Introduction

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The deregulation of financial markets is an established phenomenon of Western financial centres as well as being a process that many nascent markets are pursuing, often coupled with other fundamental reforms. But taking the most sophisticated financial centres, it may seem paradoxical that so much effort is being put into re-regulation, with the fight against ‘money laundering’ being used as a kind of ‘Trojan horse’ in order to achieve it. Nevertheless, the consensus of governments and the financial industry alike, is that efforts have to be directed to combat the real threats posed by criminal operators taking advantage of the services on offer in these financial centres. This misuse of markets and financial services by criminals is facilitated by the inherent deficits of nationally organized (and in part rather incomplete) supervision of the financial services industries.

Above and beyond the problems mentioned relating to the furtherance of crime, there is the far greater problem that relates to the risk of the stability of the financial markets, and to make in-roads here, harmonization of regulatory approaches is essential. The intense efforts to tackle harmonization are demonstrated by the activities of international organizations of regulators (BCBS, IOSCO, IAS and so on) to develop standards that are then agreed internationally. In more recent times the private sector itself has risen to the challenges of addressing these issues with business organizations and looser groupings of companies (for example Bankers Associations at the domestic level, and the Wolfsberg Group at the international) being the prime movers here. The principal aim of these private initiatives must be the definition of a common denominator of best practice that is both workable and economically viable whilst at the same time addressing the risks of unfair competition. In the longer term, the current development of industry standards may actually lead to a competitive advantage for those who keep abreast of the relevant private standards and their developments (the potential gain being self-certification).

Overall however, regulation at the national level continues to lag behind both the international and the private sector driven initiatives in standard setting. Differences among even the largest of financial centres especially in the embattled terrain of cross-border banking may still lead to regulatory arbi-

trage. Therefore this comparative study of the most active cross-border banking centres – USA, UK, Singapore and Switzerland – is aimed at helping to identify these differences, highlight potential deficits and be of assistance in explaining divergence.