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Article

Is the existing international financial architecture appropriate and/or sufficient to address the challenges of global finance?

¿Es el actual diseño financiero internacional apropiado para enfrentar los desafíos de finanzas globales?

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ABSTRACT

It is fundamental to identify the framework and measures taken to address the Global Financial Crisis and, therefore, prevent a future crisis. This is the primary purpose of the financial architecture. It is arguable that the financial architecture was proper to mitigate the consequences of the Global Financial Crisis. On the other hand, this architecture is not sufficient to address the challenges of the global finance. The main concern in the global finance is to avoid future crisis. The existing infrastructure will not avoid a future crisis. It is necessary to take steps for a proper regulation and policies considering resilience for banking sector and financial system in a macro landscape. Financial markets are not an end in themselves but mean: they are supposed to perform certain vital functions that enable the real economy to be more productive.

Key words: Global Financial Crisis – Financial Stability – Financial Architecture

RESUMEN

Es fundamental identificar el marco y las medidas adoptadas para abordar la Crisis Financiera Mundial y, por lo tanto, evitar una futura crisis. Este es el propósito principal de la arquitectura financiera. Es discutible si la arquitectura financiera fue adecuada para mitigar las consecuencias de la Crisis Financiera Mundial. Por otra parte, esta arquitectura no fue suficiente para abordar los desafíos de las finanzas globales. La principal preocupación en las finanzas globales es evitar futuras crisis. La infraestructura existente no evitará una crisis futura. Es necesario adoptar una apropiada regulación financiera considerando la capacidad de

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recuperación del sector bancario y el sistema financiero en un escenario macro. Los mercados financieros no son un fin en sí mismos, sino que significan: se supone que desempeñan ciertas funciones vitales que permiten que la economía real sea más productiva.

Palabras claves: Crisis Financiera Global – Estabilidad Financiera – Arquitectura Financiera

1. Introduction

The possibility of a new Global Financial Crisis has triggered the discussion if the financial developed after the 2008 crisis has the appropriate architecture to deal with it.[3] In our opinion, the financial architecture post-crisis is appropriate to deal with the immediate consequences of the crisis. On the other hand, the existing financial architecture is insufficient to address the challenges of global finance.[4] The aftermath of the Global Financial Crisis marked the start point to the international community to propose initiatives to strengthen the international financial architecture.

There is not an agreed definition for the international financial architecture. Broadly, it refers to the framework and set of measures that can help prevent crisis and manage them better in the more integrated international financial environment. In other words, dealing with the financial crisis is the principal challenge of the global finance governance. Financial crises are not a new issue; they occur frequently. For this reason, there is a clear need to design both a domestic and international financial regulation to address their causes and consequences and meet the realities of global finance.[5]

In fact, the G-20 Declaration of the Summit on Financial Markets and the World Economy in 2008 (G-20 Declaration), argued that the G-20[6] must lay the foundation for reform to help to ensure that a global crisis, such as this one, does not happen again. The major challenge of the global finance is to keep the balance between the crisis prevention and the proper function of the financial markets. In this regard, the G-20 recognized that.[7] In our opinion, the actions of the G-20 and Financial Stability Board (FSB) are important and have achieved some of the purposes of financial regulation. However, each issue in global finance must be addressed with appropriate structures. For this reason, addressing the architecture of the international financial system suggests a far more functional structure than the existing. In fact, the actual architecture remains as a patchwork that is why the financial system requires a redesign of its architecture.[8] The international regulation and policies play a fundamental role in the construction of a proper financial structure. But this construction must have the participation of emerging economies and third world countries. With that participation, these countries will be able to adapt their financial structures and secondary regulation. For example, when the macro regulation is thought for third world countries, they may stablish regulation with the purpose to make possible quick payment of capital and interest of their sovereign debt, which is fundamental to allow lines of credit and investment from the multilateral parties. But this regulation may not be so popular, because these countries may sacrifice invest in social matter when they pay their debts. This is the balance that is compulsory to have in making regulation and policies at macro level.

[3] Arner y Buckley (2010) p.48

[4] Arner (2011) p.102

[5] Arner y Buckley (2010) p.48.

[6] Collectively, G20 members represent around 80% of the world's economic output, two-thirds of global population and three-quarters of international trade. Throughout the year, representatives from G20 countries gather to discuss financial and socioeconomic issues.

[7] Group of Twenty (2015).

[8] Arner (2011) p.102

2. Constructing the financial architecture

It is fundamental to identify the framework and measures taken to address the Global Financial Crisis and, therefore, prevent a future crisis. This is the primary purpose of the financial architecture.

Importantly, after the World War II, the international approach of the economic system was agreed. This structure followed the model of open trade flows, fixed exchange rates, and limited capital flows and international support and cooperation for the reconstruction and development.[9]

The Bretton Woods system, which centered on the International Monetary Fund and the United States dollar, was the principal approach taken by the regulators in relation to global finances. The collapse of the Bretton Woods monetary system and the Asian Crisis in the 1990s established the necessity to restructure the current financial system. Finally, the Global Financial Crisis highlighted the need of deep restructures of the financial system.[10]

It is important to mention that in the wake of the Global Financial Crisis the redesign of the financial architecture addressed some relevant points. In this way, The G-20 is in charge of the macroeconomic policy and financial coordination. Furthermore, the International Monetary Fund is responsible for macroeconomic assessment and surveillance. The Financial Stability Board will respond to the financial stability, international standards setting and coordination.[11] For liquidity provision, domestic arrangements have been supplemented with bilateral or regional arrangements. Also, there are arrangements for international liquidity support done through the International Monetary Fund.

In other words, the financial architecture recognizes some core aspects. First, there is a clear need for some mechanism to support economic cooperation and coordination. Second, international trade arrangements must cover cross-border financial services. Third, it is important to address the regulation to some system of macroeconomic policy standard-setting and monitoring. This function now the International Monetary Fund.Fourth there is a clear necessity, if finance remains global, for appropriate financial stability and development arrangements to prevent crisis and resolve the crisis.[12]

There are a lot of regulation given post- crisis basis, we will say that the regulation moves fast when a crisis put in risk the whole economy of a country. Regulators procure to establish proper standards. But the framework shall explain how these standards interact and complement each other. In the opinion of the Bank for International Settlements:

Inevitable, given the breath of the reforms, we need to limit coverage. We to do so two criteria. The first delineates the scope of the reforms: we cover only those that modify or develop international standards or guidance for the regulation of financial entities, as opposed to markets. The second limits the coverage of financial entities types: the ones we discuss face a finalized and comprehensive international reform package. These criteria led us to focus on international regulatory reforms affecting banks and international counterparties (CCPs) for the clearing of derivatives. Since banks and CCPs are the core of the financial system and are intimately linked, they are critical for financial stability.[13]

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9 Arner y Buckley (2010) p48.

10 Arner y Buckley (2010) p.48.

11 Arner y Buckley (2010) p.49.

12 Arner y Buckley (2010) p.84

13 Borio, Farag and Tarashey (2020) p.9.

So, the balance in financial regulation is critical. On one hand, we need to regulate the global finance approaching the needs of emerging and third world countries. And on the other hand, we need to regulate banks, credits, event of defaults, provisions, disclose of information and financial all these regulations with the north of digital transformation. We cannot forget banking digitalization online finance services.

This outline presents an overall design for the international economic architecture that incorporates the challenges of global finance.

3. Challenges of global finance

The G-20 stated significant aspects of the proposed remedies related to reform the financial regulation while at the same time avoiding over-regulation.[14] In the same way, The G-20 members stated:Recognizing the necessity to improve financial regulation, we must avoid over- regulation that would hamper economic growth and exacerbate the contraction of capital flows, including to developing countries.[15]

In our opinion, the ideas of the G-20 members to avoid the over-regulation reinforce the principal and major challenge of global finance: avoid a financial crisis but without compromising the correct function of the markets because of excessive regulation. In this regard, the main issue of the global finance is to maintain the financial stability. The financial stability has become the primary target of preventing the financial crisis and reducing the severe consequences that can occur in it.

The financial stability has been described as the absence of a major financial crisis. In other words, financial stability may be defined as the joint stability of the key financial intermediaries operating within the financial system and the stability of the constituent markets.[16]

The 2008 Global Financial Crisis demonstrated that the pre-existing international arrangements were insufficient to preserve the stability of the global financial system. In the same way, financial stability is the most elemental level of arrangement. In addition, the regulators must ensure effectively monitoring, preventing and addressing systemic risk in markets.[17] For this reason, preventing and addressing systemic risk is a key and fundamental aspect of any financial regulatory design.[18] As a result, the financial architecture should be designed to prevent financial crisis or take action in the case that it reveals. This is the primary goal of the global finance.

The article will focus on the international organizations in charge of the design of the financial architecture. In this sense, these institutions gave the first response to the Global Financial Crisis; they took measures in order to prevent a future crisis, and also established a proposal for a financial stability. Precisely, these organizations are the G-20, the Financial Stability Board and the International Monetary Fund.

Thinking about proper regulation, the aftermath of all finance crisis learns a lot of lessons, but in our opinion, there is one key word that we always keep in mind to recover from a financial crisis: resilience.

14 Arner (2009) p.121.
15 Group of Twenty (2015) p.12.
16 Arner y Buckley (2010) p.201.
17 Arner (2011) p.102.
18 Arner (2011) p.103.

Since the G 20 regulatory reforms that allowed banks build capital and liquidity and improve risk management system[19], the global financial system is more resilient and better placed to face a financial crisis. In particular, greater resilience for major banks at the core financial system has allowed the system to date largely absorb rather than amplify the current macroeconomic shock.

The reforms give in the past allowed large banks capitalized better, short their leverage, and hold more liquidity. But, experiences in the past showed that the financial stability is delicate specially with liquidity matters.

Resilience built over the past decade allowed de banking sector survive to the past small crisis and financial bubbles. Currently, the most important problem that shall face de system is the liquidity. There are many factors that may banks lose their position in liquidity matters: deteriorating of credit quality and rising defaults. In that cases government action is required and policies from international finance policy makers are needed.[20]

3.1. Action of the Group of Twenty G-20

At the international level, the G-20 has assumed the leading role in coordinating the post- crisis responses and financial regulatory reforms.[21]

The G-20 Declaration highlighted that financial regulation is a responsibility of national regulators. In fact, national financial agencies are the first line of defense against the market instability. However, the Declaration also recognized that the financial markets have a wide and global scope. Therefore, it is of most importance an intense international cooperation between regulators with the purpose of strengthening international standards. National regulators must implement these standards to protect themselves from toxic and adverse cross-border, regional and global developments affecting international financial stability. However, this represents a major debate whether the G-20´s decisions are mandatory for each of the 20 members and for other countries. Furthermore, another remarkable issue to deal with is the relationship between G-20´s international guidance and domestic regulations. We believe this discussion is of most importance but for the purpose of the present essay it exceeds its content.

This statement highlights that a successful financial architecture much depends on the implementation of international financial standards at national level. In the same way, the G- 20 Declaration determined that regulators should enhance that their actions support market discipline, and regulations avoid adverse effects on other countries, including regulatory arbitrage. In addition, the regulation at the national level should support competition, dynamisms, and innovation in the marketplace.

In the G-20 Declaration, the representative of the countries established five principles to guide the reform agenda:

1. Strengthening transparency and accountability;
2. Enhancing sound regulation;
3. Promoting integrity in financial markets;

19 Coeuré (2018).

20 Financial Stability Board (2020).

21 Arner (2011) p.103.

4. Reinforcing international cooperation;
5. Reforming financial architecture.

For each of these five principles, the G-20 agreed a detailed action plan.[22]

One of the major contributions of the G-20 Declaration to address the consequences of the Global Financial Crisis was its determination of the immediate actions and medium term actions. On the one hand, the first immediate action directed the Financial Stability Forum to broaden its emerging economy membership. The second immediate action item delineated responsibilities with the International Monetary Fund focusing on surveillance and the Financial Stability Forum focusing on standard setting. The third action directed the International Monetary Fund.to take a leading role in drawing lessons from the crisis in coordination with the Financial Stability Forum.[23] These commitments are clearly in established for a better integration and coordination for a proper international regulation.

On the other, the medium-term actions implied a comprehensive reform of the Bretton Woods institutions. This is because they could more adequately reflect changing economic weights in the world economy and more responsive to future challenges, with emerging and developing economies to be given greater voice and representations.

On April 2009, the G 20 met a second time. Importantly, the leaders recognized that the Global Financial Crisis was a great challenge to the world economy in the present times, and the Global Financial Crisis is a global crisis that requires a global solution.[24] Leaders agreed to policy directions in the main areas of the reform agenda establishing the new organization the Financial Stability Board.

In our opinion, one of the most significant problem in foundation of these group I the lack of participation of non-development countries. In fact, policies and soft laws are made for countries with some level of financial sophistication. These economies adopt that regulation and try to implement in their systems. This is the genesis of the problem. Policy makers need adapt schedules for these economies.

3.2. Financial Stability Board

This institution was renamed and reconstructed from the Financial Stability Forum. Importantly, the Financial Stability Board is in charge to coordinate international financial regulatory initiatives and monitoring its implementation.[25] The new structure of the Financial Stability Board brings together the G-20 jurisdictions financial authorities, leading international and regional financial institutions and international standard-settings bodies.

In this regard the Financial Stability Board member jurisdiction subject to Financial Stability Board reporting and evaluation, commit to pursuing the maintenance of the financial stability; to maintain openness and transparency financial sector; to implement international financial standards; and undergo periodic paper reviews, using among other evidence International Monetary Fund/World Bank public Financial Sector Assessment Program.[26]

[22] Arner (2011) p.109.
[23] Arner y Buckley (2010) p.210.
[24] Arner y Buckley (2010) p.211.
[25] Arner (2011) p.114.
[26] Arner (2011) p.115.

As result, the Financial Stability Board is the central organization responsible for coordinating the comprehensive development of the G-20 statements, guidance, and recommendations and monitoring its implementation. In the same way, the Financial Stability Board might work reasonably well when it comes to coordination and prevention functions without it being a hard-law institution, but the issue that remains is how to handle cross-border financial institution failures.[27]

In our opinion, the Financial Stability Board has been mandated for the coordination of international financial standards. Under this framework, the Financial Stability Board is a membership organization, with requirements for initial and continuing membership and monitoring those requirements.

In november 2010, the G-20 announced general agreement on technical details developed through the Financial Stability Board. In addition, the G-20 announced the adoption of the core elements of a new regulatory framework to transform the financial system.[28] The policies adopted address:

1. Capital liquidity standards
2. Systemically important financial institutions
3. Financial institution resolutions
4. Supervisory effectiveness
5. Implementation

The current functions of the Financial Stability Board are to monitor and assess vulnerabilities affecting the global financial system and to propose actions needed to address them. There are seven aspects of its main function.[29]

First, the Financial Stability Board is in charge of building resilient financial institutions in coordination with the Basel Committee on Banking Supervision (Basel III).

Second, in 2009 the G-20 Pittsburgh Summit called on the Financial Stability Board to propose possible measures to address too-big-to-fail problems associated with (Significant Important Financial Institutions. In the same way in the G-20 Seoul Summit, the Leaders endorsed the Financial Stability Board framework to reducing the moral hazard of Significant Important Financial Institutions. The objective of this framework is to address the systemic risk and the associated moral hazard problem that can arise from Significant Important Financial Institutions actions.

Third, the Financial Stability Board is in charge of the Key Attributes of Effective Resolution Regimes for Financial Institutions (Key Attributes). This set of policies constitutes the international standard for resolution regimes for Significant Important Financial Institutions. These tools were endorsed by the G-20 in November 2011 and make possible to resolve any financial institution in an orderly manner without severe systemic disruption. Fourth, the Financial Stability Board and G-20 have identified as a priority the need for a more intense and efficient supervision, particularly of Significant Important Financial Institutions.

[27] Arner y Buckley (2010) p.228.

[28] Arner (2011) p.116.

[29] Arner (2011) p.116.

Fifth, in the context of the Over-the-counter derivatives, the Financial Stability Board has been monitoring nation reform efforts, and regularly reporting on the progress towards the G-20's commitments and objectives. Sixth, The G-20 leaders warned of a potential that regulatory gaps might emerge in the shadow banking system. The leaders requested the Financial Stability Board to develop recommendations to strengthen the oversight and regulation the shadow banking.

Finally, the Financial Stability Board has addressed several additional initiatives such as: addressing data gaps, improving the risk disclosures made by banks to investors and counterparties, strengthening accounting standards and making financial accounts more internationally comparable.

3.3. The action of the International Monetary Fund

The scope of action of the International Monetary Fund has changed since its creation. They changed in the 1970s when most developed countries changed the fix exchange rate to the floating exchange rates. Indeed, the core function of the International Monetary Fund that was the maintenance of currency exchange stability was transferred to local governments to the market.[30] Nowadays, International Monetary Fund's operations involve surveillance, financial, technical assistance. In addition, these operations are primarily in the service of the prevention and management of developing country financial crisis, not exchange stability.[31] As mentioned, the International Monetary Fund is largely focused on macroeconomic standards and monitoring, and resolution of sovereign debt crisis.

In April 2009, the G-20 leaders committed to repairing the financial system, based on a previously agreed G-20 framework for restoring the lending and repairing the financial sector and the International Monetary Fund assessments of all their financial sectors. In addition, in the monetary stability framework, the Leaders committed to refrain from competitive devaluations and to promote a strong international monetary system backed by the International Monetary Fund assessments.[32] The International Monetary Fund plays an important role in the current financial architecture. The International Monetary Fund's fundamental mission is to ensure the stability of the international monetary system. For this purpose, the International Monetary Fund has a three-way path: keeping track of the global economy and economies of member countries; lending countries with balance of payments difficulties; and giving practical help to members.

4. Financial infrastructure and prudential regulation

The macro-prudential policy is seen as aiming at financial stability. It involves the definition of financial stability in terms of robustness of the financial system to external shocks. In addition, the macro-prudential term also emphasizes the endogenous nature of financial distress and describes financial stability regarding resilience to shocks originating within the financial system.

In other words, the specific goals of macro-prudential regulation are that it is all about limiting the risk and costs of systemic crises.[33] As a result, the prudential regulation is an important part of the financial architecture that broadly aims to prevent and manage the future crisis.

30 Arner y Buckley (2010) p.191.

31 Arner y Buckley (2010) p.191.

32 Arner y Buckley (2010) p.212.

33 Galati y Richhild (2011) p.3.

In this regard, the G-20 and the Financial Stability Board have focused in five areas to improve the prudential regulation in the financial system. These areas are:

1. Capital, leverage, liquidity and procyclicality
2. OTC derivatives markets
3. Accounting standards
4. Compensation arrangements
5. Expanding the regulatory perimeter to address hedge funds, credit ratings, and credit rating agencies, and securitization.

First, the capital requirement for financial institutions is a task mandated by the Basel Committee on Banking Supervision or Basel III. Basel III announced the new system of capital adequacy regime that was endorsed by G-20 at their Seoul Summit.[34] Importantly, the new capital requirements establish the 8% capital to risk-weighted assets, with at least half in Tier 1 equity and hybrid instruments supplemented by Tier 2 subordinated debt.[35] In addition, the Basel Committee on Banking Supervision published its proposed minimum standard for total loss-absorbency capacity for Global Systemic Important Banks This new requirement seeks to reduce the risk contagion of the Global Systemic Important Banks`s. On the other hand, Basel III includes both leverage and liquidity standards. Both requirements are still in discussion or an experimental basis.[36]

Second, the G-20 has identified strengthening the resilience and transparency of credit derivatives markets by reducing the systemic risk, including by improving the infrastructure of OTC markets.[37] The leaders focused on the standardization, central clearing, exchange or electronic platform trading and reporting trade repositories.[38]

Third, experts argue that the market-based accounting for financial instruments was central worsening the crisis.[39] For this reason, the G-20 has stated its commitment to developing a single set of international accounting standards.

Fourth, compensation is the first major area where the initial G-20 agenda has proceeded through detail agreement. The Financial Stability Board is in charge of the elaboration of the new compensation principle and implementation standards. In this regard "regulators around the world are now considering compensations as one element of their supervisory mandate."[40] In the same way, financial institutions implemented these compensation principles accordingly.

Finally, in the context of the G-20 agenda, related issues have been loosely grouped as expanding the regulatory perimeter. It includes assessments over hedge funds, credit rating agencies, securitization and shadow banking.

[34] Arner (2011) p.118.
[35] Arner (2011) p.118.
[36] Arner (2011) p.122.
[37] Arner (2011) p.124.
[38] Arner (2014) p.124.
[39] Arner (2011) p.125.
[40] Arner (2011) p.127.

The institutions, measures, and rules described above mark a brief summary of the financial architecture as the response to the 2008 global financial crisis. In fact, the effort of the regulators has been appropriate to deal with the Global Financial Crisis, but the current financial architecture is not sufficient to prevent a future crisis. Some issues remain in discussion and others had not had space in the agendas for further discussion.

5. Weakness of the financial architecture

The progress on the financial regulation has been important but not sufficient. There has been significant progress in financial infrastructure, prudential regulation, and regulation of Significant Important Financial Institutions or Global Significant Important Financial Institutions.[41] On the other hand, there has been much less progress in relation to macro-prudential supervision, regulatory design and coverage, and resolution of financial institutions. Importantly, the post-crisis international regulatory efforts to date have been less far successful in designing a financial regulatory regime that can address the future crisis.

There is some point that the regulators have not changed, such as the introduction of a global financial transaction tax, or a global sovereign bankruptcy regime, or a fundamental reconceptualization of the role or rating agencies.[42] First, it is argued that the world needs a financial transaction tax. It will prevent the short- term speculation in foreign exchange and capital markets. As a result, markets itself will remark more stable and efficient. In addition, the revenues raised from these tax can be accumulated into reserves to be used in the event of another financial crisis instead of the millionaire bailout that the government provides to the big financial institutions during the Global Financial Crisis like the one provided by the United States Federal Reserve and the Bank of England. These bailouts were finally financed by the taxpayers. Finally, the financial transaction tax can provide a reliable and much-needed source of revenue with which to reduce global poverty and hunger. At this point is fundamental to understand two core aspects. First, the scope of jurisdiction of Central Banks as Lenders of Last Resort. Secondly the moral hazard between filing for bankruptcy and accepting central banks bailouts.

One of the major responsibilities of Central Banks is to guide the financial stability. In times of financial crisis, the figure of Central Banks as a financial stabilizer plays a fundamental role in the crisis resolution. For exemplify the importance of this issue, we will briefly explain the cases of the United States and the United Kingdom during the 2008 GFC.

In the United States, the United States Federal Reserve has the power to maintain the stability of the financial system and containing systemic risk that may arise in financial markets.[43] As an example, in March 2008, the United States Federal Reserve bail out the investment bank Bear Stearns under the authority of the Federal Reserve Act. This action was taken to avoid Bear Stearns's failure, which could have created systemic risk and thereby imposed external costs on the larger financial market.[44]

41 Buckley y Arner (2011) p.183.

42 Arner y Buckley (2010) p.236.

43 Federal Reserve Act (1913).

44 Hashmall (2010) p.831.

In the United Kingdom, the conduction of the stability of the financial system is allocated in the Bank of England.[45] During the 2008 Global Financial Crisis, two UK banks, Northern Rock and Bradford & Bingley were nationalized and a significant recapitalization program was introduced which led to the government having substantial ownership stakes in Royal Bank Of Scotland, Lloyds TSB and Halifax Bank of Scotland (HBOS).[46]

During the Global Financial Crisis of 2008, the United States Federal Reserve and the Bank of England acted as a Lender of Last Resort in order to restore the stability in the financial markets. In both cases, Central Banks was forced to provide liquidity to private banks with the main purpose of avoiding the failure of them and the collapse of the whole system. However, despite this the conditions of the emergency loan are far from being regulated, in consequence along with the proposal of a cross-border tax, it is of most importance to previously establish the conditions of the emergency loan granted by Central Banks. By doing this country may be able to avoid the risk of bank´s moral hazard and provide safer rules to ensure financial stability.

Second, a sovereign bankruptcy regime could constitute an important benefit for the financial system and the jurisdictions themselves. In an event of a sovereign public sector crisis countries can repay their loans because they can always increase taxes and reduce expending on health, education, and nutrition – but at some point, such reductions in spending lead to unconscionable hardship.[47] The absence of a sovereign bankruptcy regime means that the people must pay the consequences while the country's wealth goes to service loans.

Finally, credit rating agencies share a substantial portion of the blame of the Global Financial Crisis. The initial international efforts were the registration and regulation of these credit rating agencies through the G-20 and International Organization of Securities Commissions. In our opinion, the international response for the credit rating agencies is far insufficient. These agencies must bear liability for the assessment of the financial products and institutions. It is because people take their evaluation as one of the most important aspects in choosing a financial product or a financial institution.

6. Conclusion

Professor Stiglitz remarked that:

Financial markets are not an end in themselves but mean: they are supposed to perform certain vital functions which enable the real economy to be more productive: a. Mobilizing savings; b. Allocating capital; c. Managing Risk, transferring it from those less able to bear it to those abler.

It is proper to mention that much progress has been achieved in the redesign of the financial architecture. For this reason, it is arguable that the financial architecture was proper to mitigate the consequences of the Global Financial Crisis or any other crisis. On the other hand, this architecture is not sufficient to address the challenges of the global finance. The main concern in the global finance is to avoid future crisis. The existing infrastructure will not avoid a future crisis. It is necessary to take steps such as a financial

45 Financial Services Act (2012).

46 Campbell y Lastra (2009) p.3.

47 Buckley y Arner (2011) p.273.

transaction tax, conditions of central banks emergency loan and moral hazard discussion, design of a sovereign debt bankruptcy regime or the recognition of the liability of the credit rating agencies.

These changes will provide a better architecture to deal with the future crisis. Rethinking the global financial system is vital. What is necessary is that regulators around the world open their minds and imagine a functional financial system that serves the interest of all of the market participants and nations. In our opinion, the financial crisis will occur because they are part of the system in this game of finance. A proper architecture will avoid another global financial crisis of these proportions or should reduce the impact and take immediate action to prevent that this crisis spread.

Regulator need to keep in mind resilience for finance stability and policies for the balance between the action of international finance actors and financial institution. Not always financial regulation is about to recover, but always to resilience.

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