



University | School  
of Glasgow | of Law

## **The Future of Financial Regulation**

### **Conference Programme**

30<sup>th</sup> and 31<sup>st</sup> March 2009

The Sir Charles Wilson Building, University of Glasgow

### **Conference Sponsors**

ESRC World Economy and Finance Programme (UK)

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The Chancellor's Fund, University of Glasgow

**Plenary sessions in the morning and afternoon are open to members of the public holding an entry voucher.**

## Day 1

### **The Anatomy of a Crisis**

*Chair: Iain MacNeil, University of Glasgow*

9.00-9.30

**Registration**

9.30-11.00

**Opening Plenary: The Regulatory Cycle: Boom to Bust**  
(Main lecture theatre)

*Jeremy Cooper, Deputy Chairman, ASIC*

*Charles Goodhart, London School of Economics*

11.00-11.30

**Coffee**

11.30-12.45

**Concurrent sessions (x3)**

**(a) Risk-Based Regulation**

(Main lecture theatre)

**Risk-based regulation is a high-level policy choice made by the FSA in structuring the system of financial regulation in the UK. It focuses on risks posed to the FSA in meeting the statutory objectives under which it operates. In this session we examine the meaning and implementation of risk-based regulation, focusing in particular on its role in the emergence and handling of the credit crisis. Attention is paid to the distinction between risk and uncertainty and to the relationship between risk-based regulation and principles-based regulation.**

*Joanna Gray, University of Newcastle*

*Roman Tomasic, University of Durham*

*Iain MacNeil, University of Glasgow*

*Discussant: Joe Traynor, Financial Services Authority*

**(b) Capital Adequacy and Banking Regulation**

(Seminar room A)

**A common factor in the emergence of the credit crisis around the world has been an expansion in credit without an equivalent expansion in regulatory capital. In this session we examine how increased leverage became possible in a world in which the Basel II regulatory regime promised a more sensitive and effective regime for regulatory capital. We focus also on the relative underdevelopment of liquidity regulation and the role of central banks in providing liquidity to the markets.**

*Kern Alexander, Queen Mary, University of London*

*Andrew Campbell, University of Leeds*

*George Walker, Queen Mary, University of London*

*Discussant: Brian Quinn, University of Glasgow*

**(c) Disclosure and Transparency: UK and US**

(Seminar room B)

**Despite considerable regulatory attention being focused on disclosure and transparency in recent years there can be little doubt that a lack of disclosure and transparency in certain key areas (such as derivatives) has been a significant factor in the emergence of the credit crisis. The effects have been felt primarily in the valuation of complex instruments and the identification of ultimate legal ownership, both of which have the capacity to erode confidence in market counterparties. In this session we examine the underlying premise that disclosure should be the primary regulatory tool for capital markets and evaluate whether the emergence of the credit crisis requires a reconsideration of its role.**

*Emilios Avgouleas, University of Manchester*

*David Kershaw, London School of Economics*

*Discussant: Pamela Hanrahan, University of Melbourne*

12.45-14.00

**Lunch**

14.00-15.15

**Concurrent sessions (x3)**

**(a) The context and consequences of financial innovation  
(Main lecture theatre)**

**In this session we consider the implications of financial innovation for the emergence of the credit crisis. We examine the forces that drive innovation, the regulatory approach to innovation and how the emergence of new techniques is implicated in the credit crisis. Given its central role in the crisis, we pay particular attention to developments in the mortgage market in the United States.**

*Julie Froud, University of Manchester*

*Robin Malloy, Syracuse University*

*Discussant: Tom Burns, University of Aberdeen*

**(b) Market integrity, compliance and enforcement  
(Seminar room A)**

**The over-arching concept of market integrity implies that market participants understand and subscribe to the values and outcomes that underpin the regulatory system. From that perspective, both compliance and enforcement can be viewed as being associated as much with the spirit as well as the letter of the law. Yet the emergence of the credit crisis may itself be evidence that, at least in some areas, there is no widely-accepted concept of integrity in the market. In this session we examine the potential role of such a concept and the restraining influence that it might play in controlling excessive risk-taking.**

*Seumas Miller, CAPPE*

*Pamela Hanrahan, University of Melbourne*

*Doreen McBarnet, University of Oxford*

*Discussant: Jeffrey Golden, Allen & Overy*

**(c) Corporate Governance**

**(Seminar room B)**

**While the emergence of the credit crisis has drawn attention in particular to failures in regulation and the role of central banks, it must be recognised that significant responsibility lies with the shareholders of financial institutions. Failure to exercise effective control over risk-taking and expansion in leverage are central themes in the emergence of the credit crisis. In this session we evaluate how this could occur within a framework of corporate governance that has in recent years emphasised the role of independent directors and risk control systems.**

*Sally Wheeler, Queen's University, Belfast*

*Blanaid Clarke, University College Dublin*

*Sandeep Gopalan, University of Reading*

*Discussant: Tom Campbell, CAPPE*

15.15-15.45

**Coffee**

15.45-17.00

**Plenary Roundtable: Regulatory Responses (Main lecture theatre)**

*Jeremy Cooper, ASIC*

*Brian Quinn, University of Glasgow*

*Barbara Ridpath, International Centre for Financial Regulation*

*Joe Traynor, FSA*

*Diane Wilde, Barclays Wealth*

19.00

**Reception, University Main Building (below the tower)**

19.30

**Dinner, University Main Building, Randolph Hall**  
*Speaker: Rt Hon John McFall MP, Chair, Treasury Select Committee*

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**Day 2**

**Re-imagining the Regulatory Contract**

*Chair: Justin O'Brien, CAPPE*

**09.30-11.00**

**Plenary Session: Re-imagining the Regulatory Contract  
(Main lecture theatre)**

*Avinash Persaud, Intelligence Capital Ltd.  
Charles Sampford, Griffith University  
Fredrik Galtung, TIRI*

**11.00-11.30**

**Coffee**

**11.30-12.45**

**Concurrent sessions (x 3):**

**(a) Responsible ownership? (Main lecture theatre)**

**Shareholders have been particularly disadvantaged as a consequence of short-term financial strategies. State investment in public companies offers the opportunity to strengthen the degree of oversight over internal control mechanisms. This session evaluates the extent to which a robust ethical framework can generate responsible investment strategies.**

*Frank Curtiss, Head of Corporate Governance, RAILPEN  
Charlotte Villiers, University of Bristol  
Howard Adelman, Griffith University  
Discussant: Ida Levine, Capital International*

**(b) Critical Voices: Widening the Regulatory  
Conversation (Seminar room A)**

**The financial crisis has demonstrated the huge social cost associated with a failure of leadership within individual corporations and wider regulatory systems. In part, this can be traced to narrow conceptions of regulatory purpose. This session assesses the utility and legal and policy challenges associated with broadening the range of interests involved in the development of new regulatory frameworks.**

*Werner Jeanrond, University of Glasgow  
Christian Barry, Australian National University  
Paddy Ireland, University of Kent  
Discussant: Sally Wheeler, Queen's University Belfast*

**(c) Financial Crises and Moral Hazard  
(Seminar room B)**

**Initial policy choices in response to the crisis were informed by a fear of moral hazard, namely that intervention may have the effect of rewarding executives that engaged in risky behaviour. The extent of intervention required to stabilise capital markets has profound consequences for the moral hazard doctrine. This session assesses the extent to which this can, or should be conceived as a virtue.**

*Ray Barrell, NIESR  
Sayantan Ghosan, University of Warwick*

*Discussant: Marcus Miller, University of Warwick*

**12.45-14.00**

**Lunch**

**14.00-15.15**

**Concurrent sessions (x2)**

**(a) The Trajectory of Reform (Main lecture theatre)**

**The global financial crisis has demonstrated major practical and normative flaws in the theories underpinning rules and principles based regulation. A key function for the academy moving forward is to ascertain the parameters of smart regulation, i.e. how to design and integrate rules, principles and norms to enhance security while simultaneously ensuring that sustainable innovation will not be compromised. This session critiques the policy responses developed to date and evaluates the impact on regulatory theory.**

*Justin O'Brien, CAPPE*

*Eva Lomnicka, Kings College, London*

*Joe Tanega, University of Westminster*

*Discussant: Jeffrey Oakes, Davis, Polk & Wardwell*

**(b) Building Integrity and Accountable Governance  
(Seminar room A)**

**Restoring integrity to capital markets has become a crucial policy imperative. While it may be inopportune to engage in structural reform in the midst of a crisis, it is clear that the normative advantages of embedding a corporate form of 'associational democracy' without reference or subservience to wider societal goals have been falsified. The critical policy challenge is whether this can be achieved at a supra-national level and, if so, whether it will necessitate fundamental changes to the global financial architecture.**

*Melvin Dubnick, University of New Hampshire*

*Ken McPhail, University of Glasgow*

*Discussant: Fredrik Galtung, TIRI*

**15.15-15.45**

**Coffee**

**15.45-17.00**

**Closing Plenary: The Future of Financial Regulation  
(Main lecture theatre)**

*John Driffill, ESRC World Economy and Finance Programme*

*Jeffrey Golden, Allen & Overy*

*Avinash Persaud, Intelligence Capital Ltd.*

*Charles Sampford, Griffith University*