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Global Finance – Local Action

Current Challenges of Regulation and Supervision in Emerging Markets

**Highlights from the Panel Discussion on
October 9th, 2014, Washington D.C.**

The panel discussion “*Global Finance - Local Action - How to Apply Financial Regulation in Emerging Markets?*” on October 9th, 2014 was held during the IMF-World Bank Annual Meeting. The discussion was opened by Dr. Jürgen Zattler - Deputy Director General for Multilateral and European Policy in the German Ministry for Economic Co-operation and Development (BMZ), together with the Canadian Deputy Development Minister Mr. Malcolm Brown. The event was jointly organized by the Toronto Center and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH on behalf of BMZ.

The objective of the event was to better engage the emerging economies in the G20 discussions on global financial stability, and to enhance communication between Germany, the emerging countries and the international regulatory institutions.

The audience comprised of close to 45 senior representatives from Ministries of Finance, Central Banks, as well as the IMF and the World Bank. In his welcome speech, Dr. Jürgen Zattler emphasized that international financial stability, being viewed as Global Public Good, can only be “achieved together with the G20 emerging countries”, since 4 out of the 10 largest banks worldwide come from the emerging markets.

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The panel participants included Mr. Stefan Ingves, Governor of the Central Bank of Sweden and Chairman of the Basel Committee on Banking Supervision (BCBS), Mr. Svein Andresen, Secretary General of the G20 Financial Stability Board (FSB), and Dr. Erdem Başçı, Governor of the Central Bank of the Republic of Turkey.

The discussion was opened by Mr. Stefan Ingves, who expressed the need for stricter financial regulation resultant from the lessons learned during the recent crisis. He said that such transformation would not jeopardize growth and that banks should adapt their business models to the new regulatory framework. He further pointed out that much has been achieved in order to avoid future financial crises. However, the regulators would have to adjust to a constantly changing financial market.

Dr. Erdem Başçı suggested that the new international guidelines are mainly applicable for developed countries. There is still scope for improvement of the regulations for Systematically Important Banks in the emerging markets, and the regulatory framework in general would need to be adjusted according to the countries' particular needs.

In response Mr. Svein Andresen referred to the Financial Stability Board's continued effort to integrate G20 and other emerging markets into regional working groups. A topic of interest was 'Shadow Banking' and the new G20 regulations. Shadow Banking institutions play important role for the development of the financial sector, but they could also bring risks to the financial stability. Therefore, the dialogue should contribute to finding the 'right balance between growth and stability'.

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