

**A Dichotomy between European and International Methodologies on
Banking Regulation and Supervision:
Towards an Effective Harmonization of Prudential Policies**

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Abstract

Currently, the world faces a tremendous issue: how to cope with the coronavirus pandemic through governmental responses. In terms of central banking strategies, that prudential policies are crucial to maintaining a stable and robust financial system seems unequivocal. Although monetary policy is the most indispensable application for central banking, micro- and macroprudential instruments are also recognized as essential crisis management toolkits. In this paper, we aim to clarify the dichotomy between European and international banking supervision methodologies. European identity, represented by the European Banking Union, is based on a jurisprudential approach, whereas the international approach that is implemented by the Basel Committee on Banking Supervision mirrors a soft-law methodology. This study explores prudential regulation issues in the relation between European internal harmonization and international cooperation. This analysis proposes future coordination of banking supervision through an effective mixture of hard- and soft-law implementation to prepare for crisis management.

Keywords: European Banking Union (EBU), banking supervision, Basel Committee on Banking Supervision (BCBS)

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