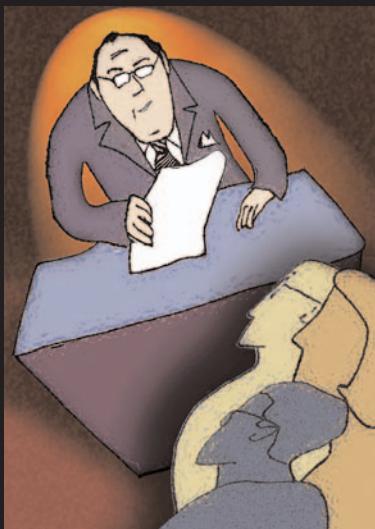


Accountability Arrangements for Financial Sector Regulators

**Eva Hüpkes,
Marc Quintyn, and
Michael W. Taylor**



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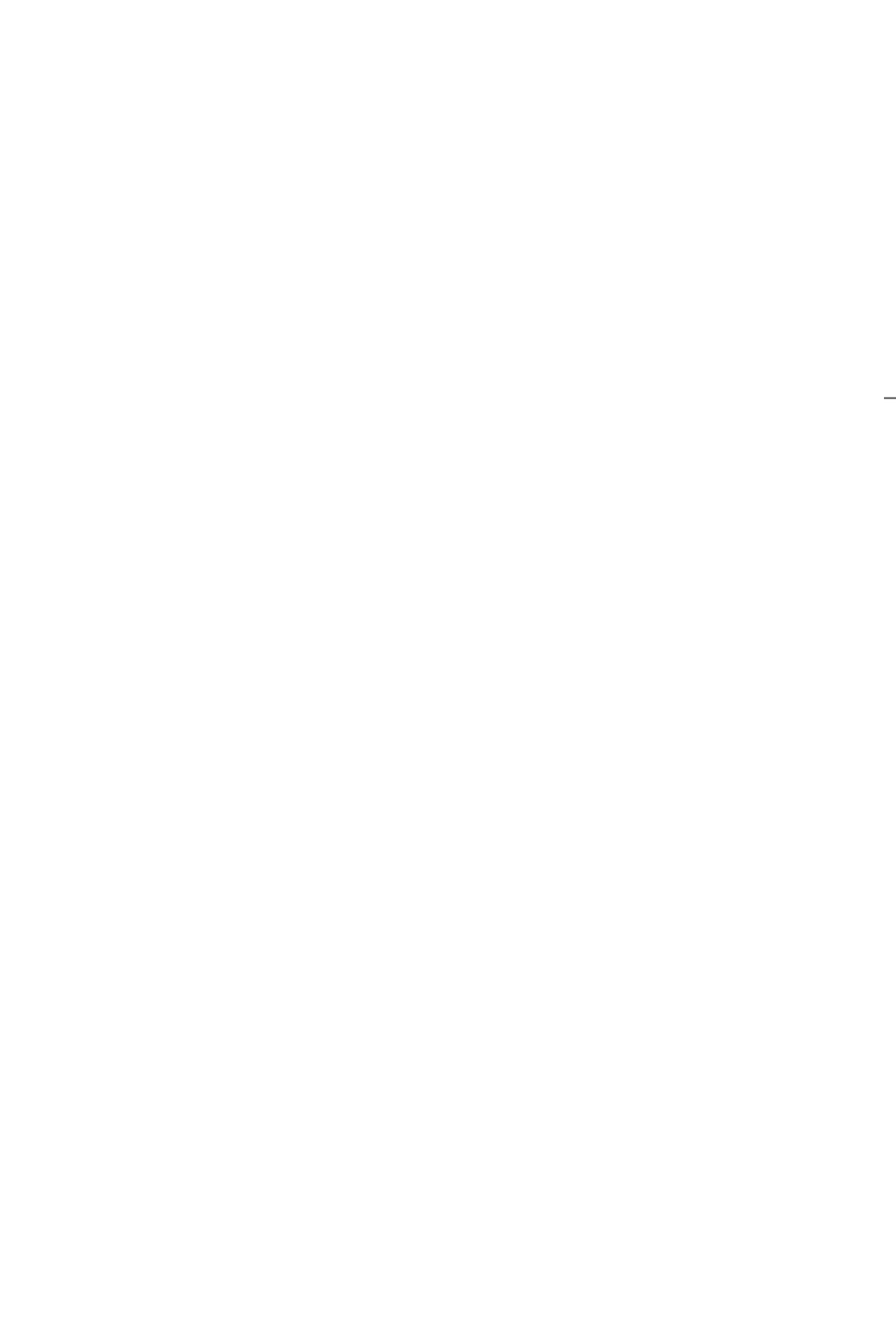
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Preface

The idea that central banks should be independent from government has gained wide acceptance in the past few decades. Experience has shown that political interference in monetary policy often has undesirable economic consequences. But policymakers are still reluctant to grant independence to the agencies that regulate and supervise the financial sector. One reason is the fear that regulators and supervisors, with their wide-ranging responsibilities and their power to penalize those who do not comply with regulations, could become a law unto themselves.

To guard against this danger, regulatory and supervisory agencies must be held accountable for their actions. Accountability arrangements would enable the public to exercise oversight over the agencies, thereby encouraging the agencies to adhere to high standards of governance and performance and enhancing their legitimacy. Drawing up accountability arrangements is more complex and more difficult for financial regulators than for central banks. But such arrangements are needed to ensure that regulatory and supervisory agencies behave responsibly and fairly toward all their stakeholders and to prevent any single stakeholder from wielding undue influence or control.

This pamphlet, prepared by David Cheney, is a companion piece to Economic Issue No. 32, *Should Financial Sector Regulators Be Independent?* which is available on the IMF's website. It is based on IMF Working Paper 05/51, "The Accountability of Financial Sector Supervisors: Principles and Practice," by Eva Hüpkens, Marc Quintyn, and Michael W. Taylor, which is available at www.imf.org/external/pubs/ft/wp/2005/wp0551.pdf. The authors have also published articles on this subject: "Regulatory accountability: do's and don'ts," in *The Financial Regulator*, Vol. 10, No. 1 (June 2005), pp. 23–30; and "The Accountability of Financial Sector Supervisors: Principles and Practice," in *European Business Law Review*, Vol. 16, No. 6 (2005), pp. 1575–1620.



Accountability Arrangements for Financial Sector Regulators

Why are policymakers reluctant to grant independence to the agencies that regulate and supervise the financial sector, despite mounting empirical evidence that independence makes for a healthier financial system?

First, if not structured properly, independent regulatory and supervisory agencies (RSAs) could become an unelected fourth branch of government that is not subject to the same checks and balances as the executive, legislative, and judicial branches. Because supervisory actions often involve issues that are highly political—such as a decision to save or to close a bank—and can also affect individual property rights, making them independent might seem to be too great a delegation of authority.

Second, many policymakers are concerned about the possibility of “regulatory capture”—that, without proper political oversight and control, regulators will promote industry interests over those of the public.

Third, self-interest may play a role in policymakers’ reluctance to relinquish their oversight over the financial sector. In many parts of the world, the political class still sees the financial system as a vehicle for generating rents, campaign contributions, or bribes and for implementing redistributive policies (directed and connected lending) that can make them popular with voters. Politicians may thus try to remain formally or informally involved in financial sector regulation and supervision instead of delegating these responsibilities to an independent agency.

To the extent that the reluctance to grant independence to RSAs lies in a genuine concern about ensuring that the agencies remain

subject to constitutional checks and balances, the solution is to make financial regulators fully accountable for their actions. However, adopting accountability arrangements has been difficult in practice, because accountability is an elusive, multifaceted, and complex concept, and—even more important—because accountability is often seen as synonymous with control, and thus as incompatible with independence. Indeed, many mistakenly believe that there is a trade-off between independence and accountability, whereas, in reality, well-structured accountability arrangements for RSAs are fully consistent with, and supportive of, independence and good governance.



The relationship between accountability and independence

The uneasiness with granting independence to RSAs is based on confusion about accountability and its relationship to independence. Independence is a straightforward concept that is relatively easy to define. In statutes and laws, an agency's independence usually means that it does not accept directives from the government. Accountability is a more elusive and less easily defined concept. This elusiveness has obstructed efforts to include concrete and workable accountability arrangements in the legal framework governing financial regulators.

Coming to grips with accountability and its relationship with independence requires the clarification of a few principles:

- Agency independence is never absolute. The executive branch—which, in a democracy, is accountable to voters—delegates power to the agency. The agency therefore needs to give an account of its activities and, if necessary, to take action to redress its shortcomings.
- Accountability is not synonymous with control. It entails a network of complementary and overlapping oversight mechanisms and control instruments under which no one actually controls the independent agency, yet the agency remains “under control.”

- Accountability and independence are complementary. Accountability reinforces an agency's independence by giving its actions legitimacy. The agency builds its reputation by explaining to the public how it is pursuing its mandate and allowing the public to express their views about its policies. A regulatory agency with a good reputation is more likely to be trusted by the public and given the benefit of the doubt in controversial cases. And a good reputation also bolsters the agency's independence.



Differences between regulators and central banks

In designing accountability arrangements for financial regulators and supervisors, it might be tempting to use those designed for central banks as models, given that central bank independence is far more advanced than RSA independence and that central banking and financial (especially bank) regulation are closely related. However, it is not possible to use the accountability mechanisms set up for monetary authorities for financial supervisors, because RSAs have broader and more complex mandates and powers than central banks (see Table 1, page 4).

What are the main differences between RSAs and monetary authorities that have implications for accountability?

- *It is typically more difficult to measure an RSA's performance against its mandate than it is to measure the performance of monetary authorities.* A well-defined statutory objective against which the agency's performance can be measured is generally considered a key requirement for holding independent agencies accountable. For central banks this is, increasingly, price stability, and central bank performance can be readily measured against this stated objective. For RSAs, the issues are more complicated on three counts: the RSAs' goals may not be explicitly or clearly articulated in the law; RSAs often face multiple objectives—for example, ensuring the soundness of the banking system, reducing financial crime, protecting con-

Table 1. Accountability arrangements for central banks and regulatory and supervisory agencies need to reflect the differences between them

	Financial sector supervisors	Central banks (monetary authorities)
Objectives		
• Single versus multiple	Multiple	Single
• Measurability	Difficult	Numerical objective
• Criteria to measure achievement	Priorities may change among multiple objectives	Simple because single and numerical
• Confidentiality versus transparency	The public's right to know must be balanced against financial stability considerations	Confidentiality of measures disappears quickly and transparency is considered helpful
• Legal protection	Necessary	Desirable
Regulatory function	Broad-ranging	Limited (monetary policy-specific)
Supervisory and enforcement function		
• Proactive enforcement	Can act on their own initiative (as opposed to courts)	No enforcement function
• Broad intervention and sanctioning powers	Impact on civil rights (property rights, in particular) must be taken into account	No enforcement function
Principal-agent relationships	Multiple and complex	Simple

sumers, and preventing market abuse and money laundering; and these objectives are typically hard to measure.

- *The tension between transparency and confidentiality is greater for RSAs than for central banks conducting monetary policy.* Whereas the reasons for monetary policy decisions cease to have any commercial sensitivity or importance after a relatively short time—and can thus be published relatively quickly—the same is not true of regulatory decisions. In the course of an enforcement procedure, RSAs must protect the interests of all stakeholders and ensure the fairness and impartiality of the process. Publicity could undermine the conduct of investigations and prevent impartial decision making.

Supervision also inevitably deals with matters of acute commercial sensitivity. For example, the disclosure—even years later—that a bank has been required to take corrective action may be destabilizing and undermine confidence in the banking sector. Nonetheless, the presumption should be that RSA decisions and the reasoning behind them are a matter of public record, even if this disclosure occurs well after the event. By encouraging transparency, supervisory agency decisions are more likely to be well reasoned and grounded in both law and fact. Publicity reduces the scope for arbitrary decisions.

- *Unlike the monetary authorities, RSAs generally have broad regulatory (rule-making) powers.* These include prudential rules, reporting and disclosure requirements, and organizational prescriptions and rules of conduct.
- *Financial regulators have broad supervisory and enforcement powers that require them to be accountable both to the industry they regulate and to the country's judiciary.* The RSAs' enforcement and sanctioning powers set them apart not only from central banks but also from the court system. First, there is no counterpart to RSA enforcement powers in the powers granted to a central bank with respect to its monetary policy role. Second, there are important differences between the way an RSA uses its enforcement powers and the exercise of similar powers by the court system. Unlike judicial enforcement, regulatory enforcement is proactive: RSAs take enforcement action on their own initiative and in accordance with their mandate as defined in their statutory objectives. Enforcement is not the RSAs' mandate but the means by which RSAs fulfill their mandate—the achievement of their statutory objectives. An RSA's use of its enforcement powers needs to be publicly justified. The RSA has to demonstrate that its enforcement policy strikes the right balance between cooperative compliance-oriented enforcement action and deterrence-oriented coercive action. The performance of RSAs, unlike that of the courts, cannot be measured by the number of cases they try or convictions they obtain, but, rather, by overall compliance and the achievement of their statutory objectives.

- *RSAs operate in a “multiple-principals” environment.* In view of the range of interests potentially affected, the traditional, vertical, “single principal-single agent” model applicable to central banks—whose main responsibility is to the executive or the legislative branch—is not relevant for RSAs. RSAs operate in an environment in which the appropriate accountability mechanisms are diversified. Although the legislative, executive, and judicial branches are, for obvious reasons, the most important principals of RSAs, RSAs must also be directly accountable to a broader range of principals—including the entities they supervise, the customers of those entities, the public at large, and peers.



Designing accountability arrangements

A complex and specialized activity like the regulation and supervision of financial markets calls for multiple accountability mechanisms. Accountability arrangements fall into different categories. An effective set should contain a balanced mix of these categories.

- Ex ante accountability refers to reporting before an agency acts (for example, through consultations with stakeholders on supervisory and regulatory policies).
- Ex post accountability refers to reporting after actions have been taken (for example, in annual reports).
- Explanatory accountability requires giving the reasons for and explaining the actions taken.
- Amendatory accountability is the obligation to redress grievances by remedying defects in policy or rule making.
- Procedural accountability refers to requirements related to the processes that must be followed.
- Substantive, or functional, accountability requires that the regulatory and supervisory actions taken be justified by the agency's objectives.
- Personal accountability refers to the discharge of responsibilities delegated to individuals in the agency.

- Financial accountability refers to the presentation of financial statements.
- Performance accountability refers to the extent to which the agency meets its objectives.

Before setting up accountability arrangements, policymakers need to do the following:

- Ensure that the agency's mandate and objectives, as set out in the law, are clear and specific.
- Supplement the mandate with a set of operating principles and procedures or specify the result the agency is expected to achieve.
- Spell out clearly in the law the accountability arrangements with respect to the three branches of government and all other stakeholders.

The nature of RSAs' accountability to the various principals is described below, along with some “*do’s*” and “*don’ts*,” and summarized in Table 2 (page 8).

Accountability to the legislature

Parliaments exert their influence on supervisory activities by dint of their legislative powers—that is, they are responsible for establishing the legal frameworks under which RSAs operate. The accountability of RSAs to the legislature has three purposes: ensuring that the RSAs' mandate is appropriate, determining whether the powers delegated to financial regulators are exercised effectively and are suitable for achieving the intended objectives, and providing a channel of communication in the event it becomes necessary to amend the legislation. Legislative bodies should not exercise immediate power over RSAs or provide concrete guidance as to how RSAs should carry out their supervisory activities.

- *Do* spell out in law RSA reporting requirements to parliament, including format and frequency.
- *Do* have RSAs report to parliamentary committees rather than to the full parliament. Committees generally have greater relevant expertise and more scope for independent action.
- *Do* allow parliament to make ad hoc inquiries.

Table 2. Mapping possible accountability arrangements for regulatory and supervisory agencies

Accountability to whom	Content and form	Type of arrangement
Legislative branch	<ul style="list-style-type: none"> Regular report (annual) to assembly or committee Ad hoc questioning and oral presentations Ad hoc presentations of proposals for new laws Presentation of budgetary outcome Audit report 	Ex post—explanatory Ex post—explanatory Ex ante—explanatory or amendatory Ex post—financial accountability Ex post—financial accountability, explanatory or amendatory
Executive branch	<ul style="list-style-type: none"> Regular report to minister of finance or government Ad hoc formal presentations, information on sectoral developments Proposals for new government regulations/decrees 	Ex post—explanatory Ex post—explanatory, often purely informational Ex ante—explanatory or amendatory
Judicial branch	<ul style="list-style-type: none"> Judicial review Supervisory liability for faulty supervision 	Ex post—amendatory, procedural Ex post—amendatory and substantive accountability
Supervised industry	<ul style="list-style-type: none"> Consultation on new regulations Regulatory impact analysis and cost-benefit assessments Information on regulatory and supervisory practices on the website, annual reports, and press conferences and public statements of representatives of the RSAs 	Ex ante and ex post—explanatory, amendatory Ex ante and ex post—explanatory Ex ante or ex post depending on issue—explanatory
Customers and public at large	<ul style="list-style-type: none"> Mission statement Information on regulatory and supervisory practices on the website, annual reports, and press conferences and public statements of representatives of the RSAs Consumer education Ombudsman schemes and consumer grievance board (United Kingdom) 	Ex ante and ex post—explanatory Ex ante and ex post—explanatory Ex post—explanatory, amendatory Ex post—explanatory, amendatory

- *Don't* allow the legislative branch to cede its oversight role to the executive branch.
- *Don't* allow parliamentary representatives to sit on boards or committees that have operational or policy functions. Although it may be useful to have a parliamentary representative on the board of an RSA, the danger is that the representative will cross the line between accountability and control if s/he has a seat on decision-making bodies that also deal with confidential information.

Accountability to the executive

A direct line of accountability to the executive branch (typically the finance ministry) is needed because the executive bears the ultimate responsibility for the direction and development of financial policies, is typically the issuer of regulations, and has a key role in appointing the chief executive and/or board members of the RSA.

- *Do* spell out the RSA's reporting requirements, format, and frequency in the law, to ensure that it keeps the government informed of financial sector developments. Frequent reporting and formal or informal contacts are the best ways to establish and maintain contact.
- *Do* allow for ad hoc inquiries by the executive branch about how the RSA is implementing the financial regulations.
- *Do* ensure that the criteria for dismissing RSA senior officials are specified in the law.
- *Don't* allow the finance ministry, in countries where it has oversight authority, to become directly involved in operational and policy decisions. Oversight itself promotes accountability, but it must not be allowed to become a means of exerting political influence on the RSA. The finance ministry should itself be accountable to the legislature for its handling of the relationship with the financial supervisor.

Accountability to the judiciary

Individuals and companies affected by an agency's decisions should have the right to seek legal redress in the courts. Given the extensive legal powers conferred on RSAs, judicial review of supervisory

measures is a cornerstone of RSAs' accountability. This form of accountability, which is exercised after the fact, is meant to ensure that RSAs act within the limits of the law.

- *Do* ensure that there is scope for administrative review of the RSA by the judiciary. This is important for assessing the RSA's observance of due process when it makes decisions affecting individuals or companies, such as issuing or withdrawing licenses and imposing sanctions.
- *Do* ensure, if some form of judicial review is deemed necessary, that the procedures are clearly defined so that the review process cannot hold the supervisory process hostage.
- *Do* include procedures to hold the RSA liable for losses caused by its failure to exercise its supervisory powers in an appropriate manner.
- *Don't* place the administrative review in the hands of the oversight ministry because this may impair independence.

Accountability to other stakeholders

Most RSAs are financed in full or in part by fees levied on the institutions they supervise and are therefore, at least to some extent, accountable to those institutions. To the degree that consumer protection falls within an RSA's mandate, it is accountable to consumers as well, whose complaints it must address. RSAs are also accountable to the public at large—the electorate, the ultimate source of democratic accountability.

Transparency, consultation, participation, and representation are powerful vehicles for establishing and maintaining accountability. Transparency can be achieved through the publication of all regulations, supervisory practices, and important decisions; annual reporting requirements; and regular press conferences and information events. RSAs should consult frequently with supervised institutions on policy issues. They should have arrangements in place for consulting representatives of parties likely to be affected by agency actions as to the appropriateness and practicality of proposed rules. Draft rules should be published for comment. Accountability to the industry and consumers can also be achieved by giving them appropriate representation on oversight boards.

- *Do* establish arrangements making an RSA accountable to the entities that finance it.
- *Do* promote transparency by requiring that the RSA disclose relevant information to all stakeholders.
- *Do* ensure that the RSA consults with the entities it supervises in setting and modifying rules.
- *Do* include representatives of the supervised industry and consumers on RSA oversight and advisory boards.

Accountability on financial matters

To ensure its autonomy, it is desirable that an RSA be financially independent of the government. One way to achieve this is for its supervisory activities to be financed by the entities it regulates. However, this may open the door to undue influence from the supervised entities. Therefore, regardless of how it is financed, an RSA should be required to report transparently on how it spends its funds.

- *Do* allow for independent financial audits of the RSA to ensure proper financial management, the accuracy of financial reports, and the efficient use of resources.
- *Do* establish an internal inspectorate—with direct access to all RSA records and information—that reports regularly to the oversight board and/or legislature.

External monitoring

International financial integration has intensified calls for the standards applied by RSAs to be subjected to monitoring outside their own national jurisdictions in the hope that such a move will limit cross-border contagion of local financial sector problems. Two mechanisms have recently been developed to provide external monitoring of domestic regulatory and supervisory frameworks—surveillance by the IMF and the World Bank under the institutions' Financial Sector Assessment Program (FSAP), and mutual evaluations and "peer" reviews.

Under the FSAP, external experts assess the standards applied by regulatory agencies in countries worldwide, the objective being to evaluate the quality of regulatory and supervisory frameworks.

Other international organizations and groupings, such as the Financial Action Task Force (FATF) and its regional bodies, conduct mutual evaluations and peer review in defined areas, such as anti-money-laundering legislation, in an effort to ensure the consistent implementation of international standards. Countries may also monitor each other to gauge the degree of equivalence between their regulatory and supervisory frameworks. Although surveillance, mutual evaluations, and peer reviews are not accountability arrangements in the strictest sense, they do require RSAs to give an account of their standards and practices to external experts, to the international community, and to the public at large, thereby adding to the RSAs' legitimacy.



Broadening the debate

Progress toward RSA independence has been hampered by the fear that independence could constitute too great a delegation of authority, given the broad powers assigned to these agencies. But a demystification and clarification of the concept of accountability for financial regulators—along with well-designed arrangements to keep the complex mission and work of RSAs “in check”—can address this fear. Indeed, if well implemented, good accountability arrangements will lead to a win-win situation in which politicians are satisfied that RSAs are in check and RSAs are satisfied with arrangements that guarantee their independence. Some of the accountability arrangements currently in place in selected countries are shown in Table 3 (pages 14–21).

Other ways to facilitate accountability not discussed in this Economic Issue include making the mandate of an RSA as concrete as possible, thereby providing the agency with a clear definition of the functions to be exercised in pursuit of its mandate, or undertaking some institutional reform to ensure that agencies do not possess duplicative or overlapping mandates.

This Economic Issue focuses on financial sector regulators, but its suggestions on designing accountability arrangements for RSAs have

a broader application. First, interest in independent RSAs for other economic sectors is increasing worldwide. Second, a growing number of central banks are adding the achievement and maintenance of financial stability to their official mandate (in addition to monetary or price stability). The financial stability mandate is as hard to define as the mandate of RSAs. A recent study demonstrated that the accountability arrangements currently included in central bank legislation in most member countries of the Organization for Economic Cooperation and Development in response to the financial stability mandate are poorly designed and fall short of providing the necessary assurances that the independent central bank has met its financial stability objectives. Third, the debate about the accountability arrangements of the European Central Bank (a regional institution without a truly regional government) remains unresolved. In addition, there is an emerging debate about the proper financial supervisory structure for the euro area, which entails its own accountability discussion. We hope that this Economic Issue can contribute to these and other debates.

Table 3. Formal accountability arrangements for financial supervisors in selected countries

	United Kingdom	Germany
Institution	Financial Services Authority (FSA)	Federal Financial Supervisory Authority
Legal basis	Financial Services and Markets Act, 2000	Act establishing the Financial Supervisory Authority, 2002
Function	Supervision and regulation of banks, insurance companies, collective investment schemes, investment firms, exchanges, and clearinghouses.	Supervision and regulation of banks, financial services institutions, insurance companies, and securities and derivatives markets.
Statutory objectives	<ul style="list-style-type: none"> • Maintain confidence in the financial system. • Promote public understanding of the financial system. • Secure appropriate degree of protection for consumers. • Reduce financial crime. 	Objectives, described in the individual acts governing supervisory activities, are related to the stability and functioning of the financial system.
Oversight body	Nonexecutive committee responsible for reviewing the performance of the FSA, internal financial controls, and remuneration of executive members.	Administrative Board oversees management composition: chairman and deputy chairman from the finance ministry; delegates from the finance, economy, and justice ministries; parliament; the banking, insurance, and investment industries; and the Bundesbank (without voting rights). Chairman regularly informs the Administrative Board on management activities.

Canada	Japan
Office of the Superintendent of Financial Institutions (OSFI)	Financial Services Agency (FSA)
Office of the Superintendent of Financial Institutions Act, 1997	FSA Law, 2000
Supervision of banks and other federally incorporated financial institutions.	Supervision of the banking, insurance, and securities industries.
<ul style="list-style-type: none"> Supervise financial institutions to determine whether they are sound and in compliance with the law. Advise management if this is not the case and require remedial action. Promote the adoption of risk-control policies and procedures. Monitor events at the industry level that may negatively affect the financial condition of institutions. Administer federal legislation under the bank, insurance, trust and loan companies, cooperative credit associations, and pension benefits acts. 	<ul style="list-style-type: none"> Establish a stable and dynamic financial system. Develop a state-of-the-art financial system. Develop and implement regulations to protect users. Ensure transparency and fairness in financial administration based on clear rules. Enhance the expertise and foresight of the staff and improve the administrative structure.
The Financial Institutions Supervisory Committee (FISC) does not have a direct oversight role but facilitates consultation and exchange of information among its members on all matters relating directly to the supervision of financial institutions. The FISC consists of the superintendent, the governor of the Bank of Canada, the chairperson of the Canada Deposit Insurance Corporation, the commissioner of the Financial Consumer Agency of Canada, and the deputy minister of finance.	Minister of financial services

Table 3 (continued)

	United Kingdom	Germany
Relationship with the executive (finance ministry and government)	<p>The treasury appoints and removes the chairman of the FSA and appoints the chairman of the nonexecutive committee.</p> <p>The FSA submits an annual report to the treasury together with the report of the nonexecutive committee.</p> <p>The minister of finance is the formal head of OSFI and reports to parliament.</p>	<p>The president of Germany appoints the chairman and vice-chairman.</p> <p>The ministry of finance has oversight authority.</p>
Relationship with parliament	<p>The treasury submits the FSA annual report to parliament for review by the treasury select committee.</p>	<p>Parliament is represented on the Administrative Board by five delegates.</p>
Accountability toward stakeholders and the public	<p>Publication of annual report.</p> <p>Public consultation with respect to the exercise of rule-making powers.</p>	<p>Publication of annual report.</p> <p>An Advisory Board with representatives from academia, the financial industry, and consumer associations may make recommendations on supervisory practice.</p>
Audit/budgetary accountability	<p>The treasury may commission independent financial reviews of the FSA.</p>	<p>The chairman submits the draft budget to the Administrative Board for approval. At the end of the fiscal year, the chairman submits financial statements to the Administrative Board for approval, which requires consent of the ministry of finance.</p> <p>Independent audit reports are submitted to the chairman, the Administrative Board, the finance ministry, and the Federal Financial Comptroller.</p>

Canada	Japan
The superintendent is appointed by the government and occasionally reports to the minister of finance.	
The minister of finance can request public disclosure of information for the purposes of analysis of the condition of a financial institution.	
The superintendent is also a member of the Senior Advisory Committee and of the Board of Directors of the Canada Deposit Insurance Corporation.	
The minister of finance is responsible for OSFI and reports to parliament.	The minister is a member of the cabinet, appointed by the prime minister.
The superintendent submits the annual report to the minister of finance, who presents it to parliament.	
Publication of annual report.	Publication of annual report.
Consultations with industry and other interested parties with respect to regulations and prudential guidelines.	
Annual consultations with industry and representatives on budgets and assessments.	
OSFI budget requires the approval of the Treasury Board, although the section in the OSFI Act stipulating this does not apply in practice as OSFI's expenditures usually do not exceed the total of assessments and revenues collected and moneys appropriated by parliament.	The FSA is funded from the central government's budget.
Accounts are audited by the auditor general of Canada.	

Table 3 (continued)

	Korea	Chile
Institution	Financial Supervisory Commission (FSC)	Superintendency of Banks and Financial Institutions (SBIF)
Legal basis	Law of Establishment of Financial Supervisory Bodies, 1999	General Banking Law, 1997
Function	Supervision of financial institutions and securities markets.	Supervision and prudential regulation of banks and financial institutions.
Statutory objectives	<ul style="list-style-type: none"> • Promulgate and amend financial supervisory rules and regulations. • Approve financial institutions' operations. • Manage agenda with respect to any inspections, examinations, and sanctions on financial institutions. 	<ul style="list-style-type: none"> • Supervise the State Bank, and the banks and financial entities that are not supervised by another agency. • Issue instructions and adopt measures necessary to correct irregularities in supervised entities to protect depositors, other creditors, and the public interest. • Oversee compliance of the supervised entities with laws, rules, regulations, and other legal notifications.
Oversight body		
Relationship with the executive (finance ministry and government)	Korea's president appoints commissioners (deputy minister of finance and economy, deputy governor of the Bank of Korea, president of the Korea Deposit Insurance Corporation, and experts recommended by the ministry of finance and economy, the ministry of justice, and the president of the Korea Chamber of Commerce and Industry).	<p>The superintendent is appointed by Chile's president.</p> <p>The SBIF communicates with the government through the ministry of finance.</p>

Poland	Hungary
Naradovy Bank Polski (NBP), Commission for Banking Supervision (CBS)	Hungarian Financial Supervisory Authority (HDSA)
Banking Law of August 27, 1997	Act CXXIV of 1999 on the Hungarian Financial Supervisory Authority
Supervision of banks.	Supervision and regulation of the financial services industry.
<ul style="list-style-type: none"> • Ensure the safety of funds held in bank accounts. • Ensure bank compliance with the Banking Law. 	<ul style="list-style-type: none"> • Promote the smooth operation of the money and capital markets. • Protect the interest of clients and financial institutions. • Enhance the transparency of markets. • Maintain fair, regulated market competition.
Management board composed of the chairperson and six to eight members of whom two are deputy chairpersons of the NBP, appointed by the government. Its function is to direct the activity of the NBP.	The supervision council has 15 members and is chaired by the president of the HDSA. Five members are appointed based on consultations with the minister of finance and 10 members are appointed based on consultations with professional associations. The council is an advisory body.
The chairperson is the president of the NBP and the deputy chairperson is a representative of the ministry of finance. Other members are representatives of Poland's president, the Bank Guarantee Fund, Securities and Exchange Commission, ministry of finance, and the general inspectorate for banking supervision. Annual assessments on the financial condition of the banking industry are made available to the government.	The prime minister elects two deputy presidents proposed by the minister of finance upon recommendation of the president of the supervision council. The president of the HDSA reports annually to the government.

Table 3 (concluded)

	Korea	Chile
Relationship with parliament		
Accountability toward stakeholders and the public	Publication of annual report.	The SBIF must inform the general public about the status of supervised institutions at least three times a year.
Audit/budgetary accountability	The ministry of finance and economy, the Bank of Korea, and the FSC may request and exchange information.	The SBIF provides information to the ministry of finance and the Central Bank of Chile about supervised institutions. Accounts are audited by Chile's general comptroller.

Source: National laws.

Poland	Hungary
The chairperson and deputy chairperson are both appointed by the Sejm (lower house of parliament) at the request of the Polish president.	Parliament elects the president on the prime minister's proposal. The president of the HFSA, following the report provided to the government, informs the relevant parliamentary committee about its supervisory activities every year.
The annual report is submitted to the Sejm.	
Publication of annual report.	Publication of annual report.
The CBS consults with the Polish Bankers' Association on proposed technical changes to financial regulations.	Two-thirds of the members of the supervision council are appointed based on consultations with professional associations.
The Superior Chamber of Control audits the activities of the CBS and NBP.	The HFSA is audited by the State Audit Office and its functions are supervised by the ministry of finance. Its accounts are part of the ministry of finance's budget.

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