

BUILDING RESPONSIVE AND RESPONSIBLE FINANCIAL REGULATORS  
IN THE AFTERMATH OF THE GLOBAL FINANCIAL CRISIS



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Pablo Iglesias-Rodríguez (ed.)

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# PREFACE AND ACKNOWLEDGEMENTS

The global financial crisis that started in the year 2007 has shown how the failures in financial regulation and supervision may have extremely harmful consequences for the protection of investors, the soundness of the financial markets, the stability of the financial system and, ultimately, social well-being.

The architects (scholars, practitioners, policy-makers, legislators, stakeholders ...) of the post-crisis structures of financial regulation and supervision face the highly challenging task of building regulators that effectively tackle the weaknesses of the pre-crisis regimes.

This book aims at re-examining central concepts in the governance of financial regulators, in light of the global financial crisis experience. It does so through both a theoretical analysis of the concepts of accountability and independence of the regulatory function, as well as a critical examination of post-crisis financial regulation architectures in the European Union, the United States of America and Canada. The ultimate goal of this volume is to provide policy-makers with ideas that may help them to build financial regulation architectures which are more responsive to the needs and demands of society and to the challenges of increasingly global financial markets.

I owe an immense debt of gratitude to the contributors to this volume for their excellent work and dedication. They devoted substantial time and effort to writing their contributions and updating them to reflect the latest developments. Working with all of them was a very pleasant, inspiring and rewarding experience.

I am very grateful to Luc Verhey, who strongly supported this project from the outset.

I would also like to thank Tom Scheirs for his advice and assistance throughout the publication process, and the two anonymous reviewers of the book proposal for their invaluable comments.

The Faculty of Law of the VU University Amsterdam and the Global Governance Programme of the European University Institute provided me with very

supportive and intellectually rich working environments during successive stages of the editing process. My warmest thanks to them as well.

Pablo IGLESIAS-RODRÍGUEZ  
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# FOREWORD

This book addresses the question of how to build more responsive and responsible financial regulators in the aftermath of the global financial crisis. It provides a insightful and critical analysis of the accountability of key financial regulators in the European Union, the United States of America and Canada, in the post-crisis institutional setting. The book shows that whereas the regulatory overhaul that followed the crisis has generally encompassed a move towards a greater responsiveness of financial regulators, the financial architectures of the post-crisis institutional setting still face important challenges.

The challenges that lie ahead are not of a pure architectural or technical nature; they are closely related to fundamental issues of democratic legitimacy and the rule of law. The financial crisis has shown that financial regulators are powerful actors who have a vital role to play in the global society of the 21st century. They only can effectively contribute to the efficiency and the stability of the financial markets if they are able to fulfil their supervisory and regulatory tasks independent from the one-sided interests of financial enterprises as well as the erratic whims of daily party politics. On the other hand financial regulators should not be isolated from society. They have to give an account on the fulfilling of their mandate to the government, the parliament as well as to the society at large. Experience shows that these vital principles – independence and accountability – are in practice not always easy to reconcile.

This book incisively re-examines the concepts of accountability and independence as the indispensable pillars of the governance of the modern financial regulators. It strongly underlines that the accountability, the independence and, more generally, the good governance of financial regulators, constitute necessary conditions for both the efficiency and legitimacy of the financial regulatory and supervisory functions. A proper accountability framework contributes to the creation, monitoring and enforcement of rules that enhance the soundness of the financial markets, financial stability, investor protection and, ultimately, social development. An important additional value of the book is that its scope is not limited to the European Union and its member states. It also includes the role of financial regulators in leading western countries like the United States and

Canada where the economic circumstances partly seem different from what is at stake in the European Union.

What makes the book even more attractive is that the editor has chosen for a broad perspective. In considering the issues of independence, accountability and governance, this book has sought to encompass the idea that the challenges posed by financial regulation and supervision in global financial markets have a multidimensional nature that can only be understood through and require interdisciplinary analyses. This is reflected in the background of the different contributors, who are economists, lawyers, political scientists and sociologists from both academia and practice. My experience is that confronting the different worlds of different academic disciplines and common sense that is sustained by longstanding practical experience, is the most fruitful method to come to innovative results. This book seems to be a promising example of this multidimensional approach which is undoubtedly necessary to deal with such a complex, sensitive and vital issue as financial regulation.

LUC VERHEY

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