- The supervision of individual institutions must be complemented with prudential arrangements that can cope with problems resulting from linkages between institutions. The BIS says arrangements for payment and settlement systems are at the top of the agenda.

- As crisis managers, with ultimate control over liquidity, central banks will need to adapt their techniques of intervention to the new financial environment. Complex markets and institutional relationships will require central banks to have intimate knowledge of market mechanisms and participants in order to properly judge the scale and timing of interventions.

- The proper balance between market discipline and the involvement of authorities must be struck. Market discipline alone might not be consistent with systemic stability, while too much involvement by authorities provides a false sense of security to market participants, possibly encouraging them to take on excessive risks.

Capital Adequacy Standards and Consolidated Supervision

The international regulation of banks has focused on capital adequacy standards and consolidated supervision of a bank's foreign establishments.[61] The Basle Accord, reached in July 1988, established international capital requirements proportional to the credit risks undertaken by individual institutions. What will likely emerge in the future, especially since banks can own securities firms in Canada, France, Italy and the U.K., is a harmonization of capital standards for banks and securities firms.

As financial markets become more international, the ability of supervisors to regulate domestic institutions is partly undermined. The 1991 closure of the Bank of Credit and Commerce International exemplified the gaps in cross-border regulation concerning foreign bank branches, foreign subsidiaries and joint ventures. The Group of Ten supervisory authorities have come up with four minimum standards to address the regulatory gap.

- International banks should be supervised by a home-country authority, which should receive information on the banks' global operations.

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[61] See International Monetary Fund, *op. cit.*, pp. 33-7.