

Comments on: Twin Peaks: A Theoretical Analysis

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Contributions of the Paper

- Overall Introduction of the Twin Peaks system
- Historical Background
 - Especially the English experience
- Real-life Experience
 - The Australian experience
- Strong and Weak points of Twin Peaks system
 - Means according to end
 - Equal regulators
 - Loophole: HIH insurance collapse

A Few Questions on Existing Practice

- How to divide the regulatory functions between Prudential Regulator and Conduct Regulator?
 - Some regulatory functions are obvious to divide
 - Some are not => **double regulation** from both or pick someone as the **principal regulator** for that function?
 - What if the regulators do not agree?
- How to divide the regulated financial institutions?
 - Do not divide at all, or
 - Type I (under Prudential Regulator) vs. Type II (under Conduct Regulator)?

A Few Questions (continued)

- Who are the financial consumers?
 - Natural person: always?
 - Small enterprise or proprietors
 - Small stake: even brought by the large firm?
- **Nonreciprocal Binding Power**(NBP) of ADR
 - How to overcome constitutional controversy?
 - Do financial consumers stop legal fight after the arbitration of ADR?
 - Did you see any behavioral change on the part of financial firms after the introduction of NBP?

A Few Questions (continued)

- How far does the system protect financial consumer?
 - Only malpractice and negligence violating existing rules?
 - Go much further to **insure consumers from investment loss** due to misguidance on the part of financial firms?
- How to cope with systemic risks?
 - Who bears the burden of principal responsibility for identifying and coping with the systemic risk?
 - Who is the principal regulator for **large and complex business group**? (financial and/or nonfinancial?)
 - What are the emergency powers held by the above body to mitigate the potential threat to the financial system? (such as the section **121 divestiture power of FSOC** in Dodd-Frank)