

Effective regulatory regimes: a comparative analysis of GCC financial regulators

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Purpose

- The purpose of this study is to investigate the effects of the global financial crisis on Gulf Cooperation Council (GCC) bank regulation and the impact on the region and the policies adopted by the regulators to avoid financial panic and contagion.

Design/methodology/approach

- The author examines GCC countries' financial soundness indicators in terms of capital adequacy, non-performing loans and provisioning rates, including central bank liquidity support, deposit guarantees, capital injections and monetary easing and policies to mitigate risk assessment, and the monitoring and elimination of practices promoting excessive risk. GCC compliance regimes through multinational organizations and the exposure of the region to cross-border financial linkages to test for financial soundness are assessed.

Findings

- Overall, results indicate that comprehensive regulatory oversight exists in the GCC in conformity with international standards, and Basel capital adequacy requirements, and that the GCC regulators have acted prudently to establish high coverage in all measures but that gaps exist concerning cross-border surveillance and a need for imposition of capital surcharges on banks deemed high systemic risk. The supervision of Islamic financial institutions and a lack of inter-GCC liquidity support mechanism for this segment are highlighted.

Practical implications

- The paper shows that the GCC regulators need to address cross-border surveillance, as local banks branch internationally and foreign banks operate in the region.

Originality/value

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