



# **Governance & Development: Views from G20 Countries**

**Session 4**

**Presentation**

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

**HK HOLDAWAY**

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# Session 4: Reforming the Global Financial System – Implications for long term investment finance

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## 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!