



PRESS RELEASE

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The Riksbank's journal Economic Review discusses subjects related to central banking. This year's second issue is published today and contains four articles:

The regulatory framework for banks in the EU: An introduction

As banks are inherently unstable, regulation is warranted, according to Jonas Niemeyer at the Financial Stability Department. Also, since banks play an important part in the financial system, such regulation is of great public concern. The present regulatory structure is national and national authorities are responsible for maintaining stability in the financial system. However, banks are becoming increasingly active on an international scale, including the targeting of retail customers in several countries, especially within the EU. This poses a number of challenges for financial regulation.

Supervisory arrangements, LoLR and crisis management in a single European banking market

In this paper, Arnoud W.A. Boot, University of Amsterdam and CEPR, discusses some key issues related to supervisory arrangements in the EMU countries, and particularly those relating to the LoLR structure and crisis management. The focus will be on the responsibilities and powers of individual countries and national central banks vis-à-vis the actors at the European level (the EU and the ECB). In this context various issues will be raised relating to the effectiveness and efficiency of the arrangements, and specifically the role and positioning of the lender of last resort (LoLR) in light of the fragmented supervisory structure.

Burden sharing in a banking crisis in Europe

Pan-European banks are starting to emerge, while arrangements for financial supervision and stability are still nationally rooted. According to Charles Goodhart, London School of Economics, and Dirk Schoenmaker, Vrije Universiteit Amster-



dam and the Dutch Ministry of Finance, this raises the issue who should bear the burden of any proposed recapitalisation in the event of failures in large cross-border banks. A recapitalisation is efficient if the social benefits (preserving systemic stability) exceed the cost of recapitalisation. Using the multi-country model of Freixas (2003), the authors show that ex post negotiations on burden sharing lead to an underprovision of recapitalisations. Against this background, they explore different ex ante burden sharing mechanisms.

Cross-border financial supervision in Europe: Goals and transition paths

In this paper, David G. Mayes, Bank of Finland, considers how the authorities in European countries might work together to ensure a framework for the efficient supervision of cross-border banks that are of systemic importance in at least one country, in a way that enables each country to claim credibility that it will be able to maintain financial stability. After reviewing the options, he argues that a collegial approach to supervision, where all the authorities are jointly responsible under a strengthened lead supervisor, might work well in normal times. However, maintaining financial stability calls for some form of hard-law international agreement among the partners on how problems will be avoided and handled, not simply a Memorandum of Understanding.

The journal is available as a PDF file on the Riksbank's website under the heading Publications/Published/Economic Review. It can also be collected from the main entrance to the Riksbank at Brunkebergstorg 11 or ordered by e-mail, forradet@riksbank.se, fax +46-8-7870526 or telephone +46-8-7870000.