

Reforming the Global Financial Architecture

Issues and Proposals



Edited by Yılmaz Akyüz

7.1
EF

TWN



UNCTAD

Third World Network

ZED BOOKS

Contents

Abbreviations	vii
Preface	ix

CHAPTER 1

TOWARDS REFORM OF THE INTERNATIONAL FINANCIAL ARCHITECTURE: WHICH WAY FORWARD?

Yılmaz Akyüz

A. Introduction	1
B. The governance of international capital flows	4
C. The exchange rate system	8
D. Orderly workout mechanisms for international debt	12
E. Reform of the IMF	15
1. <i>Surveillance and conditionality</i>	15
2. <i>Liquidity provision and lender-of-last-resort financing</i>	17
F. Governance of international finance	21
References	26

CHAPTER 2

STANDARDS AND REGULATION

Andrew Cornford

A. Introduction	29
B. Themes of the key standards	31
1. <i>Macroeconomic policy and data transparency</i>	33
2. <i>Banking supervision</i>	37
3. <i>Payments and settlement</i>	41
4. <i>Accounting and auditing</i>	44
5. <i>Corporate governance</i>	47
6. <i>Insolvency</i>	49
7. <i>Securities regulation</i>	50

8. <i>Insurance</i>	51
9. <i>Market integrity and money laundering</i>	53
C. Influence and participation in the formulation and implementation of standards	56
D. Implementation, sanctions and incentives	63
E. Standards, financial regimes and financial stability	72
References	77

CHAPTER 3

EXCHANGE RATE REGIMES AND THE SCOPE FOR REGIONAL COOPERATION

Yılmaz Akyüz and Heiner Flassbeck

A. Introduction	81
B. Exchange rate regimes	84
1. <i>Soft pegs</i>	84
2. <i>Floating</i>	89
3. <i>Hard pegs</i>	93
C. Regional arrangements: the European experience	96
D. Options for developing countries: dollarization or regionalization?	102
References	115

CHAPTER 4

CRISIS MANAGEMENT AND BURDEN SHARING

Yılmaz Akyüz

A. Introduction	117
B. Private sector involvement and orderly debt workouts	118
C. Recent debate within the IMF	123
D. Official assistance, moral hazard and burden sharing	128
E. Voluntary and contractual arrangements	135
1. <i>Bond restructuring and collective action clauses</i>	139
2. <i>Restructuring bank loans</i>	145
F. Conclusions	150
References	154