

Press release

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Joint Forum release of *Review of the Differentiated Nature and Scope of Financial Regulation*

The Joint Forum today released its report, *Review of the Differentiated Nature and Scope of Financial Regulation – Key Issues and Recommendations*. This review was requested by the G20 through the Financial Stability Board. The report analyses key issues arising from the differentiated nature of financial regulation in the international banking, securities, and insurance sectors. It also addresses gaps arising from the scope of regulation as it relates to different financial activities, with a particular focus on certain unregulated or lightly regulated entities or activities. The objectives of the review were to identify potential areas where systemic risks may not be fully captured in the current regulatory framework and to make recommendations on needed improvements to strengthen regulation of the financial system.

The report's recommendations address five specific areas:

- Issues arising from regulatory differences across the three sectors, including with respect to similar financial products;
- Supervision and regulation of financial groups, focusing on unregulated entities within those groups;
- Residential mortgage origination, focusing on minimum underwriting standards consistently implemented by different types of mortgage providers;
- Hedge funds, especially those that present systemic risk; and
- Credit risk transfer, focusing on credit default swaps and financial guarantee insurance.



John C Dugan, Chair of the Joint Forum until the end of 2009 and Comptroller of the Currency in the United States, said today: "This paper takes a focused look at certain regulatory gaps that became apparent during the crisis. There are some key recommendations in this report that, once implemented, will reduce those gaps and strengthen regulation of the financial system. Consistency in regulation and similar supervision for similar activities are key principles for effective oversight of systemic risks. This report sets the stage for additional important work that will lead to greater convergence of the supervision of financial activities and firms."

The paper is available on the websites of the Bank for International Settlements (<http://www.bis.org>), IOSCO (<http://www.iosco.org>) and the IAIS (<http://www.iaisweb.org>).

The Joint Forum was established in 1996 under the aegis of the Basel Committee on Banking Supervision, IOSCO, and the IAIS to deal with issues common to the banking, securities, and insurance sectors, including the supervision of financial conglomerates.