

# GAMEKEEPERS and POACHERS



## THE WHY, WHAT, WHERE & HOW OF FINANCIAL REGULATION

JOHN TRUNDLE

### WHY REGULATE ?

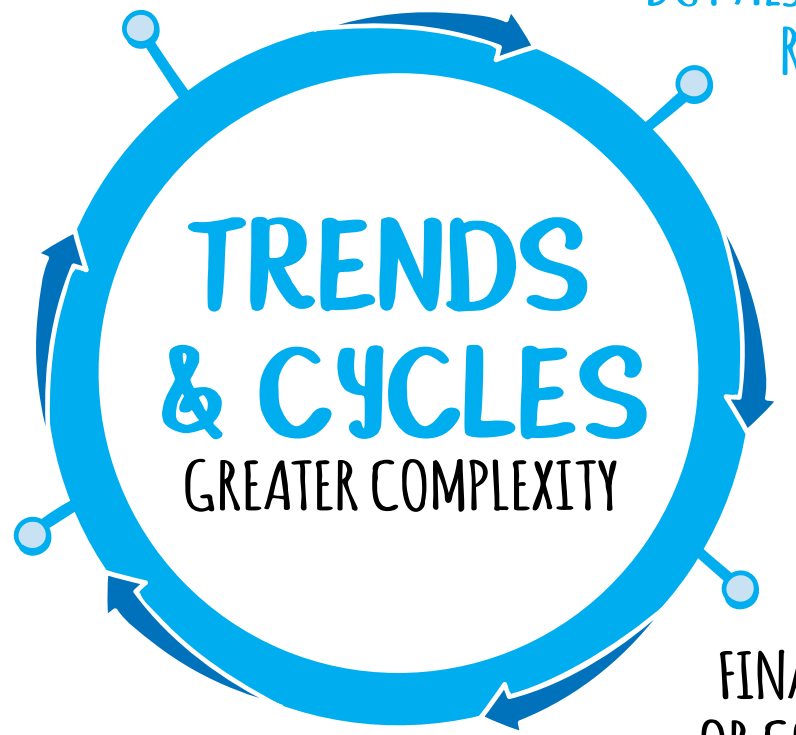
- CONSUMER PROTECTION
- COMPETITION
- FINANCIAL STABILITY & MARKET EFFECTIVENESS

IF IT MOVES, TAX IT. IF IT KEEPS MOVING, REGULATE IT AND IF IT STOPS MOVING, SUBSIDIZE IT.

- RONALD REAGAN

REGULATION INHIBITS COMPETITION; CONSTRAINS INNOVATION AND GROWTH

DEREGULATION TO ENCOURAGE COMPETITION BUT ALSO REQUIRES NEW REGULATION



#### WHY REGULATE AT ALL?

- INFORMATION ASYMMETRIES (BUYERS VS. SELLERS)
- UNALIGNED INCENTIVES
- EXTERNALITIES (SYSTEM VS. INDIVIDUAL)

### HOW WE REGULATE

PRUDENTIAL REGULATION  
THEIR FINANCIAL STRENGTH

1988  
FINALLY A COMMON APPROACH TO CAPITAL! (WITH UNINTENDED CONSEQUENCES)

#### TWO TYPES

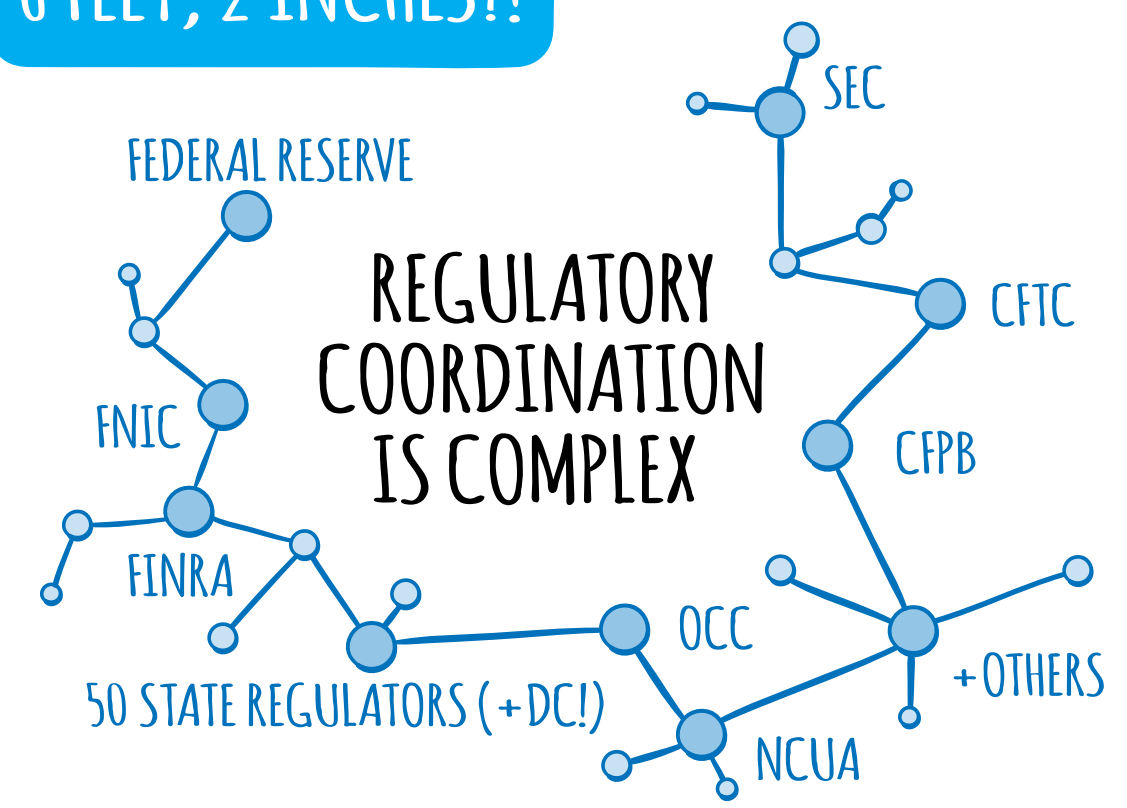
CONDUCT REGULATION  
HOW THEY BEHAVE

PRINCIPLES-BASED  
"THE TEN COMMANDMENTS"  
THOU SHALT NOT...

RULEBOOK APPROACHES  
PRECISION  
REGULATION IS TYPICALLY ORGANIZED NATIONALLY; BUT WITHIN NATIONS IT IS TYPICALLY ORGANIZED BY INSTITUTION



6 FEET, 2 INCHES?!



## IMPLICATIONS FOR INNOVATION & GROWTH

COSTS OF REGULATION TO PROVIDER AND USER

FUNCTIONAL VS INSTITUTIONAL REGULATION

REGULATED SECTOR: SIMILAR BUSINESS MODELS



CREATES PRESSURE TO MEET THE UNDERLYING NEEDS OF THE CONSUMER

MORAL HAZARD AND IMPLICIT PUBLIC SUBSIDY

BARRIER TO ENTRY; LESS PRESSURE TO INNOVATE

BANKS... MAY BE INTERNATIONAL IN LIFE, THEY BECOME NATIONAL IN DEATH.

- CHARLES GOODHART

### BALANCING PUBLIC POLICY OBJECTIVES



### INTERNATIONAL CO-OPERATION

BIG DIFFERENCES BETWEEN JURISDICTIONS  
BARRIERS TO CO-OPERATION



MANY ATTEMPTS AT CO-OPERATION

