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**RISK AND REPUTATION: THE POLITICAL ECONOMY OF BANK
REGULATION IN DEVELOPING COUNTRIES**

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Abstract

International banking standards are intended for the regulation of large, complex, international banks with trillions of dollars in assets and operations across the globe. Yet they are being implemented in countries with nascent financial markets and small banks that have yet to venture into international markets. Why is this? This paper presents the key findings of a 4-year research project that develops a new framework to explain regulatory interdependence between countries in the core and the periphery of the global financial system. Drawing on in-depth analysis of eleven countries across Africa, Asia and Latin America, it shows how financial globalisation generates strong reputational and competitive incentives for developing countries to converge on international standards. It explains why some configurations of domestic politics within developing countries and forms of integration into global finance generate convergence with international standards, while other configurations lead to divergence. The research contributes to our understanding of the ways in which governments and firms in the core of global finance powerfully shape regulatory decisions in the periphery, and the ways that governments and firms from peripheral developing countries manoeuvre within the constraints and opportunities created by financial globalisation.