A alks s
hro gh a con ic of la s
approach o nancial reg la ion.

AMERICAN INTERNATIONAL GROUP (AIG), he er name of his compan screams o i s US origins. And e , he raders i hin he UK s bsidiar of his m l ina ional ins rance corpora ion, opera ing nder a French banking licence, ere able o engage in risk- aking ac i i ies ha ere largel be ond he reach of US ins rance and nance reg la ors. When AIG's London-based rades fell apar in 200 , he paren ins i ion in he US -- and hence he US a pa ers -- fo nd hemsel es on he hook for decisions made in AIG's o erseas s bsidiar .

In he orld of nancial reg la ion, na ional nancial reg la ors are pi agains a globall mobile nancial s s em. Since 200 , reg la ors ha e made a concer ed effor o address he na ional reg la or differences ha made AIG's rades possible in he rs place. Ne r les hammered o a he G20 ha seek o address hese challenges appl o banks. Ho ha e he marke s responded? Financiers ha e simpl fo nd a s of booking heir ransac ions

of incorpora ion. I is also narro . In his de ni ion, a free-s anding corpora ion based in he Ca man Islands, all of hose shares are held b a US en i o ld no q alif as a US ins i ion.

Wha is mos impor an o he ind s r is he formal r le-like q ali of ISDA's proposal beca se arbi rage, nancial or legal, feeds on clear ca egories. Yo can onl nd arbi rage oppor ni ies hen o can see clear differences be een asse s or reg la or a hori ies. In o her ords, i is more impor an o he ind s r o be absol el cer ain ha US la ill no appl .- so ha ransac ions can be con den l booked or nancial en i ies es ablished, o side he US.

In con ras , p blic ad- ocac gro ps s ch as Americans for Financial Reform ha- e proposed a highl f nc ional de ni ion of a US ins i ion. In heir