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Financial Times Letters
Number One Southwark Bridge
London
SE1 9HL

Sir,

Gillian Tett's conclusions that global harmonisation of financial regulation could be "an unworkable fantasy" (*Regulators may disagree but should say who call the shots, 28 February 2014*) show an appreciation of the regulatory crossroads the financial sector has reached but do not tell the whole story.

One of the key areas of this ongoing debate is the question of under which circumstances and on what terms regulators and supervisors should defer to the rules and supervisory practices of jurisdictions outside their own.

Why should this matter? Fragmentation of liquidity and disruptions are both genuine risks that could become manifest in the absence of clear and consistent approaches to such regulatory recognition. Indeed, the consequences are likely to include constrained access to and increased cost of funding and investment opportunities as well as stymied risk management for asset managers, pension funds and corporates.

One solution, proposed by GFMA and its members, calls for G20 finance ministers to formally endorse the robust application of the international principle of comity – where the home regulator defers to the host regulator where the latter's rules are consistent with the G20 recommendations and best practices – as policymakers and regulators progress their implementation. An essential element of this will be for regulators to coordinate and cooperate at an early stage in the process.

This approach at least could prove to be the "imperfect answer that is better than no answer at all", as Gillian Tett insightfully puts it.

Yours faithfully

Simon Lewis
Chief Executive
Global Financial Markets Association