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Title: Regulation and Structural Change in Financial Systems

Abstract: Financial systems have undergone many changes over the past few decades due to real economic developments, advances in technology, globalization, shifts in regulatory paradigms, and the global financial crisis. As systems change, notably in information processing, trading, and interactions between banks and markets, the nature of market failures and sources of systemic risks alter. Longer-run regulatory trends, however, do not sufficiently acknowledge these shifts nor necessarily encourage types of financial systems (“financial structures”) that best serve economies in the medium term. To rebalance, the paper highlights the need in many countries for more non-bank forms of financing, notably equity markets, and calls for extending macroprudential policies’ reach to non-banks and ensuring more systemic oversight of non-bank markets, while revisiting the tendency to adopt bank-type regulations for non-bank activities.