

Stanyo Dinov

Central Banks as a Bank Supervisor

A Comparison of the Function of the Bank of England,
the Federal Reserve and the European Central Bank

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Abstract

The current paper investigates the Central Banks of the three advanced financial systems: the UK, the USA and the EU, and the questions related to their supervisory role.

After the global financial crisis in 2007, the Bank of England and the European Central Bank, besides their primary monetary function of maintaining price stability, also became national supervisors and regulators. However, performing both functions in one body is not without any problems.

For one, there are controversies between the objectives of both policies.

For another, the Central Banks became super-authorities with complex structure of their decision making, and their tasks additionally overlapped themselves with those of other authorities.

Furthermore, the equilibrium of the power between the institutions in the financial system gets lost. Consequently, it is argued that the reputation of CBs and the safety of the financial system is more likely to suffer than to gain advantage from this joint conduct.

Therefore, comparing the different approaches applied to distinct financial systems in the context of the reform's urgency after the financial crisis in 2007, calls into the question: What is the best approach?

However, there is no absolute answer on this question, based on the fact that different systems are compared with their own specifics.

Nonetheless, the represented three systems have quite a lot similarities, based on the fact that they have adopted from each other, as well as they all have commonly recognised international standard for capital requirement - Basel III.

Thus, by weighing up all pros and cons, it still important to find the best approach which could prevent further crises, and which can be more competitive in a changeable and fast developing world.

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Index of abbreviations

ACSS	American Council of State Savings Supervisors
BA	Banking Act
BHCA	Bank Holding Company Act 1956
BIS	Bank for international Settlement
BoE	Bank of England
CB	Central Bank
CCB	countercyclical capital buffer
CCP	central counter parties
CFPA	Consumer Financial Promotion Agency
CFPB	Consumer Financial Protection Bureau
CFTC	Commodity Futures Trading Commission
COP	Congressional Oversight Panel
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
CSBS	Conference of State Bank Supervisors
CSDR	Central Securities and Deposit Regulation
DGSs	Deposit Guarantee Schemes
DFS	New York State Department of Financial Services
EBA	European Banking Authority
EBOR	European Business Organization Law Review
EC	European Commission
ECB	European Central Bank
ECFR	European Company and Financial Law Review
ECOFIN	Economic and Financial Committee
ECU	European Currency Union
ed.	editor
EDIS	European Deposit Insurance Scheme
edn.	edition
EEC	European Economic Community
EFSF	European Financial Stability Facility
EinSiG	Einlagesicherungsgesetz
EMCF	European Monetary Cooperation Fund
EMI	European Monetary Institute

EMIR	European Market Infrastructure Regulation
EMU	European Economic and Monetary Union
EP	European Parliament
ERM	European Exchange Rate Mechanism
ESCB	European System of Central Banks
ESFS	European System of Financial Supervision
ESM	European Stability Mechanism
ESRB	European Systemic Risk Board
et al.	and others
EU	European Union
EuZW	Europäische Zeitschrift für Wirtschaftsrecht
FCA	Financial Conduct Authority
FDIC	Federal Deposit Insurance Corporation
Fed	Federal Reserve
FHC	Financial Holding Company
FMIs	Financial Market Infrastructures
FMUs	Financial Market Utilities
Fn	footnote
FOMC	Federal Open Market Committee
FPC	Financial Policy Committee
FRA	Federal Reserve Act
FRB	Federal Reserve Board
FRDC	Federal Reserve Deposit Corporation
FRS	Federal Reserve System
FSA	Financial Services Act
FSA	Financial Services Authority
FSB	Financial Services Bill
FSB	Financial Stability Board
FSC	Financial Stability Committee
FSC	Financial Services Committee
FSCS	Financial Services Compensation Scheme
FSMA	Financial Services and Market Act
FSOC	Financial Services Oversight Council
FSOC	Financial Stability Oversight Council
GDP	Gross Domestic Product
GLB Ac	Gramm-Leach-Bliley Act
GSA	Glass-Steagall Act
LLR	Lender Last Resort
MPC	Monetary Policy Committee

MS	Member State
NBS	National Bank Supervisor
NCA	National Competent Authority
NCB	National Central Bank
NZZ	Neue Zürcher Zeitung
OCC	Office of Comptroller of the Currency
OJ L	Official Journal of the European Union (legislative par)
ONI	Office of National Insurance
OTC	Over the Counter
OTS	Office of Thrift Supervision
OUP	Oxford University Press
par.	paragraph
PRA	Prudential Regulation Authority
RRM	Recovery and Resolution Mechanism
RR	Recovery and Resolution Procedure
SC	Supervisory College
SEC	Security and Exchange Commission
SIFI	Systemically Important Financial Institution
SLC	State Liaison Committee
SRM	Single Resolution Mechanism
SRR	Special Resolution Regime
SRU	Special Resolution Unit
SSRN	Social Science Research Network
SSM	Single Supervisory Mechanism
TARP	Troubled Assets Relief Program
TEU	Treaty of the European Union
TFEU	Treaty of the Function of the European Union
tn	trillion
US	United States
Vol.	Volume

