



EUROPEAN CENTRAL BANK

## DEVELOPMENTS IN NATIONAL SUPERVISORY STRUCTURES

### Introduction

The institutional arrangements for the supervision of financial sectors vary across the EU countries. This diversity also holds true of the dynamics of the restructuring processes evidenced especially over the most recent years. While some countries have maintained a largely unchanged institutional setting and allocation of responsibilities, others have undergone substantial reforms and some are still in the midst of being re-shaped. The reform processes observed in the EU comprise reviews of both the national supervisory structures and the mechanisms for co-operation among the authorities involved. The main motivations behind these processes are generally twofold. First, they represent a response to the rapid developments in the financial sector, also

with a view to national peculiarities. Second, they aim at enhancing the effectiveness and efficiency of supervision.

The present note provides a “snapshot” of the main recent changes in national supervisory structures for the financial sector in the EU countries and the resulting setting. In particular, the note identifies the main elements and, even if the re-shaping process does not follow a uniform pattern, some possible common features<sup>1</sup>. It also covers the institutional setting of financial supervision in acceding countries, in view of the EU enlargement. As such, the note is intended to provide useful and updated information on the subject.

### Supervisory structures in the EU Member States<sup>2</sup>

A number of elements may be drawn from the analysis of recent reforms of supervisory structures and the resulting setting in the EU Member States (Annex I contains a detailed description of the situation and developments in each country).

First, a broad consolidation of supervisory structures (i.e. the reduction of the number of competent authorities) can be seen as a recurrent element of the reforms undertaken. The degree of consolidation, as well as the resulting number of competent authorities, differs across countries. A single supervisory authority operates in six countries (AT, DE, DK, IE, SV and UK) and will likely be established in another country (BE), while a larger number of authorities remains involved in supervision in other countries, albeit to a varying degree and capacity (this number being the highest in FR). In a few cases (NL and BE), the reorganisation process has not led to a reduction of competent authorities, but

rather to a reshuffling of competencies or the reorganisation of internal structures<sup>3</sup>.

As a result, three models of supervisory structures continue to coexist. The first model relies on separating competencies along the borderlines of financial sectors. This model is found in four countries (GR, ES, FR and PT), while a variant of it is evidenced in FI and LU, where responsibilities for securities and banking activities are

<sup>1</sup> The note focuses on the supervision of banks, securities firms and insurance companies. It does not cover other specific types of institutions (such as pension funds), nor the enforcement competencies in individual countries. It should be noted that the supervision of pension funds is allocated to the banking supervisory authority in some countries, while that competency lies with the insurance regulator in others.

<sup>2</sup> Two-character country codes are used to denote individual EU Member States throughout this note, namely “BE” for Belgium, “DK” for Denmark, “DE” for Germany, “GR” for Greece, “ES” for Spain, “FR” for France, “IE” for Ireland, “IT” for Italy, “LU” for Luxembourg, “NL” for the Netherlands, “AT” for Austria, “PT” for Portugal, “FI” for Finland, “SV” for Sweden and “UK” for the United Kingdom.

<sup>3</sup> In BE and NL a reduction of the number of competent authorities is expected to take place in the near future.

allocated with one authority and a separate authority is responsible for insurance supervision. The second model is based on the total consolidation of supervisory responsibilities across financial sectors into a single agency and, as mentioned above, exists in six countries (AT, DE, DK, IE, SV and UK) and will likely be established in another country (BE). A third emerging model envisages the consolidation of supervisory responsibilities by objectives across sectors by assigning supervisory tasks to two distinct agencies, with one aiming at safeguarding the soundness of financial institutions and the other focusing on the conduct of business tasks with a view to ensuring transparency. Such model is broadly evidenced in NL and IT, although it should also be considered in combination with the sectoral approach, given the existence of a separate insurance supervisory authority. The ongoing reform efforts in one country (NL) may further refine this model by eliminating the sectoral component, i.e. a full integration of the insurance supervisor and the central bank. The recent overall developments seem to highlight a broad move away from the first model towards the other two, with the merger of banking and securities supervision as a possible intermediate step.

Second, central banks in general remain extensively involved in the prudential supervision of the banking sector. Competencies for banking supervision have long been allocated to national central banks in six countries (GR, ES, IE, IT, NL and PT)<sup>4</sup>. In countries where supervisory responsibilities are assigned to sectoral supervisory authorities (FR and FI), national central banks are involved in supervision in different forms and to a varying extent. In the countries where a single supervisory authority was set up, the effects on the role of central banks vary. In three cases (AT, BE and DE), the central bank, following recent reform, is extensively involved in supervisory matters. In two other cases (SV and UK), the involvement of the central bank is limited. In one case (IE), a single supervisory authority

has been created within the sphere of the central bank, but it exercises its powers autonomously and is accountable both within the central bank structure and to the Oireachtas and the Minister for Finance on various matters. Lastly, in the case of DK and LU, there is no central bank involvement in prudential supervision.

Table I below illustrates in a simplified way the forms of central bank involvement in banking supervision. Apart from direct responsibility, there are basically three forms of involvement that are not mutually exclusive<sup>5</sup>. First, central banks carry out specific supervisory tasks such as monitoring categories of risks incurred by financial institutions and conducting audits at financial institutions (e.g. DE and AT). Second, central banks participate in the supervisory boards and/or management committees of the supervisory agencies, thereby contributing to the management of the agency in question. This type of involvement is rather common in almost all cases. Third, central banks may share resources (e.g. information technology, staff and administration) with the supervisory agency (e.g. FR and IE).

Third, co-operation among institutions is reinforced in a formalised way in most cases. First, with regard to co-operation in the field of supervision, arrangements for supervisory co-operation (in the case of more than one supervisory authority) have developed over time mainly in the form of specific cross-sector committees in which the competent authorities, including the central bank, are represented (e.g. BE, NL and PT). Other forms of supervisory co-operation may entail the allocation of co-ordination tasks to the supervisory board of a competent authority (e.g. FI). Second, with regard to co-operation in the field of financial stability, recent

<sup>4</sup> Following recent legislative reform in IE a single, statutory supervisory authority has been created as a constituent but autonomous part of the central bank, as described in Annex 1.

<sup>5</sup> This classification can be applied both to the EU Member States and to the acceding countries, as shown in Tables 1 and 2 respectively.

**Table 1****Institutional setting for financial supervision in the EU Member States**

| Country | Number of public institutions responsible for supervision | Central bank is involved in banking supervision <sup>1</sup> | Form of central bank involvement in banking supervision |   |  |   |
|---------|---|--|---|---|--|---|
|         |   |  | Central bank is the banking supervisor                  | Central bank is not the banking supervisor  |  |   |
|         |   |  |   | Central bank is involved in the management of the banking supervisor <sup>2</sup> | Central bank is allocated specific tasks in banking supervision <sup>3</sup> | Central bank and banking supervisor share resources |
| BE      | 2 <sup>4</sup>  | Yes  | No  | Yes   | No   | No <sup>5</sup>                                     |
| DK      | 1   | No   | No  | No  | No   | No  |
| DE      | 1   | Yes  | No  | No  | Yes  | Yes   |
| GR      | 3   | Yes  | Yes   |   |  |   |
| ES      | 3   | Yes  | Yes   |   |  |   |
| FR      | 6 <sup>6</sup>  | Yes  | No  | Yes   | No   | Yes   |
| IE      | 1 <sup>7</sup>  | Yes  | No  | No  | No   | Yes   |
| IT      | 3   | Yes  | Yes   |   |  |   |
| LU      | 2   | No   | No  | No  | No   | No  |
| NL      | 3 <sup>8</sup>  | Yes  | Yes   |   |  |   |
| AT      | 1   | Yes  | No  | Yes   | Yes  | No  |
| PT      | 3   | Yes  | Yes   |   |  |   |
| FI      | 2   | Yes  | No  | Yes   | No   | Yes   |
| SV      | 1   | Yes  | No  | Yes   | No   | No <sup>9</sup>                                     |
| UK      | 1   | Yes  | No  | Yes   | No   | No <sup>10</sup>                                    |

1 The central bank is involved in banking supervision when it is the banking supervisor itself or, where this is not the case, involved in the management/oversight of the banking supervisor, contributes to supervisory policy-shaping, carries out tasks in line supervision, processes supervisory reporting or shares resources with the supervisory agency.

2 The central bank is involved in the management of the banking supervisor if the former is represented in the management (e.g. management committee, secretary-general and chairman) or in the supervisory or oversight board of the latter.

3 The central bank carries out off- and on-site monitoring in specific areas.

4 The two existing supervisors will merge on 1 January 2004 in only one institution.

5 The law foresees a pooling of resources between the Commission Bancaire et Financière/Commissie voor het Bank- en Financiewezen (Banking and Finance Commission - CBF), the Office de Contrôle des Assurances/Centrale dienst voor verzekeringen (Insurance Control Office - OCA/CDV) and the central bank, the Banque Nationale de Belgique/Nationale Bank van België (BNB/NBB).

6 A variety of institutions and bodies are involved in the supervisory framework. The number given (six) includes the Commission Bancaire (Banking Commission), the Comité de la Réglementation Bancaire et Financière (Committee on Banking and Financial Regulation - CRBF), the Comité des Etablissements de Crédit et des Entreprises d'Investissement (Committee for the Establishment of Credit Institutions and Investment Companies - CECEI), the Autorité des Marchés Financiers (Financial Market Authority - FMA), the Commission de Contrôle des Assurances (Insurance Supervision Commission - CCA) and the Ministry of Economic Affairs and Finance. The Conseil Nationale du Crédit et des Titres (National Credit and Securities Council - CNCT), the Collège des Autorités de Contrôle des Entreprises du Secteur Financier (Board of Financial Sector Authorities - CACESF) and the new committees envisaged in the future, i.e. the Comité Consultatif du Secteur Financier (Advisory Committee on the Financial Sector - CCSF) and the Comité Consultatif de la Législation et de la Réglementation Financière (Advisory Committee on Financial Legislation and Regulation - CCLRF) are not included.

7 The single supervisory authority (IFSRA) is a constituent but autonomous part of the central bank and is responsible for the day-to-day supervision of all areas of financial services. The Governor of the central bank retains the right to appoint officers to inspect financial institutions if he so wishes. Information technology and other resources are shared between the constituent parts of the CBFSAI.

8 There will be only two institutions in January 2005 (at the latest), as a result of the planned integration of the De Nederlandsche Bank and the Pensioen- en Verzekeringskamer (Pensions and Insurance Supervisory Authority).

9 The Swedish Finansinspektionen (SFS) and Sveriges Riksbank have concluded a Memorandum of Understanding, which includes similar features as that between the UK authorities (see footnote 10 to this Table), apart from explicit arrangements for the secondment of staff.

10 The Bank of England (BoE) and the Financial Services Authority (FSA) are obliged to share information. Under a specific Memorandum of Understanding, the avoidance of duplication of labour is stated, while an agreement on the collecting institution and on data communication is foreseen to be reached in cases where the FSA and the BoE need the same information. The BoE and the FSA occasionally second staff to each other, which might be viewed as a form of sharing resources.

developments evidence an increasing number of arrangements for co-operation between all authorities contributing to financial stability, notably ministries of finance, central banks and supervisory authorities. These arrangements are normally reflected in the establishment of specific financial stability committees (AT, BE, DE, FR, IE<sup>6</sup> and UK) as well as in the conclusion of Memoranda of Understanding (FR, SV and UK). In this context, macro-prudential issues are gaining importance as a distinct topic for co-

operation among competent authorities. This applies not only when central banks do not possess supervisory responsibilities (e.g. BE), but also where the central bank assumes responsibility for specific supervisory tasks (e.g. DE).

Finally, the increasing interest of the private sector in regulatory and supervisory issues, and also of supervisors in consulting the private sector, has in some cases led to the establishment of consultative fora.

## Supervisory structures in the acceding countries<sup>7</sup>

Changes in the supervisory structure have also taken place in acceding countries in the recent past. These changes go in the direction of a consolidation of the supervisory structures in line with the process evidenced in the EU. All in all, however, the supervisory structures in the acceding countries vary less than within the EU (Annex 2 contains a detailed description of the situation and developments in each country).

In comparison with the EU, the sectoral approach to the organisation of supervision remains widespread in the acceding countries. In five countries (CY, CZ, LT, PL and SI), three supervisory authorities are responsible for the supervision of the three sectors of the financial system. In addition, in one country (SK), the supervision of the securities and insurance sectors is carried out by a single authority. In the remaining four countries (EE, HU, LV and MT), a single supervisory authority outside the national central bank is established, also as a result of recent changes. The most recent developments that occurred in some countries seem to show a tendency to move from the sectoral approach to umbrella supervision. An organisation of supervision by objectives does not exist in any acceding country.

Table 2 below shows the degree of involvement of central banks. Where the sectoral approach is in place, the central bank

is normally the authority responsible for banking supervision. In PL, where the responsibility for banking supervision lies with a banking commission (resembling closely the institutional setting in FR), the degree of involvement of the central bank is relatively high. The degree of involvement of central banks also seems extensive in EE and LV, whereas it is limited in HU and MT.

With regard to institutional co-operation, formalised arrangements among supervisory authorities, and between them and other authorities contributing to financial stability (ministries of finance and central banks), are less widespread than in the EU.

<sup>6</sup> In IE the financial stability committee involves only co-operation within the CBFSAI structure, i.e. between its central banking side and the financial services regulatory authority. There is, however, regular communication between the Bank, the financial regulatory authority and the Department of Finance.

<sup>7</sup> Two-character country codes are used to denote individual acceding countries throughout this note, namely "CY" for Cyprus, "CZ" for the Czech Republic, "EE" for Estonia, "HU" for Hungary, "LT" for Lithuania, "LV" for Latvia, "MT" for Malta, "PL" for Poland, "SK" for Slovakia and "SI" for Slovenia.

**Table 2****Institutional setting for financial supervision in the acceding countries**

| Country | Number of public institutions responsible for supervision | Central bank is involved in banking supervision | Form of central bank involvement       |  |   |   |
|---------|---|---|--|--|---|---|
|         |   |   | Central bank is the banking supervisor | Central bank is not the banking supervisor                           |   |   |
|         |   |   |  | Central bank is involved in the management of the banking supervisor | Central bank is allocated specific tasks in banking supervision | Central bank and banking supervisor share resources |
| CY      | 4 <sup>1</sup>  | Yes   | Yes                                    |  |   |   |
| CZ      | 4 <sup>2</sup>  | Yes   | Yes                                    |  |   |   |
| EE      | 1   | Yes   | No                                     | Yes  | No  | Yes   |
| HU      | 1   | Yes   | No                                     | No   | No  | Yes   |
| LT      | 3   | Yes   | Yes                                    |  |   |   |
| LV      | 1   | Yes   | No                                     | Yes  | No  | Yes   |
| MT      | 1   | No  | No                                     | No   | No  | No  |
| PL      | 3   | Yes   | No                                     | Yes  | No  | Yes   |
| SK      | 2   | Yes   | Yes                                    |  |   |   |
| SI      | 3   | Yes   | Yes                                    |  |   |   |

<sup>1</sup> This number includes the Department of Co-operative Development, which is responsible for the supervision of co-operative credit institutions.

<sup>2</sup> This number includes the Úřad pro dohled nad družstevními záložnami (Office for the Supervision of Credit Unions - UDDZ), supervising institutions which are small in terms of assets.

## Conclusions

A significant number of EU countries have recently reviewed their institutional structures in the field of financial supervision. A few common elements seem to emerge, namely:

- In many cases, the restructuring process entails a reduction of the number of supervisory authorities. The resulting structures continue to be organised along three basic models: agencies responsible for sectoral supervision, a single supervisory agency, and agencies responsible for different kinds of supervision. The most recent developments seem to indicate a broad tendency towards the latter two models.
- National central banks remain involved in the supervisory process even if they are not directly responsible for banking supervision. In the latter case, their involvement takes three main forms, notably the participation in the management/oversight of the supervisory agency, the carrying out of specific supervisory tasks and the pooling of resources.
- Increasing emphasis is placed on formal arrangements to enhance supervisory co-operation and co-operation among the authorities contributing to financial stability, mainly through specific committees.

With regard to the acceding countries, the overall picture presented by the supervisory settings is broadly in line with that in the EU, although less diversified. The sectoral approach to supervision is the prevalent one, with the central bank normally responsible for banking supervision, whereas more recent developments are mostly in the direction of the umbrella supervision approach.

## Annex I

### Supervisory structures in the EU countries

In *Austria*, the Finanzmarktaufsicht (Financial Market Authority - FMA) commenced its activities in April 2002 for the supervision of the financial sector. The supervisory tasks of the new authority were transferred from the Federal Ministry of Finance - the former supervisory authority for banks, insurance companies and pension funds - and the Securities Authority. The legislative framework establishing the FMA as a single authority provided a legal basis for co-operation between the FMA and the central bank, with the latter continuing to conduct - as commissioned by the FMA - on-site examinations of banks, especially as regards credit and market risk, thus reinforcing the role of the central bank, the Oesterreichische Nationalbank (OeNB), in prudential supervision. Furthermore, the OeNB is in charge of the complete processing of the reporting of banks and must be consulted by the FMA before the latter issues regulations. Moreover, the OeNB will propose three members for appointment to the FMA's Supervisory Board and one member for appointment to its Executive Board. The legislative act establishing the FMA moreover provides for the setting-up of a Financial Markets Committee (FMC) within the Ministry of Finance which serves as a platform for co-operation and comprises one member from each body, the central bank, the Ministry of Finance and the FMA.

In *Belgium*, two institutions, which were reformed in August 2002, are responsible for supervision. These are the Commission Bancaire et Financière/Commissie voor het Bank- en Financiewezen (Banking and Finance Commission - CBF) for the banking and securities sector and the Office de Contrôle des Assurances/Centrale Dienst voor Verzekeringen (Insurance Control Office - OCA/CDV) for the insurance sector while the central bank, the Banque Nationale de Belgique/Nationale Bank van België (BNB/NBB), is also involved in supervision in

various ways. The relevant law of 2 August 2002 explicitly entrusts the central bank with the responsibility to contribute to the stability of the financial system. The CBF is an independent body, although all regulatory decisions must be submitted to the Minister of Finance for approval, and the OCA/CDV is a public body subject to the authority of the Minister of the Economy. Both the CBF and the OCA/CDV have the following bodies: a Conseil de surveillance (Supervisory Board), a Comité de direction (Management Committee), a Président (Chairman) and a Secrétaire général (Secretary-General). As noted in footnote 4 to Table I, those institutions will be merged on 1 January 2004. The recent reform has enhanced the institutional relationship between the BNB/NBB, the CBF and the OCA/CDV and pursued the institutional rapprochement of the central bank and the two supervisory authorities. Owing to the reform, corporate governance structures have been strengthened and the BNB/NBB is represented on the Supervisory Board and the Management Committee of both the CBF and the OCA/CDV. Moreover, the three institutions are requested to co-operate closely. In addition, two separate fora for supervisory co-operation will be established with a view to facilitating the co-ordination of the supervision of financial sector. First, the Conseil de Surveillance de l'Autorité des Services Financiers (Supervisory Council of the Financial Services Authority) will be composed of the members of the Supervisory Boards of the BNB/NBB, the CBF and the OCA/CDV and will be chaired by the Governor of the BNB/NBB. This Council will address, on request of the competent ministry and at its own initiative, issues with regard to the organisation, functioning and co-ordination of the functioning of financial enterprises and markets. It will also organise a systematic dialogue on issues of relevance between the CBF, the OCA/CDV and the BNB/NBB. Second, the Comité de Stabilité

Financière (Financial Stability Committee - CSF) will be composed of the members from the management committees of the BNB/NBB, the CBF and the OCA/CDV and will also be chaired by the Governor of the BNB/NBB. The CSF will examine issues of common interest, notably those related to the stability of the financial system, to the interactions between supervision and oversight of payment and settlement systems, to the co-ordination of crisis management, to the co-ordination of cross-sector aspects of supervision, to the scrutiny of draft legislation or regulation as well as to the designation and management of the eventually pooled resources. Finally, the law calls for a pooling of resources between the three institutions, the precise modalities of which will have to be set out in a protocol.

In Germany, a single supervisory authority, the Bundesanstalt für Finanzdienstleistungsaufsicht (Federal Financial Supervisory Authority - BaFin), which replaced three former supervisory institutions<sup>8</sup>, became operational in May 2002. The BaFin is the legal successor of these three institutions and is responsible for all sovereign measures regarding banking, insurance and securities supervision. The BaFin operates under the legal and professional supervision of the Federal Ministry of Finance. In its decision-making and with regard to exercising its functions and powers in day-to-day technical matters, however, the BaFin is independent from political interference. The BaFin has two executive bodies, the Presidency and the Administrative Council. The President manages the BaFin, defines the procedures governing the internal organisation and regularly reports to the Administrative Council on the conduct of business. The Administrative Council supervises the business of the BaFin and provides support for the performance of its duties. In addition, the BaFin also has an Advisory Board, which advises the BaFin in the performance of its duties and may also make recommendations on general developments in regulatory practice. Despite the establishment of a single

regulator, the involvement of the central bank, the Deutsche Bundesbank, in banking supervision was both enhanced and formalised in three ways within the same reform. First, specific supervisory responsibility has been allocated to the Deutsche Bundesbank in respect of the ongoing monitoring of credit institutions. In this context, the Deutsche Bundesbank is required to take account of guidelines issued by the BaFin in agreement with the Deutsche Bundesbank. Second, the law requires the Deutsche Bundesbank to be consulted by the BaFin in regulatory rule-making. Third, it provides for the Deutsche Bundesbank to have the status of an observer at meetings of the BaFin's Administrative Council as well as adequate representation on the BaFin's Advisory Board. In addition, co-operation between the Deutsche Bundesbank and the BaFin is organised in a separate forum, the Forum for Financial Market Supervision, in which the Ministry of Finance may also participate and which is chaired by the BaFin. The Forum is required to co-ordinate the BaFin's work in supervisory and regulatory matters with the Deutsche Bundesbank and to provide advice on issues related integrated financial services supervision that are deemed to be important for the stability of the financial system.

In Denmark, Finanstilsynet (Danish Financial Supervisory Authority - DFSA) forms the single supervisory authority and is located under the responsibility of the Minister for Business Affairs. The DFSA was established in 1988 when Tilsynet med Banker og Sparekasser (Danish Supervisory Authority for Banks and Savings Banks) and Forsikeringstilsynet (Danish Insurance Supervisory Authority) were merged. It also functions as the secretariat for Det Finansielle Virksomhedsråd (Danish Financial Business Council), the Fondsrådet (Danish Securities

<sup>8</sup> The Bundesaufsichtsamt für das Kreditwesen (BAKred), the Bundesaufsichtsamt für das Versicherungswesen (BAV) and the Bundesamt für den Wertpapierhandel (BAWe) were previously responsible for the supervision of the banking, insurance and securities sectors respectively.

Council) and Pensionsmarkedrådet (Danish Pension Market Council). The central bank, Danmarks Nationalbank, participates as member in the Financial Business Council, which has been set up by the Minister for Economic Affairs. The Financial Business Council (i) makes decisions regarding supervisory matters of general public importance which entail significant consequences for financial undertakings and financial holding companies, (ii) provides advice to the Danish Financial Supervisory Authority on issuing regulations and (iii) assists the DFSA in its information-relating activities. In addition to the DFSA work, Danmarks Nationalbank performs systematic analyses of financial stability.

In Greece, there have been no recent changes in the institutional setting whereby three authorities are responsible for supervising the financial sector. The central bank, the Bank of Greece, is responsible for the supervision of credit institutions, financial leasing companies and other financial institutions<sup>9</sup>. The Capital Market Commission (CMC), an independent decision-making body operating under the supervision of the Ministry of Finance, is responsible for the supervision of brokerage firms, investment firms, mutual fund management firms, portfolio investment companies as well as stock and derivative exchanges. The CMC is managed by a Board of Directors as a decision-making body, while the implementation of decisions has been delegated to the Executive Committee. The Bank of Greece is represented on the Board of the CMC as it proposes one of the seven board members who are appointed by the Minister of Finance. The Directorate of Insurance Enterprises and Actuaries operates under the Ministry of Development and is responsible for supervising insurance companies.

In Spain, three institutions are the responsible authorities for supervising financial markets and intermediaries: the central bank (Banco de España), the Comisión Nacional del Mercado de Valores (National

Securities Market Commission - CNMV), and the Ministry of the Economy's Directorate-General Insurance and Pension Funds (DGIPF). The Ministry of the Economy (Directorate-General of the Treasury and Financial Policy) is also involved in some other issues such as licensing and decisions on most serious sanctions. The Banco de España supervises all credit institutions and monitors the interbank, foreign exchange and book-entry public debt markets. Moreover, it has responsibility for the promotion of the sound functioning and stability of the financial system. The CNMV is in charge of supervising activities on the stock markets and of the supervision of the following institutions: investment companies, collective investment schemes, broker-dealers and dealers as well as portfolio management companies. The aforementioned authorities co-operate closely: the Deputy Governor of the Banco de España and the Director-General of the Treasury and Financial Policy are members of the Council of the CNMV, and the Vice-President of the CNMV and the Director-General of the Treasury and Financial Policy are members of the Governing Council of the Banco de España. The DGIPF, assisted by the Junta Consultiva de Seguros, a consultative forum in which consumers and the industry are represented, is responsible for insurance and pension fund supervision. The Banco de España, the CNMV and the DGIPF are obliged to co-operate in carrying out their respective functions wherever they are simultaneously involved in the consolidated supervision of a financial group.

In Finland, two institutions are responsible for supervision, namely Rahoitustarkastus (Finnish Financial Supervision Authority - FFSA), established in 1993, and Vakuutusvalvontavirasto (Insurance Supervision Authority) under the Ministry of Social Affairs and Health. The FFSA took over staff of its precursor, Pankkitarkastusvirasto (Banking Supervision Office), but also

<sup>9</sup> Other financial institutions include factoring companies, mutual guarantee companies, counter-guarantee funds, bureaux de change and money market broker companies.



received staff from the central bank, Suomen Pankki - Finlands Bank. The FFSA is an independent body that operates in connection with Suomen Pankki - Finlands Bank in the supervision of financial markets and participants. The FFSA is managed by the Director-General and a Board, with the latter deciding on far-reaching and important matters of principle, which the Director-General submits for consideration. The Board of the FFSA consists of the Directors-General of both supervisory authorities and three other members, one proposed by Suomen Pankki - Finlands Bank, one by the Ministry of Finance and one by the Ministry of Social Affairs and Health. An ongoing reform is aimed, inter alia, at clarifying the statutory objectives of the FFSA, improving its functionality and revising its decision-making processes. The reform will not change the status of the FFSA as an independent institution that operates administratively in connection with the central bank. According to the new Act on the FFSA, the Board of the FFSA will include the Directors-General of the FFSA and the Insurance Supervisory Authority ex officio and four other members, two of whom will be proposed by the Ministry of Finance, one by Suomen Pankki - Finlands Bank and one by the Ministry of Social Affairs and Health. Members are appointed by Pankkivaltuusto (Parliamentary Supervisory Council). The new Act is expected to take effect on 1 July 2003.

In *France*, several authorities are involved in the supervision of the financial sectors. For banks and investment firms, prudential supervision is carried out by the Commission Bancaire (Banking Commission), while another two authorities are also involved, namely the Comité des Etablissements de Crédit et des Entreprises d'Investissement (Committee for the Establishment of Credit Institutions and Investment Companies - CECEI) in the licensing process and the Comité de la Réglementation Bancaire et Financière (Committee on Banking and Financial Regulation - CRBF), which is in charge of drafting and issuing the French banking regulation. The Commission Bancaire

is an autonomous institution with strong links to the central bank, the Banque de France (BdF). The Governor of the BdF chairs the Commission Bancaire and the CECEI, and is also a member of the CRBF. The BdF also provides the staff and the budget of the General Secretariat of the Commission Bancaire. Moreover, the Division of Credit Institutions and Investment Firms of the BdF (i) handles the preparatory work for the decisions of the CRBF in co-operation with the Ministry for Economic Affairs and (ii) prepares and implements the decisions of the CECEI. The Conseil Nationale du Crédit et des Titres (National Credit and Securities Council - CNCT) is another body involved in the supervisory process as it examines the operating conditions of the banking and financial systems, particularly regarding relations with customers and the management of means of payment, also expressing its views in these areas. The BdF is involved in the activities of the CNCT as the Governor of the BdF is the latter's Deputy Chairman by appointment and as the BdF provides the secretariat. In the securities sector, the Commission des Opérations de Bourse (Securities Commission - COB) and the Conseil des Marchés Financiers (Financial Market Council - CMF) are both responsible for disclosure requirements. The CMF is also responsible for business conduct issues relating to brokers and dealers, and takes the form of a self-regulatory body. Furthermore, the Conseil de Discipline de la Gestion Financière (Financial Discipline Council) is responsible for sanctions. The BdF nominates a commissioner of the COB, while it is also represented in the CMF. In respect of insurance supervision, the responsible authorities are the Commission de Contrôle des Assurances (Insurance Supervision Commission - CCA) and the Ministry for Economic Affairs, with the CCA focusing on supervision, while the Ministry for Economic Affairs is responsible for licensing and regulation. With regard to cross-sectoral co-operation, the Collège des Autorités de Contrôle des Entreprises du Secteur Financier (Board of Financial Sector Authorities - CACESF) was restructured in

1999, inter alia, to facilitate supervisory information sharing and to deal with issues of common interest. The CACESF consists of the Governor of the BdF (Chairman), the Commission Bancaire, the COB, the CMF and the CCA. A legislative proposal was recently launched in France with a view to establishing a new authority, the Autorité des Marchés Financiers (Financial Market Authority - AMF). The AMF is expected to combine the functions of the COB and the CMF, in order to streamline the institutional framework for securities regulation and supervision. The FMA will likely comprise a college, in which the BdF will hold full membership, and a sanctions committee. Moreover, the reform will establish an Comité Consultatif du Secteur Financier (Advisory Committee of the Financial Sector - CCSF) and the Comité Consultatif de la Législation et de la Réglementation Financière (Advisory Committee of Financial Legislation and Regulation - CCLRF). This project of reform further recognises the need for supervisory co-operation. Indeed, this need has already been recognised and addressed through the adoption of a Memorandum of Understanding between the Commission Bancaire and the CCA, establishing regular meetings between the heads of the two institutions, covering topics such as an intensified exchange of cross-sectoral information as well as procedures for staff rotation and defining joint training seminars.

In *Ireland*, the central bank has been restructured in legislation enacted in 2003, leading to its renaming as the Central Bank and Financial Services Authority of Ireland (CBFSAI), which retains the ESCB central banking functions previously performed under the name of Central Bank of Ireland. This includes responsibility for protecting the overall stability of the financial system. A new statutory Irish Financial Services Regulatory Authority, (IFSRA), has been created as a constituent but autonomous component of the CBFSAI. The new authority is responsible for licensing/authorisation, regulation and supervision in relation to the whole financial services

sector. In addition to prudential supervision, the new authority, formally created on 1 May 2003, also has responsibility for consumer protection in relation to financial services. In terms of governance structures, the IFSRA has its own Chairman and Members, including the statutory positions CEO and Consumer Director. It is accountable on various matters to the Board and Governor of the CBFSAI, to the Oireachtas and to the Minister for Finance. Under the new arrangements, the Minister for Finance appoints the members - including the Chairperson - of the IFSRA and several members of the authority are also members of the CBFSAI's Board. This cross-membership facilitates co-ordination and is supported by a number of joint co-ordinating committees at management level. In addition, all staff of the CBFSAI, including those working in the IFSRA, are employed on the terms and conditions set by the CBFSAI Board. IT, statistical and corporate services are also shared. A key area of contact and co-ordination between central banking and prudential supervision is financial stability. For its part, the IFSRA must act in a manner consistent with the responsibilities of the CBFSAI in relation to financial stability and it must consult the Governor of the CBFSAI on matters concerning financial stability. The IFSRA must have his agreement before it can take any action on a matter related to financial stability. Co-operation in this sphere, encompassing supervision and central banking activities, takes place through a high-level Financial Stability Co-ordination Committee, chaired by the Director-General of the CBFSAI. It is envisaged that the existing co-ordination structures will be adapted and revised over time as the new institutional structure matures and develops.

In *Italy*, three institutions are responsible for supervising and regulating the financial sectors, namely the central bank (Banca d'Italia), the Commissione Nazionale per le Società e la Borsa (Securities Commission - CONSOB) and the Istituto per la vigilanza sulle assicurazioni private e di interesse collettivo (Insurance Supervisory Institute -

ISVAP). The Banking Law of 1993 establishes the central bank as the institution responsible for banking supervision. The law on financial intermediation of 1998 (Legislative Decree No. 58) confirmed the division of responsibility between the Banca d'Italia and the CONSOB, with the former in charge of financial stability and the latter in charge of transparency and conduct of business. Thus, the Banca d'Italia has responsibility for the supervision of financial intermediaries, such as investment or management firms, for matters regarding risk containment and financial stability. In Italy, the competent authority for regulated financial markets is CONSOB; however, the law on financial intermediation of 1998 provides a derogation for those markets that are considered relevant for monetary policy: the Banca d'Italia has a supervisory role on the wholesale market for government securities and on the interbank deposit market with regard to the overall efficiency of the market and the orderly conduct of trading. Moreover, the Banca d'Italia, in agreement with CONSOB, has both regulatory and supervisory responsibilities with regard to the overall post-trading infrastructure, i.e. Securities Settlement Systems and Clearing Houses. The institutional setting also includes the Comitato interministeriale per il credito e il risparmio (Inter-ministerial Committee for Credit and Savings - CICR) as the highest authority for credit and the protection of savings. The CICR decides on matters assigned to it by law. It is composed of the Minister for the Economy and Finance, the Minister for Agriculture, the Minister for Productive Activities, the Minister for Infrastructure and Transport and the Minister for European Community Affairs. The Governor of the Banca d'Italia attends meetings of the CICR. While no other forum for supervisory co-operation is foreseen, the same law stipulates further that the Banca d'Italia, the CONSOB, the Commissione di vigilanza sui fondi pensione (Pension Fund Supervisory Commission - COVIP), the ISVAP and the Ufficio Italiano Cambi (Foreign Exchange Management Office - UIC) co-operate by exchanging information and other

data for the purposes of facilitating the performance of their respective functions.

In *Luxembourg*, two competent authorities exist. One authority is charged with the supervision of the financial sectors, namely the Commission de Surveillance du Secteur Financier (Financial Sector Supervisory Commission - CSSF). The CSSF was created under a law of 23 December 1998 (hereinafter referred to as the "CSSF Law") as a financially independent body with its own juridical personality under the Ministry of Finance, while licensing competencies are located with the Ministry of Finance. The CSSF took over the tasks of the Commissariat aux Bourses (Securities Commission) and the supervisory tasks of the central bank, the Banque centrale de Luxembourg, and is charged with the supervision of banks, other professionals in the financial sector (comprising investment firms, advisers in financial operations, brokers, market makers, professional custodians of securities or other financial instruments, domiciliation agents, operators in payment and securities settlement systems, currency exchange dealers, debt-collection agents), exchanges, pension funds and undertakings for collective investments (UCIs). The CSSF is a public entity administered by a Conseil (Board) and a Direction (Management). According to paragraphs 2 and 4 of Article 9 of the CSSF Law, the Management, which comprises three members, elaborates the measures and takes all decisions required for the accomplishment of its mission. With regard to supervisory measures, the Management is not responsible or accountable to the Board. The Board may not interfere in the daily management of the CSSF as it has only budgetary powers. Concerning regulatory decisions, the Management submits its proposals to the Comité consultatif de la réglementation prudentielle (Consultative Committee on Prudential Regulation) as established by the CSSF Law. According to that law, the Consultative Committee, in which the Ministry of Finance and the industry are represented, may be asked to advise the

Government on any draft law or regulation of the Grand Duchy concerning regulation in the domain of supervision of the financial sector falling within the competence of the CSSF. With regard to the insurance sector, the competent authority is the Commissariat aux Assurances (Insurance Commission - CoA) under the Ministère du Trésor et du Budget (Ministry of Finance). The CoA has its own judicial personality and financial independence and is responsible for insurance and re-insurance supervision, while licensing competencies are with the Ministry of Finance. It is governed by a Management taking supervisory decisions and a Board which oversees the former's actions. While the central bank is not involved in supervision, it has a role in the area of financial stability as part of the European System of Central Banks (ESCB). The central bank is in charge of the oversight of payment and securities settlement systems in which it participates.

In the *Netherlands*, the implementation of the institutional reform, based on a functional distinction between prudential supervision and conduct-of-business issues, is under way. In February 2002, the Parliament ratified the proposals, as submitted by the Ministry of Finance in November 2001, to organise supervision functionally, rather than on a sectoral basis. In the new structure, prudential supervision is vested in the central bank (De Nederlandsche Bank - DNB) and in the Pensioen- en Verzekeringkamer (Pensions and Insurance Supervisory Authority - PVK), which have enhanced co-operation through the cross-appointment of senior officials and cross-participation of representatives (with a seat on each other's Board) since March 2002. The enhancement of co-operation between the DNB and the PVK is seen as a response to the increasing interrelationship between banking and insurance activities, mainly carried out by financial conglomerates. Full integration between the DNB and PVK is envisaged by 1 January 2005 at the latest. In March 2003, the Second Chamber of Parliament supported the proposal of the two prudential

supervisors to start preparing for full integration. The Stichting Toezicht Effectenverkeer (Securities Board - STE), which was previously responsible for the supervision of securities markets, has become the Autoriteit Financiële Markten (Authority for the Financial Markets - AFM), with the main task of conduct-of-business supervision of financial institutions. Co-operation among the three institutions will continue within the Raad van Financiële Toezichthouders (Council of Financial Supervisors - RFT), established in 1999.

In *Portugal*, three institutions are responsible for supervision, namely the central bank (Banco de Portugal - BdP), the Comissão do Mercado de Valores Mobiliários (Securities Commission - CMVM), and the Instituto de Seguros de Portugal (Insurance Institute - ISP). The ISP supervises insurance and re-insurance companies, insurance intermediaries and pension funds, while the BdP is responsible for the regulation and supervision of credit institutions and financial companies (including investment firms). The CMVM is responsible for the regulation of securities markets, public offerings of securities and the supervision of market operators, securities settlement systems, investor guarantee schemes, auditors and rating agencies (in the two latter cases, when they are registered with the CMVM). In addition, the Ministry of Finance is responsible for financial market policies and for the co-ordination of supervision and regulation related to securities, when more than one public authority is competent. As regards more recent developments, the Charter of the ISP was amended in November 2001. The reform's objective was to strengthen its independence also by more closely matching the statutory frameworks of the three supervisory authorities and to enhance supervisory co-operation with the other authorities responsible for prudential supervision. The ISP has administrative and financial autonomy and is governed by the Management Board, which should consult the Consultative Committee on matters of broad strategic guidelines regarding co-ordination

of the sector. In this Consultative Committee, both the BdP and the CMVM send one of their respective board members. As regards the securities regulator, the CMVM is endowed with administrative and financial independence under the administrative supervision of the Ministry of Finance, is governed by a Board of Directors and also has both a Supervisory Commission and an Advisory Board on which the BdP and the ISP are represented. In addition, a National Securities Market Council was established and charged with advising the Ministry of Finance on general policies, legal provisions and the situation and evolution of the securities markets. In this Council, the Governor of the BdP and the Presidents of the Board of Directors of both the CMVM and the ISP are represented, together with the private sector. Moreover, in order to strengthen co-operation between the three supervisory authorities and to promote financial stability, the Conselho Nacional de Supervisores Financeiros (National Council of Financial Supervisors - CNSF) was set up in 2000. The Council is chaired by the Governor of the BdP, due to its responsibility for the stability of the financial system. Representatives of the three supervisory authorities are also members of the CNSF - the member of the Board of Directors of the BdP responsible for the supervision of credit institutions and financial companies, the chairman of the ISP, and the chairman of the CMVM.

In Sweden, Finansinspektionen (Swedish Financial Supervisory Authority - SFSA) is the competent authority responsible for supervision. It is headed by a director-general appointed by the Government, which also appoints a board comprising nine persons, including an external chairman and normally a deputy governor of the central bank (Sveriges Riksbank). The SFSA is responsible for licensing, regulating, supervising and monitoring companies in the credit, insurance and securities markets with the objective of contributing to the stability and efficiency of the financial sector and of promoting satisfactory consumer protection. To

promote consumer protection by providing advice and support, the SFSA has co-founded Konsumenternas Bank- och finansbyrå (Swedish Consumers' Banking and Finance Bureau) and Konsumenternas försäkringsbyrå (Swedish Consumer Insurance Bureau) and is represented on the Boards of these organisations. Under the Riksbank Act, Sveriges Riksbank is responsible, inter alia, for supervising the payment system in general with a view to promoting financial stability. It also monitors and assesses risks in the banking sector with a focus on large banking groups that are important components of Sveriges Riksbank's oversight of payment system stability. The regulatory framework has for many years included rules governing the authorities' operations and expressing obligations with regard to consultation and exchange of information in various fields. As the SFSA and Sveriges Riksbank have many points of contact, an Memorandum of Understanding has now been elaborated and concluded between them to clarify the prevailing division of labour and forms for co-operation and to facilitate the authorities' work towards the common goals of maintaining stability and promoting efficiency in the Swedish financial system and also to avoid duplication of work. As to the authorities' areas of responsibility, Sveriges Riksbank's tasks and responsibilities with bearing on the stability and efficiency of the financial system include oversight and emergency liquidity, while the SFSA's tasks and responsibilities with the same bearing include supervision, licences and sanctions and the issuing of regulations.

In the *United Kingdom*, the Financial Services Authority (FSA) assumed its powers and responsibilities on 1 December 2001, as provided for under the Financial Services and Markets Act (FSMA) of 2000. The FSA is an independent non-governmental body, which is accountable to the Treasury. The FSA's governing body is the Board, consisting of a Chairman, three executive directors and eleven non-executives, all appointed by the Treasury. The FSA is the single regulator directly responsible for the authorisation,

regulation and supervision of deposit-taking, insurance and investment business. However, certain financial activities are regulated by organisations other than the FSA, such as the General Insurance Standards Council (GISC) that regulates the sale of general insurance products, the Office of Fair Trading that regulates consumer credit and competition issues and the Occupational Pensions Regulatory Authority that regulates the operation of occupational pension schemes. The functions of the central bank, the Bank of England (BoE), with regard to financial stability are set out in a Memorandum of Understanding that establishes a framework for co-operation between HM Treasury, the BoE and the FSA in the field of financial stability. Cross-participation in the boards of the BoE and the FSA facilitates close co-operation. The BoE is represented on the Board of the FSA

while the Chairman of the FSA has a seat on the board of the BoE. Further co-operation is established via the aforementioned Memorandum of Understanding, whereby the FSA and the BoE work together to avoid separate collection of the same data, to minimise the burden on firms, while the BoE collects the data and information which it needs to discharge its responsibilities. In addition to the above arrangements, a Standing Committee of representatives of the Treasury, the BoE and the FSA is in place to discuss individual cases of significance and other developments relevant to financial stability. Finally, the Treasury is responsible for the overall institutional structure of regulation, and the legislation, which governs it, while it has no operational responsibility for the activities of the FSA and the BoE, and will not be involved in them.

## Annex 2

### Supervisory structures in the acceding countries

This annex briefly outlines the supervisory structures in the ten countries that are scheduled to accede to the EU in 2004.

In *Cyprus*, four authorities are responsible for financial supervision. First, the Central Bank of Cyprus is the competent authority for the supervision of banks. Second, the Securities and Exchange Commission (SEC) is responsible for the supervision of firms providing investment services, collective investment schemes and the Cyprus Stock Exchange. The Central Bank participates in the SEC Board as an observer without the right to vote. Third, the Insurance Companies Control Service, under the Ministry of Finance, supervises the insurance sector. The coordination of the above three financial sectors has been strengthened with the signing of a "Memorandum of Understanding" among the Central Bank of Cyprus, the SEC and the Insurance Companies Control Service, which came into effect on 1 January 2002. The signing of the "Memorandum" has paved the way for the on-going co-operation and effective coordination among the three regulatory authorities, rendering the monitoring of the financial sector more efficient. This "Memorandum of Understanding" is based on the provisions of the legislation in force which allow the competent regulatory authorities to co-operate and exchange information between them, with a view to discharging their functions and responsibilities in a more effective manner. Fourth, co-operative credit institutions are supervised by the Department of Co-operative Development. This fourth supervisory authority has expressed its intent to sign the aforementioned "Memorandum of Understanding" and is expected to participate in the coordination of the supervision and regulation of the financial sector as a whole.

In the *Czech Republic*, financial supervision is conducted by four authorities. The central

bank, Česká národní banka (CNB), is responsible for supervising the banking sector, while saving and credit co-operatives are supervised by a separate authority. Komise pro cenné papíry (Czech Securities Commission) was established as an independent administrative authority in 1998 and supervises investment companies, investment funds and securities traders. The Ministry of Finance, through Úřad státního dozoru v pojišťovnictví a penzijním připojištění (Office of Insurance) located within one of its departments, supervises insurance companies and pension funds, mainly in the interests of consumer protection. Inter-institutional co-operation is established between the three authorities through the exchange of information and co-ordination of supervisory activities. Lastly, to mention that the Office for the Supervision of Credit Unions is responsible for the supervision of credit unions, which are small in terms of assets.

In *Estonia*, Finantsinspektsioon (Estonian Financial Supervision Authority - EFSA) is the single supervisory authority operating at the central bank (Eesti Pank), with autonomous competence and a separate budget. The governing bodies of the EFSA, namely the Supervisory Council and the Management Board, are administratively connected with Eesti Pank without being parts of its hierarchical structure. The planning and oversight of the activities of the EFSA is carried out by its Supervisory Council, which consists of six members; two of whom are members by virtue of their office - namely the Minister of Finance who acts as a chairman and the Governor of Eesti Pank - while two of the remaining members are nominated by Eesti Pank and two by the Government. The management of the EFSA is carried out by its Management Board, which consists of five members appointed by the Supervisory Council. The Management Board is responsible for all supervisory

decisions. Eesti Pank provides the EFSA with several facilities, such as IT services and maintenance. The EFSA pays Eesti Pank the cost of such services from its supervision fees. In order to facilitate co-operation between the EFSA, Eesti Pank and the Ministry of Finance, a tripartite co-operation agreement was signed at the end of 2002.

In *Hungary*, Pénzügyi Szervezetek Állami Felügyelete (Hungarian Financial Supervisory Authority - PSZÁF) is the single supervisor. The PSZÁF is a national public administrative organisation under the Minister of Finance. The central bank, Magyar Nemzeti Bank (MNB), has statutory responsibility for promoting the stability of the financial system and the development and smooth conduct of policies related to the prudential supervision of the financial system. It also has that task of supervising specific activities carried out by commercial banks, as defined by the Central Bank Act. The MNB publishes information related to the operation of the banking system and to the financial situation of the country and is entitled to conduct on-site inspections in the course of its inspection activities. The MNB is responsible for the supervision of foreign exchange activities of all financial intermediaries. In the course of performing its tasks, the MNB closely co-operates with the PSZÁF. The head of the PSZÁF is invited to meetings of the MNB's Board of Directors for items of the agenda pertaining to the former's range of tasks. The MNB and the PSZÁF exchange data and information, as are necessary with respect to the performance of their respective tasks. To this end, both authorities have concluded an agreement covering the method and modalities of exchanging data and information.

In *Lithuania*, financial supervision comprises three authorities. The central bank, Lietuvos bankas, is assigned the task of banking supervision. Vertybinių popierių komisija (Lithuanian Securities Commission) is the authority responsible for securities supervision and consists of a chairman and four commissioners appointed by the Seimas

(Parliament) on a proposal by the President. Finally, the supervision of insurance business is carried out by the Valstybinė draudimo priežiūros tarnyba (State Insurance Supervisory Authority - VDPT) at the Ministry of Finance. The Director of the VDPT is appointed by the Minister of Finance, while the members of the Supervisory Board are appointed and dismissed on a proposal of the Director, which should be approved by the Minister of Finance. The three supervisory authorities work together according to a tripartite Co-operation Agreement in the Area of Credit and Financial Institutions Supervision. The new Law on Financial Institutions that will come into force on 1 July 2003 provides for the establishment of a Priežiūros koordinavimo komisija (Supervision Co-ordination Commission) that will comprise the supervisory authorities, the Ministry of Finance and representatives of financial market participants.

In *Latvia*, the Finanšu un kapitāla tirgus komisija (Finance and Capital Market Commission - FKTK) is the single regulatory authority for all financial sectors. The FKTK is governed by a Council consisting of the Chairperson and Deputy Chairperson of the FKTK and three other members. The Chairperson is appointed upon a joint proposal of the Minister of Finance and the Governor of the central bank, Latvijas Banka. The Chairperson appoints the other members of the Council in agreement with the Governor of Latvijas Banka and the Minister of Finance. The institutional framework for co-operation between the FKTK, Latvijas Banka and the Ministry of Finance is set out by law, which stipulates that the FKTK should submit to Latvijas Banka and the Ministry of Finance a report on the situation in the financial and capital market at least once per quarter. The FKTK also has to inform Latvijas Banka and the Minister of Finance of potential short-term liquidity problems of a particular financial and capital market participant or its potential or actual insolvency. As regards co-operative arrangements, the law provides for the FKTK



and Latvijas Banka to share statistical information relevant to execution of their respective tasks.

In *Malta*, a single regulatory authority, namely the Malta Financial Services Authority (MFSA), has carried out financial supervision since October 2002. The main bodies of the MFSA are the Board of Governors, the Executive Co-ordination Committee, the Supervisory Council, the Board of Management and Resources and the Legal Unit. The Board of Governors consists of seven members who are appointed by the Prime Minister. The Supervisory Council is headed by a Director-General and comprises the directors of the regulatory units of the MFSA. The MFSA Act explicitly provides for co-operation between the Central Bank of Malta (CBM), which has retained responsibility for financial stability, and the MFSA with respect to the reciprocal exchange of information, for instance. In February 2003, the CBM and the MFSA signed a Memorandum of Understanding concerning their co-operation and exchange of information in the field of financial services. It should be noted that off-shore activities, and the related supervision, will cease to exist as a distinct element of the financial system of Malta owing to the fact that the legal distinction between on-shore and off-shore companies was dismantled in 1994, while all registered off-shore activities will cease in September 2004.

In *Poland*, three authorities carry out financial supervision. First, the Komisja Nadzoru Bankowego (Commission of Banking Supervision - KNB) is responsible for banking supervision as is laid out in the Central Bank Act. The KNB is chaired by the President of central bank, Narodowy Bank Polski (NBP), and comprises six other members: the Generalny Inspektor Nadzoru Bankowego (General Inspector of Banking Supervision), the chairperson of the Komisja Papierów Wartościowych i Giełd (Securities and Exchange Commission - SEC), two representatives of the Ministry of Finance, one representative of the President of the

Republic of Poland and the chairperson of Bankowy Fundusz Gwarancyjny (Bank Guaranty Fund). According to the Act, the decisions of the KNB are implemented and co-ordinated by the Generalny Inspektorat Nadzoru Bankowego (General Inspectorate of Banking Supervision - GINB), the executive arm of the KNB and a separate organisational unit of the NBP. The General Inspector is appointed and recalled by the President of the NBP in agreement with the Minister of Finance. Second, the KPWiG is a central government administrative body responsible for supervision of securities markets, including public trading, exchanges and trading infrastructure. It is composed of a chairman, two deputy chairmen and seven members, including the NBP and the insurance supervisor. The KPWiG is subject to the supervision by the Government minister in charge of financial institutions. Third, pursuant to the Act of 1 March 2002 on changes in organisation and functioning of central bodies of governmental administration as of the 1 April 2002, the former Urząd Nadzoru nad Funduszami Emerytalnymi (Office for the Supervision of Pension Funds - UNFE), which had been established in May 1998, was liquidated and its duties transferred to the new supervisory body: the Komisja Nadzoru Ubezpieczeń i Funduszy Emerytalnych (Insurance and Pension Funds Supervisory Commission - KNUiFE). The KNUiFE is now carrying out the duties of both the former Państwowy Urząd Nadzoru Ubezpieczeń (State Office for Insurance Supervision - PUNU) and the former UNFE. The KNUiFE consists of five members: the Chairman (appointed by the Prime Minister), two Deputy Chairmen (one appointed by the Minister of Finance and the other by the Minister of Labour) and two further members, namely the Chairman of the KPWiG (or his deputy) and the Chairman of Urząd Ochrony Konkurencji i Konsumentów (Office for Competition and Consumer Protection - UOKiK) (or his deputy). The following individuals also have the right to attend meetings of the KNUiFE to provide advice: the General Inspector of Banking Supervision (Head of the GINB),

In *Slovakia*, there are two authorities responsible for financial supervision. The central bank, *Národná banka Slovenska* (NBS), is responsible for banking supervision, while the *Úrad pre finančný trh* (Slovakian Financial Market Authority - SFMA) oversees the insurance and capital market sectors. The managerial bodies of the SFMA are the Council, the Director-General and the Supervisory Committee. The Council and the Supervisory Committee comprise five members, all of whom are appointed by the Government. The Minister of Finance proposes the majority of the members (four) for appointment to the Council and one member for appointment to the *Dozorný výbor* (Supervisory Committee). One member of each is proposed by the Governor of the NBS. The three other members of the Supervisory Committee are proposed by stakeholders in associations of the supervised entities. The Director-General is appointed by the Government upon the proposal of the Ministry of Finance. As to the institutional arrangements for co-operation, the two supervisory authorities have concluded an agreement on co-operation in the supervision of banks, capital markets, insurance, payment systems and foreign exchange-related issues. The signing of this agreement is a step forward in the anticipated institutional integration of

supervisory authorities in Slovakia on the basis of a Government resolution.

In *Slovenia*, financial supervision comprises three authorities. The central bank, *Banka Slovenije*, is responsible for banking supervision, with banking supervisory decisions being taken by its Governing Board. The *Agencija za trg vrednostnih papirjev* (Securities Market Agency - SMA) is responsible for the supervision of the securities sector; it is an independent public authority comprising two bodies, the Directorate and the Expert Council consisting of nine members. Members to both bodies are independent experts appointed by the Government on a proposal by the Minister of Finance. The *Agencija za zavarovalni nadzor* (Insurance Supervisory Agency) has the same type of administrative structure (i.e. Council of Experts and Directorate) with members appointed under the same conditions with the SMA. As regards arrangements for supervisory co-operation, the Banking Act explicitly stipulates this requirement including co-operation and exchange of information between the three authorities. Also, a steering committee was mandated to oversee co-operation and make recommendations for improvements, including the need for new rules.

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*ISBN 92-9181-367-2 (print)*

*ISBN 92-9181-368-0 (online)*