

Jones, Emily Lena; Knaack, Peter

Working Paper

The future of global financial regulation

GEG Working Paper, No. 127

Provided in Cooperation with:

University of Oxford, Global Economic Governance Programme (GEG)

Suggested Citation: Jones, Emily Lena; Knaack, Peter (2017) : The future of global financial regulation, GEG Working Paper, No. 127, University of Oxford, Global Economic Governance Programme (GEG), Oxford

This Version is available at:

<https://hdl.handle.net/10419/196385>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

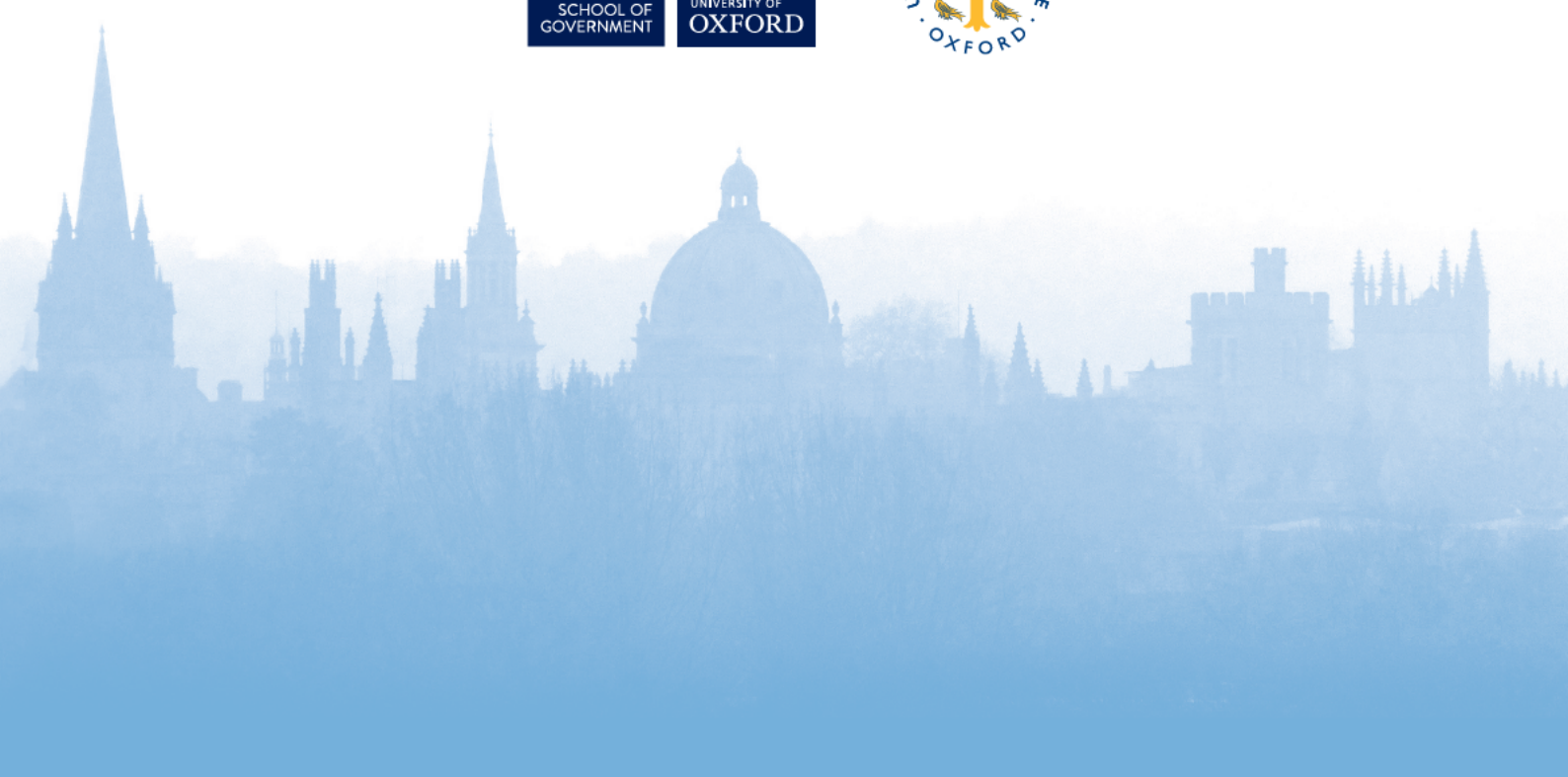
If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.



GEG Working Paper 127
April 2017

The Future of Global Financial Regulation

Emily Jones and Peter Knaack



The Future of Global Financial Regulation

Emily Jones¹ and Peter Knaack²

Abstract:

The current architecture of financial regulation is out of step with the evolving global landscape of financial services. Global financial standards tend to respond to the prerogatives of advanced economies, but large developing countries play an increasingly important role as stakeholder and innovator in the global financial system. Moreover, even the world's poorest developing countries are deeply integrated into global finance, so decisions made in international standard-setting bodies have substantial implications for their economic development. We analyze regulatory developments in the areas of prudential banking, anti-money laundering, and shadow banking to show how global financial standards are essential and well-intended, but entail negative repercussions for inclusive growth in developing countries. In our outlook for the future of global financial regulation, we advocate for sustained global coordination and propose three specific reforms: First, standard setters move away from an exclusive focus on financial stability to the pursuit of the twin goals of financial stability and inclusive economic development - the equivalent of a Taylor rule for financial regulation. Second, reforms should be geared towards greater formal representation for developing countries. And third, we propose the transformation of an existing regulatory institution into a standard-setting body for fintech.

The Global Economic Governance Programme is directed by Emily Jones and has been made possible through the generous support of Old Members of University College. Its research projects have been principally funded by the Ford Foundation (New York), the International Development Research Centre (Ottawa), and the MacArthur Foundation (Chicago). This research was supported by DFID-ESRC Growth Research Programme grant ES/L012375/1.

¹ Associate Professor of Public Policy, Blavatnik School of Government, University of Oxford

² Postdoctoral Research Fellow, Blavatnik School of Government, University of Oxford

Table of Contents

1. Introduction: Where Now for Global Financial Regulation?	3
2. How the International Financial Architecture is Out of Step	4
Challenge 1: Developing Country Influence in Standard-Setting	4
Challenge 2: Moving Beyond Financial Stability	5
Challenge 3: Regulating New Financial Products	6
3. Three Case Studies	7
Case Study 1: Basel Banking Standards	7
Case Study 2: Anti-Money Laundering and Financial Inclusion	8
Case Study 3: Shadow banking and fintech	10
4. Conclusion: Reform Options	12
Option 1: Common global principles with national rules	12
Option 2: A more representative and formalized system	12
Option 3: A standard-setting body for digital financial services	13
References	16

1. Introduction: Where Now for Global Financial Regulation?

In this article we pose one question: What should global financial regulation look like in the future? Where do we want to be ten years from now? We argue strongly for robust international financial cooperation, but we also call for substantial reforms. Our focus is on sustainable development and the kind of global financial governance that is needed to support the twin aspirations of financial stability and economic development, particularly in developing countries. Historically the US, EU and Japan have been the key players in international financial standard-setting bodies (SSB) but the world is changing fast. Large developing countries, with China at the forefront, are becoming increasingly important players and this trend is set to increase. Developing countries are the source of many financial innovations that provide new opportunities but pose new challenges for regulators. Moreover, even the world's poorest developing countries are integrated into global finance in a myriad of ways, so decisions made in international SSB have very substantial implications for their economic development and the attainment of the Sustainable Development Goals.

As international regulators look to galvanize international financial cooperation in the face of growing economic nationalism in the world's industrialized countries, they should look to where the energy and appetite is for international cooperation. We propose three specific reforms: First, SSBs move away from an exclusive focus on financial stability in global standards-setting to the pursuit of the twin goals of financial stability and inclusive economic development - the equivalent of a Taylor rule for financial regulation. Second, reforms geared towards greater *de facto* representation for developing countries. And third, the transformation of an existing regulatory body into an SSB with a mandate to foster cross-border regulatory cooperation and oversight of fintech. To make our case we highlight the ways in which current international financial cooperation is valuable but falls short of serving sustainable development and financial inclusion goals. We focus on three areas: prudential banking standards, efforts to curb anti-money laundering, and the regulation of non-traditional financial services.

2. How the International Financial Architecture is Out of Step

We live in a world of globalized finance. Cross-border capital flows rose from US\$0.5 trillion in 1980 to a peak of US\$11.8 trillion in 2007, before decreasing markedly in the wake of the financial crisis (Lund et al., 2013). Cross-border banks were a major vehicle of financial globalization, especially in developing countries (Claessens, 2016). Forty years ago, when the Basel Committee of Banking Supervisors was created, it was possible to divide the world of global finance into two distinct groups of countries: a relatively small core group of closely interconnected core countries housing major financial centers such as New York, London, Hong Kong, Tokyo and Frankfurt; and many more peripheral countries with much smaller financial sectors.

Fast-forward to the present, and we see a very different picture. While a relatively small number of countries still accounts for the bulk of the global finance (BIS, 2017; IMF, 2017), we are seeing three important shifts. First, the financial sectors of the world's largest and fastest-growing developing countries are sufficiently important that they are now part of the core. While multinational banks were overwhelmingly headquartered in OECD countries in the 1990s in the past decade we have seen the cross-border expansion of banks headquartered in developing countries. China for instance is the home jurisdiction for 4 of the 10 largest banks on earth, with operations in over 40 countries (P. Alexander, 2014). In sub-Saharan Africa, pan-African banks are now systemically important in 36 countries and play a more important role on the continent than long-established European and US banks (Marchettini, Mecagni, & Maino, 2015). Moreover, emerging market economies account for a 12% share of the global shadow banking sector (FSB, 2015a).

The second, and less recognized shift is that developing countries are far more interconnected to the financial core and to each other than 40 years ago. Following a wave of privatization and liberalization in the 1980s and 1990s, foreign bank presence increased and by 2007 accounted for more than half of the market share in 63 developing countries. Developing countries now have a higher level of foreign bank presence than industrialized countries, making them particularly vulnerable to financial crises and regulatory changes in other jurisdictions. This heightened interconnectedness was powerfully illustrated during the 2007-8 global financial crisis which, unlike previous crises, affected all types of countries around the world (Claessens, 2016).

Third, OECD countries are no longer the only hub of financial innovation. Especially in the retail financial sector, disruptive technologies are being invented in developing countries. While consumers in OECD countries still rely on credit and debit cards as their primary payment platform, consumers in China use their cell phones for a wide range of quotidian payments and even investment services. China's AliPay digital payment service currently has 450 million users, several times the amount of PayPal worldwide. The largest American peer-to-peer lending company, Lending Club, issued around \$16bn in loans over the last five years, a pale sum when compared with over \$100bn in loans issued by its Chinese equivalent Ant Financial in the same period (Chen, 2016). In Kenya, the invention of mobile money has had a transformative impact on financial inclusion. Mobile payments platforms are being used as a vehicle for micro-savings and micro-investments and, increasingly, cross-border money transfers. M-PESA and related products are being emulated in many other developing countries (Ndung'u, 2017).

Challenge 1: Developing Country Influence in Standard-Setting

The institutions and international standards that characterize global financial governance have struggled to keep abreast of these shifts. The Financial Stability Forum (the forerunner to the Financial Stability Board) and the Basel Committee on Banking Supervisors were created during an era of a distinct interconnected core and a much less connected

periphery. Only the largest financial centers were represented and international standards were intended for the exclusive use of members. The reasonable assumption was that common standards among the core would be sufficient to safeguard global financial stability, and adverse implications for countries outside of the SSBs were not anticipated.

In the wake of the Global Financial Crisis, the membership of the Financial Stability Board (FSB), Basel Committee and other key standard-setting bodies was reviewed and expanded to include all G20 countries, with developing countries represented for the first time. The FSB has made further efforts, dedicating an internal workstream on the effects of regulatory reform on emerging market and developing economies. Upon request by G20 leaders to improve outreach, the FSB established six Regional Consultative Groups in 2011 where FSB members and non-members exchange views on financial stability issues and the global regulatory reform agenda. Moreover, SSB make increasing use of public consultation periods that are open to all stakeholders on earth, no matter whether they are located in an FSB member jurisdiction or not – at least in principle.

However, a *de facto* lack of deliberative equality persists. Even though all G20 member countries have a seat at the table, regulators from emerging and developing countries are less engaged than their peers from industrialized countries (Chey, 2016). The nature of participation and influence in the Regional Consultative Group is unknown because public summaries of the meetings carry very little information. A study of public consultations regarding Basel banking standards revealed that official and private sector actors from developing countries never account for more than 20% of respondents (Walter, 2016). Deliberative inequality inside and outside of SSB may be attributed to a lack of cross-border experience and technical capacity among developing country regulators. The limited role played by developing country firms in transnational business associations compounds this phenomenon on the private sector side. It may also be a function of the agenda-setting process within SSB that places special importance on regulatory issues and conditions in advanced economies. Elements of Basel III and the current discussion on shadow banking (see below) exemplify a bias towards the largest firms and largest markets that fails to consider the often very different economic and regulatory environment in emerging market economies.

While welcome, recent reforms have not gone far enough to reflect the underlying realities of today's globalized financial markets. Crucially, the expansion of cross-border banks has created very powerful incentives for regulators in developing countries to converge on international standards even if they are not members of the Basel Committee. Even though a simplified set of Basel banking standards exists, a combination of market incentives and transnational regulatory diffusion drives developing countries to implement complex standards in line with "global best practices" that are poorly calibrated for their jurisdictions (FSI, 2015; Jones, 2014; Jones & Zeitz, 2017a). Moreover, because of their close integration into the global financial system, countries outside of the standard-setting bodies are often deeply affected by regulatory decisions made at the core of the financial system, as the discussion below on anti-money laundering standards powerfully illustrates. This paper argues that there is a strong case for ensuring that standards-setting bodies are more representative.

Challenge 2: Moving Beyond Financial Stability

Reflecting their origins, global financial standard-setting bodies have focused almost exclusively on the goal of financial stability. This goal is of vital importance: Lax financial regulatory standards increase the likelihood of a financial crisis both in core and periphery countries, the repercussions of which can wipe out years of development gains. In the wake of the global financial crisis, policymakers around the world called for greater regulatory stringency, including experts that take into account developing country preferences (Stiglitz, 2010; Sundaram, 2011)

Yet developing countries also need to use financial regulation to pursue economic growth and poverty reduction. Research has provided evidence for the positive effect of financial inclusion on the income and well-being of low-income households in developing countries, although widening the perimeter of financial services is no panacea in itself (Banerjee, Chandrasekhar, Duflo, & Jackson, 2013; Cull, Demirgüç-Kunt, & Morduch, 2013). Yet the stringent and inflexible implementation of global standards can jeopardize well-designed financial inclusion policies (GPFI, 2011).

The challenge for global standards-setting is that regulatory goals other than financial stability are rarely considered. The financial stability mandate is enshrined in the Charters of the major global SSB (BCBS, 2013, para. 1; FSB, 2012a, para. 2(3)) and domestic regulatory agencies (UK, 2012, sec. 2A; Tucker, Hall, & Pattani, 2013). As developing countries are increasingly adopting Basel and other international standards, there is a concern that this exclusive focus on stability entails negative consequences for them, infringing upon their policy space for financial inclusion and growth (Akyüz, 2011; Gottschalk, 2010; The Warwick Commission, 2009).

At the 2009 Pittsburgh Summit G20 leaders agreed on a set of Core Values for Sustainable Economic Activity. They did not restrict themselves to financial stability alone, but also committed to providing for “financial markets that serve the needs of households, businesses and productive investment” while recognizing that “there are different approaches to economic development” (G20, 2009). Upon the insistence of developing country representatives, some global standard-setters have made efforts to identify unintended negative consequences of financial regulatory reform (FSB, 2012b, 2016a; FATF, Asia/Pacific Group on Money Laundering, & World Bank, 2013), but such concerns remain an afterthought.

We thus argue for regulatory bodies to expand their mandate and consistently incorporate development prerogatives. Much like monetary policy at central banks is balanced between price stability and full employment, standard-setting bodies should espouse the twin goals of financial stability and financial inclusion (Taylor, 1993; Koenig, 2013). Such a Taylor rule for SSBs would ensure that financial regulation is not an impediment to inclusive growth in developing countries.

Challenge 3: Regulating New Financial Products

The financial services sector has witnessed significant technological innovation in recent years. New financial products have the potential to support economic growth and poverty reduction, including by dramatically increasing financial inclusion. From relatively simple technologies such as cell phones to sophisticated big data-driven credit assessment models, fintech innovations promise to break through some of the bottlenecks that have constrained financial services markets in history. Yet new financial products can carry old risks in new guises, including leverage, maturity and liquidity mismatches. Their dependency on digital platforms also exposes them to new challenges such as privacy issues and cyber risk. Moreover, as their importance grows, fintech services may contribute to systemic risk (Carney, 2017).

There is growing demand for knowledge sharing on how best to regulate fintech at the national level and, given the interconnectedness of contemporary financial markets, we expect to see increasing demand for global standards for fintech in the years ahead. In addition, the fact that fintech services transcend traditional boundaries between telecommunications, credit intermediation, payments and settlements requires concerted action by regulatory agencies that have little history of cooperation. The challenge ahead is to decide which international body should be the focal point for these decisions, which countries should sit at the table, and whether the standards should focus on financial stability or also on economic development and poverty reduction. In this paper we propose the transformation of an existing regulatory body with developing country representation and expertise into a novel global fintech standard setter.

3. Three Case Studies

In this section we substantiate our arguments by presenting case studies that illustrate how the challenges we identify above manifest in the areas of prudential banking, anti-money laundering, and shadow banking.

Case Study 1: Basel Banking Standards

All countries need stable banks. In the context of financial interdependence, there is a strong public interest case for international regulatory coordination as the collapse of a bank in one country can quickly have contagion effects in other countries. Common standards operate as a mechanism for regulators to reassure each other that the banks they oversee are soundly regulated.

Yet Basel banking standards proved inadequate to prevent the global financial crisis of 2008. Developing countries suffered either directly through reductions in credit flows or indirectly as through a fall in demand for exports, and a reduction in FDI, remittances and aid flows (CIGI, 2009). While the move towards more stringent regulation under Basel III has been widely welcomed, there have been concerns that implementation may have adverse spill-over effects for developing countries.

The rise of developing countries dramatically increases the heterogeneity of financial sectors to which international regulations should apply. As countries have diverse regulatory interests and capabilities, it becomes even harder to agree on a common set of standards (J. Barth, Caprio, & Levine, 2013; J. R. Barth, Lin, Ma, Seade, & Song, 2013; Brummer, 2010; Tarullo, 2008; The Warwick Commission, 2009).

Basel II and III were designed primarily for financial sectors in advanced economies and remain poorly calibrated for the characteristics of developing countries in several respects. A first challenge for many developing countries is the sheer complexity of the standards. Even national authorities in long-standing Basel member countries have found implementation of Basel II and III challenging, above all due to human resource constraints (FSB, 2013a; Bailey, 2014). While many regulators welcome the move in Basel III towards macroprudential regulation, the additional resource demands of adopting a macro-prudential approach are considerable, particularly in skills, training, modelling, technology, and data (Murinde, 2012).

The availability and operations of credit rating agencies pose further problems. According to Basel III rules, banks must set aside capital according to a conversion factor depending on the credit rating of the company that receives the loan. Many developing countries do not have domestic ratings agencies and the coverage of global ratings agencies is limited to the largest corporations. In Africa, except for South Africa and Nigeria, the lack of local credit rating agencies is a major problem (Murinde, 2012). Moreover, international agencies tend to regard the country rating as an upper bound, disadvantaging financially sound companies in developing countries (Martins Bandeira, 2016).

These challenges are compounded by the fact that Basel standards may not reflect the regulatory priorities of developing countries. Macroprudential standards in Basel III, for instance, do not adequately reflect the main sources of systemic risk in many developing countries, which often stem from external macroeconomic shocks rather than the use of complex financial instruments or a high level of interconnectedness among banks. The countercyclical buffer as well as liquidity standards have been criticised for being poorly designed for developing countries (Gottschalk, 2016; Jones & Zeitz, 2017b).

An obvious solution to these challenges is for the Basel Committee to design common but differentiated standards, providing regulators with a range of regulatory options that are sufficiently stringent yet also tailored for use in financial sectors at different levels of development. A simplified approach to Basel II and III is available, but..

Although the Basel Committee has taken some steps in this direction, the full range of options proposed in Basel III is not properly thought through, resulting in the adoption of overly complex regulations for the level of economic development and complexity of the financial system in many developing countries (World Bank, 2012).

The importance of recalibrating Basel standards extends beyond its member jurisdictions. Many regulators in developing countries outside of the Basel Committee perceive the implementation of international banking standards as necessary for facilitating the expansion of domestic banks overseas, overseeing the operation of foreign banks in their jurisdictions, and attracting investors into the financial services sector (Jones and Zeitz, forthcoming). As of 2015, 70 countries outside of the Basel Committee were implementing at least one element of Basel II and 41 were implementing at least one component of Basel III (FSI, 2015). Simply put, regulators in many developing countries cannot afford to remain at Basel I levels, even if more sophisticated standards are ill-suited to their particular regulatory needs.

Ten years from now, developing countries will still be under pressure to harmonise their regulations with the standards set by the largest players, be that the United States or China. Reform of the Basel Committee to make it more representative of developing country interests would ensure that continues to be the primary platform for meaningful dialogue between banking regulators from industrialised and developing countries and, increasingly, among developing country regulators.

Case Study 2: Anti-Money Laundering and Financial Inclusion

The agreement and implementation of international standards to combat money laundering and the financing of terrorism has, like prudential banking regulation, important public interest benefits for industrialized and developing countries alike. According to the United Nations Office on Drugs and Crime in 2009 criminal proceeds amounted to 3.6% of global GDP, with 2.7% (or USD 1.6 trillion) being laundered (UNODC, 2011). The implications for developing countries are substantial. While it is hard to gauge the magnitude of laundered money, recent estimates put illicit financial flows from Africa at over \$50bn per year, more than the amount of money that the continent receives in the form of aid (UNECA, 2015).

Yet, as with international banking standards, while the aims have been laudable, the standards and their implementation have not always reflected the interests of developing countries. The original requirements of the AML/CFT regime, as set out by Financial Action Task Force (FATF), espoused a compliance-based approach that aimed at raising international standards to the highest feasible level and apply naming-and-shaming procedures to punish non-compliant jurisdictions. Even though strict compliance with AML/CFT rules imposed barriers to financial inclusion, countries nonetheless implemented the standards because being grey- or blacklisted by FATF carries serious reputational costs that affect both capital markets and the banking system (Sharman, 2008).

Steps to address the unintended consequences of AML/CFT standards were first taken at the 2010 Summit in Korea. G20 leaders established the Global Partnership for Financial Inclusion (GPFI), a network of government officials, non-state organizations, the World Bank, and the major global financial standard-setting bodies (G20, 2010). It issued a report the following year that highlights the negative impact stringent standards are having on financial inclusion. Consequently, the GPFI report advocates for a proportionate application of financial standards, taking into account the nature of risk, regulatory capacity, and the current level of financial inclusion (GPFI, 2011).

Global SSB followed suit, commissioning their own studies and exploring policy options to ameliorate the adverse impacts (CPMI, 2016; FSB, 2015b). But the degree to which these organizations are responsive to this issue varies considerably. On one end of the spectrum, FATF has been open to developing country concerns in the AML/CFT regime. A group of FATF members, co-led by Mexico and the United Kingdom, took the lead in incorporating

financial inclusion and development goals in an updated set of global AML/CFT standards. The 2012 revision of FATF Recommendations are now widely acknowledged as a cornerstone in the fight to reduce financial exclusion. In a sense, they embody the idea of a Taylor rule for financial regulation, espousing the twin goals of financial integrity and inclusive growth. FATF promotes a risk-based approach that applies the proportionality principle to regulatory stringency. Know-your-customer identification requirements for example can be more relaxed for small-scale transactions and in low-risk locations, facilitating access for millions of low-income households to remittances and banking services (FATF, 2012).

Yet, even though regulators permit simplified approaches, banks may be wary of using them. They have good reason for concern as, in the wake of the financial crisis, supervisory authorities in the United States and Europe are subjecting global banks to heightened scrutiny, imposing substantial fines for misconduct. In this context, FATF's transition away from a previously more rules-based system to a risk-based approach has exacerbated uncertainty among global banks regarding regulatory expectations. As the IMF notes, "it may lead to the overcautious use of enhanced due diligence measures resulting in an unnecessary increase in compliance costs" (IMF, 2016, p. 21). Many developing countries have experienced the withdrawal of financial services by international banks in the past five years and while this may reflect strategic business decisions in the wake of the financial crisis, concerns about the costs of complying with AML/CFT requirements are a contributing factor.

A series of studies have documented the withdrawal of correspondent banking relationships, mainly from developing countries, and the stringent application of AML/CFT standards indeed appears to be a key driver (BAFT et al., 2014; G-24 & AFI, 2015; World Bank, 2015; Klapper, El-Zoghbi, & Hess, 2016; Hopper, 2016; IMF, 2016). In order to address these challenges, FATF took further steps and published specific guidance on AML/CFT and financial inclusion, correspondent banks, and non-profit organizations (FATF, 2014, 2015; FATF et al., 2013). Such regulatory clarifications however may be less effective than desired. The overwhelming majority of enforcement actions against banks related to customer due diligence originate in the United States, and until recently US authorities have refrained from clarifying their expectations regarding AML/CFT compliance (Federal Reserve Board, FDIC, NCUA, OCC, & US Department of the Treasury, 2016).

In contrast to the FATF, other standards-setting bodies have been more reluctant to take developing country concerns into account. The Basel Committee incorporated the risk-based approach and the proportionality principle in its 2012 revision of the Basel Core Principles (BCP), but did not mention negative repercussions of overly stringent AML/CFT regulations. The concept of financial inclusion does not appear in the document, not even in an Annex that deals specifically with correspondent banking. High-level advocacy organizations engaged with the Basel Committee in October 2014, pointing out the discrepancy between its call for "strict customer due diligence rules to promote high ethical and professional standards in the banking sector" (BCP 29), and the FATF risk-based approach. Yet a 2016 revision of the Guidance document does not contain any changes in this issue area (BCBS, 2012, 2014, 2016b).

The Basel Consultative Group, the main outreach body of the Basel Committee, has started to acknowledge financial inclusion concerns. For instance, regarding customer due diligence (BCP 29), the Consultative Group notes that "Regulation that requires documentation to verify identity creates potential barriers to access to financial services and products" (BCBS, 2015, 2016a). Yet the recommendations of the Basel Committee carry much more weight than those of the Basel Consultative Group.

Membership structure and mandate may help explain the difference in attitude. The Basel Committee was comprised only of industrialized countries until recently, and it has a mandate with an exclusive focus on "enhancing financial stability" (BCBS, 2013, p. 1). In

contrast, the majority of Basel Consultative Group members are non-OECD countries. Similarly, developing countries are represented in the FATF either as members or through regional organizations. The latter two SSB have engaged fully with the GPFI-initiated work on financial inclusion, the former has not. So long as the Basel Committee retains its exclusive focus on stability maximization, the outlook for tackling de-risking remains bleak.

Case Study 3: Shadow banking and fintech

Financial innovation is a double-edged sword. On the one hand, new financial products and services may be designed for the sole purpose of avoiding prudential supervision (i.e. regulatory arbitrage). On the other hand, they may be able to overcome existing bottlenecks and market failures to reach previously underserved sectors of the population, especially in developing countries. The evolving regulatory embrace of shadow banking and fintech shows how, again, a financial stability-maximizing approach may be at odds with developing country needs and preferences.

The global financial crisis highlighted the interconnectedness of the financial system and the destabilizing role money market funds, monoline insurers, and derivatives brokers can play. Regulators recognized that concentrating on the banking sector alone is insufficient to safeguard the financial system. In the wake of the crisis, regulatory scrutiny has expanded to cover shadow banking - non-bank financial institutions that are involved in credit intermediation. Widening the regulatory perimeter is prudent because of what Goodhart (2008) calls the boundary problem: the tightening of prudential requirements for entities within the regulatory perimeter creates incentives to shift activities to areas where regulation and supervision are weaker or non-existent.

The issue of regulating shadow banking entities entered the G20 agenda at the Seoul Summit of 2010 (FSB, 2011; G20, 2011). It coincided with the beginning of G20 work on financial inclusion, but the overlap between the two issue areas was not apparent to policymakers for several years. The FSB concentrated its initial work on the kinds of shadow banking entities and activities that are prevalent in advanced economies, such as money market funds, securitization, and securities financing transactions. Applying a stability-maximizing approach to these entities and activities seems warranted, especially given the role they played in the global financial crisis. While such kinds of shadow banking activity are currently concentrated in the world's most advanced markets, they deserve equivalent regulatory scrutiny in developing countries.

Tensions between developed and developing countries arose in the one FSB workstream (WS3) that focuses on "other shadow banking entities" (FSB, 2013b). This ample category covers non-bank institutions that are important vehicles of financial inclusion in developing countries. For example, non-bank financial corporations in India extend services to the rural households that do not have access to the formal bank branch network (Acharya, Khandwala, & Öncü, 2013). Peer to peer lending and mobile banking-based services perform similar financial inclusion functions, but they also fall under the FSB's definition of shadow banks.

No FSB report to date recognizes that a stability-maximizing approach to shadow banking might have negative repercussions for financial inclusion. Regulators from East Asian developing countries took the lead in voicing their dissatisfaction with this neglect of financial inclusion in the discussion of how shadow banking should be regulated. In a 2014 meeting of the FSB's Asian Regional Consultative Group (RCG), representatives made clear that shadow banks "fill a credit void" in making financial services available to individuals and enterprises that may not otherwise benefit from access to funding. The RCG members also pointed out that in the region, shadow banks already exist within the perimeter of prudential supervision, and that cross-border financial risks generated by the sector are minimal (FSB RCG Asia, 2014).

To date, the FSB's approach to shadow banking has been confined to data-gathering, and developing countries have adopted mainly subliminal defensive strategies such as minimal compliance with data-sharing exercises or footnotes expressing disagreement with the FSB definition of shadow banking (as in the case of India and China) (FSB, 2016b, p. 93ff). The FSB should take steps to include developing countries in the relevant policymaking groups, and adopts a more transparent approach. Otherwise, global consensus in this important area of financial regulatory reform is likely to remain an illusion.

4. Conclusion: Reform Options

The challenges and case studies provided above raise doubts that global financial regulation in its current form will achieve a high degree of effectiveness, deliberative equality, and representation of involved stakeholders in the future. We conclude this article by presenting three options for institutional improvement that are of relevance for the next decade and beyond.

Option 1: Common global principles with national rules

The first approach to global financial regulation considered here is rooted in the understanding that financial markets exhibit such a high degree of cross-border heterogeneity that common rules and global harmonization are both unfeasible and undesirable. In its “Praise of Uneven Playing Fields”, the Warwick Commission acknowledges that even though a higher degree of national regulatory sovereignty may lead to financial protectionism, any such undesired repercussions are outweighed by the benefits of greater autonomy. In particular in developing countries, regulators would have greater policy space to deal with idiosyncratic challenges (Kasekende, Bagyenda, & Brownbridge, 2011). Ironically, the Warwick Commission endorses the FSB as a forum for information exchange and agent of dissuasion against regulatory protectionism exactly because it is perceived as weak and inconsequential, with insufficient power to infringe upon national regulatory sovereignty.

Greater national autonomy in a fragmented global financial system may sound good in principle and it would in theory allow each country to achieve an optimal balance between financial stability and inclusive growth. But in practice it may generate the worst possible scenario for developing countries. Given the power distribution in global financial markets, a few leading jurisdictions can be expected to dictate the rules of finance. Fears of cross-border arbitrage would drive regulators in these jurisdictions to maximize extraterritorial authority, reducing the de facto policy space available to financial supervisors elsewhere. Regulatory protectionism is likely to undermine the growth and outward expansion of financial firms from developing countries. Furthermore, while the largest emerging market economies at least have a seat at the negotiating table of global SSBs, they would have no voice whatsoever in the domestic standard-setting process of dominant jurisdictions.

Option 2: A more representative and formalized system

An alternative option is to reform international SSBs to ensure they are more representative and promulgate international standards that reflect the interests of countries with diverse financial systems. Many observers have noted that the current global financial regulatory governance system is not inclusive and representative enough (K. Alexander, 2015; Hopper, 2016; King, 2010; Ocampo, 2014). Although the rules of global SSBs are designed to apply only to member jurisdictions, the wide adoption of global financial standards by non-members and its repercussions even for non-adopters, as outlined in this paper, raise legitimacy concerns. In essence, the current arrangement violates the equivalence principle of global governance: all jurisdictions affected by a global good (or bad) should have a say in its provision and regulation (Held & Young, 2009; Kaul, Conceicao, Le Goulven, & Mendoza, 2003).

Proposals to expand SSB membership have not fallen on deaf ears. The FSB has rearranged the composition of its Plenary in 2014, giving more seats to officials from emerging market member jurisdictions while reducing those of international organizations (FSB, 2014). The Basel Committee now includes 11 members and 3 observers from developing countries and may be open for additional adjustments (Ingves, 2016).

Proposals of greater institutional sophistication suggest the merger of existing financial governance bodies. King (2010) argues that the G20 should metamorphose into a

“Governing Council for the IMF”, while Knight (2014) suggests to merge it with the International Monetary and Financial Committee (IMFC). Avgouleas (2012) envisions the integration of micro- and macroprudential supervisory institutions on the basis of an umbrella treaty that is signed and ratified by member states in accordance with international public law. More radical reform proposals envision the creation of an entirely new international organization featuring wide or even universal membership in a constituency system akin to that of the IMF or the World Bank, where members of the governing board represent several member countries (Claessens, 2008; Eichengreen, 2009; Stiglitz, 2010).

As these examples show, there is a rich assortment of sophisticated proposals for a more formalized and representative system of global financial regulatory governance. Yet, in the almost-decade since the global financial crisis none of them has come to fruition. FSB members have considered and dismissed the proposal of conversion into a classic inter-governmental organization as undesirable. They also rejected the proposal of adopting a constituency-based membership system because it would be inconsistent with its institutional model (individual financial agencies are members of the FSB, not states) and because it “would make FSB discussions more rigid” (FSB, 2014, p. 1). The FSB and the SSBs it coordinates operate as government networks (Slaughter, 2004), built on a combination of soft law standards, unilateral domestic implementation and peer review that deliberately eschews the strictures of international public law. At a time where existing inter-governmental organizations struggle to make decisions (WTO) or reform their governance structure (IMF) due to parliamentary opposition in member countries, it is hard to imagine that the creation of a new formal organization is a feasible option anytime soon (Brummer, 2014).

While a radical overhaul of SSBs may not be feasible, more moderate reforms could be pursued. The Basel Committee and other SSBs could change their mandates to adopt a Taylor-style mandate that balances the twin goals of financial stability and inclusion. They could also promote the effective representation of developing countries and introduce a mechanism to periodically review membership to ensure that all countries meeting a specific threshold of financial sector importance are directly represented.

Option 3: A standard-setting body for digital financial services

Digital financial services provide an opportunity to establish a new SSB that is tasked with developing global standards for the prudential regulation of digital financial services, which takes the challenges laid out in this paper seriously. Such a body would be forward-looking in addressing the challenges of next-generation financial services regulation with an approach that balances the twin objectives of financial stability and inclusive growth. Moreover, it would respond to legitimacy concerns by involving all affected stakeholders while safeguarding effectiveness.

When the G20 set up a so-called “Financial Inclusion Experts Group” at the 2009 Pittsburgh Summit, few observers would have imagined how much political momentum the topic of financial inclusion would gain in the following years. Since 2010 we have seen the Seoul Summit and the G20 launch the Global Partnership for Financial Inclusion (GPFI) while the UN Secretary-General’s Special Advocate for Inclusive Finance for Development has explicitly connected financial inclusion to the UN Sustainable Development Goals (Alliance for Financial Inclusion, 2014; Cull et al., 2013; Klapper et al., 2016). Recently, the technical team of the GPFI, chaired by officials from the Chinese central bank and the World Bank, worked to transform the 2010 framework for *Innovative* Financial Inclusion into the 2016 High-Level Principles for *Digital* Financial Inclusion. The Principles were endorsed by G20 leaders at the Hangzhou Summit in September 2016, along with a plethora of other initiatives and action plans that promote fintech and digital financial inclusion (GPFI, 2011, 2016a; G20, 2016)..

In spite of such considerable global political momentum, global SSBs have shown a certain degree of recalcitrance to change. The 2016 GPFi report commends the ground-breaking work of the Financial Action Task Force (discussed in section 2), but notes that “in contrast with FATF’s assessment methodology for mutual evaluations, financial inclusion considerations have not yet figured significantly in the other SSBs’ methodologies for standards-related self-assessments and peer reviews” (GPFi, 2016b, p. 82). The unwillingness of the Basel Committee to consider financial inclusion has been discussed above. The reluctance of established SSBs to reconsider regulatory objectives is not surprising given the mandate of the organization and their members. Regulators from rich countries face clearly asymmetric incentives: they are not rewarded if new financial services for example in Malaysia contribute to inclusive growth in that country, but they are likely to be punished if a financial crisis triggered by lax regulation of those services spills over into their home jurisdiction. Providing developing countries with more formal representation in SSBs is not going to change that situation. As Walter (2016) points out, officials from developed countries in SSBs “form a relatively well-resourced elite network that has developed shared trust, knowledge and experience over decades” (p. 180). As long as SSBs are dominated by this elite network, and as long as they follow a stability-maximizing mandate, considerations of financial inclusion will remain at the margins of the global financial standard-setting process.

Rather than seeking to address digital financial services within old organizations that resist reform, a new SSB could be created that espouses a balanced approach between two goals: financial stability and financial inclusion. An SSB with a mandate to achieve these twin goals is in a position to develop the kind of “development-enabling regulation” many scholars have called for (K. Alexander, 2015; Avgouleas, 2012; Murinde & Mlambo, 2010).

An exclusive focus on *digital* financial services would entail two advantages for the new SSB. First, it would allow regulators to concentrate on the financial sector that is of greatest concern for developing countries (FSI, 2016). Digital financial inclusion to date is driven by non-bank financial institutions and technology firms, not big banks. Over the last two decades, “financial innovation” by large, internationally active banks has contributed more to the global financial crisis than to the financial inclusion of underprivileged parts of the global population. Leaving these firms under the conservative, watchful eye of the Basel Committee is unlikely to harm digital financial inclusion in the years to come.

Second, digital financial services require a new regulatory skill set. Digital financial operations involve new actors, risks, and cross-sector services that the current silo system of sector-specific regulation is ill-equipped to deal with (BCBS, 2015; GPFi, 2016b; Magaldi de Sousa, 2016). Moreover, it reduces inequalities in regulatory experience and capacity between developed and developing-country regulators. For example, the Central Bank of Kenya has accumulated nine years of experience in regulating mobile-based payment and banking services (M-Pesa), while China’s regulators oversee the many of the world’s largest providers of digital financial services. Fortunately, regulatory initiatives such as Project Innovate by the UK FCA indicate that supervisory authorities focusing on digital financial services in advanced economies have a more open attitude towards experimentation and peer learning than their colleagues in the traditional banking supervision departments do (Arner, Barberis, & Buckley, 2015).

The composition of a new digital financial services SSB should reflect the importance of both representation and regulatory capacity. Building it around the Basel Consultative Group (BCG) has several advantages. The BCG is engaged in regulatory work on financial inclusion since 2008 and published a guidance document on the Basel Core Principles relevant for financial inclusion in 2015. It includes officials from ten jurisdictions that are Basel Committee members (directly, such as Germany and Mexico, and indirectly through the EU). It further hosts officials from twelve non-member jurisdictions, nine regional groups (including the Islamic Financial Services Board and the Caribbean Group of Banking Supervisors), the World Bank, the IMF, and the BIS Financial Stability Institute. Input from

developing country regulators would be enhanced by further including the Alliance for Financial Inclusion that represents financial supervisors from 94 countries. Retaining the institutional identity of the BCG as a transnational regulatory network would provide this new SSB with the benefits of a quasi-constituency-based system without the cumbersome process of a traditional inter-governmental organization.

Under a twin mandate of financial stability and inclusion, this SSB could then develop a new regulatory paradigm that can take inspiration from the 12 principles for internet finance regulation formulated by Zhang Xiaopu (2016). The Deputy Director of the Policy Research Bureau of the China Banking Regulatory Commission and Basel Committee official suggests a system of “dynamic proportionate supervision”: regulators should regularly assess the risk profile of a given digital financial service and adjust supervision in increasing order of stringency, from self-regulation, to licensing, regular monitoring and finally the imposition of capital, liquidity, and other requirements. Given the marginal contribution to systemic risk of digital financial services at the current stage, the operations of this new SSB would initially be limited to peer learning and the development of best practices. However it can be expected to slowly rise in global importance along with the scope of the financial services under its purview in the coming decade. Hopefully this will be enough time for mutual trust, capacity, and experience to grow among a new network of regulators that embody a better balance of developing and advanced economy interests than any of the current bodies of global financial regulatory governance.

References

- Acharya, V. V., Khandwala, H., & Öncü, T. S. (2013). The growth of a shadow banking system in emerging markets: Evidence from India. *Journal of International Money and Finance*, 39, 207–230.
- Akyüz, Y. (2011). Policy responses to the global financial crisis: Key issues for developing countries. In J. K. Sundaram (Ed.), *Reforming the international financial system for development* (pp. 105–142). New York: Columbia University Press.
- Alexander, K. (2015). *Global Financial Governance: Issues, reforms, and experiences*. Retrieved from http://www.rwi.uzh.ch/dam/jcr:000000000-32d2-12cb-0000-000028b754c6/Alexander_Global_Financial_Governance_EarlyDraft.pdf
- Alexander, P. (2014). Top 1000 World Banks Cover Story. *The Banker*. Retrieved from http://www.thebankerdatabase.com/files/pdf_downloads/Top1000WorldBanks2014.pdf
- Alliance for Financial Inclusion. (2014). Potential impacts of global standards on national financial inclusion policy objectives. Presented at the Basel meeting on Global Standards and Financial Inclusion.
- Arner, D. W., Barberis, J. N., & Buckley, R. P. (2015). The Evolution of Fintech: A New Post-Crisis Paradigm? *Available at SSRN 2676553*. Retrieved from http://papers.ssrn.com/sol3/Papers.cfm?abstract_id=2676553
- Avgouleas, E. (2012). *Governance of global financial markets: the law, the economics, the politics*. Cambridge University Press.
- BAFT, BBA, Basel Institute on Governance, ICC, IIF, & Wolfsberg Group. (2014). *De-risking: Global impact and unintended consequences for exclusion and stability*. Retrieved from https://classic.regonline.com/custImages/340000/341739/G24%20AFI/G24_2015/De-risking_Report.pdf
- Bailey, A. (2014, July). *The capital adequacy of banks: today's issues and what we have learned from the past*. Presented at the Bloomberg Conference, London. Retrieved from <http://www.bankofengland.co.uk/publications/Pages/speeches/2014/745.aspx>
- Banerjee, A., Chandrasekhar, A. G., Duflo, E., & Jackson, M. O. (2013). The diffusion of microfinance. *Science*, 341(6144), 1236498.
- Barth, J., Caprio, G., & Levine, R. (2013). *Bank Regulation and Supervision in 180 Countries from 1999 to 2011*. National Bureau of Economic Research Working Paper 18733.
- Barth, J. R., Lin, C., Ma, Y., Seade, J., & Song, F. M. (2013). Do bank regulation, supervision and monitoring enhance or impede bank efficiency? *Journal of Banking & Finance*, 37(8), 2879–2892.
- BCBS. (2012). *Core principles for effective banking supervision*. Retrieved from <http://www.bis.org/publ/bcbs230.pdf>
- BCBS. (2013). *Charter*. Basel: Bank for International Settlements. Retrieved from <http://www.bis.org/bcbs/charter.htm>
- BCBS. (2014). *Sound management of risks related to money laundering and financing of terrorism*. Retrieved from <http://www.bis.org/publ/bcbs275.pdf>
- BCBS. (2015). *Range of practice in the regulation and supervision of institutions relevant to financial inclusion*. Retrieved from <http://www.bis.org/bcbs/publ/d310.pdf>
- BCBS. (2016a). *Guidance on the application of the Core Principles for Effective Banking Supervision to the regulation and supervision of institutions relevant to financial inclusion*. Retrieved from <http://www.bis.org/bcbs/publ/d383.pdf>

- BCBS. (2016b). *Sound management of risks related to money laundering and financing of terrorism*. Retrieved from <http://www.bis.org/bcbs/publ/d353.pdf>
- BIS. (2017, March 6). Consolidated banking statistics. Retrieved from <http://www.bis.org/statistics/consstats.htm>
- Brummer, C. (2010). How International Financial Law Works (and How It Doesn't). *Geo. LJ*, 99, 257.
- Brummer, C. (2014). *Minilateralism: How Trade Alliances, Soft Law and Financial Engineering are Redefining Economic Statecraft*. New York, NY: Cambridge University Press.
- Carney, M. (2017, January). *The promise of FinTech - something new under the sun?* Presented at the Deutsche Bundesbank G20 conference, Wiesbaden. Retrieved from <http://www.bis.org/review/r170126b.pdf>
- Chen, L. (2016). From Fintech to Finlife: the case of Fintech Development in China. *China Economic Journal*, 9(3), 225–239.
- Chey, H. (2016). International financial standards and emerging economies since the global financial crisis. In C. R. Henning & A. Walter (Eds.), *Global Financial Governance Confronts the Rising Powers* (pp. 211–236). Waterloo: CIGI.
- CIGI. (2009). *The effect of the world financial crisis on developing countries: An initial assessment*. Retrieved from https://www.cigionline.org/sites/default/files/task_force_1.pdf
- Claessens, S. (2008). The new international financial architecture requires better governance. In B. Eichengreen & R. Baldwin (Eds.), *What G20 leaders must do to stabilise our economy and fix the financial system* (pp. 29–33). London: Centre for Economic Policy Research.
- Claessens, S. (2016). Global Banking: Recent Developments and Insights from Research. *Review of Finance*.
- CPMI. (2016). *Correspondent banking*. Bank for International Settlements. Retrieved from <http://www.bis.org/cpmi/publ/d147.pdf>
- Cull, R., Demirgüç-Kunt, A., & Morduch, J. (2013). *Banking the World: Empirical Foundations of Financial Inclusion*. Cambridge, Mass: MIT Press.
- Eichengreen, B. (2009). *Out of the box Thoughts about the International Financial Architecture* (Working Paper No. WP/09/116). International Monetary Fund.
- FATF. (2012). *International standards on combating money laundering and the financing of terrorism & proliferation*. Retrieved from http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf
- FATF. (2014). *Guidance for a risk-based approach: The banking sector*. Retrieved from <http://www.fatf-gafi.org/media/fatf/documents/reports/Risk-Based-Approach-Banking-Sector.pdf>
- FATF. (2015). *Best Practices: Combating the abuse of non-profit organisations (Recommendation 8)*. Retrieved from <http://www.fatf-gafi.org/media/fatf/documents/reports/BPP-combating-abuse-non-profit-organisations.pdf>
- FATF, Asia/Pacific Group on Money Laundering, & World Bank. (2013). *Anti-money laundering and terrorist financing measures and financial inclusion*. Retrieved from http://www.fatf-gafi.org/media/fatf/documents/reports/AML_CFT_Measures_and_Financial_Inclusion_2013.pdf
- Federal Reserve Board, FDIC, NCUA, OCC, & US Department of the Treasury. (2016). *Foreign Correspondent Banking Fact Sheet*. Retrieved from <https://www.treasury.gov/press->

- center/press-releases/Documents/Foreign%20Correspondent%20Banking%20Fact%20Sheet.pdf
- FSB. (2011). *Shadow Banking: Strengthening Oversight and Regulation. Recommendations of the Financial Stability Board*. Retrieved from http://www.financialstabilityboard.org/publications/r_111027a.pdf
- FSB. (2012a). FSB Charter with revised Annex. Retrieved from <http://www.financialstabilityboard.org/wp-content/uploads/FSB-Charter-with-revised-Annex-FINAL.pdf>
- FSB. (2012b). *Identifying the Effects of Regulatory Reforms on Emerging Markets and Developing Economies: A Review of the Potential Unintended Consequences. Report to the G20 Finance Ministers and Central Bank Governors*. Financial Stability Board.
- FSB. (2013a). *Monitoring the effects of agreed regulatory reforms on emerging markets and developing economies (EMDEs)*. Financial Stability Board.
- FSB. (2013b). *Policy Framework for Strengthening Oversight and Regulation of Shadow Banking Entities*. Retrieved from http://www.fsb.org/wp-content/uploads/r_130829c.pdf
- FSB. (2014). *Report to the G20 Brisbane Summit on the FSB's Review of the Structure of its Representation*. Retrieved from <http://www.fsb.org/wp-content/uploads/Report-to-the-G20-Brisbane-Summit-on-the-FSB%E2%80%99s-Review-of-the-Structure-of-its-Representation.pdf>
- FSB. (2015a). *Global Shadow Banking Monitoring Report*. Retrieved from <http://www.fsb.org/wp-content/uploads/global-shadow-banking-monitoring-report-2015.pdf>
- FSB. (2015b). *Report to the G20 on actions taken to assess and address the decline in correspondent banking*.
- FSB. (2016a). *Implementation and effects of G20 financial regulatory reforms*. Retrieved from <http://www.fsb.org/wp-content/uploads/Report-on-implementation-and-effects-of-reforms.pdf>
- FSB. (2016b). *Thematic Review on the Implementation of the FSB Policy Framework for Shadow Banking Entities*. Financial Stability Board. Retrieved from <http://www.fsb.org/wp-content/uploads/Shadow-banking-peer-review.pdf>
- FSB RCG Asia. (2014). *Report on shadow banking*. Financial Stability Board Regional Consultative Group Asia. Retrieved from http://www.fsb.org/wp-content/uploads/r_140822c.pdf
- FSI. (2015). *FSI Survey - Basel II, 2.5 and III Implementation*. BIS. Retrieved from <http://www.bis.org/fsi/fsiop2015.pdf>
- FSI. (2016). *Supervisory priorities in non-Basel Committee jurisdictions*. Retrieved from <http://www.bis.org/fsi/fsipapers13.pdf>
- G20. (2009, September 25). Leaders' Statement: The Pittsburgh Summit. Retrieved from https://www.g20.org/sites/default/files/g20_resources/library/Pittsburgh_Declaration_0.pdf
- G20. (2010). The G20 Seoul Summit Declaration. Retrieved from <http://www.g20.utoronto.ca/2010/g20seoul.pdf>
- G20. (2011). *Cannes Summit Final Declaration*. Cannes. Retrieved from <http://www.g20.utoronto.ca/2011/2011-cannes-declaration-111104-en.html>
- G20. (2016). Hangzhou Summit Communiqué. Retrieved from <http://www.g20.utoronto.ca/2016/160905-communiqué.html>

G-24, & AFI. (2015). *Stemming the tide of de-risking through innovative technologies and partnerships*. Retrieved from <http://g24.org/wp-content/uploads/2014/03/Stemming-the-Tide-of-De-Risking-through-Innovative-Technologies-and-Partnerships.pdf>

Goodhart, C. (2008). The boundary problem in financial regulation. *National Institute Economic Review*, 206(1), 48–55.

Gottschalk, R. (2010). *The Basel capital accords in developing countries: challenges for development finance*. Basingstoke: Palgrave Macmillan.

Gottschalk, R. (2016). Assessing capacity constraints for effective financial regulation in Sub-Saharan Africa. In S. Griffith-Jones & R. Gottschalk (Eds.), *Achieving Financial Stability and Growth in Africa* (pp. 61–82). London: Routledge.

GPFI. (2011). *Global Standard-Setting Bodies and Financial Inclusion for the Poor: Toward Proportionate Standards and Guidance*.

GPFI. (2016a). *G20 High Level Principles for Digital Financial Inclusion*. Retrieved from <https://www.gpfi.org/sites/default/files/G20%20High%20Level%20Principles%20for%20Digital%20Financial%20Inclusion.pdf>

GPFI. (2016b). *Global Standard-Setting Bodies and Financial Inclusion: The Evolving Landscape*.

Held, D., & Young, K. L. (2009). *Global Financial Governance: Principles of Reform*. Retrieved from http://www.lse.ac.uk/IDEAS/publications/reports/pdf/SR001/SR001_held.pdf

Hopper, R. (2016). *Disconnecting from Global Finance: The Impact of AML/CFT Regulations in Commonwealth Developing Countries*. Commonwealth Secretariat. Retrieved from <http://thecommonwealth.org/sites/default/files/inline/DisconnectingfromGlobalFinance2016.pdf>

IMF. (2016). *The Withdrawal of Correspondent Banking Relationships: A Case for Policy Action*. IMF Discussion Note SDN/16/06. Retrieved from <https://www.imf.org/external/pubs/ft/sdn/2016/sdn1606.pdf>

IMF. (2017). Coordinated Portfolio Investment Survey. Retrieved March 9, 2017, from <http://data.imf.org/default.aspx?sk=B981B4E3-4E58-467E-9B90-9DE0C3367363>

Ingves, S. (2016, November). *Reflections of a Basel Committee Chairman*. Presented at the 19th International Conference of Banking Supervisors, Santiago. Retrieved from <http://www.bis.org/speeches/sp161130.htm>

Jones, E. (2014). Global Banking Standards and Low Income Countries: Helping or Hindering Effective Regulation? GEG Working Paper 2014/91. Retrieved from http://globaleconomicgovernance.org/sites/geg/files/GEG%20WP_91%20Banking%20Standards%20and%20Low%20Income%20Countries_Emily%20Jones.pdf

Jones, E., & Zeitz, A. (2017a). The limits of globalizing Basel Banking Standards. *Journal of Financial Regulation*.

Jones, E., & Zeitz, A. O. (2017b). The Limits of Globalizing Basel Banking Standards. *Journal of Financial Regulation*, 3(1), 89–124.

Kasekende, L., Bagyenda, J., & Brownbridge, M. (2011). *Basel III and the Global Reform of Financial Regulation: How Should Africa Respond? A Bank Regulator's Perspective*.

Kaul, I., Conceicao, P., Le Goulven, K., & Mendoza, R. U. (2003). *Providing global public goods: Managing globalization*. Oxford University Press.

King, M. (2010, January). *Speech at the University of Exeter*. Exeter. Retrieved from <http://www.bankofengland.co.uk/archive/Documents/historicpubs/speeches/2010/speech419.pdf>

- Klapper, L., El-Zoghbi, M., & Hess, J. (2016). *Achieving the Sustainable Development Goals: The role of financial inclusion*. CGAP and UN Secretary General's Special Advocate for Inclusive Finance for Development. Retrieved from https://www.unsgsa.org/files/2814/6489/8731/sdgs_paper_final_003.pdf
- Knight, M. (2014). *Reforming the global architecture of financial regulation: The G20, the IMF and the FSB* (CIGI Papers No. 42). CIGI. Retrieved from <http://eprints.lse.ac.uk/61213/1/SP-6%20CIGI.pdf>
- Koenig, E. F. (2013). *The Taylor Rule and the Transformation of Monetary Policy*. Hoover Press.
- Lund, S., Daruvala, T., Dobbs, R., Härle, P., Kwek, J.-H., & Falcón, R. (2013). *Financial globalization: Retreat or reset? | McKinsey & Company*. McKinsey & Company. Retrieved from <http://www.mckinsey.com/global-themes/employment-and-growth/financial-globalization>
- Magaldi de Sousa, M. (2016). Financial structure, regulation and inclusion: An empirical study across developing economies. In C. R. Henning & A. Walter (Eds.), *Global Financial Governance Confronts the Rising Powers* (pp. 237–262). Waterloo: CIGI.
- Marchettini, D., Mecagni, M., & Maino, R. (2015). *Evolving Banking Trends in Sub-Saharan Africa : Key Features and Challenges* (No. 15/8). IMF African Departmental Paper. Retrieved from <http://www.imf.org/en/Publications/Departmental-Papers-Policy-Papers/Issues/2016/12/31/Evolving-Banking-Trends-in-Sub-Saharan-Africa-Key-Features-and-Challenges-43276>
- Martins Bandeira, F. (2016). Brazil's implementation of Basel's Regulatory Consistency Assessment Program. In C. R. Henning & A. Walter (Eds.), *Global Financial Governance Confronts the Rising Powers* (pp. 287–306). Waterloo: CIGI.
- Murinde, V. (Ed.). (2012). *Bank regulatory reforms in Africa*. Palgrave Macmillan.
- Murinde, V., & Mlambo, K. (2010). *Development-Oriented Financial Regulation*. University of Birmingham, African Economic Research Consortium, African Development Bank.
- Ndung'u, N. (2017). *M-Pesa – A success story of digital financial inclusion* (BSG Working Papers). University of Oxford.
- Ocampo, J. A. (2014). *Reforming the international monetary and financial architecture*. Friedrich Ebert Stiftung. Retrieved from <http://library.fes.de/pdf-files/iez/global/10900.pdf>
- Sharman, J. C. (2008). Power and Discourse in Policy Diffusion: Anti-Money Laundering in Developing States. *International Studies Quarterly*, 52, 635–656.
- Slaughter, A.-M. (2004). *A new world order*. Princeton University Press.
- Stiglitz, J. E. (2010). *The Stiglitz Report: Reforming the International Monetary and Financial Systems in the Wake of the Global Crisis*. The New Press.
- Sundaram, J. K. (Ed.). (2011). *Reforming the international financial system for development*. New York: Columbia University Press.
- Tarullo, D. K. (2008). *Banking on Basel: the future of international financial regulation*. Peterson Institute.
- Taylor, J. B. (1993). Discretion versus policy rules in practice. In *Carnegie-Rochester conference series on public policy* (Vol. 39, pp. 195–214). Elsevier.
- The Warwick Commission. (2009). *In Praise of Uneven Playing Fields*. Warwick: University of Warwick.
- Tucker, P., Hall, S., & Pattani, A. (2013). *Macroprudential policy at the Bank of England*. London: Bank of England. Retrieved from

<http://www.bankofengland.co.uk/publications/Documents/quarterlybulletin/2013/qb130301.pdf>

UK. Financial Services Act (2012). Retrieved from
http://www.legislation.gov.uk/ukpga/2012/21/pdfs/ukpga_20120021_en.pdf

UNECA. (2015). *Illicit Financial Flow: report of the High Level Panel on Illicit Financial Flows from Africa*. Retrieved from <http://repository.uneca.org/handle/10855/22695>

UNODC. (2011). World Drug Report 2011. Retrieved March 10, 2017, from
<https://www.unodc.org/unodc/en/data-and-analysis/WDR-2011.html>

Walter, A. (2016). Emerging countries and Basel III: Why is engagement still low? In C. R. Henning & A. Walter (Eds.), *Global Financial Governance Confronts the Rising Powers* (pp. 179–210). Waterloo: CIGI.

World Bank. (2012). *Global Financial Development Report 2013: Rethinking the Role of the State in Finance*. Washington DC: World Bank.

World Bank. (2015). *Withdrawal from correspondent banking: Where, why, and what to do about it*. Washington, DC. Retrieved from
<http://documents.worldbank.org/curated/en/113021467990964789/pdf/101098-revised-PUBLIC-CBR-Report-November-2015.pdf>

Zhang, X. (2016, January). Principles of internet finance supervision – Exploring a new regulatory paradigm (互联网金融监管的原点—探索新金融监管范式). Retrieved December 5, 2016, from http://www.modernbankers.com/jrj/html/2016/zcjc_0116/674.html

Working Papers

GEG Working Papers can be downloaded at: <http://www.geg.ox.ac.uk/publications/working-papers>

Emily Jones and Peter Knaack	WP 2017/127 FCA Think Piece: The Future of Global Financial Regulation
Kako Kossivi Nubukpo	WP 2017/126 Misalignment of exchange rates: what lessons for growth and policy mix in the WAEMU?
Peter Knaack	WP 2017/125 An unlikely champion of global finance: Why is China exceeding international banking standards?
Nghia Trong Pham	WP 2017/124 Trade and Labour Rights: The Case of the TPP
Ali Hasanain, Yasir Khan, and Arman Rezaee	WP 2016/123 Crowdsourcing government accountability: Experimental evidence from Pakistan
Emma Aisbett and Lauge Poulsen	WP 2016/122 Relative Treatment of Aliens: Firm-level Evidence from Developing Countries
Katharina Obermeier	WP 2016/121 "Countries Don't Go Bankrupt": Sovereign Debt Crises and Perceptions of Sovereignty in an Era of Globalisation
Adam Ng	WP 2016/120 The Tangibility of the Intangibles: What Drives Banks' Sustainability Disclosure in the Emerging Economies?
Geoffrey Gertz	WP 2016/119 Commercial Diplomacy and American Foreign Policy
Jolyon Ford	WP 2016/118 The risk of regulatory ritualism: proposals for a treaty on business and human rights
Nematullah Bizhan	WP 2016/117 Improving the Fragile States' Budget Transparency: Lessons from Afghanistan
Taylor St John and Noel Johnston	WP 2016/116 Who Needs Rules? Explaining Participation in the Investment Regime
Zainab Usman	WP 2016/115 The Successes and Failures of Economic Reform in Nigeria's Post-Military Political Settlement
Ivaylo Iaydjiev	WP 2016/114 Host's Dilemma in International Political Economy: The Regulation of Cross-Border Banking in Emerging Europe, 2004-2010
Carolyn Deere Birkbeck	WP 2016/113 From 'Trade and Environment' to the Green Economy: The WTO's Environmental Record and Discourse on Sustainable Development at 20
Lauge Poulsen and Emma Aisbett	WP 2015/112 Diplomats Want Treaties: Diplomatic Agendas and Perks in the Investment Regime
Carolyn Deere Birkbeck and Kimberley Botwright	WP 2015/111 Changing Demands on the Global Trade and Investment Architecture: Mapping an Evolving Ecosystem
Pichamon Yeophantong	WP 2015/110 Civil Regulation and Chinese Resource Investment in Myanmar and Vietnam
Nematullah Bizhan	WP 2015/109 Continuity, Aid and Revival: State Building in South Korea, Taiwan, Iraq and Afghanistan
Camila Villard Duran	WP 2015/108 The International Lender of Last Resort for Emerging Countries: A Bilateral Currency Swap?
Tu Anh Vu Thanh	WP 2015/107 The Political Economy of Industrial Development in Vietnam: Impact of State-Business Relationship on Industrial Performance 1986-2012 (forthcoming)
Nilima Gulrajani	WP 2015/106 Bilateral donors in the 'Beyond Aid' Agenda: The Importance of Institutional Autonomy for Donor Effectiveness (forthcoming)
Carolyn Deere Birkbeck	WP 2015/105 WIPO's Development Agenda and the Push for Development-oriented Capacity building on Intellectual Property: How Poor Governance, Weak Management, and Inconsistent Demand Hindered Progress
Alexandra Olivia Zeitz	WP 2015/104 A New Politics of Aid? The Changing International Political Economy of Development Assistance: The Ghanaian Case
Akachi Odoemene	WP 2015/103 Socio-Political Economy and Dynamics of Government-Driven Land Grabbing in Nigeria since 2000
David Ramos, Javier Solana, Ross P. Buckley and Jonathan Greenacre	WP 2015/102 Protecting the Funds of Mobile Money Customers in Civil Law Jurisdictions
Lise Johnson	WP 2015/101 Ripe for Refinement: The State's Role in Interpretation of FET, MFN, and Shareholder Rights
Mthuli Ncube	WP 2015/100 Can dreams come true? Eliminating extreme poverty in Africa by 2030

Jure Jeric	WP 2015/99 Managing risks, preventing crises - a political economy account of Basel III financial regulations
Anar Ahmadov	WP 2014/98 Blocking the Pathway Out of the Resource Curse: What Hinders Diversification in Resource-Rich Developing Countries?
Mohammad Mossallam	WP 2015/97 Process matters: South Africa's Experience Exiting its BITs
Geoffrey Gertz	WP 2015/96 Understanding the Interplay of Diplomatic, Insurance and Legal Approaches for Protecting FDI
Emily Jones	WP 2014/95 When Do 'Weak' States Win? A History of African, Caribbean and Pacific Countries Manoeuvring in Trade Negotiations with Europe
Taylor St John	WP 2014/94 The Origins of Advance Consent
Carolyn Deere Birkbeck	WP 2014/93 The Governance of the World Intellectual Property Organization: A Reference Guide
Tu Anh Vu Thanh	WP 2014/92 WTO Accession and the Political Economy of State-Owned Enterprise Reform in Vietnam
Emily Jones	WP 2014/91 Global Banking Standards and Low Income Countries: Helping or Hindering Effective Regulation?
Ranjit Lall	WP 2014/90 The Distributional Consequences of International Finance: An Analysis of Regulatory Influence
Ngaire Woods	WP 2014/89 Global Economic Governance after the 2008 Crisis
Folashadé Soule-Kohndou	WP 2013/88 The India-Brazil-South Africa Forum - A Decade On: Mismatched Partners or the Rise of the South?
Nilima Gulrajani	WP 2013/87 An Analytical Framework for Improving Aid Effectiveness Policies
Rahul Prabhakar	WP 2013/86 Varieties of Regulation: How States Pursue and Set International Financial Standards
Alexander Kupatadze	WP 2013/85 Moving away from corrupt equilibrium: 'big bang' push factors and progress maintenance
George Gray Molina	WP 2013/84 Global Governance Exit: A Bolivian Case Study
Steven L. Schwarcz	WP 2013/83 Shadow Banking, Financial Risk, and Regulation in China and Other Developing Countries
Pichamon Yeophantong	WP 2013/82 China, Corporate Responsibility and the Contentious Politics of Hydropower Development: transnational activism in the Mekong region?
Pichamon Yeophantong	WP 2013/81 China and the Politics of Hydropower Development: governing water and contesting responsibilities in the Mekong River Basin
Rachael Burke and Devi Sridhar	WP 2013/80 Health financing in Ghana, South Africa and Nigeria: Are they meeting the Abuja target?
Dima Noggo Sarbo	WP 2013/79 The Ethiopia-Eritrea Conflict: Domestic and Regional Ramifications and the Role of the International Community
Dima Noggo Sarbo	WP 2013/78 Reconceptualizing Regional Integration in Africa: The European Model and Africa's Priorities
Abdourahmane Idrissa	WP 2013/77 Divided Commitment: UEMOA, the Franc Zone, and ECOWAS
Abdourahmane Idrissa	WP 2013/76 Out of the Penkelemes: The ECOWAS Project as Transformation
Pooja Sharma	WP 2013/75 Role of Rules and Relations in Global Trade Governance
Le Thanh Forsberg	WP 2013/74 The Political Economy of Health Care Commercialization in Vietnam
Hongsheng Ren	WP 2013/73 Enterprise Hegemony and Embedded Hierarchy Network: The Political Economy and Process of Global Compact Governance in China
Devi Sridhar and Ngaire Woods	WP2013/72 'Trojan Multilateralism: Global Cooperation in Health'
Valéria Guimarães de Lima e Silva	WP2012/71 'International Regime Complexity and Enhanced Enforcement of Intellectual Property Rights: The Use of Networks at the Multilateral Level'
Ousseni Illy	WP2012/70 'Trade Remedies in Africa: Experience, Challenges and Prospects'
Carolyn Deere Birkbeck and Emily Jones	WP2012/69 'Beyond the Eighth Ministerial Conference of the WTO: A Forward Looking Agenda for Development'
Devi Sridhar and Kate Smolina	WP2012/68 'Motives behind national and regional approaches to health and foreign policy'
Omobolaji Olarinmoye	WP2011/67 'Accountability in Faith-Based Organizations in Nigeria: Preliminary Explorations'
Ngaire Woods	WP2011/66 'Rethinking Aid Coordination'

Paolo de Renzio	WP2011/65 'Buying Better Governance: The Political Economy of Budget Reforms in Aid-Dependent Countries'
Carolyn Deere Birkbeck	WP2011/64 'Development-oriented Perspectives on Global Trade Governance: A Summary of Proposals for Making Global Trade Governance Work for Development'
Carolyn Deere Birkbeck and Meg Harbour	WP2011/63 'Developing Country Coalitions in the WTO: Strategies for Improving the Influence of the WTO's Weakest and Poorest Members'
Leany Lemos	WP 2011/62 'Determinants of Oversight in a Reactive Legislature: The Case of Brazil, 1988 – 2005'
Valéria Guimarães de Lima e Silva	WP 2011/61 'Sham Litigation in the Pharmaceutical Sector'.
Michele de Nevers	WP 2011/60 'Climate Finance - Mobilizing Private Investment to Transform Development.'
Ngaire Woods	WP 2010/59 'The G20 Leaders and Global Governance'
Leany Lemos	WP 2010/58 'Brazilian Congress and Foreign Affairs: Abdication or Delegation?'
Leany Lemos & Rosara Jospeh	WP 2010/57 'Parliamentarians' Expenses Recent Reforms: a briefing on Australia, Canada, United Kingdom and Brazil'
Nilima Gulrajani	WP 2010/56 'Challenging Global Accountability: The Intersection of Contracts and Culture in the World Bank'
Devi Sridhar & Eduardo Gómez	WP 2009/55 'Comparative Assessment of Health Financing in Brazil, Russia and India: Unpacking Budgetary Allocations in Health'
Ngaire Woods	WP 2009/54 'Global Governance after the Financial Crisis: A new multilateralism or the last gasp of the great powers?'
Arunabha Ghosh and Kevin Watkins	WP 2009/53 'Avoiding dangerous climate change – why financing for technology transfer matters'
Ranjit Lall	WP 2009/52 'Why Basel II Failed and Why Any Basel III is Doomed'
Arunabha Ghosh and Ngaire Woods	WP 2009/51 'Governing Climate Change: Lessons from other Governance Regimes'
Carolyn Deere - Birkbeck	WP 2009/50 'Reinvigorating Debate on WTO Reform: The Contours of a Functional and Normative Approach to Analyzing the WTO System'
Matthew Stilwell	WP 2009/49 'Improving Institutional Coherence: Managing Interplay Between Trade and Climate Change'
Carolyn Deere	WP 2009/48 'La mise en application de l'Accord sur les ADPIC en Afrique francophone'
Hunter Nottage	WP 2009/47 'Developing Countries in the WTO Dispute Settlement System'
Ngaire Woods	WP 2008/46 'Governing the Global Economy: Strengthening Multilateral Institutions' (Chinese version)
Nilima Gulrajani	WP 2008/45 'Making Global Accountability Street-Smart: Re-conceptualizing Dilemmas and Explaining Dynamics'
Alexander Betts	WP 2008/44 'International Cooperation in the Global Refugee Regime'
Alexander Betts	WP 2008/43 'Global Migration Governance'
Alastair Fraser and Lindsay Whitfield	WP 2008/42 'The Politics of Aid: African Strategies for Dealing with Donors'
Isaline Bergamaschi	WP 2008/41 'Mali: Patterns and Limits of Donor-Driven Ownership'
Arunabha Ghosh	WP 2008/40 'Information Gaps, Information Systems, and the WTO's Trade Policy Review Mechanism'
Devi Sridhar and Rajaie Batniji	WP 2008/39 'Misfinancing Global Health: The Case for Transparency in Disbursements and Decision-Making'
W. Max Corden, Brett House and David Vines	WP 2008/38 'The International Monetary Fund: Retrospect and Prospect in a Time of Reform'
Domenico Lombardi	WP 2008/37 'The Corporate Governance of the World Bank Group'
Ngaire Woods	WP 2007/36 'The Shifting Politics of Foreign Aid'
Devi Sridhar and Rajaie Batniji	WP 2007/35 'Misfinancing Global Health: The Case for Transparency in Disbursements and Decision-Making'
Louis W. Pauly	WP 2007/34 'Political Authority and Global Finance: Crisis Prevention in Europe and Beyond'
Mayur Patel	WP 2007/33 'New Faces in the Green Room: Developing Country Coalitions and Decision Making in the WTO'
Lindsay Whitfield and Emily Jones	WP 2007/32 'Ghana: Economic Policymaking and the Politics of Aid Dependence' (revised October 2007)

Isaline Bergamaschi	WP 2007/31 'Mali: Patterns and Limits of Donor-driven Ownership'
Alastair Fraser	WP 2007/30 'Zambia: Back to the Future?'
Graham Harrison and Sarah Mulley	WP 2007/29 'Tanzania: A Genuine Case of Recipient Leadership in the Aid System?'
Xavier Furtado and W. James Smith	WP 2007/28 'Ethiopia: Aid, Ownership, and Sovereignty'
Clare Lockhart	WP 2007/27 'The Aid Relationship in Afghanistan: Struggling for Government Leadership'
Rachel Hayman	WP 2007/26 "'Milking the Cow": Negotiating Ownership of Aid and Policy in Rwanda'
Paolo de Renzio and Joseph Hanlon	WP 2007/25 'Contested Sovereignty in Mozambique: The Dilemmas of Aid Dependence'
Lindsay Whitfield	WP 2006/24 'Aid's Political Consequences: the Embedded Aid System in Ghana'
Alastair Fraser	WP 2006/23 'Aid-Recipient Sovereignty in Global Governance'
David Williams	WP 2006/22 "'Ownership," Sovereignty and Global Governance'
Paolo de Renzio and Sarah Mulley	WP 2006/21 'Donor Coordination and Good Governance: Donor-led and Recipient-led Approaches'
Andrew Eggers, Ann Florini, and Ngaire Woods	WP 2005/20 'Democratizing the IMF'
Ngaire Woods and Research Team	WP 2005/19 'Reconciling Effective Aid and Global Security: Implications for the Emerging International Development Architecture'
Sue Unsworth	WP 2005/18 'Focusing Aid on Good Governance'
Ngaire Woods and Domenico Lombardi	WP 2005/17 'Effective Representation and the Role of Coalitions Within the IMF'
Dara O'Rourke	WP 2005/16 'Locally Accountable Good Governance: Strengthening Non-Governmental Systems of Labour Regulation'.
John Braithwaite	WP 2005/15 'Responsive Regulation and Developing Economics'.
David Graham and Ngaire Woods	WP 2005/14 'Making Corporate Self-Regulation Effective in Developing Countries'.
Sandra Polaski	WP 2004/13 'Combining Global and Local Force: The Case of Labour Rights in Cambodia'
Michael Lenox	WP 2004/12 'The Prospects for Industry Self-Regulation of Environmental Externalities'
Robert Repetto	WP 2004/11 'Protecting Investors and the Environment through Financial Disclosure'
Bronwen Morgan	WP 2004/10 'Global Business, Local Constraints: The Case of Water in South Africa'
Andrew Walker	WP 2004/09 'When do Governments Implement Voluntary Codes and Standards? The Experience of Financial Standards and Codes in East Asia'
Jomo K.S.	WP 2004/08 'Malaysia's Pathway through Financial Crisis'
Cyrus Rustomjee	WP 2004/07 'South Africa's Pathway through Financial Crisis'
Arunabha Ghosh	WP 2004/06 'India's Pathway through Financial Crisis'
Calum Miller	WP 2004/05 'Turkey's Pathway through Financial Crisis'
Alexander Zaslavsky and Ngaire Woods	WP 2004/04 'Russia's Pathway through Financial Crisis'
Leonardo Martinez-Diaz	WP 2004/03 'Indonesia's Pathway through Financial Crisis'
Brad Setser and Anna Gelpern	WP 2004/02 'Argentina's Pathway through Financial Crisis'
Ngaire Woods	WP 2004/01 'Pathways through Financial Crises: Overview'

The Global Economic Governance Programme was established in 2003 to foster research and debate into how global markets and institutions can better serve the needs of people in developing countries. The program is co-hosted by University College and the Blavatnik School of Government.

The three core objectives of the Programme are:

- ◇ to conduct and foster research into international organizations and markets as well as new public-private governance regimes
- ◇ to create and develop a network of scholars and policy-makers working on these issues
- ◇ to influence debate and policy in both the public and the private sector in developed and developing countries

To find out more:



www.geg.ox.ac.uk



geg@bsg.ox.ac.uk



[GlobalEconomicGovernanceProgrammeOxford](https://www.facebook.com/GlobalEconomicGovernanceProgrammeOxford)



[@GlobalEconGovce](https://twitter.com/GlobalEconGovce)