

In essence, the methods of coordination and cooperation among the major industrialized economies and the multilateral financial institutions must be modernized and brought into line with the growing speed and breadth of financial market integration. Since these groups have at their disposal the same information technology that markets have exploited, further improvements in these capabilities appear both feasible and desirable.

Solid progress on the elements discussed above should significantly improve the international community's ability to cope with future financial crises. Nevertheless, these improvements may not be sufficient in all cases. In line with this, and recognizing the complex legal and other issues posed in debt crisis situations by the wide variety of sources of international finance involved, we would encourage further review by G-10 Ministers and Governors of other procedures that might also usefully be considered for their orderly resolution.

#### **6. Strengthening Financial Market Supervision and Regulation**

The growth of financial markets, the development of new instruments, and a desire for diversification of investment have spurred global integration of national markets and increased liquidity. These developments have led to a more efficient allocation of capital and thus greater growth of economic activity. At the same time, with today's highly integrated financial markets, there is a greater potential for the rapid transmission of financial disturbances. Close international cooperation in the regulation and supervision of financial institutions and markets is essential to the continued safeguarding of the financial system and to prevent erosion of necessary prudential standards.

Continued strengthening of these efforts has the full support of G-7 Finance Ministers and Central Bank Governors. We look forward to the development and further enhancement of concrete international understandings, where necessary and appropriate, on the safeguards, standards, transparency, and systems necessary to reduce potential risks. In this context, we recognize the important initiatives being undertaken separately and jointly by various committees under the aegis of the BIS and the International Organization of Securities Commissions as well as by national authorities.

- **The G-10 should be encouraged to intensify their review of work in this area and there should be a call for the Basle Committee on Banking Supervision and the International Organization of Securities Commissions to work closely together in addressing the major issues in this area and the desirable steps to address identified problems and to report back. These reports should help Ministers to reach conclusions regarding the extent of systemic risks and their**