



GLOBAL FINANCIAL CRISIS

IFSL Messages

The purpose of this brief is to provide IFSL member companies with a set of core messages on the business perspective of the global financial crisis and the G20 process, for use with international contacts and other stakeholders.

The International Response

1. The London Summit on 2 April 2009 was an important and successful meeting:
 - The shared determination of world leaders to act together in a global response to the crisis, as well as the decisions taken by the Summit, have helped to rebuild confidence in the global financial system.
 - The Summit has helped to consolidate the G20 as the key international framework for governance of the global financial system.

Regulatory Reform

2. The work programme on regulatory reform agreed by the Summit offers a framework for embedding the lessons of the crisis. It is ambitious in scope and challenging in its timetable. The new focus on international coordination of regulation is a positive development for global convergence, and marks a significant change in the framework for international financial businesses.
3. Practitioners attach importance to a number of important principles as this work goes forward:
 - The international process of regulatory reform must be open and consultative so that practitioners with expertise in different markets, sectors and financial instruments can contribute to decision-making.
 - The benefits of globalised financial markets for worldwide economic development must be retained through the process of regulatory reform.
 - The major international financial centres such as London must be able to continue to develop new and sophisticated financial instruments in response to the evolving needs of markets, on the basis of openness to qualified operators from all parts of the global system.
 - EU action to reform regulation in Europe must support efforts to achieve regulatory convergence at the global level, not pre-empt or cut across them. EU rules must also preserve the degree of national discretion needed to reflect the diversity of European markets.
 - Regulatory reform needs the complementary support of agreed international standards eg in accountancy and financial reporting as well as codes of practice and standards of conduct operated on a voluntary basis by practitioner bodies.

- Market operators have a responsibility to contribute to market confidence by developing public understanding of the economic benefits of financial instruments including in secondary markets such as derivatives, securitisation and OTC trading.
- It is important that emerging economies should not retreat from the continued diversification of financial instruments in their local markets to respond to the needs of economic development.

International Trade and Vulnerable Economies

4. The London Summit committed substantial additional funds to the IMF and multilateral development banks (MDBs) to support financing for international trade and the financial stability of vulnerable economies. This is an important contribution to sustaining the global economy. It is essential that the IMF and MDBs act quickly to make these funds available to economies in need without delay. It is particularly urgent to ease the shortages of finance that are aggravating the fall in levels of world trade.

The UK Contribution

5. The UK and its financial services providers in London and elsewhere have an exceptionally strong interest in a lasting resolution to this crisis given the important share of financial services in the UK's GDP.
6. The UK is a strong champion of international responses to this crisis. The London Summit has acted as a stimulus for the UK to exercise international leadership and deliver good international outcomes.
7. While much remains to be done to reform financial markets in the UK, the authorities, market institutions and business leaders have the coherence and sense of common purpose to develop well-balanced responses that promote competition, openness and freedom for markets to evolve.
8. The structural strengths of London's financial centre remain:
 - the diversity of London's markets – equities, bonds, derivatives, insurance, commodities, maritime – and of associated services, many of which remain relatively unaffected by the crisis in banking and credit;
 - London's instinctive internationalism, strong skills base and openness to global talent and global business (including Islamic Finance and Sovereign Wealth Funds);
 - London's position as the financial services gateway to the Single European Market and the European time zone;
 - London as a strong base for conducting financial business across the globe;
 - the UK's transparent, adaptable and predictable legal system.
9. The UK and the City of London have the capacity and the will to lead international markets through this crisis and to emerge strengthened and better adapted to the needs of the 21st century.