

Helping Each Other: improving regulatory capacity across the academic/practitioner divide

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‘You have transparency, and monitoring and coloured diagrams, peer pressure and prayer - and that’s it [...] that is not going to be good enough in world where there will be multiple significant capital markets all potentially interpreting and applying the rules in different or slightly different ways’

David Wright,

Secretary-General, International Organisation of Securities Commissions

Financial Times, 25 November 2013

Regulatory capacity

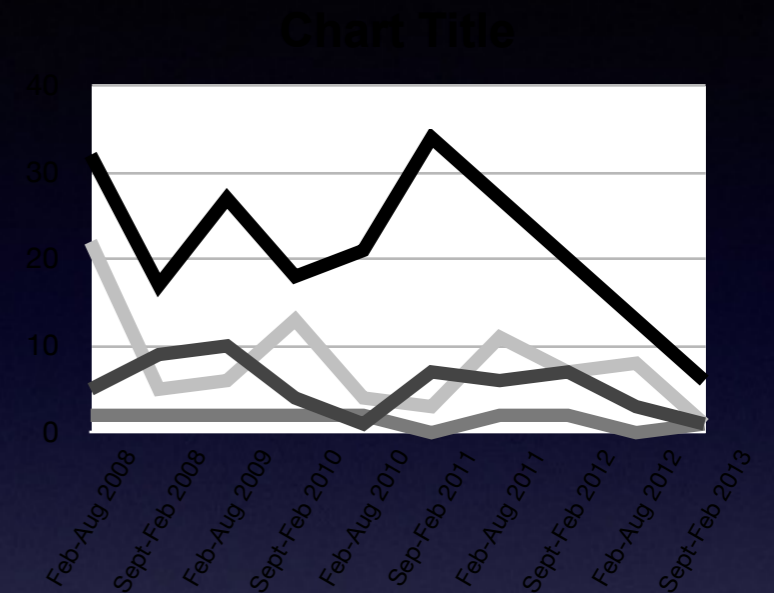
- Regulation as promise of predictability
- **Reputation** that regulatory discretion is exercised in an informed way, including the informed exercise of the constraints on regulatory discretion
- vs 'appropriate institutional governance', 'great people' and 'well-designed rules and processes' (OECD 2013)

Reputation

- Implications
 - Consistency - 'appearance'
 - Credibility - 'judgement'
 - Jurisdiction - 'turf conscious' over- & underlap
 - Interdependence - own performance depends on others

Four standard criticisms

- Lack of formal power/rules
- Lack of knowledge about unintended consequences
- Lack of consultation
- Lack of knowledge about markets/industry



- Need for more hierarchical oversight & rules
- Need to account more for complexity and potential side-effects
- Need to consult more
- Need to understand markets more



Four standard recipes

- Management- and Performance-based standards
- Enforced self-regulation
- Risk-based regulation
- 'Better regulation' (i.e. RIAs, sunset, regulatory reviews)
- All four have high & varied capacity requirements & suffer from inherent incompatibilities in their justification

Enhancing regulatory capacity

- Understand motivation & capacity of regulators & regulates
- Regulatory Analysis: generic problems and plurality of potential solutions
 - e.g. co-ordination: jurisdiction, information, inconsistency
 - e.g. 'learning': beyond sector-specificity