



# Institutional Models for Financial Regulation

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International Monetary Fund

Financial Sector Stability,  
Vietnam, October 29–30, 2015

## Outline



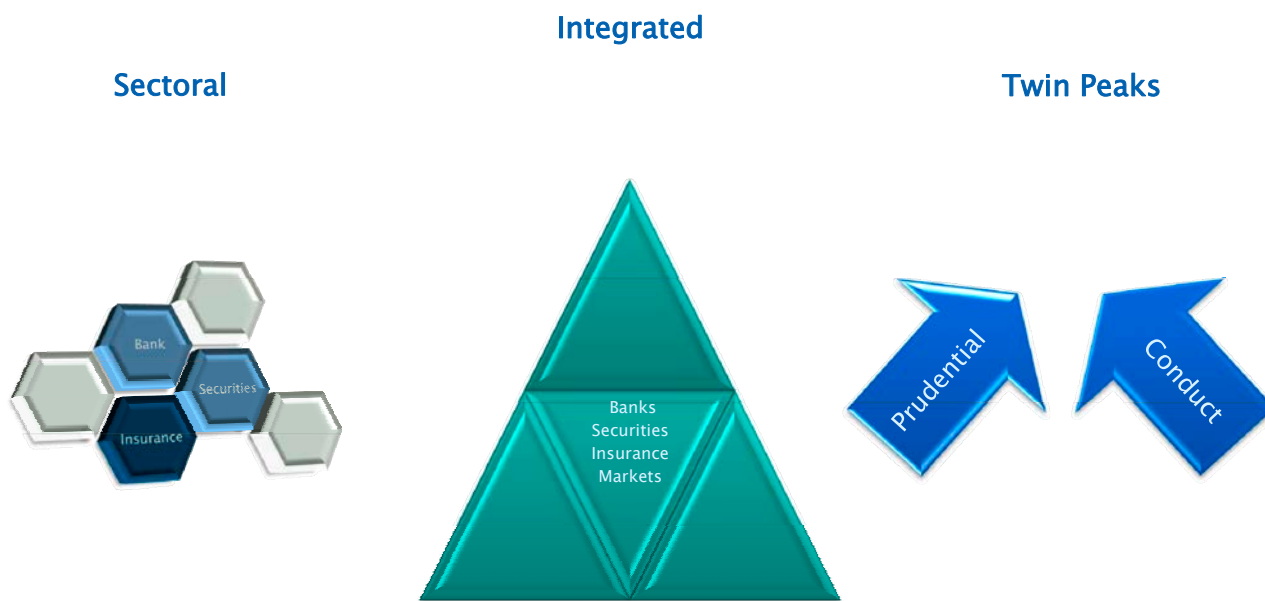
International Best Practices with  
Pros and Cons

Building Blocks & Designs

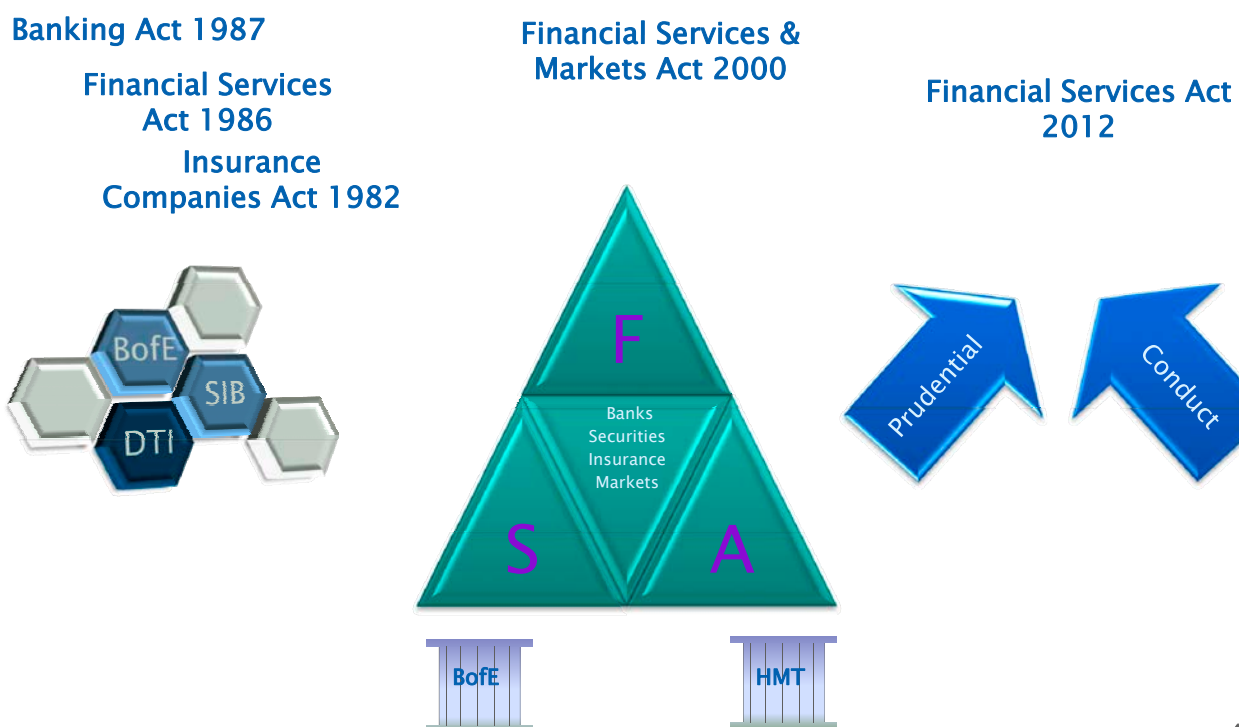
Impact of Global Crisis

A preferred model?

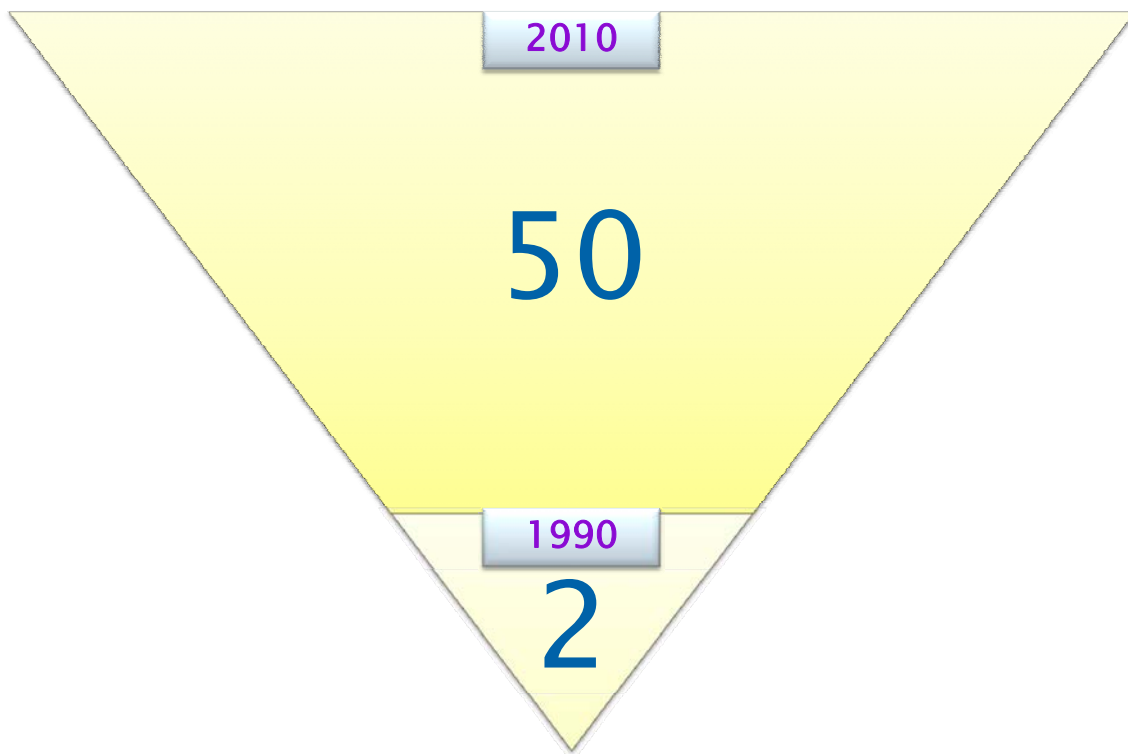
# Design options



# United Kingdom

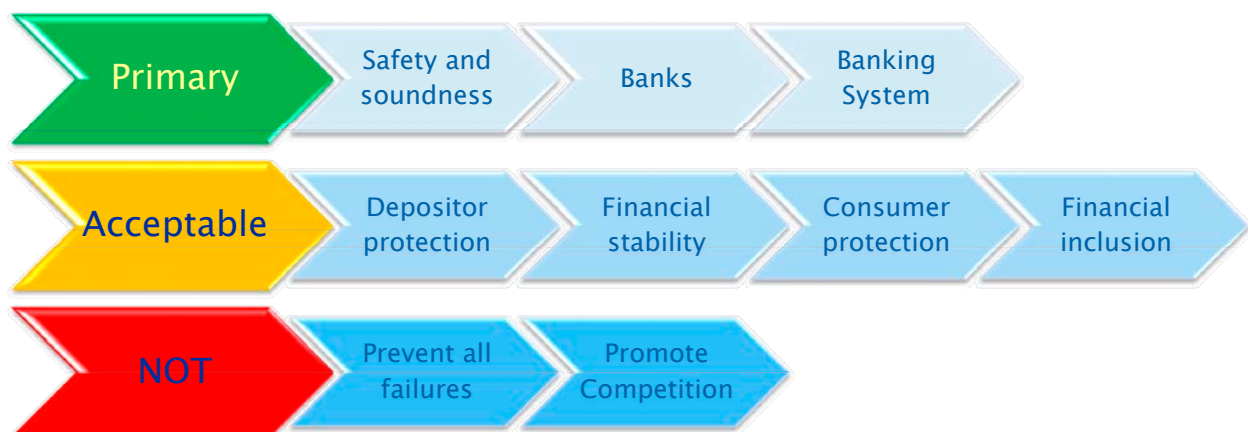


# Growth of integrated supervisory authorities



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# Clarity of Mandates



Ensure clarity  
Address tensions and conflicts

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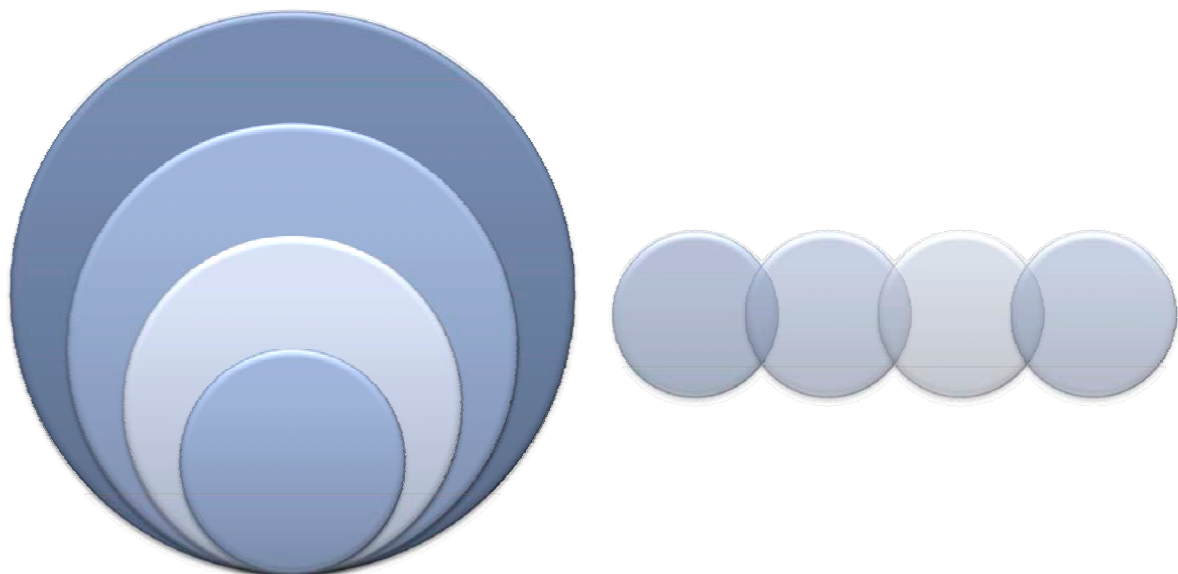
# Case for a single national financial services authority



- Market developments blur the financial boundaries
- Economies of scope and scale
- Clear and coherent objectives
- Accountability

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# Integrated model – ideal vs reality?



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# Central Bank as a supervisor

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Independence – institutionally often stronger

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Monetary Policy – proximity to supervision

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Knowledge of the market

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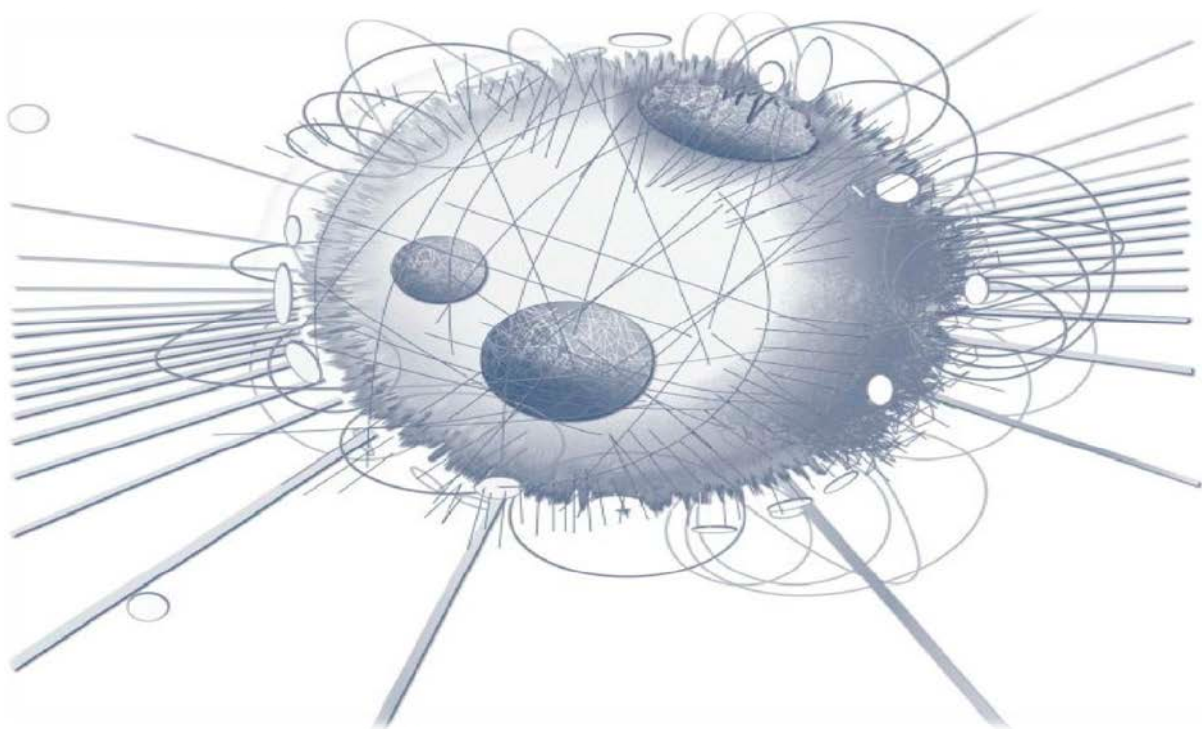
Financial stability perspective

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# Financial Crisis

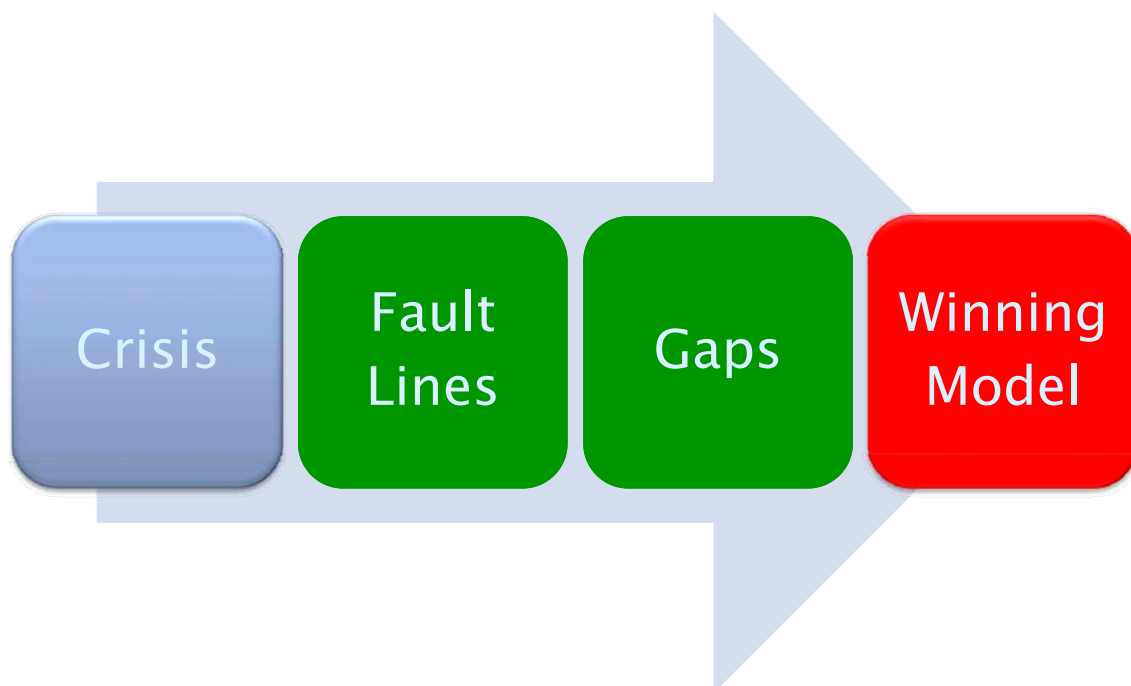
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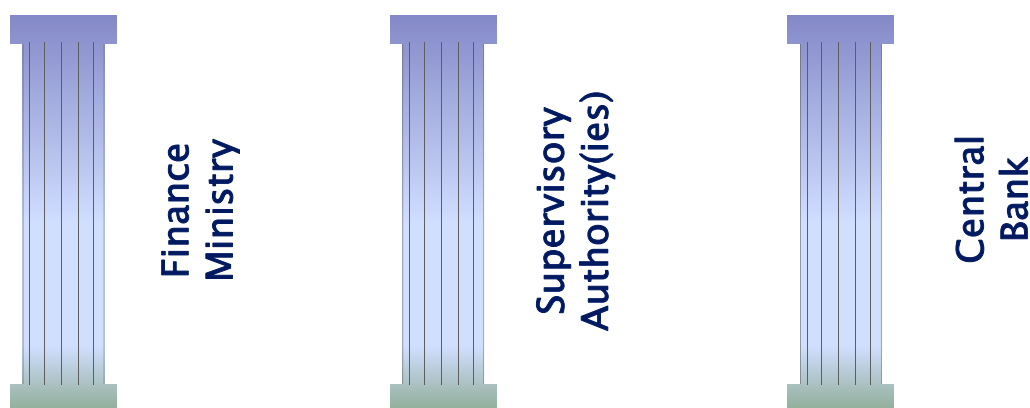
## Crisis provoked reflection and changes

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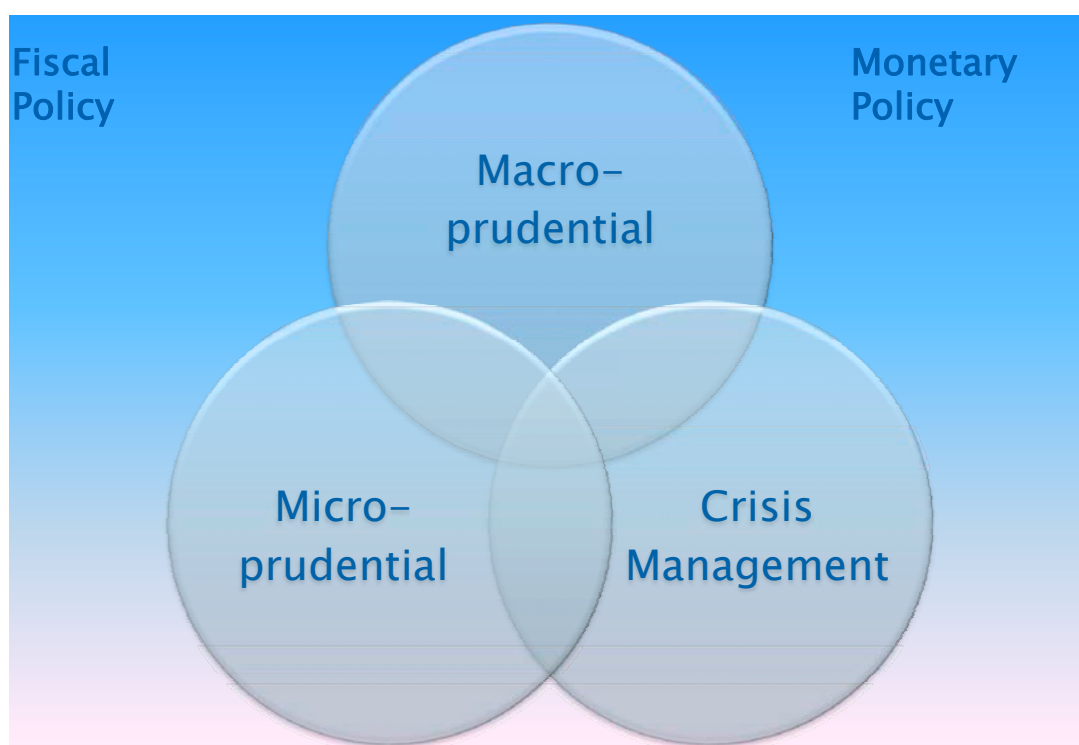
## Crisis Coordination

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## Considerations for a post crisis architecture





## Cohabitation – Scope

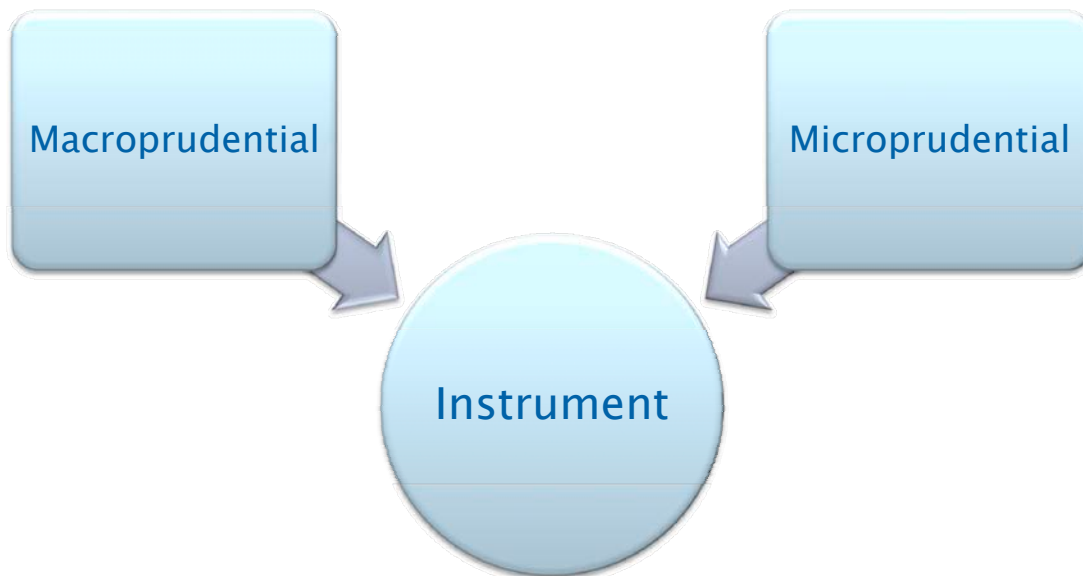
Highly concentrated systems

- When the firm is the system

Individual instruments

- When the instrument deals with aspects of idiosyncratic and systemic risk

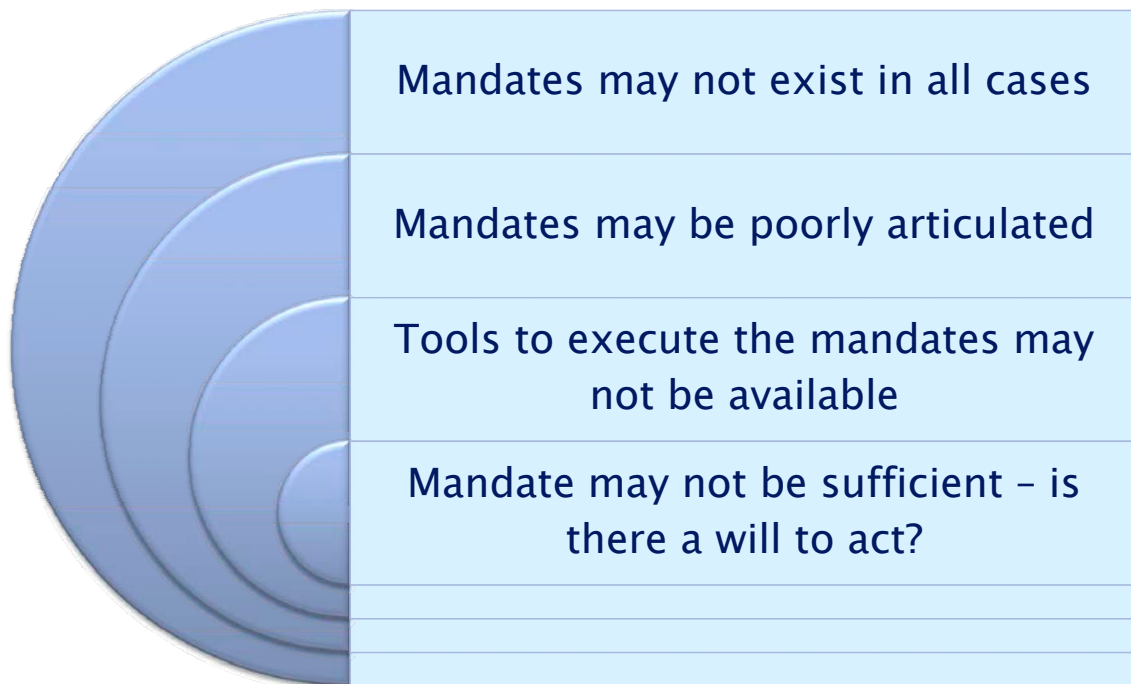




## Architectural issues for macroprudential mandate

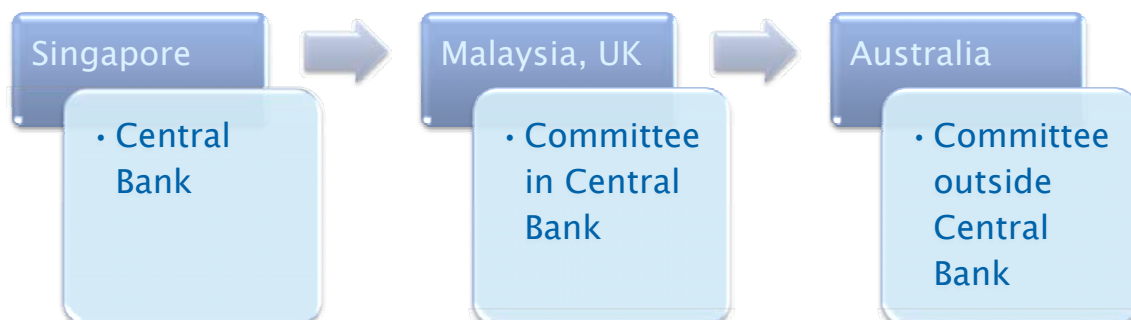
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- Single body or diffuse responsibilities
  - Central Bank
  - Ministry of Finance
  - Microprudential supervisors
- The list is presented as four horizontal light blue bars with a dark blue arrowhead pointing to the right on the left side of each bar.

# Mandates for financial system stability must be allocated clearly



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# What institutional models have developed



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# Willingness to Act



# Ability to Act



Mandate

Powers

Coordination Framework

Data

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Why change the model:  
Trigger event, Opportunity, Need?

Reputation – Financial  
Crisis

Synergy and flexibility –  
Conglomerates

Market developments –  
funding model

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# Why change the model: Ancillary reasons



Efficiency and cost

Accountability

Professional staff

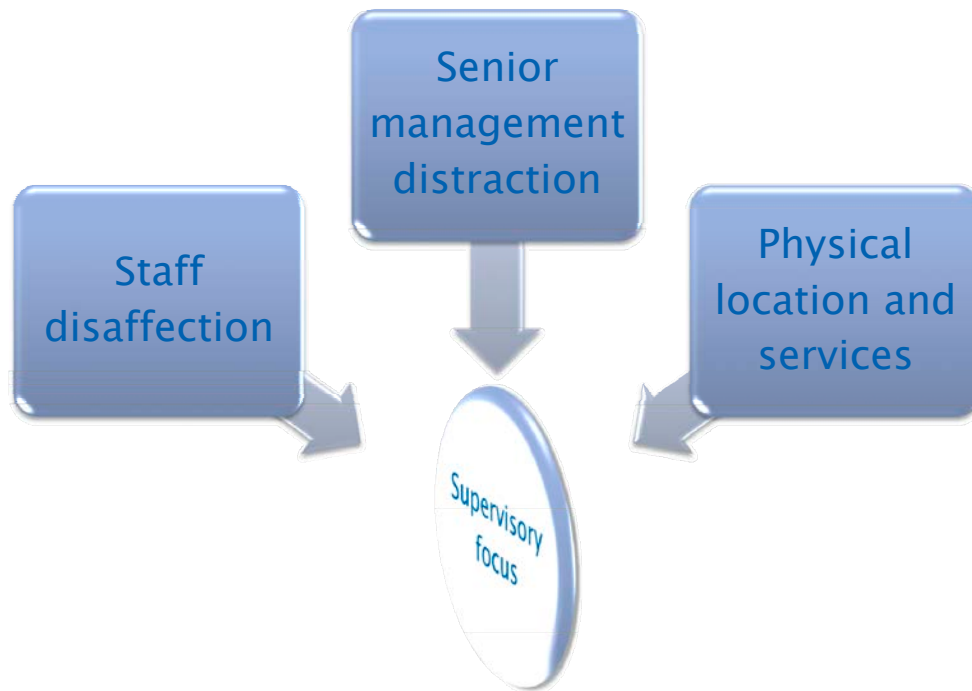
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# Transitional issues – Legislative basis



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# Transitional issues – Change management



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## Effective Supervisory Function needs:



Independence

Accountability

Credibility

Adequate Resource

Regulatory Capacity

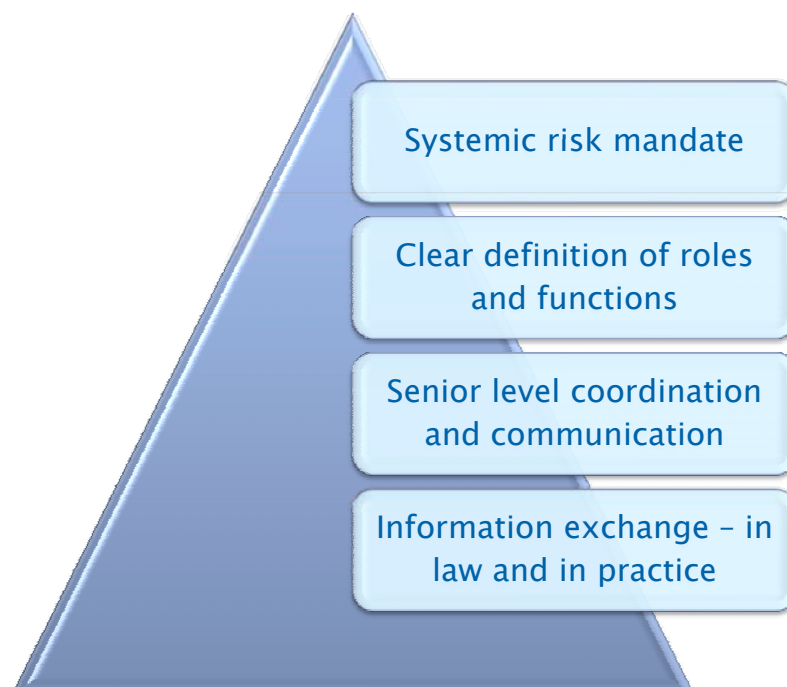
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# Supervisory Prerequisites – are not dependent on structure



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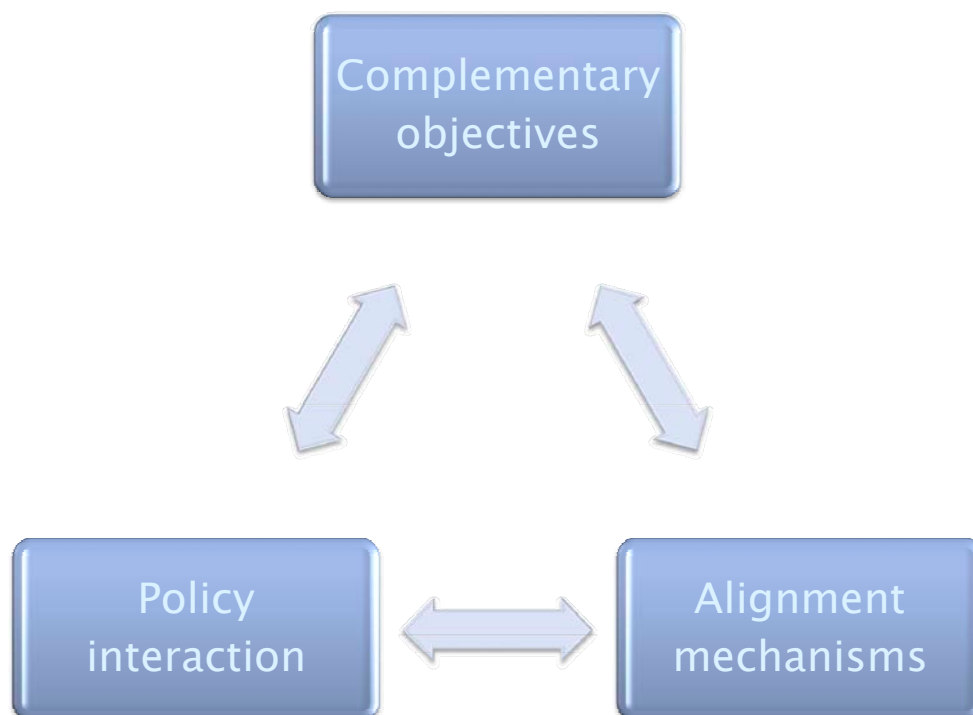
# Vary the recipe but not the ingredients



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# Conclusions

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## Questions?

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