

The Basel Process

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The Bank for International Settlements is often described as the bank of central banks. In Basel, this description captures only part of what happens in the round tower at the Centralbahnplatz and in the office building next to it. Over the decades, the BIS has become the host of a cluster of committees, associations and secretariats whose work reaches far beyond central banking. Chapter I of this Part described the foundation, legal status and governance of the BIS itself. Chapter II examined the Basel Committee on Banking Supervision and its accords. This chapter turns to the other bodies that meet, work or have their secretariats in Basel: the Financial Stability Board, the International Association of Insurance Supervisors, the International Association of Deposit Insurers, the Committee on Payments and Market Infrastructures, the Markets Committee, the Committee on the Global Financial System, the Irving Fisher Committee on Central Bank Statistics, the Financial Stability Institute and the BIS Innovation Hub.

The BIS describes this arrangement as the "Basel Process". The term refers to the way in which the BIS supports international cooperation among central banks and supervisory authorities by hosting the secretariats of standard-setting bodies, offering them meeting facilities and administrative services, and providing a channel for the exchange of information between them.¹ The Process rests on three features that recur throughout this chapter. The first is proximity: the secretariats sit in the same buildings, share infrastructure and meet in the same corridors. The second is flexibility, since the bodies hosted by the BIS have different legal forms, memberships and governance arrangements and are not subordinate to the BIS Board. The third is the economy of scope created by the BIS's own research, statistics and banking operations, which the hosted bodies can draw upon without building them up themselves.

Not all hosted bodies stand in the same relation to the BIS. Some, such as the Committee on Payments and Market Infrastructures and the Markets

Committee, are committees of central banks that report to the Global Economy Meeting of the BIS governors. Others, such as the Basel Committee, report to their own oversight body, which for the Basel Committee is the Group of Central Bank Governors and Heads of Supervision. A third group consists of independent associations under Swiss law with their own members, statutes and assemblies, among them the Financial Stability Board, the IAIS and the IADI.² This diversity of form is deliberate. It allows each body to adapt its membership to its subject while still benefiting from a common location and a common culture of technical cooperation.

For Basel, the Basel Process has a significance that is easily overlooked. It turns the city into the place where many of the rules that govern banks, insurers, payment systems and financial market infrastructures across the world are discussed and drafted. These rules have no direct legal force, yet they are implemented by national legislatures and regulators in most financial centres. A lawyer advising a bank in Frankfurt, an insurer in Zurich or a payment service provider in Singapore works, often without knowing it, within a framework that has passed through Basel. The following sections examine the most important of these bodies in turn before considering how they relate to the institutions of Bretton Woods and to IOSCO in Madrid, and what questions of legitimacy their work raises.

1 Notes

1. The BIS uses the term "Basel Process" in its annual reports and on its website to describe its role in hosting the secretariats of international committees and associations and in facilitating cooperation among them. See BIS, Annual Economic Report (various years), chapter on the BIS's activities. To be verified. ↩
2. On the different categories of bodies hosted by the BIS (BIS-based committees reporting to the governors, committees with their own governance, and independent associations with secretariats at the BIS), see the BIS website, section "About BIS – Basel Process"; BIS Annual Economic Report (latest edition). To be verified. ↩

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