

Overview of Financial Regulation

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Purpose: To provide a concise, organized guide that outlines the main elements, objectives, and institutional framework of financial regulation.

1. Why Financial Regulation Exists

Objective	Description	Typical Tools
Market Integrity	Prevent fraud, manipulation, and insider trading	Disclosure rules, surveillance systems
Financial Stability	Reduce systemic risk and avoid crises	Capital adequacy standards, liquidity buffers
Consumer Protection	Safeguard retail investors and borrowers	Suitability tests, fair practice rules
Fair Competition	Ensure a level playing field among firms	Antitrust oversight, licensing criteria
Policy Implementation	Translate monetary and fiscal policy into practice	Macroprudential limits, credit allocation rules

2. Core Regulatory Domains

1. Banking

- Capital & liquidity (e.g., Basel III)
- Deposit insurance & resolution frameworks
- Prudential supervision of credit risk, market risk, operational risk

2. Securities & Capital Markets

- Registration & reporting of issuers and intermediaries
- Market conduct (e.g., market abuse, insider trading)
- Investor protection (prospectus rules, suitability assessments)

3. Insurance

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- Solvency requirements (e.g., Solvency II)
- Policyholder protection and claim handling standards
- Reinsurance and risk transfer oversight

4. Payments & FinTech

- Licensing of payment service providers & e-money institutions
- AML/CFT (Anti-Money Laundering/Counter-Terrorist Financing) controls
- Data privacy and cybersecurity standards

5. Derivatives & OTC Markets

- Central clearing and trade reporting mandates
- Margin and collateral requirements for non-centrally cleared contracts

3. Key International Standards

Standard	Issuing Body	Main Focus
Basel III	Basel Committee on Banking Supervision	Capital adequacy, leverage ratio, liquidity coverage
MiFID II	European Commission	Investor protection, market transparency, trading venue regulation
Solvency II	European Insurance and Occupational Pensions Authority (EIOPA)	Risk-based capital for insurers
FATF Recommendations	Financial Action Task Force	Global AML/CFT framework
IOSCO Principles	International Organization of Securities Commissions	Securities market regulation and enforcement

4. Institutional Landscape

4.1. Global Level

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- **International Monetary Fund (IMF)** – Macroprudential surveillance, technical assistance.
- **World Bank** – Financial sector development, regulatory capacity building.
- **Bank for International Settlements (BIS)** – Hosts the Basel Committee, provides research.

4.2. Regional Level

- **European Union** – European Central Bank (ECB) & European Banking Authority (EBA) for banking; European Securities and Markets Authority (ESMA) for markets; European Insurance and Occupational Pensions Authority (EIOPA) for insurance.
- **ASEAN** – ASEAN Banking Integration Framework, ASEAN Securities Regulators' Council.

4.3. National Level (Typical Structure)

Entity	Role
Central Bank	Monetary policy, prudential supervision of banks, systemic risk monitoring.
Financial Conduct Authority / Securities Commission	Market conduct, licensing of intermediaries, investor protection.
Insurance Regulator	Solvency oversight, policyholder protection.

**Financial Intelligence Unit (FIU)