

## Building on 50 years of global cooperation

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### Introduction

Governors and Heads of Supervision (past and present), distinguished members of the Basel Committee (past and present), ladies and gentlemen: good morning, and welcome to the 23rd International Conference of Banking Supervisors (ICBS), which coincides with the 50th anniversary of the Basel Committee.

Let me start by thanking the Bank for International Settlements (BIS) for hosting this ICBS, and more generally for the pivotal role it has played in establishing, hosting and supporting the Committee over the past half century. The BIS has been a true friend to the Basel Committee ever since the G10 Governors agreed to set up the Committee on Banking Regulations and Supervisory Practices (as it was initially called) in December 1974. The Committee's symbiotic relationship with the BIS has grown from strength to strength since then, and long may it continue to do so.

I should also thank the former Chairs of the Committee and the Group of Governors and Heads of Supervisors who are with us today. It is a true privilege and a humbling experience to be able to lead or oversee the primary global standard-setting body for the banking system and to be in your company.

I would also like to pay homage to those Chairs that are sadly no longer with us, including most recently Gerald Corrigan and Peter Cooke. Gerald was an exemplary central banker who oversaw the revisions to the Basel Concordat during his Chairmanship, which ultimately became the foundation for the Basel Core Principles (BCPs). Fittingly, the Committee has just completed its revision of the BCPs, which will be published tomorrow. Peter was the longest-serving Chair of the Committee to date and was instrumental in setting the foundations for the Committee's many successes. The fact that the Committee was often referred to as the "Cooke Committee" during his Chairmanship tells you all you need to know about his role and contributions.

In addition to the Committee's golden anniversary, we are also celebrating 45 years since the first ICBS was held, in 1979 in London. Two hundred participants from 83 countries attended that conference.<sup>1</sup> The structure of the conference was similar to today's, with a combination of panel and topical workshops. Peter Cooke opened the conference by setting out his vision for the ICBS, noting that "it is not to achieve formal agreement on any issues – there will be no votes, no

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<sup>1</sup> Cooke (1979).

resolutions – I would hope however that there may emerge a broad-based consensus on a number of issues which will be discussed in the course of the sessions”. He also stressed that the ICBS was an opportunity for the Committee to “have the benefit of the comments of all [participants] who are concerned in the matters it is discussing”.<sup>2</sup> That vision continues to hold after 45 years.

It has been apocryphally claimed that the first Basel Committee Chair, George Blundell, quipped that “he did not expect the material in the mandate to occupy the Committee for more than a short time (perhaps only a few meetings)”.<sup>3</sup> After 218 meetings over the past 50 years, I think we can comfortably say that there has been no shortage of work to keep the Committee busy!

Indeed, for the past half century, the Committee has been driven by the same relentless objective of safeguarding global financial stability by strengthening the regulation, supervision and practices of banks worldwide. We will have the opportunity over the next two days to revisit the many accomplishments of the Committee, and will have the chance to hear from Professors Charles Goodhart, Harold James and Stefano Ugolini on their previous and current work related to the history of the Committee. And perhaps most importantly, we will exchange views on the implications for the Committee’s next 50 years in an ever-changing financial system.

This will be my last speech as the Chair of the Committee, so I wanted to take the opportunity to reflect on two themes. I will start by revisiting the critical foundation of the Committee’s success throughout its history: the recognition of the importance of global cooperation – and what it means for the Committee today. I will then look ahead and ask what traits and skills will be needed for future central bankers and supervisors to preserve the success of the Committee.

## Global cooperation as a cornerstone for financial stability

Any discussion about why the Basel Committee was set up must start with the recognition that financial stability is a global public good that requires cross-border cooperation. An open global financial system requires global prudential standards. Failure on this count could result in regulatory fragmentation, regulatory arbitrage and a potential “race-to-the-bottom” dilution of banks’ resilience.<sup>4</sup>

The importance of cooperation is not new, and has long been a key to societal progress. Albert Einstein once remarked that “nothing truly valuable can be achieved except by the unselfish cooperation of many individuals”.<sup>5</sup> Bertrand Russell added that “the only thing that will redeem mankind is cooperation... it is common to wish well to oneself, but in our technically unified world, wishing well to oneself is sure to be futile unless it is combined with wishing well to others”.<sup>6</sup> They could have been referring to the work of the Committee.

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<sup>2</sup> Coen (2018).

<sup>3</sup> Goodhart (2011).

<sup>4</sup> Hernández de Cos (2019).

<sup>5</sup> Einstein (1949).

<sup>6</sup> Russell (2003).

This ethos and collegiality have held true throughout the history of the Committee. They are in many ways the Committee's greatest strength. We are bonded by a shared history of collaboration and cooperation. And this cooperation goes beyond Committee members. The Committee has perhaps one of the most extensive outreach programmes, where it regularly seeks the views of a wide range of stakeholders, including academics, civil society, global forums and international organisations, legislators, market participants, public authorities and the general public. The ICBS is perhaps the seminal outreach for central banks and supervisors worldwide.

When the world faced geopolitical shocks, or witnessed major financial crises, or when the merits of multilateralism were being questioned, the Committee retained a commitment to cooperation. In fact, it is at these moments that maintaining communication and cooperation is most critical – even if it is done without any great fanfare. We saw the fruits of our cooperation through the Concordat, Basel I, II and III, and the Basel Core Principles, to name just a few examples. To name just a few more recent examples, we saw the benefits of this cooperation through the Committee's effective response to the Covid-19 pandemic, geopolitical events and last year's banking turmoil.

Cooperation does not mean full harmonisation. A key aspect of the Basel Framework – and perhaps one of its main strengths – is that it sets a common minimum global baseline. Jurisdictions can, and should, go beyond this to reflect additional risk features of their banking systems and their own risk tolerance. And a key strength of the Committee's decision-making process is its focus on building consensus, rather than tallying votes. The "soft law" nature of the Committee's standard is powerful because it is grounded in the recognition that we can only have a globally integrated financial system if we can agree and implement common minimum standards.<sup>7</sup>

This history of cooperation is something that we should not take for granted, but rather protect, nurture and adapt. Indeed, we've seen the evolution of the Committee over the past 50 years, including with regard to its expanded membership and growing emphasis on its accountability and transparency. We now have an approach to consulting and communicating that has been described as "one of the most procedurally sophisticated" processes among global forums.<sup>8</sup> If needed, we should not shy away from strengthening it further.

Importantly, cooperation is not just about agreeing to standards or guidelines. Equally important are the "softer" benefits that it provides to central banks and supervisors. When chairing the first meeting of the Committee, George Blundell allegedly remarked that "none/hardly any of those round the table had ever met each other before".<sup>9</sup> Since then, the Committee has been critical in developing trust and deepening relationships among central banks and supervisory authorities. Exchanges of supervisory information and experiences are now taken for granted. Any credible crisis-management plan for internationally active banks inevitably requires a close degree of cross-border cooperation among authorities. This social capital is perhaps just as important as the Committee's publicly visible and more tangible outputs.

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<sup>7</sup> Ingves (2014).

<sup>8</sup> Viterbo (2019).

<sup>9</sup> Goodhart (2011).

But we cannot be complacent. Looking ahead, it is critical that the Committee continue to push itself in retaining and strengthening cross-border cooperation. As Sir Paul Tucker – who will be delivering a speech later today – elegantly put it, the challenge we face is how to continue to “embed a sense of collective trusteeship even when memories of why it is needed are failing”.<sup>10</sup> This is all the more important at a time when geopolitical risks and populism are on the rise. We owe it to our citizens to push back against the chorus calling for a watering down of our standards or advocating regulatory fragmentation. The costs of banking crises for our societies are simply too large and profound for us to fade away from cooperation.

## From 50 to 100: the role of the supervisor in the future

Let me offer a few reflections about the role of the supervisor in the future.

The banking system has historically always evolved and adapted in response to structural changes.<sup>11</sup> Discussions today about the use of artificial intelligence and machine learning in banking are a far cry from the Babylonian financial system. Indeed, we are witnessing profound transformations – and with them potential risks and vulnerabilities – in the global banking system.

Whether it is the ongoing digitalisation of finance, the growing role of non-bank financial intermediation (NBFI) or climate-related financial risks, these developments stand out by their cross-sectoral nature. They touch on a number of public policy dimensions and require the involvement of a wide range of authorities and stakeholders. This is the case within the financial sphere, where prudential supervisors must increasingly engage with central banks, conduct, resolution, payment systems, securities and NBFI authorities on common challenges. But it is equally outside our usual “comfort zone”. For example, tackling the challenges of digitalisation successfully requires close collaboration with the likes of competition, data privacy and security authorities, to name just a few.

The challenges and structural changes we face today are also increasingly tied to broader political economy considerations. While the Committee must continue to be guided by its mandate of enhancing global financial stability, we cannot ignore the broader dynamics that may have a bearing on members’ positions.

So looking into the future, Basel Committee members will increasingly need to take on the role of a “renaissance” central banker and supervisor. They will have to be able to navigate the waters collaboratively and cast a wide net. They will need to have not only specialist or technical knowledge about banking regulation, but also a wide range of emerging trends, and to be able to connect the dots and anticipate cross-cutting issues. They will need to think creatively in a world of greater uncertainty without losing sight of the fundamentals of supervision and its core tenets.

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<sup>10</sup> Tucker (2022).

<sup>11</sup> Hernández de Cos (2024).

## Conclusion

Let's try to fast forward 50 years from now. What will the Committee look like in 2074 when it celebrates its centenary? What will its priorities be then?

It is impossible to answer these questions (as much as I'd like to), but we can be fairly certain in saying that the key to the Committee's future success will lie in its continued ability and willingness to cooperate and adapt.

Let me end by citing an African proverb: "If you want to go fast, go alone. If you want to go far, go together." The ICBS provides us with the opportunity to go far together. I look forward to our discussions.

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