Governance & Development: Views from G20 Countries

Session 4

Reforming the Global Financial System – Implications for long term investment finance

HK HOLDAWAY

September 17-19, 2012
India Habitat Centre, New Delhi
Session 4: Reforming the Global Financial System – Implications for long term investment finance

HK Holdaway
General Manager, G20 Division
ICRIER conference, September 17-19

Outline

• Purpose of the reform: Back to where it all started
• Implications – in theory
• Implications – in practice
• Investment ‘package’
  – Financial regulatory reforms to unlock long-term investment finance
Purpose of the reform

• Response to the Global Financial Crisis
  – Under-priced risks/high levels of debt
  – Opaqueness of securitised finance
  – Inadequate supervision and regulation
• Build a stable and well functioning global financial system
  – Increase in cost of finance
• Regarded as one of the biggest successes by the G20

Implications – in theory

• Reforms not yet fully implemented
• FSB reports (Feb and Aug 2013)
  – Benefits of a stable and well functioning global financial system outweighs costs
  – Reforms have no particular bias against long-term investment financing
• Conclusion: No negative implication
Implications – in practice

Will need:
- Timely and consistent implementation
  - No regulatory arbitrage
  - No second tier for EMEs
- Careful monitoring of cumulative effect and unintended consequences of reforms
  - Based on evidence

Investment ‘package’

- Country specific actions to tangibly improve domestic investment climates
- Financial intermediation
  - Domestic capital market development and intermediation of global savings to investments
  - Catalytic role of MDBs
- Improving processes and transparency in prioritising and funding investment projects
Financial intermediation

- Identify financial regulatory barriers to long-term investment financing
  - None identified so far
- Identify financial regulatory reforms which can positively support long-term investment financing

Thank you!