

Regulators may be the “new rock stars” but don’t forget the media: The National

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Financial watchdogs are not usually known for their erudition or showmanship, but there was a fair amount of both on display at the 8th GCC regulators’ summit held in Dubai over the past couple of days.

Perhaps it was the venue – the extravagant Atlantis, The Palm hotel in Dubai – that brought the normally staid profession out of its shell. Whatever, some of the participants seemed determined to get their message across with bravado and panache. In the course, they managed to deliver some serious points about the very serious business of financial regulation.

The regulatory professions – accountants, lawyers, compliance officers and other specialists – have come into their own since the financial crisis of 2008. As Jeff Singer, the chief executive of the Dubai International Financial Centre Authority, said, they are the “new rock stars” of the financial classes, and a welcome opposite to the highly paid bankers deemed responsible for the crash, but who are still being paid fortunes in salary and bonuses.

The regulators have one unerring mission above all: to ensure that the circumstances that led to the near meltdown of the global financial crisis do not recur. But behind that goal, which all at the Atlantis agreed was their main job, there was a variety of views about how to achieve that end.

For Mr Singer, who spoke under the headline “good regulation is good business”, there were two essential rules for the regulators to observe.

First, keep regulations short and simple. He drew a gasp of surprise from the audience when he explained how the American Declaration of Independence, one of the most significant documents in history, ran to just 179 words, while the Dodd-Frank Act, the United States legislation designed to protect the public from the the wolves of Wall Street, took up an astonishing 15 million words.

Mr Singer’s second rule was more nuanced but just as important. Equity markets, he said, were one of the greatest financial innovations ever, performing the simultaneous functions of capital raising and wealth redistribution.

But they were under threat, especially in the Arabian Gulf, from the two other main forms of capital raising: bank or bond debt, and private equity.

“With both, the wealth remains in the hands of a small number of people,” Mr Singer concluded.

And both, he might have pointed out, are a lot more difficult for the regulators to tackle given the inherent opaqueness of both debt and private equity, compared with stock exchanges.

It was a theme taken up with enthusiasm by one of the other financial “rock stars” at the summit, Nasser Saidi. The former chief economist of the DIFC, now turned independent consultant, Mr Saidi raised the issue of corporate governance, which the regulators are supposed to help to ensure.

He explained that good corporate governance in the western financial scene had grown out of comparatively transparent stock markets, and highlighted Mr Singer’s point about the relatively low level of equity influence on the regional capital raising process. Only 25 to 30 per cent comes from equity capital in the GCC, he said.

The other factor making the regulators’ life more difficult in the Middle East, Mr Saidi said, was the much greater role played by governments in business in the region. It is a vital issue: how to impose good governance practices on sovereign

governments, but one not easily resolved, given the corporate and political culture. The spectre arises of a lowly compliance officer handing out orders to a government minister.

The tour de force of the summit, however, came a little later from the outgoing head of the anti-money laundering unit of the Dubai Financial Services Authority, Matthew Gamble, speaking to the theme “are we winning the war against money laundering?”

Mr Gamble is heading off to a new job with National Bank of Abu Dhabi, and obviously felt less constrained in his thoughts on the matter. “I think we’ve lost the war, and worse we didn’t even know who the enemy was. We as regulators have lost our way over the past 25 years, and the terrorists, criminals and sanctions busters are getting away scot-free,” he thundered.

It was a rousing finale to an entertaining and informative session.

If I had one quibble with the event it was this: none of the speakers I heard mentioned the important role the media can play in the regulatory regime in the region.

Elsewhere in the world, the bad guys are kept in check partly by the fact that they can be named and shamed in public. That is less often the case in the GCC.

Perhaps that might be an item on the agenda for the ninth summit.