

SUPERVISING RISK-TAKING IN WORLD FINANCIAL MARKETS

Published by Valuation & Research Specialists (VRS)



CONTENTS

ABSTRACT	5
1. INTRODUCTION	7
2. COSTS OF FINANCIAL CRISES	8
3. THE (IN)EFFICIENCY OF MARKETS	9
4. THE CHARACTER AND STRUCTURE OF SUPERVISORS	11
5. SETTING OF STANDARDS	12
6. COMPLIANCE TO STANDARDS	16
7. INCENTIVES FOR COMPLIANCE	19
8. INSTITUTIONS FOR SUPERVISING COMPLIANCE	20
9. THE FINANCIAL STABILITY FORUM / BOARD	20
10. THE EUROPEAN CASE	21
11. CURRENT SITUATION AND EPILOGUE	22
12. REFERENCES	25
NOTES	27
DISCLOSURE STATEMENT	28

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ABSTRACT

A major international financial policy objective in both developed and developing is to strengthen the capacity of individual countries and of the international financial system as a whole to control financial instability and limit the number and extent of financial crises. A great deal remains to be done, if the stimulus from recent crises is to be fully reflected in better risk management by financial institutions and in improved supervision on a global scale. In the past, recovery from financial crises has usually blunted reform efforts and the lessons have had to be painfully re-learned. For a more effective containment of the financial crises, it will require a major extension of the public monitoring effort on a global scale and the embedding of more and better incentives for risk-mitigation into the system.

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