

## Who pays for banking supervision? Principles and trends

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### 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 development and the legal tradition.

### Originality/value

The paper analyses the financial governance of banking supervision in a sample of 90 countries world-wide. The empirical analysis focuses on the financing rules and identifies factors that explain the differences between supervisory authorities.

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