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Practical Issues in Preparing for Cross-Border Financial Crises

In a speech given this week to a workshop jointly organised by the UK tripartite authorities and the Financial Stability Forum, Sir John Gieve – Deputy Governor for Financial Stability – said that the current period of relative calm and economic stability was an opportunity to discuss the challenge that globalisation poses for handling and resolving financial crises.

The consolidation of financial firms and globalisation of capital markets made it hard to think of a financial crisis that would not have major international repercussions. While many countries, including the UK, had improved their domestic arrangements for tackling problems, "... that level of progress has been less apparent on putting in place arrangements for handling and resolving cross-border crises ..." where "... our machinery for cooperation has not kept pace with the internationalisation of markets".

He suggested that a practical way to make progress in this area was through discussion of operational issues in small 'interest groups' of authorities with a mutual interest in specific financial firms and the capital markets in which they interact. By focusing on practical cases, these small interest groups could "... consider some of the operational problems that we would face if particular sorts of crisis arose. And thus establish a shared fact base and understanding of what we might expect from each other in a crisis".

He concluded by suggesting that the Financial Stability Forum could draw out the common messages and lessons from these interest groups and help establish a common framework for handling cross-border crises.

<http://www.bankofengland.co.uk/archive/Documents/historicpubs/speeches/2006/speech290.pdf>