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**THE ROLE OF NATIONAL
CENTRAL BANKS IN BANKING
SUPERVISION IN SELECTED
CENTRAL AND EASTERN
EUROPEAN COUNTRIES**

**A CASE-STUDY ON
BULGARIA, THE CZECH
REPUBLIC, ESTONIA,
HUNGARY, LATVIA,
POLAND AND SLOVAKIA**

by Marcis Apinis, Magdalena Bodzioch,
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Abstract

Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Poland and Slovakia have recently undertaken substantial reforms of their supervisory frameworks, aimed at reducing the number of supervisory authorities operating in the domestic financial sector. This working paper examines from a legal perspective national central bank (NCB) involvement in banking supervision in the above-mentioned countries and, in the light of this comparative examination, draws conclusions about the nature and scope of that involvement. The analysis reveals that the trend towards consolidation of supervisory authorities is not always linked to a tendency to diminish or suspend NCB powers in the area of banking supervision: in three of the countries reviewed, the NCBs have sole competence for banking supervision, and in the Czech Republic and Slovakia, integrated supervision has even been placed under the NCB's roof. In the jurisdictions where the NCBs do not perform the supervisory function, the NCBs have nevertheless remained involved in supervision in many different ways, they have a substantial involvement in the preparation of legislation relating to supervision; they may influence the performance of the supervisory function by interaction with the supervisory authorities at the level of their decision-making bodies, through the conclusion of agreements, establishment of common bodies, etc.; and finally NCBs have also demonstrated some capacity to influence the operational side of banking supervision in the areas of licensing, ongoing supervision and the imposition of sanctions or remedial measures in the case of breaches of supervisory law requirements.

This working paper takes into account the legislation in force in the seven Member States under consideration as at 1 November 2009.

Introduction

The aim of this paper is to examine from a legal perspective national central bank (NCB) involvement in banking supervision in selected central and eastern European countries (CEECs) and, in the light of this comparative examination, draw conclusions about the nature and scope of that involvement. The scope of the working paper is restricted to making observations reached on the basis of comparative analyses; it does not provide an analysis of the advantages and disadvantages of the national solutions nor does it contain recommendations for improvements. Each of those issues, however, merits attention and further academic research.

The countries analysed in this study were chosen not only because of their similar economic, political and historical background, but also because Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Poland and Slovakia have recently undertaken substantial reforms of their supervisory frameworks, aimed at reducing the number of supervisory authorities operating in the domestic financial sector.

The issue of NCB involvement in banking supervision has already been widely discussed from a theoretical and national perspective²; but as yet no study has examined the relevant legal arrangements in the CEECs.

The working paper is structured along the following lines. Following a short introduction (Part I), Part II presents a comparative examination of the national legal arrangements relating to NCB involvement in banking supervision organised according to the following scheme: historical background and developments (section 1), links at an institutional level (section 2) and links at an operational level (section 3). The findings of the working paper are summarised in Part III.

Three basic theoretical models of supervisory systems can be observed in Europe: sectoral supervision, integrated supervision and supervision organised according to functional objectives (also known as the ‘twin peaks approach’)³. In the sectoral supervisory system, a separate authority supervises each financial sector (banking, securities and insurance). Integrated supervision refers to the case where a single universal supervisor has charge over the three financial sectors and covers both prudential supervision and investor protection. The ‘twin peaks approach’ is organised by reference to supervisory objectives; one authority performs prudential supervision, another the conduct of business regulation. In practice, no ‘pure’ example of these models exists, with each jurisdiction revealing its own peculiarities.

² See, for instance, Deutsche Bundesbank; Doherty and Lenihan; and Llewellyn (2005).

³ For greater detail on the different theoretical models of supervisory systems, see, for instance, Group of Thirty, Llewellyn (2006) and Wymeersch.

The last two decades have been characterised by a move towards an integrated supervisory system⁴. The main driving forces for this development were the emergence of large financial groups active in banking, insurance and securities sectors (financial conglomerates) and the ever more blurred distinctions between the businesses of banks, insurance companies and securities firms⁵. A widely shared concern arose that sectoral financial supervisors are unsuited to tackle the problems posed by financial conglomerates and the blurring of distinctions between financial sectors. According to that argument, sectoral supervisors may lose sight of financial conglomerates as a whole and allow supervisory arbitrage to operate by applying an inconsistent approach to regulation and supervision of the different financial sectors. In addition, supervision that does not follow the market structure leads to duplication and unnecessary burdens, thus reducing the competitive position of the regulated entities concerned. A further argument in favour of integrated supervision is based on the expected efficiency gains, in particular the economies of scale realised as a result of shared infrastructure, administration and support systems. This argument is particularly strong for small countries or countries with small financial sectors where the benefits of merging scarce resources are more evident.

Driven by such concerns many governments responded to market changes by sweeping away specialised supervisors for banking, insurance and securities and setting up an integrated supervisory authority. The first wave of these institutional reforms took place in the late 1980s and early 1990s in the Nordic countries (e.g. Norway, Sweden, Denmark) and Canada, a second wave followed at the end of the 1990s (most notably in the UK) and the latest and third wave has involved the CEECs⁶.

While the trend towards integrated supervision is often perceived as a move towards diminishing or suspending NCB involvement in banking supervision⁷, the 2008 financial turmoil and the following global financial crisis shifted the financial community's focus of attention and led to calls for greater NCB involvement in supervision. The arguments for a central bank's involvement in financial supervision can be grouped into three basic categories⁸: (i) information-related synergies between supervision and central banking functions, that is, the possibility to access confidential information collected for supervisory purposes may be of substantial advantage in central bank oversight of payment systems and in the 'safe proofing' of other market infrastructures which are essential for the smooth conduct of monetary policy. In addition, central bank access to prudential information, especially on

⁴ For a comprehensive review of the supervisory arrangements by countries, see Pringle.

⁵ For more detail on the case for integrated supervision, see, for instance, Abrams and Taylor, pp. 10-20; Taylor, pp. 9 and 22; Martinez and Rose, pp. 6-8; and Filipova, pp. 37-69.

⁶ See Demaestri and Sourouille, p. 2.

⁷ See Masciandaro and Quintyn.

⁸ See ECB for this grouping of arguments. For a more general discussion on the involvement of central banks in prudential supervision, see Goodhart.

systemically relevant intermediaries, is also essential for the conduct of macro-prudential monitoring; (ii) a focus on systemic stability, in other words, that NCBs are in a position to better assess not only the likelihood and the potential impact of macro-shocks or disturbances in domestic and international capital markets, but also the operation of common factors affecting the stability of groups of intermediaries; and (iii) independence and technical expertise, emphasising the independence of the supervisory function from political interference.

One of the lessons drawn from the crisis is the need for NCBs to have access to prudential information which would allow them properly to perform their financial stability functions⁹. For CEECs, this crisis constituted the first test of their financial safety network and the effectiveness of supervision¹⁰.

Against this background, two somewhat contradictory trends, the consolidation of financial supervision and the greater involvement of NCBs in banking supervision, can be noted¹¹.

1 National legal frameworks for NCB involvement in banking supervision

1.1 Historical background and developments

The aim of this section is to review the reforms undertaken in the selected CEECs with regard to the organisational structure of financial supervision and draw conclusions about central bank involvement in banking supervision.

- In **Bulgaria**, the processes of financial market consolidation and the blurring of boundaries between financial sectors led to the creation of the Financial Supervision Commission (BG-FSA) on 1 March 2003¹². The BG-FSA unified the supervisory functions that were previously carried out by the former State Securities Commission, State Insurance Supervision Agency and Insurance Supervision Agency. Currently, it has competences with respect to all regulated participants in the non-banking financial markets (investment, insurance and pensions insurance) in the country. Banking supervision remained, however, outside of the competences of the integrated supervisor. As was the case prior to 1 March 2003, banking supervision continues to be exercised by the Bulgarian National Bank (BG-NCB).

⁹ See Financial Stability Forum and ECB Opinion CON/2008/32.

¹⁰ The measures adopted by the CEECs under review as a result of the crisis are presented in Petrovic and Tutsch.

¹¹ See Masciandaro and Quintyn.

¹² Law on the BG-FSA, *Darjaven vestnik*, issue 8 of 28 January 2003 (original title: *Закон за Комисията за финансов надзор от 28.1.2003*), as amended, available at: http://www.fsc.bg/media_center/files/FINANCIAL%20SUPERVISION%20COMMISSION%20ACT%20.pdf. On the motives for the regulatory change, see the BG-FSA's website at www.fsc.bg/go.idecs?i=10169.

Article 2(6) of the Law on the BG-NCB¹³ provides that the BG-NCB ‘shall regulate and supervise the activities of banks in Bulgaria for the purpose of ensuring the stability of the banking system and the protection of depositors’ interests’. The Law on the BG-NCB specifically establishes that one of the three deputy governors of BG-NCB, elected by the Parliament, is to be the head of the Banking Supervision Department¹⁴. That office is competent to adopt administrative acts and impose penalties.

Consolidation of the supervisory functions, with the exception of banking, under the FSA is probably not the end of the reform in Bulgaria. In September 2009, the Bulgarian finance minister announced that the financial and banking supervisors are to be merged.¹⁵ However, no details on the merger were made public and no concrete legislative steps were taken prior to the completion of this working paper. This is why the future of that reform is still very much uncertain.

- In the **Czech Republic**, financial market supervision is integrated into the central bank, Česká národní banka (CZ-NCB)¹⁶. While the CZ-NCB has traditionally been involved in banking supervision¹⁷, supervision of other financial market sectors, that is, capital markets, insurance and cooperative banking, until recently was carried out by separate supervisors, the Czech Securities Commission, the Office for Supervision of Insurance and Supplementary Pension Insurance¹⁸ and the Office for Supervision of Credit Unions. In order to provide for better use of synergies in the supervision of individual financial market segments, greater harmonisation of regulatory rules and supervisory procedures, and lower costs, the Czech Government drafted a supervisory reform in 2005 which resulted in the institutional integration of the financial market supervision authorities into the CZ-NCB with effect from 1 April 2006¹⁹.

As a further step in the integration of the CZ-NCB’s supervisory activities, internal reorganisation of the CZ-NCB’s supervisory departments took effect on 1 January

¹³ Law on the BG-NCB, *Darjaven vestnik*, issue 46 of 10 June 1997 (original title: *Закон за Българската народна банка от 10.6.1997*), as amended, available at: [http://www.bnb.bg/bnb/home.nsf/vPages/Laws_BNB/\\$FILE/en%20Law%20on%20the%20BNB.pdf](http://www.bnb.bg/bnb/home.nsf/vPages/Laws_BNB/$FILE/en%20Law%20on%20the%20BNB.pdf).

¹⁴ See Article 20(3) of the Law on the BG-NCB.

¹⁵ See, for instance, *Dnevnik* from 25.9. 2009 and the minutes from the Bulgarian finance minister’s speech before the Bulgarian parliament from 30 October 2009. For the latest developments with regard to the idea of the establishment of a single supervisor in Bulgaria, see the statements of the Bulgarian finance minister S. Dyankov and the Head of the parliamentary committee for budget and finance M. Stoyanova in *Capital* from 19.12. 2009 and *Klassa.bg* from 27.12. 2009 accordingly.

¹⁶ See Articles 1(1), 2(2)(d) and 44-45d of Law No 6/1993 Coll. on the CZ-NCB, *Sbírka zákonů* (original title: *zákon o České národní bance*), as amended, available at: http://www.cnb.cz/m2export/sites/www.cnb.cz/en/legislation/acts/download/act_on_cnb.pdf.

¹⁷ The CZ-NCB has been responsible for supervising the banking sector since its establishment on 1 January 1993. Also its legal predecessor, *Státní banka československá* was vested with a similar power.

¹⁸ The Office for Supervision of Insurance and Supplementary Pension Insurance formed part of the CZ-Ministry of Finance.

¹⁹ Law No 57/2006 Coll. on amendments to laws in connection with the integration of supervision of the financial market, *Sbírka zákonů* (original title: *zákon o změně zákonů v souvislosti se sjednocením dohledu nad finančním trhem*), as amended, not available in English.

2008. The model of sector supervision was abandoned and replaced with the functional model. Three new departments were established: financial market regulation and analyses, licensing and sanctions procedures, and financial market supervision.

As part of the supervisory reform, the Financial Market Committee (FMC) was established as a new advisory body to the CZ-NCB's Bank Board in matters of financial market supervision. The tasks of the FMC include monitoring and discussing strategies and approaches to financial market supervision and identifying significant new trends in financial markets and in the supervision or regulation thereof. In the areas specified above, the FMC may submit opinions and recommendations to the CZ-NCB's Bank Board and to the CZ-Ministry of Finance.

- **Estonia** adopted the model of integrated supervision on 1 January 2002²⁰. Three agencies: the Banking Supervisory Authority at Eesti Pank (ET-NCB) the central bank, the Securities Supervision Agency and the Insurance Supervision Agency were restructured into a single Financial Supervision Authority (ET-FSA).

Although there had been discussions to establish the ET-FSA as a government agency under the administration of the ET-Ministry of Finance, the ET-FSA took effect as an agency with autonomous competence and a separate budget, which operates at ET-NCB) The ET-FSA is independent in the conduct of state financial supervision and has its own management bodies and reporting system²¹.

- Integrated supervision took effect in **Hungary** in 1999, when the Hungarian Banking and Capital Market Supervisory Authority and the Supervisory Authority responsible for the Supervision of Insurance Companies were merged and the Hungarian Financial Supervisory Authority (HU-FSA) was created²² as a governmental body subject to the supervision of the HU-Ministry of Finance.

Under Article 4(c) of the Law on the HU-FSA²³, the supervision of institutions and services falling under the scope of the Law on credit institutions and financial enterprises²⁴ is the sole responsibility of the HU-FSA, a task which includes, in

²⁰ Law on the ET-FSA, State Gazette I 2001, 48, 267 (original title: *finantsinspektsiooni seadus*), as amended, available at: <http://www.legaltext.ee/text/en/X50008K5.htm>.

²¹ Article 4 of the Law on the ET-NCB, State Gazette I 1993, 28, 498 (original title: *Eesti Panga seadus*), as amended, available at: http://www.eestipank.info/pub/en/dokumentid/dokumentid/oigusaktid/seadused/epact_706.html.

²² Law on the HU-FSA (1999), *Magyar Közlöny*, 1999/123 (XII. 23.) (original title: *a Pénzügyi Szervezetek Állami Felügyeletéről szóló 1999. évi CXXIV. törvény*), now repealed, not available in English.

²³ Law on the HU-FSA (2007), *Magyar Közlöny*, 2007/162 (XI. 28.) (original title: *a Pénzügyi Szervezetek Állami Felügyeletéről szóló 2007. évi CXXXV. törvény*), as amended, available at: <http://net.jogtar.hu/jr/gen/getdoc.cgi?docid=a0700135.tv&dbnum=62>.

This Law repealed the Law on the HU-FSA (1999).

²⁴ Law on credit institutions and financial enterprises, *Magyar Közlöny*, 1996/109 (XII. 12.) (original title: *a hitelintézetekről és a pénzügyi vállalkozásokról szóló 1996. évi CXII. törvény*), as amended, available at: <http://net.jogtar.hu/jr/gen/getdoc.cgi?docid=99600112.tv&dbnum=62>.

particular, authorisation procedures, the keeping of records according to law, carrying out inspections relating to compliance with supervisory law and supervisory decisions and the imposition of sanctions or extraordinary measures in the case of breach of regulatory provisions or supervisory decisions.

The HU-NCB is responsible for granting and withdrawing licences as well as supervising the clearing systems for payments²⁵.

- In **Latvia**, the single financial supervisory authority²⁶ (LV-FSA) commenced operations on 1 July 2001 and replaced the Credit Institutions Supervision Department of the Latvijas Banka (LV-NCB) (as the credit institutions' supervisor), the Securities Market Commission and the Insurance Supervision Inspectorate. The LV-FSA's objective is to protect the interests of investors, depositors and insured persons, and to promote the development and stability of the financial and capital markets²⁷. The LV-FSA is also responsible for the promotion of free competition within the financial market²⁸. According to Article 2 of the Law on the LV-FSA, the LV-FSA enjoys full rights of an independent and autonomous public institution and makes independent decisions within the limits of its authority, executes functions assigned to it by law, and is responsible for their execution. Except where specifically authorised, the law prohibits interference with the activities of the LV-FSA²⁹.
- In **Poland**, the Financial Supervision Commission³⁰ (PL-FSA) is the single competent body for matters related to supervision of the financial market, that is, banking supervision, pension funds supervision, capital market supervision, supervision of insurance institutions and supervision of electronic money institutions, as well as supplementary supervision of financial conglomerates. The PL-FSA commenced operations on 19 September 2006 when, as a first step in the merger of financial supervision in Poland, it took over the duties of the Insurance and Pension Funds Supervisory Commission and of the Securities and Exchange Commission³¹.

²⁵ Article 3(6) of the Law on credit institutions and financial enterprises, *Magyar Közlöny*, 1996/109 (XII. 12.) (original title: *a hitelintézetekről és a pénzügyi vállalkozásokról szóló 1996. évi CXII. törvény*), as amended, available at: <http://net.jogtar.hu/jr/gen/getdoc.cgi?docid=99600112.tv&dbnum=62>.

²⁶ *Finanšu un kapitāla tirgus komisija* (Financial and Capital Market Commission). For more details, see its website available at: <http://www.fktk.lv/eng/>.

²⁷ Article 5 of the Law on the LV-FSA, *Latvijas Vēstnesis*, 20 June 2000 (original title: *Finanšu un kapitāla tirgus komisijas likums*), available at:

http://www.fktk.lv/en/law/general/laws/on_the_financial_and_capital_m.

²⁸ *Ibid.*, Article 9.

²⁹ *Ibid.*, Article 2(2).

³⁰ In Polish: *Komisja Nadzoru Finansowego*. Organisation and operations of the PL-FSA are regulated by the Law of 21 July 2006 on financial market supervision, *Dziennik Ustaw* (Dz. U.) of 2006 No 157, Item 1119 (original title: *Ustawa o nadzorze nad rynkiem finansowym*), as amended, available in English at: http://www.knf.gov.pl/en/Images/ustawa_nadzor_finansowy_04_09_tcm21-14720.pdf. The PL-FSA is a collegial body composed of seven members. It is organisationally and logistically supported by the Office of the PL-FSA. For more details see its website, available at: <http://www.knf.gov.pl/en/>.

³¹ On the grounds for the regulatory change, see the explanatory memorandum to the Law on financial market supervision available (in Polish) at: <http://orka.sejm.gov.pl/proc5.nsf/opisy/654.htm>.

Subsequently, pursuant to the Law on financial market supervision, the PL-FSA replaced, with effect from 1 January 2008, the Commission for Banking Supervision³² and its executive body – the General Inspectorate of Banking Supervision³³. Between 19 September 2006 and 1 January 2008, Poland temporarily had a hybrid system of financial supervision, with banking supervision being performed by the Commission for Banking Supervision, an independent body supported by the organisational structure of the PL-NCB, while other parts of the financial sector were supervised by the PL-FSA.

The tasks of the PL-FSA are much broader than the previous tasks of the Commission for Banking Supervision prior to 1 January 2008, when the primary objective of banking supervision was to ensure the safety of deposits held by banks. Under the Law on financial market supervision the purpose of the supervision is to ‘ensure proper operation, stability, security and transparency of the financial market, as well as confidence in that market, and to safeguard the interests of the financial market participants’³⁴. Tasks of the PL-FSA include exercising supervision, taking action to foster proper operation of the financial market and promote development of the financial market, as well as educational and informational activities related to the operation of the financial market, participation in the drafting of legal acts related to financial market supervision, creating opportunities for amicable and conciliatory settlement of disputes between financial market participants and performing other tasks provided for by law³⁵.

- In **Slovakia**, financial market supervision is integrated into the central bank, Národná banka Slovenska (SK-NCB). Having regard to the country’s common heritage shared with the Czech Republic, as a matter of tradition, the SK-NCB has been involved in banking supervision³⁶, while supervision of other financial market sectors, that is, the capital market, insurance and pension savings, until 1 January

³² Until the end of 1997, banking supervision was carried out by the PL-NCB (see Article 44 of the Law of 31 January 1989 on the PL-NCB, consolidated text *Dz. U.* of 1992 No 72, Item 360 (original title: *Ustawa z dnia 31 stycznia 1989 r. o Narodowym Banku Polskim*), in force until 1997). On 1 January 1998 the Commission for Banking Supervision started to operate under the Law of 29 August 1997 on the PL-NCB, *Dz. U.* of 1997 No 140, Item 938 (original title: *Ustawa z dnia 29 sierpnia 1997 r. o Narodowym Banku Polskim*), see Articles 131 – 141 of the Law on banking of 29 August 1997, *Dz. U.* of 1997 No 140, Item 939 (original title: *Ustawa z dnia 29 sierpnia 1997 r. – Prawo bankowe*), available in English at: http://www.nbp.pl/en/aktyprawne/the_act_on_the_nbp.pdf (not fully updated), as in force before 1 January 2008 and Articles 25 – 30 of the Law on the PL-NCB as in force before 1 January 2008.

³³ Under the Law on the PL-NCB of 1989, the General Inspectorate of Banking Supervision was a department of the PL-NCB. Under Article 25 of Law on the PL-NCB of 1997, on 1 January 1998 the General Inspectorate of Banking Supervision became the executive body of the Commission for Banking Supervision. At the same time it became a separate organisational unit within the PL-NCB structure.

³⁴ See Article 2 of the Law on financial market supervision.

³⁵ *Ibid.*, Article 4.

³⁶ The SK-NCB has been responsible for supervising the banking sector since its establishment on 1 January 1993. Also its legal predecessor, *Štátna banka československá*, by virtue of the Law of 1989 and then of 1991, was vested with a similar power.



2006 was carried out by a separate supervisor, the Financial Market Authority (SK-FSA)³⁷. In order to contribute to the stability of the financial market as a whole, as well as to its safe and smooth operation, in the interest of maintaining the credibility of the financial market, the protection of customers, and compliance with the rules of competition and thus to provide for better use of synergies in the supervision of individual financial market segments at the same time, the Slovak Government drafted a supervisory reform in 2004 which resulted in the institutional integration of the financial market supervision authorities into SK-NCB with effect from 1 January 2006.

Aiming to achieve the integration of SK-NCB's supervisory activities in one single step, the internal reorganisation of SK-NCB's departments was carried out at the same time as the reform of the supervisory legislation in 2004 and took effect from 1 January 2006. Pursuant to the new legal framework³⁸ an organisational unit for financial market supervision has been established by the SK-NCB's Bank Board³⁹ which consists of three departments: licensing and enforcement, regulatory and risk management methodology, and supervision.

In line with Article 56 of the Slovak Constitution⁴⁰, the SK-NCB is an independent central bank of Slovakia. The supreme managing body of the SK-NCB is the Bank Board. As part of the supervisory reform, the number of members of the SK-NCB's Bank Board was increased by 3 thus resulting in 11 members in total. During an earlier discussion phase the idea of a Financial Market Committee as a new advisory body to the SK-NCB's Bank Board (including the Governor and Deputy Governor) was floated. Ultimately, however, that committee as proposed was never established⁴¹.

³⁷ That supervisor operated as provided by Law No 96/2002 Coll. on the supervision of the financial market and including amendments to certain laws. With effect from 1 January 2006, that authority was abolished by Law No 747/2004 Coll. on the supervision of the financial market and including amendments to certain laws, *Zbierka zákonov Slovenskej republiky* (original title: *zákon č. 747/2004 Z. z. o dohľade nad finančným trhom a o zmene a doplnení niektorých zákonov v znení neskorších predpisov*), as amended, available at: http://www.nbs.sk/_img/Documents/LEGA/a7472004.pdf.

³⁸ See Article 10 of the Law on the SK-NCB, *Zbierka zákonov Slovenskej republiky* (original title: *zákon Národnej rady Slovenskej republiky č. 566/1992 Zb. o Národnej banke Slovenska v znení neskorších predpisov*), as amended, available at: http://www.nbs.sk/_img/Documents/LEGA/A5661992_k_euru.pdf.

³⁹ In fact, the supervision unit was established within the SK-NCB before 1 January 2006, but in the course of the supervisory reform it was reorganised and tasks from the SK-FSA in the field of financial market supervision were transferred to the SK-NCB.

⁴⁰ Constitutional Law No 460/1992 Coll., *Zbierka zákonov Slovenskej republiky*, (original title: *ústavný zákon č. 460/1992 Zb. Ústava Slovenskej republiky v znení neskorších predpisov*) as amended, available at: <http://www.nrsr.sk/Static/en-US/NRSR/Dokumenty/constitution.doc>.

⁴¹ The basic idea was to establish a new advisory body to the Deputy Governor of the SK-NCB responsible for financial market supervision including experts from outside the SK-NCB (including the SK-Ministry of Finance and other national authorities). Initially, the draft legislative provisions on the new legal supervisory framework provided for the establishment of such an advisory body, but, ultimately, those provisions were deleted from the draft. Nonetheless, a Financial Market Committee was created with effect from 1 January 2006, but simply as an internal advisory body to the Deputy Governor of the SK-NCB in relation to general

1.2 Findings

All countries under review apart from Bulgaria adopted an integrated supervisory system during the period from 1999 (Hungary) to 2008 (Poland). The case of Bulgaria appears somewhat hybrid, as the supervisory competences for all financial actors, apart from credit institutions and markets, were assigned to a single supervisory authority, while the BG-NCB retained its traditional competence in the area of banking supervision. If the announced reform concerning the merger of the two current supervisory bodies proceeds, this hybrid system in Bulgaria will constitute only a transitional step. However, no details about the future supervisory model in Bulgaria are known so far.

The historical outline set out above reveals a clear trend towards an integrated supervisory system in the CEECs. The integrated supervisory system is probably so popular in those countries because, apart from Poland, they are all comparatively small and/or have comparatively small financial sectors, and policy makers wished to achieve synergies by reducing the number of supervisory authorities.

Notwithstanding the trend towards an integrated supervisory system, a common pattern for the framework of the integrated supervisory authorities cannot be detected, as the objectives, scope of tasks and internal organisation of those bodies differ among the countries.

With regard to central bank involvement in banking supervision, one can observe that the tendency towards integrated supervision systems is not linked necessarily to a diminution or suspension of central bank supervisory powers. In five of the seven countries (Bulgaria, the Czech Republic, Estonia, Latvia and Slovakia), the NCB acted as banking supervisor prior to the reform. In three of these countries (Bulgaria, Czech Republic and Slovakia), the NCB retained this function after the reform. In a fourth country, Estonia, the supervisory authority operates as an agency at the central bank, but is established pursuant to law and is independent in the conduct of financial supervision. In one country (Poland), prior to the reform the banking supervisor acted as an independent commission supported by the PL-NCB's organisational structure. Thus, reduction of NCB powers is evident only in Latvia and Estonia, and to a large extent in Poland.

Two main patterns for central bank involvement in banking supervision have emerged in the countries under review: (i) integrated supervision under the NCB's roof, implemented in the Czech Republic and Slovakia; and (ii) an integrated supervision authority outside of the NCB structure in Estonia, Hungary, Latvia and Poland. The case of Bulgaria, where banking supervision is conducted by the central bank and BG-FSA has supervisory competences with regard to all other financial institutions and markets, is a hybrid one. The analysis below is organised according to those categories.

matters of financial market supervision having its own Statute and composed of internal staff of the unit for financial market supervision of the SK-NCB and meeting only on an *ad hoc* basis.

2 NCB involvement in the preparation of legislation relating to supervision

This section examines whether NCBs have powers to influence the content of supervisory legislation and, where this is the case, how those powers operate.

As the law on supervision is usually very technical and adopted both as parliamentary (primary) legislation and as lower level acts (secondary or implementing legislation), this section will explore these two situations separately.

2.1 Primary legislation

- In **Bulgaria**, the Government establishes interinstitutional working groups where draft laws are discussed and benefit from the expertise of all the public bodies involved. Although legislation does not expressly provide for the BG-NCB's involvement in the process of making primary law governing supervision, in practice, the BG-NCB influences the drafting of the primary law through its participation in interinstitutional working groups on the preparation of legal acts to such extent that the BG-NCB may even draft the legislative provisions.
- In the **Czech Republic**, the CZ-NCB is involved in the process of preparing primary financial market legislation, including banking legislation, through mandatory cooperation⁴² with the CZ-Ministry of Finance, the latter being responsible for preparing draft laws in the area of financial markets and for submitting them to the Government. The cooperation arrangements for the preparation of draft financial market legislation are set out in a Cooperation Agreement of 2006⁴³ between the CZ-NCB and the CZ-Ministry of Finance. Under the Agreement, the CZ-NCB's involvement in preparing draft legislation may be substantial. In particular, CZ-NCB may initiate the preparation of a law and may even take the lead in its drafting.
- In **Estonia**, the ET-NCB is involved in preparing primary legislation as a member of a three-party group of authorities based on a Cooperation Agreement of 1 November 2002 updated on 21 December 2007. This group consists of the ET-Ministry of Finance, the ET-NCB and the ET-FSA. The ET-NCB may 'initiate' the preparation of a law and, depending on an agreement with the Ministry of Finance, may even prepare the whole draft. This agreement should also be read in conjunction with

⁴² According to Article 37 of Law No 6/1993 Coll. on the CZ-NCB, as amended, the CZ-NCB 'shall co-operate with the [CZ]-Ministry of Finance in preparing draft legislation in the areas of the financial market ...'.

⁴³ Agreement on cooperation in preparing draft national legislative provisions concerning the financial market and other provisions relating to the parties' competence, available on the website of the CZ-NCB at: http://www.cnb.cz/m2export/sites/www.cnb.cz/cs/legislativa/predpisy_CNB/download/dohoda_CNB_MF.pdf, not available in English.

Article 4(2) of the Law on the ET-NCB specifying that the ET-NCB must advise the Government of the Republic in matters relating to economic policy and that the Government must not take any important economic policy decisions without hearing the opinion of ET-NCB. However, in formal terms, legislative initiative (making of proposals) lies with the ET-FSA⁴⁴ and financial policy and the preparation of the corresponding draft legislation falls within the competence of the ET-Ministry of Finance⁴⁵. In addition, draft legislation is submitted to the parliament via the ET-Ministry of Finance⁴⁶. Furthermore, the ET-FSA has the right to submit a proposal, *inter alia*, to the ET-NCB for drafting of a legal act both in the area of primary and secondary law⁴⁷. If a legal act governs an entity under financial supervision or activities of the ET-FSA in general, the ET-FSA must be consulted. Also, the ET-FSA has the right to submit impact assessments to the bodies drafting legislative acts relating to financial supervision⁴⁸.

- In **Hungary**, the HU-NCB has a consultative role on draft laws with regard to the operation of the financial system including provisions on banking supervision⁴⁹.
- In **Latvia**, drafting of proposals for laws related to financial and capital markets is one of the functions of the LV-FSA⁵⁰. The draft laws are submitted to the Government via the Ministry of Finance. The Government approves the legal act and submits it to the parliament for adoption. Laws do not explicitly require the LV-FSA to consult the LV-NCB on the drafts prepared for submission to the Ministry of Finance, but consultation is possible based on the cooperation agreement under which both institutions have agreed to inform each other of any draft legal acts or documents that could influence the operation of the other institution and to provide their opinion on such acts⁵¹.
- In **Slovakia**, draft legislative provisions in the area of financial markets and banking are prepared and submitted to the Government jointly by the SK-NCB and the SK-

⁴⁴ Article 6(1)(5) of the Law on the ET-FSA.

⁴⁵ Article 65 of the Law on the government of the republic, State Gazette I 1995, 94, 1628 (original title: *Vabariigi valitsuse seadus*), available at: www.legaltext.ee/text/en/X0007K16.htm.

⁴⁶ Article 4.4 of the 2007 Cooperation Agreement (original title: *21. detsembri 2007. a koostöökokkulepe, mis käsitleb finantsstabiilsust ja sellega seotud õigusakte, rahandusministeeriumi, Eesti Panga ja Finantsinspektsiooni vahel*), available at: http://www.eestipank.info/pub/en/ylidine/pank/finantskeskkond/stabiilsus/lepe_1207.html.

⁴⁷ See Article 4.1 of the 2007 Cooperation Agreement.

⁴⁸ Article 49 of the Law on the ET-FSA.

⁴⁹ See Articles 4(7) and 36 of the Law on the HU-NCB, *Magyar Közlöny*, 5 July 2001 (original title: *2001. évi LVIII. törvény a Magyar Nemzeti Bankról*), available at: http://english.mnb.hu/Resource.aspx?ResourceID=mnbfile&resourcename=jegybanktorv_en20091001 and Magyar Nemzeti Bank, p. 21.

⁵⁰ Article 6(8) of the Law on the LV-FSA.

⁵¹ See Article 2.1.6 of the Cooperation Agreement of 8 September 2009 between LV-FSA and LV-NCB available in Latvian at http://www.fktk.lv/lv/komisija/sadarbiba/sadarbiba_ar_latvijas_banku/2009-09-17_finansu_un_kapitala_tirg/.

Ministry of Finance⁵². The Government presents the draft legislative provisions to the parliament for adoption.

- In **Poland**, the PL-NCB has no right to submit legislative proposals⁵³, but has a consultative role on draft legislation concerning economic policy, as well as on banking activities and related matters⁵⁴. The Governor of the PL-NCB is entitled to participate in the sessions of the Parliament⁵⁵ and, in matters relating to the statutory activities of the PL-NCB, to take the floor independently of the official list of speakers⁵⁶. In practice, PL-NCB staff members take part in sessions of parliamentary committees working on draft legislation related to the statutory activities of the PL-NCB in the capacity of external experts. Correspondingly, the responsibilities of the PL-FSA include participation in the preparation of draft legal acts related to financial market supervision⁵⁷.

2.2 Secondary legislation

- In **Bulgaria**, the BG-NCB has broad regulatory powers in the area of banking supervision. On the basis of Article 60 of the Law on the BG-NCB and paragraph 13 of the Transitional and Final Provisions of the Law on credit institutions, the BG-NCB has adopted a number of ordinances amplifying the provisions of banking supervision law⁵⁸.
- In the **Czech Republic**, the power to issue secondary legislation (including the scope thereof) is explicitly established in the primary financial market legislation⁵⁹.

⁵² See Article 30(2) in conjunction with Article 6(2)(j) of the Law on the SK-NCB.

⁵³ Article 118 of the Constitution of the Republic of Poland of 2 April 1997, *Dz. U.* of 1997 No 78, Item 483, (original title: *Konstytucja Rzeczypospolitej Polskiej z dnia 2 kwietnia 1997 r.*), grants the right to submit legislative proposals to the Members of Parliament, the Senate, the President of the Republic and the Council of Ministers.

⁵⁴ See Article 21 of the Law on the PL-NCB.

⁵⁵ The Sejm, being the lower chamber of the Polish Parliament.

⁵⁶ See Articles 170(3) and 186(3) of the rules of procedure of the Parliament, (Resolution of the Parliament of 30 July 1992), adopted as an annex to the announcement of the Marshal of the Parliament of 21 January 2009, *Monitor Polski.* of 2009 No 5, Item 47, (original title: *Uchwała Sejmu Rzeczypospolitej Polskiej z dnia 30 lipca 1992 r. - Regulamin sejmu Rzeczypospolitej Polskiej, Załącznik do obwieszczenia Marszałka Sejmu Rzeczypospolitej Polskiej z dnia 21 stycznia 2009 r.*), not available in English.

⁵⁷ See Article 4(1)(5) of the Law on financial market supervision.

⁵⁸ The most important are Ordinance No 2 on the licenses, approvals and permissions granted by the Bulgarian National Bank according to the Law on credit institutions; Ordinance No 7 on the large exposures of banks; Ordinance No 8 on capital adequacy of credit institutions; Ordinance No 9 on the evaluation and classification of risk exposures of banks and the allocation of provisions to cover impairment loss; Ordinance No 10 on the internal control in banks; Ordinance No 11 on liquidity management and supervision of banks; Ordinance No 12 on supervision on a consolidated basis; Ordinance No 17 on establishing the amount of bank investment under Article 47 of the Law on credit institutions; Ordinance No 20 on the issuance of approvals under Article 11(3) of the Law on credit institutions; Ordinance No 21 on the minimum required reserves maintained with the Bulgarian National Bank by banks; Ordinance No 22 on the central credit register of banks; Ordinance No 23 on the terms and procedure for payment of insured amounts on deposits with banks with revoked licenses and Ordinance No 38 on the capital adequacy of banks.

⁵⁹ Under Article 79(3) of the Czech Constitution, on the basis and within the scope of a law, ministries, other administrative agencies and territorial self-government bodies may issue legal regulations, if they are authorised to do so by law.

Detailed prudential rules incorporating Basel II-related requirements are included in the CZ-NCB's decree harmonising the capital adequacy requirements, exposure rules and disclosure requirements for banks, credit unions and investment firms⁶⁰. This comprehensive decree is also a good illustration of beneficial synergies that can be drawn from integrated financial market supervision. Issuing a single decree made it possible for the NCB to repeal a number of existing sectoral decrees.

- In **Estonia**, the ET-NCB is competent to establish, *inter alia*, the procedure for the application and calculation of prudential ratios⁶¹, the reserve requirements⁶² and to adopt other regulations for credit institutions operating in Estonia.
- In **Hungary**, as banking supervision is primarily carried out by the HU-FSA, the role of the HU-NCB is mainly to offer advice to the Government⁶³ on draft laws related to the financial system, and the supervised institutions. The HU-NCB is authorised to issue decrees on content and form requirements for the general terms and conditions of business of entities engaged in clearing house activity in the capital markets as well as for the payment systems⁶⁴, on the material, technical, security and business continuity requirements of organisations providing clearing services for payment system⁶⁵, on the providers and scope of information to be supplied to the central bank information system⁶⁶, on form and content requirements for the terms and conditions of business of the clearing house, the central depository, and the central counterparty⁶⁷ and the HU-NCB also has regulatory power with regard to the rules of the execution of payment transactions⁶⁸.

⁶⁰ Decree No 123/2007 Coll. on Prudential Rules for Banks, Credit Unions and Investment Firms, *Sbírka zákonů*, (original title: *vyhláška o pravidlech obezřetného podnikání bank, spořitelních a úvěrních družstev a obchodníků s cennými papíry*), available at: http://www.cnb.cz/en/legislation/banking_supervision/prudential_rules/contents.html.

⁶¹ ET-NCB Governor's Decree No 13 of 29 December 2006: Procedure for application and calculation of prudential ratios of credit institutions and consolidation groups of credit institutions, Appendix to the State Gazette 2007, 3, 52 (original title: *krediidasutuse ja krediidasutuse konsolideerimisgrupi usaldatavusnormatiivide rakendamise ja arutamise kord*), last amended by ET-NCB Governor's Decree No 18 of 26 November 2007, available at: http://www.eestipank.info/pub/en/dokumendid/dokumendid/oigusaktid/maaruste_register/_2006/_300.html?objId=957089&metadata=yes&content=yes.

⁶² ET-NCB Governor's Decree No 11 of 8 December 2006: Establishment of procedure for calculation of and complying with the reserve requirement, Appendix to the State Gazette 2006, 89, 1665 (original title: *kohustusliku reservi nõude arvestuse ja täitmise korra kehtestamine*), as amended by ET-NCB Governor's Decree No 12 of 1 October 2007, available at: http://www.eestipank.info/pub/en/dokumendid/dokumendid/oigusaktid/maaruste_register/_2006/_298.html?objId=923971&metadata=yes&content=yes.

⁶³ Article 36 of the Law on the HU-NCB.

⁶⁴ Decree 9/2009 of the Governor of the HU-NCB and Decree 20/2009 of the Governor of the HU-NCB. All HU-NCB decrees are available in English at: http://english.mnb.hu/engine.aspx?page=mnb_mnb_rendeletek.

⁶⁵ Decree 19/2009 of the Governor of the HU-NCB

⁶⁶ Decree 13/2008 of the Governor of the HU-NCB.

⁶⁷ Decrees 9/2009 and 11/2009 of the Governor of the HU-NCB.

⁶⁸ Article 32D(4) of the Act XX of 1949 on the Constitution of the Republic of Hungary states that the Governor of the HU-NCB shall issue decrees within the scope of his responsibilities and duties. In this regard, see also Decree 16/2009 of the Governor of the HU-NCB.

- In **Latvia**, the LV-FSA may issue regulations and take decisions setting out requirements for the functioning of financial and capital market participants and calculation and reporting of their performance indicators⁶⁹. The LV-NCB has a consultative role based on a cooperation agreement with the LV-FSA⁷⁰.
- In **Slovakia**, the power to issue generally binding legal provisions is anchored within the Constitution. Under Article 56, within the scope of its competence, the SK-NCB may issue generally binding legal provisions when authorised by specific legislation. Relevant enabling clauses can be found, for example, in the Law on the SK-NCB, the Law on banks⁷¹ and the Law on financial market supervision.
- In **Poland**, the PL-NCB is entitled to present its opinion on draft legislation relating to economic policy and on draft legislation concerning the activity of banks and matters having significance to the banking system⁷².

2.3 Findings

All the NCBs under consideration have a substantial involvement in the preparation of primary and secondary law relating to banking supervision. Such NCB involvement in the legislative process is considered an important mechanism to ensure that draft laws reflect NCB expertise and experience.

NCB powers with regard to primary supervisory legislation are at least consultative (as in Hungary, Latvia and Poland) or may involve NCB participation in drafting working groups (Bulgaria, the Czech Republic and Estonia). In Slovakia, the NCB's role is even more significant as the SK-NCB and the SK-Ministry of Finance jointly draft and submit the legislation to the Government acting as equal partners.

The legal basis for NCB powers to influence the process of making primary law differs from country to country. In the Czech Republic, Hungary, Poland and Slovakia, the obligation to involve the NCB in the legislative process is set out in the legislation on the relevant NCB; in Estonia and Latvia, it is embedded in cooperation agreements and additionally in Estonia, according to the Law on the ET-NCB, the Government must not take any important economic policy decisions without hearing the opinion of the ET-NCB; and in Bulgaria, the organisation of the drafting process for primary legislation allows the central bank to influence draft laws.

⁶⁹ Articles 6(1), 7(1)(1) and 8 of the Law on the LV-FSA.

⁷⁰ See section III.2.1 . *Primary legislation*, above.

⁷¹ Law No 483/2001 Coll. on banks and including amendments to certain laws, *Zbierka zákonov Slovenskej republiky*, (original title: *zákon č. 483/2001 Z. z. o bankách a o zmene a doplnení niektorých zákonov v znení neskorších predpisov*), as amended, available at: <http://www.nbs.sk/img/Documents/Legislativa/BasicActs/A483-2001.pdf>.

⁷² See Article 21 of the Law on the PL-NCB.

Furthermore, in five of the countries subject to review (Bulgaria, the Czech Republic, Estonia Hungary and Slovakia) the NCB has its own competences to adopt secondary legislation relating to supervision. This legislative competence is embedded in the relevant primary laws and in the case of Hungary and Slovakia is rooted even in the Constitution. Beside its own competence with regard to secondary legislation, the HU-NCB is also entrusted with consultative role. The NCBs in Latvia and Poland are also entrusted with consultative roles in this regard.

3 Links at an institutional level

This section considers whether and, if so, how, central banks may influence the performance of the supervisory function by interaction with the supervisory authorities at the level of their decision-making bodies, whether through the conclusion of agreements or establishment of common bodies.

3.1 Jurisdictions where banking supervision is exercised by the NCB

In the jurisdictions where performance of the supervisory function was entrusted to the NCB (the Czech Republic and Slovakia), naturally, the NCBs operate as banking supervisors. This is also the case in Bulgaria, where banking supervision is performed by the BG-NCB⁷³.

In relation to deposit insurance funds, in the Czech Republic, at least one member of the five-member Board of Directors (a body managing the Deposit Insurance Fund) is appointed from among the employees of the CZ-NCB and at the proposal of the CZ-NCB. Similarly, in Slovakia, the Governor of the SK-NCB appoints two members of the seven-member Board of

⁷³ Links at an institutional level exist between the BG-NCB and BG-FSA, as both institutions work together on issues of mutual interest. The cooperation and information exchange between the BG-NCB and the BG-FSA is based on statutory provisions (for example, point 13 of Article 15(1) and point 7 of Article 17(1) of the Law on the BG-FSA which provide for an exchange of information between the BG-FSA and BG-NCB and point 18 of Article 13(1) of the Law on the BG-FSA which permits the BG-FSA to conclude cooperation and information exchange agreements, *inter alia*, with the BG-NCB) and a memorandum for partnership and cooperation of October 2003. Furthermore, a Financial Stability Advisory Council (FSAC) comprising the heads of the BG-FSA, BG-NCB and BG-Ministry of Finance was created under the Law on the BG-FSA. Article 31(1) of the Law on the BG-FSA entrusts the FSAC with the tasks to (i) assist in the development of a common policy, cooperation and coordination between the actions of the Council members when performing supervision over supervised persons; (ii) ensure exchange of information between the Council members; (iii) assist in the security, stability and development of the financial markets (iv) assist in the improvement and increase of the efficiency of supervision over the participants in the financial markets. The FSAC is intended as an advisory body which may make recommendations and proposals aimed at improvement of the practices for implementation and enhancement of the regulatory framework for the financial markets. By decision of 17 January 2007, the FSAC established the Domestic Standing Group for Financial Stability (DSGFS) as an operational unit. The DSGFS includes two Deputy Governors of BG-NCB; the State Treasurer of the BG-Ministry of Finance and the three Deputy-Chairpersons of the BG-FSA. The main objective of the DSGFS is to facilitate cooperation, consultation and information exchange between the BG-Ministry of Finance, the BG-NCB and the BG-FSA in the process of developing financial stability policy and in agreeing the actions of the three authorities in financial crisis management.

Directors and two members of the seven-member Supervisory Board of the Deposit Protection Fund, not necessarily employees of the SK-NCB⁷⁴.

3.2 Jurisdictions where banking supervision is exercised by the FSA

- Although in **Estonia** the ET-FSA is independent in the conduct of financial supervision, it was established as an agency with autonomous competence and a separate budget at the ET-NCB. In addition, the Governor of the ET-NCB is a member of the ET-FSA's supervisory board by virtue of his or her office and proposes two other members of the board. The ET-NCB, ET-Ministry of Finance and ET-FSA have concluded a Cooperation Agreement of 1 November 2002⁷⁵ with the objective of ensuring a sound and stable financial system and to agree arrangements for appropriate financial sector legislation and a Cooperation Agreement of 5 December 2006 on the management of financial crises⁷⁶. The latter agreement provides the only legal definition of financial crisis currently in force⁷⁷. The legal basis for both agreements is the Law on the ET-FSA and the Law on the ET-NCB⁷⁸. The ET-NCB, ET-FSA, ET-Ministry of Finance as well as the Estonian Banking Association are represented on the Supervisory Board of the Guarantee Fund, established on 1 June 2002 on the basis of the Law on the Guarantee Fund⁷⁹ as an important element in the domestic financial safety network. Links exist at a practical level, too, with the ET-FSA located at the premises of the ET-NCB and benefiting from premises administration and furnishing implemented by the ET-NCB which, in turn, is also the provider of the joint IT infrastructure.
- In **Hungary**, the laws establishing the HU-FSA and HU-NCB provide in general terms for cooperation⁸⁰ and exchange of information⁸¹ between the two institutions, a matter regulated in detail by an agreement⁸² between the parties governing the

⁷⁴ See Article 16(2) and Article 20(2) of Law No 118/1996 Coll. on deposit protection and including amendments to certain laws, *Zbierka zákonov Slovenskej republiky* (original title: *zákon Národnej rady Slovenskej republiky č. 118/1996 Z. z. o ochrane vkladov a o zmene a doplnení niektorých zákonov v znení neskorších predpisov*), as amended, available at:

<http://www.nbs.sk/img/Documents/LEGA/a1181996.pdf>.

Updated in December 2007 (the 2007 Cooperation Agreement).

⁷⁶ Cooperation Agreement of 5 December 2006 on the management of financial crises (original title: *koostöökokkulepe finantskriiside haldamiseks*), available at:

http://www.eestipank.info/pub/en/yldine/pank/finantskeskkond/keskpanga_roll/lepe1106.pdf?ok=1.

⁷⁷ That definition is adopted in an amendment, currently pending, to the Law on the State Budget, State Gazette I 1999, 55, 584 (original title: *riigieelarve seadus*), available at: www.legaltext.ee/text/en/X60037K2.htm.

⁷⁸ Article 2(5) of the Law on the ET-NCB and Article 50 of the Law on the ET-FSA.

⁷⁹ Law on the guarantee fund, State Gazette I 2002, 23, 131 (original title: *tagatistfondi seadus*), as amended, available at: http://www.tf.ee/files/eng_Regulations/Statutes_ofGFA.PDF.

⁸⁰ According to Article 3(2) of Law on the HU-FSA (2007), the HU-FSA is required to cooperate with the HU-NCB in the course of performing its tasks. On the basis of Article 43(1) of the Law on the HU-NCB, the HU-NCB is required also to collaborate with the HU-FSA in the performance of its tasks.

⁸¹ Article 44 of the Law on the HU-NCB provides for exchange of information between the HU-NCB and HU-FSA.

⁸² This Agreement is not available to the public.

method and system of exchanging data and information. In 2004, the two institutions, together with the HU-Ministry of Finance, also signed an agreement on cooperation in situations of financial crisis⁸³. In order to better coordinate actions for the promotion of financial stability, a Financial Stability Committee (FSC) was established with representatives from the HU-FSA, HU-NCB and HU-Ministry of Finance. The FSC meets quarterly and may issue statements. As the HU-FSA is a government agency subject to the oversight of the HU-Ministry of Finance, the HU-NCB is not involved in the nomination process concerning the managerial bodies of the HU-FSA.

- In **Latvia**, the LV-FSA enjoys the full rights of an independent public body, but, as in case of Estonia, the Governor of the LV-NCB has a certain influence over the appointment of the LV-FSA governing body's members. The Chair and the Deputy Chair of the Council of the LV-FSA are appointed by the Parliament on a joint proposal of the Governor of LV-NCB and the LV-Minister of Finance. One of the grounds for dismissal of the Chair and the Deputy is an application submitted jointly by the Governor of the LV-NCB and the LV-Minister for Finance. The LV-FSA's Chair appoints and removes the other members of the LV-FSA's Council and is required to coordinate his decision with the LV-NCB's Governor and the LV-Minister of Finance. The Governor or Deputy Governor of LV-NCB may participate in LV-FSA Council meetings⁸⁴. Under the present regime, the activities of the LV-FSA are financed by payments from Latvia's financial and capital market participants. However, until 2006 the LV-FSA was co-financed by the LV-NCB⁸⁵. In order to strengthen cooperation in the field of financial supervision, the LV-NCB, the LV-FSA and the LV-Ministry of Finance have signed an agreement on a cooperation framework in potential banking crisis situations⁸⁶. The LV-FSA is required to provide information to the LV-NCB on the situation in the financial and capital market and, on request, information on specific credit institutions, and both the LV-FSA and the LV-NCB are required to share information on statistics⁸⁷. To that end, the LV-FSA and the LV-NCB have signed a cooperation agreement on the exchange of information, joint inspections of market participants and other issues⁸⁸.

⁸³ The Agreement is available in Hungarian at http://www.mnb.hu/engine.aspx?page=mnbh_haromoldalumegallapodas&ContentID=7934.

⁸⁴ See Articles 13(3), 13(4), 14(4) and 16(2) of the Law on the LV-FSA.

⁸⁵ Paragraph 5 of the transitional provisions to the Law on the LV-FSA.

⁸⁶ The agreement is not available to the public.

⁸⁷ See Articles 10 and 11 of the Law on the LV-FSA and Article 6 of the Law on the LV-NCB, *Ziņotājs* No 22, 4 June 1992 (original title: *Par Latvijas Banku*), available at <http://www.bank.lv/eng/main/all/lvbank/ilb/>.

⁸⁸ Cooperation Agreement of 8 September 2009 between the LV-FSA and the LV-NCB, not available in English.

- In **Poland**, the PL-NCB has a minority representation in the PL-FSA. According to the relevant provisions⁸⁹, the PL-FSA consists of the Chairperson, two Deputy Chairpersons and four members. Legislation provides that the post of one of the PL-FSA members is to be held by the Governor of PL-NCB who can delegate a Deputy Governor in his place⁹⁰. The PL-NCB has no other influence on the composition of the PL-FSA.

The Governor of the PL-NCB and the Chairperson of the PL-FSA are required to share data (including confidential data) to the extent necessary for the fulfilment of their respective statutory tasks⁹¹. The Law on financial supervision provides that mutual cooperation and data sharing between both institutions may be regulated by an agreement between the Governor of the PL-NCB and the Chairperson of the PL-FSA⁹². An agreement to that effect was concluded on 14 December 2007⁹³.

The Governor of the PL-NCB and the Chairperson of the PL-FSA both participate in the Financial Stability Committee, a consultation and coordination body comprising those two individuals and the PL-Minister of Finance⁹⁴. The tasks of the Financial Stability Committee include observation of developments in Polish and global financial markets and coordination of measures in case of a threat to the stability of the Polish financial market. Participation in the Committee involves additional data sharing between the PL-FSA and the PL-NCB (including protected data) within the framework of the Committee's tasks⁹⁵. The Committee meets at least every 6 months. Both the PL-NCB and the PL-FSA can influence the activities of the Bank Guarantee Fund (BGF)⁹⁶. The Governor of the PL-NCB and the Chairperson of the PL-FSA are consulted by the PL-Minister of Finance on his/her decisions concerning the statutes of the BGF, changes to the scope of its tasks, as well as on the appointment of the Chairperson of the BGF's Supervisory Council⁹⁷. Moreover, two members of the Bank Guarantee Fund's Supervisory Council are appointed by the Governor of the PL-NCB and one member by the Chairperson of the PL-FSA⁹⁸.

⁸⁹ Article 5 of the Law on financial supervision.

⁹⁰ Currently, the Deputy Governor of the PL-NCB is a member of the PL-FSA as the Governor has exercised the right to nominate his deputy.

⁹¹ Article 17(1) of the Law on financial supervision. Article 17(3) provides also for data sharing between the PL-FSA and the ECB.

⁹² Article 17(2) and (3) of the Law on financial supervision.

⁹³ The document is not available to the public.

⁹⁴ As established in the Law of 7 November 2008 on the Financial Stability Committee, *Dz. U.* of 2008, No 209, Item 1317 (original title: *Ustawa o Komitecie Stabilności Finansowej*), not available in English, and by Article 22a of the Law on the PL-NCB.

⁹⁵ Article 17a of the Law on financial supervision and Article 22(8) and (9) of the Law on the PL-NCB.

⁹⁶ This operates on the basis of the Law of 14 December 1994 on the Bank Guarantee Fund, *Dz. U.* of 2009, No 84, Item 711 (original title: *Ustawa o Bankowym Funduszu Gwarancyjnym*), not available in English.

⁹⁷ Articles 3(4), 4(2a)-(3), and 6(3) of the Law on the BGF. The Supervisory Council has overall control over the BGF's activities including the right to appoint its Management Board.

⁹⁸ Article 6(4) of the Law on the BGF.

3.3 Findings

In all jurisdictions, where banking supervision is not exercised by the NCB (Estonia, Hungary, Latvia and Poland), the respective NCBs are involved to some extent in supervision through their links with the FSAs.

The basis for cooperation between the supervisor and central bank is provided for in specific legislation (Estonia, Hungary, Latvia and Poland) and elaborated in greater detail in cooperation and/or data-sharing agreements (Estonia, Hungary, Latvia and Poland). To cover the case of financial crisis, special cooperation agreements between the NCB and supervisor have been concluded in Estonia, Hungary and Latvia. Advisory bodies with representatives of the NCB, FSA and ministry of finance have been established in Bulgaria, Hungary and Poland. Both the central banks and supervisory authorities are represented in the governing bodies and/or supervisory bodies of the national deposit guarantee scheme (the Czech Republic, Estonia, Poland and Slovakia). A further dimension to the relationship between the NCB and the FSA is to be found in the linkages between their decision-making bodies. In Estonia and Latvia, NCB governors may influence the appointment of the FSA decision-making bodies, and, in addition, in Estonia, the NCB governor is an ex officio member of the FSA's supervisory board. Similarly, in Poland an NCB representative (governor or board member) is an ex officio member of the FSA.

In Estonia, a number of administrative services, such as administration of premises, procurement of IT hardware and also IT infrastructure is offered to the FSA by the NCB as part of its own administration.

4 Links at an operational level

This section aims to explore central bank involvement in the operational side of supervision by examining NCB involvement in the area of licensing, on-going supervision and imposition of sanctions or remedial measures in the case of violations of supervisory law requirements.

4.1 NCB involvement in licensing

4.1.1 Jurisdictions where banking supervision is exercised by the NCB

- In **Bulgaria**, the BG-NCB is the sole authority competent to grant a banking licence⁹⁹ and revoke an existing licence¹⁰⁰. If a bank wishes to perform investment services and/or activities as well as ancillary services¹⁰¹, the BG-NCB must take into account the BG-FSA's written opinion¹⁰². If that opinion is negative, the BG-NCB must reject the bank's application for a licence for investment services and activities and/or ancillary services¹⁰³. Similarly, the BG-NCB must revoke a bank's licence for conducting investment services and activities and/or ancillary services, if the BG-FSA has requested this in a reasoned proposal¹⁰⁴.
- In the **Czech Republic**, the CZ-NCB is the sole authority competent to grant a banking licence and to revoke an existing licence¹⁰⁵.
- In **Slovakia**, the SK-NCB grants and withdraws authorisations¹⁰⁶ in accordance with the Law on the SK-NCB¹⁰⁷ and other provisions. Where required by law¹⁰⁸, such acts of authorisation and revocation are taken following interaction or cooperation with the SK-Ministry of Finance, and/or discussion with the supervisory authorities of another EU Member State in the case of foreign entities.

4.1.2 Jurisdictions where banking supervision is exercised by the FSA

- In **Estonia**, there is no direct ET-NCB participation in licensing. The executive board of the ET-FSA is competent to make decisions on the grant and revocation of licences based on the Law on the ET-FSA, the Law on credit institutions¹⁰⁹ and other related secondary legislation¹¹⁰. On the basis of those provisions, the ET-FSA may also issue administrative acts¹¹¹.

⁹⁹ See Article 13 of the Law on credit institutions.

¹⁰⁰ Ibid., Article 36.

¹⁰¹ In the meaning of Article 5(2) and (3) of the Law on the markets in financial instruments.

¹⁰² Article 14(2) of the Law on credit institutions.

¹⁰³ Ibid., Article 16(2).

¹⁰⁴ Ibid., Article 103(8).

¹⁰⁵ See, in particular, Articles 4, 5, 34 and 35 of Law No 21/1992 Coll. on banks, as amended. See also Article 44(2) of the Law on the CZ-NCB which defines in general the scope of the CZ-NCB's supervisory power including matters of licensing.

¹⁰⁶ For example, licences, approvals, prior consents.

¹⁰⁷ Article 2(3)(a) and Article 36 of the Law on the SK-NCB. See also Article 1(3)(a)3 of Law No 747/2004 Coll. on the supervision of the financial market and including amendments to certain laws, as amended.

¹⁰⁸ For example, Article 7(1) of Law No 483/2001 Coll. on banks and including amendments to certain laws, as amended, provides for the SK-NCB to decide on the grant of a banking licence to home savings banks or banks conducting mortgage transactions following an agreement with the SK-Ministry of Finance.

¹⁰⁹ Law on credit institutions, State Gazette I 1999, 23, 349 (original title: *kreditdiasutuste seadus*) available at: <http://www.legaltext.ee/text/en/X30042k10.htm>.

¹¹⁰ Article 18(2)(1) of the Law on the ET-FSA.

¹¹¹ Article 18(2)(10) and Article 6(1)(7) of the Law on the ET-FSA.

- In **Hungary**, the HU-FSA is responsible for carrying out the authorisation procedures relating to credit institutions and financial enterprises in accordance with the provisions of the Law on the HU-FSA¹¹². However, when the HU-FSA licenses the establishment of a bank or a specialised credit institution, and the taking up and pursuit of that business, the HU-NCB must be consulted in writing before the issuance of such authorisation¹¹³. In withdrawing authorisation for the taking up and pursuit of the business of credit institutions, the HU-FSA may take action only in agreement with the HU-NCB¹¹⁴. Furthermore, the HU-FSA has the power to issue, alter and withdraw authorisations for clearing and settlement services¹¹⁵, central depositories¹¹⁶ and central counterparties¹¹⁷. The HU-FSA also has powers to issue, amend and withdraw authorisations for the application of the standard service agreement and other internal regulations of a body providing clearing and settlement services¹¹⁸, and of the application of the internal regulations of the central depository¹¹⁹ and central counterparty¹²⁰. All of these authorisation procedures are conducted in consultation with the HU-NCB. Additionally, as from 1 November 2009, the HU-FSA may authorise and withdraw authorisation for the performance of financial transaction services, the issuance of electronic money and cash-substitute payment instruments and the performance of related services and money transmission services, subject to the prior opinion of the HU-NCB¹²¹. The HU-NCB has the power to issue, alter and withdraw authorisation for clearing systems for payments and cash processing providers.
- In **Latvia**, the LV-FSA is responsible for issuing the licence to operate a credit institution¹²² and has the task of establishing the procedure for licensing and registration of financial and capital market participants¹²³. The LV-NCB has no powers in the field of bank licensing. The LV-NCB retains only the right to issue and revoke permits for the purchase and sale of foreign currency (as a commercial activity) by companies other than credit institutions¹²⁴.

¹¹² Articles 4 and 7 of the Law on the HU-FSA.

¹¹³ Articles 3(5) and 26(2) of the Law on credit institutions and financial enterprises.

¹¹⁴ *Ibid.*, Article 30(4).

¹¹⁵ Article 340 of the Law on the capital market.

¹¹⁶ *Ibid.*, Article 340/A.

¹¹⁷ *Ibid.*, Article 340/D.

¹¹⁸ *Ibid.*, Article 345.

¹¹⁹ *Ibid.*, Article 350/B.

¹²⁰ *Ibid.*, Article 350/E.

¹²¹ Articles 3(5) and 30/A(3) of the Law on credit institutions and financial enterprises.

¹²² Article 11 of the Law on credit institutions, *Latvijas Vēstnesis* of 24 October 1995 (original title: *Kreditīstāžu likums*), available at: http://www.fktk.lv/en/law/credit_institutions/laws/credit_institution_law/ (amendments after 2007 not included in the English version).

¹²³ Article 17 of the Law on the LV-FSA.

¹²⁴ Article 11(1) of the Law on the LV-NCB.

- In **Poland**, licensing procedures for domestic banks and branches of foreign (non-EEA) banks are conducted by the PL-FSA¹²⁵. The PL-NCB has no powers in the field of bank licensing. The PL-NCB retains only certain licensing and supervisory competences in relation to payment and security settlement systems¹²⁶, as the tasks of the PL-NCB include the organisation of monetary settlement¹²⁷.

4.1.3 Findings

In the jurisdictions where the NCBs are supervisors (Bulgaria, the Czech Republic and Slovakia), the central banks are competent to grant and revoke licences. In the case of Bulgaria, in certain circumstances, the BG-FSA's opinion is required before the BG-NCB grants or revokes a licence.

In the jurisdictions where supervision is placed outside the central bank (Estonia, Hungary, Latvia and Poland), the FSAs are competent to grant or revoke a licence. The NCBs are, as a rule, not involved in the process of granting a licence. Hungary makes an exception, where the HU-NCB is consulted in writing by the HU-FSA before issuing its authorisation. The agreement of the HU-NCB is also necessary for the withdrawal of a banking licence. In Poland and Latvia, the NCBs have retained some licensing powers in residual fields of supervisory competence over the financial sector which do not include, however, the licensing of banks.

4.2 NCB involvement in ongoing supervision

4.2.1 Jurisdictions where banking supervision is exercised by the NCB

- In **Bulgaria**, the BG-NCB is the authority competent to exercise supervision over banks to ensure the observance of law, the sound and safe management of banks and the risks they are or may be exposed to, and the maintenance of own funds adequate to the risks¹²⁸. The BG-NCB is entitled to require information from banks and their shareholders, as well as from parent companies and bank subsidiaries when conducting supervision on a consolidated basis, and carry out on-site inspections¹²⁹. On-site inspections may be carried out jointly with employees of the BG-FSA or

¹²⁵ See Articles 30-42 of the Law of 29 August 1997 on banking, *Dz. U.* of 2002, No 72, Item 665 (original title: *ustawa – Prawo bankowe*), as amended.

¹²⁶ Article 16 of the Law of 24 August 2001 on settlement finality, *Dz. U.* of 2001, No 123, Item 1351 (original title: *Ustawa o ostateczności rozrachunku w systemach płatności i systemach rozrachunku papierów wartościowych oraz zasadach nadzoru nad tymi systemami*), as amended.

¹²⁷ Article 3(2)(1) of the Law on the PL-NCB.

¹²⁸ See Article 79 of the Law on credit institutions.

¹²⁹ The BG-NCB's competences in the area of ongoing supervision are listed in Article 79 et seq. of the Law on credit institutions.

other competent authorities¹³⁰. The BG-FSA may ask the BG-NCB to perform target inspections on banks and provide it with the results, subject to the requirements of banking and commercial confidentiality¹³¹.

- In the **Czech Republic**, the CZ-NCB performs ongoing supervision. The CZ-NCB's supervisory rights and duties are set out in the Law on the CZ-NCB¹³² and the Law on banks¹³³. Those laws establish an obligation on the CZ-NCB to monitor, *inter alia*, the activities of banks, foreign bank branches and credit unions and, where necessary, to perform inspections on these entities.
- In **Slovakia**, the SK-NCB performs ongoing supervision. The general framework for the SK-NCB's supervisory rights and duties is laid down in the Law on the SK-NCB¹³⁴. The SK-NCB performs on-site and off-site supervision of supervised entities and is also involved in the examination of compliance with the supervisory law. Separate legislation¹³⁵ specifies the SK-NCB's supervisory tasks in relation to supervised entities and its fields of competence.

4.2.2 Jurisdictions where banking supervision is exercised by the FSA

- In **Estonia**, the ET-FSA is charged with the task to analyse and monitor consistently the compliance of subjects of financial supervision with prudential requirements, requirements on own funds and other obligations prescribed by the ET-NCB¹³⁶ and the relevant secondary legislation specified in the Law on the ET-FSA¹³⁷. The ET-

¹³⁰ See Article 80(5) of the Law on credit institutions and point 9 of Article 17(1) of the Law on the BG-FSA.

¹³¹ Article 18(7) of the Law on the BG-FSA.

¹³² See, in particular, Article 44(2)(b) and (c) of the Law on the CZ-NCB.

¹³³ See Article 25 of Law No 21/1992 Coll. on banks, as amended.

¹³⁴ Article 2(3)(a) and Article 36 of the Law on the SK-NCB and specific other legislation. See also Article 1(3)(a)4, Article 1(3)(d), Article 6 to 11 and Article 35 of Law No 747/2004 Coll. on the supervision of the financial market and including amendments to certain laws, as amended.

¹³⁵ This includes Law No 747/2004 Coll. on the supervision of the financial market and including amendments to certain laws, as amended; Law No 483/2001 Coll. on banks, as amended; and Law No 118/1996 Coll. on deposit protection, as amended.

¹³⁶ ET-NCB Governor's Decree No 13 of 29 December 2006. The basis for the decree is to be found in Article 14(7) of the Law on the ET-NCB.

¹³⁷ See Article 6(1)(1) of the Law on the ET-FSA and Article 96(4) of the Law on credit institutions. Relevant secondary legislation includes the Law on insurance activities, State Gazette I 2004, 90, 616 (original title: *kindlustustegevuse seadus*), available at: www.legaltext.ee/text/en/X90004.htm; the Law on Investment Funds, State Gazette I 2004, 36, 251 (original title: *investeerimisfondide seadus*), available at: www.legaltext.ee/text/en/X80045.htm; the Law on funded pensions, State Gazette I 2004, 37, 252 (original title: *kogumispensionide seadus*), available at: www.legaltext.ee/text/en/X50069K3.htm; the Law on the securities market, State Gazette I 2001, 89, 532 (original title: *väärtpaberituruse seadus*), available at: www.legaltext.ee/text/en/X40057K5.htm; the Law on motor third party liability insurance, State Gazette I 2007, 55, 368 (original title: *liikluskindlustuse seadus*), available at: www.legaltext.ee/text/en/X40068K4.htm; the Law on e-money institutions, State Gazette I 2005, 61, 473 (original title: *e-raha asutuste seadus*), available at: www.legaltext.ee/text/en/XX00001.htm; the Law on the central register of securities, State Gazette I 2000, 57, 373 (original title: *Eesti väärtpaberite keskregistri seadus*), available at: www.legaltext.ee/text/en/X30067K5.htm; the Law on the guarantee fund; the Law on money laundering and terrorist financing prevention, State Gazette I 2008, 3, 21 (original title: *rahapesu ja terrorismi rahastamise tõkestamise seadus*), in English available only as the Law of 2004: www.legaltext.ee/text/en/X30024K4.htm; and the Law on international sanctions, State Gazette I 2002, 105, 612 (original title: *rahvusvahelise sanktsiooni seadus*), available at:

the PL-FSA and the PL-Minister of Finance within the framework of the Financial Stability Committee¹⁴⁴. However, banks and other financial and non-financial entities are required to provide the PL-NCB with data required for monetary policy and balance of payments purposes¹⁴⁵. The PL-NCB maintains responsibility for the supervision of payment systems¹⁴⁶.

4.2.3 Findings

In the countries where banking supervision is placed outside the central banks, day-to-day supervision tends to remain a field of cooperation between the supervisor and the central bank. The basis for such cooperation is statutory provision (Hungary) or agreements for cooperation and exchange of information (Estonia and Latvia). Supervisors may need to request information and documents from the relevant NCB and the NCBs may gather information in the course of their compliance examinations of interest to the supervisor. In addition, NCBs gather information about credit institutions as a result of their responsibilities in the area of payment and securities systems, money laundering prevention, etc.

4.3 NCB powers to impose sanctions and remedial measures¹⁴⁷ in cases of violation of the requirements of supervisory law

4.3.1 Jurisdictions where banking supervision is exercised by the NCB

- In **Bulgaria**, Article 103(2) of the Law on credit institutions lays down a number of supervisory measures that the BG-NCB may apply. If a bank acts as an investment intermediary and/or depository, under certain circumstances, the BG-FSA Deputy Chairperson may propose to the BG-NCB that it should apply those measures¹⁴⁸. Furthermore, the BG-NCB may also impose pecuniary sanctions on entities and individuals for: (i) breach of the Law on credit institutions and implementing acts and (ii) dissemination of untrue information or facts concerning any bank, detrimental to the reputation and credibility of that bank¹⁴⁹.

¹⁴⁴ Articles 3(2)(6a) and 23(3) of the Law on the PL-NCB; Law on the Financial Stability Committee.

¹⁴⁵ Article 23(2) of the Law on the PL-NCB.

¹⁴⁶ Articles 16-19 of the Law on settlement finality; Article 23(2a) of the Law on the PL-NCB.

¹⁴⁷ This paper uses the terms 'sanction' and 'remedial measure' in their broader sense. The jurisdictions under review employ different notions and sets of sanctions, penalties, supervisory measures and other forms of action, as these remain unharmonised at EU level; Article 54 of Directive 2006/48/EC provides simply that: '[w]ithout prejudice to the procedures for the withdrawal of authorisations and the provisions of criminal law, the Member States shall provide that their respective competent authorities may, as against credit institutions, or those who effectively control the business of credit institutions, which breach laws, regulations or administrative provisions concerning the supervision or pursuit of their activities, adopt or impose penalties or measures aimed specifically at ending the observed breaches or the causes of such breaches'. Clarification of the meaning of those notions as a matter of national law lies beyond the scope of this paper.

¹⁴⁸ See point 5 of Article 15(1) of the Law on the BG-FSA.

¹⁴⁹ See Article 152 of the Law on credit institutions.

- In the **Czech Republic**, on detecting shortcomings in banks' activities, the CZ-NCB may impose a wide range of remedial measures and penalties¹⁵⁰. It may, for example, amend a bank's licence (by excluding or restricting some of its activities) or impose conservatorship.
- Similarly, in **Slovakia**, the SK-NCB may impose a wide range of remedial measures and sanctions in cases of violation of the requirements of supervisory law¹⁵¹, in particular, to order the adoption of recovery measures or termination of the unauthorised activity, to impose sanctions, to revoke licences completely or in part or to introduce forced administration. In addition, the SK-NCB publishes on its website information concerning the activities of unlicensed (unauthorised) entities or entities operating misleading or unfair business practices in the capital market¹⁵².

4.3.2 Jurisdictions where banking supervision is exercised by the FSA

- In **Estonia**, the ET-FSA's Executive Board is competent to adopt decisions on the application of coercive measures, the establishment of a moratorium or the commencement of insolvency or other legal proceedings¹⁵³. It is also competent to issue orders suspending or terminating the trade in securities¹⁵⁴. In a similar manner to Slovakia, the ET-FSA publishes on its website warnings concerning companies which have been subject to sanctions in other countries¹⁵⁵.
- In **Hungary**, the HU-FSA has the authority to impose sanctions in case of non-compliance with relevant provisions of law applicable to activities and auxiliary activities falling under the scope of the Law on credit institutions and financial enterprises. The HU-FSA is entitled to impose sanctions also in the case of a failure to implement supervisory decisions. Until recently only the HU-FSA had the authority to issue such a fine. As of 1 October 2009, however, the HU-NCB, may also impose a fine in cases of a breach of the provisions listed in Article 29 of the Law on

¹⁵⁰ See Article 26 of the Law on banks. For the CZ-NCB's general supervisory competence to impose remedial measures and penalties, see Article 44(2)(e) of the Law on the CZ-NCB.

¹⁵¹ See Articles 1(3)(a)3, 2(8) and 38 (disciplinary penalties) of Law No 747/2004 Coll. on supervision of the financial market and including amendments to certain laws, as amended, and Articles 50-52 (corrective measures, fines and penalties) in conjunction with Articles 53-62 (forced administration) and Article 63 (withdrawal of a licence) of Law No 483/2001 Coll. on banks and including amendments to certain laws, as amended.

¹⁵² See the SK-NCB's website, available at: <http://www.nbs.sk/en/financial-market-supervision/banking-sector-and-securities-dealers-supervision/public-warnings>.

¹⁵³ See Article 18(2) of the Law on the ET-FSA.

¹⁵⁴ See Article 22¹(1) of the Law on the ET-FSA.

¹⁵⁵ See, for example, a warning published on 12 January 2007: 'The SWX Swiss Exchange has issued a reprimand against Industrieholding Cham AG for breaching the provisions of the IFRS accounting standards in connection with the company's 2006 financial statements.', available at: <http://www.fi.ee/?id=3050>.

the HU-NCB, or in the case of a failure to comply with the decisions of the HU-NCB¹⁵⁶.

- In **Latvia**, in cases where the regulatory requirements are violated, the LV-FSA is competent to apply sanctions set out in the regulatory framework for financial and capital market participants and their staff¹⁵⁷. The LV-NCB has no powers concerning the application of sanctions within the framework of banking supervision.
- In **Poland**, the PL-FSA may resort to coercive measures within the framework of banking supervision, in particular, in connection with a bank's insolvency or a threat to its solvency¹⁵⁸. Sanctions relating to banking supervision are applied in some cases by the PL-FSA and in other cases by the courts in criminal proceedings¹⁵⁹. The PL-FSA has the rights of an aggrieved party in such criminal proceedings and the rights of a public prosecutor in civil proceedings in matters related to the banking market¹⁶⁰. The PL-NCB has no powers concerning the application of sanctions within the framework of banking supervision.

4.3.3 Findings

In the countries where the supervisory authority is under the NCB's roof (Bulgaria, the Czech Republic, Slovakia), NCBs are naturally competent to impose sanctions and remedial measures for violations of the requirements of supervisory law. In the countries where the supervisory authorities are outside the NCB's structure (Estonia, Hungary, Latvia and Poland), the supervisory authorities hold the powers to impose sanctions and remedial measures. However, these competences are not always exclusive and, in the case of Hungary, as set out above in section 4.3.2, the HU-NCB may impose a fine directly if a credit institution breaches the legislation governing the regulations of the HU-NCB.

¹⁵⁶ Articles 29/C and 29/D of the Law on the HU-NCB.

¹⁵⁷ Article 7(1)(5) of the Law on the LV-FSA.

¹⁵⁸ Those measures include applying for bankruptcy, placing the bank under receivership or issuing a decision on its liquidation or takeover by another bank, see Articles 142-169 of the Law on banking.

¹⁵⁹ Articles 138, 141 and 171 of the Law on banking.

¹⁶⁰ Article 6 of the Law on financial supervision.

5 Conclusion and summary of the findings

This working paper considered the legal arrangements for central bank involvement in banking supervision in Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Poland and Slovakia. Examination of the arrangements in those CEECs has shown that all countries have undertaken reforms to reduce the number of financial supervisory authorities. This trend towards integrated supervision in the CEECs can probably be attributed to the comparatively small size of the countries involved (except in the case of Poland) and/or their financial industries, and a wish to realise efficiency gains achieved through consolidation of the sectoral supervisory authorities.

The analyses of the national legal frameworks for central bank involvement in banking supervision revealed that the trend towards consolidation of the supervisory authorities is not always linked to a tendency to diminish or suspend NCB powers in the area of banking supervision. In the jurisdictions where the supervisory function is not performed by the central bank, NCBs have nevertheless remained involved in supervision in many different ways. However, there is no common pattern to this involvement¹⁶¹.

The main findings of the working paper are summarised below:

- Within less than a decade all countries under review but one have moved towards an integrated supervisory system. Whether this trend will also cover Bulgaria remains to be seen from the outcome of the announced political intention to bring the two Bulgarian supervisory authorities together under one roof. No common FSA pattern can be observed in the countries under review.
- The tendency towards an integrated supervisory system is not always linked to a diminution in the central bank's powers in the supervisory domain. Three of the five NCBs which were entrusted with banking supervision prior to the reforms have retained their role as supervisors. In the Czech Republic and Slovakia, the integrated supervision was even placed under the roof of the NCB. Reduction of NCB powers is evident only in Latvia, Estonia and Poland.
- With regard to central bank involvement in banking supervision, we distinguished two major patterns: integrated supervision under the NCB's roof, implemented in the Czech Republic and Slovakia, and an integrated supervision authority outside of the NCB's structure, adopted in Hungary, Latvia and Poland. The case of Bulgaria is somewhat hybrid, as the supervisory competences for all financial actors (apart from

¹⁶¹ It was not the task of this paper to discuss the advantages and disadvantages of the national solutions. In more general terms about the arguments for central banks' involvement in financial supervision, see pp. 6-7.

credit institutions) and markets were assigned to a single supervisory authority, while the BG-NCB retained its traditional competence in the area of banking supervision.

- NCBs have a substantial involvement in the preparation of legislation relating to supervision. With regard to parliamentary legislation, the NCBs in Bulgaria, the Czech Republic, Estonia, Hungary, Latvia and Poland have either a consultative role or participate in legislative working groups. In Slovakia, the SK-NCB together with the SK-Ministry of Finance jointly prepares and submits draft legislation to the Government. These legislative powers are embedded primarily in the laws governing the NCBs (Czech Republic, Hungary, Poland and Slovakia) or in cooperation agreements (Estonia and Latvia). NCBs in five of the countries under review have their own independent competence to adopt implementing legislation (Bulgaria, Czech Republic, Estonia, Hungary and Slovakia); furthermore, the NCBs in Hungary, Latvia and Poland are entrusted with a consultative role in relation to implementing legislation. The legislative competence of the HU-NCB is enshrined at the level of Constitution, while the SK-NCB has legislative competence for secondary legislation.
- In three countries (Bulgaria, the Czech Republic and Slovakia), the NCBs have sole competence for banking supervision. In the case of Bulgaria, where a hybrid supervisory system is in force, the BG-NCB and the BG-FSA cooperate on matters of mutual interest related to the financial markets and links both at institutional and operational levels are in place.
- As for the links between central banks and supervisors in the countries where the supervision is not exercised by the central banks, the NCBs are still involved to some extent in banking supervision. That involvement arises on the basis of: (i) obligations to cooperate and exchange information in accordance with domestic legislation (Estonia, Hungary, Latvia and Poland) and further elaborated in cooperation or data-sharing agreements between the NCBs and the FSAs (Estonia, Hungary, Latvia and Poland) with special cooperation agreements between the NCBs and the FSAs in some countries governing arrangements in the case of financial crises (Estonia, Hungary and Latvia); (ii) common advisory bodies set up by the central bank, supervisor and ministry of finance (Hungary and Poland); (iii) representation of or appointment by the NCBs and the FSAs in the governing bodies of national deposit guarantee schemes (Estonia and Poland); (iv) linkages between the decision-making bodies, allowing the central bank governor to influence the appointment of the FSA's governing bodies (Latvia and Estonia) or providing for the central bank governor or board member to have ex officio membership of the FSA's decision-making body

(Estonia and Poland); (v) sharing of administrative services between the NCB and the FSA (Estonia).

- The NCBs which are not banking supervisors have also revealed some capacity to influence banking supervision at an operational level: (i) with regard to bank licensing, in Hungary, for example, the HU-NCB has explicit competence in certain major supervisory decisions, as it must be consulted in writing before the HU-FSA grants or withdraws a banking licence; (ii) on the basis of cooperation agreements (Estonia and Latvia) and data-sharing agreements (Poland) or specific legislative provisions relating to their field of competence (Hungary), NCBs are involved to some extent in day-to-day supervision operations; (iii) by way of its competence to impose sanctions or remedial measures, the HU-NCB has the possibility in certain circumstances to impose a fine, if it encounters breaches of certain provisions during its inspections of supervised entities.

ABBREVIATIONS

BG-FSA	Bulgarian Financial Supervision Commission (<i>Комисия за финансов надзор</i>)
BG-NCB	Bulgarian National Bank (<i>Българска народна банка</i>)
CZ-NCB	Czech National Bank (<i>Česká národní banka</i>)
HU-FSA	Hungarian Financial Supervisory Authority (<i>Pénzügyi Szervezetek Állami Felügyelete</i>)
HU-NCB	National Bank of Hungary (<i>Magyar Nemzeti Bank</i>)
ECB	European Central Bank
ET-FSA	Financial Supervision Authority of Estonia (<i>Finantsinspeksioon</i>)
ET-NCB	Central Bank of Estonia (<i>Eesti Pank</i>)
FMC	Financial Market Committee (<i>the Czech Republic</i>)
FMSU	Financial Market Supervision Unit (<i>Slovakia</i>)
FSA	Financial Supervision Authority
FSAC	Financial Stability Advisory Council (<i>Bulgaria</i>)
LV-FSA	Latvian Financial Supervision Authority (<i>Finanšu un kapitāla tirgus komisija</i>)
LV-NCB	Latvian National Bank (<i>Latvijas Banka</i>)
NCB	National Central Bank
PL-NCB	National Bank of Poland (<i>Narodowy Bank Polski</i>)
PL-FSA	Polish Financial Supervision Commission (<i>Komisja Nadzoru Finansowego</i>)
SK-FSA	Slovak Financial Supervision Authority (<i>Úrad pre dohľad nad finančným trhom</i>)
SK-NCB	Slovak National Bank (<i>Národná banka Slovenska</i>)

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II. Legal Acts and Instruments

1. National legislation

Title in English	Title in original language	Publication source	Link to the original language version	Link to the English version
Under Bulgarian law				
Law on the Bulgarian National Bank	Закон за Българската народна банка	<i>Darjaven vestnik</i> issue 46 of 10 June 1997	http://www.bnb.bg/bnb/home.nsf/fsWebIndexBul?OpenFrameset	http://www.bnb.bg/bnb/home.nsf/fsWebIndex?OpenFrameSet
Law on the Financial Supervision Commission	Закон за Комисията за финансов надзор	<i>Darjaven vestnik</i> issue 8 of 28 January 2003	http://www.bnb.bg/bnb/home.nsf/fsWebIndexBul?OpenFrameset	http://www.bnb.bg/bnb/home.nsf/fsWebIndex?OpenFrameSet
Law on credit institutions	Закон за кредитните институции	<i>Darjaven vestnik</i> issue 59 of 21 July 2006	http://www.bnb.bg/bnb/home.nsf/fsWebIndexBul?OpenFrameset	http://www.bnb.bg/bnb/home.nsf/fsWebIndex?OpenFrameSet
Law on supplementary supervision of financial conglomerates	Закон за допълнителния надзор върху финансовите конгломерати	<i>Darjaven vestnik</i> issue 59 of 21 July 2006	http://www.bnb.bg/bnb/home.nsf/fsWebIndexBul?OpenFrameset	Not available in EN
Ordinance No 2 on the licenses, approvals and permissions granted by the Bulgarian National Bank according to the Law on credit institutions	Наредба № 2 за лицензите, одобренията и разрешенията, издавани от Българската народна банка по Закона за кредитните институции	<i>Darjaven vestnik</i> issue 6 of 19 January 2007	http://www.bnb.bg/bnb/home.nsf/fsWebIndexBul?OpenFrameset	http://www.bnb.bg/bnb/home.nsf/fsWebIndex?OpenFrameSet
Ordinance No 7 on the large exposures of banks	Наредба № 7 за големите експозиции на банките	<i>Darjaven vestnik</i> issue 7 of 23 January 2007	http://www.bnb.bg/bnb/home.nsf/fsWebIndexBul?OpenFrameset	http://www.bnb.bg/bnb/home.nsf/fsWebIndex?OpenFrameSet
Ordinance No 8 on the capital adequacy of credit institutions	Наредба № 8 за капиталовата адекватност на кредитните институции	<i>Darjaven vestnik</i> issue 106 of 27 December 2006	http://www.bnb.bg/bnb/home.nsf/fsWebIndexBul?OpenFrameset	http://www.bnb.bg/bnb/home.nsf/fsWebIndex?OpenFrameSet
Ordinance No 9 on the evaluation and classification of risk exposures of banks and the allocation of provisions to cover impairment loss	Наредба № 9 за оценка и класификация на рисковите експозиции на банките и за установяване на	<i>Darjaven vestnik</i> issue 38 of 11 April 2008	http://www.bnb.bg/bnb/home.nsf/fsWebIndexBul	http://www.bnb.bg/bnb/home.nsf/fsWebIndex?OpenFrameSet

	специфични провизии за кредитен риск			
Ordinance No 10 on the internal control in banks	Наредба № 10 за вътрешния контрол в банките	<i>Darjaven vestnik</i> issue 108 of 12 December 2003	http://www.bnb.bg/bnb/home.nsf/fsWebIndexBul	http://www.bnb.bg/bnb/home.nsf/fsWebIndex?OpenFrameSet
Ordinance No 11 on liquidity management and supervision of banks	Наредба № 11 за управлението и надзора върху ликвидността на банките	<i>Darjaven vestnik</i> issue 22 of 13 March 2007	http://www.bnb.bg/bnb/home.nsf/fsWebIndexBul	http://www.bnb.bg/bnb/home.nsf/fsWebIndex?OpenFrameSet
Ordinance No 12 on supervision on a consolidated basis	Наредба № 12 за надзор на консолидирана основа	<i>Darjaven vestnik</i> issue 107 of 18 December 2007	http://www.bnb.bg/bnb/home.nsf/fsWebIndexBul	http://www.bnb.bg/bnb/home.nsf/fsWebIndex?OpenFrameSet
Ordinance No 17 on establishing the amount of bank investment under Article 47 of the Law on credit institutions	Наредба № 17 за установяване размера на вложенията на банките по чл. 47 от Закона за кредитните институции	<i>Darjaven vestnik</i> issue 19 of 2 March 2001	http://www.bnb.bg/bnb/home.nsf/fsWebIndexBul	http://www.bnb.bg/bnb/home.nsf/fsWebIndex?OpenFrameSet
Ordinance No 20 on the issuance of approvals under Article 11(3) of the Law on credit institutions	Наредба № 20 за издаване на одобрения по чл. 11, ал. 3 от Закона за кредитните институции	<i>Darjaven vestnik</i> issue 36 of 15 May 2009	http://www.bnb.bg/bnb/home.nsf/fsWebIndexBul	http://www.bnb.bg/bnb/home.nsf/fsWebIndex?OpenFrameSet
Ordinance No 21 on the minimum required reserves maintained with the Bulgarian National Bank by banks	Наредба № 21 за задължителните минимални резерви, които банките поддържат при Българската народна банка	<i>Darjaven vestnik</i> issue 28 of 11 March 1998	http://www.bnb.bg/bnb/home.nsf/fsWebIndexBul	http://www.bnb.bg/bnb/home.nsf/fsWebIndex?OpenFrameSet
Ordinance No 22 on the central credit register of banks	Наредба № 22 за Централния кредитен регистър	<i>Darjaven vestnik</i> issue 52 of 4 August 2009	http://www.bnb.bg/bnb/home.nsf/fsWebIndexBul	http://www.bnb.bg/bnb/home.nsf/fsWebIndex?OpenFrameSet
Ordinance No 23 on the terms and procedure for payment of insured amounts on deposits with banks with revoked	Наредба № 23 за условията и реда за изплащане на суми по влогове	<i>Darjaven vestnik</i> issue 12 of 12 February 1999	http://www.bnb.bg/bnb/home.nsf/fsWebIndexBul	http://www.bnb.bg/bnb/home.nsf/fsWebIndex?OpenFrameSet

licenses	в банка с отчет лиценз до гарантирания размер			
Ordinance No 38 on the capital adequacy of banks	Наредба № 38 за капиталовата адекватност на банките	<i>Darjaven vestnik</i> issue 5 of 14 January 2005	http://www.bnb.bg/bnb/home.nsf/fsWebIndexBul	Not available in EN
Under Czech law				
Law No 6/1993 Coll. on Česká národní banka	Zákon č. 6/1993 Sb. o České národní bance	Sbírka zákonů	http://www.cnb.cz/cs/legislativa/zakon/index.html	http://www.cnb.cz/m2export/sites/www.cnb.cz/en/legislation/acts/download/act_on_cnb.pdf
Law No 57/2006 Coll. on amendments to laws in connection with the integration of supervision of the financial market	Zákon č. 57/006 Sb. o změně zákonů v souvislosti se sjednocením dohledu nad finančním trhem	Sbírka zákonů	http://www.cnb.cz/cs/legislativa/zakon/index.html	Not available in EN
Law No 21/1992 Coll. on banks	Zákon č. 21/1992 Sb. o bankách	Sbírka zákonů	http://www.cnb.cz/cs/legislativa/zakon/index.html	http://www.cnb.cz/m2export/sites/www.cnb.cz/en/legislation/acts/download/act_on_banks.pdf
Law No 377/2005 Coll. on supplementary supervision over banks, credit unions, electronic money institutions, insurance companies and investment firms in financial conglomerates and amending some other laws	Zákon č. 377/2005 Sb. o doplňkovém dohledu nad bankami, spořitelními a úvěrními družstvy, institucemi elektronických peněz, pojišťovnami a obchodníky s cennými papíry ve finančních konglomerátech a o změně některých dalších zákonů (zákon o finančních konglomerátech)	Sbírka zákonů	http://www.cnb.cz/cs/legislativa/predpisy_financni_konglomeraty/	Not available in EN
Decree No 123/2007 Coll. on prudential rules for banks, credit unions and investment firms	Vyhláška č. 123/2007 Sb. České národní banky, o pravidlech obezřetného	Sbírka zákonů	http://www.cnb.cz/cs/legislativa/predpisy_bd/obezretne_podnikani/index.html	http://www.cnb.cz/en/legislation/banking_supervision/prudential_rules/contents.html

	podnikání bank, spořitelních a úvěrních družstev a obchodníků s cennými papíry			
Cooperation Agreement between Česká národní banka and the Czech Ministry of Finance	Dohoda o spolupráci při přípravě návrhů vnitrostátních právních předpisů týkajících se finančního trhu a dalších předpisů, které se dotýkají působnosti stran dohody	n/a	http://www.cnb.cz/m2export/sites/www.cnb.cz/cs/legislativa/predpisy_CNB/download/dohoda_CNB_MF.pdf	Not available in EN
Under Estonian law				
Law on the Estonian Financial Supervisory Authority	finantsinspektsiooni seadus	State Gazette I 2001, 48, 267	https://www.riigiteataja.ee/ert/act.jsp?id=12898417	http://www.legaltext.ee/text/en/X50008K5.htm
Law on the Estonian Central Bank	Eesti Panga seadus	State Gazette I 1993, 28, 498	https://www.riigiteataja.ee/ert/act.jsp?id=12943920	http://www.eestipank.info/pub/en/dokumentid/dokumentid/oigusaktid/seadused/epact_706.html
Law on the guarantee fund	tagatisfondi seadus	State Gazette I 2002, 23, 131	https://www.riigiteataja.ee/ert/act.jsp?id=13111370	http://www.tf.ee/files/eng_Regulations/Statutes_ofGFA.PDF
Law on credit institutions	krediiasutuste seadus	State Gazette I 1999, 23, 349	https://www.riigiteataja.ee/ert/act.jsp?id=13109506	http://www.legaltext.ee/text/en/X30042k10.htm
Governor's Decree No 13 of 29 December 2006: Procedure for application and calculation of prudential ratios of credit institutions and consolidation groups of credit institutions	krediiasutuste ja krediiasutuste konsolideerimiskorraldusnormatiivide rakendamise ja arutamise kord	Appendix to the State Gazette 2007, 3, 52	https://www.riigiteataja.ee/ert/act.jsp?id=12892016	http://www.eestipank.info/pub/en/dokumentid/dokumentid/oigusaktid/maaruiste_register/2006/300.html?objId=957089&metadata=yes&content=yes
Governor's Decree No 11 of 8 December 2006: Establishment of procedure for calculation and compliance with the reserve requirement	kohustusliku reservi nõude arvestuse ja täitmise korra kehtestamine	Appendix to the State Gazette 2006, 89, 1665	https://www.riigiteataja.ee/ert/act.jsp?id=12869943	http://www.eestipank.info/pub/en/dokumentid/dokumentid/oigusaktid/maaruiste_register/2006/298.html?objId=923971&metadata=yes&content=yes
Law on insurance activities	kindlustustegevuse seadus	State Gazette I 2004, 90, 616	https://www.riigiteataja.ee/ert/act.jsp?id=13109097	www.legaltext.ee/text/en/X90004.htm
Law on investment funds	investeerimisfondide seadus	State Gazette I 2004, 36, 251	https://www.riigiteataja.ee/ert/act.jsp?id=13065626	www.legaltext.ee/text/en/X80045.htm

Law on funded pensions	kogumispensioni de seadus	State Gazette I 2004, 37, 252	https://www.riigiteataja.ee/ert/act.jsp?id=13065927	www.legaltext.ee/text/en/X50069K3.htm
Law on the securities market	väärtpaberituruseadus	State Gazette I 2001, 89, 532	https://www.riigiteataja.ee/ert/act.jsp?id=12999619	www.legaltext.ee/text/en/X40057K5.htm
Law on motor third party liability insurance	liikluskindlustuse seadus	State Gazette I 2007, 55, 368	https://www.riigiteataja.ee/ert/act.jsp?id=13074672	www.legaltext.ee/text/en/X40068K4.htm
Law on e-money institutions	e-raha asutuste seadus	State Gazette I 2005, 61, 473	https://www.riigiteataja.ee/ert/act.jsp?id=12894047	www.legaltext.ee/text/en/XX00001.htm
Law on the central register of securities	Eesti väärtpaberite keskregistri seadus	State Gazette I 2000, 57, 373	https://www.riigiteataja.ee/ert/act.jsp?id=13088399	www.legaltext.ee/text/en/X30067K5.htm
Law on money laundering and terrorist financing prevention	rahapesu ja terrorismi rahastamise tõkestamise seadus	State Gazette I 2008, 3, 21	https://www.riigiteataja.ee/ert/act.jsp?id=12985329	www.legaltext.ee/text/en/X30024K4.htm
Law on international sanctions	rahvusvahelise sanktsiooni seadus	State Gazette I 2002, 105, 612	https://www.riigiteataja.ee/ert/act.jsp?id=697587	www.legaltext.ee/text/en/X70011K1.htm
Law on the State budget	riigieelarve seadus	State Gazette I 1999, 55, 584	https://www.riigiteataja.ee/ert/act.jsp?id=12850757	www.legaltext.ee/text/en/X60037K2.htm
Cooperation agreement of 5 December 2006 on the management of financial crises	koostöökokkulepe finantskriiside haldamiseks	n/a	http://www.eestipank.info/pub/et/yldine/pank/finantskeskkond/keskpanga_roll/lepe1106.pdf ,	http://www.eestipank.info/pub/en/yldine/pank/finantskeskkond/keskpanga_roll/lepe1106.pdf?ok=1 .
Cooperation Agreement of 21 December 2007 on financial stability and related legal acts, concluded between the Ministry of Finance, the Central Bank and the Financial Supervision Authority	21. detsembri 2007. a koostöökokkulepe, mis käsitleb finantsstabiilsust ja sellega seotud õigusakte, rahandusministerruumi, Eesti Panga ja Finantsinspektsiooni vahel	n/a	http://www.eestipank.info/pub/et/yldine/pank/finantskeskkond/stabiilsus/lepe1207.pdf?ok=1	http://www.eestipank.info/pub/en/yldine/pank/finantskeskkond/stabiilsus/lepe1207.html

Under Latvian law				
Law on the Financial and Capital Market Commission	Finanšu un kapitāla tirgus komisijas likums	<i>Latvijas Vēstnesis</i> , 20.06.2000	http://www.likumi.lv/doc.php?id=8172&from=off	http://www.fktk.lv/en/law/general/laws/on_the_financial_and_capital_m
Law on Latvijas Banka	Likums par Latvijas Banku	<i>Ziņotājs</i> , 04.06.1992	http://www.likumi.lv/doc.php?id=65544	http://www.bank.lv/eng/main/all/lvbank/llb/
Law on credit institutions	Kredītiestāžu likums	<i>Latvijas Vēstnesis</i> , 24.10.1995	http://www.likumi.lv/doc.php?id=37426	http://www.fktk.lv/txts_files/KIL_EN_09_2007.doc
Law on financial conglomerates	Finanšu konglomerātu likums	<i>Latvijas Vēstnesis</i> , 28.06.2005	http://www.likumi.lv/doc.php?id=111218	Not available in EN
Cooperation Agreement of 168 December September 20039 between Latvijas Banka and the Financial and Capital Market Commission	Finanšu un kapitāla tirgus komisijas sadarbības līgums ar Latvijas Banku	n/a	http://www.fktk.lv/lv/komisija/sadarbib/a/sadarbiba_ar_latvijas_banku/2009-09-17_finansu_un_kapitala_tirg/	Not available in EN
Under Polish law				
Law of 21 July 2006 on financial market supervision	Ustawa z dnia 21 lipca 2006 r. o nadzorze nad rynkiem finansowym	<i>Dziennik Ustaw</i> of 2006 No 157, Item 1119	http://isap.sejm.gov.pl/DetailsServlet?id=WDU2006157119	http://www.knf.gov.pl/en/Images/ustawa_nadzor_finansowy_04_09_tcm81-14720.pdf (not fully updated)
Law of 31 January 1989 on Narodowy Bank Polski	Ustawa z dnia 31 stycznia 1989 r. o Narodowym Banku Polskim	consolidated text <i>Dziennik Ustaw</i> of 1992 No 72, Item 360	http://isap.sejm.gov.pl/DetailsServlet?id=WDU19890040021	Not available in EN
Law of 29 August 1997 on Narodowy Bank Polski	Ustawa z dnia 29 sierpnia 1997 r. o Narodowym Banku Polskim	<i>Dziennik Ustaw</i> of 1997 No 140, Item 938	http://isap.sejm.gov.pl/DetailsServlet?id=WDU19971400938	http://www.nbp.pl/en/aktyprawne/the_act_on_the_nbp.pdf (not fully updated)
Constitution of the Republic of Poland of 2 April 1997	Konstytucja Rzeczypospolitej Polskiej z dnia 2 kwietnia 1997 r.	<i>Dziennik Ustaw</i> of 1997 No 78, Item 483	http://isap.sejm.gov.pl/DetailsServlet?id=WDU19970780483	http://www.sejm.gov.pl/prawo/konst/angielski/kon1.htm
Resolution of the Sejm of 30 July 1992 - Rules of procedure of the Sejm, Annex to the announcement of the Marshal of the Sejm of 21	Uchwała Sejmu Rzeczypospolitej Polskiej z dnia 30 lipca 1992 r. - Regulamin sejm Rzeczypospolitej	<i>Monitor Polski</i> of 2009 No 5, Item 47	http://www.sejm.gov.pl/prawo/regulam in/kon7.htm	Not available in EN

January 2009.	Polskiej, Załącznik do obwieszczenia Marszałka Sejmu Rzeczypospolitej Polskiej z dnia 21 stycznia 2009 r.			
Law of 7 November 2008 on the Financial Stability Committee	Ustawa z dnia 7 listopada 2008 r. o Komitecie Stabilności Finansowej	<i>Dziennik Ustaw</i> of 2008, No 209, Item 1317	http://isap.sejm.gov.pl/DetailsServlet?id=WDU20082091317	Not available in EN
Law of 14 December 1994 on the Bank Guarantee Fund	Ustawa z dnia 14 grudnia 1994 r. o Bankowym Funduszu Gwarancyjnym	<i>Dziennik Ustaw</i> of 2009, No 84, Item 711	http://isap.sejm.gov.pl/DetailsServlet?id=WDU19950040018	http://www.bfg.pl/doc_media/wezel_807/ustawa-bfg-1994-en.pdf
Law of 29 August 1997 on banking	Ustawa z dnia 29 sierpnia 1997 r. – Prawo bankowe	<i>Dziennik Ustaw</i> of 2002, No 72, Item 665	http://isap.sejm.gov.pl/DetailsServlet?id=WDU19971400939	http://www.nbp.pl/en/aktyprawne/thebankingact.pdf (not fully updated)
Law of 24 August 2001 on settlement finality	Ustawa z dnia 24 sierpnia 2001 r. o ostateczności rozrachunku w systemach płatności i systemach rozrachunku papierów wartościowych oraz zasadach nadzoru nad tymi systemami	<i>Dziennik Ustaw</i> of 2001, No 123, Item 1351	http://isap.sejm.gov.pl/DetailsServlet?id=WDU20011231351	http://www.nbp.pl/en/system_platniczy/angUst.pdf (not fully updated)
Under Slovak law				
Constitution of the Slovak Republic No 460/1992 Coll.	Ústava Slovenskej republiky	<i>Zbierka zákonov Slovenskej republiky</i>	http://www.nrsr.sk/Static/sk-SK/NRSR/Doc/zdustava.doc	http://www.nrsr.sk/Static/en-US/NRSR/Dokumenty/constitution.doc
Law No 566/1992 Coll. on Národná banka Slovenska	zákon Národnej rady Slovenskej republiky č. 566/1992 Zb. o Národnej banke Slovenska v znení neskorších predpisov	<i>Zbierka zákonov Slovenskej republiky</i>	http://www.nbs.sk/sk/legislativa/uplne-znenia-zakonov-patriacich-do-kompetencie-nbs	http://www.nbs.sk/img/Documents/LEGA/A5661992_k_euru.pdf
Law No 118/1996 Coll. on deposit protection	zákon Národnej rady Slovenskej republiky č. 118/1996 Z. z. o ochrane	<i>Zbierka zákonov Slovenskej republiky</i>	http://www.nbs.sk/sk/legislativa/uplne-znenia-zakonov-patriacich-do-kompetencie-nbs	http://www.nbs.sk/img/Documents/LEGA/a1181996.pdf

	vkladov a o zmene a doplnení niektorých zákonov v znení neskorších predpisov			
Law No 483/2001 Coll. on banks and including amendments to certain laws	zákon č. 483/2001 Z. z. o bankách a o zmene a doplnení niektorých zákonov v znení neskorších predpisov	<i>Zbierka zákonov Slovenskej republiky</i>	http://www.nbs.sk/sk/legislativa/uplne-znenia-zakonov-patriacich-do-kompetencie-nbs	http://www.nbs.sk/img/Documents/Legislativa/BasicActs/A483-2001.pdf
Law No 747/2004 Coll. on supervision of the financial market and including amendments to certain laws	zákon č. 747/2004 Z. z. o dohľade nad finančným trhom a o zmene a doplnení niektorých zákonov v znení neskorších predpisov	<i>Zbierka zákonov Slovenskej republiky</i>	http://www.nbs.sk/sk/legislativa/uplne-znenia-zakonov-patriacich-do-kompetencie-nbs	http://www.nbs.sk/img/Documents/LEGA/a7472004.pdf
Measure of the Národná banka Slovenska No 15/2004 on own funds of a financial conglomerate and large exposure of a financial conglomerate, as amended by the Measure No 13/2006	opatrenie NBS č. 15/2004 z 26. novembra 2004 o vlastných zdrojoch finančného konglomerátu a o majetkovej angažovanosti finančného konglomerátu	<i>Vestník Národnej banky Slovenska</i>	http://www.nbs.sk/sk/dohlad-nad-financnym-trhom/dohlad-nad-bankovnictvom-a-ocp/legislativa/opatrenia-obozretneho-podnikania/uplne-znenie-k-31-12-2006-opatrenia-nbs-c-15-2004-z26/2007_03	http://www.nbs.sk/en/financial-market-supervision/banking-sector-and-securities-dealers-supervision/legislation/prudential-regulations/decrees-of-the-national-bank-of-slovakia-no-15-2004-of-november-26-2004

2. European Union legislation

Opinion of the European Central Bank CON/2008/32 of 23 July 2008 at the request of the Polish Minister of Finance on a draft law amending the Law on the Bank Guarantee Fund, available on the ECB's website at: www.ecb.europa.eu.

