Who pays for banking supervision? Principles and trends

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Abstract

Purpose

This paper aims to analyse the economics of financing banking supervision and attempts to respond to two questions: What are the most common financing practices? Can the differences in current financing practices be explained by country-specific factors, using a path-dependence approach?

Design/methodology/approach

The paper performs an empirical analysis that identifies the determinants of the financing structure of banks' prudential supervision using a sample of 90 banking supervisors (central banks and financial authorities).

Findings

The paper concludes that supervisors in central banks are more likely to be publicly funded, while financial authorities are more likely to be funded via a levy on the regulated banks. The financing rule is also explained by the structure of the financial systems. Public funding is more likely in bank-oriented structures. Finally, the geographical factor is also significant: European bank supervisors are more oriented towards the private funding regime.

Practical implications

In general, the paper does not find evidence of the role of the political factor, the size of the economy, the level of

empirical analysis focuses on the financing rules and identifies factors that explain the differences between supervisory authorities.

Keywords

Banking
Financial management
Governance

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