Centre for International Governance Innovation

SPECIAL REPORT

Emerging Countries in Global Financial Standard Setting

Explaining Relative Resilience and Its Implications

Andrew Walter

Centre for International
Governance Innovation

SPECIAL REPORT

Emerging Countries in Global Financial Standard Setting

Explaining Relative Resilience and Its Implications

Andrew Walter

About CIGI

We are the Centre for International Governance Innovation: an independent, non-partisan think tank with an objective and uniquely global perspective. Our research, opinions and public voice make a difference in today's world by bringing clarity and innovative thinking to global policy making. By working across disciplines and in partnership with the best peers and experts, we are the benchmark for influential research and trusted analysis.

Our research initiatives focus on governance of the global economy, global security and politics, and international law in collaboration with a range of strategic partners and have received support from the Government of Canada, the Government of Ontario, as well as founder Jim Balsillie.

À propos du CIGI

Au Centre pour l'innovation dans la gouvernance internationale (CIGI), nous formons un groupe de réflexion indépendant et non partisan doté d'un point de vue objectif et unique de portée mondiale. Nos recherches, nos avis et nos interventions publiques ont des effets réels sur le monde d'aujourd'hui car ils apportent de la clarté et une réflexion novatrice pour l'élaboration des politiques à l'échelle internationale. En raison des travaux accomplis en collaboration et en partenariat avec des pairs et des spécialistes interdisciplinaires des plus compétents, nous sommes devenus une référence grâce à l'influence de nos recherches et à la fiabilité de nos analyses.

Nos projets de recherche ont trait à la gouvernance dans les domaines suivants : l'économie mondiale, la sécurité et les politiques internationales, et le droit international. Nous comptons sur la collaboration de nombreux partenaires stratégiques et avons reçu le soutien des gouvernements du Canada et de l'Ontario ainsi que du fondateur du CIGI, Jim Balsillie.

Credits

Director, Global Economy Robert Fay
Program Manager Heather McNorgan
Publisher Carol Bonnett
Senior Publications Editor Jennifer Goyder
Graphic Designer Brooklynn Schwartz

67 Erb Street West
Waterloo, ON, Canada N2L 6C2
www.cigionline.org

Table of Contents

About the Author

Andrew Walter is professor of international relations in the School of Social and Political Sciences at the University of Melbourne. He has published widely on the political economy of monetary and financial issues, and is the author of *The Wealth Effect: How the Great Expectations of the Middle Class Have Changed the Politics of Banking Crises* (Cambridge University Press, 2019, with Jeffrey M. Chwieroth), *Global Financial Governance Confronts the Rising Powers: Emerging Perspectives on the New G20* (CIGI, 2016, edited with C. Randall Henning), *East Asian Capitalism: Diversity, Change, and Continuity* (Oxford University Press, 2012, edited with Xiaoke Zhang), *China, the United States, and Global Order* (Cambridge University Press, 2011, with Rosemary Foot), *Analyzing the Global Political Economy* (Princeton University Press, 2009, with Gautam Sen), *Governing Finance: East Asia's Adoption of Global Standards* (Cornell University Press, 2008), and *World Power and World Money* (St. Martin's Press, 1993).

Until September 2012 he was reader in international political economy at the London School of Economics. Prior to this he was university lecturer in international relations at the University of Oxford. His current research is concerned with the political consequences of financial crises, the politics of financial regulation and emerging Asia in global governance.

About Global Economy

Addressing the need for sustainable and balanced economic growth, the global economy is a central area of CIGI expertise. The Global Economy initiative examines macroeconomic regulation (such as fiscal, monetary, financial and exchange rate policies), trade policy and productivity and innovation policies, including governance around the digital economy (such as big data and artificial intelligence). We live in an increasingly interdependent world, where rapid change in one nation's economic system and governance policies may affect many nations. CIGI believes improved governance of the global economy can increase prosperity for all humankind.

Acronyms and Abbreviations

ASEAN	Association of Southeast Asian Nations
BCBS	Basel Committee on Banking Supervision
BIS	Bank for International Settlements
BRICS	Brazil, Russia, India, China and South Africa
CBRC	China Banking Regulatory Commission
CGD	Center for Global Development
C-ROSS	China Risk Oriented Solvency System
EMDEs	emerging market and developing economies
EMEs	emerging market economies
EMEAP	Executives' Meeting of Asia-Pacific Central Banks
FSAP	Financial Sector Assessment Program
FSF	Financial Stability Forum
FSB	Financial Stability Board
G7	Group of Seven
G20	Group of Twenty
GFC	Great Financial Crisis
IAIS	International Association of Insurance Supervisors
ICANN	Internet Corporation for Assigned Names and Numbers
IEO	Independent Evaluation Office
IMF	International Monetary Fund
NPLs	non-performing loans
OJK	Otoritas Jasa Keuangan
IOSCO	International Organization of Securities Commissions
OTC	over-the-counter
PBoC	People's Bank of China
PPP	purchasing power parity
RBI	Reserve Bank of India
SSBs	standard-setting bodies
SWIFT	Society for Worldwide Interbank Financial Telecommunication
WTO	World Trade Organization

Executive Summary

This special report explores the role of emerging-country members in the Basel process, a key aspect of global financial standard setting. It argues that this process has been significantly more politically resilient than adjacent aspects of global economic governance, in part because major emerging countries have perceived continuing "intra-club" benefits from participation within it. Most important among these are *learning* benefits for key actors within these countries, including incumbent political leaders. Although some emerging countries perceive growing influence over the international financial standard-setting process, many implicitly accept limited influence in return for learning benefits, which are valuable because of the complexity of contemporary financial systems and the sustained policy challenges it creates for advanced and emerging countries alike. The importance of learning benefits also differentiates the Basel process from other international economic organizations in which agenda control and influence over outcomes are more important for emerging-country governments. This helps to explain the relative resilience of the Basel process in the context of continued influence asymmetries and the wider fragmentation of global economic governance. The report also considers some reforms that could further improve the position of emerging countries in the process and bolster its perceived legitimacy among them.

Introduction

There are various reasons why major emerging countries might be expected to be dissatisfied with contemporary global financial regulatory governance. Academic research suggests that international financial standard-setting bodies (SSBs) accord transnational private financial interests growing influence (Newman and Posner 2018); empower national pro-reform technocrats (Newman 2017, 84); or allow major Western countries continued dominance over regulatory agreements, subordinating emerging market and developing economy (EMDE) development priorities to advanced country financial stabilization priorities (Chey 2016; Gurrea-Martínez and Remolina 2019; Jones and Knaack 2019; Walter 2016). This expectation would accord with the expressed dissatisfaction of emerging countries in many adjacent areas of global economic governance, including international trade, development finance, international liquidity assistance and technical standard setting in internet protocols and international bank transfers (Roberts, Armijo and Katada 2017, 4-5). Such dissatisfaction has led major emerging countries to seek alternative international institutions and arrangements in some of these areas (Eichengreen, Lombardi and Malkin 2018; Morse and Keohane 2014).

A further reason for potential dissatisfaction is that political populism is reshaping the approaches of some major Western governments, notably the United States, toward global economic governance. Global financial standard setting is especially vulnerable to the populist critique that it is run by a secretive club dominated by and serving the interests of technocratic and financial elites rather than those of the people. For example, in 2017, the vice chairman of the US House Committee on Financial Services criticized the globalists in "the Federal Reserve [who] continue...negotiating international regulatory standards for financial institutions among global bureaucrats in foreign lands without transparency, accountability, or the authority to do so."[1] Emerging-country

1 Letter from Rep. Patrick McHenry, vice chairman, US House Committee on Financial Services, to Janet Yellen, chair of the board of governors of the US Federal Reserve System, January 31, 2017, https://ftalphaville-cdn.ft.com/wp-content/uploads/2017/02/02104940/McHenry-letter-to-Yellen.pdf.

governments might be forgiven for worrying that some of the most important advanced countries are moving into a renewed phase of regulatory relaxation, upending the post-2008 consensus on the need for financial regulatory tightening (Davies 2017; Maxwell 2017). Some emerging-country governments, including India's and Turkey's, have themselves deployed one characteristic technique of populist politics — eroding central bank independence[2] — with potential consequences for financial regulatory policy.

Despite these developments, major emerging countries have remained committed to the key institutions of global financial regulatory governance since their membership began a decade ago. All countries offered membership in the Basel Committee on Banking Supervision (BCBS) and the Financial Stability Board (FSB) in 2009 immediately joined it, after having previously adopted Basel standards for some years before this.[3] The US government issued invitations to 13 countries in addition to the existing Group of Seven (G7) countries to a Group of Twenty (G20) leaders' summit in Washington, DC, in November 2008; all G20 countries were subsequently admitted to the BCBS and the FSB in early 2009.[4] Over the past decade, none have withdrawn or threatened to withdraw, despite (as outlined below) some dissatisfaction on the part of new members about the extent of their influence over standard-setting outcomes. All, including countries that have been very critical of Western dominance in many other domains of global economic governance, have adopted a largely positive and pragmatic approach to the Basel process, including an ongoing commitment to the domestic implementation of Basel standards (BCBS 2018a). Nor have the BRICS (Brazil, Russia, India, China and South Africa) countries developed a joint position on global financial regulation or threatened to establish alternative bodies; for the most part, they have directed their criticisms of global economic governance elsewhere (Roberts, Armijo and Katada 2017, 105-106). In short, while the populist critique of the Basel process is superficially appealing, it does not accord with the perceptions and behaviour of most governments of emerging-country members.

Why, then, is Basel different? This special report assesses the reasons for this comparatively high level of satisfaction among major EMEs with the main global SSBs (EME members are distinguished from advanced country members in Table 1). It argues that there are substantial perceived internal "club" benefits to BCBS and FSB membership that are valued by EMEs and that for most have offset concerns about limited influence over standard-setting outcomes. These benefits include: substantial national discretion over the domestic implementation of international standards; additional leverage for domestic reformers and regulators grappling with the challenges of financial stabilization; enhanced status; learning from higher regulatory capacity peers in areas of relevance to emerging-country financial systems; and a supplemental form of peer monitoring of implementation and financial stability challenges in systemically important advanced countries.

The report distinguishes *club benefits* available to members from the *emulation benefits* available to non-member countries, most of whom adopt Basel standards (to varying degrees) so as to obtain a variety of perceived internal stability and competitiveness benefits. This distinction is not watertight. The fact that Basel standards permit substantial national discretion is advantageous to all countries, including non-members, but it may also reassure EME members that joining Basel will not overly compromise policy flexibility.[5] Other benefits, including learning, status and influence, accrue mostly to members. These members vary greatly in terms of economic size, financial development and political influence. China's economy is today more than 38 times larger than South Africa's, and China's credit-to-GDP ratio reached 205 percent by 2018, compared to only 23 percent for Argentina, 39 percent for Indonesia, 42 percent for Mexico and 71 percent for South Africa — but all face substantive financial stability

2 On the populist "art of governance," see Müller (2019).

3 To illustrate, India adopted Basel I standards in 1992 and Basel II standards from 2007 (Jayadev 2013). In 2013, the Indian authorities committed to implementation of Basel III by April 2019, with the Reserve Bank of India (RBI) adopting slightly more stringent capital requirements for Indian banks than Basel minimums (BCBS 2015, 5). China's commitments to Basel standards have followed a similar trajectory (Foot and Walter 2010).

4 The International Organization of Securities Commissions (IOSCO) also invited securities regulators from Brazil, China and India to join its important technical committee in February 2009. In May 2012, this was restructured into a board with 34 members, including a larger number of emerging market economies (EMEs).

5 As a point of differentiation from Basel, some Chinese officials pointed to the constraints on national policy discretion that future Trans-Pacific Partnership membership would entail (interviews, Beijing, February 2019).

Table 1: Current Membership of the BCBS and the FSB

Country Members	BCBS	FSB
Argentina	✓	✓
Australia	✓	✓
Belgium	✓	
Brazil	✓	✓
Canada	✓	✓
China	✓	✓
European Union	✓	✓
France	✓	✓
Germany	✓	✓
Hong Kong SAR	✓	✓
India	✓	✓
Indonesia	✓	✓
Italy	✓	✓
Japan	✓	✓
Korea, Republic of	✓	✓
Luxembourg	✓	
Mexico	✓	✓
Netherlands	✓	✓
Russia	✓	✓
Saudi Arabia	✓	✓
Singapore	✓	✓
South Africa	✓	✓
Spain	✓	✓
Sweden	✓	
Switzerland	✓	✓
Turkey	✓	✓
United Kingdom	✓	✓
United States	✓	✓

International Institutions	BCBS	FSB
Bank for International Settlements (BIS)		✓
International Monetary Fund		✓
Organisation for Economic Co-operation and Development		✓
World Bank		✓
SSBs	**BCBS**	**FSB**
BCBS		✓
Committee on the Global Financial System		✓
Committee on Payments and Market Infrastructures		✓
International Association of Insurance Supervisors		✓
International Accounting Standards Board		✓
International Organization of Securities Commissions		✓
Country Observers (BCBS only)	**BCBS**	**FSB**
Chile	✓	
Malaysia	✓	
United Arab Emirates	✓	

Sources: BCBS and FSB websites; International Monetary Fund (IMF) (2019b).
Note: EMEs are bolded (defined as those country members with GDP per capita at purchasing power parity (PPP) exchange rates below US$40,000 in 2019).

challenges.[6] The balance of perceived club benefits thus varies substantially among EME member countries: compared to less influential EME country members, for example, China perceives a greater potential to influence international standard-setting outcomes.[7] Overall, the perceived benefits of membership have inhibited the formation of an EME bloc favouring the development of alternatives or "outside options" in international financial regulatory cooperation, as has occurred in trade, development finance and other areas of global economic governance.

This special report focuses on two key bodies, the BCBS and the FSB, referring to them collectively as key components of the Basel process. The FSB is the body responsible for coordinating the activities of the many specialized global SSBs, while the BCBS is responsible for setting standards for banking regulation and supervision, almost certainly one of the areas of greatest importance for EMEs, whose financial systems still tend to be bank-dominated. Both have very narrow memberships (see Table 1, with EME members bolded.)[8] The special report emphasizes the club benefits accruing to EME members of the Basel process, rather than the related question of whether the standards issued by the BCBS and the FSB are appropriate for these countries, often with financial systems that are far less developed than major advanced country members.[9] Supporting evidence is gleaned from public documents as well as from off-the-record discussions with former and current senior officials from a mix of developed and emerging G20 countries.

The report is structured as follows. The next section provides further evidence for the claim that the Basel process has been a relatively resilient and centralized area of global economic governance. The second section reviews some major theories of fragmentation and centralization in global economic governance and the insights they offer for this relative resilience. The third section elaborates some further club benefits available to a privileged group of emerging-country members of the Basel process. The fourth section considers the implications of this analysis for the overall approach of major EMEs to the global financial standard-setting process, and a final section asks how their engagement with it can be sustained and enhanced.

Evidence of Resilience

In contrast to the visible acrimony among leaders of major countries at recent G20 and World Trade Organization (WTO) meetings, there has been relatively little conflict among major countries in recent years over financial regulatory policy. Differences did emerge during the negotiation of the Basel III standards, especially over 2009-2010 (Bair 2012, 27–40, 257–72). But, compared to previous Basel negotiations, these conflicts were not unusual, and were dominated by US-Europe contestation over new capital and liquidity standards, rather than along advanced economy-emerging economy lines. Moreover, many new standards were agreed in September 2010 and final agreement on Basel III was achieved in late 2017 (BCBS 2017a). All G20 country members of the BCBS and the FSB have maintained their post-Great Financial Crisis (GFC) commitments to the implementation of these standards and to peer surveillance of their progress in implementation (BCBS 2018b).

As Figure 1 indicates, although the nine emerging-country BCBS members identified in Table 1 lag in the implementation of Basel standards compared to more developed country members, the average number of standards for which no domestic measures have yet been taken is comparable for the former group to that of the United States and lower than Australia's. On this simple additive measure, Mexico and China are the slowest adopters.[10] Although not all areas of

6 Figures on GDP at current exchange rates from the IMF's World Economic Outlook Database (IMF 2019b) and BIS data on total credit to the private non-financial sector as a percentage of GDP (see https://stats.bis.org/statx/srs/table/j?m=A).

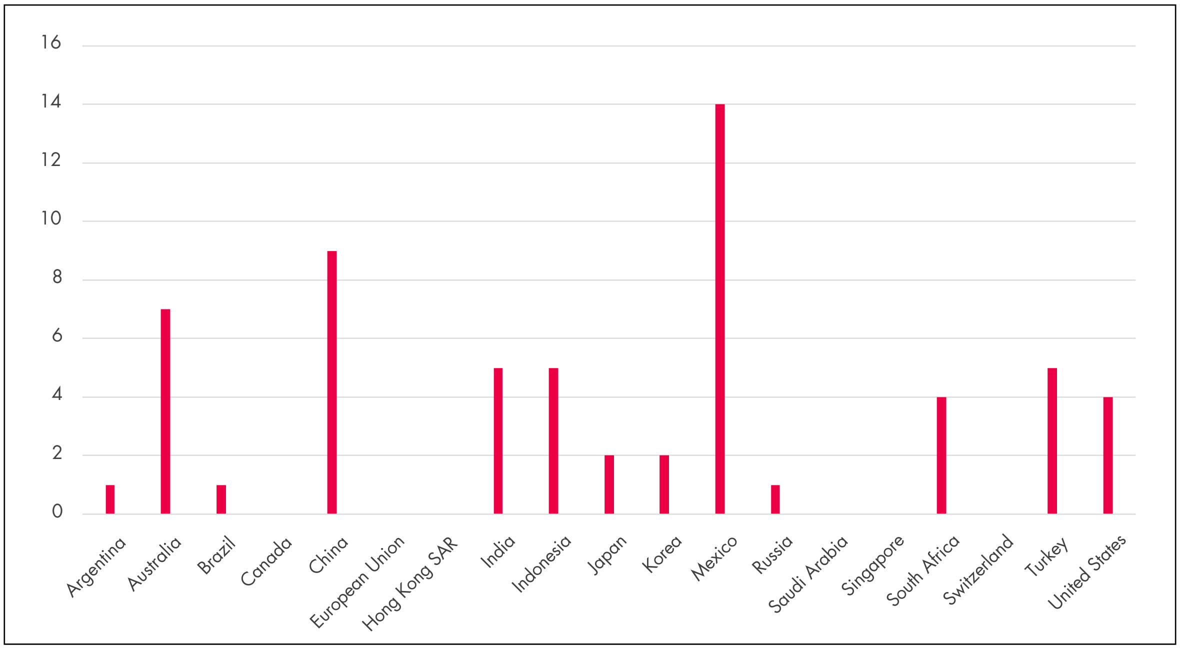
7 For another recent discussion of China's growing influence in global financial standard setting, see Wang (2018).

8 This report uses a threshold of US$40,000 in GDP per capita at PPP exchange rates in 2019 to distinguish advanced and emerging countries (IMF 2019b). South Korea, often formerly seen as in the EME category, is now well above this line.

9 For the argument that Basel standards are thus often inappropriate for most EMDEs, see the recent Center for Global Development (CGD) Task Force report *Making Basel III Work for Emerging Markets and Developing Economies* (Beck and Rojas-Suarez 2019).

10 The BCBS also indicates where implementation is delayed but under way and notes cases in which implementation status is mixed; neither are indicated in Figure 1, which therefore overestimates progress in some cases, notably the European Union. For further detail, see BCBS (2019b).

Figure 1: Non-adoption Count, 19 Basel Framework Standards,* May 2019



Data source: BCBS (2019b, 6-7).

Notes: Count of regulatory standards for which country/region has not commenced adoption on schedule. EU members are not listed separately due to standardized implementation across the European Union.

* of these 19 standards, three are not relevant to all members.

post-GFC reform have seen similar progress — bank resolution and compensation are examples where achieving agreement has been difficult — this achievement is remarkable compared with other areas of global economic governance, such as trade.

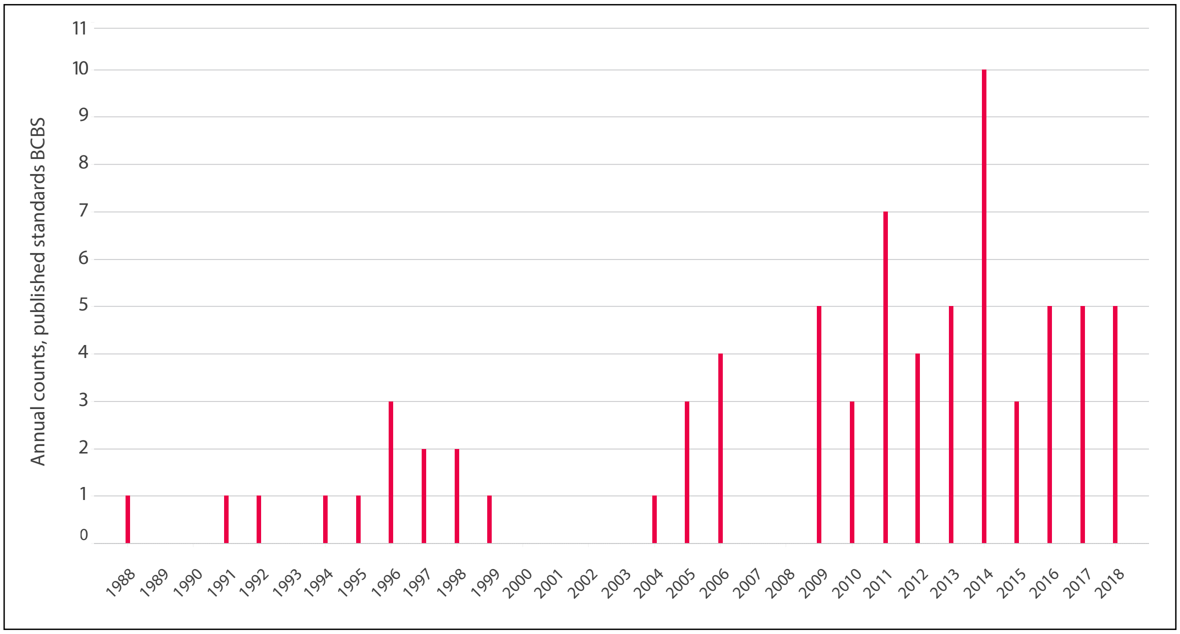
The resilience of the Basel process can also be seen in its sustained productivity since 2009, when EMEs joined the BCBS and the FSB. As a crude indicator of this productivity, Figures 2 and 3 show annual counts of published standards for the BCBS and the FSB respectively. In both cases, they indicate a sustained increase in the output of both bodies since 2008. They probably underestimate this increased productivity, since the content of most individual standards has also increased substantially.[11] Although the annual number of new, revised or proposed BCBS standards has fallen from a post-crisis peak in 2014, it remains well above the pre-crisis level. The GFC of 2007-2008 transformed the inactive Financial Stability Forum (FSF) into the FSB, which continues to be far more productive than its predecessor.

Another indicator is the character of discussion of related topics in G20 meetings of finance ministers and central bank governors, and of G20 leaders. At least as indicated by press releases and communiqués, discussions of Basel-related issues in these meetings have generally been pragmatic and much less contentious than other policy issues. These meetings have, in recent years, discussed many issues related to financial regulation, including financial inclusion, crypto assets, infrastructure financing, shadow banking, fintech, and the clearing of over-the-counter (OTC) derivatives,[12] but open conflict has been rare compared to areas such as trade and development finance. The *governance* of global financial standard setting has also been uncontroversial in recent G20 meetings — perhaps mainly for the obvious reason that all G20 countries are members of the

11 As one indication, the original Basel standard on bank capital requirements for market risks (January 1996) was 56 pages; the latest version (January 2019) is 136 pages (BCBS 1996; 2019a). Of course, the rising complexity of these standards can raise compliance costs for banks and adopting jurisdictions.

12 Author review of post-2008 communiqués by G20 leaders and finance ministers and central bank governors, available at www.g20.utoronto.ca/.

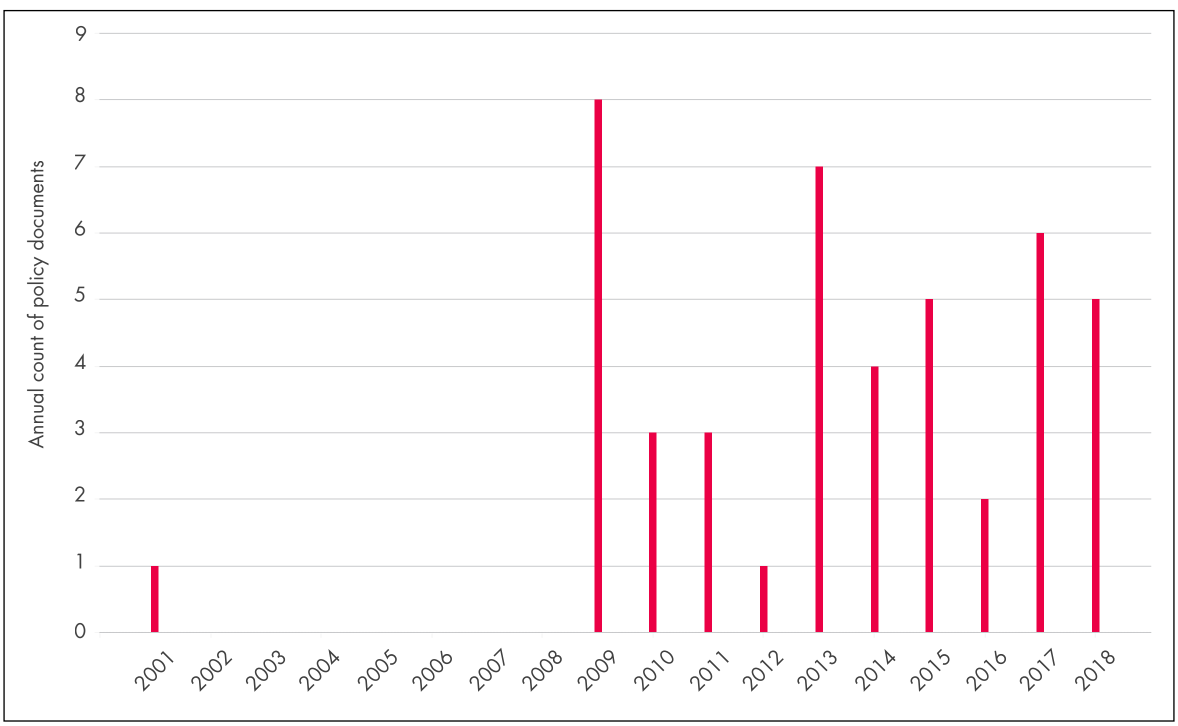
Figure 2: Annual Count of Published BCBS Standards, 1998–2018



Data source: BCBS website.

Note: Counts include all standards, including current, forthcoming, superseded and modified from January 1988 to December 2018.

Figure 3: Annual Count of New FSB (since April 2009) or FSF (before April 2009) Policy Documents, 1999–2018



Data source: FSB website.

Note: Count of new policy documents issued by the FSB and the FSF, January 1999 to December 2018.

key bodies in global financial regulatory governance with equal formal status. This may have shaped the remit of the G20-commissioned Eminent Persons Group report on reforming global financial governance, which largely omits discussion of this topic (Eminent Persons Group 2018).

By contrast, EMDEs have expressed considerable and ongoing dissatisfaction with the continued dominance of Western countries in the selection of top management roles in the IMF and World Bank. Yet Western dominance also continues in the BCBS and the FSB — it just seems less contentious than in the Bretton Woods institutions. In March 2019, Pablo Hernández de Cos, governor of the Bank of Spain, succeeded Stefan Ingves, governor of the Sveriges Riksbank, who chaired the Basel Committee since July 2011. Carolyn Rogers of the Canadian Office of the Superintendent of Financial Institutions was also appointed as the next BCBS Secretary General, succeeding an American, William Coen. The FSB Plenary, its governing committee, agreed in November 2018 to appoint Randal Quarles of the US Federal Reserve as its new chair and Klaas Knot, president of the Netherlands central bank, as vice chair. This placed an American once again at the top of this body, some say to deter the Trump administration from taking action to disrupt the Basel process (Tarullo 2019). There has been little open expression of dissatisfaction by most EME members, although some express privately that they would prefer more non-Western candidates in senior leadership positions in these bodies. The consensual and member-driven approach taken by both bodies may diminish somewhat the political salience of leadership selection.

Perhaps most significantly, emerging countries have not attempted to establish alternative international institutions and arrangements in international financial standard setting, as they have in trade, development finance and regional financial safety nets. There is no "BRICS Basel" or "Asian Basel"; indeed, EME officials often seem perplexed when this question is posed. Official documents relating to BRICS summits and policy positions revealed multiple references to their concerns about Western dominance of the IMF and major development finance institutions, but none to the work of the BCBS or the FSB.[13] The Basel process has developed regional consultation bodies as part of its "outreach" policy, which seems to have been sufficient to avoid the competitive decentralization that characterizes the governance of trade and development finance.

There are other indicators of the apparent difficulty of establishing alternative governance arrangements in this domain. In November 2000, an Emerging Market Eminent Persons Group consisting of expert representatives of 11 emerging countries was established to provide an alternative viewpoint to the G7 and Basel Committee on the financial reform agenda. It criticized the lack of representation of emerging-country viewpoints in key global institutions, but its 2001 report had little impact (Walter 2008, 23–28). Emerging country concern about Western dominance and the lack of attention to their interests during the contemporaneous Basel II negotiations led the Executives' Meeting of Asia-Pacific Central Banks (EMEAP) to float the idea of developing an alternative to the Basel Committee (ibid., 180-81). This proposal also went nowhere. Even after the dramatic regulatory failures in advanced countries revealed by the GFC, global financial standard setting still exhibits a low degree of international institutional competition compared to closely adjacent policy domains.

Fragmentation and Centralization in Global Financial Governance

Can major theories of global governance explain the relative resilience of the Basel process? This section will briefly consider three systemic theories (hegemonic stability theory, rational institutional design and network effects) before outlining a domestic politics approach. It argues that none provide a compelling explanation, in part because most focus on the emulation benefits available to non-members and members alike rather than on the club benefits accruing to members.

Systemic Theories

Hegemonic stability theory claims that stable, institutionalized cooperation in global economic governance is fostered by a single "hegemonic"

13 Author search of BRICS documents and communiqués. See also Roberts, Armijo and Katada (2017, 105-106).

country possessing sufficient economic and geostrategic dominance to absorb the costs of providing international public goods (Gilpin 1987; Keohane 1984; Kindleberger 1973; Snidal 1985). One version of the theory predicts rising fragmentation in global economic governance as the hegemon declines and becomes less willing and able to provide such goods. Decline may lead it to pursue a narrower, more exploitative stance toward international institutions, shifting the balance of costs and benefits for other countries and potentially inducing them to seek alternative arrangements. This is, for some, a plausible explanation of recent trends in the management of global trade and development finance, among other areas (Clark 2009; Kupchan 2014; Stokes 2018). But this theory cannot easily explain why other domains of global economic governance such as the Basel process exhibit greater resilience — unless it is a hybrid version that explains institutional resilience in global financial regulatory governance as a product of the sustained joint dominance of the United States and Europe in global finance (Drezner 2007).

Yet the dominance of both the United States and Europe in global finance was seriously shaken by the GFC; since then, the IMF has designated 29 countries as "systemically important" in the global financial system. Indeed, by the end of 2018, international assets held by BIS reporting banks were US$14.9 trillion for Europe (much of which is intra-European Union), US$8.5 trillion for Asia (led by Japan and China) and US$3.3 trillion for the United States.[14] Certainly, the United States and Europe remain dominant in important areas of global finance but not in all areas with which the BCBS and the FSB are concerned, such as fintech (FSB 2019a). Nor have they consistently pursued cooperation in the Basel forum. The United States has often diverged from agreed Basel standards. Before 2009, the United States conspicuously failed to adopt the Basel II standards that were agreed in the early 2000s (Foot and Walter 2010; Herring 2007). The Dodd-Frank Act of 2010 allowed room for US international coordination, but also reflected the strong US propensity to adopt unilateral regulatory measures that may be costly and have little prospect of obtaining multilateral agreement.[15] Furthermore, as argued below, the commitment of major emerging countries to the Basel process has been increasingly important to its relative resilience.

Another theory, "rational institutional design," is better placed to explain variations in the coherence of global governance. It argues that international institutions are an efficient response to collective action problems when distributional conflict is low or modest (Fearon 1998; Koremenos, Lipson and Snidal 2001; Morrow 1994). This idea is also important in Beth Simmons' account, which emphasizes the roles of follower state incentives to emulate the dominant state's standards and the negative externalities incurred by the dominant state due to non-coordination. In cases where the incentives for other states to emulate the hegemon are low (because of the economic gains from diverging from the hegemon's standards), she predicts either greater hegemonic coercion or weaker and more fragmented international cooperation. Conversely, multilateral cooperation is likely when the incentives to emulate the hegemon's standards are high (i.e., distributional conflict is low) and the hegemon faces large negative externalities from defection, giving it an incentive to propagate standards through a single multilateral organization (Simmons 2001).

Simmons argues this applies to Basel standards on the grounds that follower countries obtain financial sector credibility benefits from adherence to the hegemon's relatively credible regulatory standards (ibid. 2001, 601–605).[16] This generates market pressure sufficient to encourage followers to adopt the hegemon's standards, obviating the need for hegemonic coercion to achieve this. Market pressure could come from the belief that non-convergence with Basel standards would raise domestic firms' cost of capital by sending a negative signal to bank investors and

14 BIS, cross-border positions, by nationality of reporting bank and sector of counterparty, https://stats.bis.org/statx/srs/table/a4?m=S.

15 Nevertheless, the US government recommitted to the implementation of Basel standards after 2008 and, for the most part, it has followed through on this commitment (BCBS 2018b, 47–50).

16 See also Jones, Beck and Knaack (2018).

other providers of funding.[17] Thus, this theory could explain the relative resilience of global financial regulatory standard setting as due to some combination of relatively low levels of distributional conflict, strong market incentives to converge on the dominant state's regulatory standards and high negative externalities from non-convergence for the hegemon.

Yet there are problems — in addition to those associated with hegemonic stability theory — with applying these arguments to explain the resilience of the Basel process. First, it is doubtful that the Basel process is generally characterized by low distributional conflict and high joint efficiency gains. For example, it is commonly said that economies with relatively bank-dominated financial systems — including most EMDEs — will be relatively sharply affected by the regulatory tightening advocated in Basel III (Institute for International Finance 2017, 1–5). This is also a common perception among EME officials. There are also likely to be significant spillover effects for EMDEs from the implementation of revised bank regulatory standards in advanced countries, both on the pricing and flow of cross-border finance as well as on the provision of finance by EMDE affiliates of advanced country banks (Beck and Rojas-Suarez 2019). This issue is especially acute for countries such as Mexico, where such foreign-affiliated banks dominate, but this concern is present in most G20 countries due to the globalization of financial services in recent years. (These spillovers relate to one of the significant club benefits for members, peer surveillance, discussed in the next section.) Furthermore, much empirical research shows that the Basel process has generated international agreements that have been the subject of intense distributional conflict (Helleiner 2014; Helleiner and Pagliari 2011; Singer 2007). One prominent assessment, for example, is that the United States used the Basel process to extract rents from Japan after Basel I in 1988, by threatening to exclude its banks from operating in New York and London (Oatley and Nabors 1998).

Second, the evidence for strong market pressure to adopt Basel standards is limited. Credit rating agencies and many institutional investors do not take key Basel regulatory indicators at face value, with banks' market valuations and ratings having at best a weak relationship to their performance on these indicators (Bogdanova, Fender and Takáts 2018; Lubberink and Willett 2016; Mechelli, Cimini and Mazzocchetti 2015). Ministry of finance officials in vulnerable EME members of the BCBS and the FSB were also skeptical that markets took much notice of their progress on implementation of Basel standards, or that they received substantial market benefits from membership relative to non-member country peers.[18] Empirical work has also shown that adopting Basel and related international standards alone is generally insufficient for crisis-hit emerging countries to borrow policy credibility (Grittersová 2017).[19] In any case, even if particular countries perceive market benefits from adopting Basel standards, these potential benefits are available to both non-members and members of the Basel process. Thus, market pressure arguments are not well suited to explain the perceived club benefits that accrue to members.

A final theory, related to the previous two, is that the viability of international institutional competition (i.e., greater fragmentation) varies considerably across different domains of global governance. In some, "the presence of high network effects and high barriers to entry [are] associated with the concentration of cooperative activities in a single [global] institution" (Lipscy 2015, 343). Conversely, if network effects and barriers to entry (in the establishment of alternative institutions) are low, dissatisfied states have more "outside options," which can generate pressure on established institutions to undertake reform. The World Bank in development finance and the WTO in trade are seen as examples. By contrast, Lipscy argues that the IMF as provider and manager of crisis finance is an example of a policy area with relatively high positive network effects and barriers to entry and thus lower institutional competition (although this has not deterred many states from turning to national reserve

17 International investors often have less experience in and understanding of the underlying motivations and capacity of emerging country governments due to comparatively low policy transparency. Such investors use the "company states keep" as a heuristic for evaluating the willingness of emerging-country governments to honour their sovereign debt obligations, in turn providing such governments with incentives to join international organizations with higher rather than peer or lower reputation countries (Gray 2013). Analogously, countries with reputational deficits in financial regulation might also reduce their cost of funds by adopting Basel standards.

18 Interviews, senior G20 emerging country finance ministry officials, May 2019.

19 Grittersová finds that this generally requires granting substantial access for global banks to the domestic market. Doing so can have large costs for domestic financial sector firms and likely generate substantial opposition to foreign entry in countries where state control of finance is prioritized and entrenched domestic firms are politically influential.

accumulation and regional financial arrangements as partial alternatives).[20] Perhaps the most relevant examples of low competition domains are technical standards such as the Society for Worldwide Interbank Financial Telecommunication (SWIFT) network that standardizes international financial transactions and the Internet Corporation for Assigned Names and Numbers (ICANN) in the case of technical protocols for internet domain names. In these areas, outside options are very limited due to the high network benefits that accrue in principle to all states and non-state actors that converge on a single technical standard.[21]

The international standards associated with Basel are different to these technical standards. They do not underpin market exchange; instead, they set out, in a looser way, appropriate policy approaches to regulating the firms that undertake such exchange. They provide substantial scope for national discretion in their implementation, making it difficult to be certain as to their comparability across different national jurisdictions.[22] One study finds implementation in developing countries is often "shallow and highly selective" (Jones and Zeitz 2017). A more recent BIS survey reports large variation in the global adoption of Basel standards, in particular regarding risk-based capital, liquidity coverage and large exposure standards — all areas where implementation is relatively advanced (compared to, for example, the leverage ratio and the net stable funding ratio, where there has been "little progress"). Cross-national variation in implementation has also increased under Basel III (Hohl et al. 2018, 1, 29). One important reason for this is that the BCBS has purposely never clearly defined "internationally active banks," the category of financial institutions for which Basel standards are intended (Restoy 2019). This leaves the United States, for example, with the option to apply Basel III standards only to a small number of its largest banks, whereas the European Union applies them to almost all banks. The level of discretion permitted in the area of insurance regulation in the Insurance Core Principles is even greater than in Basel III (Yong and Löfvendahl 2018). In sharp contrast, ICANN and SWIFT standards have powerful network effects because of their precision and clarity; compliance with them is unambiguous and directly facilitates market transactions.

To summarize, prominent theories help to explain variations in the level of centralization of global economic governance, but most have significant weaknesses. A common drawback in the current context is that they say relatively little about the benefits that accrue specifically to members of the Basel process, as distinct from those available to all countries via the adoption of Basel standards.

The Domestic Politics of the Basel Process

An alternative approach focuses on how pro-implementation domestic actors promote or block convergence on international financial standards and shape official attitudes toward SSB membership (Singer 2007; Walter 2008, 29–49). Influential actors who favour compliance with Basel standards may include pro-reform politicians and policy makers who prioritize measures to improve financial stability. Other potentially supportive actors include financial institutions with international operations or with international aspirations. One example is provided by some Indian financial policy officials making common cause with local financial sector interests wishing to use the adoption of Basel standards to promote Mumbai as a regional financial centre (Roberts, Armijo and Katada 2017, 143). Similarly, senior Russian officials claim that "the introduction of the Basel standards is a basis for our banks to function within the global financial system" (Nabiullina 2015). Internationalization can incentivize firms to pressure home governments to adopt Basel standards, in part to ensure that their domestic competitors must also adhere to them. Under pressure from such business interests, governments may come to believe that they have no alternative to Basel adoption — if, for example, foreign host authorities of domestic bank subsidiaries or international counterparties of these banks require it.

Pro-compliance actors have strong incentives to characterize Basel standards as "best practice" and prestigious, and to assert that market actors will impose significant costs in the event of non-adoption. Arguments of this kind can provide

20 See Henning (2017).

21 These benefits can be reduced in practice if dominant states subsequently exploit other actors' dependence on these standards and associated institutions to gain leverage over them (Farrell and Newman 2019; Lipscy 2017, 184–99).

22 Basel III standards permit national discretion in key areas, including the risk weights applied to banks' domestic currency exposure to their sovereign, central bank and public sector entities generally, and regarding the treatment of banks' reserves with the central bank for the leverage ratio exposure measure (BCBS 2017a). "National discretion" clauses occur 22 times in this document.

these actors with additional political leverage in the battle for influence in domestic policy reform — which can loom larger than battles for influence in global forums. Again, however, such domestic benefits are not club benefits as they are largely available to any country wishing to adopt Basel standards. After severe bouts of financial instability, Indonesian, Japanese, Malaysian, South Korean, Taiwanese and Thai reformers all used Basel standards as political tools to support the case for domestic financial reform and to counter the arguments of opposing domestic interests (Chey 2014; Walter 2008). In most cases these were non-member countries. In interviews, some regulatory officials argued that post-2009 membership of the BCBS and FSB provided them with some additional domestic political leverage in financial reform debates via peer pressure, but it is difficult to say how much more.[23]

Rather than being driven by external market or peer pressure, it seems more likely that extensive implementation of Basel standards has been driven in important cases by their alignment with national governments' reform objectives. The financial reform objectives in the 1990s and early 2000s of China's senior leadership aligned with the adoption of international financial regulatory standards designed for more liberalized and competitive financial systems, providing political room for technocrats to cast Basel standards as best practice and inevitable (Foot and Walter 2010). Well before China joined the BCBS, Chinese regulatory agencies borrowed heavily from Basel standards, often translating them directly into new Chinese rules.[24] During the period of its Basel membership, Russia, which has faced Western financial sanctions in recent years, has continued to embrace Basel standards on the grounds that "sanctions are not a reason for our banks to be less financially stable" — indeed, sanctions may increase the perceived need to bolster national financial resilience (Nabiullina 2018). In other cases, such as Indonesia's 2016 Prevention and Resolution of Financial System Crisis law, regulatory officials said that the FSB's Key Attributes helped to shape the country's revised crisis management framework, mitigating an important national vulnerability.[25]

23 See also Otoritas Jasa Keuangan (OJK) (2016b).

24 Comments by former senior financial policy makers, Beijing, China, February 2019.

25 Interviews, senior regulatory officials, G20 EME country, May 2019.

Of course, political leaders face different incentives than regulatory officials and commercial interests. One is simple political survival. If leaders see their survival as dependent on avoiding severe instability and financial crises, this could increase their receptiveness to technocratic arguments that the adoption of Basel standards will promote financial stability (Chwieroth and Walter 2017; 2019).[26] Yet this consideration does not mean that survival-maximizing political leaders will also value national *membership* of the BCBS and the FSB. If a financial crisis were to occur despite adopting Basel standards, it might be easier for leaders to deflect blame to the BCBS and their national supporters if the country were *not* a member of the BCBS and the FSB. Membership implies ownership.

Another incentive facing incumbent political leaders is to appease important domestic interests that mobilize to oppose Basel convergence. Domestic opponents are generally organized corporate interests, since most citizens typically exhibit very low levels of interest in the Basel process (Young and Pagliari 2017).[27] This makes it easier for political leaders to placate such interest groups with the discretionary implementation of Basel standards, targeting their application to actors that are supportive or more able to sustain compliance (Chey 2014; Nölke 2015; Walter 2008). For example, the Japanese and US governments have generally appeased small and mid-sized banks in this way and adopted more stringent regulation for major banks. Internationalist and nationalist groups continue to lobby for influence over financial policy outcomes in all of the BRICS countries and governments must try to accommodate this diversity of interests, including via the discretionary implementation of international standards. Emerging-country officials from Basel countries noted that domestic implementation challenges were often most acute when they required domestic legislative changes, empowering domestic opponents of compliance and requiring political compromises.[28]

26 Since emerging markets can be especially vulnerable to the disruptive effects of volatile capital flows (IMF 2012, 12), political leaders may choose to supplement minimum Basel convergence with capital flow measures and/or discretionary prudential measures (Coman and Lloyd 2019).

27 The BCBS and the FSB are almost never covered by non-specialist news media and receive far lower levels of coverage than major international institutions like the WTO (author analysis of major newspapers, ProQuest Historical Newspapers).

28 Interviews, senior regulatory officials, G20 EME country, May 2019.

This casts doubt on the claim that Basel members "are bound to implement G20-agreed financial reform — in particular, Basel III" (Beck and Rojas-Suarez 2019, 10). On its face, there is support for this view. G20 leaders have reiterated their commitment to implementation, stating at the Hamburg summit in July 2017: "We remain committed to the finalisation and timely, full and consistent implementation of the agreed G20 financial sector reform agenda" (G20 Leaders 2017). The BCBS and the FSB have also increased their monitoring of G20 countries' implementation of post-crisis financial regulatory reforms, including publishing periodic implementation assessments that now complement IMF-World Bank Financial Sector Assessment Program (FSAP) surveillance. Some emerging country officials also express the view that deviation from Basel standards has become more difficult. For example, a former Indian central bank governor claims that: "In an era of globalization where trillions of dollars cross international borders every day, it is just not possible for any country to remain an outlier...Markets shun economies which do not meet global standards. The choice in this regard is particularly stark for emerging economies which are dependent on foreign capital for investment" (Subbarao 2017, 289).[29]

Duvvuri Subbarao also suggests that peer monitoring of implementation in the BCBS and the FSB reinforces this effect: "The 'perception' of a lower standard regulatory regime will put Indian banks at a disadvantage in global competition, especially because the implementation of Basel III is subject to a 'peer group' review whose findings will be in the public domain" (Subbarao, cited in Vishwanathan 2015).

Although an RCAP review of India in 2015 identified some areas of potential concern, overall it judged India to be "compliant" with all key aspects of the Basel regime. It also noted that Indian capital requirements were in some respects more conservative with Basel minimums (BCBS 2015).

Yet by 2019, as Figure 1 indicates, India had become a moderate laggard among G20 peers in implementing Basel III. Over this period, the position of Indian banks has deteriorated somewhat, but this appears to be more due to rising levels of non-performing loans (NPLs) in public sector banks than because of growing divergence from the Basel regime (RBI 2018, 18–33). Furthermore, as already noted, strong evidence that divergence from Basel standards invites costly market sanctions is lacking. Low compliance in areas that lack substantive relevance for many EMEs — such as the various post-crisis reforms associated with OTC derivatives — is unlikely to be very relevant to investors. It is possible that regulators deploy market pressure arguments tactically to persuade their political principals that stricter financial regulation is unavoidable. Indeed, Subbarao notes and criticizes the growing tendency for Indian politicians to interfere in regulatory and supervisory matters (Subbarao 2017, 192–94), and points to the positive benefits of adopting Basel standards: "Deviation from Basel III will also hurt us in actual practice. We have to recognize that Basel III provides for improved risk management systems in banks. It is important that Indian banks have the cushion afforded by these risk management systems to withstand shocks from external systems, especially as they deepen their links with the global financial system" (Subbarao, cited in Vishwanathan 2015).

The domestic politicization of Basel standards has recently been high in India, where the government of Narendra Modi has expressed growing concern over the domestic impact of Basel III implementation and what it sees as the RBI's overly conservative regulatory stance. The government's main concern seems to be the potential negative impact of RBI regulatory decisions on domestic bank lending and growth (Mehra 2018). The RBI's Prompt Corrective Action program has come under particular criticism as the regulator used it to restrict new lending by mostly public sector banks with excessive NPLs or inadequate capital ratios (India's banking sector remains about 70 percent state-owned). The government has also argued that the RBI's decision to adopt slightly stricter capital requirements than Basel III minimums will disadvantage SMEs, although it may also reflect a concern that public banks will need further costly recapitalization beyond the large support package announced in October 2017 (Dugal 2018). Former Governor Urjit Patel resigned in December 2018, three weeks after a well-publicized meeting between the government and the RBI. According to some, the government was motivated by a desire "to revive irresponsible bank lending, protect its cronies, and win votes" in the May 2019 elections (Ghosh 2018). The government also asked the RBI to provide greater liquidity to the shadow

29 See also Sinah in BIS (2012, 72).

banking sector in the wake of the collapse of the major financial firm Infrastructure Leasing and Financial Services (Anand 2018). Nevertheless, these concerns seem less to do with the impact of Basel standards than of discretionary RBI policy actions. They do not support the claim that India has no practical financial regulatory autonomy.

More generally, Basel standards remain in the category of "soft law": non-legally binding international obligations that are not treaty commitments, relying for their implementation on a combination of reciprocity, peer review, normative obligation and market pressure (Brummer 2010). Certainly, greater attention to implementation among G20 members since 2009 has meant that this soft law regime has "hardened" to some extent. But there are no means by which the BCBS, the FSB or the G20 can enforce implementation, and there has been no consensus on linking such implementation to the availability of IMF and World Bank finance.

In short, the Basel regime still allows scope for governments to implement international standards according to domestic political considerations. This national autonomy in implementation is an important perceived benefit of Basel standards for all EMDE countries. This has almost certainly played some role in enabling the major EME governments of countries that are members of the G20 to be relatively relaxed about participating in the Basel process — even when the international standards they issue are not well aligned with domestic requirements. As Wimboh Santoso, the chairman of the board of Indonesia's Financial Services Authority, has remarked, "In implementing international [financial] standards, the OJK will always prioritize national interests" (OJK 2017).[30] But there are trade-offs involved. If national adaptation is driven by political rather than prudential considerations it risks diluting any potential financial stability benefits of Basel convergence.

30 The particular context in which this remark was made concerned the Indonesian government's intention to continue to set a risk weight of zero for domestic bank holdings of sovereign bonds — as indeed is standard practice among EMDEs and developed countries.

Club Benefits of BCBS and FSB Membership

The international and domestic theories of international standard setting discussed in the previous section say more about the factors driving the adoption of Basel standards by all countries than the additional perceived benefits of membership for a much narrower group of countries. As noted above, some of the benefits of Basel standards that accrue to all countries, such as the flexibility they provide in terms of national regulatory policy discretion, can also provide benefits to members that shape these countries' perceptions of club benefits. Compared to trade agreements in the WTO and in many free trade agreements, Basel standards lack the attributes of hard law commitments and are not subject to legal dispute settlement procedures. G20 countries, having committed to the full implementation of these standards, may be under some additional pressure to adopt them compared to non-members; they are also subject to additional peer review of implementation. The greater scope for national discretion in this implementation limits the perceived costs of membership for emerging country members with financial systems that are often very different and, on average, much less developed than advanced members. Thus, it also shapes these countries' perceptions of the net benefits of Basel membership.

However, this section argues that Basel also provides other direct benefits to EME members. These benefits are grouped under broad headings: the influence over standard-setting outcomes that emerging country members might achieve; status benefits; and learning benefits. It suggests that perceived learning benefits have become more important over time for at least some EMEs due to the ongoing challenge of balancing financial development with stabilization.

Emerging-country Influence over Basel Standards

Influence matters because international standard setting often has distributional implications (Drezner 2007; Mattli and Woods 2009; Newman and Posner 2018; Oatley and Nabors 1998). The potential to influence standard-setting outcomes depends substantially on domestic resources and policy capacity, as well as financial market development and size. This potential benefit of membership depends on the Basel process not approximating the hegemonic model of international standard setting discussed earlier. Nevertheless, substantive influence over outcomes is unlikely to be available to all EMEs participating in Basel, despite the formal equality of membership. This is due to large inequalities in bargaining power as well as the fact that most EME members lack the technical expertise and capacity in both the public and private sector available to their equivalents in major advanced countries (Walter 2016).

Yet such influence can also evolve for individual countries. China, for example, may have moved through different phases in its stance toward the Basel process: from largely "copying" international standards from the early 1990s to the early 2000s as it undertook financial sector reform and restructuring; "converging" from 2004 to 2015 as reformers used Basel standards to promote domestic regulatory reform in the era of opening up; and, finally, to "innovating" since 2016 as it engaged in more flexible adaption of international standards to China's evolving national circumstances (including a degree of overcompliance with Basel III).[31] Since this time, Chinese officials also seem to have become more confident about their capacity to shape Basel outcomes.[32]

The importance to a member country of achieving influence over international standard setting is also related to the globalization process and the current degree and future potential for the internationalization of its financial and corporate sectors. Influencing international standards can provide benefits for national firms if it reduces the potential compliance costs they face or if they advantage particular kinds of local business practice. Obtaining influence over Basel standards is attractive for many EMEs for the additional reason that regardless of their direct effects on their domestic financial systems and economies, any country that hosts affiliates of banks from advanced countries or imports capital will be affected indirectly by the adoption of Basel standards elsewhere (Beck and Rojas-Suarez 2019, 2). In addition to this potential impact on the domestic financial sector, the GFC demonstrated that regulatory failures in advanced countries can have large macroeconomic consequences for EMEs. Thus, although EME members have flexibility in how Basel standards are implemented at home and although these standards are often more appropriate for more advanced jurisdictions, their role in shaping global regulatory outcomes has meant that they are increasingly seen by many as matters of vital interest. Accordingly, there are benefits from having a seat at the table where these standards are negotiated.

Whether influence is achieved in practice is another matter. As noted already, on a number of highly technical issues regulators and supervisors in many emerging-country members lack the capacity possessed by some advanced country peers that would enable them to participate effectively and to shape decision making. Regulators from one EME member noted, for example, that the poorer availability of domestic granular bank-level data reduced their ability to participate fully in some technical discussions in Basel working groups.[33]

This said, various characteristics of the Basel process also give most emerging-country members a plausible expectation that their interests will not consistently be ignored. The relatively flat hierarchy, and the consensual and technocratic approach to decision making in the Basel process, provide a degree of collective veto power to EME members, even if they often lack the unilateral capacity to shape the agenda and standard-setting outcomes. Furthermore, although dominated numerically by advanced country members, as noted above, the system diversity of Basel membership means that countries do not consistently divide along advanced-emerging country lines. The post-crisis shift in emphasis toward constraining the use of internal bank models for risk calculation and relying more heavily on "standardized" approaches, for example, has broadly benefited countries with less sophisticated financial systems (BCBS 2017a, 1).

Emerging country members can form alliances with advanced country members with bank-dominated financial systems. As one example, emerging country concerns about the negative impact of new capital risk-weighting proposals for the cost and supply of trade finance over 2009–2011

31 These distinctions are adapted from a suggestion by Zheng Liansheng, Chinese Academy of Social Sciences, Beijing, China.

32 Interviews, senior regulatory officials, G20 advanced and emerging countries, February and May 2019.

33 Interviews, senior regulatory officials, G20 EME country, May 2019.

were also aired by major development banks and European members of the BCBS. This assisted in a resolution of the issue in ways that assuaged EME member concerns (Walter 2016, 191-92). Another example is provided by the post-GFC proposal to adopt non-zero risk weightings for banks' sovereign exposures. A number of advanced and emerging Basel members were opposed, and the BCBS acknowledged in December 2017 that there was no consensus and that national authorities could continue to zero-weight domestic currency sovereign debt (BCBS 2017b). The issue remains topical because foreign affiliates of global banks operating in EMDEs often use internal models to set (positive) risk weights for EMDE sovereign debt holdings. Where such affiliates constitute an important part of the national banking system, this may place upward pressure on the cost of sovereign debt issuance. These potential costs provide reasons for EMEs to be at the negotiating table and, in cases where their vital interests are at stake, to join influence coalitions.

China now appears to view its potential unilateral influence in the Basel process as significant. As early as September 2009, the official *People's Daily* noted that:

> After joining the Financial Stability Board, China has participated in the discussions on the structure of the Financial Stability Board, the establishment of global financial standards and the early warning system, as well as international cooperation in financial supervision.... China, as an emerging economy, effectively presents its need for financial stability and the development of a robust financial market... The acceptance as an official member in these institutions further increases China's discourse power in international financial institutions and international financial regulatory standard setting process. (*People's Daily* 2009)

This theme was reprised in 2016:

> The Fifth Plenary Session of the 18th Central Committee of the Communist Party proposed to participate in global economic governance actively and promote China's discourse power in the institutions for global economic governance. Meanwhile, China should improve the regulatory rules in line with Chinese conditions and international standards, and ensure the regulation covers all financial risks... Previously, China's financial industry was mainly a follower of international standards and lacked discourse power in global financial governance. With its increasing financial strength and rising global influence, China should passionately participate in global financial governance, especially increase discourse power in the financial regulatory standard setting. (*People's Daily* 2016)

This assertion of "discourse power" could reflect aspiration rather than actual influence. Yet from the beginning of its membership in the BCBS and the FSB, Chinese officials note that they have been consistently well treated by senior Basel officials (in implicit contrast to China's perceived treatment in some other international financial institutions). They see the BIS, which hosts the BCBS and the FSB among other SSBs, as having been unusually open and flexible toward EME participation. Under the leadership of Andrew Crockett (the general manager of the BIS from 1994 to 2003), China was welcomed into the BIS (it joined along with four other Asian countries, two Latin American countries and Saudi Arabia in 1996), at a time when China needed extensive advice on domestic financial reform.[34] Crockett's personal diplomacy was also important in the early 2000s in heading off the threat of an "Asian Basel" outside option, supported by the Hong Kong Monetary Authority, and in opening representative offices in Hong Kong and Mexico.

An example of influence outside of the Basel case may be found in the China Insurance Regulatory Commission's promotion of the China Risk Oriented Solvency System (C-ROSS) in the SSB for the insurance sector, the International Association of Insurance Supervisors (IAIS). This new regulatory system "with Chinese characteristics and international comparability" reflected growing concern about the financial stability consequences of this sector among Chinese regulators and the senior leadership.[35] Chinese officials also believe C-ROSS has the potential to shape global prudential standard setting for the insurance sector: "Eventually, the C-ROSS should reflect the characteristics of the emerging markets, compete with the European

34 Comments by Zhang Zhixiang, February 2019.

35 Comments to author, G20 official, February 2019.

and American standards, and could be accepted as part of the international insurance regulatory standards. In this sense, the C-ROSS could remarkably increase China's discourse power in global financial governance" (*People's Daily* 2016).

China has invested substantially in building influence over time in the Basel process and is increasingly keen to ensure that its major banks, and their internationalization strategies, are not disadvantaged by Basel standards. Other participants in the process also perceive China as enjoying growing influence in Basel since 2009, even if it is not yet at the level of the United States and major European members.[36] China's investment may have paid off in its wish to redesignate the FSB global monitoring report on shadow banking as the *Monitoring Report on Non-Bank Financial Intermediation* (FSB 2019b). China's officials and senior leadership appear to be pursuing a strategy of patiently building influence within the global standard-setting process.

In contrast, Indian officials have been much readier to complain openly of low EME influence at Basel. Y. V. Reddy, RBI governor from 2003 to 2008, claimed that "there is a domination of North America, Europe and the UK [sic] and their ideological preferences [in Basel]" (Reddy 2010, 9). His successor, Duvvuri Subbarao, RBI governor from 2008 to 2013, adopted a similar view — again after having left office. Emerging country voices at Basel, he argues, have been ignored: "Typically, the advanced economies would stitch up a deal at a conclave ahead of the meeting, and present that at the formal meeting for approval, almost as a *fait accompli*. In other words, emerging markets have a vote but not a voice" (Subbarao 2017, 290). Deputy RBI Governor S. S. Mundra noted the spillover effects of total loss-absorbing capacity standards as one area in which EME preferences diverged — with little satisfaction — from most advanced-country members (Mundra 2014, 4). Subbarao argues that "the cost-benefit calculus is different for advanced economies and for emerging markets" and noted that India had argued in the BCBS that higher capital ratios as envisaged in Basel III would hurt growth in EMEs:

> The agenda and the deliberations have been dominated by AE [advanced economy] concerns. As emerging economies, we have had a seat at the table in these international forums, but we haven't been able to engage meaningfully in the debate as we have not related to the issues. The stability of the AE [advanced economy] financial sectors is, of course, important to us.... What concerns us though is that these global standards are going to be applied uniformly but their implications for EMEs will be different given the different stages of our financial sector development and our varied macroeconomic circumstances. (BIS 2012, 1)[37]

These critical views are not consistently aired by other senior Indian officials. Shri N. S. Vishwanathan, deputy governor of the RBI since 2016, disputes Reddy's and Subbarao's criticisms: "slowly these (conditions) are changing and the EMEs' views are also being heard to an extent" (Vishwanathan 2017). As noted earlier, there can be domestic political drawbacks to such official criticism because it can reduce leverage in domestic policy battles; the incentive for regulatory agencies to complain about low influence at Basel could diminish in periods when they need insulation from a government seeking to influence financial policy. India has persisted with Basel membership and standards implementation despite these concerns. Some critics also hold out the prospect of greater influence within the Basel process: "going forward, I believe it is important for global-level reforms to factor in EM [emerging market] viewpoints" (Subbarao 2017, 291).

The more critical attitude of some Indians toward Basel may reflect the greater domestic orientation of Indian banks compared to their larger, internationalizing Chinese counterparts. Financial sector attitudes in India seem to mirror the mixed official views. One survey conducted in 2015 found that most Indian financial sector respondents agreed that Basel III is a "necessary evil" that in the longer term is "largely good for the system" (IMRB International 2015, 15). Most Indian critics of Basel seem to favour greater reliance on national regulatory solutions rather than the establishment of EME-led alternatives. For example, Charan Singh, former RBI Chair Professor at Indian Institute of Management Bangalore, argues that "we have a

36 Ibid.

37 See also the similar view of then Deputy RBI Governor Anand Sinha (BIS 2012, 45–84).

bank-led growth model…India's banking system survived the onslaught of many things — and without Basel norms…. India needs to devise its own set of rules" (Singh, cited in Srivastava and Agrawal, 2018).[38] Singh does not directly address the objections that bank-oriented economies are now in the majority in Basel, that national rules might be seen as less credible, and that there would be costs in giving up the learning opportunities offered by participation in the Basel process.

Some emerging-country voices echo the views of vocal Indian critics regarding the need to improve EME representation and influence in the Basel process.[39] Yet it is difficult to detect a generalized sense of discontent comparable to the widespread dissatisfaction with IMF governance expressed by many countries before the implementation of the Fund's post-crisis governance reforms in January 2016. Even in countries with substantially lower influence than China, such as Indonesia, officials were generally positive about their experiences in the Basel process and their level of influence in areas of importance to them (for example, regarding the calibration of advanced and standardized approaches to risk weighting). Challenges remain, with EME officials often arguing that their interests could be taken more into account — including more differentiation of timelines for implementation of Basel standards between advanced and emerging country members. But there appears to be no strongly shared pessimism about the trajectory of EME member influence in the process.

Status Benefits of Basel Membership

Status benefits can provide members of financial SSBs with prestige that is valued by the officials delegated to these organizations, to regulatory agencies and to the political leaders of the member country. As of 2019, it is difficult to find emerging country officials who believe that their memberships of the BCBS and the FSB are undeserved despite, as noted already, large variations in financial development and bureaucratic capacity among them. The formal equality of Basel members, the absence of weighted voting of the kind found in the IMF and the World Bank and its member-driven process enhance the status benefits available to these members.

38 See also Goyal (2013; 2014).

39 See, for example, Çanakci (2013).

But does this status confer any substantive benefits to participants? As noted earlier, some believe that Basel membership provides them with additional leverage in domestic financial reform debates, which can be seen as a form of status benefit. Externally, it is difficult to separate and measure the status value pertaining to BCBS and FSB membership from the general prestige of G20 membership. Some emerging-country Basel participants reported that advanced country peers had come to see them as points of reference and contact in their region — a form of networking benefit associated with member status.[40]

There is little evidence that investors and other market actors such as credit rating agencies take more positive views of countries simply because of their membership of these bodies. Indeed, member peer review commitments may expose them to higher levels of disclosure and market scrutiny.[41] Member countries often play up (and sometimes may oversell) positive peer review results. A senior Central Bank of Brazil official noted in March 2019 that a recent positive BCBS peer review of its bank liquidity and exposure limit frameworks "signals to all market participants… that Brazil adopts the best practice of prudential regulation for its financial system" (Banco Central do Brasil 2019). The Indonesian financial regulatory agency, OJK, noted in strongly positive terms the assessment of a 2016 RCAP review: "These results prove that Indonesia's banking regulations have complied with the prevailing international banking standards. The grades are expected to increase public trust in the country's banking operation… The grades that the RCAP has awarded to Indonesia render the country's banking regulations at the same level with those of other BCBS member countries. This status also applies to Indonesia's Capital framework, which has received the same grade with that of the United States and even higher grade [sic] than the one given to the European Union" (OJK 2016a).

It is uncertain how much independent effect these claims, and the related peer reviews, have on external audiences, including depositors, investors and creditors (household savers,

40 Interviews, senior regulatory officials, Asian G20 EME country, May 2019.

41 G20 peer reviews (as opposed to review by independent experts) may be subject to a positive assessment bias (Cecchetti 2018, 11), but it is difficult to believe that credit rating agencies and institutional investors would be systematically deceived.

certainly, are unlikely to read press releases on regulator websites). Positive reviews may send a useful signal to political principals that regulatory agencies are performing well and support their bids for resources.

Member status may have other behavioural consequences. It gives member countries incentives to resist the further expansion of the membership of these organizations. As members of what remain narrow, elite clubs, most EME officials from Basel countries seem to accept the membership status quo while arguing that their own influence within these clubs should rise over time. There are, of course, different models for SSBs, including the large-membership insurance and securities standard-setters (IAIS and IOSCO), with over 140 and 129 country members respectively. However, when asked whether regional peers who were Basel non-members or observers should be invited to join the BCBS and the FSB, the usual response of officials was that they were supportive of the existing G20-based membership system combined with regional consultative groups to engage non-members.[42] As discussed below, this disinclination of existing members to expand Basel membership is also related to the perceived learning benefits offered by the status quo.

Learning Benefits of Basel Membership

Almost certainly more important than the diffuse status benefits for EME members are the perceived learning benefits of Basel membership. Whereas influence reflects the exercise of power, learning benefits (like status) derive from the superior expertise embedded in the Basel network due to advanced country dominance and greater regulatory capacity. In this sense, they can be borrowing exercises. However, status, learning and influence can be related if learning generates greater national capacity and intra-group status, including peer perceptions of competence. EME governments and regulatory agencies are generally very aware that they, as well as advanced countries, face continuing financial stabilization challenges. These challenges do not always overlap contemporaneously, but those facing advanced countries can provide relevant lessons for reform trajectories in EMEs and useful information about the potential for undesirable spillovers.

Like influence and status benefits, the learning benefits of Basel membership are club goods in that they are less available to non-member countries adopting Basel standards. They accrue most directly to the officials who participate in the Basel process and who could use their enhanced expertise to improve domestic regulatory and supervisory capacity. Indirectly, these benefits can accrue to other government officials and political leaders who might otherwise suffer substantial costs from financial instability. In the longer term, by building regulatory capacity and financial resilience, this could produce wider market benefits such as lower sovereign and financial institution borrowing costs.

The perceived size of these learning benefits is inversely related to existing domestic expertise and capacity in financial regulation and supervision. They will be largest for officials who currently lag substantially behind the collective expertise embodied in the Basel network but for whom the spillover effects of regulatory decisions among other G20 countries and domestic regulatory challenges are large.[43] If learning facilitates regulatory catch-up and greater knowledge of regulatory developments elsewhere, these benefits might diminish over time, although the dynamic challenges of financial stabilization mean that they are likely to remain positive for most participants.

Learning benefits can accrue to political leaders as well as the regulatory officials that participate in the Basel network. First, since governments have political incentives to avoid severe financial instability, they too can benefit from enhanced national regulatory and supervisory capacity. Second, national officials noted that BCBS and FSB participation also allows them to learn more about financial stabilization challenges in other members, in particular the most systemically important countries that can generate significant spillover effects.[44] EME countries often also host subsidiaries of global banks whose local operations may be affected by advanced country regulation. In effect, the Basel process provides members with a form of

42 However, some argued that the regional consultative groups provided communication that was too "one-way," consisting mostly of the BCBS and FSB communicating their work to non-members, and that this aspect could be improved. (Interviews, senior regulatory officials, G20 EME countries, February and May 2019).

43 EME members must possess a minimum level of knowledge and capacity to learn effectively from other members.

44 Interviews, senior regulatory and financial policy officials, G20 EME countries, February and May 2019.

global financial peer surveillance that supplements other forms of global financial surveillance, notably the IMF's. Since regulation has consequences for lending and for financial sector competitiveness, this process also provides a means of monitoring and potentially minimizing such effects. There may even be some perceived national security benefits from participation in global standard setting. This is most relevant in activities aimed at tackling money laundering and terrorist financing associated with the Financial Action Task Force, but it may also apply to BCBS and FSB discussions regarding cyber resilience in the financial sector. The Bank of Russia, for example, notes that Basel participation has assisted it in its "efforts aimed at financial sector protection against threats associated with cyber risks" (Bank of Russia 2017, 136).

These learning benefits will be greater the more that governments lack trust in the current regulatory capacity of their relevant domestic agencies and in other forms of international financial surveillance such as the IMF. Although the perceived quality of financial regulation in G20 countries is difficult to measure and compare,[45] there are good reasons why many governments in emerging countries have both kinds of trust concern. The reputations of advanced country regulators and of the IMF were significantly dented by the GFC, but the cumulative nature of regulatory capacity of the former gives them continuing advantages over emerging country peers (Newman 2017).

Russia is a case in point. Russian participants in the Basel process have sometimes been more vocal and critical than other emerging country officials, but such criticisms appear to have mostly been internal to the Basel and G20 processes.[46] Russia's ongoing financial instability challenges (it has had a series of bank failures and expensive state bailouts since 2008) have reinforced the domestic influence of internationalist technocrats in shaping the government's stance toward financial reform. One indication of this was the recognition of Elvira Nabiullina, current governor of the Russian central bank, as *Euromoney* magazine's Central Bank Governor of 2015 and *The Banker* magazine's Best Central Bank Governor in Europe for 2016. After the financial collapse of the late 1990s, Russian President Vladimir Putin supported policies that promote macroeconomic and financial stability to reduce Russia's vulnerability to external financial and macroeconomic shocks, including Western sanctions (Roberts, Armijo and Katada 2017, 130–36). Assessments by Russian authorities of their BCBS and FSB activities are consistently pragmatic, uncontroversial and broadly positive.[47] Thus, even one of the more openly anti-Western countries has found pragmatic advantages in Basel membership.

As for IMF financial surveillance, although the Fund has enhanced its efforts in this area since 2009, its perceived failure to detect vulnerabilities in major countries' financial systems before the GFC were a blow to its reputation and compounded long-standing EME concerns about unequal treatment. The latest Independent Evaluation Office (IEO) of the IMF report on the Fund's financial sector surveillance notes improvements since the very critical 2011 report, but also points to persisting weaknesses, including resource and expertise gaps as well as uncertain political autonomy vis-à-vis major developed countries (IEO 2011; 2019). Given this continuing concern over the quality of IMF surveillance of major countries and the ongoing potential for negative spillover, at least some EME governments see membership of specialized financial bodies like the BCBS and the FSB as providing useful supplementary forms of surveillance over advanced country financial sectors.[48]

These two forms of learning benefit for emerging-country governments — domestic agency learning and peer surveillance — are related to the inequalities that persist in the Basel process. That is, they flow from the dominance of Basel membership by advanced countries. This is obviously the case for peer surveillance: EMEs gain a window into financial stability challenges in the United States and major EU countries that are members of the

45 The World Bank's World Governance Indicators database (http://info.worldbank.org/governance/WGI/#reports) provides data on the perceived quality of regulation in all countries. Generally, these show EME G20 countries as continuing to lag regulatory quality in G20 advanced countries by a large margin. However, these data are not specific to financial regulatory governance. Some observers argued that financial regulation can sometimes be an "island of excellence" — Indonesia in recent years was given as one example (interview, G20 advanced country official, May 2019). Perceived severe financial regulatory challenges may provide EME countries with incentives to invest more resources in building domestic capacity in this area, but it remains difficult to know whether this phenomenon is generally true.

46 Interview, G20 official, February 2019.

47 Author review of Russian agency documents relating to the BCBS and the FSB, 2009–2019.

48 Interviews, senior G20 EME country regulatory and financial officials, February and May 2019.

BCBS and the FSB. It is also true for domestic agency learning. Although 14 new countries have been admitted to the BCBS since 2009 — these include the high regulatory quality jurisdictions of Australia, Hong Kong SAR and Singapore — the European Union also participates in its own right alongside nine EU member states. For numerical and capacity reasons, as well as the firm grip that the United States and European countries have demonstrated over leadership selection in these bodies, advanced country participants still dominate in the BCBS and the FSB. This means that discussions within BCBS and FSB committees include senior officials from the most experienced and highest-capacity agencies. This Western dominance of the Basel process reduces influence for many emerging-country members, but it can increase the learning benefits they obtain.

Indonesian officials, for example, strongly emphasized the learning benefits of participation in BCBS and FSB working groups and committees as well as in the peer review process.[49] There was an acceptance that some topics under discussion in these bodies went well beyond current national needs and expertise, but that they could still help to shape the policy trajectory and raise awareness of emerging issues beyond the national context. One example is discussions on standards for central counterparties, which have grown rapidly in advanced jurisdictions since 2009 following the mandating of central clearing of standardized OTC derivatives.

Senior Chinese officials also consistently link the benefits of Basel membership to China's domestic financial development and stabilization challenges. In 2012, the China Banking Regulatory Commission (CBRC) noted that: "As a member of the G20, the Financial Stability Board and the Basel Committee, China's implementation of the new banking regulatory standards is not only a requirement for fulfilling our international obligations, but also an important measure to promote the healthy development of China's banking industry and better serve China's economic and social development" (CBRC 2012).

Zhou Xiaochuan, former People's Bank of China (PBoC) governor, pointed in 2017 to the domestic learning benefits provided by the Basel process: "China is still focusing very much on the domestic agenda, including further promoting economic development and regulatory reforms so as to keep pace with global development…Although China has strengthened cooperation with the international organizations, such as IMF, BIS and FSB, and participated, we still have a long way to go in order to play a more significant role [in standard setting and rulemaking]" (Xiaochuan 2017, 3). A month before this, China's Ministry of Finance cited Premier Li Keqiang's meeting with the chief executives of major international economic organizations and emphasized the connection between China's commitment to the Basel process, its domestic financial stability challenges and the promotion of global financial stability:

> Despite the improved resilience of the global financial system as a result of post-crisis financial reforms, vulnerabilities still remain, and may negatively impact the strength and sustainability of global growth. China applauds and supports the FSB's work in building a safer, simpler, fairer financial system and improving the financial regulation coordination framework. We emphasize the considerable progress made towards transforming shadow banking into resilient market-based finance since the financial crisis and welcome the FSB assessment of the monitoring and policy tools available to address risks from shadow banking. We call for full, consistent and timely implementation of agreed reforms, and finalizing Basel III and other unfinished parts of the reform agenda soon, so as to foster a robust and open global financial system supporting investment, trade and growth. (Ministry of Finance, China 2017)

As regards peer review, it is notable that the responses of national authorities to these reviews are generally positive and often remark on changes in regulatory practice made in response to them — consistent with the idea that the learning benefits have been significant (see Table 2). Indonesian officials, for example, noted how the FSB peer review of 2014 assisted in shaping the transition of banking supervision authority from Bank Indonesia to the new OJK (FSB 2014). This is a common reaction by emerging country regulatory authorities, although it should be noted that many exhibit a similar reaction to IMF-World Bank FSAP reviews (see, for example, Bank of Russia 2017, 72).

49 Interviews, regulatory officials, Jakarta, May 2019.

Table 2: National Authority Responses to BCBS RCAP Jurisdictional Consistency Reviews in Nine Emerging-country Members

Country	Responding Agency	Publication Date	Agency Response (Selected Remarks)
Argentina	Central Bank of Argentina	September 21, 2016	"The RCAP test has been a great opportunity to deepen our understanding of the Basel framework and enhance the effectiveness of our regulation."
Brazil	Banco Central do Brasil	December 10, 2013	"The BCB supports the RCAP assessment methodology, which is regarded as fair and comprehensive, and largely agrees with its results. In particular, the dialogue with the Assessment Team was an important mechanism to reach a clear understanding about the Basel text and to identify areas where the Basel framework would benefit from further clarification."
China	CBRC	September 27, 2013	"As can be seen from this assessment and previous ones, it is useful in many ways for the authorities to take the necessary steps to refine their domestic regulations in line with the Basel framework... We welcome the detailed assessment of capital regulations in China and highly appreciate the professionalism of the Assessment Team, whose comments and recommendations have therefore been well received and carefully considered by the CBRC."
India	RBI	June 15, 2015	"Based on its self-assessment and, as identified by the RCAP Team, the RBI has carried out a number of modifications in the existing guidelines concerning domestic implementation of Basel capital framework."
Indonesia	OJK and Bank Indonesia	December 9, 2016	"This assessment has allowed us to improve the consistency of our capital framework with international standards and, accordingly, enhance the strength of the framework."
Mexico	Cómision Nacional Bancaria y de Valores & Banco de México	March 16, 2015	"This evaluation allowed us to improve the consistency of our capital framework with international standards and to enhance the strength of the Mexican capital framework."
Russia	Central Bank of Russia	March 15, 2016	"The RCAP exercise has offered a valuable opportunity to complement and refine the Russian regulatory framework."
South Africa	South African Reserve Bank	June 15, 2015	"The team's input was a key driver for the improvements effected to the South African regulatory framework."
Turkey	Banking Regulation and Supervision Agency and Central Bank of Turkey	March 15, 2016	"Based on its self-assessment and as identified by the RCAP Assessment Team, the BRSA has carried out a number of modifications in the existing regulations before the cut-off date of 20 January 2016."

Source: BCBS RCAP jurisdictional consistency reviews of "risk-based capital standards" for nine emerging country members, www.bis.org/bcbs/implementation/rcap_jurisdictional.htm.

The perceived legitimacy of the peer review process can assist officials in leveraging political support for financial sector reform. Some authority responses to reviews pushed back against specific criticisms or recommendations, but for the most part these appear to be seen by national agencies as constructive exercises. Positive peer reviews are also said — or hoped — to improve the trust of the public and other stakeholders in the domestic financial sector. "The [positive] grades are expected to increase public trust in the country's banking operation...facilitate [the] Indonesian banking industry in its efforts to expand its activities, conduct cross-border transactions, [and] raise the trust of the stakeholders — including investors — in their transactions with Indonesian banks" (OJK 2016a). This helps to explain why the Indonesian authorities, like their equivalents in other EME members, have consistently publicized the positive aspects of Basel peer reviews in domestic media.

Implications

This report has argued that emerging-country members of the BCBS and the FSB perceive significant, continuing club benefits that have supported a relatively resilient form of global financial governance. The intra-club learning benefits obtained from membership are underappreciated by some standard theories of centralization and fragmentation in global economic governance. These benefits derive in part from the continuing dominance of advanced country members in the Basel process, which has helped to reconcile EME members to what might otherwise seem to be a set of international institutions that allows them too little current influence. Even for countries that continue to express dissatisfaction (for example, India and Russia), the benefits of membership continue to outweigh the perceived costs. Yet the member-driven, consensus-based character of the Basel process also means that EME members can exercise influence in cases of vital interest, including via coalitions with advanced country members.

The attitudes of Chinese officials are indicative of this perceived mixture of benefits and also most significant for the resilience of the system. China appears to be most confident among EMEs of its growing capacity to influence global financial standard setting in areas of vital concern while valuing the ongoing learning benefits of Basel participation. This is almost certainly connected with the Chinese leadership's understanding that the country continues to face major financial stability challenges, as reflected in the designation of financial risk as one of the "three battles" addressed by new policy initiatives in 2017 (Naughton 2018).[50] International financial standard setting has been consistent with substantive Chinese borrowing from and adaption of Basel standards to domestic circumstances. This can be called "Basel with Chinese characteristics." The flexibility of the Basel regime has thus allowed the Chinese government sufficient policy space to manage its own process of domestic financial reform, including flexibility in the pace and stringency of domestic implementation. Russian authorities have also embraced the flexibility of Basel standards, which are applied more extensively to the larger "universal" rather than to smaller "basic" banks (Bank of Russia 2017, 72).

Other emerging-country members cannot match China's growing ability to influence Basel outcomes, but they also obtain learning benefits from participation in Basel and have even more reason to value the status that comes with it. Those emerging countries that have had severe banking crises in recent decades, such as Argentina, Brazil, Indonesia and Turkey, may value the learning benefits most. These countries, with higher financial openness and greater domestic participation by global financial firms, may also be subject to greater spillover from advanced country financial markets than China (IMF 2019a, 29–48). But China's choices, given its status as by far the most important EME country, also shape the choice set available to other emerging countries. In particular, for the time being, it may rule out the pursuit of alternatives to the Basel process even for the most skeptical EME members.

50 China's leadership was probably surprised by the emergence of problems in the shadow banking sector from 2015 and failures in the insurance sector in particular. These prompted the government to merge its banking and insurance regulatory agencies in April 2018, drawing on "twin peaks" regulatory models common elsewhere and handing macroprudential responsibility to the PBoC. The chair of the China Insurance Regulatory Commission was placed under investigation for corruption in 2017, with the leadership expressing determination to root out continuing problems with corruption and risk management in the financial sector (Bloomberg News 2017).

That said, there is no strong evidence that any G20 country sees alternative forums as plausible substitutes for the Basel process — or that officials who are already highly time-constrained would welcome the creation of additional international groupings in this area. Such alternative forums would offer clearly inferior learning opportunities for EME members, while any gains in terms of EME influence over standard-setting outcomes would probably be elusive: few outsiders or insiders (including technocrats and internationalizing business interests) would see BRICS or regional alternatives as credible mechanisms for meeting financial system stabilization challenges.

Similar considerations apply to potential regional alternatives to the Basel process. In Latin America and Africa, where few high-capacity jurisdictions exist and the potential for intra-regional spillover can be limited, such regional alternatives remain unattractive. An Asian Basel that included Australia, Hong Kong SAR, Japan and Singapore would possess substantial expertise and the region has relatively high levels of financial integration, but such a body would still be dominated numerically by developing and emerging countries with relatively low regulatory capacity. For members and non-members alike, few would also currently see BRICS or EME-dominated regional alternatives as more credible mechanisms for meeting the dynamic challenges of financial system stabilization, for sending positive signals to international investors, for promoting the internationalization of domestic banks or for reducing regulatory divergence. Since such alternatives are also unattractive for Basel non-members, this further reduces their appeal to the major emerging countries that would need to lead their establishment.

In short, political principals facing substantive political risk from financial instability will likely continue to prefer participation in existing SSBs to regional or other bodies dominated by EMDEs. In any case, the Chinese government has shown little interest in pursuing this option at the regional level or through the BRICS process, which may close off these options for others. Put differently, although the Basel process has historically reflected the pre-eminent position of more advanced countries in global financial regulatory governance, it may increasingly come to reflect the growing influence of China.

How Can the Resilience of the Basel Process Be Sustained and Enhanced?

One possible reading of the argument of this special report is that the Basel process is working well for EMEs and that little should change. As recent developments in global governance have underlined, however, complacency is not a strategy. Perceived asymmetries of influence and benefit could eventually disrupt what has hitherto been a relatively resilient aspect of global economic governance. As financial institutions from emerging countries internationalize, influence objectives are likely to rise in importance for these countries. This is currently most important for China, but financial firms in a number of emerging countries are beginning this process (Lund et al. 2017).

Although it lies beyond the scope of this report, the greatest short-term vulnerability of the Basel process may lie not in a challenge from EME members, but from among the advanced countries. So far, US regulatory officials have continued to pursue a pragmatic and constructive approach to BCBS and FSB business, but the potential for the United States to revert to a more nationalistic and unilateral stance in this area remains. This risk may increase if the United States comes to perceive China as increasingly influential in global financial standard setting. Well before the Trump administration, US policy toward the Basel process was often characterized by its uneven commitment (Foot and Walter 2010, 229–73). For some, China's rise, including in fintech, could give the United States new reasons to disengage. This final section, however, is restricted to suggestions regarding the better integration of EMEs in global financial standard setting.

As noted earlier, relatively little attention has been devoted to international financial standard setting in the global financial reform debate. The Eminent Persons' Group report for the G20 in 2018 makes some relevant recommendations, including the need to deepen domestic financial markets; to integrate better risk assessment and systemic surveillance between the IMF, the FSB and the BIS; and to integrate contrarian views, including from the non-official sector (Eminent Persons Group 2018, 20-21). This agenda is likely to be acceptable to most EMEs and is consistent with the recommendations of the recent IEO assessment of IMF financial surveillance (IEO 2019).

The normative grounds for enhancing the role and influence of emerging countries in the Basel process are strong. The argument that the advanced countries whose firms still dominate many aspects of global finance deserve to occupy a privileged position in global financial standard setting — one often deployed by the Basel Committee to maintain a very narrow membership before 2009 — is unconvincing. This dominance is a legacy of earlier financial development in advanced economies, but some emerging countries, especially China, are catching up rapidly.[51] This view also underplays the potential impact of financial regulation on economic development, distribution and poverty reduction in countries containing the majority of the world's population (Beck and Rojas-Suarez 2019; Jones and Knaack 2019).

The CGD Task Force report addresses the ongoing problem of the under-representation of EMDE interests and perspectives in the Basel process, which is more acute there than in SSBs with more universal memberships. The implication of this report is that proposals to expand Basel process membership run up against the interests of existing members in retaining the mix of club benefits — including status, learning and (sometimes) influence — that such membership is seen to provide. The interests of the major EME Basel member countries themselves vary, but they are not necessarily representative of the many developing country non-members.[52] One option for broader inclusion in the Basel process suggested by the CGD report is to include non-G20 country representatives on a rotational basis on the model of the UN Security Council (Beck and Rojas-Suarez 2019, 7). This is a plausible compromise that avoids the dilution effects of membership expansion that current members fear. Some officials from major EME members supported this proposal.[53] It may not satisfy many non-members, who could reasonably point out that the main benefits will continue to accrue to Basel's permanent members, but it would be a pragmatic step in the right direction.

The argument in this report also qualifies the plausibility of proposals for greater regional diversity in financial regulation (The Warwick Commission 2009, 32), except possibly in the long run once greater convergence in regulatory capacity has been achieved. For the foreseeable future, potential regional alternatives to Basel are likely to continue to be seen as inferior by major countries, including most EMEs, in terms of their ability to provide a competitive mix of benefits. Some officials were skeptical of regional alternatives for the related reason that they would offer a less compelling source of political leverage in domestic financial reform debates.[54] The Basel institutions have been relatively adept in promoting greater institutional flexibility in response to EMDE concerns, including via regional consultative forums that feed into the Basel process.

Yet this need not mean that complementary regional coordination of financial regulatory policy among EMDEs is without merit. As noted by the recent CGD Task Force report, the desirable adaptation of Basel standards to national circumstances by EMDEs raises the potential for undesirable regulatory arbitrage among financially integrated economies. To mitigate this risk, this report recommended that "regulators across each EMDE region…agree on a set of proportional rules [i.e., adapted Basel standards] for their region…[including] agreement on which Basel III approaches to apply, as well as how to adapt specific regulations" (Beck and Rojas-Suarez 2019, 5). A recent BIS report makes a similar argument, noting that the Basel process has not set prudential standards for non-internationally active banks, which "has led national authorities to implement a range of proportionality approaches." This gap "is more critical in non-BCBS member jurisdictions," where such banks usually predominate (Hohl et al. 2018, 1).

51 One indication, suggested by a reviewer, is the dramatic rise in Chinese financial centre rankings in the annual "GFCI 25" ranking of financial centres by the Global Financial Centres Index over the past decade. See www.longfinance.net/programmes/financial-centre-futures/global-financial-centres-index/. In 2019, Shanghai was ranked fifth (ahead of Tokyo, Toronto and Zurich) and Beijing ninth (ahead of Frankfurt and Sydney).

52 See the publications associated with the project on developing countries and Basel standards at the Blavatnik School's Global Economic Governance programme: www.geg.ox.ac.uk/project/projectpublications.

53 Interviews, senior regulatory officials, G20 EME countries, February and May 2019.

54 Interviews, regulatory and financial policy officials, G20 EME countries, February and May 2019.

One difficulty is that achieving agreement on proportionality rules in some large regions may not be much easier than at a global level. Asia, for example, contains national financial systems with a higher level of diversity in development and technical capacity than the G20. Some Asian G20 country officials reported that regional coordination on financial regulatory issues in non-Basel groups such as EMEAP was only occasional and that the BCBS regional consultative groups were the primary regional forums for discussing Basel-related concerns.[55] If agreement on proportionality rules is achievable within regions such as Asia, it ought also to be achievable in the Basel process. Since it would be undesirable for very different proportionality rules to be adopted in different regions, it would also make sense for the major global institutions first to provide general guidance on how this might be done. Then, stamps of approval by the BCBS, the FSB and other institutions such as the IMF and World Bank would help to bolster the credibility of regional proportionality rules consistent with such a global framework. It is important that these global institutions also clarify that the principle of proportionality is not intended to justify lower quality regulation that jeopardizes domestic financial stability in EMDEs. Instead, proportionality should mean relief from inappropriate or overly complex regulation that is an unnecessary burden on smaller, less complex banks, especially those in developing countries. Over the longer term, such agreements might also allow regional groupings to build credibility and, eventually, greater autonomy from the Basel process.

What reforms do EME members themselves want? A number of officials agreed that greater EME representation in senior leadership positions in the BCBS and the FSB would be desirable.[56] The BIS has recently moved in this direction in appointing Agustín Carstens of the Central Bank of Mexico as general manager and Luiz Awazu Pereira da Silva of the Central Bank of Brazil as deputy general manager. These appointees have long track records in national and international policy making and are well known to Western financial elites. That they both have economics Ph.D.s from major Western universities may also indicate that EME appointees to these senior roles must be acceptable to the major advanced countries.[57] Leadership of the key committees of the BCBS and the FSB also indicate continuing European-American dominance, although they include senior officials from Hong Kong SAR and South Africa (see Table 3). There are also a number of related technical working committees that can be crucial determinants of country learning from and influence in the standard-setting process. For example, the Policy Development Group of the BCBS currently has 12 working groups and task forces that discuss and make recommendations in specific areas of the Basel framework; the Supervision and Implementation Group has eight. The leadership and membership composition of these groups is not publicly disclosed, but some emerging country officials indicated that they are not currently members of groups that were discussing matters of importance for EMEs.[58] This can reduce the learning benefits that many EME officials indicated were important to their participation in Basel.

To some extent, this continued Western dominance of key positions and of technical committees reflects the trade-offs between EME influence on the one hand and the other benefits they obtain. Most EME officials agreed on the need to strengthen the representation of emerging-countries on existing committees and their capacity to contribute to their deliberations and to maximize learning benefits. Thus, one desirable innovation would be to appoint EME co-chairs to such committees, in part to indicate that the BCBS and the FSB are committed to developing leadership and capacity in EME financial sector management. This would also send a positive signal that EME interests have equal importance and could enhance the learning and status benefits obtained by EME members. In a later step, this might include rotating non-G20 country chairs as recommended by the CGD report (Beck and

55 The EMEAP is a regional group of 11 central banks that discuss monetary and financial issues of common interest. It has a working group on banking supervision and discusses regulatory developments of common interest. This has included the impact of EU and US margin and settlement reforms, and proportionality in the implementation of Basel standards. But the EMEAP has produced only one joint report in July 2016 directly related to the Basel III framework on the liquidity coverage ratio. That report did not make specific joint recommendations to the BCBS. See www.emeap.org/index.php/publications/. The Association of Southeast Asian Nations (ASEAN) has also established the ASEAN Banking Integration Framework, which focuses on regional financial integration but also occasionally discusses cooperation in banking regulation and supervision.

56 Interviews, senior regulatory and financial officials, G20 EME countries, February and May 2019.

57 As noted by an anonymous reviewer.

58 Interviews, senior regulatory officials, G20 EME country, May 2019.

Table 3: Chairs and Co-chairs of BCBS and FSB Committees

Institution	Chair (unless otherwise indicated)	Co-chair (unless otherwise indicated)
BCBS	Pablo Hernández de Cos (Governor of the Bank of Spain)	Carolyn Rogers (Secretary General, formerly of the Canadian Office of the Superintendent of Financial Institutions)
BCBS: Policy Development Group	William Coen (formerly of the US Federal Reserve and US Office of the Comptroller of the Currency)*	
BCBS: Supervision and Implementation Group	Arthur Yuen (Hong Kong Monetary Authority)	
BCBS: Macroprudential Supervision Group	Dianne Dobbeck (Federal Reserve Board of New York)	Sergio Nicoletti-Altimari (European Central Bank)
BCBS: Accounting Experts Group	Fernando Vargas (Bank of Spain)	
BCBS: Basel Consultative Group	Neil Esho, Deputy Secretary General of the Basel Committee (formerly of the Australian Prudential Regulation Authority)	Bryan Stirewalt (Dubai Financial Services Authority)
FSB	Randall Quarles (US Federal Reserve Board)	Klaas Knot (Vice-Chair, De Nederlandsche Bank)
FSB: Standing Committee on Assessment of Vulnerabilities	Klaas Knot (De Nederlandsche Bank)	
FSB: Standing Committee on Supervisory and Regulatory Cooperation	Norman Chan (Hong Kong Monetary Authority)	
FSB: Standing Committee on Standards Implementation	Lesetja Kganyago (South African Reserve Bank)	

Data source: BCBS and FSB websites.

Note: * William Coen may be replaced as he stepped down as BCBS Secretary General in June 2019.

Rojas-Suarez 2019, 7) — although it should be noted that this proposal is not strongly supported by at least some existing emerging country members.[59]

The BCBS and the FSB could also establish committees dedicated specifically to topics of central concern to EMDEs, such as the developmental impact of financial regulation, financial inclusion and proportionality rules for EMDEs.[60] The FSB working group established in 2018 to study the impact of post-crisis financial regulatory reforms on infrastructure finance, an issue of great importance to EMDEs, is not

59 Interviews, senior regulatory and financial officials, G20 EME countries, February and May 2019.

60 Again, however, emerging-country officials were not necessarily supportive of establishing additional committees of this kind, arguing that they felt able to raise such issues within the existing committee framework (interviews, senior regulatory and financial officials, G20 EME countries, February and May 2019).

necessarily a good model in this respect.[61] Ongoing discussion of rule proportionality in the Basel process is a very welcome development for emerging-country members and seen as an indication of its flexibility and growing attention to inclusiveness. As argued in this report, this could be further enhanced by adopting a more inclusive approach to committee composition and leadership. Yet it also requires many emerging-country governments to invest more heavily — as China most notably has done — in the development of national regulatory and supervisory capacity and expertise.

Author's Note

The author gratefully acknowledges the financial support of CIGI and the research assistance of Wendy Chen, Will Higginbotham, Antonia Settle and Xie Xin. The author is grateful for very helpful comments on earlier drafts from Randall Henning, Mario Schapiro, Wei Benhua, Xiong Aizong, Zhang Zhixiang, Zheng Liansheng, two anonymous reviewers, and the former and current officials in some G20 countries who generously gave their time in interviews over February–May 2019. Their views are indicated anonymously in the text. Remaining errors and omissions are the responsibility of the author alone.

61 This working group studied the impact of post-crisis financial regulatory reforms on infrastructure finance, an issue of high importance for EMDEs (FSB 2018). It concluded that the impact of these reforms on the cost and availability of infrastructure finance has been marginal compared to other factors. It should be noted, however, that it was dominated by participants from advanced countries and chaired by Klaas Knot of the Netherlands central bank. It may not, therefore, be a model for how the FSB and the BCBS could establish permanent committees with a stronger remit to consider issues of high relevance to EMDEs.

Works Cited

Anand, Nupur. 2018. “Why the IL&FS default is spooking India.” Quartz India, September 25. https://qz.com/india/1401032/why-the-ilfs-default-is-spooking-india/.

Bair, Sheila. 2012. *Bull by the Horns: Fighting to Save Main Street from Wall Street and Wall Street from Itself.* New York, NY: Free Press.

Banco Central do Brasil. 2019. “Regulação brasileira recebe nota máxima do Comitê de Basileia para Supervisão Bancária.” Banco Central do Brasil. www.bcb.gov.br/detalhenoticia/330/noticia.

Bank of Russia. 2017. *Annual Report 2016.* April 28. Moscow, Russsia: Central Bank of the Russian Federation.

BCBS. 1996. *Amendment to the capital accord to incorporate market risks.* January 4. Basel, Switzerland: BCBS. www.bis.org/publ/bcbs24.htm.

———. 2015. *Assessment of Basel III risk-based capital regulations — India.* Regulatory Consistency Assessment Programme. June 15. Basel, Switzerland: BCBS. www.bis.org/bcbs/publ/d320.htm.

———. 2017a. *Basel III: Finalising post-crisis reforms.* December 7. Basel, Switzerland: BCBS. www.bis.org/bcbs/publ/d424.htm.

———. 2017b. *The regulatory treatment of sovereign exposures.* Discussion Paper, December 7. Basel, Switzerland: BCBS. www.bis.org/bcbs/publ/d425.htm.

———. 2018a. *Fifteenth progress report on adoption of the Basel regulatory framework.* October 26. Basel, Switzerland: BCBS. www.bis.org/bcbs/publ/d452.htm.

———. 2018b. *Implementation of Basel standards — A report to G20 Leaders on implementation of the Basel III regulatory reforms.* November 23. Basel, Switzerland: BCBS. www.bis.org/bcbs/publ/d453.htm.

———. 2019a. *Minimum capital requirements for market risk.* Basel, Switzerland: BCBS. January 14. www.bis.org/bcbs/publ/d457.htm.

———. 2019b. *Sixteenth progress report on adoption of the Basel regulatory framework.* May 7. Basel, Switzerland: BCBS. www.bis.org/bcbs/publ/d464.htm.

Beck, Thorsten and Liliana Rojas-Suarez. 2019. *Making Basel III Work for Emerging Markets and Developing Economies.* CGD Task Force Report, April 23. Center for Global Development. www.cgdev.org/publication/making-basel-iii-work-emerging-markets-and-developing-economies.

BIS. 2012. *Financial sector regulation for growth, equity and stability.* Proceedings of a conference organized by the BIS and CAFRAL in Mumbai, November 15-16. Basel, Switzerland: BIS. www.bis.org/publ/bppdf/bispap62.htm.

Bloomberg News. 2017. "China's Top Insurance Regulator Under Probe for Violations." Bloomberg News, April 9. www.bloomberg.com/news/articles/2017-04-09/china-insurance-regulator-chairman-under-probe-for-violations.

Bogdanova, Bilyana, Ingo Fender and Elöd Takáts. 2018. "The ABCs of bank PBRs: What drives bank price-to-book ratios?" *BIS Quarterly Review* (March): 81–95.

Brummer, Chris. 2010. "Why Soft Law Dominates International Finance — and not Trade." *Journal of International Economic Law* 13 (3): 623–43. DOI: 10.1093/jiel/jgq026.

Çanakci, Ibrahim H. 2013. "G-20 & Turkey's Presidency in 2015." Presentation by the Undersecretariat of Treasury, Republic of Turkey, November 14, Ankara, Turkey.

Cecchetti, Stephen G. 2018. "Collaboration in Financial Regulatory Reform: The IMF, the Financial Stability Board, and the Standard Setting Bodies." IEO Background Paper. Washington, DC: Independent Evaluation Office of the International Monetary Fund. https://ieo.imf.org/en/our-work/Evaluations/Completed/2019-0115-fis-evaluation.

Chey, Hyoung-kyu. 2014. *International Harmonization of Financial Regulation? The Politics of Global Diffusion of the Basel Capital Accord.* London, UK: Routledge.

———. 2016. "International Financial Standards and Emerging Economies since the Global Financial Crisis." In *Global Financial Governance Confronts the Rising Powers: Emerging Perspectives on the New G20,* edited by C. Randall Henning and Andrew Walter, 211–36. Waterloo, ON: CIGI.

CBRC. 2012. 银监会就《商业银行资本管理办法（试行）》答问 (Press conference of China Banking Regulatory Commission on Issues Concerning Administrative Measures for the Capital of Commercial Banks). The Central People's Government of the People's Republic of China. www.gov.cn/gzdt/2012-06/08/content_2156787.htm.

Chwieroth, Jeffrey M. and Andrew Walter. 2017. "Banking Crises and Politics: A Long-Run Perspective." *International Affairs* 93 (5): 1107–129. DOI: 10.1093/ia/iix145.

———. 2019. *The Wealth Effect: How the Great Expectations of the Middle Class Have Changed the Politics of Banking Crises.* Cambridge, UK: Cambridge University Press.

Clark, Ian. 2009. "Bringing Hegemony Back in: The United States and International Order." *International Affairs* 85 (1): 23–36.

Coman, Andra and Simon P. Lloyd. 2019. "In the face of spillovers: prudential policies in emerging economies." Bank of England Staff Working Paper No. 828. London, UK: Bank of England. www.bankofengland.co.uk/working-paper/2019/in-the-face-of-spillovers-prudential-policies-in-emerging-economies.

Davies, Howard. 2017. "Will Trump build a wall protecting US banks from global rules?" *The Guardian*, March 2. www.theguardian.com/business/2017/mar/01/trump-us-banks-federal-reserve-banking-regulation.

Drezner, Daniel W. 2007. *All Politics Is Global: Explaining International Regulatory Regimes.* Princeton, NJ: Princeton University Press.

Dugal, Ira. 2018. "RBI-Government Spat: Easier Banking Regulation, In Public (Or Government) Interest?" *BloombergQuint,* November 9. www.bloombergquint.com/opinion/rbi-government-spat-easier-banking-regulation-in-public-or-government-interest.

Eichengreen Barry, Lombardi Domenico and Anton Malkin. 2018. "Multilayered Governance and the International Financial Architecture: The Erosion of Multilateralism in International Liquidity Provision." *Global Policy* 9 (S1): 7–20.

Eminent Persons Group. 2018. *Making the Global Financial System Work for All: Report of the G20 Eminent Persons Group on Global Financial Governance.* October. www.globalfinancialgovernance.org.

Farrell, Henry and Abraham L. Newman. 2019. "Weaponized Interdependence." *International Security* 44 (1): 42–79.

Fearon, James D. 1998. "Bargaining, Enforcement, and International Cooperation." *International Organization* 52 (2): 269–305.

Foot, Rosemary and Andrew Walter. 2010. *China, the United States, and Global Order.* Cambridge, UK and New York, NY: Cambridge University Press.

FSB. 2014. *Peer Review of Indonesia.* February 28. Basel, Switzerland: FSB. www.fsb.org/2014/02/r_140228/.

———. 2018. *Evaluation of the effects of financial regulatory reforms on infrastructure finance.* November 20. Basel, Switzerland: FSB. www.fsb.org/2018/11/evaluation-of-the-effects-of-financial-regulatory-reforms-on-infrastructure-finance/.

———. 2019a. "FinTech and market structure in financial services: Market developments and potential financial stability implications." February 14. Basel, Switzerland: FSB. www.fsb.org/2019/02/fintech-and-market-structure-in-financial-services-market-developments-and-potential-financial-stability-implications/.

———. 2019b. *Global Monitoring Report on Non-Bank Financial Intermediation 2018.* February 4. Basel, Switzerland: FSB. www.fsb.org/2019/02/global-monitoring-report-on-non-bank-financial-intermediation-2018/.

G20 Leaders. 2017. "Hamburg G20 Leaders' Declaration: Shaping an Interconnected World." www.g20.utoronto.ca/2017/2017-G20-leaders-declaration.html.

Ghosh, Jayati. 2018. "Who Should Control India's Central Bank?" Project Syndicate, November 12. www.project-syndicate.org/commentary/modi-government-india-central-bank-standoff-by-jayati-ghosh-2018-11.

Gilpin, Robert. 1987. *The Political Economy of International Relations.* Princeton, NJ: Princeton University Press.

Goyal, Ashima. 2013. "Assessing Changes in the Global Financial Architecture from an Emerging Market Perspective." *Foreign Trade Review* 48 (4): 461–80.

———. 2014. "Banks, policy, and risks: how emerging markets differ." *International Journal of Public Policy* 10 (1–3): 4–26.

Gray, Julia. 2013. *The Company States Keep: International Economic Organizations and Investor Perceptions.* Cambridge, UK: Cambridge University Press.

Grittersová, Jana. 2017. *Borrowing Credibility: Global Banks and Monetary Regimes.* Ann Arbor, MI: University of Michigan Press.

Gurrea-Martínez, Aurelio and Nydia Remolina. 2019. "The Dark Side of Implementing Basel Capital Requirements: Theory, Evidence and Policy." *Journal of International Economic Law* 22 (1): 125–52.

Helleiner, Eric. 2014. *The Status Quo Crisis: Global Financial Governance After the 2008 Financial Meltdown.* Oxford, UK and New York, NY: Oxford University Press.

Helleiner, Eric and Stefano Pagliari. 2011. "The End of an Era in International Financial Regulation? A Postcrisis Research Agenda." *International Organization* 65 (1): 169–200.

Henning, C. Randall. 2017. *Tangled Governance: International Regime Complexity, the Troika, and the Euro Crisis.* Oxford, UK: Oxford University Press.

Herring Richard J. 2007. "The Rocky Road to Implementation of Basel II in the United States." *Atlantic Economic Journal* 35 (4): 411–29.

Hohl, Stefan, Mary Cynthia Sison, Tomas Stastny and Raihan Zamil. 2018. *The Basel framework in 100 jurisdictions: implementation status and proportionality practices.* Financial Stability Institute Insights on Policy Implementation No. 11. November 23. Basel, Switzerland: Financial Stability Institute, BIS. www.bis.org/fsi/publ/insights11.htm.

IEO. 2011. *IMF Performance in the Run-Up to the Financial and Economic Crisis: IMF Surveillance in 2004-07.* Washington, DC: IMF. https://ieo.imf.org/en/our-work/evaluation-reports/Completed/2011-0209-imf-performance-in-the-run-up-to-the-financial.

———. 2019. *IMF Financial Surveillance.* Washington, DC: IMF. https://ieo.imf.org/en/our-work/evaluation-reports/Completed/2019-0115-fis-evaluation.

IMF. 2012. *The Liberalization and Management of Capital Flows — An Institutional View.* Policy Papers, November 14. Washington, DC: IMF. www.imf.org/en/Publications/Policy-Papers/Issues/2016/12/31/The-Liberalization-and-Management-of-Capital-Flows-An-Institutional-View-PP4720.

———. 2019a. *Vulnerabilities in a Maturing Credit Cycle.* Global Financial Stability Report, April. Washington, DC: IMF. www.imf.org/en/Publications/GFSR/Issues/2019/03/27/Global-Financial-Stability-Report-April-2019.

———. 2019b. World Economic Outlook Database. April. Washington, DC: IMF. www.imf.org/external/pubs/ft/weo/2019/01/weodata/index.aspx.

IMRB International. 2015. *The Impact of Global Regulatory Change on India's Financial Markets.* July. City of London Corporation. www.cityoflondon.gov.uk/economicresearch.

Institute for International Finance. 2017. *Basel Capital Reforms: Impact on Emerging Markets.* January 3. New York, NY: Institute for International Finance.

Jayadev, M. 2013. "Basel III implementation: Issues and challenges for Indian banks." *IIMB Management Review* 25 (2): 115–30.

Jones, Emily and Peter Knaack. 2019. "Global Financial Regulation: Shortcomings and Reform Options." *Global Policy* 10 (2): 193–206.

Jones, Emily and Alexandra O. Zeitz. 2017. "The Limits of Globalizing Basel Banking Standards." *Journal of Financial Regulation* 3 (1): 89–124.

Jones, Emily, Thorsten Beck and Peter Knaack. 2018. "Mind the gap: Making Basel standards work for developing countries." GEG & BSG Policy Brief. www.geg.ox.ac.uk/publication/mind-gap-making-basel-standards-work-developing-countries.

Keohane, Robert O. 1984. *After Hegemony: Cooperation and Discord in the World Political Economy.* Princeton, NJ: Princeton University Press.

Kindleberger, Charles P. 1973. *The World in Depression, 1929–1939.* Berkeley, CA: University of California Press.

Koremenos, Barbara, Charles Lipson and Duncan Snidal. 2001. "The Rational Design of International Institutions." *International Organization* 55 (4): 761–99.

Kupchan, Charles A. 2014. "The Normative Foundations of Hegemony and The Coming Challenge to Pax Americana." *Security Studies* 23 (2): 219–57.

Lipscy, Phillip Y. 2015. "Explaining Institutional Change: Policy Areas, Outside Options, and the Bretton Woods Institutions." *American Journal of Political Science* 59 (2): 341–56.

———. 2017. *Renegotiating the World Order.* Cambridge, UK: Cambridge University Press.

Lubberink, Martien Jan Peter and Roger J. Willett. 2016. "The Value Relevance of Regulatory Capital Components." ID 2826359, SSRN Scholarly Paper, December 18. Rochester, NY: Social Science Research Network. https://papers.ssrn.com/abstract=2826359.

Lund, Susan, Eckart Windhagen, James Manyika, Phillip Härle, Jonathan Woetzel and Diana Goldshtein. 2017. *The New Dynamics of Financial Globalization.* McKinsey Global Institute. August. www.mckinsey.com/industries/financial-services/our-insights/the-new-dynamics-of-financial-globalization.

Mattli, Walter and Ngaire Woods. 2009. *The Politics of Global Regulation.* Princeton, NJ: Princeton University Press.

Maxwell, Fiona. 2017. "Donald Trump blamed for delay in global banking reform." Politico, January 4. www.politico.eu/article/donald-trump-blamed-for-delay-in-global-banking-reform-basel-committee/.

Mechelli, Alessandro, Riccardo Cimini and Francesca Mazzocchetti. 2015. "Is regulatory capital more value relevant than book value of equity? A cross-country analysis." *Applied Economics Letters* 22 (11): 900–03.

Mehra, Puja. 2018. "Reserve Bank of India stands its ground." *Asia Times,* November 22. www.atimes.com/article/reserve-bank-of-india-stands-its-ground/.

Ministry of Finance, China. 2017. 第二次"1+6"圆桌对话会联合新闻稿（附英文 (Joint Press Release on the Second "1+6" Roundtable). Ministry of Finance. http://wjb.mof.gov.cn/pindaoliebiao/gongzuodongtai/201709/t20170913_2698330.html.

Morrow, James D. 1994. "Modeling the Forms of International Cooperation: Distribution Versus Information." *International Organization* 48 (3): 387–423.

Morse, Julia C. and Robert O. Keohane. 2014. "Contested Multilateralism." *The Review of International Organizations* 9 (4): 385–412.

Müller, Jan-Werner. 2019. "Populism and the People." *London Review of Books* 41 (10): 35–37.

Mundra, S. S. 2014. "Emerging contours of regulation and supervision in the Indian banking sector." Speech to the Investors' Conference, November 13, Mumbai, India. www.bis.org/review/r141119b.htm.

Nabiullina, Elvira. 2015. "Statement by Bank of Russia Governor Elvira Nabiullina at the 24th International Banking Congress." June 4. Moscow, Russia: Bank of Russia. www.cbr.ru/eng/press/st/press-center/nabiullina_04062015/.

———. 2018. "Statement by Bank of Russia Governor Elvira Nabiullina in follow-up to Board of Directors meeting." September 14. Moscow: Bank of Russia. www.cbr.ru/eng/press/st/2018-09-14/.

Naughton, Barry. 2018. "Xi's System, Xi's Men: After the March 2018 National People's Congress." *China Leadership Monitor* 56. Stanford Universit, Hoover Institution. www.hoover.org/research/xis-system-xis-men-after-march-2018-national-peoples-congress.

Newman, Abraham L. 2017. "Sequencing, Layering, and Feedbacks in Global Regulation." In *International Politics and Institutions in Time,* edited by Orfeo Fioretos, 76–92. Oxford, UK: Oxford University Press.

Newman, Abraham L. and Elliot Posner. 2018. *Voluntary Disruptions: International Soft Law, Finance, and Power.* Oxford, UK: Oxford University Press.

Nölke, Andreas. 2015. "International financial regulation and domestic coalitions in state-permeated capitalism: China and global banking rules." *International Politics* 52 (6): 743–59.

Oatley, Thomas and Robert Nabors. 1998. "Redistributive cooperation: Market failure, wealth transfers, and the Basle Accord." *International Organization* 52 (1): 35–54.

OJK. 2016a. "Basel Committee Finds Indonesia has Excellent Banking Regulations." Press Release SP 127/OJK/DKNS/XII/2016. Jakarta, Indonesia: OJK. www.ojk.go.id/en/kanal/perbankan/berita-dan-kegiatan/siaran-pers/Documents/Pages/Press-Release-Basel-Committee-Finds-Indonesia-Has-Excellent-Banking-Regulations/sp-komite-basel-perbankan-eng.pdf.

———. 2016b. "Consultative Paper on Securitisation Framework." Jakarta, Indonesia: OJK. www.ojk.go.id/en/kanal/perbankan/berita-dan-kegiatan/publikasi/Pages/Consultative-Paper-on-Securitisation-Framework.aspx.

———. 2017. "Basel III Implementation to be Adapted to National Interests." OJK Press Release SP 106/DHMS/OJK/XII/2017, December 8. Jakarta, Indonesia: OJK.

People's Daily. 2009. 世界经济从危机逐步走向复苏：中国成就鼓舞世界 (The world economy has gradually recovered: China's achievements have inspired the world). *People's Daily,* September 21. www.gov.cn/jrzg/2009-09/21/content_1421999.htm.

———. 2016. 建设自主监管规则 参与全球金融治理_滚动新闻_中国政府网 (Establishing independent regulatory standards, participating in global financial governance). www.gov.cn/xinwen/2016-02/03/content_5038604.htm.

RBI. 2018. *Financial Stability Report December 2018.* Financial Stability Report 18, December. Delhi, India: RBI. https://rbi.org.in/Scripts/PublicationReportDetails.aspx?UrlPage=&ID=917.

Reddy, Y. V. 2010. "Towards a New International Financial Architecture." Fourth I. G. Patel Lecture, Bella Vista, Hyderabad, India, October 25. www.lse.ac.uk/asiaResearchCentre/events/individual/2010/101025-Reddy.aspx.

Restoy, Fernando. 2019. "Proportionality in financial regulation: where do we go from here?" Speech at BIS/IMF policy implementation meeting on proportionality in financial regulation and supervision, Basel, Switzerland, May 8. www.bis.org/speeches/sp190508.htm.

Roberts Cynthia, Leslie Armijo and Saori Katada. 2017. *The BRICS and Collective Financial Statecraft.* New York, NY: Oxford University Press.

Simmons, Beth A. 2001. "The International Politics of Harmonization: The Case of Capital Market Regulation." *International Organization* 55 (3): 589–620.

Singer, David Andrew. 2007. *Regulating Capital: Setting Standards for the International Financial System.* Cornell Studies in Money. Ithaca, NY: Cornell University Press.

Snidal, Duncan. 1985. "The Limits of Hegemonic Stability Theory." *International Organization* 39 (4): 579–614.

Srivastava, Pragya and Shaleen Agrawal. 2018. "Crucial RBI board meet: 'PCA, Basel norms not for India, homegrown rules needed.'" *The Financial Express*, November 19. www.financialexpress.com/economy/crucial-rbi-board-meet-underway-this-psu-banker-slams-pca-basel-norms-bats-for-homegrown-rules/1386143/.

Stokes, Doug. 2018. "Trump, American hegemony and the future of the liberal international order." *International Affairs* 94 (1): 133–50.

Subbarao, Duvvuri. 2017. *Who Moved My Interest Rate: Leading the Reserve Bank of India Through Five Turbulent Years.* London, UK: Penguin.

Tarullo, Daniel K. 2019. "Financial Regulation: Still Unsettled a Decade after the Crisis." *Journal of Economic Perspectives* 33 (1): 61–80.

The Warwick Commission on International Financial Reform. 2009. *In Praise of Unlevel Playing Fields.* Report of the second Warwick Commission. Coventry, UK: University of Warwick and CIGI.

Vishwanathan, Shri N. S. 2015. "Basel III Implementation — Challenges for Indian banking system." Speech to Associated Chambers of Commerce & Industry of India and National Institute of Bank Management, August 31. www.rbi.org.in/Scripts/BS_SpeechesView.aspx?Id=972.

———. 2017. "Regulation and Financial Stability." Speech at the Special Session of Merchant Chamber of Commerce and Industry, Kolkata, October 13. www.rbi.org.in/scripts/BS_SpeechesView.aspx?id=1056.

Walter, Andrew. 2008. *Governing Finance: East Asia's Adoption of International Financial Standards.* Ithaca, NY: Cornell University Press.

———. 2016. "Emerging Countries and Basel III: Why Is Engagement Still Low?" In *Global Financial Governance Confronts the Rising Powers: Emerging Perspectives on the New G20,* edited by C. Randall Henning and Andrew Walter, 179–210. Waterloo, ON: CIGI.

Wang, Hongying. 2018. *China and International Financial Standards: From "Rule Taker" to "Rule Maker"?* CIGI Paper No. 182. *Waterloo, ON: CIGI. ww*w.cigionline.org/publications/china-and-international-financial-standards-rule-taker-rule-maker.

Xiaochuan, Zhou. 2017. "Prospects of the Chinese Economy: Broad-Based Growth (Governor Zhou Xiaochuan's Speech and Q&A at the 32rd G30 Annual International Banking Seminar)." www.pbc.gov.cn/english/130724/3398171/index.html.

Yong, Jeffrey and Gunilla Löfvendahl. 2018. "Proportionality in the application of insurance solvency requirements." Financial Stability Institute Insights on Policy Implementation No. 14. Basel, Switzerland: Financial Stability Institute, BIS. www.bis.org/fsi/publ/insights14.htm.

Young, Kevin and Stefano Pagliari. 2017. "Capital united? Business unity in regulatory politics and the special place of finance." *Regulation & Governance* 11 (1): 3–23.

Centre for International Governance Innovation

67 Erb Street West
Waterloo, ON, Canada N2L 6C2
www.cigionline.org

@cigionline

RECYCLED
Paper made from recycled material
FSC® C023070
FSC
www.fsc.org