



**Asia-Pacific
Economic Cooperation**

2018/SOM3/EC/CONF/014

**Update on OECD International Regulatory Co-
operation Work - New Evidence from the
Forthcoming Regulatory Policy Outlook**

Submitted by: OECD



**Conference on Good Regulatory
Practices - Regulatory Reform the
Digital Age
Port Moresby, Papua New Guinea
12-13 August 2013**



UPDATE ON OECD IRC WORK

NEW EVIDENCE FROM THE FORTHCOMING REGULATORY POLICY OUTLOOK

2018 APEC Conference on Good Regulatory Practices
[•] August 2018, Port Moresby, Papua New Guinea

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WHAT IS INTERNATIONAL REGULATORY CO- OPERATION (IRC)?



Why cooperate in regulatory affairs?

Our world grows increasingly interconnected requiring more concerted regulatory action to:

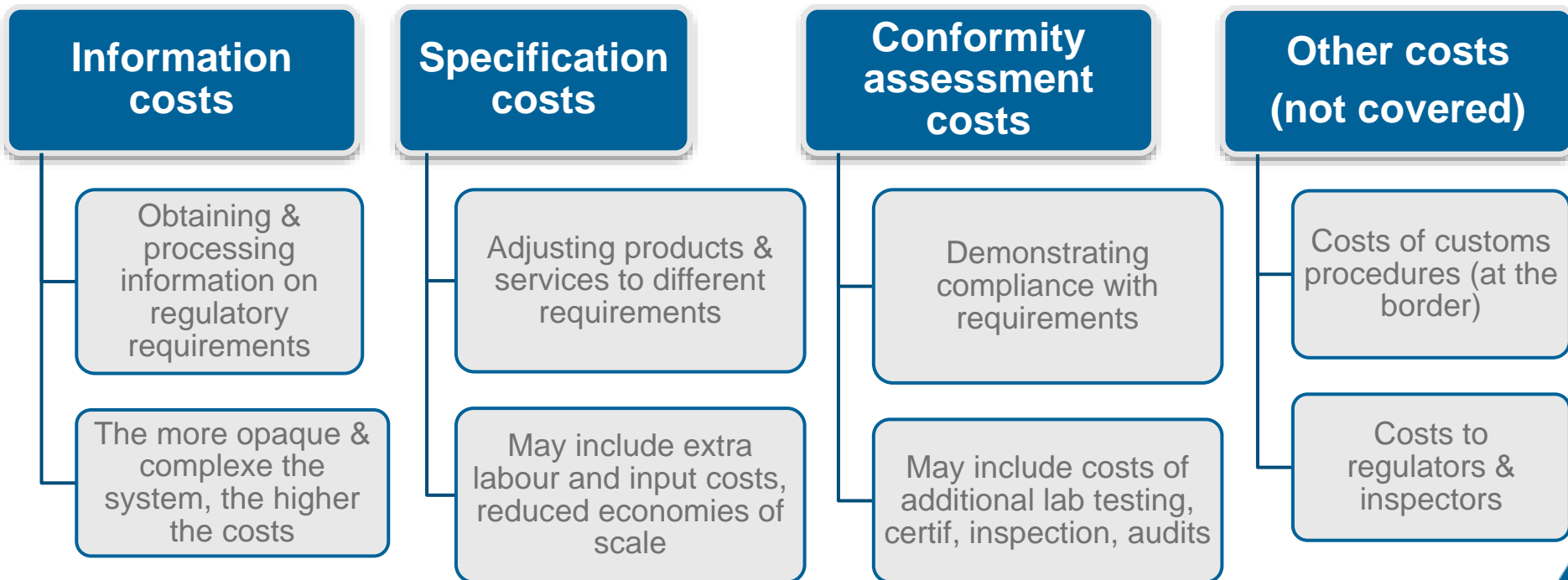
- Increase effectiveness of regulation
- Generate efficiency gains for regulators
- Lower burden on economic activities, incl. trade costs

→ IRC provides an opportunity to support the regulatory, competition and governance reforms to strengthen market efficiency & policy effectiveness



The trade costs of regulatory divergence

Heterogeneity-related trade costs for producers and traders



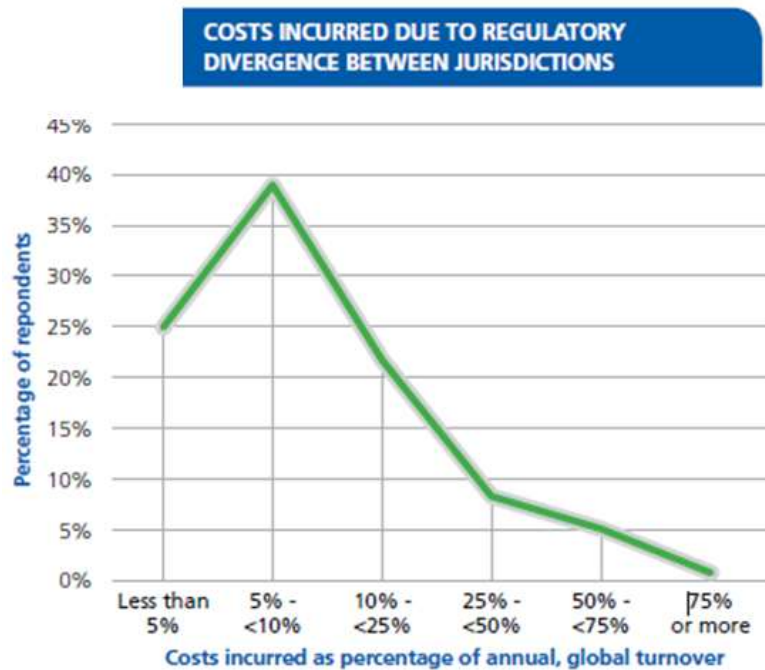
Source: OECD (2017), *International Regulatory Co-operation and Trade: Understanding the Trade Costs of Regulatory Divergence and the Remedies*, OECD Publishing, Paris



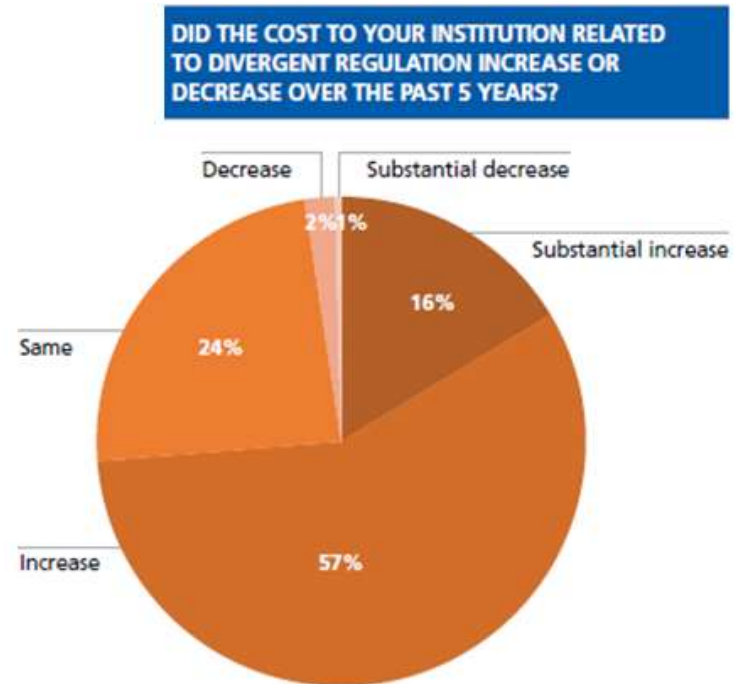
Case: regulatory divergences in the financial sector

2018 Study by International Federation of Accountants (IFAC) and Business and Industry Advisory Committee (BIAC)

Regulatory divergences cost financial institutions 5-10% of their annual turnover (on average)



73% of respondents report increases or substantial increase in costs related to divergent regulation over the past 5 years

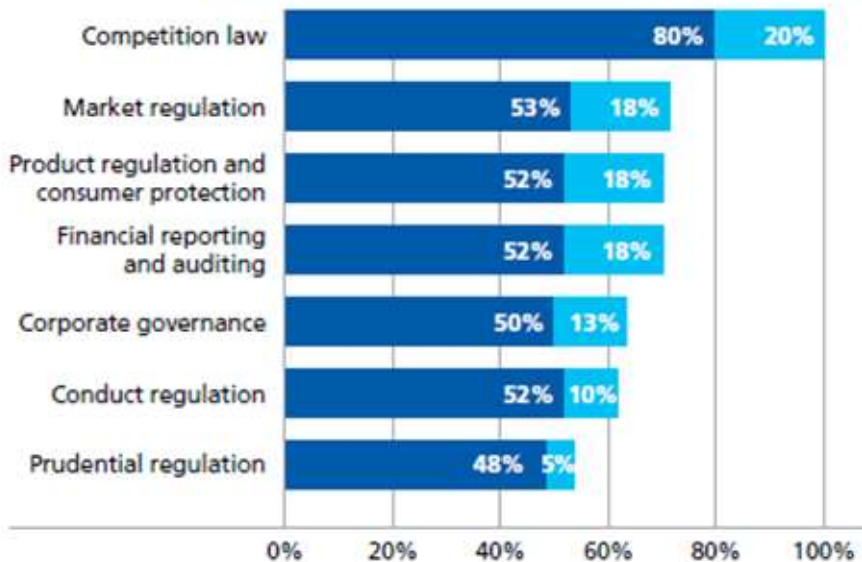




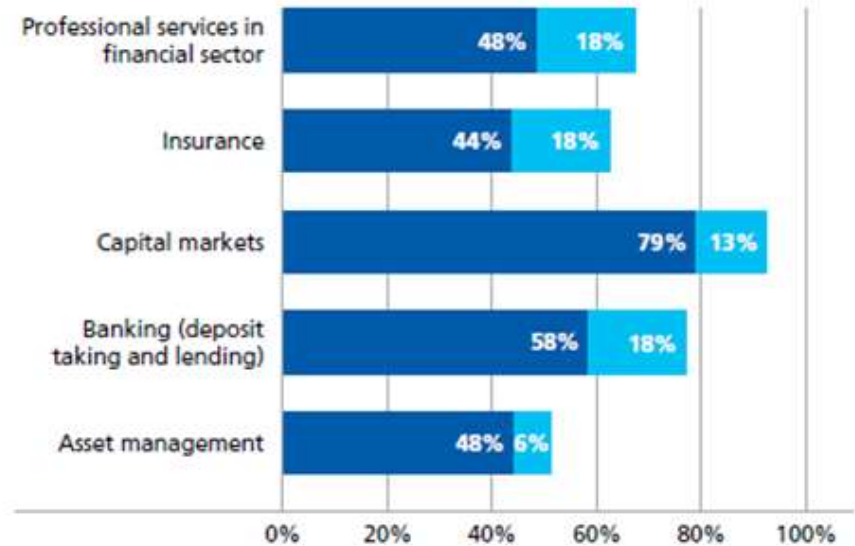
Case: regulatory divergences in the financial sector

Highest costs of regulatory divergences result from competition law and in the capital markets sector

COSTS OF REGULATORY DIVERGENCE ASSOCIATED WITH DIFFERENT TYPES OF REGULATION

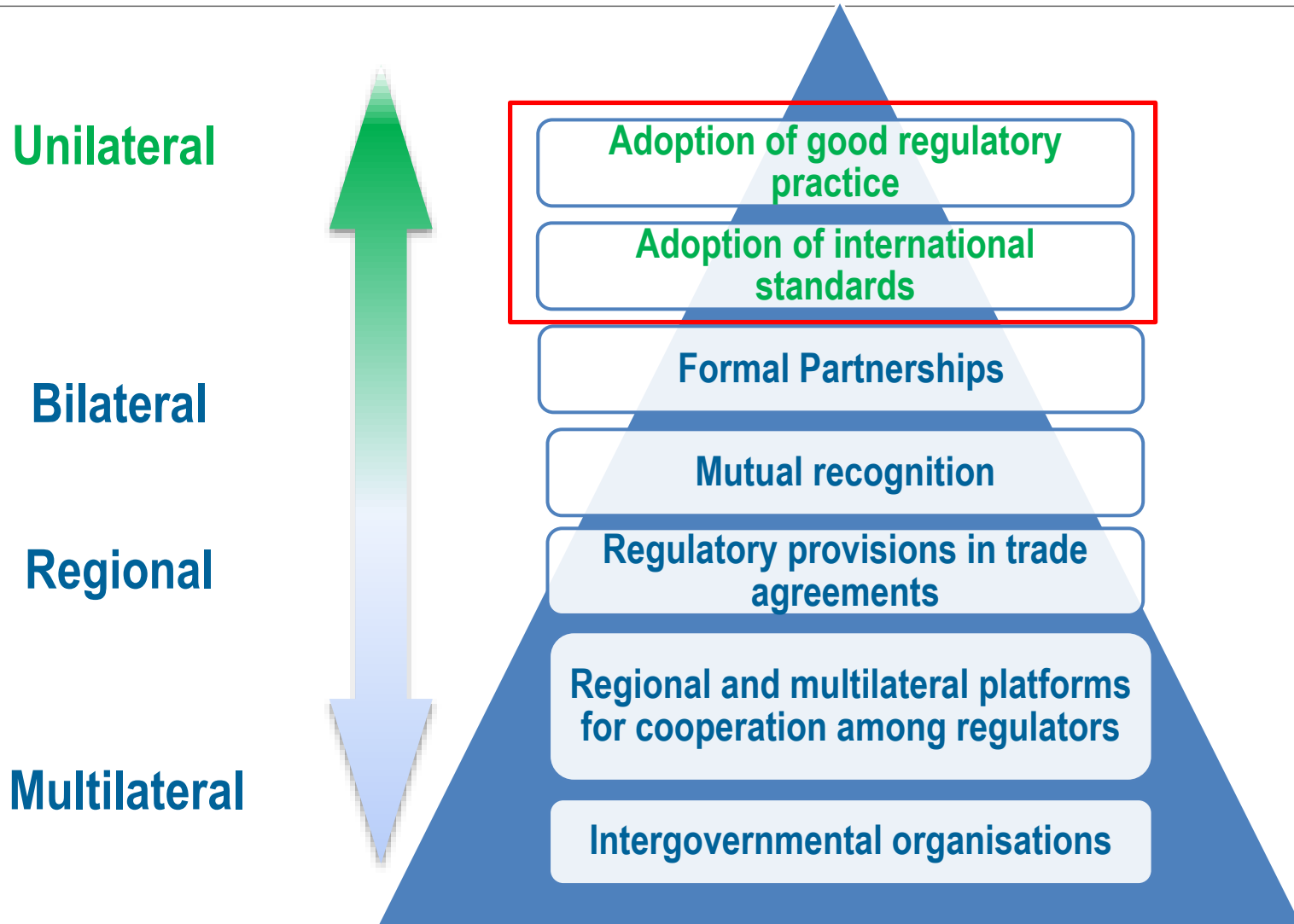


MATERIALITY OF THE COSTS OF REGULATORY DIVERGENCE BY SECTOR





What are the approaches to IRC?





Good regulatory practices (GRP) are about quality Regulation in a globalised context



Principle 12 of the Recommendation

“In developing regulatory measures, give consideration to all relevant international standards and frameworks for co-operation in the same field and, where appropriate, their likely effects on parties outside the jurisdiction”

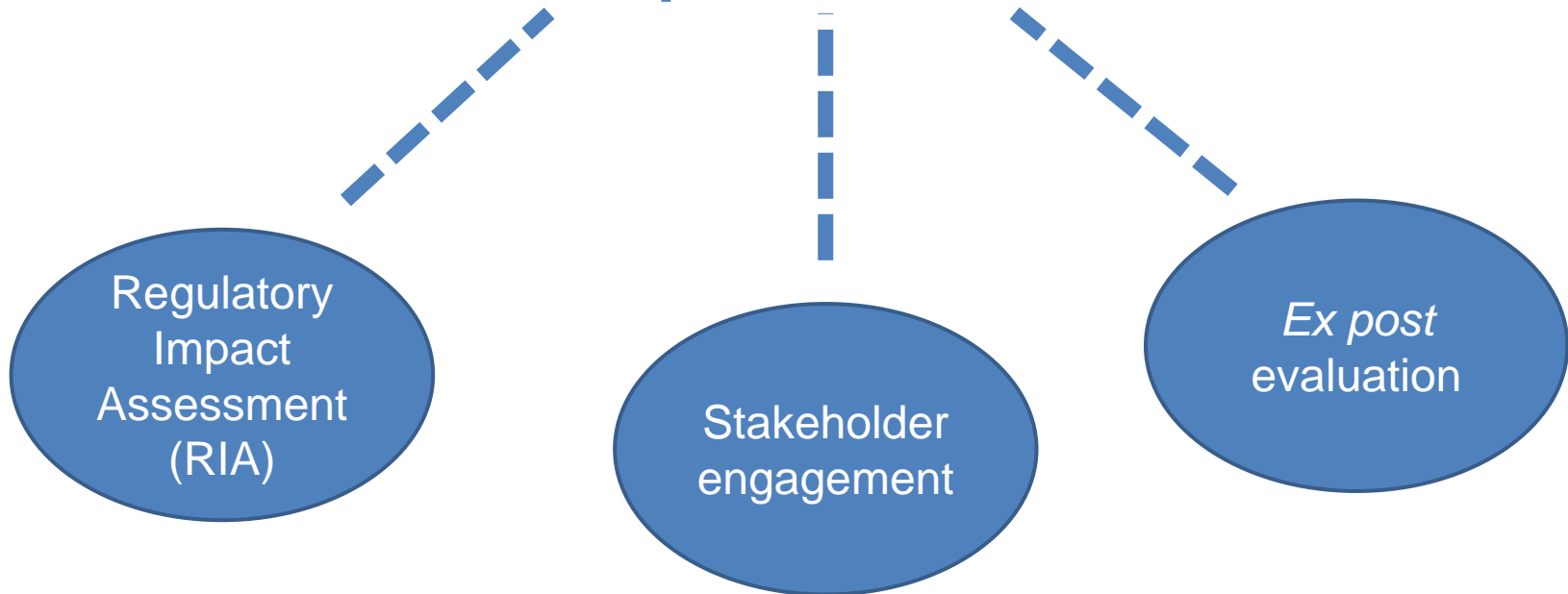


Good regulatory practices (GRP)

Foundation of regulatory quality and IRC

GRP

comprise *inter alia*:



→ Support evidence-based policy making and help channel the voices of affected parties, including trade-related concerns



OECD REGULATORY POLICY OUTLOOK 2018

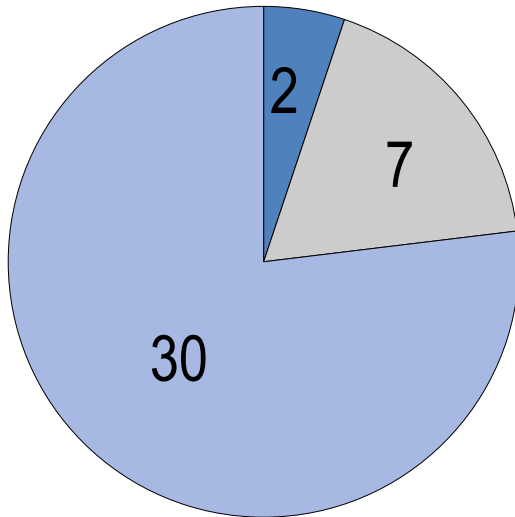
HOW DO REGULATORS INTEGRATE IRC IN
DOMESTIC RULE MAKING?



Despite pressure from interconnectedness, IRC remains *ad hoc*

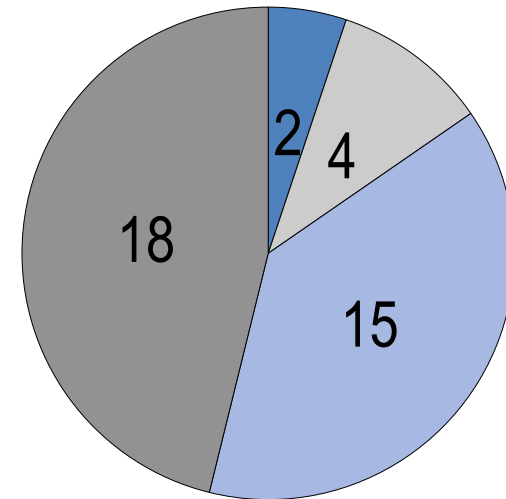
Published policy or a legal basis on IRC

- Partial, only sectoral policies apply
- Yes
- No, there is no policy on international regulatory co-operation



Organisation of IRC oversight

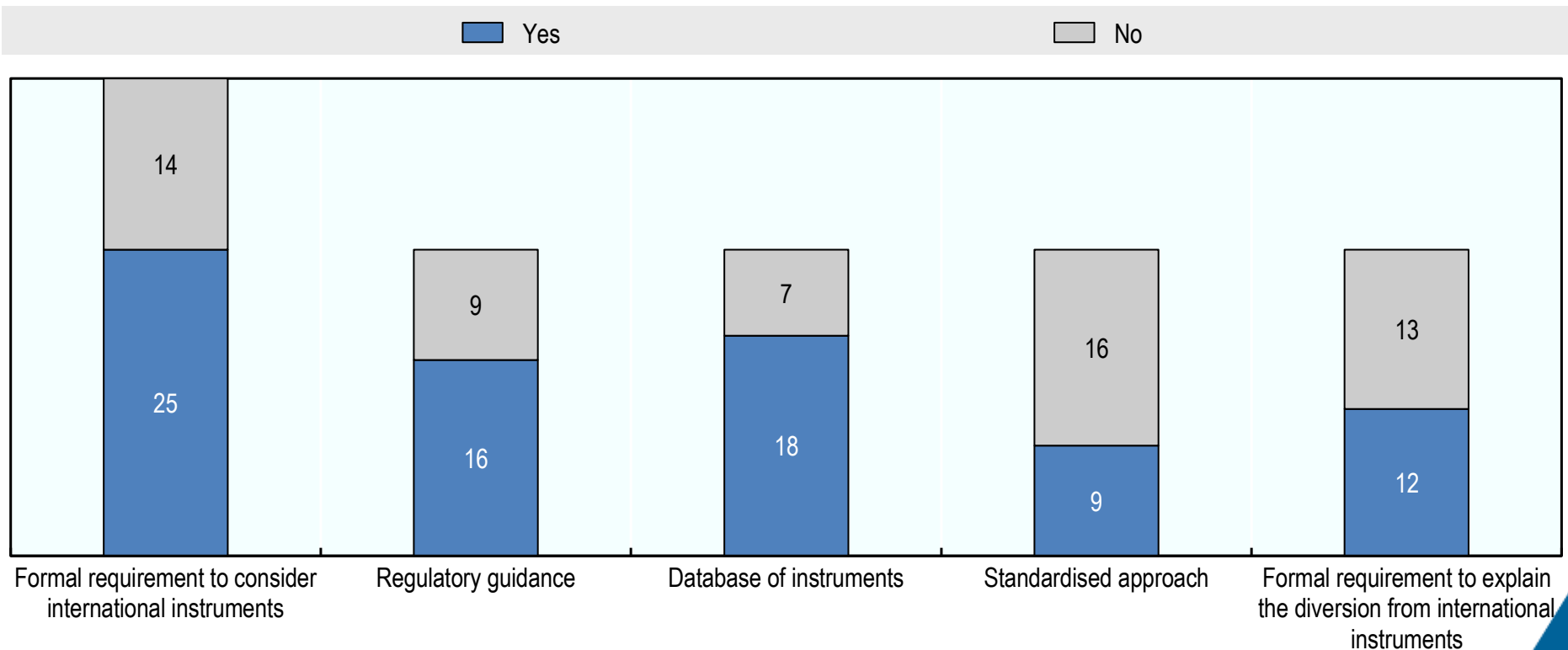
- Responsibility is shared among sub-national and central government bodies
- Centralised within a single authority
- Responsibility is shared amongst relevant central government bodies
- No governance structure





Limited understanding & support to regulators may limit uptake & impacts of international instruments

Number of jurisdictions with a formal requirement to consider international instruments in rulemaking and supporting measures

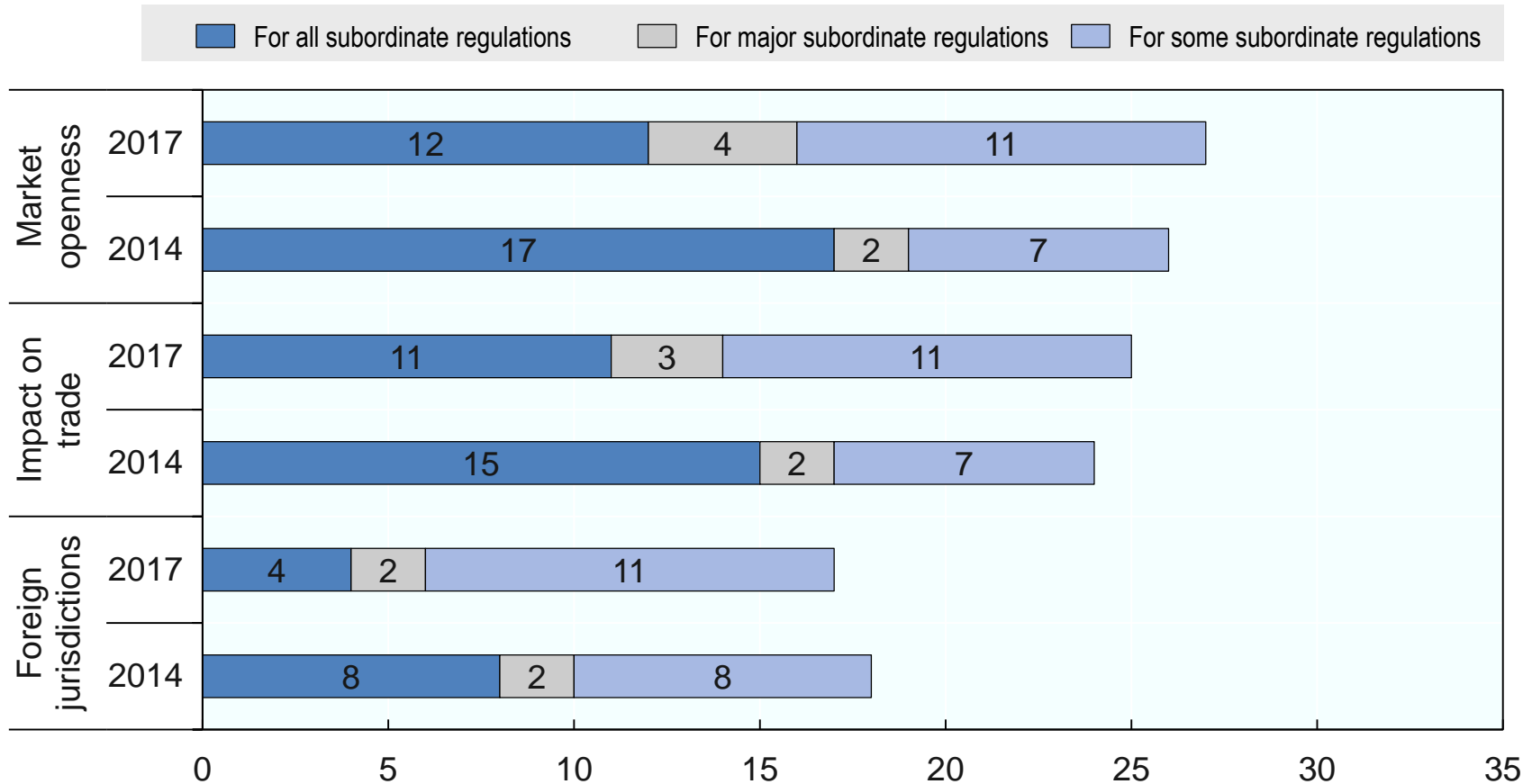


Note: Data for OECD countries is based on the 36 OECD member countries, the European Union, and 2 accession countries. Source: Preliminary results from the 2017 Indicators of Regulatory Policy and Governance (iREG) Survey.



RIAs increasingly assess impacts on trade & market openness, more rarely on foreign jurisdictions

Number of jurisdictions with requirements for consideration of impacts on foreign jurisdictions, market openness, or trade as part of RIA



Note: Data is based on 34 OECD member countries and the European Union.

Source: Indicators of Regulatory Policy and Governance Surveys 2014 and 2017, oe.cd/ireg.



Ex post assessment has key potentials for IRC, which remain largely untapped

Number of jurisdictions that assess costs in ex post evaluations of primary laws or secondary regulations, including trade and other costs of diverging from international standards

- Never assess costs
- Assess costs but never assess trade and other costs of diverging from international standards
- Assess trade and other costs of diverging from international standards



Note: Data for OECD countries is based on the 36 OECD member countries, the European Union, and 2 accession countries.

Source: Indicators of Regulatory Policy and Governance Survey 2017, [oe.cd/ireg](https://www.oecd.org/ireg/).



OECD Regulatory Policy Outlook 2018

Find out more in the IRC Chapter of the **2018 Regulatory Policy Outlook**

To be launched in October 2018, Paris, France



Thank you

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Background information:

The Regulatory Policy Committee was created by the OECD Council on 22 October 2009 to assist countries in implementing government-wide policies to promote regulatory policy and governance. Information about OECD work on regulatory policy at: www.oecd.org/gov/regulatory-policy

Our work on **international regulatory co-operation** is available at: www.oecd.org/gov/regulatory-policy/IRC