



Vision and supervision

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The primary goal of supervision is to facilitate market discipline, create a 'level playing field' and therefore support long term financial stability. Basically, banks should manage and supervise their business, in alignment with the interests of all stakeholders. Good performance can be rewarded by stakeholders and bad performance can be adjusted, through market discipline. In the worst case, this approach would make sure that even a bankruptcy could be properly managed. Banks that are 'too big to fail' are clearly not doing a good job of supervising themselves. Obviously, this type of bank is hard to handle by any regulatory supervisor. Next to that, there is also the risk of a special kind of moral hazard, when the supervisor is tempted to step in, grab the wheel and start running the bank himself.

Regulation that leads to a loss of competitive strength, because of unclear mandates, governance and responsibilities is very much the opposite of what is expected of regulation. Basel will have more sequels than Star Trek and the banking industry should simply accept this as a fact of life and try to derive a competitive edge out of it. Basel-III has been received with some criticism, but that is nothing to worry about, because that will foster a healthy discussion about Basel-IV and the other upcoming sequels. The banks and its stakeholders should step up their involvement in the discussion about regulation and about banking business models. Google already holds banking licenses in many countries. It seems it will not be too long before Google steps in. Google will probably demonstrate in its own fashion that it is quite easy to set up and run a fully compliant and profitable bank, with capital buffers to can easily meet the Basel-III criteria, which is also 'low maintenance' regarding supervision. Hopefully, this will imply an ultimate push toward market discipline.

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