

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**

# Wissenschaftliche Beiträge aus dem Tectum Verlag

Reihe Rechtswissenschaften



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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.

# Inhaltsverzeichnis

Index of abbreviations .....	XI
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## **Central banks as a bank supervisor, a comparison of the function of the Bank of England, the Federal Reserve and the European Central Bank**

<b>1. Introduction .....</b>	<b>17</b>
<b>2. The Central Banks and their function .....</b>	<b>19</b>
<b>3. The Bank of England .....</b>	<b>27</b>
<b>3.1. Historical background .....</b>	<b>27</b>
<b>3.2. Banking Act 1998 .....</b>	<b>29</b>
<b>3.3. The Financial Services Modernisation Act 2000 .....</b>	<b>29</b>
<b>3.4. Banking Act 2008 and 2009 .....</b>	<b>32</b>
<b>3.5. The Financial Services Act 2010 .....</b>	<b>33</b>
<b>3.6. Financial Services Bill 2012 .....</b>	<b>34</b>
3.6.1. The Financial Policy Committee .....	37
3.6.2. The Prudential Regulation Authority .....	38
3.6.3. The Financial Conduct Authority .....	39



<b>3.7. Financial Services Act 2012</b> .....	40
<b>3.8. The Financial Services Act 2013</b> .....	41
<b>3.9. Assessment</b> .....	42
<b>4. The Federal Reserve</b> .....	45
<b>4.1. Historical background</b> .....	45
<b>4.2. The US financial system and the Federal Reserve Act</b> ....	48
<b>4.3. Gramm-Leach-Bliley Act 1999</b> .....	52
<b>4.4. Commodity Futures Modernisation Act 2000</b> .....	53
<b>4.5. Emergency Economic Stabilisation Act 2008</b> .....	54
<b>4.6. White Paper on Financial Regulatory Reform 2009</b> .....	55
<b>4.7. Dodd-Frank Act 2010</b> .....	56
<b>4.8. Assessment</b> .....	59
<b>5. The European Central Bank</b> .....	63
<b>5.1. Historical background and responsibilities</b> .....	63
<b>5.2. The new European System of Financial Supervision</b> .....	65
5.2.1. The Role of the European Central Bank .....	67
5.2.2. Evaluation .....	67
<b>5.3. European Banking Union</b> .....	68
5.3.1. Introducing of the SSM and the Proposals of the European Commission for conferring supervision tasks on the ECB and the new EBA .....	69
5.3.1.1. Requirements of the European Parliament .....	71
5.3.1.2. Political Agreement in the European Council .....	72

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5.3.1.3.	Problematic issues .....	75
5.3.1.3.1.	Article 127(6) TFEU .....	75
5.3.1.3.2.	Competences of the ECB, the ESRB and the EBA .....	78
5.3.1.3.3.	Democratic Legitimacy .....	80
5.3.1.3.4.	Scope of Supervision .....	81
5.3.2.	<b>Single Resolution Mechanism</b> .....	82
5.3.3.	<b>Single Rulebook</b> .....	83
5.3.4.	<b>European Deposit Insurance Scheme</b> .....	84
5.4.	<b>Assessment</b> .....	88
6.	<b>Conclusion</b> .....	91

