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**Global
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Low Income Countries Navigating Global Banking Standards

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Global banking standards:

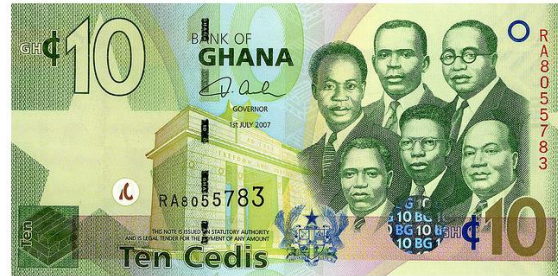
- Set by Basel Committee on Banking Standards (G20+)
- Voluntary, but growing emphasis on worldwide adoption
- LICs need effective regulation for financial stability and inclusive growth
- Basel standards appropriate?



Project research questions:

1. How much de facto flexibility do LICs have, how much do they need, and under what conditions should they adopt new regulatory standards?
2. What strategies for influencing global standard-setting processes and institutions are likely to yield the best outcomes for LICs?

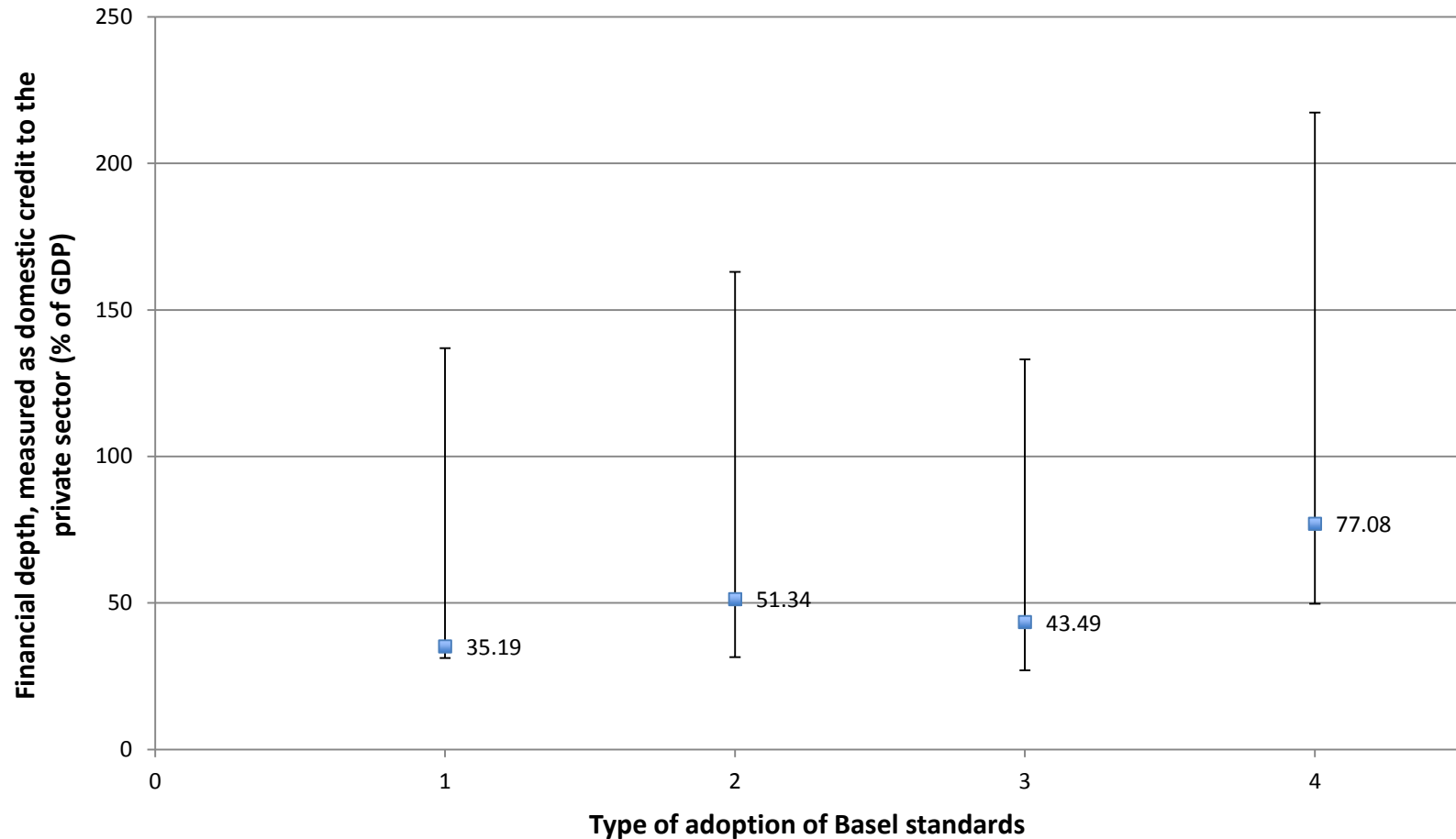
Who, which countries, and how



Adoption of Basel Standards (II, 2.5 and III) – 4 types

	LIC	LMIC	UMIC	HIC
TYPE 1 – NO IMPLEMENTATION (NO PUBLIC STEPS)	50% (7)	52% (12)	32% (8)	27% (7)
TYPE 2 – PARTIAL IMPLEMENTATION, ONLY BASEL II	29% (4)	17% (4)	36% (9)	19% (5)
TYPE 3 – PARTIAL IMPLEMENTATION, BASEL II, 2.5 AND III	21% (3)	30% (7)	20% (5)	23% (6)
TYPE 4 – HIGH IMPLEMENTATION	0% (0)	0% (0)	12% (3)	31% (8)
	14 (of 34)	23 (of 48)	25 (of 49)	26 (of 47)

The puzzle – not all about financial depth



Sources: 2014 Financial Stability Institute Survey “Basel II, 2.5 and III implementation”; International Monetary Fund, International Financial Statistics and data files, and World Bank and OECD GDP estimates.

What else could drive adoption / non-adoption?

5 working hypotheses:

H₁: Institutional fit

H₂: Powerful interest groups

H₃: Signaling

H₄: Diffusion through expert networks

H₅: Coercion

Work in progress, comments welcome...



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Thank You!

Implementation Challenges:

1. Human and financial resources
2. Insufficient information
3. Weaknesses in institutional governance
4. Insufficient supra-national coordination
5. Infrastructure gaps

Design challenges:

1. A-IRB favours large international banks
2. Reduction in SME finance and long-term finance (?)
3. Counter-cyclical buffer poorly designed
4. Gaps (e.g. build-up of currency mismatches)
5. Distort regulatory agenda?