

Abstract

Global financial markets are subject to a complex web of soft law rules and standards called International Financial Regulation. The main rationales/objectives of International Financial Regulation revolve around the protection of investors and depositors and the safeguarding of financial system stability. In recent months International Financial Regulation has come under attack for its lack of proper structures and flawed rules, which have been held to be among the main causes of the global credit crisis. As a result, a major reform exercise is under way. This paper argues that, as part of this reform, policy makers and regulators must attempt to widen the objectives of International Financial Regulation so that they become cognizant of the impact of financial sector development and access to finance on economic growth and poverty eradication. In this context, the paper proposes a global licensing scheme for international investment funds and the reform of the Basle Capital Adequacy Standards. Implementation of the proposals would enable International Financial Regulation to both strengthen the global financial stability framework and facilitate access to finance in poor and very poor countries.

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Emilios Avgouleas is Reader in International Financial Law, School of Law, University of Manchester.

All enquiries should be addressed to emilios.avgouleas@manchester.ac.uk