

Comparative Regulatory Environments



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"The industry doesn't think that the increased effort on regulatory compliance leads to better protection for clients"

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Today Z/Yen and the Toronto Financial Services Alliance (TFSA), release a report that ranks Canada and Singapore as the top regulatory jurisdictions for financial services. Based on a survey of financial services professionals and other research, a summary of the results is shown below:

Tier 1 Jurisdictions		
Jurisdiction	Top 50 GFCI Centres	Notes
Canada	<ul style="list-style-type: none">• Toronto• Vancouver• Montreal• Calgary	Canada is well placed in most of the measures researched but respondents assessed Canada less well for openness to foreign firms and for the cost of compliance.
Singapore	<ul style="list-style-type: none">• Singapore	Singapore is well rated by respondents for openness, stability and cost but less well for consumer protection.
Tier 2 Jurisdictions		
Jurisdiction	Top 50 GFCI Centres	Notes
Switzerland	<ul style="list-style-type: none">• Zurich• Geneva	Well rated for institutional effectiveness, the overall regulatory environment and for the stability of their regulations.
Hong Kong	<ul style="list-style-type: none">• Hong Kong	Questionnaire respondents assess Hong Kong fairly poorly except for the cost of compliance where it is rated second in the group of eight.
UK	<ul style="list-style-type: none">• London• Edinburgh• Glasgow	The UK is placed between second place (operational risk) and seventh place (economic freedom) in the factors researched.
USA	<ul style="list-style-type: none">• New York• San Francisco• Boston• Washington DC• Chicago	The USA is placed between second place (operational risk) and sixth place (regulatory enforcement) in the factors researched. Respondents to the online questionnaire rate the USA fifth in six of the eight areas but less well for the cost of compliance and openness to foreign businesses.

Tier 3 Jurisdictions		
Jurisdiction	Top 50 GFCI Centres	Notes
EU	<ul style="list-style-type: none"> • Luxembourg • Frankfurt • Vienna • Paris • Stockholm • Munich • Amsterdam • Milan 	The EU is lower than the other jurisdictions in a number of areas. It should be noted that many of the jurisdictions have individual ratings but a mean has been used. The largest economies of Germany, France and Spain tend to do a little better than the smaller economies. In six of the eight categories of the online questionnaire, the EU comes in sixth place or lower.
Dubai	<ul style="list-style-type: none"> • Dubai 	Dubai suffers from a lower reputation than the other jurisdictions according to responses to the online questionnaire.

Whilst there are some jurisdictions that perform better than others, the overall picture that comes from the industry regarding the regulatory environment is not encouraging. The survey asked respondents questions regarding financial stability, market confidence, financial crime, consumer protection, regulatory compliance, predictability, customer service, and openness to foreign businesses. Nearly 90% of respondents agreed that regulations will become more onerous and a similar percentage agreed that regulations will become more costly. However, only 17% of respondents agreed that regulations will become more effective.

“Too big to fail is also too big to regulate. Several years into a series of crises the financial services community and its regulators have created a tangled web of large oligopolies being directed through legal and compliance systems, certainly not competitive businesses. As repeated failures show, nobody is any safer, and as this report shows, nobody feels any safer either. More regulation is just adding simultaneously to complexity and fragility.” said Professor Michael Mainelli, Executive Chairman of Z/Yen.

The full report can be found at http://www.longfinance.net/images/Comparative_Regulatory_Environments.pdf.

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