Developments in co-operation among banking supervisory authorities[1]

International co-operation among banking supervisory authorities is a relatively new phenomenon. It emerged in the 1970s following the burgeoning international banking activity which had developed significantly in the 1960s and has continued to grow apace thereafter. This paper reviews the growth in co-operation which has taken place during recent years from the particular perspective of the Committee on Banking Regulations and Supervisory Practices, meeting at the Bank for International Settlements in Basle, which has provided a focal point for that co-operation.

The need for international supervisory co-operation

The internationalisation of banking brought about considerable changes in banking systems and in the conduct of banking business. New international markets grew up with their own techniques and conventions and new kinds of risks. The number of international financial institutions grew considerably as banks expanded across national frontiers through the establishment of subsidiaries and branches in many countries to service the needs of their customers—large and small—on an increasingly international basis and to take advantage of the newly-created markets. New types of bank were formed, particularly the so-called consortium banks with shareholders from many different countries. New financial centres developed—notably those which are broadly categorised as 'offshore' centres—where banks were attracted by favourable fiscal and regulatory environments to conduct a significant part of their international operations. The proliferation of new banks operating across national borders sometimes led to a situation in which foreign branches and subsidiaries of banks in one country operating in the markets of another country fell outside the perceived responsibilities of the supervisory authorities in either country. More generally, the high degree of cross-border inter-bank borrowing and lending through the ever-growing activity of the euro-markets meant that banks became increasingly dependent for much of their liquidity on banks in other countries and on currencies other than those of their country of origin.

Looking back, it is now clear that at the beginning of the 1970s the perceptions and techniques of banking supervisory authorities around the world had not kept pace with these developments. There was, in effect, a supervisory vacuum in this new global market which needed to be filled. Neither the supervisors, nor indeed the banks themselves, had fully appreciated the degree to which the banking environment was changing in character and the new increased risks involved in international business. Supervisors were still very much domestically oriented within the framework of different national banking systems. Indeed it is difficult now to realise how little contact there was at that time between those responsible for banking supervision in major countries.

Moves to develop international supervisory co-operation

The banking environment to which supervisors needed to respond was thus changing radically—particularly in those countries where the world's major banks were situated. The events of 1973 and 1974, when a number of banks in different countries failed (notably the Herstatt Bank in 1974) and others experienced serious losses, highlighted this changed environment and precipitated more urgent action.

In response to these events, the Governors of the world's major central banks took action to allay the concerns about the viability of the international financial system. They issued a statement in September 1974 to the effect that, while it was not practical to lay down in advance detailed rules and procedures for the provision of temporary support to banks experiencing liquidity difficulties, the means were available for that purpose and would be used if and when necessary. At the same time the Governors concluded that a better co-ordination of the surveillance exercised by national authorities over the international banking system was necessary, and to that end they created a new standing committee—the Committee on Banking Regulations and Supervisory Practices—with members drawn from the Group of Ten major industrialised countries and Switzerland.[2]

The first formative steps to bring together supervisors in major banking countries had in fact been taken two years earlier in 1972 when, at the time of the impending UK membership of the European Community, an informal and autonomous group of those with operational responsibilities for banking supervision in EEC countries was set up.

(1) This paper was prepared by W P Cooke, Head of Banking Supervision at the Bank of England, for the Conference on the Internationalisation of the Capital Markets in New York in March 1981. He was assisted by R M G Brown.

(2) Committee members come from Belgium (and Luxembourg), Canada, France, West Germany, Italy, Japan, the Netherlands, Sweden, Switzerland, the United Kingdom and the United States.

Known as the Groupe de Contact, its principal aim was, and is, to achieve closer understanding and practical co-operation between the banking supervisory authorities of the member states. In recent years the group has also taken on a technical role for the Advisory Committee for Banking Co-ordination (set up under the First Banking Directive of the European Community to advise the European Commission on moves to harmonise the banking systems of the Community and their regulation).

The Basle Committee of Supervisors met for the first time in February 1975. Its first chairman was Mr George Blunden of the Bank of England; he was succeeded in 1977 by Mr Peter Cooke, also of the Bank of England. The Committee has met regularly over the past six years—normally three times a year.

There were two major tasks confronting banking supervisors which became apparent to the Committee. The first was the need to adapt the national supervisory system within each country in order to cope with the wider dimensions of their major banks' businesses. The second and complementary task was the promotion of close co-operation between national authorities in monitoring the activities of the overseas branches, subsidiaries and affiliates of their own banks, and the offshoots of foreign banks in their own territories. The Committee has provided a forum over the years in which supervisors can learn of each other's techniques and experience and hear of problems which may be emerging in different national systems which could be of wider concern. It has been particularly valuable in establishing close personal contacts between supervisors in different countries—relationships which in a number of cases have facilitated rapid and effective co-operation between the authorities concerned when banks operating within their respective jurisdictions have experienced problems. More generally, the Committee has worked to develop broad principles with which different national supervisory authorities can be encouraged to conform in settling their own detailed arrangements. It is not, however, a forum which specifically sets out to harmonise banking supervisory arrangements. National systems have grown up with different traditions: some with detailed statutory arrangements, others with more informal and flexible supervisory frameworks; some have comprehensive examination procedures, others do not. In practice, however, members of the Committee have found much to learn from each other and this mutual learning process may well over time produce some convergence between national systems which can only be beneficial. In all member countries, the past few years have been a period of considerable activity in the field of banking law and regulation. Most have enacted or are preparing major legislation, and in every case this legislation reflects, albeit to varying degrees, accords which have been reached in Basle or the incorporation in the national laws of one country desirable features of the arrangements prevailing in others.

The development of the Basle Committee's work

In the first period of the Basle Committee's work it concentrated on carving out first principles for international supervisory co-operation. They had to be built up from virtually nothing. The first priority was to reach an understanding of the appropriate division of responsibility between national authorities for the supervision of banks' foreign establishments, with the object of ensuring that no foreign banking establishment escaped supervision. The general statement of the Committee's views on this subject, which was subsequently endorsed by the Governors in December 1975, has become known as the Concordat. It is discussed in more detail in the next section of this paper. The importance of this early agreement cannot be emphasised too much. It represented the first, and a most significant, co-operative step forward, and even if it may have been a step made easier by the pressure of events at the time, it was nonetheless a considerable achievement which laid the foundation for later co-operative efforts. Another matter to which the Committee turned its attention at the outset was how an early warning system of potential problems in national banking systems might be organised. It was concluded that such problems could not in practice be handled through a separate monitoring system operated by an international body. Because of differences in national systems and legislation, co-ordination would be difficult and would anyway tend to duplicate national arrangements. Action to counter potentially dangerous situations should thus be taken by the national supervisory authority most concerned, in consultation with other countries as appropriate.

As the disturbances to the system lessened and immediate concerns were allayed the Committee settled down to examine the supervisory tools and arrangements which would be necessary to facilitate implementation of the basic guidelines enshrined in the Concordat and to develop co-operation further. A major recommendation was the use of supervision on a consolidated basis whereby the capital adequacy and risk exposure of international banks would be monitored on the basis of their world-wide business. The Committee also began to look beyond the specific type of risk which had underlain the Herstatt crisis (foreign exchange risk) to a detailed examination of other types of risk facing international banks, especially the degree of maturity transformation effected by individual banks and the system as a whole, and the problems of measuring and monitoring country risk.

As the Committee's work progressed, substantial efforts were made to involve in the discussion process supervisors from a wider group of countries than those represented on the Committee, since it was realised that, to be effective, the supervision of international banking activity should be as comprehensive as possible. From the outset a number of the Committee's papers had been circulated widely within the supervisory community for information and for comment and in 1979 it was decided to provide a forum for this wider group of supervisors to meet and discuss the Committee's work and its conclusions to date. Accordingly, an

International Conference of Banking Supervisors was organised by the Bank of England in London in July 1979. It was attended by bank supervisors from about eighty countries, representing Europe (Eastern and Western), North, Central and South America, Africa, the Middle East, the Indian sub-continent and the Pacific basin. A variety of topics was discussed, covering many of the principal areas of the Committee's work up to that time, including the division of supervisory responsibility; co-operation between bank supervisors; capital and liquidity adequacy; foreign exchange controls; consolidation; and the role of the offshore centres. This was the first occasion ever on which supervisors world-wide had had an opportunity to meet together, establish personal contacts, and to exchange views on international aspects of banking supervision.

The supervisory agencies in the United States have already announced that they will be organising a similar conference to be held in Washington in September 1981, and hopefully meetings of this kind may become a regular feature of the international banking scene so that the work of the Committee of Supervisors meeting in Basle may continue to be disseminated to the widest possible audience and the Commitee itself may profit from the ideas of those who do not take part in its regular deliberations. Mention has already been made of the work of the Groupe de Contact (some of whose members also sit on the Basle Committee). The studies of this group have frequently made a valuable contribution to the development of subjects considered in the wider forum of the Basle Committee; for example, the concept of consolidating banks' international business to make international supervision more effective was first discussed in the group. Other regional and more specialist groupings of supervisors have also met from time to time and are being encouraged. One example of these was a joint meeting of supervisors from the Group of Ten (G 10) countries and the principal offshore centres which was held in Basle in October 1980, during which a number of subjects were discussed, including exchanges of information, consolidation, and supervisory standards and procedures, on all of which a community of approach and considerable measure of agreement were achieved.

Areas of co-operative action

The paper now describes in somewhat more detail the principal areas of work to date in the Basle Committee.

The division of supervisory responsibility: the Concordat

It is appropriate to begin with an outline of what has come to be known as the Concordat on international supervisory co-operation. It sets out guidelines covering the responsibilities of different supervisory authorities for the ongoing supervision of banks where those banks operate in more than one national jurisdiction. It is not, and was never intended to be, an agreement about responsibilities for the provision of lender of last resort facilities to the international banking system, and there should not necessarily be considered to be any automatic link between acceptance of responsibility for ongoing supervision and the assumption of a lender of last resort role. The aim of the Concordat is to sustain as far as possible by effective supervision the health and safety of the existing structure. It does not set out to rule on the way in which the pieces of that structure should be picked up if it is broken. The Concordat encompasses the following principal guidelines and recommendations:

- The supervision of foreign banking establishments should be the joint responsibility of host and parent authorities.
- No foreign banking establishment should escape supervision, each country should ensure that foreign banking establishments are supervised, and supervision should be adequate as judged by both host and parent authorities.
- The supervision of liquidity should be the primary responsibility of host authorities since foreign establishments generally have to conform to local practices for their liquidity management and must comply with local regulations.
- The supervision of solvency of foreign branches should be essentially a matter for the parent authority. In the case of subsidiaries, while primary responsibility lies with the host authority, parent authorities should take account of the exposure of their domestic banks' foreign subsidiaries and joint ventures because of the parent banks' moral commitment in this regard.
- Practical co-operation would be facilitated by transfers of information between host and parent authorities and by the granting of permission for inspections by or on behalf of parent authorities on the territory of the host authority. Every effort should be made to remove any legal restraints (particularly in the field of professional secrecy or national sovereignty) which might hinder these forms of co-operation.

To make the Concordat fully effective internationally its principles will have to be endorsed by supervisors world-wide. The London conference in 1979 examined the terms of the Concordat, and although no formal decisions were taken there was general acceptance of its principles by those participating. The supervisors from the major offshore centres meeting in Basle in October 1980 also felt able to endorse its principles. It should be stressed, though, that the Concordat's guidelines are not fully implemented in practice and certainly not in law, and there remain areas where the division of responsibility is not entirely clear cut and where banking secrecy provisions are to a degree an impediment to its effectiveness.

Despite elements of imprecision—inevitable with agreements on principles when responsibilities are shared—the Concordat nevertheless has become established as a most important cornerstone of international supervisory co-operation. Its operation has recently been reviewed by the Committee, which has concluded that it is still soundly based and a valuable aid to international supervision.

Consolidation

The second major plank, developed over the past three years, of the Basle Committee's approach to international banking supervision is the principle that banks' international business should be monitored on a consolidated basis.

The Committee made its first recommendation to the Governors on the merits of supervision on a consolidated basis in 1978. The practice of consolidating the totality of a bank's international business permits its capital adequacy and risk exposure to be assessed on the basis of its world-wide business, including that of its foreign branches, subsidiaries and affiliates. This prevents banks from 'gearing up' imprudently on their capital or increasing their risk-taking beyond acceptable bounds through the establishment of operational presences in foreign countries where the solvency and other prudential requirements might be less tight than in the parent country. Consolidation in effect provides a clearer picture of a bank's overall exposure to risk and enables parent supervisors to apply their own standards to the monitoring of their banks' business, irrespective of where that business is conducted. Consequently it is an invaluable aid to parent supervisors in enabling them to fulfil in practice their responsibilities under the Concordat for the supervision of the solvency of their banks' foreign affiliates.

The Governors have strongly endorsed the consolidation principle and recommended its early implementation. Since 1978, good progress has been made in a number of countries to push ahead with the introduction or extension of supervision on a consolidated basis for their banks' international business, and others have plans to do so. Banks in Canada, the Netherlands and the United States, for example, have for several years been required to consolidate their foreign branches as well as significant wholly-owned subsidiaries for supervisory purposes. Japanese banks have been required to consolidate the accounts of their foreign branches for several years and those of significant wholly-owned and majority-owned subsidiaries since 1978. In the United Kingdom, new reporting arrangements were introduced during the course of 1979 to cover the international risk exposure of all UK-incorporated banks on a fully consolidated basis which should be fully effective by the end of 1981. In December 1980 the Swiss authorities adopted the necessary provisions to formalise the use of consolidated accounts for the purpose of assessing capital adequacy. In West Germany, the Gessler Commission's study of the German banking system published in May 1979 recommended the consolidated approach to supervision as a means of dealing with the problem of German banks abroad creating so-called 'credit pyramids', and legislation is currently in preparation. Further impetus to the adoption of the principle of consolidation in other EEC countries may come in the relatively near future from proposals for a Community directive, recommended by the Advisory Committee at the end of last year, which would make world-wide consolidation for supervisory purposes obligatory for EEC countries. A recent review conducted by the Committee concluded that good progress was being made in applying the principle of consolidation but that much still remained to be done, especially in improving the availability and consistency of statistics.

Solvency and liquidity

Effective monitoring of banks' solvency and liquidity adequacy lies at the heart of the national supervisory systems. Over recent years supervisors have been concerned at the weakening of capital, or solvency, ratios which has occurred in a number of countries, due in varying degrees to the rapid expansion of international business, a high degree of competition, the erosion of margins, and inflation constraining real profitability. This tendency has been accompanied and reinforced by many banks' reluctance or inability to attract new equity capital and their increasing use of subordinated debt as a substitute—a development accepted rather reluctantly by supervisors.

In an international setting, the need to sustain an adequate solvency profile for banks can be met through the application of the principle of consolidation to a bank's world-wide business without fundamental changes in approach from that pursued at the national level. Up to now the Basle Committee, in considering solvency questions, has concentrated particularly on attacking the problem through improved consolidation arrangements.

Handling liquidity adequacy questions is more complicated because many currencies are involved and there is no formalised lender of last resort responsibility vested in any one body in international markets as there tends to be for the domestic currency in a national market. The Committee has shared the concern which has been voiced by some that the rapid increase in international lending in the 1970s has been accompanied by a lengthening of maturities and an increased mismatch between banks' assets and liabilities. This gives rise to an interest-rate risk and a funding risk, and while in theory the roll-over technique should alleviate the first of those risks, banks may not match exactly to roll-over dates. In practice also some banks may not be able to refund their lending at acceptable rates, particularly when interest rates are rising steeply.

Although there are differences of emphasis among its members, the Committee considers that the degree of maturity transformation effected by banks in their international business is a matter of especial importance to supervisors because funding problems are not infrequently the origin of a problem bank situation. More importantly, there is the risk that the increased interdependence of banks for their liquidity management could lead to domino effects throughout the international banking system in the event of problems emerging in one corner of it.

Faced with an inadequacy of statistics in trying to assess the extent of, and variations in, the mismatching being effected by banks in the conduct of their international business, and in order to be able to make valid international comparisons, the Committee, at the request of the G 10 Governors, began in 1978 to examine the construction of a uniform reporting system for the collection of data on banks' maturity transformation in their international business. Following extensive discussions, and with the Governors' support, it was agreed in September 1980 that a twice-yearly reporting system should be put in train under the aegis of the Bank for International Settlements with the object of producing aggregated consolidated data on a consistent basis, with fairly detailed maturity breakdowns from sight to seven years, covering all the international assets and liabilities of reporting banks. This operation is beginning in March 1981. As with other international efforts of this kind, it may take some time for the new system to become fully operational since some countries may have substantially to amend or extend the basis on which maturity transformation data are currently reported; in others it will require a completely new system. But despite such additional reporting burdens for the banks, which for many countries, including the United States, come on top of recent major revisions to reporting requirements, it seemed to the Committee that it was a matter of considerable priority that better data on this very important aspect of international banking activity should be made available and that these requests for information being made to the world's major banks were fully justified. In view of the relatively untried and untested nature of market conventions with respect to liquidity management and further recycling pressures which could well arise in the future, supervisors need to be in a position to improve their capacity to assess the maturity patterns and potential liquidity problems of their banks and the international banking system as a whole.

Country risk

Much has been written about international banks' exposure to country risk. A difficult concept to define with precision, country risk refers to the possibility that borrowers of a particular country may be unable or unwilling to fulfil their foreign obligations because of actions taken by that country's government to conserve foreign exchange reserves or for some other reason. This category of risk, which embraces both sovereign risk lending and lending to commercial entities in foreign countries, has become of increasing concern to banks and supervisory authorities because of the rapid expansion of international lending, particularly to developing countries as part of the recycling process, to a degree which at a time of adverse economic conditions world-wide could call into question the ability of some borrowers to repay their loans as they fall due. The Basle Committee has kept this subject under review over recent years. The basic attitude of supervisors generally can be simply expressed: country risk, as one form of credit risk, is a matter for the commercial judgment and decision of each bank on a case-by-case basis. But as with all kinds of risk exposure in banks' business, the essential characteristic is that it should not be exessive in relation to a bank's capacity to meet losses. The supervisors' particular concerns should be: to assist banks to assess the risks they are running by ensuring that the best possible data bearing on the lending decisions are available; to ensure that the banks have adequate internal assessment and control procedures; and to improve prudential reporting and monitoring systems.

A number of steps have been taken over the last few years in line with this approach. Following the Herstatt affair it became clear that an improved statistical breakdown of banks' exposure by country was needed. In 1977 the BIS began to produce twice-yearly data on the maturity structure of the claims of banks in the G10 area and certain other centres and in 1979 issued a comprehensive manual on country indebtedness designed to direct the banks to statistical source material for assessing country risk. Many countries' measurement and control systems of this kind of exposure have been improved. For example, in 1978 the main supervisory agencies in the United States, which have done much pioneering work on methods of country risk analysis, agreed on a common approach to the isolation of country risk, including a checklist of factors to evaluate the banks' ability to monitor and control their country risk. More recently, the West German and Belgian authorities have asked auditors to include in their annual reports on banks an evaluation of the banks' methods of country risk measurement and control. The United States and the United Kingdom are now collecting country exposure information on a consolidated basis. Other countries too are considering similar moves.

Other work

In addition to the work in these major subject areas the Committee has examined a wide range of other issues of concern to supervisors of international banking business. Each meeting gives members an opportunity to keep up to date with recent developments in each other's rules and practices and to hear of problem situations and how they have been handled. Subjects which have been studied or on which recommendations have been made to the Governors include broad comparisons of the supervisory systems in operation in each country and various aspects of the control of foreign exchange operations embracing the banks' own internal procedures, relations with brokers, official regulations and the role of supervisors. The Committee has also reviewed the various attitudes adopted by member countries with regard to the role of loan capital in a bank's balance sheet, requirements for endowment capital for foreign branches, arrangements for bank audits and affiliation relationships between banks and non-banks. Other areas of study have included the role of profit and loss analysis in bank supervision; techniques of rescue and support; deposit protection arrangements in different countries; the supervision of banks' trust business; and the prudential implications of certain aspects of loan syndication agreements. In addition the Committee has been involved with the accounting profession internationally and the International Chamber of Commerce on technical work relevant to international banking business.

Information flows

The free flow of information across national borders between banks and supervisors is a crucial feature of effective international co-operation between supervisory authorities.

Bank secrecy laws or regulations in some countries can enjoin banks not to reveal information about their customers and can preclude supervisors from divulging to other supervisory authorities information which they have acquired in the course of their duties. Obstacles to free cross-border flows of information between foreign offshoots and their parents and between host and parent authorities, while their significance should not be overemphasised, raise a number of practical barriers to fully effective co-operation. First, foreign establishments may not be able to reveal information to their parent banks, or the parent bank may invoke the secrecy rules of the host country not to divulge information to its parent authority. Second, host authorities may be precluded by local laws or practice on professional secrecy from revealing information about the banks under their supervision to parent authorities. Third, differences in the laws of professional secrecy applied to different supervisory authorities could potentially make information less well protected in one country than in another. Finally, parent authorities may be prevented from conducting on-the-spot inspections to verify the information they receive.

Since such impediments can clearly impair parental supervision under the Concordat, consolidated supervision, and co-operation in general, the Basle Committee is working to reduce these obstacles but believes that, at least amongst its members, secrecy provisions do not in practice operate substantially to impair supervisory co-operation. In particular, use of banks' external auditors may help alleviate some of these impediments. An important step forward in removing the legal barriers to exchanges of information between supervisors was made in the First EEC Banking Directive, adopted at the end of 1979, which requires member states to permit the exchange of information between supervisory authorities about the management and ownership of credit institutions and data necessary for monitoring their liquidity and solvency. More recently there have been signs of a greater willingness on the part of other countries to relax secrecy rules for purposes of international supervisory co-operation. These are encouraging developments in what must be recognised to be a gradual process since bank secrecy constraints are deeply-rooted legal or customary attitudes in many countries round the world and will not be quickly or easily removed.

Another area of concern in ensuring that effective exchanges of information can take place is the consistency of the data. Differences of style and techniques and of intensity of supervision lead to considerable variations in the amount and form of the information required by national supervisory authorities. Much of the information supplied by the banks is designed to meet not only prudential but also monetary and statistical purposes, for which information needs differ widely between countries. What is more, during the last few years many countries, as a result of the rapid change in banking and supervisory arrangements in the 1970s, have considerably amended and generally enhanced their national reporting systems. This has placed burdens on banks, and the authorities have to strike a sensible balance between securing important informational objectives and making excessive demands on their banks.

A start has been made on 'international' reporting with the collection of reasonably consistent data on country exposure and maturity transformation. As these reporting systems are improved and consolidation reveals what further co-ordination is necessary on a broader front it may be hoped that models will evolve on which future changes in national systems can be based. In the meantime, at this experimental stage in the collection of 'international' data, the banks—and supervisors—will have to recognise that some duplication of existing systems and allocation of extra resources are inevitable but that these should be borne with for the general good. Over time the Committee will be working to achieve a greater degree of agreement about the purposes which data should serve so that all countries will have a better basis for considering sympathetically the desirability of standardising systems for the production of such data.

Conclusion

The initial moves towards international co-operation in banking supervision in the mid-1970s arose out of problems associated with the rapid growth of the euromarkets and the strains of international recycling following the first major oil price rise. As the 1980s began, in the light of the continued growth in international business and pressures from further oil price rises, the Central Bank Governors of the Group of Ten countries and Switzerland took a further close look at international financial markets and banking activity. They concluded that high priority should be given to the maintenance of the soundness and stability of the international banking system.

To enhance the authorities' surveillance capacity the Standing Committee on Euromarkets was charged with the regular review of international banking statistics and other relevant information. Thus developments in the macroeconomic field, which profoundly affect the environment within which supervisors operate in working to sustain the soundness of individual banks, are now being regularly monitored. At the same time, in their communiqué of April 1980 the Governors, referring to the risks run by individual banks, re-affirmed 'the cardinal importance which they attach to the maintenance of sound banking standards—particularly with regard to capital adequacy, liquidity and concentration of risks. To this end they place high priority on bringing into full effect the initiatives already begun by the Committee on Banking

Regulations and Supervisory Practices with regard to the supervision of banks' international business on a consolidated basis, improved assessment of country risk exposure, and the development of more comprehensive and consistent data for monitoring the extent of banks' maturity transformation'. Thus, some at least of the tasks of the international supervisory community in the early 1980s have been signposted.

The last few years have seen the emergence of a strong sense of community of interest among those responsible for supervising the international business of banks, in full awareness that the health and safety of individual banks now depend on the soundness of the whole international banking system. The knowledge that this co-operation exists provides reassurance to the markets that the international banking system is being effectively supervised, and that should problems emerge, contacts and understandings exist and experience can be shared to ensure that speedy solutions can be found to minimise the extent of any disturbance to the system.

The Basle Committee, and the Groupe de Contact, have played a pivotal role in this process. They have provided a forum for mutual education about each other's systems; for the exchange of confidential information within the bounds of each country's secrecy rules; for the study of individual problems to learn the lessons they contain for supervisors; for the elaboration of guidelines which should govern the supervision of banks' international business; and perhaps most important of all for the establishment of personal contacts, which has led to practical continuing collaboration outside the confines of the committees in an atmosphere of mutual confidence and trust both in routine matters and in individual problem cases.

The result of these contacts and exchanges has been to create a new international approach to banking supervision. The foundations of international co-operation in supervisory responsibilities have been laid, notably in the Concordat and the recommendations on consolidation. In addition, new international guidelines, frequently incorporating the best of individual countries' experience and developed through international discussion, often in a spirit of real compromise, are coming to be widely accepted by authorities world-wide and are increasingly being reflected in the legislative and administrative measures undertaken by individual countries.

Moreover, in framing new policies many countries increasingly seek possible models in the methods of other countries and this is creating a slow but perceptible trend towards convergence of supervisory techniques based on best practice. More remains to be done in the 1980s but a basic international framework for future co-ordination and co-operation, both among the major industrialised countries and more widely, has already been established.