

## The Basel Committee on Banking Supervision (1975-1982): A Global Network?

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*This paper examines a group of experts in banking supervision who met at the Bank for International Settlements between 1975 and 1982. During this time, they discussed different prudential issues raised by the emerging new international banking practices. These included, for example, division of responsibilities between authorities from different countries or issues of country risk. I argue that analysing the work of this expert committee is important to our understanding of how changes in financial regulation and supervision occurred, as the members of the committee performed most of the technical work involved. This work involved had social as well as intellectual dimensions. After presenting actions and reflections of the committee between 1975 and 1982, I discuss several points of comparison between countries, highlighting the interrelation between transnational and domestic causes of changes in financial regulation. Finally, I analyse the different professional networks involved in the committee's activity and argue that they played a vital role in the establishment of the international system of banking supervision.*

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The Basel Committee on Banking Supervision established at the end of 1974 by the governors of the Group of Ten countries and Switzerland created a network between banking supervisors and central banks foreign exchange experts from 12 countries. Its aim was to prevent banking crises through international cooperation among authorities, to learn from each other, to discuss important issues arising in the field, and to help the governors in their work. Between 1975 and 1982, it discussed many concerns arising from new banking practices in a context marked by the expansion of the eurodollar market, floating exchange rates and the exchange rate risk associated, the internationalisation of banking activities and their multinational expansion, or the rise of Japan and of its financial centre, Tokyo, as a major financial power. Macro-economic issues, such as inflation or economic recession, particularly at the turn of the 1980s, constrained governments' banking and monetary policies<sup>1</sup>. Several financial crises (Herstatt in Germany, Franklin National in the USA) and their international prolongations triggered concerns about the need for cooperation between national authorities. Whenever possible, members of the Basel Committee on Banking Regulation and Supervisory Practices (thereafter Basel Committee, or BCBS) tried to exchange information, achieve common agreement, and adapt comparable frameworks. However, they had to cope with the important heterogeneity of legal, administrative and economic structures, and face economic competition between countries.

Several scholars from various disciplines have already studied the Basel Committee. Political scientists have inquired into the question of global governance<sup>2</sup>, while economists have been more concerned with the efficiency and cost of banking supervision<sup>3</sup>. The Basel Committee has also already been studied as a transnational network by Marcussen, in a perspective somewhat different from the more descriptive one chosen here.<sup>4</sup> In the field of history the topic is linked to the historiography of central banks<sup>5</sup>, of internationalisation of banking activities<sup>6</sup>, of financial crises<sup>7</sup> or financial regulation<sup>8</sup>. Moreover, extensive research has been done in anthropology<sup>9</sup> and economic sociology<sup>10</sup> that can provide the historian with useful insights concerning the social dimension of administrative practices and the role of knowledge in financial expertise.

This paper examines a group of experts by paying particular attention to the human dimension in order to understand how broader changes in financial regulation could occur. Indeed, analysing the committee level enables the historian to inquire into the precise processes by which supervisory practices and regulation evolved. The history of the BCBS is both the story of a part of actual worldwide banking supervision and of a reflection on banking supervision. The first part of this paper will explore these practices and reflections between 1975 and 1982. The second part will argue that the study of such transnational bodies have to be complemented by a comparative analysis taking into account what was happening in each country. The cooperation between authorities was at best international and not supranational or global because of the persistence of national frameworks. The third part will

argue that international banking supervision was based on several networks of supervisors. Many interrelated and overlapping networks were linked to the Basel Committee – within the EEC context, with offshore centres, with other experts committees such as the Euro Currency Standing Committee, not to mention national networks. Networks were an essential part both of the practice of international supervision and of the circulation of information and ideas. Cooperation, coordination, and convergence, were three levels of relations between banking supervisors, which were always constrained by rivalries and differences between members countries. The BCBS was also a forum for discussions and conceptualisations of an idea of a single international banking market, and of its regulatory dimension, the level playing field.

This paper is based on archival research mainly conducted at the Bank for International Settlements, the Bank of England and the Banque de France. Informal records of the meetings have been more particularly studied. They are accessible until 1979 at the BIS and until 1982 at the Banque de France, and are typically between 30 to 50 pages long. Like other experts committees, the BCBS had a task of producing documents, which is a particularly important concern for the historian. Many discussions of the BCBS concerned for whom they were written: the Basel Committee only, the governors, or the wider community of worldwide supervisors. Each decision in this area was negotiated, implied a choice, and changed the content of the document. These papers circulated also within the parent institutions represented on the committee, central banks or supervisory institutions. Thus there was a complex construction and circulation of papers among the various networks involved in international banking supervision.

## I

In the work of the BCBS, regulation and supervision were at the same time distinct and interrelated. Every meeting started with a “tour de table” of each country's evolutions in regulation and supervisory practices. Whereas it was taking a substantial amount of time, it was not suppressed even when urgent matters were on the agenda, such as country risk in the 1980s, at the outbreak of the international debt crisis. Supervisors had to know the rules of the countries in which their banks were operating, but also wanted to exchange views on the way each country was dealing with international banking. Many members mentioned more or less formal rules set by their institutions in their daily practice of supervision: guidelines of the central bank, gentlemen's agreements between commercial banks and authorities, recommendations to banks, routine correspondence or direct contacts. Thus different degrees of

formality existed in the relationship between authorities and the market. For example in April 1975, the Swiss delegation explained that a gentlemen's agreement had been signed between the Swiss National Bank and major banks to report each transaction in the foreign exchange of more than five million dollars by the end of the day<sup>11</sup>. At the same reunion, the US delegate Dahl explained that American authorities were trying to develop "guidelines" concerning foreign exchange business and its prudent conduct through the establishment of a working group involving banks: 'for reasons of simplicity and flexibility such an arrangement was preferable to a strict regulatory framework'<sup>12</sup>. Such administrative practices were more easily subject to the reciprocal influence through the BCBS. For example, in early 1979, a Code of conduct for brokers was established in Germany. It had been made through a collaboration between private and public bankers associations and with the support of German authorities whose wishes were followed. During the March meeting, French and Italian delegates replied they would use these documents to try to regulate brokers in their own countries<sup>13</sup>. Thus many degrees of formality existed and the BCBS was a forum for the circulation of ideas about regulation.

A first important agreement between members of the BCBS in 1975 was the division of responsibilities between members' countries for the supervision of foreign branches, subsidiaries, and joint ventures. Member countries were considered as parent authorities when they supervised activities of their own national banks, and host authorities for all foreign establishments operating in their territory. In a paper by a Dutch delegate, Muller, well described by Goodhart<sup>14</sup>, host and parent authorities' responsibilities were set for liquidity, solvency and foreign exposure. The aim was to avoid any gap in supervision, and the main idea was that host authorities were more responsible for liquidity, and parent authorities for solvency. Indeed, host authorities were considered both more informed about and more interested in liquidity conditions of their market, whereas parent authorities had to 'take the risks of the overseas establishments into account in judging the adequacy of the capital-base of the main-office or parent company'<sup>15</sup>. As foreign exchange positions were supervised both for solvency and 'national' reasons (for example for balance of payments purposes), both parent and host authorities were considered responsible. Joint ventures, which were for example established by European banking clubs involving banks from different countries, were a particular case where host authorities were considered the only possible supervisory authority. Indeed the existence of many shareholders from different countries rendered any kind of parental supervision extremely difficult<sup>16</sup>. Later accounts of this agreement, such as the report to the governors from 1980<sup>17</sup>, indicate that it has been used and appreciated by authorities for several years even if amendments were considered. However, its clarification purpose in normal circumstances was seriously challenged in times of crises, as shown by the debates about lender-in-last-resort in 1981<sup>18</sup>.

An important and related field of work of the BCBS was consolidation of banks' balance sheets for supervisory purposes. It was linked to the question of division of responsibility between authorities, which came to be known as the 'Concordat', because it shifted this division. It was indeed placing more emphasis on parental responsibility based on consolidated figures integrating all the international activities of a bank<sup>19</sup>. If all members reaffirmed several times their support to the consolidation principle, many discussions occurred about important details. There were for example obstacles to the circulation of information between host and parent authorities for banking secrecy reasons. Consolidation was considered to have some limits and was not always easy to implement, and some members protested against the implied reduced importance of host authorities' responsibility put forward by others. However, the adoption of consolidation as a technique of supervision revealed a shift in supervisors' representations towards a global and integrated approach, and illustrates the importance of information for supervision, which has always been a crucial topic during discussions. If consolidation was addressed as early as 1975<sup>20</sup>, it was only in October 1978 that a report on the question was sent to Zijlstra, president of the committee of the governors of the Group of Ten countries<sup>21</sup>. Following the approval of the governors, a second report recommended the application of the proposed principle of consolidation by the authorities represented, despite many differences of approach between countries<sup>22</sup>. This report was endorsed by the governors in May 1979. In a letter to his governors colleagues in June, president Zijlstra wrote: 'it would be my hope that early steps will be taken in all our countries to implement this principle'<sup>23</sup>. Thus the influence of the BCBS in the adoption of consolidation by supervisory authorities was important, even if it was not the only actor involved, as national institutions were also addressing the question.

Country risk (risk related to unpredictable evolutions in countries), its definition and measurement, was a central concern at the turn of the 1980s. The question was first discussed during the meeting of October 1976<sup>24</sup> and came from a suggestion of Professor Lamfalussy from the Bank for International Settlements<sup>25</sup>. It followed a growing concern in several countries about the sharp increase in international lending to developing countries since the 1970s, and immediately faced considerable skepticism from several members. Two main critiques were raised: first, the question was more of a macro-economic one, whereas the BCBS was focused on micro-economic issues, second it was the responsibility of banks, not of supervisors, to assess risks in international lending<sup>26</sup>. Initially, the US delegates were far more concerned with the question, Japan and Canada let their banks evaluating risks; other countries were at very different stages of reflection<sup>27</sup>. Despite the considerable differences in opinions among members, one position was agreed and stressed: considering country risk as a type of credit risk was more appropriate than considering it as a specific risk and developing formal regulation about it<sup>28</sup>. Supervisors did not want to take responsibility for banks' lending operations. However, one group of countries, among which were United States whose banks were more

exposed, wanted a certain number of specific official dispositions, whereas others preferred to limit their role to providing banks with as accurate data as possible<sup>29</sup>.

For country risk as for many other topics discussed by the Basel Committee, information played a crucial role. Comparing statistics internationally, monitoring banks' international activities, discussing new practices of the market between members: all these tasks raised considerable difficulties about the heterogeneity of accounting standards, about the difficulty of obtaining relevant data in a short time, and about the interpretation of them. Reflection on country risk within the BCBS was continuously influencing reflection within national institutions, and involved an intellectual process that highlights the importance of information, of their circulation and negotiation, for supervisory expertise. It also shows how banking supervisors were considering a large range of tools to influence the market, designed first of all by means of micro-economic concerns.

Between 1975 and 1982, the work of the BCBS was influenced by a specific context, in addition to broad changes listed in the introduction. The power balance was important, and would require a comprehensive in-depth study. The role of the United Kingdom which provided both chairmen and a secretary was clearly related to the importance of the financial centre of London and to the will of leadership of the Bank of England in financial governance. The United States' influence was more important at the end of the 1970s, as US delegates were pressing for achievements in the field of country risk, and as US regulation was quickly changing. Failures and crises such as the Israel-British Bank (which triggered the work on auditing and accounting), the world recession of the early 1980s or the outbreak of the international debt crisis were influencing or imposing the agenda of the Committee. The micro-economic focus of the BCBS was also conditioning discussions. If the BCBS was a body enabling cooperation and circulation of information and ideas between authorities, it was also at the crossroads of national evolutions, which invites to a few comparative comments.

## II

National constraints were a great obstacle to the work of the Basel Committee. Therefore the study of such an international expert committee cannot be limited to the transnational level, and comparative considerations help to understand its evolution. Indeed there were both parallel changes in all twelve countries towards

internationalisation of banking markets and different national responses to this changing environment. Legislations and administrative structures differed considerably. For example, an institution considered as a bank in one country could be not considered as such in another. In the early 1980s, there was not even a legal definition of a bank in Canada<sup>30</sup>. Institutions represented in the committee also differed, because in some countries the central bank was not responsible for banking supervision, or was not the main institution in that field. This was the case in Germany for example, where banking supervision was essentially conducted by the Federal Banking Supervisory Office. Countries differed in their power of regulation, and in the power their central bank had in the national administrative structure: the Bank of England was a strong institution which managed to keep all its power and close relationships with the City even after the Banking Act of 1979<sup>31</sup>. The Banque de France was much less powerful compared to the French Ministry of Finance. Likewise, Japanese delegates did not always seem happy to be under the authority of the G10 governors, particularly when issues such as authorisations procedures for foreign banks' establishment were discussed, as the relevant authority in Japan was the Ministry of Finance and not the central bank. They vigorously opposed the transmission of a report on this area to the governors<sup>32</sup>. The question of the relationship between supervision and central bank was even more acute when it came to discussing lender-of-last-resort matters, as the question was different for countries where the central bank was not in charge of supervision, and for others. Finally, different models of regulation existed: some countries such as the United Kingdom were characterised by the importance of 'moral suasion' in the relationship with the market, whereas others had a more formal tradition, such as Germany and France. Japan and Switzerland also used close contacts and more or less informal agreements with the market to monitor it. In all cases contacts between commercial banks and authorities were made at national level only, and not with the BCBS directly, because members did not want to bypass national administrations<sup>33</sup>.

Moreover, each country had its own political agenda and financial regulation was rooted in domestic issues. The BCBS members spent a lot of time describing changes in their countries and a frequent first step in the analysis of a question was the circulation of a questionnaire about member countries' practices in the field considered. Over the period 1975-1982, each country adapted its legislative framework to the internationalisation (very variable from one country to another) of its banking system, without always harmonising it with other countries. The American Depository Institutions' Deregulation and Monetary Control Act in 1980, the British Banking Act of 1979 or the Japanese new Banking Law of 1981 are just a few examples of the important legislative activity of the countries represented in the Basel Committee. They were all discussed in detail during meetings, raising sometimes concerns from other members and showing the primacy of national interests despite a certain degree of cooperation and coordination with other countries. The latter included for example the legal possibility for foreign banks to supply

information to their parent institution, for authorities to exchange information with foreign supervisory institutions and to allow their direct inspections, frequently on a confidential and reciprocal condition. For example, a draft amendment of the German Banking Act in 1982 had such provisions for international cooperation between supervisory authorities, 'some of which only gave legal force to what had already been the practice for some time'<sup>34</sup>.

Economic structures between members differed considerably and this has always been a constraint on the work of the BCBS. National banking systems were differently organised, characterised by different types of banks (universal in Germany, specialised in the United Kingdom for instance), and were unevenly internationalised. For example in Canada and Sweden the foreign banking sector was strictly limited: the new Canadian banking legislation enacted in early 1981 limited the size of individual foreign banks to 20 times their authorised capital, and the whole foreign banking sector measured as the aggregation of the banks' limit, to eight per cent of the total claims booked in Canada on Canadian residents<sup>35</sup>. In Sweden foreign banks were not allowed to operate until at least 1980, and Swedish banks were allowed to operate abroad only through subsidiaries<sup>36</sup>. Differences between countries in general had practical implications: for example Swedish bankers resisted the consolidation principle because most Nordic banks operated abroad through consortium banks, usually with a 25 per cent of share. Thus the consolidation of one consortium bank based for example in London and operating abroad would require a complex reporting procedure including each parent bank in different Nordic countries<sup>37</sup>. Likewise, French nationalised banks were in a different situation when it came to raising capital. The size of national economies varied also considerably and not all of them hosted a major international financial centre such as New York, Tokyo or London. Therefore the USA, Japan and the United Kingdom were in a somewhat different position. Any important regulation in these countries had international implications, as all banks from other G10 countries were operating there and had to comply with their requirements. Such differences meant that different topics addressed by supervisors had a very variable importance for different members, and aroused varied levels enthusiasm among them. Many documents produced by the Basel Committee stressed the differences between members and the difficulty in finding agreements, not to mention the harmonisation of supervisory systems.

This difficulty was reinforced by the fact that member countries were also competitors. Nationalism was likely to play a role in institutions such as central banks, and supervisors felt a duty to protect their banks abroad. Therefore, there were many discussions about competitive disadvantages. In the October 1981 meeting a Dutch delegate explained that Dutch bankers had complained to the EEC about French nationalisations, saying that French banks would be in a better position, in France because they would be backed up by French government, and abroad because their solvency requirements would be relaxed<sup>38</sup>. Müller, a Swiss delegate, supported his Dutch colleague.

Much stronger resentment aroused when new reporting requirements for foreign banks were established in the USA in early 1981. British delegate Nendick 'registered his disappointment that little had been done to recognise that much of the data required appeared to go against the terms of the Concordat in that the host country was requesting worldwide information on the operations of banks based in other countries'<sup>39</sup>. Other members shared these concerns.

The question of economic rivalries between countries was linked to the idea of the level playing field. Even if the phrase was not used, conditions of competition between banks from different countries started to be a frequently discussed topic in the early 1980s when capitalisation issues were addressed. Swiss delegates repeatedly supported propositions to discuss issues of capitalisation, as banks in Switzerland were pressuring authorities to relax capital requirements because they were considered to be higher than elsewhere and at a competitive disadvantage. However, some members such as the Japanese who were more interested in fiscal issues, did not share this point of view, particularly since they did not use the same tools to evaluate banks' soundness. In February, the Japanese delegate Kawasa questioned the association between capitalisation and inequalities of competitive positions between banks and stressed that there were other factors of inequalities, particularly differences in taxation<sup>40</sup>. Discussions in the BCBS shows that the idea of a worldwide level playing field is also a representation which has a history. At the turn of the 1980s it was only beginning to be conceptualised.

Thus international banking supervision in the Basel Committee was torn between an international market and the implied necessity of international cooperation between authorities on the one hand, and national interests, legislations and economic structures, on the other. This is why it can be argued that transnational and comparative analyses can be usefully combined for the study of the BCBS. The international banking market was in itself quite heterogeneous and influenced by different national markets. Therefore cooperative as well as uncooperative behaviours could occur in the committee, as authorities could have a variable duty, incentive, and possibility or desire to cooperate. The system of supervision they tried to establish was also to some extent an administrative necessity based on social contacts and analyses of data, involving networks and circulation of information.

How could supervisors work in such a complex environment? In a discussion about the failure of the British-Israel bank in 1975, French delegate Aubanel considered that 'the effectiveness of a supervisory system [...] depended above all on the quality and insight of the supervisors'<sup>41</sup>. There are many examples in the informal records of meetings of the importance of skills and knowledge for the interpretation of accounting or statistical data and of evolutions of the market. In March 1977 British delegate Galpin described the way authorities used profit and loss accounts for supervision in the United Kingdom: attention was given to the sources and quality of profits with a view to check if they reflected a real commercial result or a windfall profit, if they could be increased, cover loans and losses and so forth<sup>42</sup>. It showed supervision was more of an art than a science, even when it came to discussing more formal data such as statistics of international lending. In that case most discussions dealt not surprisingly with the construction and interpretation of them. In October 1978 the BCBS discussed a paper comparing the profitability of banks in different countries. French delegate Bonnardin said that the three French banks included in the paper were all nationalised and had very low solvency ratios because it was difficult for them to raise equity capital. Their net profits to own resources ratios were therefore very high, but he stressed that the results would have been very different if private banks had been included, and that ratios were frequently inconsistent nationwide alone<sup>43</sup>.

International banking supervision was based on many networks involving different scales of supervision, such as one or two countries, a region such as Europe, or the worldwide community of supervisors. Facilitating bilateral contacts was one role among others played by the Basel Committee that itself formed a network and a transnational community. Such contacts were necessary in case of a failure involving two or more countries, whether or not in the G10 countries. For example, in the case of the liquidation of the Israel-British Bank in 1975, both the Bank of England and the Bank of Israel increased the resources available to the liquidators of the two banks involved by a common agreement<sup>44</sup>. This kind of cooperation for specific problems was very frequent.

The Basel Committee was in close contact with other group of supervisors, first of all with the EEC Groupe de Contact. As Goodhart well explained, the BCBS had its origins in the EEC group, and several members were part of both committees<sup>45</sup>. Until 1978 Ireland was kept informed of the work of the BCBS by the United Kingdom, and Denmark by the Netherlands<sup>46</sup>. From March 1978 onwards, at the request of Belgium delegate Baeyens, president of the EEC Groupe de Contact and member of the BCBS, all the documents of the Basel Committee were made available to the EEC group<sup>47</sup>. From this meeting onward, evolutions in the EEC context were presented by the president of the Groupe de Contact. Likewise, many reports produced by the EEC supervisors were discussed or circulated in the BCBS. Many similar topics were discussed in both committees, such as consolidation of banks' balance sheets, undisclosed reserves, inward authorisation procedures of branches of foreign banks or capitalisation. When the BCBS seriously

started to discuss capital adequacy measurement in June 1981, its president Peter Cooke recalled the important work of the EEC in this area<sup>48</sup>. When the EEC Banking Advisory Committee was established in 1979 its work was also carefully examined<sup>49</sup>. Several members of the BCBS between 1975 and 1982 have been also part of the Advisory Committee, since its first meetings or later, such as Schaus from Luxembourg, Coljé and Muller from the Netherlands, Lang and Schneider from Germany, and Cooke himself<sup>50</sup>.

Another important network concerned offshore centres. They started to be a serious concern in 1977 after the Chiasso affair in Switzerland and governors asked the Basel Committee to address the Chiasso affair and the question of offshore centres during their meeting of October<sup>51</sup>. Some members expressed the wish to establish informal contacts with offshore supervisors. If this concern was triggered by a financial scandal it was also linked to a transformation of the geography of the international banking system, as several offshore centres had a large and increasing volume of transactions since the 1960s and the development of the eurodollar market<sup>52</sup>. A report was written in 1978<sup>53</sup> to be sent to the governors for their September meeting<sup>54</sup>. Two points were recommended: coordination between G10 countries and cooperation with offshore supervisory authorities. However, the topic was held over several sessions and it was only after the International Conference of banking supervisors held in London in July 1979, where several offshore centres were represented, that the idea of developing contacts with the offshore authorities developed<sup>55</sup>.

Several joint meetings were organised between the Basel Committee and the offshore supervisors, one in October 1980, another in October 1982. The first meeting revealed both the little knowledge G10 supervisors had about offshore centres and a form of mistrust towards offshore supervisors<sup>56</sup>. Discussions were held during the previous meeting to define the organisation but also the tone to adopt for the joint meeting. Thus Peter Cooke explained: 'he would like the meeting with the offshore supervisors to be a successful and productive one. The Committee would need to be careful not to frighten them by suggesting that it was going to press a lot of rules and procedures on them. The best result, in his view, would be achieved by expressing the aims of the meeting in a cooperative and reciprocal sense'<sup>57</sup>. Each offshore representative made a presentation of his centre, and of its regulation, and several points were discussed afterwards, based on one paper made by the BCBS and another one made by offshore supervisors<sup>58</sup>. The BCBS' paper put forward the consolidation principle and the Concordat, which were mainly accepted by offshore supervisors. Offshore representatives discussed about issues of inspections and of relationships with auditors, and stressed their preference, not surprisingly, for bilateral contacts, rather than formal agreement.

In a report to the governors mentioning a number of problematic points which could not be solved easily

such as licensing, supervisory capabilities, and lender-of-last-resort in offshore centres, Cooke informed also on the human side of the meeting: 'Good personal relations were established among the participants and this should have a valuable longer-term benefit. The meeting started perhaps a little cautiously, but as it progressed the visitors were increasingly prepared to talk freely and frankly about their concerns'<sup>59</sup>. Thus the network with offshore representatives was progressively established at the turn of the 1980s. It was less close than between G10 supervisors but was essential to the routine practices of supervision as many member countries had some of their banks operating in these centres.

The broadest scale of international supervision the BCBS could address was when it organised international conferences of banking supervisors. As already mentioned, the first one was in London in July in 1979. Another one was organised in Washington in September 1981. When the Basel Committee addressed the question of contacts with other groups of supervisors, two alternatives were considered: either a joint meeting with a specific group (for example with offshore supervisors), or, an international conference of worldwide supervisors. The first solution was considered more useful for supervisory purposes. The second, on the other hand, was preferred by Cooke, 'who believed there was merit in allowing as many supervisors as possible to feel part of a larger "family" from time to time'<sup>60</sup>. They also involved higher authorities such as governors and were an opportunity to diffuse the ideas of the BCBS.

150 persons from 80 countries came to London in 1979. No commercial bankers were present, and the press was not invited even if it had been informed of the conference and if the Governor's address had been made available<sup>61</sup>. The conference was largely an extension of the Basel Committee, 14 presentations were made by members or former members of the BCBS, one by a country represented in the BCBS (Ohta, adviser to the governor at the Bank of Japan), and seven by representatives from other countries including four offshore centres (Singapore, Bahrein, Cayman Islands and Panama), Ireland, Finland, and Australia<sup>62</sup>. Several outcomes were recorded by Cooke in his report to the G10 governors. First of all many contacts had been established. Secondly the idea of organising this type of conference every two years was largely supported, as was the recognition of the need for training the personnel in supervision in certain parts of the world where the banking system was growing fast. Finally, the paper on the division of responsibilities of foreign banks' establishment between supervisory authorities had been circulated, as well as several papers on consolidation which had an important support<sup>63</sup>. From this conference onwards, another network of supervisors was being established, or at least made official, a move certainly more symbolic than technical, but which was nonetheless part of a broader system, and could aid in communication.

Other connections were established at the very beginnings with non-supervisory bodies, because the work of

the Basel Committee involved considerable reflection on matters such as accounting and audit, statistics, or topics which had both a micro and a macro-economic dimension such as international bank lending. Close contacts were established with the International Accounting Standards Committee, particularly through Galpin from the Bank of England, and with the International Federation of Accountants more concerned with audit issues and whose a subgroup on audit confirmation systems included BCBS members<sup>64</sup>. These concerns largely came from the Israel-British Bank failure that had involved deficiencies in accounting and auditing practices.

Closer contacts were maintained with the Euro-currency Standing Committee (ECSC) which was another G10 committee under the authority of the G10 governors. Both committees were considered as complementary, the ECSC was concerned with macro-economic issues, and the BCBS with micro-economic ones. A joint meeting was organised on the 15th November 1978 in order to address the question of the use of supervisory instruments for macro-economic purposes<sup>65</sup>. Several countries were hoping to find a consensus within the G10 to control the growth of the euro-currency market through prudential measures. Dealtry from the BIS was part both of the ECSC and of the BCBS. In January 1980 a reduced meeting of the BCBS was organised, involving one member only per country instead of two, in order to discuss a questionnaire made by the working group of Lamfalussy on possible constraints of the growth of international lending<sup>66</sup>. Lamfalussy had in the meantime become chairman of the ECSC and was in close contact with Dealtry. From June 1980 onwards, Cooke was to attend ECSC meetings in the position of chairman of the BCBS<sup>67</sup>. Some other members of the BCBS such as French delegate Aubanel also attended ECSC meetings<sup>68</sup>. There was a certain degree of rivalry between both committees, and the BCBS was on the whole opposed to the propositions of restraining the growth of the international bank lending. The question of the boundaries of the mandate of the BCBS and of the overlapping with the ECSC was frequently discussed. At the outbreak of the international debt crisis, questions of lender-of-last-resort responsibilities raised considerable difficulties and diverging views between both committees<sup>69</sup>. These close relationships between them were embedded in a network centred on the Bank for International Settlements. Thus one can consider that different types of networks coexisted and sometimes overlapped. Some had a geographical basis (with the EEC level, with offshore or worldwide supervisors), some had more technical purposes. They were an essential part both of the practice of and of the reflection on supervision.

To conclude, the Basel Committee on Banking Supervision was both an institution involved in international

regulation, and as such confronted diverging national interests, and a transnational experts community who discussed common issues despite strong differences. Its study sheds light on the history of financial regulation and supervision, and of their international negotiations, in rich countries. Between 1975 and 1982, these discussions framed an idea of an international supervisory system and of an international banking system in general. Their failure to achieve common agreements on several topics such as country risk was due to their differences of interests and legislation but also of economic structures. This fact invites questions of the taken-for-granted homogeneity of an international banking system. It also invites to combine a transnational and a comparative approach and to connect the BCBS's history to national histories. Moreover, the analysis of networks and circulation of information and ideas highlights the importance of social relations and knowledges in the negotiation of financial regulations. Various degrees of formality in such regulation existed, with a different degree of involvement of market participants in their formulation. It seems that most countries tried to develop more formal supervisory systems while at the same time relaxing regulations, though with considerable differences between them, both in chronology and in importance.

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