P.R.I.M.E. Finance

Panel of Recognized International Market Experts in Finance

Workshop on International Financial Regulation

International Financial Regulation: Harmony or Cacaphony?

Prof. dr. W.A.K. Rank

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International Regulatory Convergence (1)

- International regulatory convergence means that regulatory requirements across countries or regions become more similar or aligned
- International regulatory convergence can be the result of harmonisation of laws and regulations, but also of the adoption of internationally recognised practices and principles and of mutual recognition
- International regulatory convergence is an essential element of the globalisation of financial markets

International Regulatory Convergence (2)

- International regulatory convergence can reduce costs, legal uncertainty and other risks and contribute to the creation of a level playing field and financial stability
- Within the EU, international regulatory convergence in the financial sector has been reasonably successful
- Globally, international regulatory convergence is still in its infancy
- Except with respect to the clearing of derivatives and capital requirements for banks, the regulatory regimes of the G-22 are quite different

International Regulatory Convergence (3)

- We have seen international regulatory convergence in the aftermath of the GFC, and we still see it in some areas, for instance in the area of capital requirements
- However, expectations are that this will not continue and that we are slowly moving back to international regulatory divergence
- This is not only caused by cultural differences and domestic policy principles but also with a view to protecting national commercial interests, i.e. protection of domestic markets via regulation

EU Legislation Financial Markets (1)

- Since the GFC, the EU has introduced and is on the verge of introducing numerous new rules and regulations pertaining to the financial services industry
- These rules and regulations cover virtually all types of financial markets, all types of financial services and products and all types of market participants
- The aim of this EU legislation is to offer greater protection to customers, more in particular to retail investors and consumers, and making markets safer, more transparent and more efficient

EU Legislation Financial Markets (2)

- Benchmark Regulation
- PRIIPs Regulation
- MiFID II/MiFIR
- PSD2
- EU Banking Reforms
- Capital Markets Union:
  - Securitisation Regulation
  - Framework Covered Bonds
- EMIR II
- Recovery and Resolution CCPs and Insurers

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Effects of EU Financial Legislation on Market Participants from Third Countries and vice versa

- Within the EU, the aforementioned rules have a positive impact and contribute to the creation of more integrated financial markets
- Unfortunately, these rules block market participants from other jurisdictions from competing and offering their services in the EU on a cross-border basis
- However, financial legislation of other countries and regions has the same effect on market participants from the EU and excludes them from doing business in those jurisdictions

Breaking the Spell of the Downward Spiral

- These negative consequences can only be avoided if both the EU and other countries or regions return to international regulatory convergence again
- This is likely to be most successful in technical areas, such as the area of prudential supervision
- And not by striving for harmonisation but by relying on the concept of equivalence in supervision and mutual recognition
- Remember: convergence can only be successful if there is mutual benefit