

Muktadir, Shamsul, Mr, Acad, Political Science, Bangladesh, "Need for a credible financial oversight to protect democracy"-N

Illegal financial practice abounds the world today. It resulted in corporate failure to threatening the roots of democracy. Personal finance had long been a matter of privacy. But growing social and political clout of financial transactions created the need for devising an appropriate oversight mechanism that would help safeguard rule of law and democracy.

I propose that the principles of transparency and accountability of personal and organizational finances should be ensured in all stages of social and political governance to build a Credible Financial Oversight (CFO) that would indeed be capable to defend democracy.

My research found that conventional banking practices and privacy laws pose major hindrance to CFO. Consequently it should be settled first that the disclosure of financial information to the public should be enforceable at any time to undertake accountability procedures.

CFO essentially has a global dimension since money is internationally mobile. All international banks should cooperate in order to prevent corrupt money to escape, hide or find refuge in an overseas sanctuary. Tougher anti-money laundering rules after 9/11 has given this proposal new strength and relevance. An understanding should be reached that all financial transfers between poor and rich countries are checked for transparency and accountability. The transaction maker(s) should be held primarily responsible to the country of origin.

Transparency in financial management and transaction is essentially a part of good governance. This helps check corruption. Since governance deficits impinge on human development and respect for human rights, all efforts that lead to "good governance" are a constructive approach towards overcoming poverty within a human rights framework. There are many ways in which the international community can support national actors' efforts in this respect.

The purpose of creating a comprehensive financial supervisory framework should be a part of a drive to reduce financial crises, which affect both international financial markets and economic development.

A well-developed financial sector can help define a path of economic development characterized by sustainable, long-term economic growth. A financial institution is not only an intermediary but also a way to allocate credit to the public, which needs capital for private needs and corporate transactions. In addition, the relationship between economic development and financial institutions is one of interdependence. Because of the need to maintain a stable financial system, financial institutions are among the most closely scrutinized businesses in the world. However, the transformation of financial services has increased financial instability and presented challenges in maintaining financial stability.

Structures for financial regulation and supervision differ considerably from country to country. Nevertheless, the goal of financial supervision is to enhance the stability, reliability, transparency and efficiency of the financial sector in order to reduce systemic risks.

Financial supervision is able to prevent criminal abuses in the financial sector, with a view to protecting the interests of clients and investors by safeguarding their financial resources and supporting the stability of a national monetary system. In order to reach the goal of good financial supervision, a supervisory system should be designed to carry out two functions. First, the supervisory system should be designed to detect illegality and unsound practices and to provide early warning of potential failure. Second, it should provide an array of enforcement techniques to financial regulators to rectify problems that have been identified.

The US Secretary John W. Snow had testified before the U.S. Senate Committee on Banking in October 2003 on the Essential Elements of Regulatory Reform as follows:

“ To begin with, we must make sure that we keep our eye on the crucial task of getting the regulatory structure right. In general, the legislative objective should be to create a strong, credible, and well-resourced regulator with all of the powers, authority, and stature needed to do its job. In this regard, the new agency’s powers should be comparable in scope and force to those of other world-class financial regulators, fully sufficient to carry out the agency’s mandate, with accountability to avoid dominance by the entities it regulates. This means that the new agency should have general regulatory, supervisory, and enforcement powers with respect to the enterprises.”

Anti money laundering convention to check financial corruption on global scale has been a major step taken by the global community so far. Money laundering implies the use of often-complex series of transactions to conceal the ultimate source of money holdings. It is widely used to camouflage receipts from illegal activities, including drug trafficking, corruption, and fraud and tax evasion

Aid by the World Bank as well as major donor countries have failed to contain poverty in Africa and many parts of Asia due to financial corruption, especially among the recipient countries’ elite circles.

A vast majority of Asians and Africans have recognized these continents’ failures, and accepted the need for fundamental policy reforms. Most notable policy reform should be in the direction of checking financial corruption among the governing circles in developing countries and build up an infrastructure of credible oversight that would at least make regulations that are enforceable by law.

We must not forget that whatever the resources of a country, its climatic circumstances, its socio-economic conditions and its cultural and historical realities-, poverty alleviation and actual human development requires good governance, especially in terms of administration of lawful and ethical financial practices.

International business also needs to conduct itself properly. Responsible corporations should sign up to comply with the United Nations Global Compact Initiative, which takes up, global ethical values and applies them to corporate behavior.