

# Time to identify regulatory common ground

On the big issue of promoting global peace and prosperity, international co-operation on corporate governance regulation and integration of capital markets is just as important as foreign diplomacy. Such was the opening gambit of Christopher Cox, chairman of the US Securities and Exchange Commission (SEC) in his keynote speech at the fourth conference on Transatlantic Corporate Governance Dialogue in Washington.

Sponsored by the European Corporate Governance Institute (ECGI) and the American Law Institute (ALI), the event in October focused on 'corporate governance standards and capital market competitiveness'.

He went on to add that while 'regulation is not the fuel that drives our markets, it undoubtedly is the oil that greases the gears'. Regulators need to strike a balance, he told delegates, between 'under-regulation, which carries with it the risk of fraud, abuse, and a loss of investor confidence, and over-regulation, which saps the economic vitality of otherwise vibrant markets'.

He added that variations in national regulatory systems can be accommodated, the disparities often

stemming from historic backgrounds. It is up to the regulators to diagnose and deal with the different situations arising from different market structures. 'Just because capital now flows across borders more easily, and businesses routinely operate on a worldwide basis, it doesn't mean that a one-size-fits-all approach to securities regulation is wise,' he said.

As markets evolve, regions find that they have more in common than they used to. The fact that one country's regulators work with another's to resolve problems that have arisen in the market show that regulatory objectives have much in common.

Ensuring that investors are properly informed is central to the trans-Atlantic dialogue, Mr Cox continued, highlighting disclosure, transparency, and the cost of obtaining and processing information required by corporate governance regulations as the key elements. The costs of obtaining such information can be a barrier, and this is one of the reasons why the SEC is looking at improving financial reporting through interactive data, such as eXtensible Business Reporting Language (XBRL). International Financial Reporting Standards (IFRS) are another initiative

that moves towards consistency of information for investors. But, to be successful, IFRS must be 'applied faithfully and consistently across jurisdictions,' he added.

'Many of us, as securities regulators, are similarly like-minded and we share common regulatory objectives. We should relentlessly seek to make common ground...[and] work closely together to eliminate unnecessary and redundant regulations, to recognise how different regulatory approaches may achieve our shared objectives, and to learn from each other about what works and what doesn't.'

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