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## THE GROUP OF THIRTY – THE PLATFORM OF INTERNATIONAL COOPERATION IN THE FINANCIAL SECTOR

### 1. Introduction

Extensive activities aiming at the increase of stability, security and competition between banking and financial systems, especially in their international aspect, have been taken up by the Basel Committee on Banking Supervision for over 30 years, but there are also other entities that carry out similar yet not identical activities and research. Obviously, none of the other international organizations or groups has such importance or prestige as the Basel Committee as far as banking system issues and financial systems security from the international aspect are concerned, but it is still worth focusing on the other organizations and entities of supranational character, whose main purpose is the increase of financial systems security and stability. Such entities deserve attention not only because of the growing importance of their activities and research effects, and, consequently, their position in international markets, but also because they frequently cooperate with the Basel Committee and because they are entities which the Basel Committee consults about its proposals concerning the security of financial systems.

It is worth introducing these entities which, in their operations and documents, refer to the regulations of particular financial markets also because, contrary to the Basel Committee or the Financial Stability Forum, their basic aim of activity is the development of regulations not directly connected with the problems of banking or financial supervision. Their achievements frequently allow for the handling of banking supervision issues in connection with macro-economics, fiscal policy or economic policy issues.

## 2. The Group of Thirty

One of such international organizations is the Group of Thirty established in 1978 in Washington as an independent body (a private – legal entity) of consultative-advisory character, and as an organization conducting research activity. The direct reason for the establishment of the Group of Thirty was the need to create a discussion forum on the mutual influence and relations between particular financial markets' activities and the global problems resulting from the functioning of more and more international entities. The establishment of a permanent, independent and professional discussion forum operating in order to help understand the international aspects of economic and financial processes as well as interdependencies, and to investigate international repercussions resulting from decisions undertaken in the public and private sectors was yet another reason for the formation of the Group of Thirty [[www.group30.org/aboutthegroup.html](http://www.group30.org/aboutthegroup.html)].

Moreover, the Group of Thirty compares and evaluates the possible variants for making the best reasonable choices and deciding on development strategies of particular segments of financial markets, of both international and local character. The Group of Thirty carries out its work in two directions, taking into consideration both the private sector's interests (understood very broadly as all participants of the market game) and the interests of particular public authorities responsible for the economic and financial policy, banking supervision over particular financial markets. What is also important, the Group of Thirty is not only organizationally independent from any international or national entity, but it is assumed to be an apolitical body, which can be best proved by its present composition.

Since the very beginning of its existence the Group of Thirty has consisted of representatives of entities from the private sector, mainly the banking sector, who were later joined by representatives of international financial conglomerates. Among the members of the Group of Thirty there have been, for example, the president of Merrill Lynch International, the biggest investment bank in the USA, the president of Goldman Sachs & Co, the auditing company specializing in mergers and takeovers and the leader in this field, the advisor of the president of Morgan Stanley & Co, and the president of Citigroup International. As far as the European banks are concerned, the president of Deutsche Bank AG has also been a member of the Group. Representatives of public institutions, mainly presidents of central banks from all over the world, representatives of central banks and banking supervising authorities from Great Britain, France, Spain, Poland (the president of the National Bank of Poland, Leszek Balcerowicz), Japan, and representatives of the central banks of Brazil and Mexico have also been members of the Group of Thirty. The world of science has its representatives in the Group of Thirty as well; they

are respected authorities in economics. Here, scholars from such renowned universities as Princeton, Harvard, the University of Michigan, the University of Toronto, or representatives of various international financial institutions should be mentioned. Representatives of the Bank of International Settlements, the International Monetary Fund, the Financial Stability Forum, the German Institute of Economic Research and the European Central Bank are among the members of the Group of Thirty, as well.

The Group of Thirty is headed by president who is in charge of the Group's operations, and the executive body is headed by the Executive Director, who is aided by the Secretariat managed by its Secretary. The Group's activities are based on regular meetings and symposia attended by the organization's members and invited guests, held every six months. Although the Group of Thirty is a non-profit organization, it obtains the necessary funds from public foundations, commercial banks, central banks, non-profit organizations and individuals.

The Group of Thirty constitutes a forum which determines and discusses the most important solutions and development trends in the financial markets from the economic, financial and supervisory points of view. Apart from the previously mentioned practitioners, the participants of these meetings are also outstanding specialists in narrow disciplines of economics and management, who take active part in discussions of specific problems. The Group of Thirty shares the effects of its work with other entities who are not its members by organizing debates, meetings and conferences, and by publishing specific reports in which it presents its position and confronts it with broad practices all over the world. Very often the results of such works are publications in which the final conclusions of debates are presented and submitted for the interested entities' consideration.

### **3. The means of problem analysis used by the Group of Thirty**

Together with the development of the scope of the Group of Thirty's activities, which was a consequence of transformations in the world of economy and especially in the world of finances, its members reached the conclusion that the formation of expert teams will be a more effective way of holding rational discussions and conducting research in any field. Such teams are responsible for a more precise and broader presentation, and preparation for discussion of particular issues which cause considerable doubts and different evaluations. Special Groups are formed and the results of their work are so-called Special Reports.

The best known group was one formed to investigate the phenomena of derivatives (Special Report on Global Derivates, the Group of Thirty). The

result of its work was a complex analysis of this financial institution and 24 recommendations for better management of risks connected with derivatives. In order to present an up-to-date complex evaluation, the report was supplemented with annexes published in the years 1993–1994 [[www.group30.org/publications/allPubs/pubs1993.html](http://www.group30.org/publications/allPubs/pubs1993.html)].

Another means of problem analysis used by the Group of Thirty is the formation of permanent committees – Study Groups – in order to obtain a professional and objective evaluation of a specific phenomenon within the narrow groups uniting both members and non-members, and above all specialists. They present the results of their work in the Study Group Report, or the Report. One of the first such groups was the Exchange Markets Participants Study Group, which in 1980 published the Foreign Exchange Market Under Floating Rates Report on the meaning and influence of the foreign exchange rate on the issues connected with the operation and results of financial conglomerates [[www.group30.org/publications/allPubs/pubs80](http://www.group30.org/publications/allPubs/pubs80)].

It can be observed that the Group of Thirty's publications have two forms. The first one is reports with conclusions resulting from the work of a particular committee or group. Among such reports, which are the expression of the Group of Thirty's special interests, there are cyclically published special reports on the settlement of accounts systems. The first report was entitled "Clearance and Settlement Systems: Status Reports", Washington Spring 1990 [[www.group30.org/publications/allPubs/pubs2003](http://www.group30.org/publications/allPubs/pubs2003)]. The conclusions presented in the report were later brought up for the Group of Thirty's discussions, and within many years the report was many times changed and modified. On the basis of this report, in 2003 the Group published a report entitled "Clearance and Settlement Systems: a Plan of Action", Washington 2003 [[www.group30.org/publications/allPubs/pubs2003](http://www.group30.org/publications/allPubs/pubs2003)]. It contained 20 recommendations for the unification of the global account settlement systems taking into consideration the issues connected with the new directions of financial markets development and the specificity of particular regions of the world. Another effect of the Group of Thirty's work could be seen in some other compact publications referring to the presentation and discussion of a specific problem of the banking systems' functioning.

The results of the Group of Thirty's work as well as the results of its committees' and groups' work are also presented in the second type of publication – periodicals, so-called Occasional Papers, in which there are not only the Group of Thirty's research results, but also the authorities' points of view on particular disciplines, which are to support the basic activities and purposes of the Group of Thirty. Such periodicals have been published regularly since 1980, and they represent the official stand of the Group of Thirty.

The Group of Thirty is interested in the international financial relations, and especially in the international capital markets, capital flow, foreign exchange systems, the role and tasks of international financial institutions, central bank-

ing and banking supervision, international trade, and comparative studies in macro-economy as well as the production and labour markets. Frequently, these issues are not presented selectively and individually, but they are discussed with respect to their interdependencies and various configurations.

The Group of Thirty is not indifferent to current events in the financial systems of particular countries. For instance, the Group of Thirty took a definite stand in the situation ensuing after Enron's bankruptcy [Caruana, Crockett, Flint, Harris, Jones 2002]. An example of an international issue remaining in the scope of interest of the Group of Thirty is the report of 1998 – "International Insolvencies in the Financial Sector" [www.group30.org/publications/allPubs/pubs1998], concerning the influence of the Asian crisis on the stability and condition of the other financial markets, and the development and activities of international financial conglomerates. The issues presented in the report of 1999, "The Evolving Corporation: Global Imperatives and National Responses", deal with similar problems [www.group30.org/publications/allPubs/pubs1999]. The report discusses the problems of the dynamic growth of big corporations from the USA, Germany, Great Britain and Japan, and their ability to react to global economic problems.

Banking supervision is also discussed thoroughly by the Group of Thirty. Of many issues of interest to the Group, banking supervision is a field of individual research, but analogically to other fields, the Group's work concentrates mainly on international relations and the evaluation of the effectiveness of the precautionary and supervisory regulations for the whole financial system.

In its research on banking supervision the Group of Thirty has referred to the problems of security and stability of the banking systems on several occasions. The first such report was an attempt to evaluate the solutions in the banking supervision of the G-10 countries, Switzerland, Hong Kong and Singapore [Dale, 1982].

In another report, "A Study Group Report: Global Institutions, National Supervision and Systemic Risk" of 1997, the Group of Thirty referred to the increasing legal and economic gaps in the supervisory regulations in relation to the speed and directions of the development of the banking systems. In this report, on the basis of the gaps evaluation, the possibilities of their limitation or even elimination have been pointed out as well. Yet another report referred to the ever growing influence of the international banking conglomerates' insolvency on the efficiency of the national banking supervision, and to the appropriate solutions within the framework of international relations. Simultaneously, recommendations were pointed out whose implementation was to encourage particular regulators and banking supervisors to take action aiming at the limitation of this phenomenon.

In its publications on banking supervision the Group of Thirty pointed at the far fetched relations between strong, efficient banking supervision and an

effective policy in the field of foreign exchange and financial stability, which is an essential element of the existence of a strong and stable banking system [Crockett, 1998]. Simultaneously, it was stressed that both these conditions need to be fulfilled in order to ensure the banking systems security, especially in the age of the development and openness of international banking. The authors paid also attention to the need of widespread international cooperation of banking supervisors from all countries.

The Group of Thirty indicated the necessity of a new approach to the traditional banking supervision in the banking system, especially from the perspective of the licensing function which should be based on qualitative elements and market analyses rather than stiff quantitative regulating elements of palliative character [Padoa-Schioppa, 1998].

The Group of Thirty paid much attention to the issues connected with the development of supervisory regulations, not only banking, but financial ones as well, especially with respect to their effectiveness for banks' clients, shareholders, stockholders [Large, 1998]. The common denominator of all those works and deliberations is the necessity of complex adjustments of the regulations to the new challenges faced by banking supervisors as a result of the banking sectors globalization.

Attention should be paid to the phenomena which are the objects of interest of the Group of Thirty and which do not refer directly to banking supervision, but which remain in a functional relation with the form and scope of activities undertaken by banking supervisors. This refers especially to financial crises and insolvencies, the reasons of which – according to the Group of Thirty – are connected with inefficient activities undertaken by either national or international banking supervisors.

It should be noted that the Group of Thirty in its deliberations on banking supervision and other financial problems attempts to present these issues from the economic rather than the legal point of view. Frequently, the issues are not discussed as autonomic entities but they are objects of comparative studies, or they are treated as additional issues connected with a particular institution, especially as far as the analysis of crises or insolvencies of particular financial institutions is concerned. This does not mean, however, that the Group of Thirty marginalizes the issues connected with banking supervision; it has made a correct assumption that in practice banking supervision does not function as an institution separated from the other instruments of the financial market. Such an approach proves the Group's experience and expertise, and allows for a broad formulation of the issue of banking supervision as a necessary element of the functioning banking system.

It should be stressed that all publications of the Group of Thirty, whether they refer to banking supervision or any other issue, are characterized by broad factual knowledge and an element of universalism. Consequently, these

publications appeal to a broad circle of recipients, not only among banking supervisors or central banks, but also among the private sector's entities. They are often also the basis for further research. It is not only the wide formulation of particular issues from the perspective of the financial markets regulators, but also the view from the position of the markets' participants that make the Group of Thirty's publications so attractive.

#### 4. Conclusions

The Group of Thirty plays an important role as far as the banking supervision issues are concerned. This organization's approach to banking supervision is much broader and universal than that of, for instance, the Basel Committee. The diversified membership of the Group and its scope of interests make it possible to perceive banking supervision from a broader perspective than that used by the Basel Committee. Such a disparate look with regard to all connections allows the Group to grasp these elements which may be lost when particular problems are considered only from the banking system's perspective. It should be emphasized that the Group of Thirty willingly cooperates with the Basel Committee and with other international financial organizations (which can be proved by its composition), which results in a broader perspective for the discussion of the issues of banking and financial systems security.

#### Literature

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