

International Financial Regulation without the U.S.?

Nicolas Véron



Global Financial Regulation

- Financial Stability Board (FSB)
- Bank for International Settlements (BIS)
- Basel Committee on Banking Supervision (BCBS)
- International Organization of Securities Commissions (IOSCO)
- International Association of Insurance Supervisors (IAIS)
- Committee on Payments and Market Infrastructures (CPMI)
- International Accounting Standards Board (IASB)
- ...



US Leadership at Creation

- **In some cases...**
 - G20 (1999/2008)
 - FSB (1999/2009)
 - IOSCO (1974/83)
- **... but far from all**
 - BIS: German idea backed by UK, then US (1929)
 - IASB: UK idea with US & Canada (1966)
 - Basel Committee: origins in European Community's "Groupe de Contact" (1972)



Governance: Flexibility

- Decisions mostly by consensus
- Standards are non-binding
- “Compliance is influence”



Case Study: Accounting

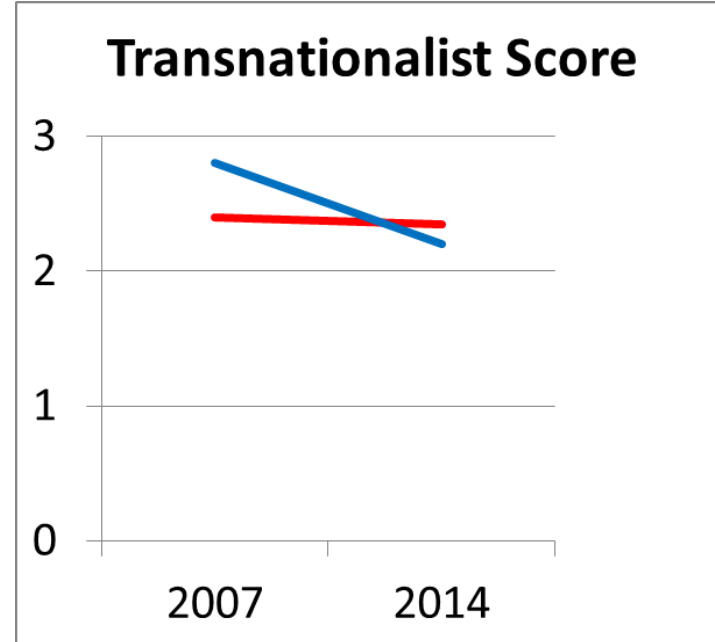
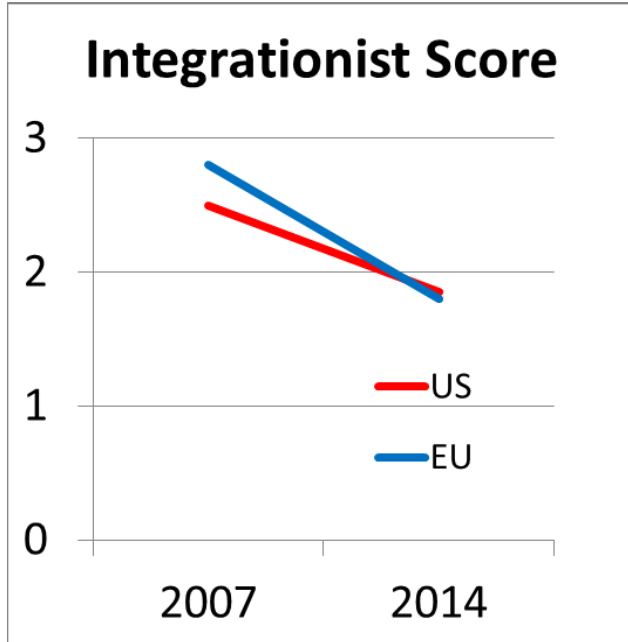
- International Financial Reporting Standards (IFRS)
- EU adoption 2000-02, implemented 2005
- Joined since by most other jurisdictions
- U.S. Securities & Exchange Commission
 - Allowed IFRS by foreign issuers 2007
 - Envisaged path towards full adoption 2008
 - No meaningful progress since



Other Selected Cases

- **U.S. Leadership (since 2008)**
 - G20 Reform of derivatives markets
 - Basel III
 - Bank resolution frameworks
- **Leadership from other jurisdictions**
 - Adoption of Basel II (mid-2000s)
 - Insurance capital standards (ongoing)
- **Private-sector leadership**
 - Derivatives until 2008

European Union Internationalism



Source: Posner & Véron (forthcoming)

- Will EU return to pre-crisis stance?
- Impact of Brexit?



China Internationalism

- Attitude to international cooperation
- Interest in global financial stability
- Imperative of domestic control

Selected Current/Future Issues



- Basel III completion
- International clearing houses
- Cross-border bank resolution in practice
- Conduct supervision & enforcement
 - Market misconduct (à la LIBOR)
 - Financial sanctions



Wrap-Up

- International financial regulation can work without U.S. leadership
- But critically dependent on alternative leadership, e.g. from EU and/or China