CAFRAL–BIS Conference
on
“Financial Sector Regulation for Growth, Equity and Stability in the Post Crisis World”

15–16 November 2011, Mumbai

Day 1 – 15 November 2011

11.45–12.45 ***Inaugural session - Addresses by D. Subbarao, Governor, RBI and Jaime Caruana, General Manager, BIS***

14.00–16.00 ***Session I on “Financial Sector Regulation and implications for Growth in the Post Crisis World”***

Chair: Andrew Sheng, Chief Adviser to the China Banking Regulatory Commission

Background paper presented by *: Anand Sinha, DG, RBI*

Outline:
In developing economies, financial sector policies are expected to be tuned to sub-serve the broad objective of ensuring growth with equity. This session will discuss the regulatory philosophy in relation to growth and development in the pre-crisis, mid-crisis and post-crisis periods with a focus on emerging market economies (EMEs). Beginning with a review of studies regarding macro-economic impact of Basel III capital and liquidity regulations, the background paper will explore a model for India for the assessment of macro-economic impact of these measures.
Specific questions that could be explored in this session are :

- Will the new regulatory approaches and measures impinge and run counter to the growth objective?
- The needs of the trade and the infrastructure sector being so vital to growth what are the implications of the capital leverage and liquidity requirements for these sectors? What are the specific factors that would weigh in the calibration of macro prudential measures for EMEs?
- What are the specific difficulties that are likely to be faced by EMEs in the implementation of Basel 3?

16.30–18.30 ***Session II on “Implications of the Evolving Regulatory Framework for Equity in the post crisis World”***

Chair: Stephany Griffith-Jones, *Financial Markets Programme Director, Columbia University*

Background paper presented by *Prof. M S Sriram, IIM, Ahmd.*

Outline:
The regulation of the financial sector is embedded in the larger economy and has implications on the economic behaviour. In general we find regulation to be re-active rather than pro-active.

Specific questions that could be explored in this session are:

- Why are equity and inclusion important and are these objectives at cross purposes with regulation?
- Can an inclusive regulatory philosophy minimize the risks of a crisis and soften the impact of cyclical behavior?
- How do other elements of the eco-system – the public policy, markets, and regulations - that are outside the purview of the regulator /central bank treat inclusiveness, thereby impinging the behavior of the financial sector?
- How does the regulatory system develop a longer-term horizon to stay invested in the "poor"?
- How do we look at exotic financial instrument innovations that are built on the portfolios of the poor and its relation to the real economy?

What should be a stable regulatory approach and philosophy be given the learning from the crises of the past?

Day 2 – 16 November 2011

10.00–10.45 *Special address by* ***Y.V. Reddy****, Former Governor, RBI*
Topic: "Regulation of Financial Sector in the Macro Policy Context"

11.00–13.00 ***Session III on "Macro perspectives on Financial Stability in EMEs"?***

Chair: John Lipsky, First Deputy Managing Director, IMF

Background paper presented by: *Philip Turner, Head, Monetary & Economic Dept., BIS*

Outline:

The risks affecting the financial system are not simply aggregations of the risks of individual institutions. This so-called "systemic" aspect of risk has at least three dimensions viz. macroeconomic variables beyond the control of domestic monetary or fiscal policies, externalities and pro-cyclicality. The financial system may amplify macroeconomic or global financial system shocks.

Specific questions relevant to EMEs that could be explored in this session are:

- What are the policy targets considering that volatile capital flows and currency mismatches are forces that are of special importance for EMEs?
- What are the policy instruments that work best for macro prudential objectives? How should adjustment in such instruments be coordinated with monetary policy?
- How interventionist should the authorities be? Do less developed financial systems require more intervention?
- Which body should be at the controls for macro prudential policies (central bank, bank regulator, ministry of finance)?
- How to arrange the oversight of those responsible for macro prudential policies?