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It is worth remembering that the primary institutional response to the global financial crisis was the creation of the G20 Leaders process. At the very first Leaders Summit in November 2008, they agreed on four principal goals: 1) restoring global growth; 2) repairing and reforming the international financial system; 3) preventing new protectionism and endeavoring to further liberalize trade; and, 4) reforming international financial institutions.

Within the broad goal of financial sector repair and reform, there were four principal themes. Typically, this topic is seen as addressing issues of financial regulation. However, while the G20 Leaders' goals in terms of repairing the financial system encompassed regulatory reforms – this included not just writing new "rules", but also reforming the perimeter of regulation. After all, one of the key problems highlighted by the crisis was not so much the details of regulation, but that many systemically-important institutions lay outside the regulatory framework. In addition, capital rules needed to be bolstered in order to address the problem demonstrated by the crisis that the system as a whole was operating with insufficient capital to cover the risks that were being run.

In addition to issues of regulation, there have been questions about the quality of financial sector supervision. In fact, the IMF concluded that weak supervision contributed as much to the crisis as had problems with regulation. The G20's reform goals also involved the ‘too big to fail’ issue -- in other words, the lack of an effective resolution mechanism, especially for institutions operating in multiple jurisdictions. A fourth area of financial sector reform is the need for better assessment -- that is, making sure that agreed reforms in fact are implemented as agreed. Not surprisingly, this aspect often is overlooked. Allied to these four key areas of sector reform -- but separate from them in terms of policy tools -- was the intent to develop more effective macroprudential regulatory measures.

So, where do things stand today? Without a doubt, substantial progress has been made -- probably more than most participants had anticipated, and more than is generally recognized. In the area of capital adequacy, great progress has been made on the definition and amount of capital to be applied, especially within the Basel III Accord that applies to banks. Liquidity risk limits have been clarified for banks and standards have been agreed and will be applied. There has been agreement on the reform of structures of remuneration.

At the same time, there agreement has been reached on standardizing derivative contracts and creating central clearing platforms for trading these derivates. There have been structural reforms proposed, and in some cases agreed, regarding financial institutions – including the Volcker Rule (United States), the Vickers Rule (for the United Kingdom), the Liikanen proposals (the EU) and so forth – and there has been an effective move to reduce leverage. However, these structural reforms have been national or regional in character, and they are not necessarily consistent. Moreover, the agreed derivative rules are considered by some to be "US-centric" and they are not to everyone’s liking.

While this progress has been helpful in many cases in addressing observed systemic weaknesses, many financial market participants consider that operational risks have increased, because of overlapping and sometimes inconsistent new regulations that have added to operational strains on financial institutions, including their IT infrastructure, their risk management processes and even their financing. There has been a broad agreement on limiting proprietary trading activities of banks, especially government-guaranteed institutions, but the devil will be in the details. For example, it is plausible to claim that it would be irresponsible for large financial institutions not to actively manage their balance sheet -- typically accomplished through securities trading -- but defining in operational terms the difference between balance sheet management from proprietary trading may be a bit of an art rather than a science.

There has been limited real progress on 'too big to fail', especially regarding cross-border issues, as we will talk about later I am sure. More broadly, the potential weakness of the way we are dealing with resolution may be that "resolution" really just reallocates risk. For example, if resolution mechanisms apply to pension funds and other savings institutions, they simply may represent a policy of allocating resolution costs to a large subset of taxpayers, rather than to have them borne by taxpayers in general. In this case, the resolution process may not deal directly with issues such as the concentration of risks or the correlation of risks that is the real source of 'too big to fail' problems, and that is especially relevant when thinking about dealing with the accumulation of sovereign debt -- that has increased substantially in the wake of the crisis -- and/or the obviously central role of housing finance.

The progress that has been made so far on macroprudential regulation is probably more conceptual than real. It certainly seems quite politicised as a process. Moreover, such regulation is rather untested and so far it certainly has not prevented periods of rather substantial increases in real estate values in several markets that have, at least initially, caused some concern. The amount of operational coordination among the key regulators remains somewhat lacking, and it is not obviously improved from before the crisis. Securitisation remain stalled some places, especially in Europe, suggesting that we are a long way from restoring the full functioning of the financial system.

With regard to the regulation of the so-called shadow banking system, that is a work in process and there has been substantial growth in credit flows without clear consideration of exactly what would be done if there was a rapid reversal of such flows. The regulation of the insurance business is an issue under development and no one seems to be clearly tracking the process of the deleveraging of the overall system, which is occurring apace seemingly without anyone in charge.

Moreover, considering that US housing finance was the source of the initial impetus of the crisis, we are still in limbo in the sense that the US government-sponsored enterprises (Fannie and Freddie) are now responsible for a bigger share of US housing finance than in the past with no clear determination yet as to their eventual form. With regard to consumer protection, there has been a political movement towards punishing financial institutions for seemingly exploiting asymmetry of information in a context in which such imbalances almost certainly is going to be inherent in financial dealings with consumers.

In conclusion, there has been real progress but real questions still remain to be answered. Thank you.