

## **UNIFORM GLOBAL BANKING REGULATING BODY: THE NEED FOR IT AND THE ABSTRACT BASIC FRAMEWORK**

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**Abstract:** *The global finance systems prevalent in the contemporary times had evolved from being unitary or isolated national entities to a more integrated global economic system. Every economy is encouraged to transform its basic economic and financial systems to more integrated systems that connect them to the world economy as attempts at peace and harmony at the global level cannot be realized in isolation but with a considerable amount of integration at the socio-political and economic fronts. This paper tries to state the existing banking regulatory aspects such as the Basel regulations, the relevance of national individual banking regulatory bodies and the need for a standardized uniform global regulatory body and an abstract framework of its functioning.*

**Keywords:** *Uniform Global Banking Regulating Body, Basel regulations, Integrated world economy.*

### **1. INTRODUCTION**

Banking is an activity which is required to be honest, objective, non-political and impartial in its functioning. These characteristics are found in banking systems which are most popular and is also the core requirement, requisitioned by the customers. One of the outstanding examples of this is the Swiss-banking systems which are quite successful. The history of banking stands testimony to this. The banking systems, which are impartial and stand as very objective-oriented and reliable, grow as institutions that contribute to the world economy. The core aspects of banking are the enormous amount of financial responsibilities that it handles without having any ownership of the amounts that it handles. It keeps account of every entity that deposits its financial resource for both safe-keeping and growth, while the banker charges nothing for this service but instead makes use of the principle amount deposited to earn profits for its existence and pays some interest to the depositors for the growth of their deposits, sometimes this interest rate paid may be exactly or little more than the inflation and other discounting rates but sometimes when as in an economic recession or when the markets are under-developed, the rates paid are below the required discounted rate pertaining to the time value of money.

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But, then the other most important contribution of a healthy banking system is that a good banker is an institution via which business transactions are implemented in most cases involving medium or big financial considerations, even smaller financial considerations get discharged through the financial institutions like a banker. The owner or the banker gets a very small amount of remuneration compared to the enormous amount of financial responsibilities that it handles with negligible flaws that which may negatively affect the depositors or customers.

The present world economic conditions, the socio-political atmosphere and the shape of future things to expect, necessitates that the institutions that support trade and business related activities to have a more broader global view and perceptions of the strategists need to be framed based on the interests of local economy as a primary consideration and policies and the direction need to be towards an integrated world economy that which is sustainable and efficient in the use of resources in balanced ways. In this context, the banker is one of the most important entities in the trade at the local and global levels, therefore strategic efforts need to be stream-lined towards making it part of the integration process while it still retains its individuality. This research article makes a study on the need to have a standardized, uniform global banking regulatory body, which could have its local branches in all countries, attached to the present local or national level banking regulatory bodies of the respective countries to oversee all strategic formulations and ratify them. But then the local national banking regulatory bodies could have their regular powers to strategize and formulate policies and frame guidelines and conform to the standardized global regulatory authority, which would scrutinize them for the purpose of ratification especially the major policies and those that are related to the foreign policies related to banks.

## **2. NEED FOR THE STUDY**

The need for a global framework for the banking institutions is a necessity which need to go a few steps ahead of the Basel regulations. The structural body, need to physically oversee that the banking system which is in place in a country is developed, especially the development of the money market and the introduction of standard money market instruments that which are related to the bankers. This and the requirement for a banking system which adopts standardized processes and methodologies to make the global banking system more uniform and also develop it, as the banking system could be visualized as a backbone to the trade and business transactions and necessitates to be accepted as a reliable institution internationally.

## **3. SCOPE OF THE STUDY**

This study dwells into the global banking scenario and the Basel regulatory framework and the local banking regulatory body and proposes a model for the

efficient monitoring, control and development of the banking system. It makes a list of a few salient points for the positive possibilities, classification of the activities and control authorizations, discretely ensuring that the national banking system, its uniqueness and reach are not affected by the globalization factor but ensures a greater amount of standardization of the banking activity and integration of the world economic systems.

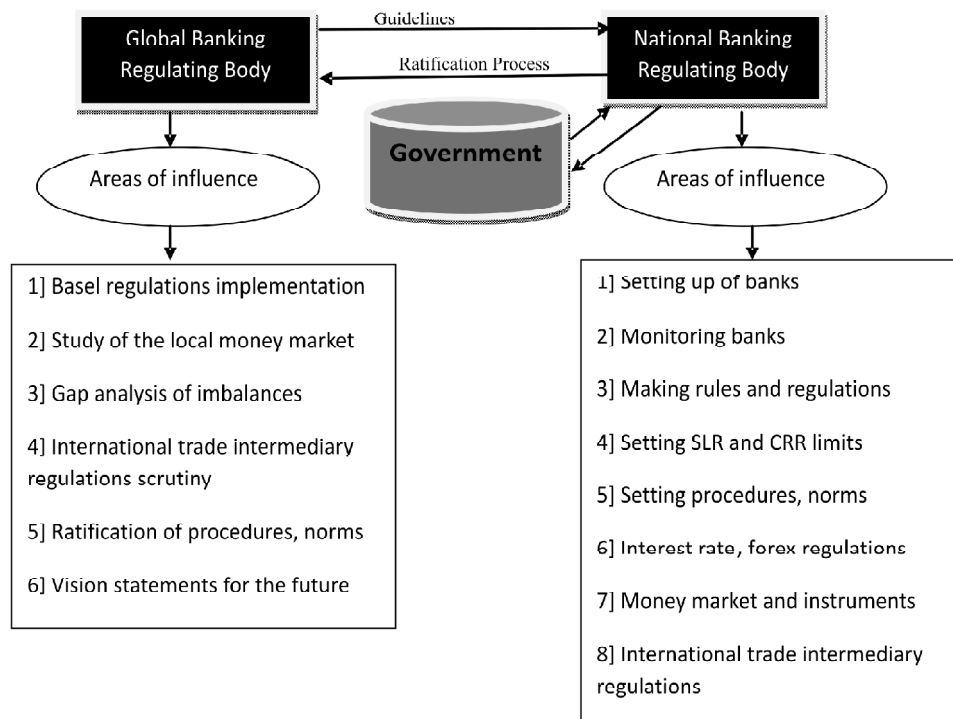
#### 4. LIMITATIONS OF THE STUDY

The study makes its proposed new structure, based on the data collected from various sources and puts forth an abstract proposition, which is descriptive in nature and does not get into the empirical formulations of the proposed model also it does not dwell deeply into government policy.

#### 5. PROPOSED ABSTRACT MODEL

The global regulating body concerns itself with the broader aspects of banking like standardization of norms and procedures world-wide, making a study of the various aspects of the global money market and the gap analysis of what is present in a particular economy and what is required in a particular economy, regarding

Figure 1



money market and banking services. The ratification of the various procedures and norms which are of global importance, specifically those related to the regulations propagated by the Basel committee.

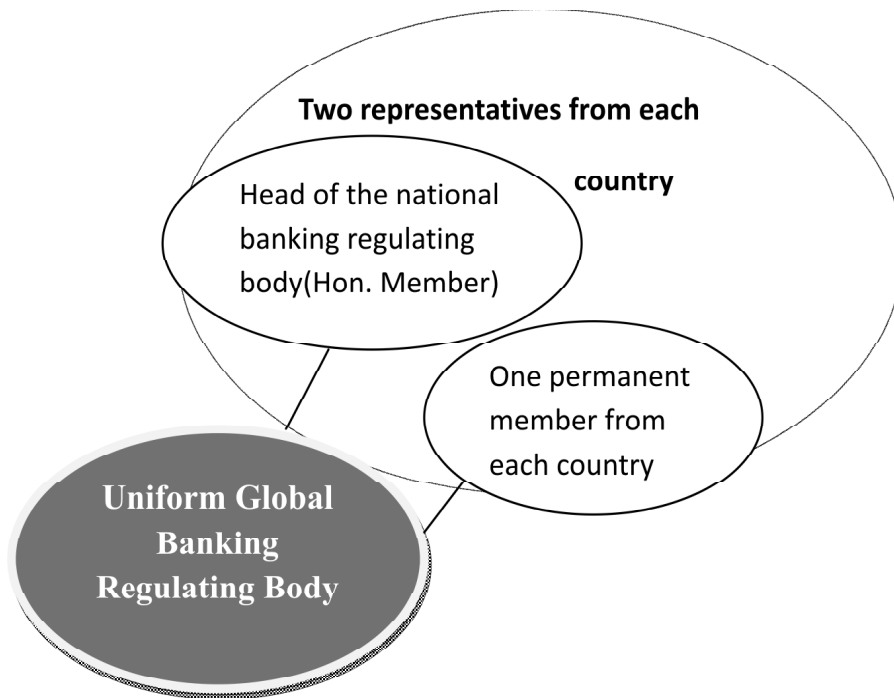
The local bank regulating body though retains its control on all matters that it traditionally had been doing except that it now has a global authorization body to report to in certain matters, thus making it as apolitical as possible. It still looks into the aspects of CRR and SLR, the interest rates monitoring and framing regulations need to be more integrated to the global money market thus removing anomalies that otherwise could set a vicious cycle of regional imbalances affecting the availability and smooth flow of liquidity.

One more salient feature of its working is that the government of a particular domicile only interacts with the national banking regulatory body and has no direct interaction with the global banking regulating body.

## 6. STRUCTURE OF THE GLOBAL REGULATING BODY

The central banking regulating body could essentially consist of a research wing, that which would perform financial market research, covering a gamut of issues ranging from money market conditions and development issues for the

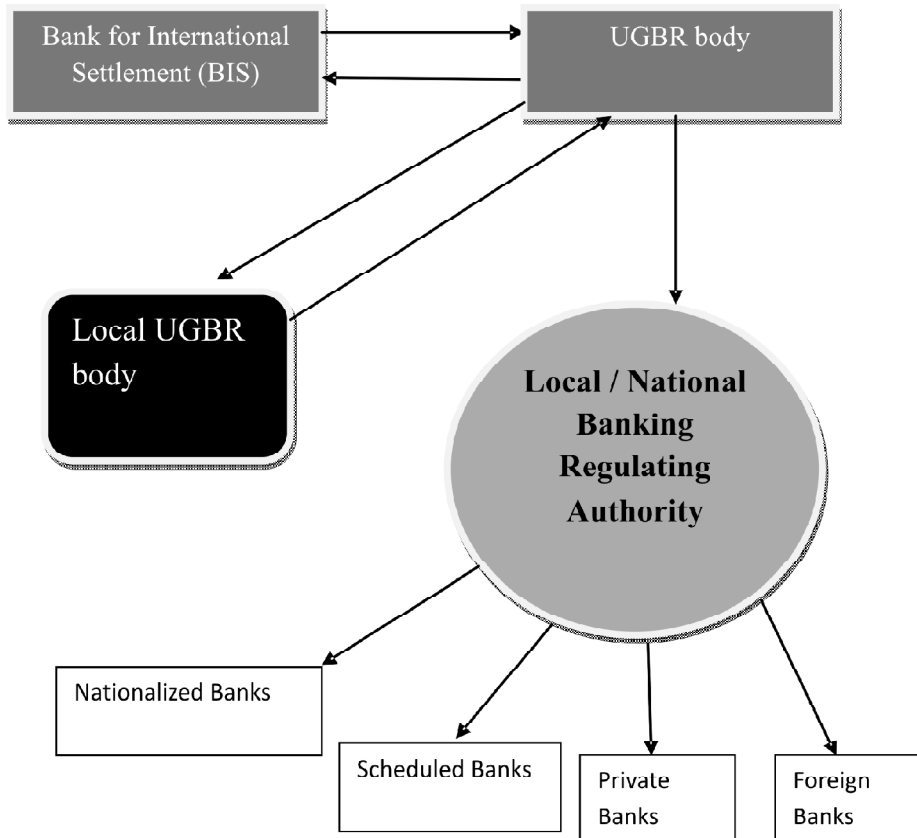
Figure 2



future and issues relating to the use of banker related instruments and the matters related to interest rate and the start of newer concepts, up gradation of instruments, procedures, norms. The other section looks into the implementation issues of the directives and regulations provided by the Basel committee. Another section could look into issues related to development of banking services. Thus, this body would function as a separate entity but would be related to the Bank for International Settlements (BIS), by way of a core working bridge group, which would transfer the information from one end to the other and work on designing methodologies which are as close to the ground realities at both the macro and micro-levels, integrating the whole banking system that which starts with the BIS and gets more concrete at its peer level, the standardized, Uniform Global Banking Regulating body (UGBR body).

The UGBR body would consist of regular, qualified employees and two representatives from each member country. One, being the head of the national level regulating body and the other a permanent representative of the member

Figure 3



committee. This staff consortium would be analyzing and ratifying the practicable working methodologies that could be adopted with even added drafts that are to be included in special conditions, that are country specific or region specific.

The branches of the UGBR body would do the ground-level work on collecting data about the local economic conditions in general, the banking system, the money market and the level of development and the specific solutions which are provided by way of reports to the national level regulating body. The actual rules and regulations are designed and implemented by the local, national banking governing or regulating body, an abstract working of it is depicted in the following figure.

As could be perceived, the national banks, the private banks, the foreign banks are governed by the national banking regulating authority. A special case is the case of scheduled or development banks or cooperative banks that are completely governed by the government policies and regulated exclusively by the national banking regulating body with zero or negligible influence from the global banking regulating authority. This is to ensure and offset any problems of foreign interference on sensitive issues, with political ramifications.

The need to be very specific and careful in the handling of the process of enhancing the scope of development for the banking system, local to the region, especially in the case of under-developed economies, should be viewed as a great opportunity for the money market reforms and development by way of a greater amount of integration and participation in the world economy.

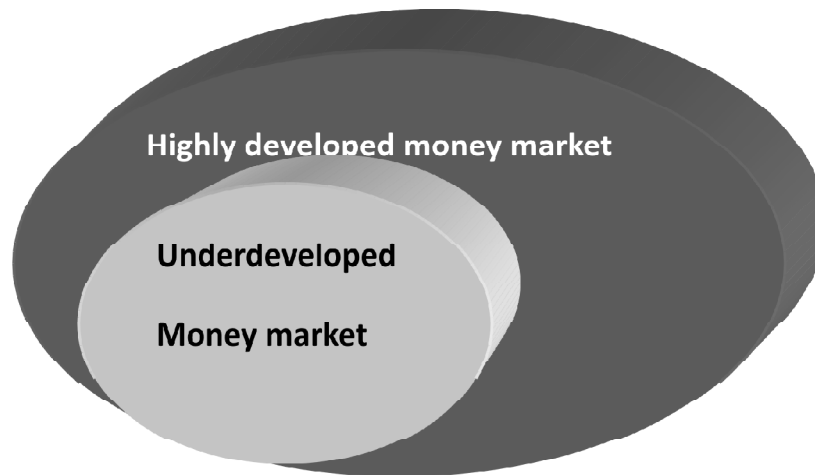
**Table 1**  
(Courtesy: BIS Quarterly Review, June 2014)

<i>in millions of US dollars</i>				
	<i>Amounts outstanding</i>			
<i>Vis-a-vis countries</i>	<i>Dec 2011</i>	<i>Dec 2012</i>	<i>Sep 2013</i>	<i>Dec 2013</i>
Assets				
All countries	29,841,389	29,210,597	28,519,245	28,566,655
Developed Countries	22,617,654	22,093,841	21,091,448	20,920,698
Liabilities				
All Countries	25,901,862	25,087,706	24,569,151	25,416,929
Developed Countries	18,929,477	18,264,905	17,640,003	17,632,785

The above table depicts the steep differentiation that exists in the global banking scenario, which is so thoroughly tilted towards the developed world. The developing countries comparatively have a very low contribution to the global banking scenario. This could change with the influx of globally accepted money market instruments and banking methodologies, ensuring a better set of economic conditions for the commerce and trade in the specified region. Another salient

aspect in the above table is that the outstanding amounts in the developing countries is constantly improving but then growth rate is quite low. With a greater connectivity in the money market, the scope is quite broad as is visualized in the following depiction.

**Figure 4**



The effect of the integration could result in the money market being developed even in the underdeveloped pickets at those parts of the world economy by the synergy of the UGBR body as the awareness and reinforcement of the globalization at the level of the money market happens to take shape.

#### **4 CONCLUSION**

The UGBR body as a physical entity could further the concept of banking and money market resource generation and utilization to the levels of efficiency and grandiose that which was seen only in developed economies but then the economic growth in any domain requisitions the need for a greater amount of liquidity to be available at close notice and also a need to generate more gains from the amounts which could be held stagnant for short periods, otherwise and which could now find recourse as short-term investments in the money market.

This abstract concept when materialized had the potency to turnaround the economic conditions by providing added liquidity and integrate the world economy that which could sustain shocks of gravity, imbibed by scams or economic recession and uneven financial development, by providing an even field, which could lead to planned growth and better risk management and a greater use of the financial resources and smoother liquidity.

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