Regulating Global Finance: 
Promoting US Leadership for Growth and Development

This project brings together four major institutions—the African Economic Research Consortium, The Brookings Institution, New Rules for Global Finance, and the University of Missouri/Kansas City—to catalyze constructive U.S. leadership in promoting global regulation of the financial system that is effective, inclusive, transparent and accountable in contributing toward a stable financial system and sustainable economic growth. The aim is to ensure a sounder regulatory framework underpinning global stability along with greater democratization of policy decisions that, albeit apparently technical in nature, affect the broader society in richer as well as poorer countries. This goal will require greater participation in global decision-making through the inclusion of Low-Income Countries at the G20 Summit level, as well as in technical preparatory meetings of G20 structures and the FSB, since these groups generate agendas and proposals for political leaders, as well as implement, monitor and evaluate the decisions taken.

Objectives of this project are to:

1) publicize the positive actions the U.S. can and should take in the G20 and the FSB, to ensure that global financial regulation is designed in ways which enhance growth and development for both the U.S. and Low-Income Countries;
2) promote U.S. leadership in improving the governance of the global financial regulatory mechanism, by expanding the inclusiveness and transparency of both the G20 and the FSB processes;
3) ensure U.S. leadership in expanding the participation of Low-Income (especially African) Countries, in the rule-setting process; and
4) provide U.S. policymakers with timely and targeted information on some of the least known, but critically important, aspects of the FSB and Standard Setting Bodies, in particular the International Accounting Standards Board.

PROJECT IMPLEMENTATION

The first objective, to publicize the positive leadership actions that the U.S. can and should take in both the G20 and the Financial Stability Board, will be largely the responsibility of New Rules for Global Finance, which is the lead organization for this project. Throughout the duration of this project, New Rules will communicate project outputs to the relevant U.S. international financial policymakers and regulators (FDIC, FASB, CFTC, and SEC), Congressional Committees and Members of Congress, as well as civil society organizations, the media and think tanks. New Rules will design a media strategy that targets the international development and financial press, while working closely with the public relations offices of the partner organizations. It will also disseminate project outputs to key officials of the FSB, including the Standard Setting Bodies. New Rules plans to collaborate with international networks of NGOs, especially those coordinated by the Halifax Initiative, which includes sub-networks on the Financial Transaction Tax (FTT) and financial regulation, and on preparations for the French G20 Summit in 2011.

The second objective is to encourage U.S. leadership in improving the governance of the global financial regulatory mechanism by expanding the inclusiveness and transparency of G20 and FSB processes. This objective will be implemented by Dr. Domenico Lombardi, Senior Nonresident Fellow at The Brookings Institution and President of the Oxford Institute for Economic Policy, who will
develop and convene a “High-Level Panel on the Governance of the Financial Stability Board.” The proposed panel will build on the work developed by the “High-Level Panel on IMF Board Accountability”, which elaborated “accountability” as having four components: Transparency, Evaluation, Participation and External Complaint Mechanism. The high-level panel will involve a preparatory issues paper that will be completed in December 2010 with a final summary options paper to be completed in May 2011; identification of possible invitees, who will bring sufficient expertise and diversity of perspectives; at least one face-to-face meeting; consultation between the high-level panel and experts in governance; and writing of a draft set of recommendations with agreed rules for signing and for dissemination to the G20 Summits, the FSB and the public.

The third objective, to expand participation of low-income (especially African) countries, in G20 and FSB rule-setting processes, was suggested at the April 2010 meetings between African experts and U.S. policymakers. This is to ensure that G20 and FSB decisions are more relevant to growth and development in Low-Income Countries, on macroeconomic and micro-institutional regulation, risk-weighting of assets, and application to types of financing essential to Low-Income Country development, such as trade and project finance and microfinance institutions. This objective will help LIC countries by strengthening their voice, improving research, educating analysts in richer economies, and clear engagement with the G20 and FSB. It will assure African participation in meetings (to be organized by New Rules and The Brookings Institution) with U.S. policymakers to promote strong U.S. leadership that reflect these positions, and in other similar events by the Commonwealth Secretariat, Korea Development Institute, and CIGI.

The fourth objective, provide U.S. policymakers with timely and targeted information on some of the least known, but critically important, aspects of the FSB and Standard Setting Bodies, in particular the International Accounting Standards Board. Dr. William Black of the University of Missouri/Kansas City Law School, will prepare an extensive written policy paper in which he will: describe the structure and governance of the IASB and the rules it has established; evaluate the quality of those rules and their contribution to the financial crisis of 2007-09; and propose alternative accounting standards as a way to prevent the next financial crisis. Dr. Black will collaborate with the African Economic Research Consortium, for example by recommending improvements to the Basel process and substance. Basel and accounting are inherently interconnected and the fact that Basel has largely ignored accounting (and accounting control fraud) is one of the most important reasons that Basel II contributed to the financial crisis.

Overall, this project will combine policy research and dialogue from key U.S. and Low-Income Country experts and institutions, in order to promote global leadership by U.S. policymakers in ensuring that financial regulation serves the needs of stability, growth and development in the U.S. and worldwide. As key outputs, it will:

- Produce essential new policy positions and recommendations for reforming global financial regulation, adapting global financial regulation to growth and development in Low-Income Countries, and prioritizing accounting standards as a key aspect of global regulation.
- Ensure that these policy ideas are effectively disseminated to three forums: the public and private political forum in the U.S., through the executive, Congress and regulatory bodies; the technical rule-making apparatus of the G20 and FSB (including the SSBs); and the G20 political meetings at ministerial and summit level.
- Cooperate closely with a wide range of official, media, civil society and think tank organizations, as well as conducting extensive web-based dissemination, to engage all actors in a debate on how best
U.S. leadership can promote global financial stability that supports equitable and sustainable economic growth.

Together, these four partner organizations are ideally placed and experienced to produce and disseminate high-quality recommendations for the reform of the global financial regulatory system at all three levels. As a result, and judging by the performance of past similar projects undertaken by these organizations, and the experience of the recent US-African discussions in April 2010, this project is expected to produce strong U.S.-led outcomes for a more stable, equitable and sustainable global financial architecture.

**PARTNERS**

- **Jo Marie Griesgraber, Jamie Baker - New Rules for Global Finance:** New Rules’ programs promote the accountability and governance reform of the major International Financial Institutions (IFIs), policy advances in finance for development, and capacity building in taxation of domestic resources for inclusive development. Advances made in our programs contribute significantly toward the reduction of global poverty and inequality.

- **Domenico Lombardi - The Brookings Institute & the Oxford Institute for Economic Policy:** This builds on his extensive research on the governance of international financial institutions, his authoring the final reports of the “Bringing Balance to the IMF Reform Debate”, as well as the “Fourth Pillar” consultations requested by the IMF Managing Director and coordinated by New Rules.

- **Victor Murinde, Louis Kasekende, Matthew Martin - African Economic Research Consortium:** Most recently, it worked with the African Development Bank on financial regulation, culminating in a March 2010 policy seminar on “Bank Regulatory Reforms in Africa: Enhancing Bank Competition and Intermediation Efficiency.”

- **Professor Bill Black - University of Missouri/Kansas City:** Dr. Black is a frequent contributor to the New York Times’ quick Room for Debate discussion, most recently on the financial regulatory bill; a guest on public television’s The Bill Moyers Report; the co-author with Eliot Spitzer and Frank Partnoy of a New York Times op-ed, December 20, 1009; and author of The Best Way to Rob a Bank Is to Own One (Austin: University of Texas, 2005).