

The 2009 Great Governance and Regulatory Overhaul ?

Fabrizio Pagani*
Senior Legal Advisor
Senior Advisor for G8 / G20 Summits
OECD Secretariat, Paris

CORPORATE ACCOUNTABILITY CONFERENCE
3 DECEMBER 2009
AMSTERDAM THE OKURA HOTEL

* The views here expressed are exclusively those of the author

OECD  1 OCDE

Reform at different levels

- The global governance architecture
- The macro-economic coordination
- The supervisory and regulatory reform
- The search for a value - based economy

OECD  2 OCDE

The global governance architecture

- Three G20 Summits:

- November 2008, Washington:

- Agreement on working on financial regulation reform
- Agreement on working on IFIs reform
- Blessing of monetary and fiscal policy actions
- Rejection of any form of protectionism

- April 2009, London:

- Recapitalisation of the international financial institutions and trade finance
- First results on the financial reform (from FSF to FSB)
- Fight against tax havens (OECD Global Forum)

- September 2009, Pittsburgh:

- Framework for macroeconomic cooperation to address the imbalances
- IFIs reform
- Further results on financial reform
- Fossil Fuel Subsidy Reduction
- Climate change financing (inconclusive)

- At the Pittsburgh Summit the G20 is declared “the premier forum for international economic cooperation”.

- Global architecture in a moment of transition:
From winding down the G8 to setting up of new procedures for the G20, from G8 nostalgia to G20 enthusiasm

The macro-economic coordination

- Strong coordination of monetary policies at the height of the crisis
- Coordination on the fiscal stimulus and possibly on the exit strategies
- Framework for Strong, Sustainable and Balanced Growth is a compact that commits G20 countries to work together to assess how their policies fit together, to evaluate whether they are collectively consistent with more sustainable and balanced growth, and to act as necessary to meet common objectives

- The Framework as a sort of fundamental pact of the of the G20 through which the countries will try to achieve coherence in their macro - economic policies and find possible areas of coordination also of their structural policies
- The IMF, together with other organisation such as the OECD, will put the countries' data together and then the countries will proceed to a mutual assessment (not a real peer review process)

The supervisory and regulatory reform

- Cross-border crisis management:
 - Cross-border resolutions
 - Establishment of supervisory colleges
 - Too big too fail issues
- Prudential regulation:
 - Building high quality capital and mitigating pro-cyclicality
 - Implementation of sounder risk management practices
- Compensation:
 - FSB Principles for Sound Compensation Practices
 - First thematic FSB peer review and part of the first OECD corporate governance peer review

- Tax – havens and non – cooperative jurisdictions
 - Implementation of the OECD standards
 - Creation of the Global Forum
- Other issues:
 - OTC derivatives markets
 - Accounting standards
 - Hedge funds
 - Credit rating agencies

The search for a value - based economy

- The Global Standard
- Perception that the crisis is also revealing the extent to which business around the world is facing issues of propriety, integrity and transparency.
- The Global Standard for Propriety, Integrity and Transparency in the Business Environment:
 - Italy's G8 Presidency initiative
 - The Lecce Framework and the L'Aquila Declaration:
 - International bribery
 - Money laundering
 - Tax evasion
 - Corporate governance (including beneficial ownership)
 - Corporate Social Responsibility

- The Global Charter
- The economic crisis demonstrates the importance of ushering in a new era of sustainable global economic activity grounded in responsibility
- Core Values for Sustainable Economic Activity adopted at the Pittsburgh Summit: macroeconomic policies, trade, investment, propriety, integrity and transparency, development, natural resources, energy, etc...



Conclusions

- 2009: the year of great governance and regulatory overhaul ?
- Progress has been made in a number of topics
- Much still needs to be accomplished in the four areas:
 - The architecture is still under change and refinement will be needed
 - Can the G20 macroeconomic cooperation work in ‘time of peace’?
 - The financial sector reform needs further international cooperation, but overall it needs national implementation
 - Will the political drives for values continue?