



International Centre for  
Financial Regulation

**Annual International Regulatory Summit**  
**Regulation without Borders - G20 Ideals and National Interests**

The Hilton, Amsterdam, Netherlands 8 – 9 November 2010

**Session Bibliographies**

---

**Core Bibliography**

**Bibliography:****Basel Committee on Banking Supervision (BCBS) (2009): *Strengthening the Resilience of the Banking Sector***

- **Link to the publication:** <http://www.bis.org/publ/bcbs164.pdf?noframes=1>

The proposals set out in this paper are a key element of the Committee's comprehensive reform package to address the lessons of the crisis. The reforms have micro-prudential as well as macro-prudential focus. The key elements of the proposals for consultation are the following: (i) raising the quality, consistency and transparency of the capital base (the quality of the Tier 1 capital base has to be raised); (ii) strengthening the risk coverage of the capital framework: proposals to strengthen the capital requirements for counterparty credit risk exposures arising from derivatives, repos and securities financing activities; (iii) introducing leverage ratio as a supplementary measure to the Basel II risk-based framework; (iv) introducing a series of measures to promote the build-up of capital buffers in good times that can be drawn upon in periods of stress; (v) introducing a global minimum liquidity standard for internationally active banks.

**BCBS (2010): Global Capital Requirements and Liquidity Standard**

- **Link to the publication:** <http://www.bis.org/press/p100912.pdf?noframes=1>

The BCBS announced recently that the minimum requirement for common equity will be raised from 2% to 4.5% with an additional conservation buffer of 2.5%, to protect against future financial turmoil. This will bring the total amount of Tier 1 capital to be held by banks to 7%, with capital requirements for trading, derivative and securitisation activities due to come into force by the end of 2011. The liquidity leverage ratio (LCR) will be introduced in 2015. The new minimum ratios will be phased in between 2013-2015 while the conservation buffer will be phased in between 2016 and 2019 although national authorities can choose to phase in earlier if they prefer.

**BCBS (2009): *International Framework for Liquidity Risk Measurement, Standards and Monitoring***

- **Link to the publication:** <http://www.bis.org/publ/bcbs165.pdf?noframes=1>

A key characteristic of the financial crisis was the inaccurate and ineffective management of liquidity risk. The BCBS has recently focused on further increasing the resilience of internationally active banks to liquidity stresses across the globe in addition to increasing the international harmonisation of liquidity risk supervision. "The Committee has developed two internationally consistent regulatory standards for liquidity risk supervision as a cornerstone of a global framework to strengthen liquidity risk management and supervision"<sup>1</sup>. The two standards are a Liquidity Coverage Ratio (addressing the sufficiency of a stock of high quality liquid assets to meet short-term liquidity needs under a specified acute stress scenario) and a Net Stable Funding Ratio (addressing longer-term structural liquidity mismatches). The standards also came as a response to the G20's recommendations at summits in Pittsburgh and London (held in 2009).

---

<sup>1</sup> Quotations in all the summaries are from the works summarised

**BCBS (2010): *Capital and Liquidity Reform Package***

- **Link to the publication:** <http://www.bis.org/press/p100726/annex.pdf>

The Group of Governors and Heads of Supervision, the oversight body of the Basel Committee on Banking Supervision, met on 26 July to review the Basel Committee's capital and liquidity reform package. Governors and Heads of Supervision reached broad agreement on the overall design of the capital and liquidity reform package. In particular, this includes the "definition of capital, the treatment of counterparty credit risk, the leverage ratio, and the global liquidity standard." The Committee will finalise the regulatory buffers before the end of this year. The Governors and Heads of Supervision agreed to finalise the calibration and phase-in arrangements at their meeting in September. The Basel Committee will issue publicly its economic impact assessment in August. It will issue the details of the capital and liquidity reforms later this year, together with a summary of the results of the Quantitative Impact Study. The broad agreements are summarised in the link above.

**BCBS (2010): *An Assessment of the Long-term Economic Impact of Stronger Capital and Liquidity Requirements***

- **Link to the publication:** [http://www.financialstabilityboard.org/publications/r\\_100818a.pdf](http://www.financialstabilityboard.org/publications/r_100818a.pdf)

The study assesses the economic costs and benefits of stronger capital and liquidity regulation in terms of their impact on output. The core conclusion of the report is that the net benefits remain positive for a broad range of capital ratios, while the incremental net benefits from reducing the probability of banking crises gradually declines to become negative beyond a certain range. The study focuses on the long-term impact of the new regulations. The costs are mainly related to the possibility that higher lending rates lead to a downward adjustment in the level of output while leaving its growth rate unaffected. In order to be able to estimate more accurately the impacts of the ongoing crisis and forecast future crises, various studies have been conducted based on historical data and experience. An evaluation of the net benefits is at the base of valuating the long run economic impact. It is inevitable that the analysis of the macroeconomic benefits and costs is subject to considerable uncertainty. Thus, the report draws on a variety of methodologies and models. Knowing that uncertainty is a key player, the sizeable gap between benefits and costs for a broad range of assumptions still suggest that in terms of the impact on output there is considerable room to tighten capital and liquidity requirements while still achieving positive net benefits. Therefore, although there is a considerable uncertainty about the exact magnitude of the effect, the evidence suggests that higher capital and liquidity requirements can significantly reduce the probability of banking crises.

**BCBS (2010): *Group of Governors and Heads of Supervision Announces Higher Global Minimum Capital Standards***

- **Link to the Press release:** <http://www.bis.org/press/p100912.htm>
- **Link to Annex 1:** <http://www.bis.org/press/p100912a.pdf>
- **Link to Annex 2:** <http://www.bis.org/press/p100912b.pdf>

The Press release discusses the fact that the minimum requirement for common equity, will be raised from 2% to 4.5% with an additional conservation buffer of 2.5%, to protect against future financial turmoil. This will bring the total amount of Tier 1 capital to be held by banks to 7%, with capital requirements for trading, derivative and securitisation activities due to come into force by the end of 2011. The liquidity coverage ratio (LCR) will be introduced in 2015. The new minimum ratios will be phased in between 2013-2015 while the conservation buffer will be phased in between 2016 and 2019 although national authorities can choose to phase in earlier if they prefer. The idea of the buffer is to constrain earnings distribution the closer one gets to

the minimum. The new capital requirements are summarised in Annex 1. Annex 2 summarises the transitional arrangements.

**Brunnermeier M et al. (2009):** *The Fundamental Principles of Financial Regulation*, Geneva Reports on the World Economy

- **Link to the publication:** <http://www.cepr.org/pubs/books/CEPR/booklist.asp?cvno=P197>

The first claim of this report by the Geneva Association is that regulation has been excessively focussed on the improvement of behaviour and risk management practices of individual banks (micro-prudential regulation) but it has been too little focussed on wider systemic issues (macro-prudential). The question is also raised in the paper as to which parties should stand behind the system to provide access to liquidity when markets fail to function adequately. There are four candidates: (i) banks themselves; (ii) private insurance; (iii) Central Bank as the market maker of last resort; (iv) Governments providing public sector insurance against credit counterparty risk. Several more topics are covered in the paper such as countercyclical regulation and regulation of liquidity and maturity mismatches. Importantly, micro-prudential measures have to be supported by macro-prudential controls. As a result, alternative measures are proposed, whereby the Basel II risk-weighted CAR is interacted with macro-prudential measures to achieve a countercyclical overall effect and to penalise systemically dangerous funding mismatches.

**Clifford Chance (2010):** *Memo on the Dodd-Frank Wall Street Reform and Consumer Protection Act*

- **Link to the publication:**  
[http://www.cliffordchance.com/publicationviews/publications/2010/06/dodd-frank\\_wall\\_streetreformandconsume.html](http://www.cliffordchance.com/publicationviews/publications/2010/06/dodd-frank_wall_streetreformandconsume.html)

This summary provides an overview of the Dodd-Frank Act as it was signed into law in July 2010.

**De Larosière J (2009):** *de Larosière Report* by the High-Level Group on Financial Supervision in the EU

- **Link to the publication:**  
[http://ec.europa.eu/internal\\_market/finances/docs/de\\_larosiere\\_report\\_en.pdf](http://ec.europa.eu/internal_market/finances/docs/de_larosiere_report_en.pdf)

This report lays out a “framework to take the European Union forward” in addressing reforms required in the aftermath of the credit crisis. This report calls for the following goals to underline any financial reform package: (i) “to reduce risk and improve risk management; to improve systemic shock absorbers; to weaken pro-cyclical amplifiers; to strengthen transparency; and to get the incentives in financial markets right”; (ii) “stronger coordinated supervision – macro-prudential and micro prudential”; (iii) “effective crisis management procedures – to build confidence among supervisors.” Chapter 2 identifies the areas that require regulatory repair and policy reforms, Chapter 3 addresses the strengthening the EU Supervision of the financial system and lastly Chapter 4 discusses the different aspects of global repair of the financial system.

**European Commission (EC) (2010):** *Commission Services Staff Working Document: Possible Further Changes to the Capital Requirements Directive*

- **Link to the publication:**  
[http://ec.europa.eu/internal\\_market/consultations/docs/2010/crd4/consultation\\_paper\\_en.pdf](http://ec.europa.eu/internal_market/consultations/docs/2010/crd4/consultation_paper_en.pdf)

This paper works the recommendations in the BCBS paper listed above through the EU Capital Requirements Directive. Read one or the other, but not both.

**Financial Services Authority (FSA) (2010): *Assessing Possible Sources of Systemic Risk from Hedge Funds***

- **Link to the publication:** [http://www.fsa.gov.uk/pubs/other/hedge\\_funds.pdf](http://www.fsa.gov.uk/pubs/other/hedge_funds.pdf)

This review by the UK FSA looks at the systemic risk posed by hedge funds. Whilst it reviews possible elements of risk in hedge fund strategies and hedge funds in their role as counterparties, the conclusion that the paper comes to is that the data analysed shows a relatively low level of leverage amongst hedge funds and a “contained level of risk” as a result; similarly, no one fund posed a significant systemic risk to the financial systems at the time of writing (although, it notes, this could change in the future). The paper was published by the FSA in the “hope that our work in this area can contribute to the ongoing debate about the [AIFM] Directive”.

**FSA (2009): *Impact of the Proposed AIFM Directive across Europe***

- **Link to the publication:** [http://www.fsa.gov.uk/pubs/other/Impact\\_of\\_AIFM\\_Directive.pdf](http://www.fsa.gov.uk/pubs/other/Impact_of_AIFM_Directive.pdf)

Charles River Associates (CRA) was asked by the Financial Services Authority (FSA) to conduct an assessment of the impact of the proposed Alternative Investment Fund Manager Directive (AIFMD) on investors, financial markets and enterprise across the European Union (EU). The report assesses the impact of the Directive on investor choice and returns, Alternative Investment Funds, systemic risk of hedge funds, venture capital and private equity funds, impact on employment and growth, and impact on investment trusts. In conclusion, the report notes that, “the AIFMD will have significant impacts in terms of reduced investor choice and substantial compliance costs for the AIF industry (which themselves will be passed on to investors, ultimately resulting in lower returns). The Directive will cause a fundamental re-organisation in the business model of global fund managers (with significant one-off costs) and may lead to costly changes of legal structures and domicile.” Impact studies were also undertaken by Europe Economics on behalf of the European Commission and another one was published by Open Europe the think-tank.

**Financial Stability Board (FSB) (2009): *Improving Financial Regulation***

- **Link to the publication:** [http://www.financialstabilityboard.org/publications/r\\_090925b.pdf](http://www.financialstabilityboard.org/publications/r_090925b.pdf)

This is a report of the FSB to the G20 leaders. “Since the London Summit, the FSB and its members have advanced a major program of financial reforms based on clear principles and timetables for implementation that are designed to ensure that a crisis on this scale never happens again”. The report starts off with significant achievements that have been undertaken since the Washington Action Plan and the G20 London Summit. The report then goes on to highlight the critical work that is being undertaken among others, to strengthen global capital framework, ensuring robust liquidity, reducing moral hazard, expanding oversight of the financial system, and mitigating risks posed by OTC derivative markets. In conclusion, the report reiterates the need for “perseverance and consistent national implementation.”

**FSB (2008): *Report of the Financial Stability Forum in Enhancing Market and Institutional Resilience***

- **Link to the publication:** [http://www.financialstabilityboard.org/publications/r\\_0804.pdf](http://www.financialstabilityboard.org/publications/r_0804.pdf)

This report by the Financial Stability Forum proposes concrete actions to restore confidence in the soundness of markets and institutions following the financial crisis. Despite the measures already in place it is essential to consider long term policy responses. To this end, the FSB proposed actions covering some important areas, including: (i) strengthening prudential oversight of capital, liquidity and risk management; (ii) enhancing transparency and valuation; (iii) changes in the role and uses of credit ratings; (iv) strengthening the authorities’ responsiveness to risks; (v) robust arrangements for dealing with stress in the financial system.

However, “the goal will be to strengthen the efficiency and resilience of the system, without hindering the process of market discipline and innovation that are essential to the financial system’s contribution to economic growth”.

**FSB and BCBS (2010): *An Assessment of the Long-term Economic Impact of Stronger Capital and Liquidity Requirements***

- **Link to the publication:** [http://www.financialstabilityboard.org/publications/r\\_100818a.pdf](http://www.financialstabilityboard.org/publications/r_100818a.pdf)

“This report provides an analysis of the long-term economic impact (LEI) of the Basel Committee’s proposed capital and liquidity reforms. It assesses the economic benefits and costs of stronger capital and liquidity regulation in terms of their impact on output”. The study suggests that the timing of when the new requirements are phased in is seen as crucial. This is due to the fact that it would determine how banks react to new capital and liquidity standards. A short transition period means that banks may contract their lending with a view to boosting their capital levels while a longer transition period would give banks enough time to retain earnings and to issue more equity. To assist banks with the phasing in of the new proposals, the BCBS and FSB have set up a Macro Assessment Group (MAG) which will be responsible for assessing the macroeconomic effects of the transition to higher capital and liquidity requirements. This group will be made up of experts from regulatory bodies, central banks and other international institutions. The MAG have highlighted that, although it has applied certain models such as value-at-risk and Dynamic Stochastic General Equilibrium (DSGE), it is impossible to adopt a “one size fits all approach”, that incorporates all applicable mechanisms including changes in lending spreads, short-term credit supply constraints and international spillover effects to name a few. The MAG’s assessment presents both quantitative and qualitative factors on the impact of capital and liquidity requirements on growth. The Macro Assessment Group recognises that if capital and liquidity requirements are not phased in gradually, behavioural changes will be made by banks; especially regarding the nature of their assets, loan covenants and maturities, in order to reduce their risk exposures.

**G20 (2010): *Toronto Summit Declaration***

- **Link to the publication:** [http://www.g20.org/Documents/g20\\_declaration\\_en.pdf](http://www.g20.org/Documents/g20_declaration_en.pdf)

This is the G20’s declaration coming out of their weekend’s summit in Toronto, Canada. G20’s financial reform agenda rests on four pillars, namely: (i) strong regulatory framework: the G20 have taken stock of the progress of the Basel Committee on Banking Supervision (BCBS) towards a new global regime for bank capital and liquidity and they welcome and support its work. All members will adopt the new standards and these will be phased in over a timeframe that is consistent with sustained recovery and limits market disruption, with the aim of implementation by end-2012, and a transition horizon informed by the macroeconomic impact assessment of the Financial Stability Board (FSB) and BCBS; (ii) effective supervision: this task lies with the FSB and the IMF to report to Finance Ministers and Central Bank Governors by October 2010 on recommendations to strengthen oversight and supervision; (iii) resolution and addressing systemic institutions: they have called upon the FSB to consider and develop concrete policy recommendations to effectively address problems associated with, and resolve, systemically important financial institutions by the Seoul Summit; (iv) transparent international assessment and peer review: the G20 have strengthened their commitment to the IMF/World Bank Financial Sector Assessment Program (FSAP) and pledge to support robust and transparent peer review through the FSB.

**Independent Commission on Banking (ICB) (2010): *Issues Paper Call for Evidence***

- **Link to publication:** <http://bankingcommission.independent.gov.uk/bankingcommission/wp-content/uploads/2010/07/Issues-Paper-24-September-2010.pdf>

The purposes of the Issues Paper are to indicate how the Commission is approaching its task, to set out the issues on which the Commission will be focused, and to serve as a Call for Evidence inviting submissions from all interested parties. The report sets out a brief description of the current state of the UK banking sector, then goes on to discuss the issues that the Commission has been asked to address, and describes some examples of potential options for reform. While comments on any aspect of this paper are welcome, three topics on which the Commission would be particularly interested in receiving views, analysis and evidence are set out immediately below.

**International Monetary Fund (IMF) (2010): *A Fair and Substantial Contribution by the Financial Sector*, Final Report for the G20**

- **Link to the publication:** <http://www.imf.org/external/np/g20/pdf/062710b.pdf>

This report proposes two forms of contribution from the financial sector, serving distinct purposes: (i) A “Financial Stability Contribution” (FSC) linked to a credible and effective resolution mechanism. The main component of the FSC would be “a levy to pay for the fiscal cost of any future government support to the sector. This could either accumulate in a fund to facilitate the resolution of weak institutions or be paid into general revenue.”; (ii) Any further contribution from the financial sector that is desired should be raised by a “Financial Activities Tax” (FAT) levied on “the sum of the profits and remuneration of financial institutions, and paid to general revenue.” The proposals are designed such that international cooperation would be beneficial but “effective cooperation does not require full uniformity, but agreement on broad principles...”

**Institute of International Finance (IIF) (2010): *Interim Report on the Cumulative Impact on the Global Economy of Proposed Changes in the Banking Regulatory Framework***

- **Link to the publication:** <http://www.iif.com/download.php?id=i/Q+9bBo/j8=>

This paper looks at the cost of all possible measures being implemented and the main thrust of the paper is that regulatory reform will have a serious, permanent, ongoing affect on banks and the economy for at least the next 10 years. Chapter 2 looks at the methodology and the regulatory measures that are considered within the impact models. The objective of this paper is to put a firm number on what the “cost worth paying” may turn out to be which is measured in terms of GDP and employment and it looks at banking systems in the US, Euro Area and Japan and emerging economies. The authors supplement bank balance sheet models using profit and loss, and a simple bank capital framework and a macroeconomic block which links credit growth to GDP and employment. The results are obtained from two different tests that are run, one using a “base” scenario where there is no change in the regulatory environment beyond those introduced during and immediately after the crisis and other which imposes a series of regulatory changes that reflect the timing and magnitude of the current proposals. The cumulative impact is the difference in costs under the above two scenarios. Some of the results are: (i) for the “G3” there would be a loss of 0.6% and 0.3% from real GDP growth over the next five and ten years respectively; (ii) the Euro area is the hardest hit followed by the US and Japan; (iii) direct and indirect employment implications arising from lower GDP growth as fewer jobs would be created under the regulatory scenario compared to the ‘base’ scenario.

**Joint Forum (2010): *Review of the Differentiated Nature and Scope of Financial Regulation Key Issues and Recommendations***

- **Link to the publication:** <http://www.bis.org/publ/joint24.pdf>

This report “analyses key issues arising from the differentiated nature of financial regulation in the international banking, insurance, and securities sectors. It also addresses gaps arising from the scope of financial regulation as it relates to different financial activities, with a particular focus on certain unregulated or lightly regulated entities or activities.” The report presents its findings and recommendations in five key issue areas: (i) Issues arising from regulatory differences across the three sectors, including with respect to similar financial products; (ii) Supervision and regulation of financial groups, focusing on unregulated entities within those groups; (iii) Residential mortgage origination, focusing on minimum underwriting standards consistently implemented by different types of mortgage providers; (iv) Hedge funds, especially those that present systemic risk; (v) Credit risk transfer, focusing on credit default swaps and financial guarantee insurance.

**London School of Economics (LSE) (2010): *The Future of Finance***

- **Link to publication:** <http://harr123et.files.wordpress.com/2010/07/futureoffinance5.pdf>

The book published in July presents a novel approach to the reform of the world’s financial system, starting with the basic question, what is a financial system for? It shows that the existing system has become far more complicated than it needs to be to discharge its functions – and dangerously unstable into the bargain. It proposes some drastic remedies. The LSE Report is the work of a group of leading academics, financiers, journalists and officials from the UK’s Financial Services Authority, the Bank of England and the Treasury. They met twelve times to discuss “what is the financial system for” and “what is the future of finance”.

**Paul, Weiss, Rifkind, Wharton and Garrison LLP: *The Dodd-Frank Wall Street Reform and Consumer Protection Act: Summary and Analysis***

- **Link to the publication:** <http://www.paulweiss.com/the-dodd-frank-wall-street-reform-and-consumer-protection-act---summary-and-analysis-08-20-2010/>

The Dodd-Frank Wall Street Reform and Consumer Protection Act was signed into law in the United States by President Obama on July 21, 2010. The Act is comprehensive in scope, providing for significant changes to the structure of federal financial regulation and new substantive requirements that apply to a broad range of market participants. This compilation includes a summary of the key provisions of the Act and a series of memoranda addressing areas of regulation under the Act, *inter alia*, in relation to corporate governance and executive compensation, the Volcker Rule, securitisation reform and what foreign private issuers need to know about the Act.

**Turner A (2009): *The Turner Review***

- **Link to the publication:** [http://www.fsa.gov.uk/pubs/other/turner\\_review.pdf](http://www.fsa.gov.uk/pubs/other/turner_review.pdf)

This report is organised in the following way; Chapter 1 “describes what went wrong, and the extent to which the crisis challenges past intellectual assumptions about the self-correcting nature of financial markets. Chapter 2 sets out changes to banking regulation and supervisory approaches where the principles of changes now required are already clear, and which the FSA plans to introduce and/or which it is proposing in international fora.” The review summarises all the actions required in different domains of financial regulation

in this section of the report. Chapter 3 describes “a set of wider issues raised by the crisis, and a wider set of possible policy responses which deserve debate. Chapter 4 summarises the recommendations, distinguishes between those which can be implemented by the FSA acting alone and those where we need to seek international agreement, and discusses the appropriate pace and process of implementation given the starting point of today’s macroeconomic position.”

**Wyman O and Morgan Stanley (2010): *Solvency II: Quantitative & Strategic Impact***  
*The Tide is Going Out, Blue Paper*

- **Link to the Publication:** <http://www.oliverwyman.com/ow/solvency-ii-oliver-wyman-morgan-stanley-report.htm>

This study with the use of their model, tries to quantify possible impacts of Solvency II. The main results of this study are: (i) “solvency ratios for the non-life oriented insurers show sharp declines under Quantitative Impact Study (QIS) 5”; (ii) “Reinsurers are likely to see a major decline in reported solvency ratio, but demand for reinsurance should increase”; (iii) “the majority of the industry’s capital requirement comes from a combination of market risk and participating contracts” and “diversification benefits will also be a key driver of the Solvency II capital requirements”; (iv) “European insurers may become competitively challenged in markets with ‘non-Solvency 2 equivalent’ regimes”; (v) most large insurers are likely to seek approval to use an internal model; (vi) Solvency 2 could be a catalyst for change from traditional business models and could see M&A’s leading the objective for strategic change. In the case of investors, although there has been a high demand for transparency, disclosing the true volatility of the European insurance sector’s balance sheet could result in a rise in the cost of capital and a lack of investor understanding. The paper observes that the higher the market risk, the more volatile the Solvency II ratio. This may therefore increase the cost of equity to investors during the first few years of implementation. Solvency II is made up of specific rules on the limits and eligibility of available capital. Current Tier 1 proposals are requiring features such as principal loss absorption mechanisms (e.g. equity conversion or write down/up) upon a specified trigger and the removal of any incentive to redeem the instrument (e.g. an interest step-up at the bond’s first call date). The above issues are important because there is still a degree of uncertainty with regards to investor appetite for the structures mentioned. The insurance industry has argued that the positive cash flow nature of its business model, with assets having a shorter duration than liabilities in many cases, as well as the long-term and illiquid nature of liabilities, makes it impossible for some investors not to apply lower cost of equity to less leveraged companies with less reliance on hybrid capital.

**UK HM Treasury (2010): *Bank Levy: a Consultation***

- **Link to the publication:** [http://www.hm-treasury.gov.uk/d/consult\\_bank\\_levy\\_condoc.pdf](http://www.hm-treasury.gov.uk/d/consult_bank_levy_condoc.pdf)

The policy context for this proposal is that the UK government believes, “it is fair and it is right that banks should make an appropriate contribution, which reflects the many risks they generate.” The levy is based on total liabilities and equity excluding certain components of the balance sheet and will apply to the “global consolidated balance sheet of UK banking groups and building societies; the aggregated UK subsidiary and branch balance sheets of foreign banks and banking groups operating in the UK; and the balance sheets of UK banks in non-banking groups.” This document sets out three stages for policy development: stage 1 - set out objectives and identify options; stage 2 - determine the best option and develop a framework for implementation, including detailed policy design; and stage 3 - draft legislation to effect the proposed change. The consultation period ends on 5 October 2010.

**UK HM Treasury (2009): *Reforming Financial Markets***

- **Link to the publication:** [http://www.hm-treasury.gov.uk/d/reforming\\_financial\\_markets080709.pdf](http://www.hm-treasury.gov.uk/d/reforming_financial_markets080709.pdf)

This document sets out the UK Treasury's analysis of the causes of the financial crisis, the actions that were already taken to restore financial stability and the reforms necessary to strengthen the financial system for the future. Sections of the document are devoted to the reforms of banking regulation. There is an overview of the Banking Act 2009, which gives the authorities permanent powers to intervene when the likely failure of a bank or other deposit taking institution threatens financial stability. The document also contains an overview of Lord Turner's review of regulation, which identifies the reforms needed to strengthen the UK's regulatory regime. It is stated in this document that the Government will support the Financial Services Authority (FSA) in its reform of banking regulation. One of the key components of these reforms, which are underway, will be the FSA's plan to: "work with its international counterparts to strengthen capital and liquidity requirements – the rules that banks must follow to ensure that they have sufficient financial resources to deal with risks that their business involves".

**United States Congress (2010): *Dodd-Frank Wall Street Reform and Consumer Protection Act***

- **Link to the publication:** <http://www.sec.gov/about/laws/wallstreetreform-cpa.pdf>

The Dodd-Frank Act (DF), signed into law by President Obama on 21 July 2010, represents a significant attempt to regulate the American financial sector, providing a vast array of legislative reforms. The Act abolished the Office of Thrift Supervision, created new agencies (Consumer Protection Agency, Financial Stability Oversight Council, Office of Financial Research and a Federal Insurance Office) and enhanced the role of the Federal Reserve. Contentious areas include the Lincoln Amendment (concerning derivatives), resolution authority, reform of credit rating agencies, leverage limits and the imposition of new risk retention requirements for securitised assets. Many provisions are very general and require agency rulemaking that will determine their actual impact, sometimes after mandated studies and often involving multiple federal agencies.

**Speeches:****Lipsky J (2010): *Taking Stock of Financial Sector Reform, Delivered at Depository Trust and Clearance Corporation Executive Forum***

- **Link to the publication:** <http://www.imf.org/external/np/speeches/2010/092710.htm>

This speech by the Deputy Managing Director of the International Monetary Fund discusses the IMF's views on the global economic outlook, their assessment of the progress to date in the global financial sector reform effort, and their views on the tasks that remain to be accomplished in this critical area. The speech notes that downturns accompanied by financial crises are deeper and longer lasting and an important conclusion arises with it, "the degree of global economic and financial interconnectedness mandates that in order to be successful, efforts at policy-led remediation of both economic and financial challenges will work best if they are coherent and consistent at a global level." The speech then highlights the financial reform agenda, which are: "(i) a strengthened regulatory system; (ii) a more effective supervisory system; (iii) development of a resolution mechanism for systemically important financial institutions (SIFIs); (iv) improving the process for assessing the implementation of new standards." The remarks then focus on the issue of macro-prudential regulation and address the challenges in strengthening market infrastructure.

**Turner A (2010):** *What banks do, what should they do, and what public policies are needed to ensure best results for the real economy*, delivered at CASS Business School, London

- **Link to the publication:** [http://www.fsa.gov.uk/pubs/speeches/at\\_17mar10.pdf](http://www.fsa.gov.uk/pubs/speeches/at_17mar10.pdf)

The speech by the chairman of the FSA starts with throwing some light on one of the Chairman's remarks whether modern banking is "socially-useless" and that regulation should be directed towards ensuring that there is a beneficial impact of banking activities on the real economy. This speech not only considers "what the financial system does and should ideally do – but also what public policies are required to ensure that the system focuses on its potentially value added functions". The first part of the speech explores the question of "what a financial system does: and its theoretical value added within the economy". Among the conclusions drawn are a need for a new philosophical approach to "market liquidity" and the need to re-consider the allocative efficiency of structured products. Also may be of interest would be the Economist's Inaugural City Lecture (2009) in which Lord Turner addressed the topic "The Financial Crisis and the Future of Financial Regulation".

**The International Centre for Financial Regulation**

5<sup>th</sup> Floor

41 Moorgate

London

EC2R 6PP

United Kingdom

Telephone: +44 (0) 20 7374 5560

Facsimile: +44 (0) 20 7374 5570

E-mail: [enquiries@icfr.org](mailto:enquiries@icfr.org)

Website: [www.icfr.org](http://www.icfr.org)