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Sustainable Architecture for Finance in Europe (<https://safe-frankfurt.de/>)

SAFE Finance Blog

T20 Task Force Presents Recommendations for Increasing Financial Resilience

03/15/2017

Inconsistencies across regulatory rules should be removed / Regulatory standards should not be used as means of international competition



Shortly before the meeting of G20 finance ministers in Baden-Baden on 17 and 18 March, the T20 Task Force on Financial Resilience presents its recommendations towards increased financial resilience in times of growing disagreement concerning open borders, free trade and global regulatory standards.

Financial resilience is defined as the capacity of a financial system to both prevent crises to happen and deal with crises that happen. The T20 network has identified financial resilience as one of nine key topics for which policy recommendations are presented in the run-up to the G20 summit in Germany in July 2017. Members of the Task Force on Financial Resilience are Franklin Allen (Imperial College London), Jan Pieter Krahen (Goethe University Frankfurt & Research Center SAFE) and H el ene Rey (London Business School).

The Task Force suggests three concrete steps:

1) Inconsistencies across regulatory rules and territorial regimes shall be removed and their credibility concerning implementation be ensured. The authors give examples of inconsistent regulatory frameworks that require public attention and political action. They propose to set up a High Level Group of experts in financial market regulation at the G20-level to identify areas of inconsistency and to suggest approaches to remove those inconsistencies.

2) The use of financial regulatory standards as means of international competition shall be discouraged. The Task Force highly recommends to start discussions at G20-level about the adverse effects of regulatory competition on financial stability. "The influence of competition on regulation, and vice versa, is likely to become more important in the near future, not least because of the trend to fragmentation and protectionism seen in some regions and jurisdictions," the authors write. In this area, as well, they see an officially mandated High Level Expert Group as the best way to mobilize stronger public attention for these issues.

3) In order to strengthen societal backing, more weight shall be given to the pedagogical explanation of the established regulatory standards. "Policy makers and the electorate in many countries, particularly those that suffer from an unfit financial system, or from a weak banking system, have to remain convinced about the value and the quality of our financial regulatory architecture," the authors write. They propose to undertake a set of efforts aiming at a broader and better understanding of financial resilience and its determinants.

The Think20 (T20) is a network of research institutes and think tanks from the G20 countries. It provides research-based policy advice to the G20, facilitates interaction among its members and the policy community, and communicates with the broader public about issues of global importance. The T20 process during the German presidency in 2016 and 2017 is coordinated by The Kiel Institute for the World Economy (IfW) and the German Development Institute (DIE). Website: www.t20germany.org (<http://www.t20germany.org/>).


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