INTEGRATED FINANCIAL SERVICES SUPERVISION IN POLAND, THE UK AND THE NORDIC COUNTRIES

1 INTRODUCTION

This paper examines the policy bases of introducing integrated financial services supervision in the Nordic countries, the United Kingdom and Poland. The paper also addresses the structure of integrated financial services supervision in these countries. The main thrust of the academic debate concerning integrated financial services supervision was started in the UK. More recently, international organizations have taken an interest in the subject. A network of integrated supervisors, comprising mainly supervisors from developed countries and transition economies, has been set up. Members of this network have been meeting in various parts of the world to share, among other things, some lessons on integrated financial services supervision.

In many countries, financial services regulation and supervision has been organized around specialist agencies that have distinct and separate responsibilities for banking, securities and insurance sectors. But, there is now an apparent trend towards restructuring the financial supervisory function, and in particular integrated regulatory agencies—that is, agencies that supervise two or more of these areas. Countries contemplating a reorganization of their financial regulatory structure are confronted by two fundamental questions:

a) Should some model of integrated financial services supervision be followed?

The word 'integrated' is sometimes used interchangeably with 'unified', although the terms 'integrated financial services supervision' and 'unified financial services supervision' mean basically the same thing.
b) And if integrated financial services supervision were to be introduced, how should that be done?

It is important that countries address these questions with reference to their own economic, institutional and political frameworks. In some instances, reorganization of regulatory structure may be ill-advised. For example, in some countries there are more pressing financial and economic issues than the introduction of a model of integrated financial services supervision. There is a question, for instance, as to whether countries facing major imminent challenges in their financial sector—those perhaps facing insolvencies among major banks—should be contemplating wholesale reorganization of the regulatory function which might deflect attention away from the problems at hand. In other countries, there is very limited inter-connectedness between the various segments of the financial sector (i.e. the insurance, securities and banking sectors and hence maintaining the status quo would be more appropriate in the short-term). And, further still, some countries may not have enough

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3 Addressing some of the recent developments in bank regulation, Llewellyn draws an analogy and argues (D.T. Llewellyn, Some lessons for bank regulation from recent cases, a paper presented at the conference on Regulation and Stability in the Banking Sector, at De Nederlandsche Bank, Amsterdam, 3-5 Nov. 1999, abstract page): “The causes of systemic bank distress are complex and multi-dimensional involving economic, financial, regulatory and structural weaknesses. This also means that regulatory approaches also need to be multi-dimensional... an optimum ‘regulatory regime’ needs to incorporate seven key components: regulation (the rules imposed by official agencies), official supervision, incentive structures within banks, market discipline, intervention arrangements in the event of distress, corporate governance arrangements with banks, and the accountability of regulatory agencies. All are necessary but none alone are sufficient for systemic stability. As there are trade-offs between the components, regulatory strategy needs to focus on the overall impact of the regime rather than only the regulation component.”