The Establishment of a Global Authority and a Single Framework for the Financial Products: Labour Policies and Economic Challenges

Athanasios G. Panagopoulos[1]

[1] Accounting and Finance Department, University of Macedonia, Thessaloniki, Greece

Correspondence: Athanasios G. Panagopoulos, Postdoctoral researcher, Faculty of Accounting and Finance, University of Macedonia, 64 Anatolikis Romilias str., Glyfada, Attica, GR165 62, Greece. Tel: 30-6944-719-671. E-mail: thpanag@uom.edu.gr

Received: December 29, 2021 Accepted: February 1, 2022 Online Published: March 4, 2022

doi:10.5430/ijba.v13n2p49 URL: https://doi.org/10.5430/ijba.v13n2p49

Abstract

Free markets (Laissez-faire) do not necessarily optimize the balance between work and the level of income and consumption. In incompletely informed markets, active labor policies can improve the balance between the unemployed and job vacancies, as well as income disruptions from uninsured work, increasing employment and production. This, in turn, increases the income of factors that are complementary to work: in fact, where work is the most important source of income for most individuals, however with political decisions, less weight may also be given to other income factors. This is especially true in societies with high wealth inequality, where active policies have less political support than passive policies, which increase the lack of earnings per unit of labor against other factors of production, or balance higher income from work with low productivity and non-working income. Consequently, in a unified and regulated framework, as proposed, and in which the money markets mainly tend towards perfection, "passive" labour policies tend to prevail, especially in societies where there is a higher than average, social wealth, but also less inequality of income from work. Otherwise, if there are inequalities in workers' incomes, in these markets, we need more "active" policies, which will support the production of income by other factors complementary to labour.

Keywords: single regulated framework, labour policies, surveillance, financial products, World Supervisory Authority

1. Introduction

The institutional and operational role of financial products and how they behave in parallel with the basic regulations of the international financial system, as well as, with the other factors (markets, institutions and money) will be studied, since there are in the core of the operation of a perspective Global Authority. The major securities and investment markets (Dealership and Auction markets) will play an important role, as well as, their functions as a dual system, in order to establish a Global Authority with a global framework. Moreover, key institutional arrangements for the global system have to be taken under consideration, such as the Basel III/IV proposals and the operation of the Sarbanes-Oxley and Dodd-Frank Act in the United States. At the same time, the basic European Directives - Financial Services Regulations for the period 2003-2019 (MiFID I/II, MAD, MAR, EMIR) should be analyzed, as well as, their relation to the existing frameworks and their participation in market integration (i.e. of the EU).

Based on our methodology, the structure of the single framework will be analyzed, essentially, the proposed model of consolidated market of financial products. It is important that this structure will address issues such as: (i) cross-border joint regulation at geographical levels, products and participants, (ii) market and product market supervisors, (iii) institutional and operational procedures and difficulties in issuing directives, regulations and national laws, (iv) the concept of "uniform regulation" of the theoretical model of "consolidated" financial products (of the 2 Dealership and Auction markets) and the geographical parts) and the resolution of restrictions at national level, on the activity of key negotiators and market makers, (v) the uniform application of national legislation to conflict-of-laws regulations and the resolution of disputes at national level in the legal handling of bilateral set-off of financial transactions; (vi) the technical infrastructure and regulatory oversight parameters: a single global supervisory authority and its structure, (vii) the interconnection of products of the organized financial market with the bilateral banking (market traders vs dealers) at legislative and technical level and other technological issues, (viii) the levels of multilateral trading market (by products, etc.), relations of participants with regulated markets, (ix) the legislative status (through directives, regulations, national legislation) and the role of CRAs; and (x) the SSM and the SRB and their collaborations with the supervisory authority. Also, a relevant approach will be given to the relationship that the unified framework could have with the products and markets of Islamic law, the perspectives but also the legal difficulties. At the same time, the advantages and disadvantages of the participants in the unified framework will be presented.

It is quite necessary that the proposals of national and international economic policies will be studied, analyzed and presented, for the implementation of the theoretical model (of the single and regulated market of financial products), since its structure, has many factors, such as: (i) Policy areas and roles of stakeholders, (ii) The role of central banks, (iii) the role of the state and public administration, related to the activities of financial institutions, (iv) Proposals for a consolidated view of the regulatory framework for all products, (v) the role of banking products in the single framework and national economic policies; and (vi) analysis of socio-labour policies with their implications, in the single regulated framework, of economic integration related to labor issues. The challenges of designing a balanced single regulatory framework, along with tackling the Hirshleifer effect (Note 1), also arise because of the dynamics of under-regulation and the risk of over-regulation. They will also present critiques and comparisons with the international context and issues-theories concerning the operation and effects of already existing similar unified frameworks (as counterfactual analysis), i.e. European economic integration, at macroeconomic level and in the international distribution of financial risk. The effect of the policies will be presented, with emphasis on important conclusions concerning market transparency, liquidity, the social impact on unemployment (especially in the financial sector) but also the important role of the human factor (as in all projects) for the implementation of projects and the management of individuals, through processes of innovation and technology as well as additional fields of research.

2. Literature and Methodology

In the literature of the Labor we will refer to the degree of correlation between unemployment and its recovery, compared to the efficiency of financial markets. Particularly after the recent crisis, the possibility of expansion and the creation of new jobs are affected, due to the lack of available investment funds. There is a view in the international literature that the reduction of international liquidity has also played an important role in slowing down the recovery of unemployment. We will show, based on the models of the international literature that the degree of adjustment and deceleration of unemployment and jobs, depends significantly on the efficiency and the trading framework of intermediaries in international financial markets. The relationship between market transparency (through regulation) for the financial products in question, in relation to the increase in transaction costs and the decrease in liquidity will be studied.

The transparency of the markets and legislation, for the financial products in question, in relation to the increase of transaction costs and the reduction of liquidity, it is also quite important to be considered. The Market abuse, under-regulation of markets and products, undermine investor confidence and negatively prejudice the smooth functioning of International Markets. Investors will avoid trading in markets whose reputation has been tarnished by abusive practices or perceptions that they are uncontrollable and unregulated. As a result, companies' capital costs and transaction costs will increase.

Pagano and Röell (1996) demonstrate the strong correlation between the degree of transparency and the increase in transaction costs. In markets where there is more transparency, liquidity increases, due to the reduction of opportunities that some traders would have as an advantage over others with less information. They compared the process of price formation in different trading systems with different degrees of transparency.

These trading systems tested (in the Pagano-Röell study cited above) were either dealers markets (bilateral interbank) or auction markets (multilateral trading, secondary markets, stock exchanges). They also concluded that greater transparency generates lower transaction costs for traders, on average, although this is not necessarily the case for certain transaction sizes. In addition, the strategy followed by each trader is an endogenous part and does not affect their case. They have not yet answered, as they report (pp 597), the question of whether the above applies to even more general and unified markets (at least in a theoretical-mathematical model), that is, to an integrated system of markets and products, there are even lower costs. trading and therefore greater liquidity, due to transparency and more adequate (due to product consolidation) and equal dissemination of information to traders (using the same trading strategy (trading strategy) on these consolidated trading platforms).

Pagano and Röell's study, which proves that traders' strategy is endogenous and does not affect product price spreads and liquidity, was based on a previous study by Glosten-Milgrom (1985), which also proves, but only for fixed command size (pp 590). Easley-O'Hara (1987) had further demonstrated (according to Pagano-Röell) that on average for every order size there is an increase in liquidity, due to the transparency and equal information of traders, but in the auction market (multilateral trading), secondary) is even higher (pp 593).

The above study is particularly important in the research achieved with the present dissertation, in order to prove additionally (through the specific dissertation) from the work of Pagano-Röell, that in a unified market model (ie with both auction market and dealer market), there is an even greater reduction of transaction costs, for the average and equally and uniformly informed trader and consequently greater liquidity, through increased transparency. This unified model should be described by an institutional framework (products and surveillance rules), and which will be implemented through specific international and national policies.

Regarding the correlation of unemployment with the efficiency of markets (Note 2), [Carrillo-Tudela Carlos, Graber, Michael and Wälde, Klaus, 2019] modeled the financial sector as a monopolistically competitive banking-capital market sector, among intermediaries involved in the trading system to secure finance capital for businesses. This structure resulted in the limitation of financial resources per period, and as a closed form, described the transition of unemployment and job vacancies, to their constant prices. Then, they showed that the course of the transition depends to a large extent on the degree of wage flexibility [Carrillo-Tudela Carlos et al, 2015]. Therefore, when wages are traded successively and continuously in a closed system, their transition path (unemployment, wages) is always downward. This means that unemployment and job vacancies are adjusting in opposite directions as observed from the data. As they adapted their model to the data of the Great Recession (2008-2012) and its aftermath, they found that the lack of improvement in the efficiency of the financial sector, in all intermediate resources (intermediaries, traders, liquidity, legislation, products, etc.) played a key role in the slow recovery of the labor market.

Thus, the imperfection of the financial markets, the lack of competition, the closed system of an inaccessible, unaffected and not easily regulated financial system, is directly related to the maintenance of unemployment and the lack of new jobs, ie essentially in a such a system, there are slow rates of unemployment recovery, especially in the financial sector in question. In other words, the imperfect financial markets contribute positively to the increase (or maintenance of the increase or even to the slow recovery) of unemployment.

The concept of an imperfect market in this research is linked to the assumption that in the financial sector, there will be an almost monopolistic banking regime. In contrast, having healthy competition in a money market is one of the characteristics needed to reach the perfect market, and therefore contributes even to reducing unemployment and increasing new jobs. Assuming that the smaller companies in the industry were always looking for external financing to finance the creation of new jobs, it is pointed out that several of the larger companies, which while having internal capital reserves, appeared discouraged from spending some of them on to finance investments and consequently job creation.

Also, in a recent paper of Petrosky-Nadeau and Wasmer (Note 3) (2013), who extended the work of Wasmer and Weil (2004), analyzed the effects of financial markets on unemployment and jobs, using thought-provoking research techniques [Shimer, 2005; Mortensen and Nagypal, 2007], emphasizing the role of financial friction in increasing cyclical unemployment volatility in response to productivity disturbances. Productivity is directly related to the lack of competitiveness or the emergence of monopoly phenomena. They also proved, in essence, that in monopolistic non-competitive and therefore imperfect markets, unemployment is moving upwards as well as the lack of productivity is moving upwards and vice versa.

Financial risk-taking is a concern for public policy makers because risk-taking actions create external effects on the economy, ie significant costs that are imposed on society as a whole, but which are not budgeted by the individual investor or valued by the market. In an economy where there are significant external influences, competitive markets become inadequate risk assessment mechanisms and competitive pricing. In this context, the aim of public policy (in the sense of regulating financial activity) is to reduce these market failures. In the financial system there are other market failures, such as the asymmetry in the disclosure and use of information by financial service providers (banks, investment companies) to users of these services (borrowers, investors).

Another important issue is the proposed separation of the responsibility for monitoring the regulation of these products by the respective supervisory authorities. Here we must understand that the Central Banks of the States and the respective secondary market regulators will play an important role. This is necessary due to a possible overlap of responsibilities, because credit institutions (central banks) will be involved in transactions involving standard regulated market products, which will have rules of law. The overlap of responsibilities must be resolved with the cooperation of the supervisory authorities and not with segregation and sealing. The creation of joint Supervisory

Committees or other mechanisms may be a solution to be considered (which again requires technological infrastructure and clearly highly knowledgeable staff for manning).

It is also inferred from the literature that in market models where there is trading dynamics (in a continuous period of time), non-heterogeneous views of the course and the estimated value of the assets by the participants, the information provided is given even at different times and its distribution Risk exists in various states of the economy but also throughout the time we analyze transactions, then the Hirshleifer phenomenon is reduced and addressed. That is, with the early production and increase of information to certain participants, there is no decrease in the value of the assets being traded. As long as, there is as much heterogeneity of traders' views as possible, the overall supervision and possibly different situations of the economy is taken place. This can theoretically be achieved if we connect all the global financial markets, in a regulated context, with different financial products from different schools of economics (i.e. Islamic Law) and from different economies (i.e. Islamic and Western economies), where there will be barriers by nature for spillover effects.

Another important conclusion from the literature on unemployment and jobs is that the more imperfect or even more specifically, non-competitive (monopolistic) markets are, the more difficult it is to recover from unemployment and jobs. However, the broader and more competitive the market environment is, the more favorable the creation of new jobs and the rapid reduction of unemployment.

As important observations from the literature [Mahmassani, SR, 2000 (Note 4)] on Islamic financial law, we mention the limitations that Islamic financial institutions face, from their existing regulatory framework inspired by the control of Sharia'a (Islamic religious law), especially in matters of business, banking and products as well as lending. To address these issues, Islamic banks conduct *mudaraba* (Note 5) (partnership) transactions in which depositors are investors in the bank and the bank acts as an investment manager. Similarly, the bank invests in a partnership with borrowers, so the bank is the investor and the borrower is the business manager.

Also, the financial intermediation partnership model, in Islamic Law, provides a system of share participation, risk sharing and shareholding, which is in line with the principles of fraternity and cooperation. It promotes the exchange and cooperation between the fund provider (investor) and the fund user (entrepreneur). There are two types of partnership transactions: *mudaraba*, which is described as a direct investment in which the investor provides all the funds, and *musharaka* (Note 6), which is described in the literature as a joint venture in which all parties provide capital, and expertise for the business.

Essentially, the already large number of competent authorities in the states, with different powers, as mentioned, can confuse economic operators. A single competent authority has been designated in each state to assume, at the very least, the ultimate responsibility for overseeing compliance with the provisions adopted under a single institutional framework, as well as for international cooperation. This Global Authority will have an administrative character that will guarantee its independence from economic operators and will prevent conflicts of interest. In accordance with their national law, States shall ensure that the competent authority is adequately funded. This authority should have an appropriate consultation system on possible changes to national legislation, such as an advisory committee composed of representatives of issuers, providers and consumers of financial services, in order to be fully informed of their views and concerns.

The efforts of economic interventions in relation to the regulation of the markets are the bet of our days, if and to what extent they can interact with each other and reflect their result in the economic reality. Market efficiency and price transparency are factors that reflect economic prosperity. Even the involvement of financial institutions in these systems must be seen in the light of the fact that their competition will increase and the provision of a higher level of services to end customers. The conclusions from our extensive bibliographic research have led us to believe that the logic of making specific economic policy decisions must always be in line with the (existing or proposed) international market regulatory framework. The overriding task of international financial regulation is to minimize the systemic risk arising from the operation of capital and derivatives markets. We also concluded that the regulator should prevent the risk of unethical behavior. It is vital to provide protection against the failure of private companies, which jeopardizes the efficient functioning of the market as a whole. However, stockbroking companies that make bad decisions must be allowed to fail.

3. Analysis of the Establishment of the Single Global Regulation Framework and Authority

The creation of a Global Supervisory Authority (GSA) can not fulfill the purpose of its existence, unless responsibilities have been assigned to it, which relate to existing national and supranational authorities. Its existence is also necessary for the supervision and harmonious operation of a single and regulated market model, for all financial products. The global supervisory authority that will be able to supervise the single product regulatory framework is also the answer to the problem of fragmentation of market surveillance.

Its purpose and objective (GSA) will be the transparency of the single regulatory framework, ie the regulated global and multilateral trading market, the effort to approach the perfect market1, the symmetrical knowledge of information to all participants in product prices, the low transaction costs, the high liquidity, the creation and supervision of trading mechanisms and common ground. A basic operating body is required, ie a Supervisory Board, in which it should (in its full composition) include (in addition to its permanent members, representatives from international supervisory authorities and international organizations). At the regular representatives of authorities and organizations, we will count at least from: ECB, ESMA, EBA, EIOPA, IMF, BCBS, IOSCO, World Bank, SEC. At the same time, a group of Committees is required for rapid and targeted decision-making in specific areas.

It is true, that this Authority can not (if not legislate) at least have a supervisory role in international regulatory procedures. In order to do this, a relevant delegation of responsibilities must be made, either by autonomous national authorities (eg SEC USA, SCA Dubai Financial Services Authority, etc.) or by existing supranational authorities (ESMA, EBA, SRB, ECB, etc.); in matters of course that they already have the authority to supervise. This Authority should be assisted by international financial organizations, such as IOSCO, BIS (Basel), IMF, ISF, etc. but also other international organizations, such as, ISDA. An important point for the proper and effective operation of the super-supervisory authority is the use of resources by national and supranational authorities. Specifically, the exchanges of information between them, the access to information systems and databases of the other authorities by the GSA, the participation and exchange of staff and executives, the constant communication with the National and supranational authorities, the international financial and non-financial organizations, are some of the essential elements of using primary sources of information (see below Figure 1).

An important point for the proper and effective operation of the hyper-supervisory global and surveillance authority (GSA) is the use of resources by national and supranational authorities. Specifically, the exchanges of information between them, the access to information systems and databases of the other authorities by the PEA, the participation and exchange of staff and executives, the constant communication with the National and supranational authorities, the international financial and non-financial organizations, are some of the essential elements of using primary sources of information.

The relationship of the GSA with the international, supranational supervisory authorities, the international financial and non-financial organizations but also the centers of influence, will be done through joint committees with respective representatives, with joint teams at technical level, with memoranda of cooperation (MoUs), with multilateral / bilateral meetings, with the adoption of standards by recognized and internationally renowned institutes and of course with the International Credit Rating Institutions (CRAs), as the most important external influencing factors in the global financial becoming.

Although credit rating agencies (CRAs) are controlled by the Capital Adequacy and Market Abuse Guidelines, as well as a Code of Conduct issued by the International Organization of Supervisors (IOSCO), the European Commission considers that their their compliance with the IOSCO Code is not enough. If we consider the enormous power of CRAs, who decide the fate of banks, companies, insurance companies, new investment products and the states themselves, it becomes clear that both at European level and globally (in due course, by their GSA) regulation, is imperative.

SSM and SRB and their collaborations with the super-supervisory authority will play a special role. These European mechanisms, to protect the European financial system, will now be able to use the various *instruments* of prudential supervision and consolidation measures they provide for EU-based credit institutions. Such *instruments* might are the College Resolution, the European College Resolution, the Supervisory Colleges and in general the various groups they have formed (Joint Superviosory Teams, Joint Resolution Teams), to inform the GSA, so that it can contribute to its supervisory role, more fully and in a timely manner, when it comes to financial risk issues, which are based in the EU, but can spread (spillover) to various other areas.

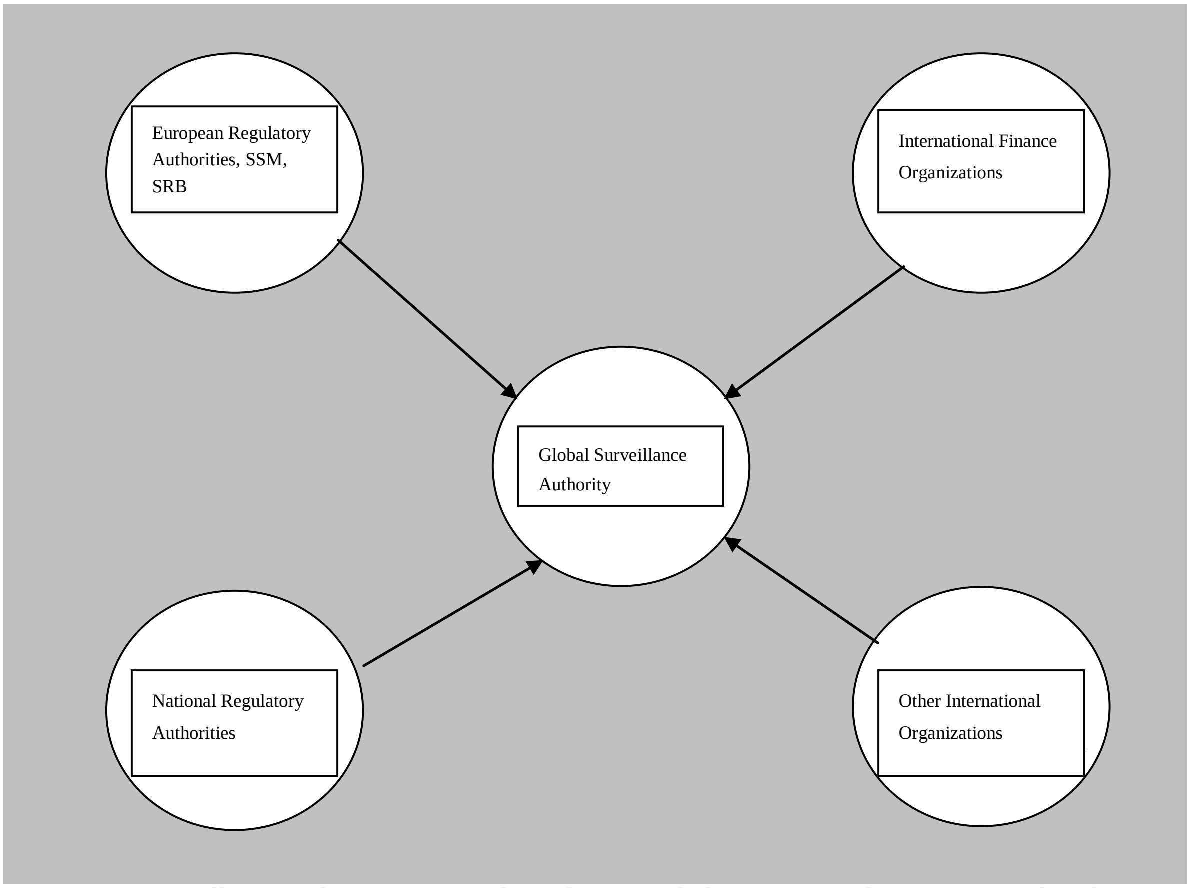

Figure 1. Hyper-surveillance Authority (GSA) and its relations with the International Institutions and Authorities

3.1 The Necessity of Market Integration and Creation of a Single Regulatory Model

The financial markets (FM), like the goods markets, are also more integrated and liberalized in the territories of the Member States, rather than in their cross-border relations. The reasons for the different degrees of integration and liberalization are essentially related to their monetary and financial structures. Although, the partial release of the FM leads to high costs for consumers and producers of financial services, especially in the smaller Member States of a monetary union, economists believe that monetary union will ultimately improve FM liberalization. This is because, with the release of the FM, the prices of financial goods from different regions are essentially equal (except for different transaction costs), while traders in different regions will have access and ability to trade from different regions as well opportunity to decide to borrow, invest and hedge. Essentially, the result is increased availability and diversification, which lead to the independence of investment decisions and in addition the investment position will be able to adjust smoothly and offset the current imbalances.

At a time when European stock exchanges will be able to gain greater access to a larger number of investors and intermediaries and achieve better cost and more efficient clearing and settlement services, thus facilitating the use of diversified securities for transactions across the market, we expect this improvement to transfer the concept of trade from the "country" level to the "sector" level.

This potential improvement will also depend a lot on the real opportunities as well as the response of the companies: they will want to admit their shares to other organized European markets and see them trading in alternative systems at a lower cost; The real impact of MiFID on the average cost of capital in the EU, and therefore market liquidity, is also an important factor. It should be emphasized that the structural division of markets is an obstacle to the effectiveness of stockbrokers, but it can also act as a bulwark against the widespread manifestation of systemic risk. Thus, the effectiveness of MiFID in reducing the effects due to the structural segmentation of the market may be borne by the cost of increasing the likelihood of systemic risk.

We can say that the introduction of MiFID I and II has and will contribute to the reduction of problems at the country level, as well as the previous experience from the Investment Services Directive and the Market Abuse Directive, where European investments and the economies of the States -Members were based mainly on the level of the "country" and not the "sector". After all, public registrations and funding in the EU today, they apply mainly at country level and not across borders. Consequently, the European financial services market is still fragmented, and intermediaries (investment firms) are companies with closed administrations and only recently has there been mobility of mergers between these companies and the Stock Exchanges, but this is mainly within the Member States and not between States. Liquidation and settlement are more fragmented and therefore costly processes.

3.2 Application of the Theory of Fragmentation of Commands, in the Unified and Regulated Framework: Advantages and Disadvantages

As has traditionally been the case, financial markets perform two functions: they determine the equilibrium value of assets and facilitate capital formation (Levine 1991, Bencivenga and Smith 1991). In order to create a favorable environment for the performance of these tasks, regulators need to strike a fine balance, in particular with regard to the freedom afforded to operators (exchanges and investment companies) financial products (introduction of securities for trading, financing, execution of orders and settlement and delivery of securities). In this context, *microstructure theory* research offers some ideas and tools that could help guide regulatory decisions and analyze their implications.

Based on previous lessons on the benefits of differentiated execution methods, recent regulatory projects (MiFID in Europe and Command NMS/Reg NMS in the United States) have fueled competition between assignment matching service providers. However, the consequences of these regulatory changes (under various empirical studies) have been examined regarding the beneficial or adverse effects described in the fundamental foundation articles (Hamilton 1978, Mendelson 1987, Madhavan 1995, Easley, Kiefer and O'Hara 1996).

Regarding the *positive side*, competition between different execution sites has created a dual incentive for order-matching service providers: reducing their margins by reducing transaction fees and taxes and making additional investments in innovative technologies. This result was what was predicted when MiFID was implemented at European level. Regarding the *negative side*, splitting order flows between different execution sites can affect investors' ability to see the overall price-finding process. Indeed, the higher the degree of fragmentation of order flows, the more costly it becomes both in terms of time and money to perform monitoring tasks, search for counterparties and for better execution of prices and routing of orders, which erodes liquidity.

European regulations have designed a guarantee to deal with these adverse effects: the principle of "*best execution of the order*" which requires investment service providers to direct their orders to the platform that allows fast execution at the best price. We are very far from the famous "*Consolidated Tape System*" of the USA, which systematically reports in real time all the data on the prices of the securities traded on the major stock exchanges and makes the comparison of the places of execution free of charge to all investors.

In the proposed single framework market model, the existence of different venues for orders and therefore fragmentation retains its positive points, regardless of whether Auction market or Dealership market products are traded in different venues. For example, it is not necessary for secondary market products to be traded only in one trading venue. It is possible for exactly the same products to be traded simultaneously in more than one trading venues (eg, OTFs, MTFs, Stock Exchanges, etc.). The division of orders should be maintained, but in the proposed context, there should:

a) the supervisory control to be done by the Central Supervisory Authority itself (second level supervision) and

b) have simultaneous access to these products (traded in different venues, through orders), financial intermediaries, *regardless* of their primary (first level) supervisory authority.

Therefore, we maintain the concept of segmentation of orders and their flows, in the single framework (in the single and regulated market), under the above conditions.

4. Main (Economic) Challenges of the Global Single Regulation Framework

4.1 Principles and Challenges of the Global Single Regulatory Framework

The design of an international governance structure for the effective regulation of systemic risk in international financial markets, which could maximize the social benefit of open financial markets globally, must be based on principles, which in turn will be the foundations for an international financial building. More specifically:

- A comprehensive knowledge of the social costs of externalizing systemic risk, in particular its macroeconomic impact, should be taken into account,
- The homogeneity of market behavior must be seen as a threat to liquidity, especially in times of high

volatility, when there are breaches in international cooperation agreements,

- In order to strengthen the stabilizing power provided by international cooperation agreements, several stages of preparation are required,
- Because financial markets are now international, policy formulation and implementation must also be applied internationally, and
- International decision-making and standard-setting must be effective in designing effective regulatory principles but also responsible for market transparency and the dividing lines of decision-making supervisors. They must also be sufficiently legally strong, to the extent that all countries can shoulder the responsibility of appropriation, for the standards they adopt.

There are issues that need to be addressed regarding *regulatory changes* and *challenges*, the proposed regulatory framework and consequent policies. Policies are needed, in view of the emerging trend (with its pros and cons), of consolidating the regulatory framework for financial products.

(a) The first challenge concerns the *distribution of relevant information*. For a Financial Group operating across borders, the number of supervisors increases. As a result, the information shared with the supervisory authorities is slowing down. Also the operational structure of such groups is more complex compared to groups operating at national level and therefore the analysis and collection of information is more difficult. The same goes for the implementation of their supervision, which becomes more complicated. If such a group has all its credit obligations or facilities in a single country, it is difficult for a supervisory authority of another (interested) country to assess the risks if it is unable to implement effective supervisory cooperation and exchange of information.

(b) The second challenge is related to the *increase of conflicts of interest*. Problems in financial groups can be very costly and the final guarantee for financial stability can only be given by the government, given that the government has such responsibilities (eg taxation). But in most countries, deposit guarantee schemes can fund solutions to such problems when associated with smaller companies. If there is a systemic problem, it is the government that must intervene. Especially in the case of cross-border groups, the question remains: to what extent is it desirable and tolerable, by the taxpayers of one country, to substantially support the depositors of another country? But also the depositors of this second country, to what extent will they want to rely on the future support of the taxpayers of the first country? A similar conflict of interest exists in the cases of restructuring of banking groups.

(c) The third challenge concerns *success in joint management and assessment of critical situations*. In Europe, there is an agreement on the sharing of views and considerations when there are economic crises. That is not enough. In the event of a crisis, most countries are more likely to come up with assessments and policies that support their national interests. Therefore, the current supervisory framework carries the risk that the outcome and common assessments and policies will be very time consuming and time is an important but deficient source in crisis management situations.

(d) The fourth challenge concerns the *coordination of decisions between supervisory authorities*. For cross-border financial groups, where there are several supervisory authorities, ministries of finance and central banks, it is difficult to achieve such coordination in a timely manner. Even language differences, as well as differences in legal regimes, exacerbate the problem. It also worsens due to interdependencies between countries, because the decisions of a supervisory authority of one country can have an impact on several other countries.

(e) Inadequacies and differences in national insolvency frameworks also create legal uncertainty, barriers to credit recovery and barriers to the effective restructuring of viable companies in the EU, including cross-border groups.

(f) The challenge from the Hirshleifer Effect for the Single Regulatory Framework and how to address it is also an important issue. This Hirshleifer phenomenon generally exists mainly in imperfect markets, ie essentially where there is no balanced distribution of information and therefore can lead to practical issues of abuse and manipulation. In such environments the wealth of transactions of some market participants increases on the one hand, and on the other hand does not reduce the value of the assets in question (products, assets) at the trading moment for the other market participants (social welfare), when the relevant information will are fully publicizable.

In imperfect markets, early receipt of information is desirable for all participants (traders, investors, etc., so called "*Pareto improved*") if they have non-homogeneous views on the future state of the economy from the uniform risk distribution (in these situations) and at the same time benefit from the risk distribution over time (ie over the entire duration of the transactions). Of course, if the participants have homogeneous views, some will prefer to receive the information early, while others will not. Thus, public information has value, even if some market participants will not want to trade until the information (products, state of the economy, etc.) is fully available. However, this does not reduce the value of assets (as opposed to the Hirshleifer effect), which has been demonstrated by dynamic models (see bibliographic analysis). Therefore, even if we consider the single regulatory framework to be more market-oriented, whether participants have homogeneous or *non-homogeneous* views does not significantly affect the value of the assets, given that one of the characteristics of the Single Regulatory Framework is heterogeneity of views, markets, financial products and obviously Economic Schools (eg Islamic, Western capitalist, etc.).

In conclusion, the value of assets in the markets, within our global, unified and regulated model, does not seem to be significantly affected by the information received over time about the future state of the global economy and financial products (whether participants have homogeneous views, or not), as if we assume that our model is moving. Obviously we have considered that it tends towards the perfect market, due to the fairly symmetrical information it has, coming from the most effective supervision under the consolidated regulation, of the much lower supplies, due to higher competition for services, more participants, differentiated products from different schools, etc). Thus, the challenge from the Hirshleifer phenomenon tends to be adequately manageable, as consistent with the characteristics of our single-frame model in conjunction with the recent discoveries of dynamic models (2015).

5. Labour Policies

5.1 Analysis of Social - Labor Policies and the Effects, in a Single Regulated Framework, of Economic Integration

The international financial integration and its framework differ from the national frameworks of employment policies, with two diametrically opposed reasoning:

- Its effects on income instability and inequality can make labor policy more necessary and attractive: international unrest may require more active redistribution of aid, and the higher rate of return offered to wealthy individuals by investing in poorer countries can to increase income inequality
- However, the labor policies chosen and implemented in parts of integrated and integrated economies and markets may be less effective because access to differently regulated markets makes it easier for private ombudsmen to avoid so-called mandatory policies. This, however, may not be so problematic in the end, especially for "active" policies that increase overall productivity and productivity income.

Many factors simultaneously affect the labor market and its effects, and not all countries simultaneously show cross-diameter correlations between deregulation and poor labor market performance. In Portugal, for example, unemployment rose well before the crisis without any change in social and labor policies, which was completely different from Germany (see Figures 2 and 3) (Note 7).

Ultimately, this is not what we expect, i.e. if the transformations were exogenous due to changes in political preferences or the political decision-making process. Most likely, deregulation is an endogenous reaction to factors that tend to increase unemployment and reduce the growth rate of employment, and these transformations tend to strengthen passive labor policies, in response to factors that reduce unemployment and increase employment growth.

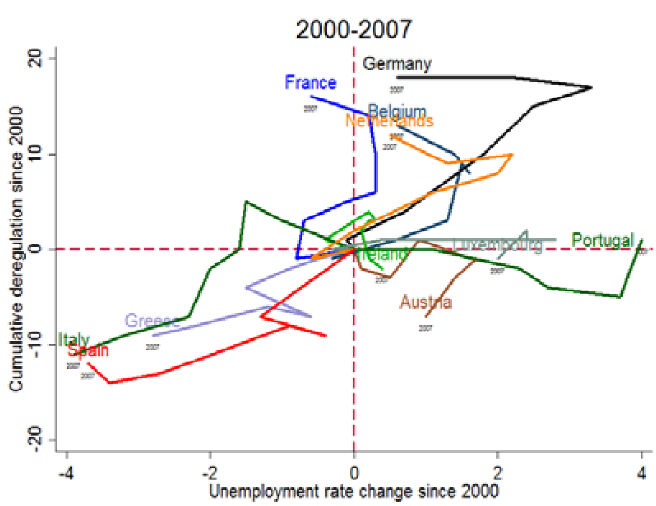

Figure 2. Labor changes and unemployment in 12-eurozone Europe, pre-crisis

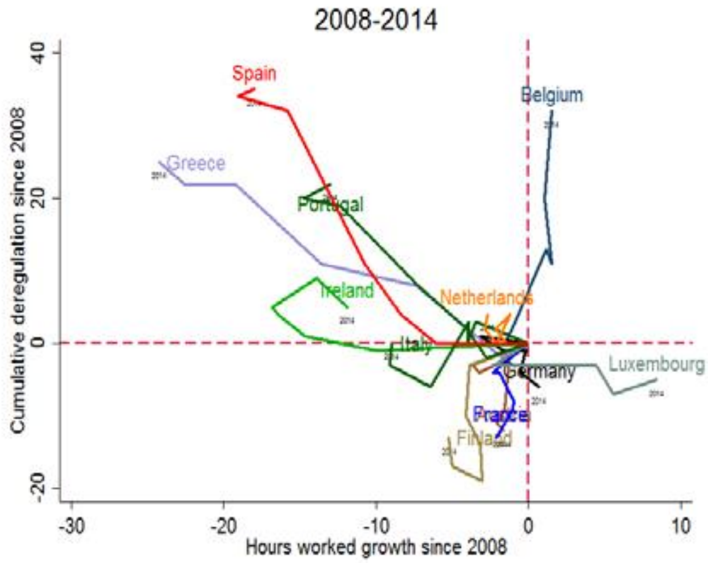

Figure 3. Labor changes and unemployment in 12-eurozone Europe, post-crisis

This finding can not be interpreted in terms of a "race-to-bottom" movement of passive labor policies, and is also very much tied to the idea that a member state's policy development efforts in a single framework system (ie in a market in essence), must follow very specific country convergence policies in a common implementation of effective "active" labor policies. Instead, it must be interpreted in terms of a policy-focused approach to ***international economic integration***, as the most important factor influencing the common dynamics of socio-labor policies and labor market performance (Note 8).

The consolidated economic view (in a regulated context) has been empirically proven (Note 9) [Bertola, 2016a, 2017], to have a direct relationship and impact on the direction and size of international capital flows and the structure of these flows in relation with dynamic structural policies, is firmly linked to the *redistributive role of labor policies*, within each of the national political-economic systems (which make up and participate in the whole integrated framework). We see essentially an interaction of national labor policies with international capital flows, in a unified global context, combined with international economic integration.

Let’s suppose that in a country that belongs to the unified and regulated framework, a policy is adopted that maximizes the wealth of a market participant (eg investment entity, trader, agent, etc.) who belongs to that country, and who earns income from work at a rate disproportionate to what it theoretically owes (per capita labor income) of national income. Because the higher capital gains of individuals whose incomes increase disproportionately from work, "passive" labor policies boost wages and reduce employment, and this is true in countries that are lower than average. Regardless of the extent to which structural changes require the implementation of "active" labor policies, labor policies are more "passive", as wealth is unequally distributed and individuals base their income on labor income more than capital source income (e.g. investments).

Policies must have a compromise at reasonable levels and policy decisions must be based on well-informed and long-term support processes. They belong to the realm of populism, policies that focus on short-term unilateral decisions, ignoring the balances in long-term policies (Note 10) [Andersen et al, 2017].

Positions of the right policies through constructive dialogues should not include, as a matter of principle, arguments of self-interest. They must recognize that there may be conflicts of interest (they are inevitable), but labor policies can be integrated over time into a single framework in which labor transformations and transformations (even in combination with inflation and financial imbalances, characteristic of the global unified regulatory framework, such as the one proposed), can be stabilizing and symmetrical in all periods preceding and following crises.

Therefore, only if we direct the distributive effects of the economic integration of our framework, through the labor policies that each country deems appropriate and applicable to its case, is it possible to protect the whole structure of our framework, from the political and economic risk of a permanent reversal of the already well-evolving and existing integration (especially in the European area).

Finally, the integration of international markets into a regulated framework does not necessarily constitute a deregulation of labor markets (to constitute economic policy decisions with a focus on the work environment). However, since the creation of a single and regulated framework for money markets may not necessarily (in general) increase economic wealth necessarily, it is clearly necessary to support this (implementation of the framework) effort, with constructive labor policies, by each governmental authority (national, supranational, European, etc.). Summarizing the labor policies for the integrated framework, we would suggest:

(i) policy-collective actions that can help increase wealth on average through greater efficiency. These policies can correct the failures of the integrated market by addressing financial and information problems, which make it difficult for the unemployed to fill vacancies, for the employee to finance his or her own job mobility and education, and for private consumption to remain stable in cases of labor income disorders. These policies, as "active" policies, are essentially those in which governments (national or other supranational authorities), using their observation and power, can organize and fund either training programs or job-seeking activities (through and their human resource public bodies), in ways that will not only normalize incomes across the range of employees (during their working lives), but also increase overall productivity and wealth.

(ii) policies set by the government policy and program, which could help to allocate resources across the range of employees, which differ in terms of how significantly they rely on income from work, instead of other sources (eg investment income). These "passive" policies (such as minimum wages, collective bargaining, payroll taxes, working time restrictions, etc.) increase per unit of income but also reduce employment. To a certain extent, these policies will increase labor surplus, but will also reduce output and surplus labor-complementary factors of production. Similarly, employment protection arrangements constitute occupational insurance, which is valuable to uninsured workers against disruptions to employment income, but also to work travel, which is costly for workers.

5.2 The Dynamics of Sub-regulation and the Risk of Over-Regulation

On the one hand, the sub-regulation of the markets has as a consequence the creation of a looser legal and restrictive market environment, which results in the more attractive treatment and attendance of Funds in these markets. In the long run, however, the low potential protection of investors, depositors, taxpayers, etc., from abusive buying practices and the lower transparency (which is a consequence of loose legal frameworks), will create cracks of credibility.

The other side of the "*regulatory paradox*" (as reported in the literature, Aizenman (2009)), is that after a crisis that ends up having unbelievably high costs in the markets, over-regulation and consequent stagnation can be imposed ("Stagnation"), since the participants who will actually bear the burden of the costs of over-regulation are not participants in such decision-making processes. Therefore, an incorrectly planned transition from a under-regulated market to an over-regulated market will present liquidity problems, with over-regulation.

The planning of the transition, in order to avoid the risks of lack of liquidity or transfer of funds to other markets (less regulated), must be done gradually. After the harmonization of the relevant regulations in the States, there should be a period of time for the new regulatory conditions to mature, before the imposition of new ones. Many parameters need to be considered and evaluated, such as: changes in market liquidity over time, growth rate of new financial products, participation of the general investment public, control of the transfer of funds (or not) to other markets or back to the banking system, growth rate penalties and cases of violation of legislation, SME financing and stimulation of entrepreneurship and of course the views of market participants (investors, funds, capital market committees, stock exchanges, intermediaries, etc.) must be heard.

We therefore propose that the Global Supervisory Authority (GSA), which will have a specific regulatory structure, supervise and have under its control, the introduction of new regulatory structures in the respective market and to express an opinion, taking into account the above parameters. Thus, it will participate in a more substantial way, which will alleviate the above doubts, will include the transparency in the information, the increased independence of the supervisory body from the political developments, the centralization of the regulatory processes together with the increase of their transparency and finally, the adoption of generalized (globally) standards of a set of prudential regulations as well as information transparency, imposed by the national supervisory body.

5.3 Other Theories Concerning the Creation of the Single Regulation Model of the Financial Products and Markets

5.3.1 International Risk Sharing, Optimum Currency Area and Financial Integration

The integrated market (into a regulated framework for financial products) is based on the idea of the open market and the elimination of barriers as prerequisites for promoting growth. Economic theory suggests that financial integration helps to match savings with global investment and improves the distribution of productive resources and strengthens specialization and comparative advantage1 (Krugman's peripheral-core model), [Andrew, Feiock 2010].

Its potential strengths include the strengthening of entrepreneurship and innovation, the "imposition" of discipline through competition, the development of the financial sector through access to private and government financing, and the protection against macro-fluctuations due to the geographical dispersion of portfolios and available liquidity.

The more open a country is, the greater the potential risks. Capital flows can be large but they can also be variable, such as the end of lending (for example, the Chinese economy is reluctant to open an open capital market). Integration tends to make the money markets move closer together with the markets of other countries. This is where systemic risk comes in.

However, the high specialization (in financial products) due to the integrated markets, can also make the markets more vulnerable. The recent lesson from the global financial crisis has been that financial integration precedes legislation and frameworks, even in geographically linked markets and institutions.

In the research part, *the Optimum Currency Area* (OCA) was studied as the geographical area, which could maximize the economic efficiency, having the whole region a common currency (Note 11) [Mundell, 1961]. Essentially, this theory describes the optimal features for merging currencies or creating a new currency and is often used to support whether a particular region is ready to be transformed into a monetary union, as the final stage before economic integration. OCA theory does not consider economic integration necessary in the early stages, but when smoothing out the effects of disruptions and synchronizing business cycles is required.

However, the *International Risk Sharing* (IRS) theory began to gain ground especially after the recent crisis, especially because it was not part of the market integration process (eg of the European Monetary Union). Of course, in the EU before the crisis there were disturbances but not of a financial nature, as well as in the European area there was no very good coordination in advance (institutional, technical, economic, etc.), due to limited institutional enforcement (not strong uniform and regulated frame).

We essentially understand that for the "application" of the IRS theory, the unification of the markets (at different levels) is a necessary condition. And this, because the IRS requires access to internationally diversified portfolios and international markets. According to IRS theory, at the macroeconomic level, the correlation between income and domestic consumption is expected to decrease, but also to increase the correlation between income and countries.

The two theories described above (IRS and OCA) point in the (necessary) direction of a financial market integration, in a single context. This will make the necessary complementarity of markets, an element necessary for international risk-sharing (IRS theory), and will increase the synchronization of business cycles, as proposed by OCA theory.

We must emphasize, however, that in reality, the differentiation and the synchronization of the cycles are contradictory phenomena. Therefore, financial integration is not a sufficient condition for any of these theories, based on empirical studies (Note 12).

Let’s take the European Integration for example. Prior to 2010, it was considered to be (completion) an achievement of the euro. Studying the data and using as indicators the convergence of index prices in the euro area and quantity, before and after the crisis (Figure 4) but also the dispersion of corporate and government bond prices, before and after the crisis, in the euro area (Figure 5), it is not obvious that market integration was helped by the common currency. The ECB also uses other indicators for consolidation, such as the ECB FINTEC indicator for financial markets, bond markets, stock markets and banking markets.

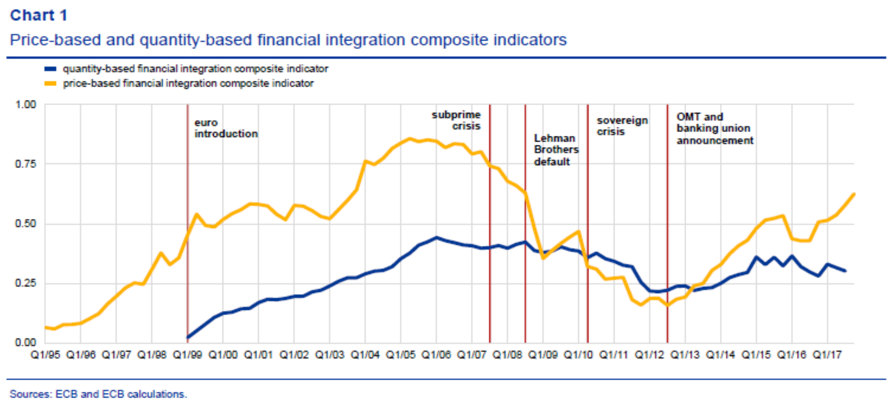

Figure 4. Composite indicators of financial integration based on prices and quantities: Integration and "de-integration"

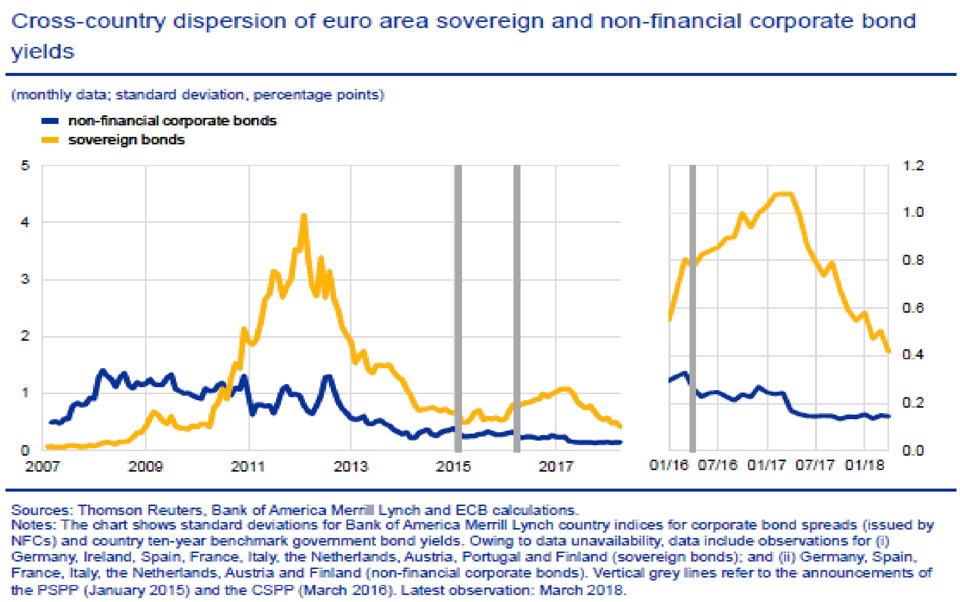

Figure 5. Dispersion of government bonds among Eurozone countries and yields on unfunded corporate bonds: Integration and "de-integration"

From a macroeconomic but practical point of view, it is not entirely clear that financial integration always contributes to growth, stability and equitable risk sharing. The problem (ie the "disagreement" between theory and reality) is probably due to factors such as: financial technical processes, bonds, completion was driven mainly for tax reduction purposes, products mispricing, regulatory failures at national level or advantageous sovereign debt taxation.

The Banking Union and the Capital Market Union within the European Monetary Union generally have a resistance to financial turmoil. The role of the banking union is to reduce the systemic risks in advance (before the crisis) and in the aftermath (after the crisis) to absorb the losses (the resolution fund) and to distribute the losses through a shareholder contribution. of banks initially (bail-in). The union of the capital markets has as its role, the strengthening of the cross-border transfer of funds instead of debt, but also the improvement of the stability of the markets.

Cross-border risk sharing is the second biggest problem for members of an association using an open economy model, and it has been shown that if markets are imperfect, the benefit of accessing any level of risk-sharing is greater for those countries that are members of a monetary union and, on the other hand, that even if the markets are perfect, the distributed optimal risk is not sufficiently limited (Note 13) [Farhi and Werning, 2017]. Risk sharing is therefore an advance guarantee in some way, in a union-integrated framework, where what is needed is for cross-border lending to work properly.

As a final remark, it could potentially be used as a stabilizer of income in a single framework, ie in response to asymmetric disturbances, a kind of "Unemployment Benefit Scheme" for the whole framework, but will encountered difficulties in its design, that such national schemes already exist and should be matched with them, have some minimum standards, may not receive the appropriate political support in some framework countries, etc. (cf. the European scheme European Unemployment Benefit Scheme) (Note 14).

5.3.2 Counterfactual Analysis

Attempting with counterfactual analysis (the analysis of counter-examples) to study what the situation of the international markets would be without their completion in a single framework, as we have already described, we will focus as a counter-example, on the real picture that had the European financial system when it entered its integration phase.

In an integrated and single financial market regulatory framework, the prices of similar assets in different regions are assumed to be the same (except for different transaction costs) and participants have access to and trade in financial products from as well different areas, as the object of their investment decisions, either for savings or for lending or for investment and hedging against risk, and as a consequence there is an increase in the availability but also in the diversification of financing.

The integration of the European money market has been achieved mainly due to the adoption of the single currency and the harmonization of financial legislation. As an example we refer to the MiFID Directive (I and II), which contributed to European financial integration to the extent that its implementation resulted in the smoothing of different transaction costs, especially through more transparent transactions and the freedom of activity of intermediaries, but also by improving the level and diversification of funding, due to the elimination of barriers to cross-border trade. These asymmetries help consumers of financial services to show a strong "home bias" of their financial assets. *Home bias* means that consumers buy and sell mainly in their domestic financial markets.

The overall effectiveness of MiFID I and II in reducing the phenomenon of "domestic bias" was based on the fact that European producers and consumers (of money products) now have real access to the European Capital Markets and a real reduction in transaction costs, enjoying the perfect best execution of the transaction, without any compromise in the protection of their interests. In addition, the implementation of MiFID is expected to further expand the spread of financial risk in the EU, through the in-depth control of financial intermediaries [Mertzanis, 2007]. (Note 15)

Achieving the completion of the European financial market is based not only on eliminating any market inefficiencies and failures due to asymmetric information (characteristic of fragmented markets), but also on reducing systemic risk (which is an inherent property of markets). However, if financial markets are highly liquid and stable (characteristic of consolidated and regulated markets), they will be large and characterized by a wide range of participants with different investment objectives and expected expectations that markets will continue to be fixed.

It is increasingly accepted that the degree of "domestic bias" is declining over time, as investors, in as many states as possible, hold a growing proportion of their portfolio in foreign financial instruments. Also, the extent to which most portfolios are characterized by "domestic bias" is huge and because this bias also reflects malfunctions of financial intermediaries, an expansion and harmonization of the structures of these intermediaries will improve the level of domestic wealth of traders.

6. Conclusions and Further Research

The logic of a *truly international single (unified) regulatory framework* in all financial products it is far from its final and realistic achievement. However, its theoretical existence, as well as, its theoretical advantages, proves that they exist and can perform (Note 16) (Panagopoulos et al., pp. 10-11). Whether this theoretical model can be applied in practice depends on the mood, views, economic practices and the dominant position in the global financial market of the countries of the world.

Therefore, answering the question posed by the researchers, ie *whether and where harmonized international regulations and standards are really required* and *where we can safely leave room for the regulated market*, after our research finding, it is in the regulatory integration of products within the markets (Western capitalist economies) with a specific regulatory framework, implementing through national and/or international policies, as we have argued. This regulatory consolidation will take into account possible conflicts of law (ie Hague Convention and Directive 2002/47 / EC, regarding the elimination of legal obstacles).

6.1 Social Impact on Work Issues From the Implementation of the Single Regulatory Framework

Free markets do not necessarily optimize the balance between work and the level of income and consumption. In incompletely informed markets, active labor policies can improve the balance between the unemployed and job vacancies, as well as income disruptions from uninsured work, increasing employment and production. This in turn, increases the income of factors that are complementary to work: in fact, where work is the most important source of income for most individuals, however with political decisions, less weight may also be given to other income factors.

This is especially true in societies with high wealth inequality, where active policies have less political support than passive policies, which increase the lack of earnings per unit of labor against other factors of production, or balance higher income from work with low productivity and non-working income.

Consequently, in a single and regulated context, as proposed, and in which the money markets mainly tend towards perfection, "passive" labor policies tend to prevail, especially in societies where there is a higher-than-average, social wealth, but also less inequality of income from work. Otherwise, if there are inequalities in workers' incomes in these markets, we need more "active" policies that will support the production of income by other factors complementary to labor.

It is the responsibility of each government (or other supranational) authority to implement labor policies, even if we have a comprehensive and unified framework for regulated money markets. Combining the smooth functioning of markets with the right mix of labor policies will increase workers' incomes (especially in the money / industry), reduce unemployment and increase employment.

In the absence of a single global market integration, the effects of an economic crisis that will hit a country, will require the immediate adoption of active employment policies (not always desired by society as a whole) which can of course be offset by actions by national actors and temporarily relieve employees. Therefore, in this case it is necessary to take measures, with a more *"employment" character.*

On the other hand, if a global, unified and regulated market environment is in place, with fairly equitable information and almost perfect markets, this can lead to a kind of job complacency in member states, as there will be a high level of income (especially in the financial sector) mainly from work. In these cases, governments could implement some passive employment policies, which would ensure workers' incomes, achieve a fairer redistribution, but also shift some of its sources of production to others factors of production (eg investment income). Therefore, in this case it is necessary to adopt labor policies, focusing on a more *"investment" character.*

6.2 Summary and Results of Policies and Fields of Further Research

The efforts of economic interventions in relation to the regulation of the markets are the bet of our days, if and to what extent they can interact with each other and reflect their result in the economic reality. Market efficiency and price transparency are factors that reflect economic prosperity. Even the involvement of financial institutions in these systems must be seen in the light of the fact that their competition will increase and the provision of a higher level of services to end customers. The conclusions from the elaboration of our dissertation led us to adopt the notion that the logic of making specific economic policy decisions must always be in line with the international market environment.

The overriding task of international financial regulation is to minimize the systemic risk arising from the operation of capital and derivatives markets. At the same time, the regulator must prevent the risk of unethical behavior. It is vital to provide protection against the failure of private companies, which jeopardizes the efficient functioning of the market as a whole. However, stockbroking companies that make bad decisions must be allowed to fail.

The main task of international financial regulation is to minimize the systemic risk arising from the operation of capital and derivatives markets. At the same time, the regulator must prevent the risk of unethical behavior. It is vital to provide protection against the failure of private companies, which jeopardizes the efficient functioning of the market as a whole. However, stockbroking companies that make bad decisions must be allowed to fail.

Strong political support for the supervisory authorities' efforts is crucial if we are to ensure an effective communication network between the supervisory authorities of the European Union and other international supervisory centers. This network must adopt innovative means of communication to address cooperation between the supervisory authorities of the home Member State and the host country and to strengthen a common supervisory culture. The next implications of the political developments in European economic affairs is another area, which needs further research.

The important procedures of the Global Supervisory Authority (GSA), in terms of harmonization of law (EU Directives and Regulations, US legislation) but also of the standards, recommendations and consultations (BIS, IMF, FSB, ISDA, etc.), the relevant approvals or consents it will receive, the consultations with market participants, the integration of new financial products into the whole integrated framework and in general the way of managing the responsibility, the smooth operation of the single framework, are definitely areas for further research.

Acknowledgments

This Postdoctoral research paper is dedicated to the memory of the respectful Professor *Dr. Thomas Chatzigagios*, at University of Macedonia, Thessaloniki, Greece, Finance and Accounting dept., who initially was the supervisor of my postdoctoral thesis until November 2021. He introduced me to the paths of the International and European Law and teached me how to combine, with an academic and scientific way, Finance, Economics and Law.

References

Albrecht, W., Bronfman, C., & Messenheimer, H. (1994). Regulatory regimes: the interdependence of rules and regulatory structure. In A. Lo (Ed.), *Industrial Organization and Regulation of the Securities Industry*. NBER Conference Vol., Chicago, University of Chicago Press.

Allen, F., & Gordon, G. (1992). Stock price manipulation, Market Microstructure and Assymetric Information. *European Economic Review, 36*, 624-630. https://doi.org/10.1016/0014-2921(92)90120-L

Andenas-Kenyon, S. (Eds.) (1993). *EC Financial Market Regulation and Company Law.* Sweet@Maxwell, London.

Andersen, T. M., Bertola, G., Driffill, J., James, H., Fuest, C., Sturm, J.-E., & Uroševic, B. (2017). *Economics of Populism: The EEAG Report on the European Economy 2017*. Munich: CESifo.

Andrew, S., & Feiock, R. (2010). Core–Peripheral Structure and Regional Governance: Implications of Paul Krugman's New Economic Geography for Public Administration. *Public Administration Review, 70*(3), 494-499. https://doi.org/10.1111/j.1540-6210.2010.02163.x

Barndorff-Nielsen, O. E. (1997). Normal Inverse Distributions and Stochastic Volatility Modelling. *Scandinavian Journal of Statistics, 2*, 1-13. https://doi.org/10.1111/1467-9469.00045

Benson, G. J., & Kaufman, G. G. (1988). Risk and Solvency Regulation of Depository Institutions: Past policies and Current Options. *Monograph Series in Finance and Economics no 1988-1*, Salomon Brothers Center for the Study of Financial Institutions, New York University.

Bernanke, B., Gertler, S. M., & Gilchrist, S. G. (1999). The financial accelerator in a quantitative business cycle framework. In J. B. Taylor, & M. Woodward (Eds.), Handbook of Macroeconomics (Vol. 1(c), pp. 1341-1393). Amsterdam: Elsevier. https://doi.org/10.1016/S1574-0048(99)10034-X

Blundell-Wignal, A., & Atkinson, P. (2008). The sub-prime crisis - causal distortions and regulatory reform. Lessons from the financial turmoil of 2007 and 2008, Reserve Bank of Australia.

Boivin J., Giannoni, M. P., & Mojon, B. (2008). Macroeconomic dynamics in the euro area. In D. Acemoglou, K. Rogoff, & M. Wooford (Eds.), *NBER Macroeconomic Manual.*

Borio, C., & Zhu, H. (2007). Capital regulation, risk-taking and monetary policy: a missing link in the transmission mechanism. *Paper presented at ECB conference on the implications of changes in banking and financing for the monetary policy transmission mechanism*, November. https://doi.org/10.2139/ssrn.1334132

Bruce, C., & Gervais, S. (2008). Legal protection in Retail Financial Markets. *NBR Working Paper*, No 14972, May, 200, pp. 1-27.

Buiter, W., & Sibert, A. (2007). The Bank must take three steps to ease the turbulence. *Financial Times*, September 06.

Carrillo-Tudela, C., Graber, M., & Wälde, K. (2015). Unemployment and Vacancy Dynamics with Imperfect Financial Markets. *IZA Discussion Papers*, No. 9525, Institute for the Study of Labor (IZA), Bonn. https://doi.org/10.2139/ssrn.2696363

Chartered Institute for Securities and Investment (CISI®). (2015, May). *Fundamentals of Islamic Banking and Finance* (ed. 1). London.

Claessens, S., Herring, R. J., & Schoenmaker, D. (2010). A Safer World Financial System: Improving the Resolution of Systemic Institutions. *Geneva Reports on the World Economy*, no 12, International Center for Monetary and Banking Studies, Centre for Economic Policy Research, London, UK.

D' Arista, J., & Griffith-Jones, S. (2009). Agenda and Criteria for Financial Regulatory Reform. In J. Stiglitz, S. Griffith-Jones, & J. A. Ocampo (Eds.), *On Financial Turmoil*, forthcoming. https://doi.org/10.1093/acprof:oso/9780199578801.003.0007

Davis, E. P. (2008). Liquidity, financial crises and the lender of last resort - How much of a departure is the sub-prime crisis?. In *Lessons from the financial turmoil of 2007 and 2008*, Reserve Bank of Australia.

Dell' Ariccia, G., Ignan, D., & leaven, L. (2008). Credit booms and lending channels: evidence from the subprime mortgage market. *Paper presented at eh conference on Credit turmoil: causes and consequences and cures*. FRBC, May 2008.

Eatwell, J., & Persaud, A. (2008). A practical approach to the regulation of risk. *Financial Times*, August 25.

Eatwell, J., & Taylor, L. (2000). *Global Finance at Risk: The Case for International Regulation*. NY: New Press.

ECB Bulletin. (2008, February). Securitization in the Euro area.

England, C. (Ed.) (1991). *Governing Banking's Future: Markets vs. Regulation*. Boston, Kluwer. https://doi.org/10.1007/978-1-4684-6714-7

Estrella, A. (2002). Securitization and the efficacy of monetary policy. *FRBNY Economic Policy Review, 8*(1), 243-55.

Farhi, E., & Werning, I. (2017). Fiscal Unions. *American Economic Review, 107*(12), 3788-3834. https://doi.org/10.1257/aer.20130817

Ferran E. (2004). *Building an EU Securities Market*. Cambridge University Press, Cambridge. https://doi.org/10.1017/CBO9780511494765

Financial Stability Forum. (2008). *Report of the Financial Stability Forum on Enhancing Market and Institutional Resilience*, 7 April.

Gary, I., & Gastineau, F. J. (2002). *Fabozzi Series, The exchange-traded Funds manual*. Wiley Finance.

Goodhart, C. (1988). *The Evolution of Central Banks*. Cambridge: MIT Press

Goodhart, C., & Persaud, A. (2008a). How to avoid the next crash. *Financial Times*, January 30.

Hendricks, D., Kambhu, J., & Mosser, P. (2006). Systemic Risks and the financial System. *NAS-FRBNY Conference on New Directions in Vtulerstanding Systemic Risk*, Federal Reserve Bank of New York.

Hirshleifer, J. (1971, September). The Private and Social Value of Information and the Reward to Inventive Activity. *The American Economic Review, 61*(4), 561-574.

International Lawyer. (2003). The Harmonization of European Securities Law, 211.

International Monetary Fund. (2004). *Financial Sector Regulation: Issues and Gaps, LMF*. Washington. https://doi.org/10.5089/9781498330237.007

Iqbal, M., & Molyneux, P. (2005). *Thirty Years of Islamic Banking:History, Performance and Prospects*. Palgrave Macmillan, London, UK, p. 190. https://doi.org/10.1057/9780230503229

Jankowitsch, R., Nashikkar, A., & Subrahmanyam, M. (2011). Price dispersion in OTC markets: A new measure of liquidity. *Journal of Banking & Finance, 35*, 343-357. https://doi.org/10.1016/j.jbankfin.2010.08.016

Jutta, M., & Joachim. (2008). *International organizations and implementation: Pieces of the puzzle*. London, England: Routledge/ECPR, 2008. Chapter 1 by Jutta Joachim, Bob Reinalda and Bertjan Verbeek, pp. 3-9.

Jutta, M., & Joachim. (2008). *International organizations and implementation: enforcers, managers, authorities?*. London, England: Routledge/ECPR, 2008. Chapter 4 by J.C. Sharman, pp. 177-189.

Karlis, D., & Papadimitriou, A. (2003). Maximum likelihood estimation for the multivariate Normal Inverse Gaussian model. Department of Statistics, Athens University of Economics and Business, Technical Report No 202, September 2003.

Key, S. J. (2009). Financial Integration in the European Community. *International Finance Discussion Papers*, No 349, Board of Governors of the Federal Reserve System, April.

Klausner, M., & White, L. J. (Eds.) (1993). *Structural change in Banking*. Homewood, Ill., Business One Irwin.

Mertzanis, H. (2007). European Financial Integration and MiFID. *Journal of Financial Transformation, 20*, 155-166.

Mikdashi, Z. (2003). *Regulating the Financial Sector, in the Era of Globalization*. Palgrave, Macmillan, 186-197. https://doi.org/10.1057/9781403990112

Mundell, R. A. (1961). A Theory of Optimum Currency Areas. *American Economic Review, 51*(4), 657-665.

Pagano, M., & Röell, A. (1996, June). Transparency and Liquidity: A Comparison of Auction and Dealer Markets with Informed Trading. *The Journal of Finance, LI*(2), 579-580. https://doi.org/10.1111/j.1540-6261.1996.tb02695.x

Panagopoulos, A., Chatzigagios, T., & Dokas, I. (2018). The Global Single and Regulated Market Framework of Financial Products and the International Economic Policies: Mathematical Approach of the Model. *International Journal of Financial Research*, *9*(2), 1-22. https://doi.org/10.5430/ijfr.v9n2p1

Notes

Note 1. Hirshleifer Jack (1971), “The Private and Social Value of Information and the Reward to Inventive Activity”, The American Economic Review, Vol. 61, No. 4, (Sep., 1971), pp. 561-574. The negative impact on the asset welfare, mainly from the increase of information available to market participants, has become known as the "*Hirshleifer effect*" (or phenomenon), by Jack Hirshleifer (1971) who produced the relevant study.

Note 2. Carrillo-Tudela, Carlos; Graber, Michael; Wälde, Klaus (2015) : Unemployment and Vacancy Dynamics with Imperfect Financial Markets, IZA Discussion Papers, No. 9525, Institute for the Study of Labor (IZA), Bonn

Note 3. Petrosky-Nadeau, Nicolas and Etienne Wasmer, (2015). “Macroeconomic Dynamics in a Model of Goods, Labor and Credit Market Frictions", Journal of Monetary Economics, 72(C): 97-113.

Note 4. Mahmassani Sohail, “The Philosophy of Jurisprudence in Islam”, Kuala Lumpur: Open press, 2000

Note 5. A standard Islamic transaction between two parties, in which one party, the *rabb al-mal* or investor, provides capital for a business risk plan and the other, the *mudarib* or entrepreneur, using his business skills, uses the capital to profit making

Note 6. A standard Islamic transaction in which two or more counterparties agree to provide funds to finance a business, to distribute profits according to a predetermined ratio, and to assess losses based on their share capital.

Note 7. Source: LABREF and AMECO databases

Note 8. Bertola, G. (2017), “EMU and Labour Market Policy: Tensions and Solutions”, Discussion Paper 054, EC, European Economy, July 2017.

Note 9. Bertola, G. (2016a), “Labor policies and capital mobility in theory and in EMU, European Economic Review”, 87, 62-77.

Note 10. Andersen, T.M., Bertola, G., Driffill, J., James, H., Fuest, C., Sturm, J.-E., and Uroševic, B. (2017), “Economics of Populism: The EEAG Report on the European Economy 2017”, Munich: CESifo.

Note 11. Mundell, R. A. (1961). "A Theory of Optimum Currency Areas". American Economic Review. 51 (4): 657–665. JSTOR 1812792

Note 12. The advantages due to a higher degree of market integration, eg risk sharing, have no practical implementation [Alcidi et al., 2017]. Also the positive effects of increasing synchronization of business cycles have not yet appeared [Belke et al., 2016].

Note 13. Farhi, Emmanuel and Iván Werning, 2017, "Fiscal Unions." *American Economic Review*, 107 (12): 3788-3834.

Note 14. The European Unemployment Benefit Scheme was presented in the "*Meseberg Declaration*", in June 2018, between Germany and France, for the creation of, among other things, an unemployment insurance fund.

Note 15. Mertzanis, H., (2007). “European Financial Integration and MiFID”, Journal of Financial Transformation, Capco Institute, vol. 20, pages 155-166.

Note 16. Panagopoulos A., Chatzigagios T. & Dokas I., (2018), "The Global Single and Regulated Market Framework of Financial Products and the International Economic Policies: Mathematical Approach of the Model", International Journal of Financial Research, SciEdu Press, Vol. 9, No. 2, pp. 1-22, 2018. DOI: 10.5430/ijfr.v9n2p1 (ISSN: 1923-4023 (Print), ISSN:1923-4032 (Online)), pp 10-11