Тип работы: Эссе

Предмет: Английский продвинутый

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central bank's budget. Co-financing by financial institutions subject to supervision is also possible. This model of institutional structure of financial supervision is currently applied in the Republic of Ireland. The idea of functional model of financial supervision is based on general microeconomic grounds justifying state interventions into the market (expansion of negative externalities and resulting financial system instability, presence of information asymmetry, unfair business practices, and imperfect competition). Instead of financial institutions supervision, the model aims at supervising individual functional elements of the supervision and control system, amending thus the regular market failure. This model first arose in Australia, where the Wallis' Committee published final report in March 1997. In 1998, based on the recommendations of the Wallis' Committee, the Australian government accepted new institutional arrangement of financial supervision based on following agencies: The Australian Competition and Consumer Commission (responsibility for supervision of the competition), The Australian Securities and Investments Commission (supervision of the conduct of business), The Australian Prudential Regulation Authority (prudential supervision of the financial institutions) and The Reserve Bank of Australia (responsibility for financial stability).
Still there are no certain restrictions in favor of any one of the models. There are only advantages and disadvantages of the models and reasons why a country withdraws one model in favor of another. In reality each model has its own strengths and weaknesses. What is more, choosing a model does not always guarantee effectiveness of the model in terms of financial supervision and macroeconomic stability. Also, macroeconomic stability does not guarantee financial stability. Effective regulation of individual institutions does not deliver stability of the financial system as a whole. Risks may be reasonably well managed in individual institutions but the system as a whole could be pro-cyclical and hence more risky. The interconnectedness among institutions propagates and magnifies shocks across the system. The stability of the parts does not equate the stability of the

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