

Workshop 4: Sustainable finance: from credit crisis to better banking?

By Ferdinand Koenig

Light at the end of the tunnel:

Despite the promise of a better future implied in the title of Workshop 4, there is little at present to be cheerful about in the world of finance. It is, as all the speakers mentioned, a highly uncertain time. It was therefore a sober meeting in which the mistakes of the past were analysed and possible solutions offered.

The panel of speakers reflected the major stakeholder interests in the financial crisis and consisted of a senior politician: Didier Reynders, the Belgian Deputy Prime Minister and Finance Minister; two senior bankers: William J. Mills, Citigroup CEO for Western Europe, the Middle East and Africa and Jacques de Vaucleroy, Member of ING's Executive Board; and a senior expert on financial regulation: Dr. H. Onno Ruding, Member of the High Level Expert Group on EU financial supervision.

Didier Reynders was unable to make the opening of the workshop due to a commitment in the Belgian Parliament, so the first speech was given by William J. Mills of Citigroup. He began by noting that all over the globe regulators were coming out with numerous proposals in order to fight the potentially catastrophic consequences of the financial crisis. He welcomed governmental efforts, but emphasised that interbank lending was extremely low and that the securitisation market was also very weak.

He stressed there was no silver bullet to end the crisis, however he was clear that governments needed to do everything possible to restore trust and credibility in the banking system. This was a theme that was echoed by Jacques de Vaucleroy of ING, who gave the next speech.

De Vaucleroy began his presentation by mentioning that never before have banks been so active, nor have so many people ever placed financial institutions under such scrutiny. This, he said, had certain positive outcomes – greater clarity and transparency would benefit bankers and regulators alike, and the expectation that banks would act with greater corporate responsibility would also be in the public interest.

However, in the current climate there is a danger, he explained, that a more conservative approach to risk management would hamper creativity and innovation. Moreover, he mentioned that there were disturbing signs that national boundaries would reappear in the global financial architecture, and he expressed his hope that an international level playing field was an unalterable condition of any new regulation.

Didier Reynders, who spoke after Jacques de Vaucleroy, also expressed the hope that the crisis would lead to more effective supranational regulation. He gave the example of ABN-AMRO, where the takeover was only scrutinised by Dutch regulators, whereas the fact that Spanish, British and Belgian banks were involved should have led to wider consultation.

For Reynders, the crisis is not evidence that more regulation is necessarily needed, just that the regulation that exists should be better and importantly, more international. Dr Onno Ruding, who

advises the EU on financial regulation was well placed to elaborate on that point when he took the podium after the Belgian Finance Minister.

Dr Ruting spoke about the need to balance national and international commitments and mentioned the difficulties of burden sharing – i.e. the question of who pays for proposals taken at a supranational level. Moreover, he stressed that political conditions were not as yet right for large transfers of regulatory competence away from national level.

Despite these problems however, he made clear that this is a global crisis and global solutions were therefore appropriate.

None of the speakers claimed to know all of the answers to the challenges posed by the crisis. One thing was nonetheless clear at the end of the workshop. This is an international crisis and consequently international solutions are the only appropriate solution. Next week's G20 Summit should be interesting.