Hi Everyone,

Hope those of you in the US had a wonderful Thanksgiving holiday. Last month we launched the Global Financial Development Report 2019/2020: Bank Regulation and Supervision a Decade after the Global Financial Crisis. This is a good time for us to take stock of what reforms have been happening, whether or not they were adopted in developing countries, and what their impact has been.

With the report, we also released the latest round of the Bank Regulation and Supervision Survey which provides detailed information for 160 countries over the last 20 years. What do we see? Take a look at the blogs, launch video, and of course the full report – all of which are included below.

The launch continued with an event in Turkey organized by Sabanci University at their Center of Excellence in Finance, and we are working on a companion piece that takes a closer look at ECA countries – so stay tuned for more. For further reading, we have included links to related background research on regulation and supervision in this newsletter.

Following up on our Fall update, we are continuing to work on migration. We had an ECA Talk with Michael Lokshin and Martin Ravallion on generating a market for work permits to reduce resistance to immigration in destination countries. We also have ideas on how to apply this to refugees, as we discuss more in a blog below. On December 5th, we will be hosting a screening of the Emmy award-winning HBO documentary It Will Be Chaos followed by Q&A with the producers. Hope you will join us.

Happy holidays and happy reading!
Asli Demirgűç-Kunt

Over a decade has passed since the onset of the largest global economic crisis since the Great Depression. The crisis revealed major shortcomings in market discipline, regulation, and supervision. The Global Financial Development Report 2019/2020 provides new data and evidence on the regulatory remedies adopted to prevent future financial instability and sheds light on ongoing policy debates.
The GFDR dissemination continued with the event organized by the Sabancı University at their Center of Excellence in Finance which was held on November 15 in Istanbul, Turkey.

**RELATED WORLD BANK RESEARCH**

- **Bank Regulation and Supervision Ten Years after the Global Financial Crisis**
  
  
  Deniz Anginer, Ata Can Bertay, Robert Cull, Asli Demirgüç-Kunt, and Davide S. Mare
  
  This paper summarizes the latest update of the World Bank Regulation and Supervision Survey. It explores the evolution in bank capital regulations, capitalization of banks, market discipline, and supervisory power since the global financial crisis. The analysis shows the importance of defining bank regulatory capital narrowly, as the quality of capital matters in reducing bank risk.

- **Bank Runs and Moral Hazard: A Review of Deposit Insurance**
  
  
  Deniz Anginer and Asli Demirgüç-Kunt
  
  This paper reviews the economic costs and benefits of deposit insurance and highlights the importance of institutions and specific design features for how well deposit insurance schemes work in practice.

- **Bank capital, institutional environment and systemic stability**
  
  
  Deniz Anginer, Asli Demirgüç-Kunt, and Davide S. Mare
  
  This paper uses data on publicly traded banks in 61 countries and examines how the institutional environment affects the relationship between bank capital and system-wide fragility. Consistent with prior studies, the authors find that bank capital is associated with a reduction in the systemic risk contribution of individual banks.

- **Corporate Governance of Banks and Financial Stability**
  
  March 2019 – European Banking Center Discussion Paper Series No. 2014-010;
  
  
  Deniz Anginer, Asli Demirgüç-Kunt, Harry Huizinga, and Kebin Ma
  
  The authors find that shareholder-friendly corporate governance is associated with higher stand-alone and systemic risk in the banking sector. Specifically, shareholder-friendly corporate governance results in higher risk for larger banks and for banks that are located in countries with generous financial safety nets as banks try to shift risk toward taxpayers.

- **Cross-Border Spillover Effects of the G20 Financial Regulatory Reforms: Results from a Pilot Survey**
  
This paper presents the results of a qualitative survey of senior officials at regulatory agencies, local banks, and global banks that are active in seven emerging markets and developing economies with respect to the G20 financial regulatory reforms that were designed in 2009. The survey finds that banks and regulators routinely have different perspectives on the impacts. Most banks claim adverse effects on financial products, services, and markets; regulators broadly expect the effects to be positive over the longer term, but some recognize they may be negative during the transition phase.

Concentration in the Banking Sector and Financial Stability: New Evidence
Pietro Calice and Leone Leonida
Using a sample of 68 countries from 1997 to 2015, this paper proposes a unified empirical framework to test for the simultaneous presence and impact of the mediators through which concentration is expected to impact financial stability. The results indicate that the magnitude and net effect depend upon the level of concentration.

Regulatory Arbitrage and Cross-Border: Syndicated Loans
Asli Demirgüç-Kunt, Bálint L. Horváth, and Harry Huizinga
This paper investigates how international regulatory and institutional differences affect lending in the cross-border syndicated loan market. The results indicate that international banks have a tendency to switch loan origination toward countries with less stringent bank regulation and supervision consistent with regulatory arbitrage, but that they prefer to originate loans in countries with higher-quality institutions related to financial market monitoring, creditor rights, and the speed of contract enforcement.

RELATED BLOGS

Bank regulation and supervision a decade after the global financial crisis
Asli Demirgüc-Kunt, November 2019
Over a decade has passed since the onset of the global financial crisis. This crisis revealed major shortcomings in market discipline, regulation, and supervision. This blog focuses on the main findings from the Global Financial Development Report 2019/2020 which provides new data and examines the key reforms in regulation and supervision focusing on the experience of and lessons for developing countries. Read the blog »

Bank capital regulation
Claudia Ruiz and Miriam Bruhn, November 2019
Since the global financial crisis (GFC) surprised the world a decade ago, many problems with the way bank capital was regulated became evident. In a few words, banks did not have enough high-quality capital nor incentives to sufficiently curb risk-taking. Regulation was so complex that even regulators struggled enforcing it. Since then, bank capital regulation has been revamped. Basel III is the most notorious example. Read the blog »

A New Policy to Better Integrate Refugees into Host-Country Labor Markets
Asli Demirgüc-Kunt, Michael Lokshin and Martin Ravallion, November 2019
Integrating refugees into host-country labor markets will continue to prove difficult if citizens do not see the benefits, or do not feel that they are adequately compensated for the expected costs. Turkey is a relevant example of this challenge today, which the
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