Evolution of an International Quango

Policy Change in the Bank for International Settlements

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The Bank for International Settlements (BIS) is the proverbial 'IT guy' of the global economy. While other international economic institutions are highly visible, the BIS mostly remains out of the public eye while it weaves a set of rules, norms, and decision-making procedures that establish governance structures for both public and private international banks. Without the BIS, information sharing among central banks and private financial institutions would be seriously troubled. These same institutions would face severe information asymmetries, their creditworthiness assessments would be harder to establish, and the effective management of currency crises would be more difficult to achieve. In an environment where average daily turnover in foreign exchange markets is now US$1.9 trillion, and the market for investment risk protection alone is worth US$4.5 trillion per year, the BIS's 'firewalls' are important to prevent the global financial system from being 'spammed'.[i] Yet, like our lack of understanding of how the IT guy is (most of the time) able to prevent the e-mail system from crashing or our files being wiped, most of us don't know exactly what the BIS does to provide us with the networks that allow global finance to run smoothly (at least most of the time).

Known as the 'Bank of Central Banks', the BIS's original charge in 1930 was to 'promote the co-operation of central banks and to provide additional facilities for international financial operations; and to act as a trustee or agent in regard to international financial settlements entrusted to it under agreements with the parties concerned'.[ii] Today, the BIS still provides an institutional

space for the sharing of information among central bank governors, but it is equally concerned with the development of international banking regulation and the collation and dissemination of financial data to international financial institutions and private financial market actors. This *Global Monitor* report provides an overview of the purposes and functions of the BIS and the Basle Committee on Banking Supervision, as well as contemporary problems and debates in international cooperation for financial regulation. The report provides a description of the BIS's institutional characteristics, a lightning summary of how the institution has transformed between the 1930s and 1980s, a discussion of the formation of 'Basle Accords', and the BIS's recent efforts to build networks for monitoring and surveillance at the individual, regional, and international levels. Finally, the report reflects on how we may think of this unique institution within the broader context of academic debate concerning how international economic institutions can reconfigure actors' ideas and interests.

1. Nuts and Bolts of an International 'Quango'

The BIS was established as an international economic institution that is separate from the fiscal obligations of any country, but is also a limited-liability company under Swiss law.[iii] The BIS may therefore be understood as something of an intergovernmental 'quango' (quasi-non governmental organisation), in that it acts as a service provider of public goods that is underwritten by its shareholding central bank members.[iv] As such, the BIS has the capacity to act on behalf of any central bank and as a trustee to facilitate international settlements, but claims against it are limited. A further purpose of the BIS's limited liability status is to affirm that its function is not economically redistributive, like the World Bank or the International Monetary Fund (IMF), but to provide technical knowledge and banking services.

The institution is based in Basle, Switzerland, and is governed by a Board of Directors that is chaired by a central bank governor of one of the BIS member states. The original Board of Directors was established by the governors of its founding central banks (Belgium, United Kingdom, France, Germany, Italy, with banking conglomerates from Japan and United States of America), with each governor appointing a second representative of the same nationality from private industry to affirm the bank's standing in the capitalist system. The Board can also elect up to nine other governors from shareholding banks, although until recently only representatives from the Netherlands, Sweden, and Switzerland were included.[v] In addition to in-house governance, the BIS holds annual general meetings that bring together representatives from central banks and international economic institutions. In 2005 more than one hundred central banks attended. However, only shareholding member central banks, currently numbering 55, have a right to vote on decisions.

The BIS uses the IMF currency, Special Drawing Rights (SDRs), for all transactions.[vi] As of March 2005, the BIS held total assets of SDR 180,486 million (US$275,060 million, of which time deposits and advances to banks made up 44 percent, while Treasury bills were 17.3 percent), and total liabilities of SDR 170,233 million (US$259,435 million, of which 88 percent are currency deposits). Because the BIS functions as a working bank for central banks, it funds itself through its trading activities. Between 1993-2005, it distributed 13 to 31 percent of its net profits through dividends to its shareholders, who are central banks that may re-sell their shares to the general public while retaining formal ownership.[vii]

The BIS currently employs 560 staff from 49 different countries, the vast majority of which are located within the internal bureaucracy, and the BIS's main official arms, the Monetary and Economic Department and the Banking Department.[viii] In addition, the BIS now incorporates a Legal Service and a Compliance, Internal Audit, and Risk Control units, reflecting both concerns

with offering better representation to a larger group of member central banks, and also the growing trend among international economic institutions to demonstrate their own transparency. In addition to these units, the BIS has its own Financial Stability Institute (FSI) and BIS Representative Offices for regional trading operations in Hong Kong and Mexico City. The BIS also acts as a 'host' for the Financial Stability Forum, the International Association of Insurance Supervisors, and the International Association of Deposit Insurers.

Formally, the Board of Directors sit on Executive, Audit and Consultative committees to determine BIS policy directions. However, the BIS is better known for its 'voluntary policy arms', its committee systems that have no international legal enforcement capacities but which shape the character of the global financial order. These committees are, respectively, the Basle Committee on Banking Supervision (BCBS), the Committee on Payment and Settlements Systems (CPSS), the Committee on the Global Financial System (CGFS, called the Euro-currency Standing Committee prior to 1999), and the Markets Committee. The CGFS and the Market Committee provide an important monitoring function.[ix] Among the committees, by the most prominent is the BCBS, which produced the 'Basle Accords' of 1988 and 2004. Since 1974 the committee has met four times a year and comprises representatives from the central bank and key prudential bank regulators from the G-10.[x] More generally, the G-10 is involved in discussions concerning economic trends and global financial architecture.

2. **Evolution: From Banking Reparations to Repairing Commercial Banks**

The BIS's original purpose was to assist in overcoming the collective action problem concerning German reparations payments.[xi] During the 1930s the BIS provided emergency financing to German and Austrian central banks, but soon shifted focus to coordinating credit networks among central bank governors of its member states. During the 1950s and 1960s the BIS created currency

swap networks to support the Bretton Woods monetary regime, as well as providing emergency currency support to France, Italy, and the United Kingdom.

After the collapse of the Bretton Woods monetary regime, the BIS responded to new developments in the global financial order by providing new regulatory standards for internationally active commercial banks. Following commercial bank collapses from currency speculation in 1974, the BIS developed the G-10 BCBS, originally established as the Basle Committee on Banking Regulations and Supervisory Practices. This committee sought to create new standards and safeguards for central banks, national prudential regulators, and commercial banks to provide a 'normalisation' of financial markets.[xii] Of particular concern to the BCBS was the growth of syndicated international bank lending, where a number of banks held a part of the loan to diversify its default risk and its interest repayments. Such activities led to 'overlending' to fragile economies (80 percent of recipients were the governments of developing states), while at the same time banks were depleting the resources in case of default. The largest US banks, for example, halved their 'capital adequacy ratios' in the late 1970s. The BIS warned that crisis was immanent, a prediction that was soon borne out by events. The experience of the Debt Crisis demonstrated the need for a more intensive regime on international banking that would require banks to put some capital aside for a rainy day.[xiii]

3. The Basle Accords

The basic idea of the Basle Accords is neatly surmised by Kenneth Rogoff: 'so bank managers will not be able to make one-way bets: that is, risky loans pay off, the bank wins big, and if they do not the taxpayer foots the bill for paying off the depositors'.[xiv] In response to the Debt Crisis there was a loose consensus that there should be new regulations to ensure that international banks had capital adequacy and that they didn't fall into 'moral hazard' traps. The Bank of England and the US

Federal Reserve held discussions on how to tackle this problem that established groundwork for a new BIS accord, and which satisfied their mutual interest in hobbling Japanese bank competitiveness. The European Community also provided their internal regulations on banking soundness that arguably forced the US's hand. Either way, the BCBS provided extensive negotiations between G-10 central bank governors and formulated the 'International Convergence of Capital Measurement and Capital Standards' of 1988.[xv] This 'Basle Accord' ('Basle I') required international banks to hold eight percent of their capital aside as a safeguard in case of financial crises. Half of this 'regulatory capital' was to be core capital (equity plus disclosed reserves), and the other half 'supplementary capital' that passed through a bank's profit and loss account. The safest type of capital to hold was determined by the BIS to be Organisation for Economic Cooperation and Development (OECD) government debt. To meet Basle Accord standards by the 1992 deadline commercial banks purchase some $150 billion in government securities, of which United States Treasury debt was the most liquid.[xvi] As a consequence, Basle Accord I was a fiscal windfall for the US.

By 1992, 130 countries had adopted, in principle, the Basle Accord standard despite the lack of a formal enforcement mechanism from the BIS and BCBS.[xvii] Within OECD countries implementation was rigorous, with international markets providing extra reinforcement by placing premiums on the trading operations of non-compliant banks (as occurred to many Japanese banks in the mid-1990s).[xviii] Adoption of the accord, however, reflected both the simplicity of the regulations and how far removed financial practices were from its constraints. Even in 1986 the BIS recognized that, following the Debt Crisis, syndicated bank lending had died and banks were rapidly going through a process of 'disintermediation' and off-balance securitization.[xix] The increasing practice of removing assets from a bank's balance sheet through the use of innovative debt securities made the Basle I's assessment of risks held by banks out of touch with market practices. In 1996 the BCBS

made amendments to Basle I to incorporate market risks, with banks using their own internal risk assessment models.[xx] US regulators favoured this method of risk assessment, where institutions could 'precommit' their capital adequacy ratios according to internal assessments. The UK and the European Union, however, called for stronger formal standards.[xxi]

In 1999 BCBS proposed that a new accord was required to increase 'competitive equality' among internationally active banks, particularly as US banks – who were most heavily engaged in disintermediation – were able to have more capital at work than was reflected in their official capital adequacy ratios.[xxii] In addition to the credit risks (prospect of default) on traditional banking loans, the new accord would tackle market risks (from changes in interest and exchange rates, and equity and commodity prices) and, importantly, operational risks ('the risk of direct or indirect loss resulting from inadequate or failed internal processes, people, and systems, or from external events').[xxiii] The key obstacle for the new accord was to reconcile a standardised method among all banks with sufficient leeway in internal risk assessment. Given the continuation of national and regional divergence in banking systems, the BCBS's task was particularly arduous.

In June 2004 the BCBS released the 'International Convergence of Capital Measurement and Capital Standards' framework, commonly referred to as 'Basle II'. The new accord is built upon three pillars. Pillar I states that banks must hold at least eight percent of 'regulatory capital' (their capital adequacy) in relation to their risk weighted assets. Pillar II sets supervisory standards within banks. Pillar III emphasizes public disclosure of a bank's financial position to allow market forces to discipline institutions.

Most of the recent attention and debate has focused on the standardized approach within Pillar I's risk weightings. Here risk is assessed by BIS internal assessment and by credit rating agencies (CRAs), with 'AAA' ratings receiving 20 percent, with scales of 50 and 100 percent on A grade variations until 'B' ratings receive a weighting of 150 percent of committed capital. So, to

take an example, if a bank lent $1 million to a prominent multinational corporation with a rating of 'AAA' it would have to put aside $16,000, while if it lent the same amount to a company in a developing country with a 'B' rating it would need to put aside $120,000. Understandably, the accord is criticized for being viciously biased against developing countries, as well as for its reliance on 'impartial' CRAs.[xxiv]

Basle II also provides an 'internal rating-based' (IRB) approach as an alternative to the Pillar I standardized approach. Here, the bank is required to assess each borrower's creditworthiness (the 'KYC' – 'know your customer' – approach) to predict future losses and then use regulatory benchmarks or historical records of loss on loans as a risk weighting.[xxv] Basle II compliance therefore requires banks not already up to speed to invest heavily in staff and technology to improve customer creditworthiness assessment.

As a consequence, US regulators and banks complain that the new accord imposes unnecessary costs on some of their most competitive of financial instruments and financial institutions, such as asset-backed securities held by small to medium banks (95 percent of US banks are in this category).[xxvi] The biggest losers from the accord, however, are developing countries who have little capacity to provide the monitoring infrastructure to reduce risk weightings for themselves and their clients.[xxvii]

4. Networks for Micro- and Macro-Prudential Regulation

From the mid-1990s onwards the BIS has asserted the need for micro- and macro-prudential regulation within the global financial order.[xxviii] Here micro-prudential regulation includes knowledge and information sharing among banking and securities regulators, as well as the creation of clear management standards. Macro-prudential regulation includes similar activities among international economic institutions, both public and private.

The BIS has a good track record of encouraging the development of institutional networks among international economic institutions. In 1992 it assisted in the creation of the 'Joint Vienna Institute' alongside the IMF, the European Community, the European Bank for Reconstruction and Development, the World Bank, and the OECD. This institute sought to provide technical assistance to Central and Eastern European countries and the newly independent former Soviet republics following the collapse of the Soviet System. It also provided an opportunity for the BIS to establish data-sharing relationships with the major international economic institutions. Following the Asian and Russian financial crises of 1997-8 (which it successfully predicted),[xxix] the BIS hosted a Financial Stability Forum (FSF) to bring together central bank officials, national financial regulators, and representatives from the IMF, among others. Importantly, the FSF dramatically expanded the number of countries involved in discussions, with potentially greater voice for the Group of Twenty (G-20),[xxx] and also increased the range of topics on the table, including, for example, the regulation of hedge funds and offshore financial centres.[xxxi] In 1999 the BIS also set up the Financial Stability Institute to promote common standards in financial regulatory standards and as a 'one stop shop' for regulators to learn about new market instruments and techniques. In addition, since 1999 the BIS, IMF, World Bank, and OECD have published creditor-based measures of developing and transition countries' external debt.[xxxii] All of these activities are designed to thicken the information networks among international economic institutions with the desire of creating a common standard.

One interesting aspect of the BIS are its efforts to support regionalization. While many other international economic institutions are criticized for policy homogeneity that cannot account for regional differences (particularly criticisms waged against the IMF), the BIS has actively sought to create regional offices and build relationships with central banks and regional associations that are inclusive rather than exclusive. This also occurs at a time when new shareholding member central

banks are from Central Europe, East Asia, and the Western Hemisphere.[xxxiii] During the past 15 years the BIS has maintained a consistent presence at regional associations in an advisory role.[xxxiv] From these earlier connections, the BIS opened up an Asian regional representative office in Hong Kong in July 1998, and an American representative office in Mexico City. Furthermore, in July 2003 the BIS took over the management of a $1 billion Asian Bond Fund (ABF) created by EMEAP (Executives' Meeting of East Asia-Pacific Central Banks).[xxxv]

In addition to encouraging macro-prudential regulations through regional and international forums, as well as involving CRAs in monitoring, the BIS places great emphasis on the capacity to influence central bankers' ideas and interests through the forging of close personal networks. As such, the BIS actively cultivates what Timothy J. Sinclair has recently termed 'Embedded Knowledge Networks'.[xxxvi] The BIS has explicitly sought to foster a 'culture of risk management' among central bankers that can reduce procyclical 'overlending'.[xxxvii] The BIS also stresses the importance of training central bank officials, and others, to read and interpret financial data. From the BIS's viewpoint, frequent meetings and the establishment of common frames for understanding are more likely to produce 'symmetrical regulatory policy' that not only better financial and monetary regulation but also stronger commitments to publicly defending inflation and deficit targets. The question here, of course, is whether those attending these meetings are responsible to the BIS as shareholders in the institution, or to their own governments and people.[xxxviii]

Last Words

For a 75 year old IT guy, the BIS is quite sprightly. The BIS has a special place within the global political economy as the key financial regulator but also as an institution that is a limited liability company with no formal capacity to enforce the standards it generates.[xxxix] Instead, the BIS relies on its capacity to gather and share information, to convince central banks of their best interests at a

collective and individual level, and to, after all, represent its shareholders. Given these attributes it is perhaps surprising that the bulk of work on this international quango has stressed how it is conveniently used by Great Powers out of their self-interested desire to overcome collective action problems.[xl] As the institution has no formal enforcement powers to 'lock in' member central banks, one of its key tasks is to shape and transform central bankers' and prudential regulators' ideas and therefore self-interests.[xli] So far the BIS appears to have succeeded in doing so. While strategic action and financial innovations provide central and commercial banks some room to move, it is difficult to defy a web of rules, norms, and decision-making procedures that has become so deeply ingrained.[xlii] Basle II provides a good example here of how the IT guy's maintenance of networks and structures places great pressure on his bosses to follow rather than buck the system. In early 2003 US regulators were wavering in their willingness to agree to Basle II and even post-agreement, in September 2005, the Federal Reserve announced that US financial regulators would delay the accords implementation until 2008.[xliii] Nonetheless, the US intends to implement the accord.

Finally, while shared ideas and self-interests among friends may all be good and well, there is a growing legitimacy gap between the prudential financial regulation being devised by the BIS and BCBS, and what can actually be implemented. Basle II is likely to place a hefty premium on most developing countries' financial activities and will not necessarily increase financial stability. This problem is particularly troublesome given the amount of capital required for providing the technical infrastructure to meet Basle II standards.[xliv] As a consequence, developing countries face both internal and external constraints on the amount of capital they can access. The drive among international economic institutions, both public and private, to improve their arm's length capacity to assess the creditworthiness of developing countries is one key feature of this current period of financial globalization.[xlv] While this aim is undoubtedly superior to the 'gunboat diplomacy' of the

last period of financial globalization it does not stop critically important questions concerning the legitimacy of our global financial order.[xlvi]

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[i] Bank for International Settlements, *75th Annual Report* (BIS, 2005), pp. 80, 116. Foreign exchange turnover has increased 36 percent since 2001. The investor protection figure is for 'credit default swaps', which is an agreement between two parties to mitigate credit risks on investments. This market has increased sixfold since 2001. It works like this: David lent Linda some money and he worries about her capacity to repay. Anna, the cunning devil, then offers to cover any losses David may incur if he agrees to give her two percent of the value of the loan every three months for five years.

[ii] Article 3 of BIS Statues (1930).

[iii] Gianni Toniolo, *Central Bank Cooperation at the Bank for International Settlements, 1930-1973*, with Piet Clement (Cambridge University Press, 2005), pp. 50-1.

[iv] While this term normally refers to local government operations it also works internationally.

[v] Currently the Board has 17 members of which six sit permanently (the same founders, minus Japan), their 'seconders', with Canada, Japan, and the Netherlands currently elected to Board. Nout Wellink, the President of the Netherlands, is currently the Chairman and Malcolm D. Knight is currently the General Manager.

[vi] The BIS changed to the SDR, the IMF currency, in April 2003.

[vii] Calculated from BIS annual reports for 1993 to 2005. The upper end of this figure, some 30.7 percent, was that proposed for 2005, a nearly twelve percent increase on 2004. The low point, 13.7 percent, was in 1999 following the Asian and Russian financial crises. In terms of profits returned as a proportion of total assets, the BIS is not as competitive as US banks but out-performed both German and Japanese banks in 2004. BIS, *75th Annual Report*, pp. 121, 188, 192.

[viii] *Ibid*. pp. 155-7.

[ix] The BIS directly collects economic data from 34 of its member central banks, and reports on the domestic issuance of securities in 47 countries. Its international financial statistics cover 95 percent of all banking transactions, a service the BIS has provided since 1983. See Toniolo, *Central Bank Cooperation*, p. 685.

[x]Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, Switzerland, the United Kingdom and the United States.

[xi] See Beth A. Simmons, 'Why Innovate? Founding the Bank for International Settlements', *World Politics*, Vol. 45, No. 3 (1993), pp. 361-401.

[xii] Bank for International Settlements, *46th Annual Report* (BIS, 1976), p. 76.

[xiii] See Leonard Seabrooke, *US Power in International Finance* (Palgrave, 2001), pp. 95-98, 119-120.

[xiv] Kenneth Rogoff, 'International Institutions for Reducing Global Financial Instability', *Journal of Economic Perspectives*, Vol. 13, No. 4. (1999), p. 32.

[xv] See, generally, Duncan Wood, *Governing Global Banking: The Basel Committee and the Politics of Financial Globalisation* (Ashgate, 2005).

[xvi] Bank of England, 'Major International Banks' Performance: 1980-91', *Bank of England Quarterly Bulletin*, August (1992), p. 290.

[xvii] Bank for International Settlements, *70th Annual Report* (BIS, 2000), p. 158.

[xviii] Seabrooke, *US Power in International Finance*, pp. 177-9. Most developing countries, however, were only able to implement a fifth of the proposed measures. See Giovanni Majnoni, Margaret Miller, and Andrew Powell, 'Bank Capital and Loan Loss Reserves under Basel II: Implications for Emerging Countries', World Bank Policy Research Working Paper 3437, October 2004, p. 16.

[xix] Bank for International Settlements, *Recent Innovations in International Banking* (BIS, 1986). One simple way to consider this process is that rather than maintaining long term traditional loans, banks increasingly turned to exchanging 'IOUs' that could be bought and sold either short term of long term. For more see Leonard Seabrooke, 'Disintermediation' in Martin Griffiths (ed.), *Routledge Encyclopedia of International Relations and Global Politics* (Routledge, 2005), forthcoming.

[xx] Andre Lucas, 'Evaluating the Basle Guidelines for Backtesting Banks' Internal Risk Management Models', *Journal of Money, Credit and Banking*, Vol. 33, No. 3. (2001), pp. 826-846.

[xxi] Bank for International Settlements, *67th Annual Report* (BIS, 1997), p. 138.

[xxii] Bank for International Settlements, *69th Annual Report* (BIS, 1999), p. 153.

[xxiii] 'Basel II: Blip on the radar screen or major event?', *Bank News*, 1 April 2003.

[xxiv] On rating methodologies see Layna Mosley, *Global Capital and National Governments* (Cambridge University Press, 2003), pp. 139-145.

[xxv] BIS, *75th Annual Report*, p. 166.

[xxvi] On the importance of small banks to the US economy, and how the Bush administration is actively undermining them in a non-BIS favoured manner, see Leonard Seabrooke, *The Social Sources of Financial Power: Domestic Legitimacy and International Financial Orders* (Cornell University Press, 2006), Epilogue.

[xxvii] Stijn Claessens, Geoffrey R. D. Underhill, and Xiaoke Zhang, 'Basle II Capital Requirements and Developing Countries: A Political Economy Perspective', paper presented to the International Studies Association annual conference, Montreal, Canada, March 17-21 2004.

[xxviii] BIS, *67th Annual Report*, pp. 148-9.

[xxix] See Jacqueline Best, *The Limits of Transparency: Ambiguity and the History of International Finance* (Cornell University Press, 2004), p. 138.

[xxx] Randall D. Germain 'Global Financial Governance and the Problem of Inclusion', *Global Governance*, Vol. 7, No. 4 (2001), pp. 411-426. The G-20 includes the finance ministers and central bank governors of: Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, South Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey, the U.K. and the U.S. It also includes representatives from the EU, the IMF, and the World Bank.

[xxxi] See Jason Sharman's brilliant analysis of how international forums use 'shaming' techniques to pressure offshore financial centres, in J.C. Sharman, *Tax Havens and the Struggle for Global Tax Regulation* (Cornell University Press, 2006).

[xxxii] The most recent publication of these statistics, August 2005, included data on 176 countries.

[xxxiii] 7 Central European, 8 East Asian, and 4 Western Hemisphere central banks become shareholding members between 1993 and 2003. Toniolo, *Central Bank Cooperation*, pp. 667-696.

[xxxiv] For example, in 2004 BIS representatives attended 5 regional central bank associations in Africa.

[xxxv] 'BIS launches Asian Bond Fund', *The Asian Banker*, 15.06.2003.

[xxxvi] Timothy J. Sinclair, *The New Masters of Capital: American Bond Ratings Agencies and the Politics of Creditworthiness* (Cornell University Press, 2005), pp. 15-16.

[xxxvii] Bank for International Settlements, *72nd Annual Report* (BIS, 2002), p. 152.

[xxxviii] Bank for International Settlements, *75th Annual Report* (BIS, 2005), p. 147.

[xxxix] Other institutions, however, do enforce BIS standards. For example, the IMF included Basle I compliance in loan conditions that followed the Asian and Russian financial crises.

[xl] Simmons, 'Why Innovate?'; Thomas Oatley, and Robert Nabors, 'Market Failure, Wealth Transfers and the Basle Accord', *International Organization*, Vol. 52, No. 1 (1998), pp. 35-54.

[xli] Tony Porter, 'Politics, Institutions, Constructivism and the Emerging International Regime for Financial Regulation', *The Review of Policy Research*, Vol. 19, No. 1 (2002), pp. 53-79.

[xlii] On financial actors' agency within institutional constraints see Leonard Seabrooke, 'Civilizing Global Capital Markets: Room to Groove?', in Brett Bowden and Leonard Seabrooke (eds), *Global Standards of Market Civilization* (Routledge/RIPE Series in Global Political Economy, 2006), forthcoming.

[xliii] 'Banking Agencies Announce Revised Plan for Implementation of Basel II Framework', Federal Reserve Board Joint Press Release, 30.09.2005, http://www.federalreserve.gov/boarddocs/press/bcreg/2005/20050930/default.htm

[xliv] Recent estimates suggest Asian banks will spend up to 11 percent of their annual budgets on building information technology systems for Basel II compliance until 2012, an investment considered to be 'a large investment with little bottom line returns'. See 'Compliance architecture for financial institutions', *New Straits Times*, 12 September 2005.

[xlv] On 'developed country "government-at-a-distance" over developing countries', see Sinclair, *The New Masters of Capital* , p. 147.

[xlvi] See Seabrooke, *The Social Sources of Financial Power*, Ch. 7.