increased conglomeration
- Cross-border framework came under scrutiny in the discussions on Basel II
- And has been further put to test by actions taken (or not taken) in the current crisis

Part II: Findings from the FSAP

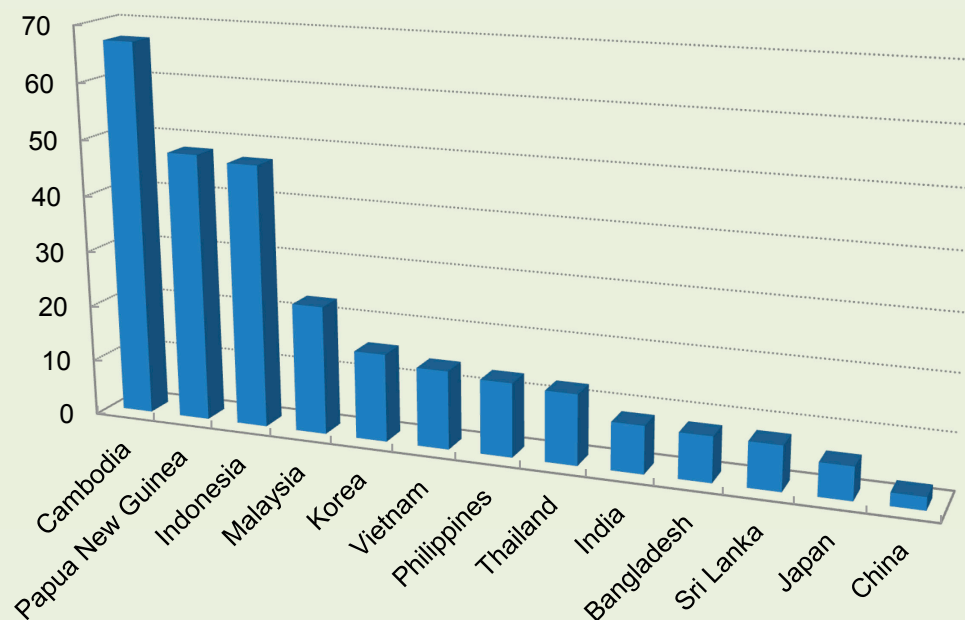
**CROSS-BORDER REGULATORY AND  
SUPERVISORY COORDINATION**

# FSAP and Regulatory Coordination

- Compliance with financial sector standards for regulation and supervision assessed as part of the FSAP
- A standard for resolution still missing in the ROSC toolkit
- Coverage :
  - As of June 2010, FSAPs in 130 countries completed, 61 have had updates. In Asia, 13 FSAPs and 4 updates completed.
- Cooperation and coordination issues covered in the BCP, IAIS and IOSCO in both cross-border and cross sector context
- Caveats for the following slides: point in time, sample as available, only completed assessments, conducted in different modes (FSAP, TA).

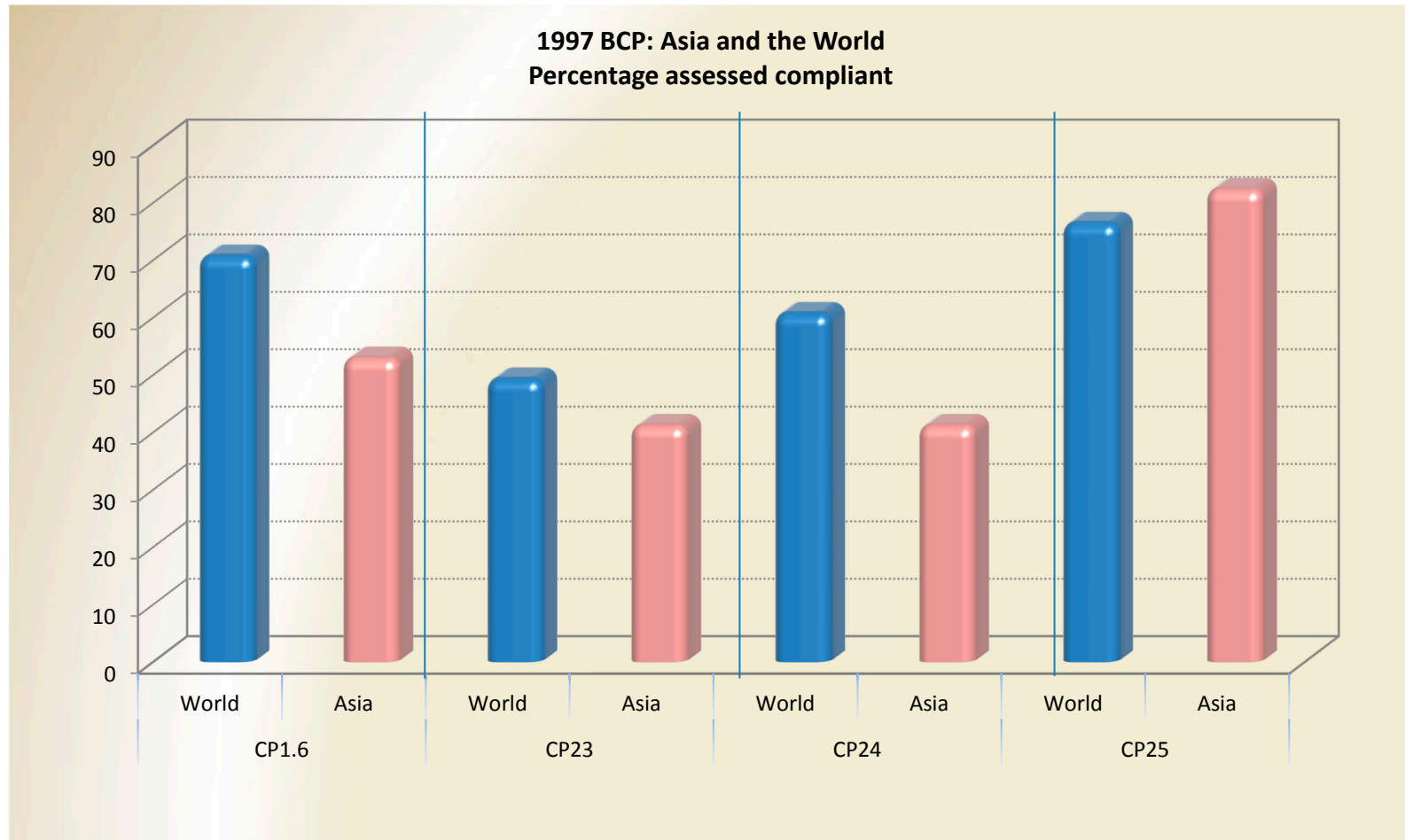
# Cross-border bank assets - Asia

Share of Bank Assets in Asia by Foreign Banks with Majority Ownership, 2008 *(In percent)*



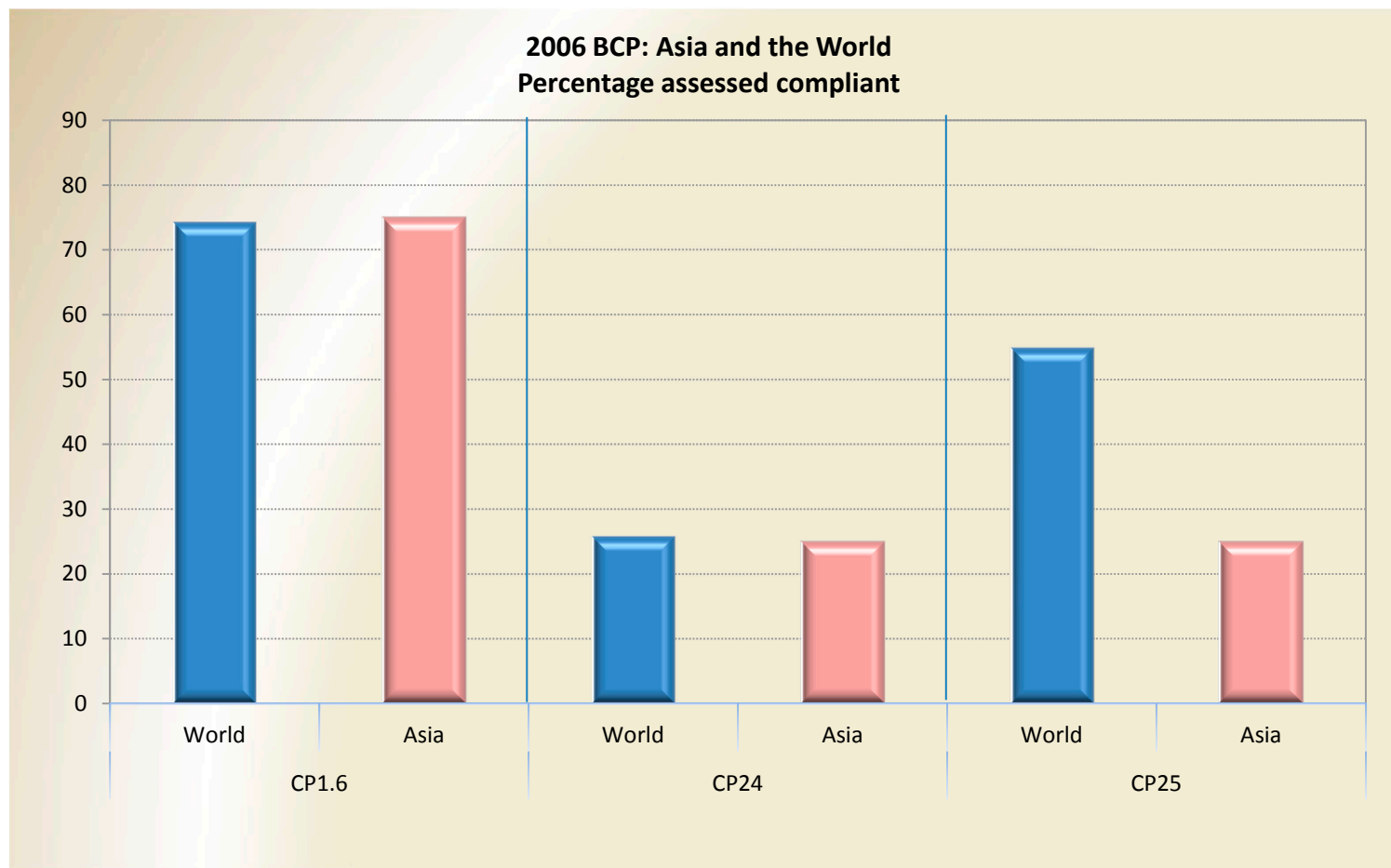
Sources: CESifo DICE Report, March 2009; CEIC; JBA; and staff estimates.

# Cooperation, Coordination and Information Sharing - Basel Core Principles Assessments (1999 – 2006)



Data as on July 2010: Assessments in sample: World (140) of which Asia (15)

# Cooperation, Coordination and Information Sharing - Basel Core Principles Assessments (2007 - 2010)



Data as on July 2010: Assessments in sample: World (37) of which Asia (6)

Part III

**INTERNATIONAL COORDINATION OF  
THE REGULATORY REFORM AGENDA**

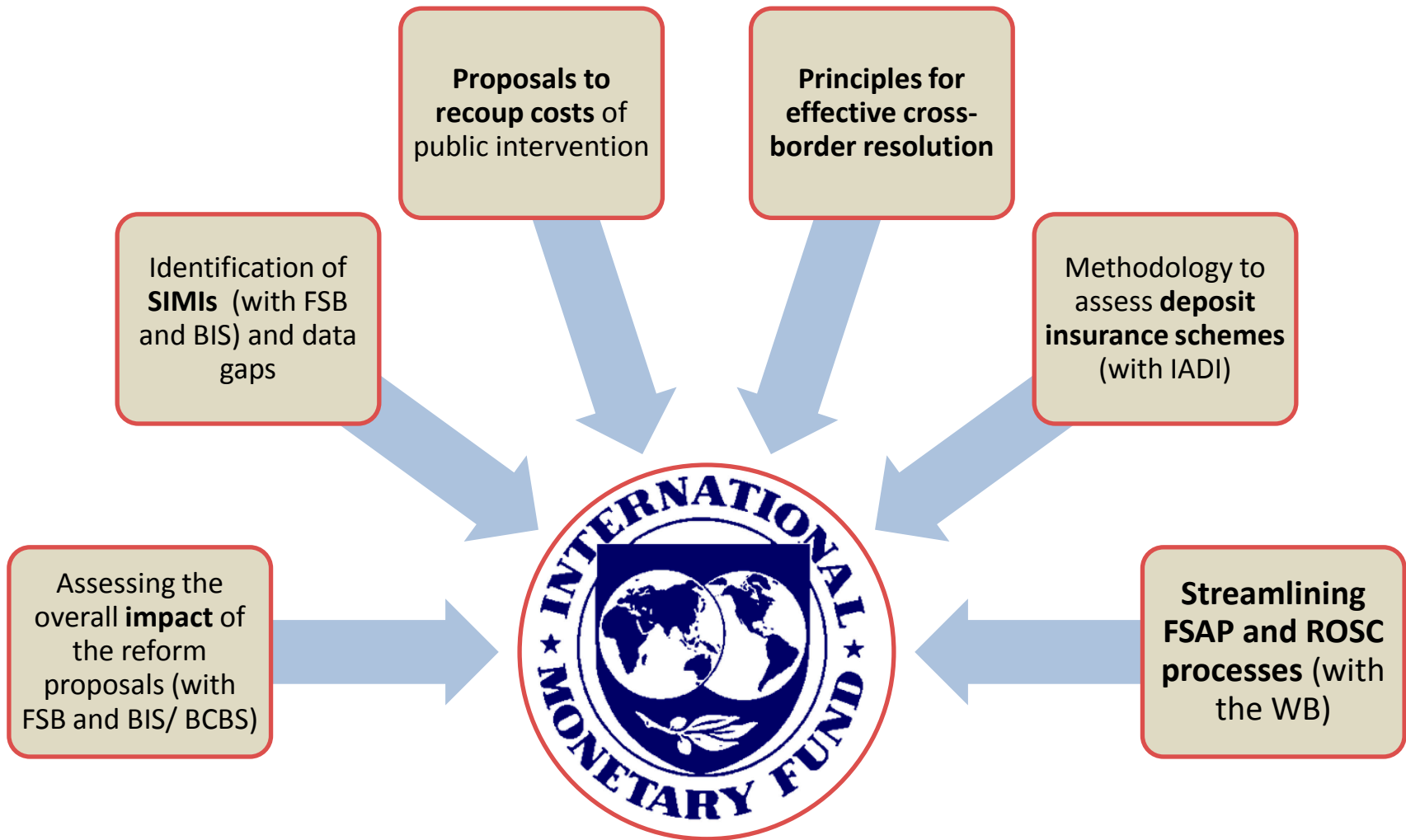
# Many players -- requires effective coordination



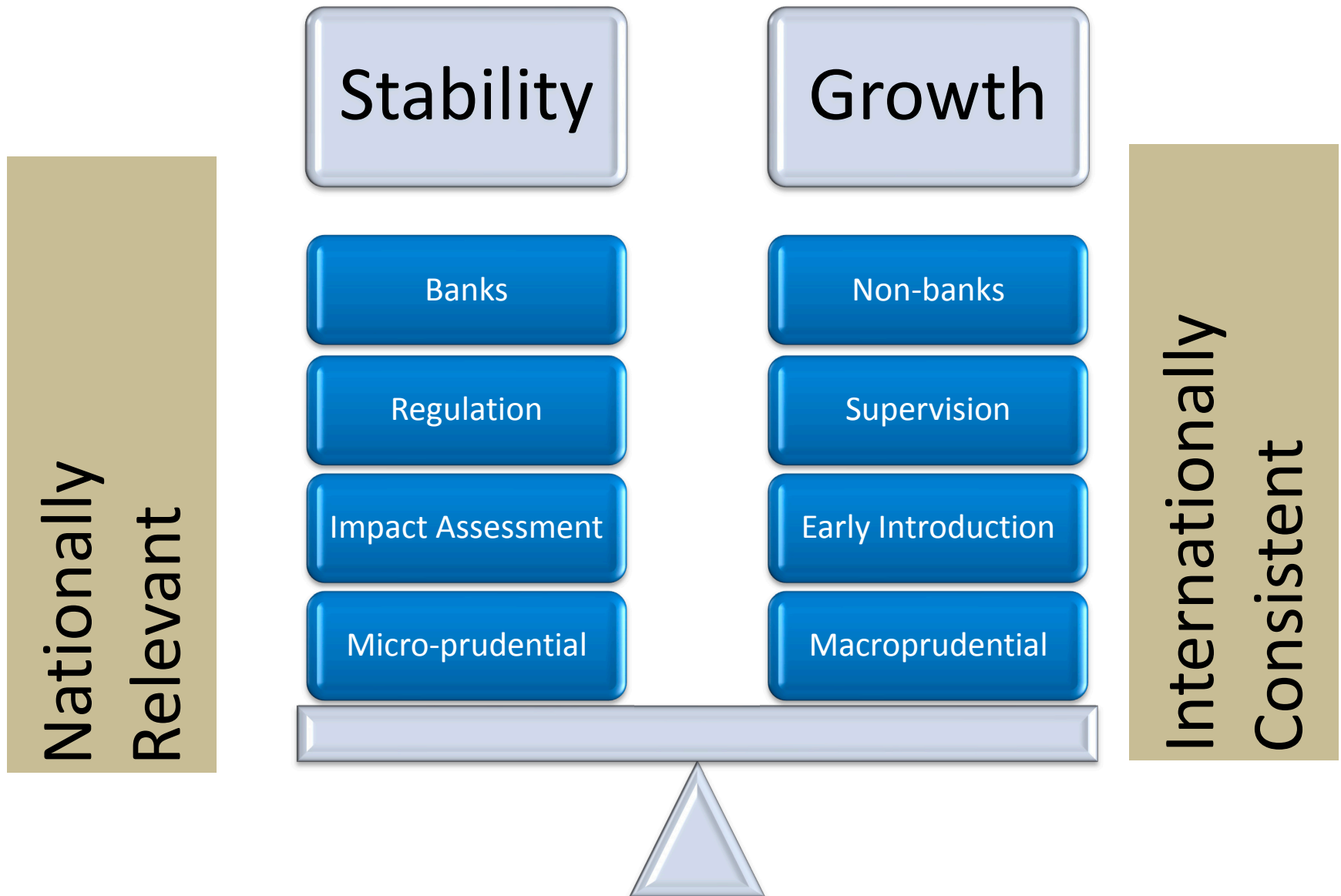
# The role of the IMF in international coordination of regulatory reform - I



# IMF role in international coordination of regulatory reform - II



# The Reform Agenda - A Tough Balancing Act



# Coordination challenges ahead -I

- Coordinating regulatory practices is already challenging in both normal and crisis periods
- This crisis (and its regulatory response) further elevates the requirements of both cross-border and cross-sector coordination.
  - Focus enlarges from arbitrage and level playing field issues to include crisis management and resolution issues; from bank focused approaches to financial firms in general
- Agreement on resolution of complex cross-order financial institutions seen as the Achilles Heel of the International Financial System

# Coordination challenges ahead -II

- The regulatory reform measures in train will increase the need for effective inter-agency and cross-border cooperation
  - Enlarged scope (regulatory perimeter)
  - New areas (compensation practices)
  - New matrices of relationships (central bank role, systemic risk councils)
  - New instruments and approaches ( macroprudential responses)
  - More recognition of national discretion
  - New international players and roles
- After agreement is reached on pending design issues, coordinated and effective implementation will be critical for success

Thank you