

## BANK SUPERVISION: MANNING OF THE SUPERVISORY AUTHORITY

In the ongoing debate on the causes of the current financial crisis, bank supervision plays an important role. There is consensus that bank supervision needs to be reformed. We briefly review the manning and activity of bank supervisory authorities around the world. The World Bank (2007) conducted a survey among supervisory authorities that depicts the situation at the end of 2006, thus just before the crisis started.

The manning of a supervisory authority plays an important role for its effectiveness. Here the big differences in the number of professional bank supervisors is of note (see Table), the absolute numbers of which shed light on their “power”. Countries that experienced banking crises before seem to have more supervisors. An example is Sweden, which suffered from a banking crisis in the early 1990s and has 170 supervisors. France, a much larger country with many more banks to supervise, only has 160 supervisors. At the same time, some countries that attract a lot of foreign funds, such as Cyprus, Ireland and Luxembourg, have relatively few bank supervisors.

Onsite inspections are conducted in large and medium-sized banks either annually or every second year. Interestingly, the frequency of inspections does not vary systematically with the manning of the supervisory authorities. This suggests that the intensity with which inspections are conducted might depend on the personnel endowment of the supervisory authority.

Another relevant aspect is the experience of bank supervisors. There are two different measures of experience that complement each other. First, it is the number of bank supervisors that have more than 10 years of experience in bank supervision. Second, it is the average tenure of current supervisors. Both the share of experienced supervisors among all supervisors and their average tenure vary considerably. Especially in the new EU member states the share of experienced supervisors is relatively small, which is simply caused by the fact that their supervisory authorities themselves are rather young. In other countries it seems that bank supervision has expanded, which implies only relatively few experienced supervisors.

C.H.

### Reference

World Bank (2007): Bank Regulation and Supervision Database, World Bank, Washington D.C.

**Table**

**Bank supervision: Manning of supervisory authorities<sup>a)</sup>**

	Total number of professional bank supervisors	Frequency of onsite inspections conducted in large and medium size banks	Bank supervisors with more than 10 years of experience in bank supervision	Average tenure of current supervisors (i.e. average number of years current supervisors have been supervisors)
Austria	Not available	Every 2 years	Not available	Not available
Belgium	60	Annually	50	10
Czech Republic	About 100 employees of which 49 inspectors (32 onsite, 17 offsite).	Every 2 years	18 (of which 5 are onsite and 13 offsite inspectors).	6
Denmark	45	Less frequently	8	7.2
Finland	138 (total staff incl. securities markets supervisors).	Annually	66	10.3
France	160	Once per year	50	6
Germany	BaFin <sup>b)</sup> 450; Bundesbank 1,003	Every 2 years	Not available	Not available
Greece	142	Every 2 years	100	20
Hungary	60	Every 2 years	8	7.1
Ireland	36	Annually	3	3.8

(Table continued)

	Total number of professional bank supervisors	Frequency of onsite inspections conducted in large and medium size banks	Bank super-visors with more than 10 years of experience in bank supervision	Average tenure of current supervisors (i.e. average number of years current supervisors have been supervisors)
Italy	Banking supervision is carried out by 3 departments of the Bank of Italy's central administration and by local branches (one in each Italian province). There are more than 400 bank supervisors, excluding the branches.	Less frequently	Not available	Not available
Luxembourg	30	Annually	17	10.7
Netherlands	92	Annually	18	6
Poland	464	Every 2 years	279	10.3
Portugal	Total 171 and related directly to supervisory activities 72.	Every 2 years	Total 121 and related directly to supervisory activities 46.	16
Slovakia	85	Every 2 years	10	5
Spain	300	Not available	150	10
Sweden	170	Annually	80	Not available
United Kingdom	Not available	Every 2 years	Not available	Not available
Norway	Not available	Annually	60% of the onsite inspectors	7
Switzerland	132	Annually	45	10
Australia	248	Annually	Not available	5.9
Canada	Ca. 210 (450 total FTE at Office of the Superintendent of Financial Institutions)	Annually	11	7
Japan	450	Annually; As an approximation, for large banks: Annually, for medium size banks: every 2 years.	Not available	Not available
New Zealand	7	Less frequently	4	10
United States	2,218	Annually	1,269 (OCC <sup>c</sup> ) and 787 (Fed <sup>d</sup> )	16.1 (OCC <sup>c</sup> ) and 8.8 (Fed <sup>d</sup> )

<sup>a)</sup> The data from the survey was available in early July 2007 and it is perhaps accurate to interpret the responses as describing the situation as of 2006. – <sup>b)</sup> Bundesanstalt für Finanzdienstleistungsaufsicht. – <sup>c)</sup> OCC: Office of the Comptroller of the Currency. – <sup>d)</sup> Fed: Federal Reserve System.

Source: World Bank (2007).