

Preface

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The 'internationalization' of banking, which started in the early 1970s, paved the way for the 'globalization' of finance and became more and more evident during the 1990s as international capital flows increased in magnitude. The internationalization and globalization processes have been facilitated by the ongoing communications and information technology (C&IT) revolution and capital flows have increasingly responded to economic and political news. This has created the potential for increased global financial, and consequent economic, instability, of which the 1997/98 Asian financial crisis might only be a precursor.

By allowing countries, whether they are developed, developing, in transition or emerging market economies, to draw on a global capital pool to finance investment, rather than rely entirely on domestically generated savings, a globalized financial system provides great opportunities as well as the aforementioned threat of instability.

The ultimate objective of the monetary authorities must thus be to create a new 'global financial architecture', which ensures that capital flows freely to those who will make the best use of it to enhance the well-being of mankind. To achieve this, risks and benefits (pecuniary and social) and disbenefits (for example, poverty and environmental degradation) must be accurately priced and measured and a regulatory and supervisory system must be put in place to assure price stability without distorting the price mechanism. Much work needs to be done to achieve such a utopia, but good progress is being made on risk, environmental and poverty impact measurement and on the regulatory and supervisory front. Good governance at the international, state and corporate levels is of course essential for the successful conclusion of this global project.

The aim of the *Handbook of International Banking* is to provide a clearly accessible source of reference material, covering the main developments that explain how the internationalization and globalization of banking has progressed over recent decades to its current juncture and to appraise progress with the creation of a new global financial architecture. The Handbook is the first of its kind in the area of international banking.

The chapters contained in the volume have been written by leading

specialists in their respective fields, often with remarkable experience in academia and/or professional practice, and have been grouped into four parts. Part I includes chapters dealing with the internationalization and globalization of banking. Part II groups chapters covering structural developments in the international banking industry. The chapters in Part III tackle regulatory and supervisory issues relating to international banking, while the chapters in Part IV assess progress towards the development of a new 'global financial architecture'.

The material is provided mainly in the form of self-contained surveys, which trace the main developments in a well-defined topic, together with specific reference to the relevant frontier research output as contained in recent journal articles and working papers. Some contributions, however, aim to disseminate new empirical findings especially where competing paradigms are evaluated.

The Handbook is designed to serve as a source of supplementary reading and inspiration for a range of courses in banking and finance, including: post-experience and in-house programmes for bankers and other financial service practitioners; Masters and MBA programmes with courses in international banking and finance; and also for practitioners, professional researchers and academics in the field.

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