

## Financial Regulation and the Twin Peaks Model in a Developing and Developed Country Contexts: An Institutional Theory Perspective

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**Abstract :** This paper seeks to shed light on institutional logics and institutionalization processes that influence the successful implementation of financial sector regulations. We use the neo-institutional theory lens to interrogate how the newly promulgated Financial Sector Regulations Act (FSRA) provides for the institutionalisation of the Twin Peaks Model. With the enactment of FSRA, previous financial regulatory institutions were dismantled, and new financial regulators established. In point, the Financial Services Conduct Authority (FSCA) replaced the Financial Services Board (FSB), and accordingly, the Prudential Authority (PA) was established. FSRA is layered with complexities that make it mandatory to co-exist, cooperate, and collaborate with other institutions to fulfill FSRA's overall financial stability objective. We use content analysis of the financial regulations that established the Twin Peaks Models (TPM) in South Africa and in the Netherlands, to map out the three-stage institutionalization processes: (1) habituation, (2) objectification and (3) sedimentation. This allowed for a comparison of how South Africa, as a developing country and Netherlands as a developed country, have institutionalized the Twin Peak model. We provide valuable insights into how differences in the institutional and societal logics of the developing and developed contexts shape the institutionalization of financial regulations.

**Keywords :** financial industry, financial regulation, financial stability, institutionalisation, habituation, objectification, sedimentation, twin peaks model

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