

Preface

Cross-border banking in the form of international branches or subsidiaries is increasing rapidly, but prudential regulation of banking — supervision, deposit insurance, lender of last resort facilities, insolvency resolution — remains primarily national. This mismatch raises concerns about the ability of regulators to stem banking crises and financial instability both from being ignited and from spreading rapidly across national boundaries. The papers published in this volume describe the existing structure of both cross-border banking and prudential regulation, identify the vulnerabilities in that structure, analyze the implications for the safety, soundness and efficiency of the international banking system, and make recommendations on how to improve the existing structure to enhance the safety and soundness of the banking system without reducing efficiency. Should there be greater emphasis on international cooperation, harmonization of regulations and supranational regulatory agencies, or is the current system, with minor country-specific regulatory adjustments, sufficient to avoid financial crises?

These issues were explored at a conference cosponsored by the Federal Reserve Bank of Chicago and the International Association of Deposit Insurers at the Federal Reserve Bank on October 5–6, 2006. The conference was the ninth in a series of annual international banking conferences sponsored by the Federal Reserve Bank of Chicago that focus on important current issues in global economics, finance, and banking. Keynote speakers, paper presenters and discussants are internationally recognized experts in their areas. Speakers and audience members combined represented a wide array of countries, philosophies, experiences and affiliations, including bankers, bank regulators, and academics. In total, more than 40 countries were represented, reinforcing the term “international” in the title of the conference series.

The papers in this volume, as well as the comments of the discussants of the papers, are intended to bring the ideas that were discussed at the conference to the attention of a larger and more diverse audience. In the

process, this may contribute both to increasing attention to some of the problems identified in the papers and to searching for solutions. Thus, we hope this volume will contribute to enhancing global financial stability.

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