entity and non-recognizing States; and the issues of economic contacts, postal communication, sea and air communication. After this, the monograph examines the issues of international responsibility for violations of international law in Northern Cyprus.

It is hardly possible within this review to account for the merits of the treatment of each of these substantive issues in the monograph. The treatment of the application of the duty of non-recognition and these specific implications is simply the most original and comprehensive currently available. In short it is the first and only successful attempt to bring the developments in these fields, in a systemically arranged way, to the attention of the audience of international lawyers.

In examining all of the issues included in this monograph, Talmon is careful to take account of all relevant practice, including actions taken and views expressed within the framework of bilateral relations, regional institutions, the United Nations or international and national tribunals. Furthermore, the size of this monograph, consisting of 12 chapters and the conclusion, is directly proportional both to the quality of the research and analysis on which it is based, as well as its comprehensive approach. The fact that such comprehensive and complex analysis is required to cover the legal aspects of non-recognition of one entity such as 'TRNC' only demonstrates the broad scope of the problem and the vast amount of material that has to be studied in this relation. In addition, the comprehensive indexes and tables of literature and authorities make this monograph both attractive and user-friendly. This work is definitely to be recommended as indispensable to anyone whose studies, research or practice involves the isues of recognition and its utility is sure to stand the test of time.

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Banking Regulation and World Trade Law by LAZAROS E PANOURGIAS [Hart Publishing, Oxford, 2006, 272pp, ISBN 978-1-841134-58-1 (h/bk)]

It has become fairly axiomatic that the regulatory regime for the financial services industry is a highly important and vital piece of modern economic and legal infrastructure. It is mostly perceived as making an important contribution to this activity and no less to social welfare and economic progress and stability. This type of regulation is well developed in most modern countries; the situations in the US and the UK spring first to mind but there has been an advance in sophistication everywhere. Fundamental reform, in Europe often in terms of deregulation, is met by newer forms of re-regulation, frequently as the result of approximation or convergence of regulatory standards under international guidance. This is demonstrated in banking, in particular by the Basel I and II Accords on capital adequacy and in the EU for cross-border financial transactions by a system of minimum regulatory requirements for mutual recognition of home regulation (subject to only residual host country powers). This is now often called passporting, under the Financial Service Action Plan of 1999 (FSAP) extended from financial intermediaries to issuers and issuing activity.

The EU programme especially is a significant achievement. It was motivated by the restrictive effects of domestic regulation, particularly the risk of double regulation in the context of cross-border financial services, and deals with domestic regulation. It led to a divide between home and host regulation and tasks with emphasis on the former, allowing a form of regulatory competition in areas not harmonized. Short of a single regulatory regime and single regulator (except in the monetary field through the European Central Bank), this approach would appear to be sound and practical. Even though it may not as yet have achieved the free flow of financial services and products to the extent the European Commission desires it—hence the FSAP restructuring of the basic concepts with an important strengthening of the notion of convergence now in the process of being implemented and tested in practice—it presents an important model for the international freeing up of regulated financial services, therefore also for WTO/GATS.

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So far, the WTO/GATS has adopted the model the Americans substantially use domestically, short of federal legislation—like there is in the Federal Banking Act for federally chartered banks and in the 1933 and 1934 Security and Security Exchange Acts for investment securities and capital market intermediaries. If not federalized, the essence of this approach remains the prudential carve out under which financial regulation remains a host State matter subject to ad hoc agreements between individual States. That has also become the system of WTO/GATS and is the system one finds in BITs, especially the US 2004 Model, and in NAFTA too. I do not believe that it is a matter of profound policy on the part of the Americans; rather it is the approach they are most familiar with whilst no one so far has pushed anything else in WTO/GATS. It has nevertheless created a great mess in the US domestically, especially in the insurance industry where a federal regulatory structure may also become the answer. Internationally one would believe that the EU model beckons as an alternative and would at least be considered if and when a broader trade area were created between North America and the EU, with or without Japan.

Dr Panourgias' PhD thesis, now published, is placed against this background. It only deals with commercial banking activity and seeks to give guidance as to how we go from here. Of course, the Doha round having been stalled, the issue of cross-border financial regulation may sound less urgent, but it is a fundamental issue that sooner or later will have to be tackled more fundamentally also outside the EU.

The first thesis of the book is that the present set up in WTO/GATS along the lines of the regulatory carve out is an inadequate and fundamentally flawed system that cannot be refashioned in a better manner; it sustains an important trade impediment in host regulation. The second is that a measure of regulatory institution-building at the international level needs to take its place, including a move towards an international prudential supervisor. This would appear to go well beyond what even the EU has been able to achieve. Of particular interest in this connection is that it is argued that in the context of the search for price stability at the micro level, even within the EU such an approach could be grafted on the centralization of monetary policy at the ECB. The role of Lender of Last Resort is here also implicated and would appear to be stretched.

I am not sure that it is wise to throw here everything on one heap and start mixing different policy tools and facilities meant for different policy objectives, even if at times of financial crises all may be confused when politics take over. That there is some overlap has always been understood, and previously explained in a joint article by Dr Panourgias and Professor Andenas, 'Applied Monetary Policy and Bank Supervision by the ECB' in JJ Norton and M Andenas (eds), *International Monetary and Financial Law Upon Entering the New Millennium* (BIICL, London, 2003) 119–170.

Financial stability can be the objective of the regulation of banks or other intermediaries and may also have a function in monetary policy, but that does not make prudential regulation the same as monetary policy, nor should it make monetary policy institutions like Central Banks in their pursuit of financial stability competent in all other regulatory areas. It is well known that the Bundesbank, which was never a banking supervisor proper, always doubled up: it naturally concerns itself directly with open-market and credit operations but also exercises a supervisory role of its own in that connection. It has been a justified question whether that is really desirable and can be supported by a proper cost/benefit analysis.

Another point is no doubt that within WTO/GATS we are far away from international institutional competencies of the sort that may now be attributed to the ECB. The book is here hopeful but at least the Group of Ten is not and does not pretend to be a substitute; and I wonder whether it can ever be so treated or even whether its regulatory propositions, incidental as they remain whilst only having the status of soft law, may be introduced through the back door of the WTO/GATS adjudicating process in order to avoid regulatory duplication.

In this situation, the best that can be hoped for is a system of mutual recognition of home country regulation subject to internationalized harmonization standards and for the rest a form of regulatory competition; therefore in essence the EU approach. It would have to be treaty based, at least to some extent. In due course, the harmonization standards could be tightened and increasingly lead to stricter convergence as the development in the EU is also showing. But this will take time,

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more so in WTO/GATS than in the EU, although it is conceivable that between the major financial blocks, like North America, EU and Japan arrangements along these lines may and will now be made quite promptly. They would, however, not have the flexibility that the institutional framework of the EU provides in terms of amendments, adjustments and judicial support or the federal system in the US domestically. That is unavoidable but much can still be done regardless.

This book is well written, well researched, well argued, and thought provoking. It is also highly topical, and as such is a most valuable contribution to the present debate on the form of regulation that we need for trans-border banking activity and is thus of considerable importance.

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