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ON THE CONFLICT OF INTEREST BETWEEN SUPERVISION AND MONETARY POLICY*

Endowing the European System of Central Banks (ESCB) and the European Central Bank (ECB) with competences to supervise credit institutions was the result of the decades-long discussion about a potential conflict of interest between the conduct of monetary policy and supervision and the question of whether the central bank should perform both functions at the same time. The answer to this question has been, and still is disputed by the representatives of the doctrine engaged in the banking system (both economists and lawyers). In different States, supervisory bodies occupy different places and these too may change, depending on the preferences a given State may have at a given time.

The Anglo-Saxon tradition for a long time favoured the option in which both monetary policy and supervision were placed with the central bank.¹ The reason was that in these countries central banks were the last ones to become independent of the government. Their monetary policy was conducted by the minister of finance on the government's behalf while the central bank was left with the technical and operational activities. Under this concept the central bank ought to be very familiar with the situation in the banking sector and have all the information necessary for the analyses needed for the implementation of monetary policy on the one hand and the performance of the supervisory role on the other.

The German tradition favours the separation of both roles because Germany's economic history is based on the bad experiences of the interwar period, starting with hyperinflation in the 1920s and the subsequent economic crisis, through the period of national socialism to the war policy of the Third Reich. The idea behind the establishment of a new central bank in 1957—the Bundesbank—was to rebuild the reputation of this institution. Hence, from the very beginning supervision was detached from the Bundesbank. In this way the Bundesbank was to be saved from losing its reputation as a consequence of difficulties in the banking system. The German concept of the

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¹ In 1997 the Tony Blair's new government transferred the supervisory function from the Bank of England to the newly-created Financial Services Authority (FSA) creating in this way supervision of all financial institutions that integrated prudent supervision with human behaviour (C.A.E. Goodhart, *The Organisational Structure of Banking Supervision*, Financial Stability Institute, Occasional Papers No. 1, November 2000-10-25, Bank for International Settlements, Basel, Switzerland).

Bundesbank was that it had only one role, which was the determination and implementation of monetary policy and ought to remain credible in this role. Otherwise, it was believed, the additional supervisory function would limit its independence.² Apparently, the German model was later used as a model for the European System of Central Banks and the supervision remained in the hands of the Member States.

The Bank of France model was a mixed one, in which the Banking Commission was an organ consisting of the representatives of the central bank as well as the government.³

It is true that supervision and monetary policy are in many respects two entirely different functions. The differences are, firstly, in the character and the frequency of the decisions that must be made; secondly, in the type of information needed for the decisions to be made and how they should be implemented; and thirdly, in the qualifications of the personnel of their respective organs. While it may be enough to meet only twice a month to decide about monetary policy, it is supervision, particularly when tensions occur, which requires decisions to be made much more frequently. Discussions concerning monetary policy, even if relatively infrequent are always preceded by considerable amounts of analytical material sent out beforehand for prior consideration. However, when it comes to supervision, many situations cannot be foreseen or planned for in advance. Meetings are called *ad hoc* and decisions must be made quickly. Specific knowledge is also required. Distinguishing between a loss of liquidity and insolvency is not at all easy, and the former does not necessarily result in the latter.

Both functions entail different fiscal consequences, and the consequences of monetary policy decisions extend to the whole economy. For example, an increase in interest rates generates much greater financial consequences for the State budget than the restructuring of a single bank. From the point of view of legal procedures, most supervisory decisions are subject to review by relevant courts but the decisions of monetary policy makers are exempt from such control.⁴

Neither are the objectives of the two functions the same. The goal of monetary policy is price stability while banking supervision is focused on the stability of the banking system. In some areas these two objectives overlap to a certain degree; for instance a restrictive monetary policy brings about a low level of loans and credits granted by banks, which in turn has an adverse effect on banks' profits. This, in turn, leads to an overall worsening of the whole economic situation since lower taxes paid to the State mean a deterioration of the State's budget as a result of a fall in tax revenues. On the other hand, too lenient supervisory regulation may be partially responsible for a situation in which interest rates will have to be increased. In other words, supervision may influence a monetary decision.

² C.A.E. Goodhart points to the fact that central banks, even if formally and institutionally deprived of the supervisory role, do in practice have much influence on the performance of the supervision (idem, *The Organisational Structure*, 5).

³ H. Gronkiewicz-Waltz, *Bank centralny – od gospodarki planowanej do rynkowej. Zagadnienia administracyjnoprawne*, Warsaw, 1994, 140.

⁴ *Instytucjonalny rozdział agencji nadzorczych i agencji kierujących polityką pieniężną*, Narodowy Bank Polski, Generalny Inspektorat Nadzoru Bankowego, Warsaw, 1994, 4.

One source of conflict may also be the fact that the central bank performs two functions at the same time: it is the lender of last resort, making advances to commercial banks to ensure their liquidity, and it may also, in view of poor results generated by the banking sector, decide not to increase interest rates even if such a move would be very welcome in a very high inflation environment. Moreover, while monetary policy is pro-cyclical, supervisory prudential regulations are anti-cyclical. This may lead to a situation in which pressure may be exercised on the supervisory organs, to ease strict regulations at a time of lower prosperity. It seems, however, that the central bank is more resistant to political pressures than a supervisory body which is usually, in one way or another, related to the government (at least because of the system of electing and appointing the heads of the supervisory body). At the same time a contrary situation cannot be entirely excluded, where the supervisor recommends the liquidation of an insolvent bank but the central bank, wishing to avoid a domino effect, wants to save it.

A frequent reason for separating the supervisory role from monetary policy is the desire to protect the reputation of the central bank which would otherwise be jeopardised if a bank it supervised were to be declared insolvent. Such a situation would then be proof of this central bank's inefficiency or incompetence.⁵ What is more, prior to EU membership, the political authorities of a candidate state had to accept the independence of its central bank, so they were not too willing to leave the supervisory responsibility with this bank as well, weakening in this way their influence on banking supervision.

Another argument for not giving the supervisory function to the central bank is that this means that supervision of all financial markets, not only the banking market, is accumulated in one single institution. However, a question that arises here is whether the central bank is really interested in such a wide scope of supervision (including, for instance, pension funds). Another vital argument that favours leaving the supervisory responsibility with the central bank is the integrity and credibility of the payment system. In most countries, the supervision of the payment system is done by the central bank which at the same time takes over the credit and payment risks. The central bank may then react faster than other organs—hence a reference to it as the lender of last resort.⁶ Regular access to information on the situation in the banking sector and individual banks is advantageous as it facilitates the conduct of monetary policy and helps the bank to undertake supervision, especially at a time of financial crisis.

Problems in the banking system are first felt in the payment system. When managing foreign currency reserves and clearing accounts, the central bank automatically monitors the liquidity of each bank in real time.⁷ Yet, it will never rid itself of the responsibility for financial stability and financial regulation. After all the condition of the financial system depends on macro-economic results.⁸ Further, to perform its new duties properly, the central bank has to have access

⁵ C.A.E. Goodhart, *The Organisational Structure*, 21.

⁶ Ch. Goodhart, D. Schoemacher, *Instytucjonalny rozdział agencji nadzorczych i agencji realizujących politykę pieniężną*, NBP, GINB, Warsaw, 1994, 23.

⁷ R. Pauli, Payments remain fundamental for banks and central banks, *Bank of Finland Discussion Papers* 2000, no. 6, 19.

⁸ Ch. Goodhart, *The Organisational Structure*, 2.

to information at the micro-level⁹ as well. Some authors claim that the central bank must be ready to act in the event of a crisis and therefore, apart from regular information about banks, it must have knowledge about how, and by whom, individual banks are managed.¹⁰

According to Alan Greenspan, nothing can replace the relationships between the supervision, regulation, market behaviours, prudential standards and macro-stability, which are all essential for conducting monetary policy. This is why the stability of the authority and competences (not constant changes) is of such importance.¹¹

There are practically no arguments that would speak for any of the models presented above. This is because when the role, or functions, of the European Central Bank were being determined, Member States proposed models which derived from their traditions. Before the adoption of the Maastricht Treaty, a committee composed of presidents of (European) central banks (the predecessor of the ECI—the European Currency Institute) voted for placing supervision within the structures of the European System of Central Banks (ESCB). This proposal was supported by the European Commission. The Governing Council emphasised the importance and need for information about the economic condition of banks, especially since in the long-term the price stability as the main objective of the ESCB was complementary to the other objective which was the stability of the financial system. However, despite the Council's support for the proposal, some Member States opposed, stating various reasons for their disagreement, which included a reluctance to transfer supervisory authorities to the ESCB which was an institution already perceived as a body with significant independence, and an unwillingness of Member States' governments to cede yet more competences to a supranational authority. Both Germany and France were, too, against supervision being placed at the European level. Germany also feared a conflict of interest between monetary policy and supervision. Thus, subsequent drafts of statutes of the European Central Bank and the European System of Central Banks contained fewer and fewer articles, and the competences of the ESBS became even more generalised.¹²

Despite all that, Article 105(6) of the Maastricht Treaty (now Article 127(5) TFEU) provided for a legal ground to confer banking supervision powers upon the ECB.¹³ This provision was formulated as follows: the ESCB shall contribute to the smooth conduct of policies pursued by competent authorities relating to the prudential supervision of credit institutions and the stability of the financial system. Article 28(1) of the ESCB's Statute entitles the ECB to express opinions and provide advice to the Council, the Commission and competent authorities of Member States on the scope enforcement of EU leg-

⁹ Ch. Goodhart, *The Organisational Structure*, 33.

¹⁰ R. Ferguson, Alternative approaches to financial supervision and regulation, *Journal of Financial Services Research* 17(1), 2000, 300.

¹¹ A. Greenspan, *Testimony before the Committee on Banking, Housing & Urban Affairs*, U.S. Senate, March 2, 2005, 301.

¹² For instance under the Netherlands' leadership, in 1990 the ECB's supervision of insurance companies was excluded. See R. Smits, *The European Central Bank: institutional aspects*, *International Banking and Financial Law* 1997, 356.

¹³ As it transpires from unofficial talks this was forced through by the UK.

islation relating to the prudential supervision of credit institutions and the stability of the financial system. Some authors were of the opinion that these provisions were formulated too generally and that the only thing to be drawn from them was that the ECB was a body to give opinions, make assessments and interpret EU legislative acts on prudential supervision, and was therefore a reviewer and censor of the interpretation of EU provisions applied and enforced.¹⁴

In the opinion of others, the proposed solution was only provisional and that in the long term supervisory responsibility would be conferred upon the European Central Bank.¹⁵ It was argued that if the ECB conducted an effective monetary policy, then the harmonisation of the banking supervision would result in its centralisation. It was believed that such a solution would be a consequence of the unification of the conditions in which credit institutions were to operate. Some representatives of the doctrine even claimed that the credibility of the European Central Bank was contingent upon whether it was to be given competences to supervise credit institutions.¹⁶ As can be seen, the diversity of opinions was quite considerable.

Apart from the substantive legal basis upon which supervision is to be performed, the Treaty envisages an appropriate procedure authorising the Council (following consultations with the European Parliament and the ECB) to issue a regulation by which specific tasks relating to the practices in the area of prudential supervision of credit institutions, except for insurance undertakings, may be entrusted to the European Central Bank.

The European Central Bank has also been equipped with legal tools to ensure the proper implementation of these competences. Pursuant to Article 132(1), first indent of the TFEU, the ECB may issue a regulation pertaining to prudential supervision. It may also take decisions necessary for carrying out the tasks entrusted to the ESCB under the Treaties and the Statute of the ESCB and of the ECB (Article 132(1) second indent). Before the Regulation of 2013 which directly entrusted to the ECB the performance of prudential supervision, pursuant to the then existing provisions of the Treaties and the Statutes of the ESCB and the ECB, the European Central Bank was authorised to issue general as well as individual acts.

Another aspect of the modified approach to supervision exercised by central banks was the fact that the objectives of supervision had been modified as well. Before the last financial and economic crisis voices had been increasingly frequently heard that besides supporting price stability, the main objective of the central bank should indeed have been financial stability. The ECB's opinion on the amendments to the law on the central bank contained explicit recommendations indicating the necessity to confer upon the central bank the new tasks of ensuring due care in order to maintain financial stability.¹⁷ In recent years, when the role of macro-prudential regulation has been gain-

¹⁴ Ch. Hadji Emmanuil, *The European Central Bank and Banking Supervision*, *Essays in International Financial & Economic Law*, no. 3, September 1996, 27.

¹⁵ A. Nowak-Far, *Unia gospodarcza i walutowa w Europie*, Warsaw, 2001, 235.

¹⁶ *Ibidem*, 236.

¹⁷ The ECB's opinion of 2 August 2006 issued at the request of the Marshall of the Sejm of the Republic of Poland on the draft Act amending the Act on the National Bank of Poland (CON/2006/39), point 4, 4.

ing in importance, the conflict between monetary policy and supervision has subsided.¹⁸ The reason for this is that financial stability, as the main goal of macro-prudential supervision, can be much more successfully implemented when price stability is ensured.

A skilfully conducted monetary policy may, through the proper management of interest rates, be used to alleviate the tensions occurring in the financial system. When the situation in the banking sector deteriorates, it may be a sign that the real economy is not doing well. In such a situation central banks react by lowering interest rates. However, even a long period of price stability was not sufficient to prevent the financial crisis. On the contrary, price stability caused the emergence of a speculative bubble on the assets market which eventually led to a crisis. This does not mean, however, that monetary policy has no longer any influence on financial stability. It simply requires additional tools, apart from interest rates, and in particular it needs better communication with the markets. Therefore it is so important to add to the existing responsibilities of the central bank a duty of due care to ensure financial stability. This, of course, does not change the fact that the basic goal of the central bank is price stability, despite the fact that central banks also pursue the aim of supporting financial stability, which subsequently has a positive influence on sustained economic development. The optimal situation would be achieved if both these goals were achieved, but this is not always the case.

The provisions of the Treaties and Statutes previously adopted have allowed the ECB to be entrusted with specific supervisory powers.¹⁹ The catalyst which led to this decision was the financial crisis which clearly showed how a fragmented financial sector poses a risk to the common currency and the internal market. This was one of the reasons why the integration of the supervisory tasks and responsibilities needed to be intensified (as indicated in recital 2 to Regulation No. 1024/2013). The argument which had till then spoken against entrusting banking supervision to the European Central Bank, has become, as can be seen in recital 13 of the Preamble to Regulation No. 1024/2013—a trump card in favour of the integration of two functions: that of conducting monetary policy and that of supervision. The European Central Bank is the central bank of the eurozone and has at its disposal all the necessary specialist knowledge in terms of macro-economy and financial stability. Therefore it is a competent institution to perform specific supervisory tasks with particular emphasis on the protection of the stability of the European Union's financial market. The ECB should therefore have conferred on it specific tasks relating to the policy intended to ensure the supervision of credit institutions operating in participating Member States. The principles upon which such supervision exercised by the European Central Bank would be based have been laid down in the ECB's opinion on the Regulation under discussion here. Firstly, the ECB ought to have a chance to carry out its tasks

¹⁸ T. Beck, D. Gros, *Monetary Policy and Banking Supervision: Coordination instead of Separation, Economic Policy*, CEPS Policy Briefs, December 2012, 36.

¹⁹ Pursuant to Article 18 of Regulation No. 1024/2013 of 15 October 2013 conferring specific tasks on the ECB concerning policies relating to the prudential supervision of credit institutions (Official Journal of the EU L 287/63), the ECB may impose financial administrative penalties up to a maximum of double the profit made, annual turnover or loss avoided, or up to 10 per cent of the total annual turnover.

effectively and rigorously, taking care that its reputation is not jeopardised. Secondly, it ought to continue to enjoy independence. Thirdly, there ought to exist a strict division between the supervisory tasks and the tasks related to conducting monetary policy. Fourthly, the ECB ought to be able to draw, to some extent, on the experience and resources of national supervisory authorities. Fifthly, it ought to assess the current situation according to the principles of the single financial services market and in accordance with the set of principles applicable to financial services.²⁰

Regarding European banking supervision, or its main focus of attention, the organisation of performing these tasks is similar to how this issue was solved in the case of monetary policy conducted by the European Central Bank. Consequently, the tasks assigned to the ECB are performed with the participation of, and through, the national supervisory authorities (the supranational monetary policy of the ECB is carried out operationally by national central banks), while the ECB has been equipped with competences that are typically of a supervisory nature such as, among other things, issuing and withdrawing licences to operate in the credit market, establishing limits or restricting the operations of credit institutions, supervision of their operations, supervision of the acquisitions and sales of share packages in credit institutions, supervision of the observance of capital requirements and financial leverage, liquidity, transfers of parts of profit to the reserves and other purpose funds, summoning legal and natural persons to provide information, examination of accounts and books at the institutions' premises, or the imposition of financial administrative penalties.²¹ What will remain outside the scope of interest of the ECB includes consumer rights protection, combatting money laundering and payment services supervision.

The following credit institutions are also exempt from the entities that are subject to the ECB's supervision:

— Those with assets exceeding 30 mld euro or whose assets account for more than 20 per cent of the GDP of their home country and are higher than 5 bn. euro, or those which the ECB considers of material importance following a request from the national supervisory authority (based on the criteria of size, their importance for the economy of the countries of the EU or the size of their cross-border operations).

— The three most important credit institutions in a given Member State belonging to the eurozone.

— Credit institutions which received financial aid from institutions appointed to maintain financial stability, or which applied for such aid (the European Instrument of Financial Stability or the European Stability Mechanism).²²

Pursuant to Article 6 of Regulation No. 1024/2013 the European Central Bank and competent national bodies have been obligated to collaborate in good faith, to exchange information and provide support and assistance to the

²⁰ The ECB's opinion of 27 November 2012 on the motion regarding the Regulation of the Council conferring specific tasks on the ECB concerning policies relating to the prudential supervision of credit institutions and the motion regarding the Regulation of the European Parliament and the European Council amending Regulation (EU) No 1093/2010 establishing a European Supervisory Authority (European Banking Authority) point 1.4, 7.

²¹ Article 4 of the Regulation No. 1024/2013.

²² Article 6 of the Regulation No. 1024/2013.

ECB in the preparation for and implementation of all legislative acts, according to the ECB's instructions.

In order to separate the function of conducting monetary policy from micro-prudential supervision and to ensure the autonomy of the decision-making processes, it was necessary to establish competent management structures. A question arising here is how to organise the structure of an entity which will be capable of performing the supervisory function and conducting monetary policy in a manner allowing it to avoid a conflict of interest between the two.

Tasks performed by the ECB within the framework of supervision must not conflict with the tasks related to directing monetary policy, nor may they be dependent on such tasks, or influence the day-to-day monitoring of the liquidity of credit institutions. The ECB is obligated to report to the European Parliament and the Council on its adherence to this rule. The personnel engaged in supervision is organisationally separated from those who perform other tasks, it is also accountable and subject to another administrative reporting hierarchy. The ECB must also ensure that the Governing Council separates the conduct of monetary policy from supervision.

When it comes to the ECB, an additional problem appears. The Treaty has authorised only the Governing Council to act on behalf of the European Central Bank, not the supervisory body, whose function, pursuant to Regulation No 1024/2013, is performed by the Supervisory Board. However, proposals regarding monetary policy are prepared by the Supervisory Board and transmitted to the Governing Council. Therefore the Governing Council has the right to raise objections to the measures proposed. When it objects to the proposed measure it must explain its reasons in writing. It has 10 business days to do so. Pursuant to the ECB's Rules of Procedure²³ relating to micro-prudential supervision, the Governing Council has the right to endorse, object to or amend the proposal, and it also has the right to request the Supervisory Board to submit a proposal within the meaning of Article 13(h).²⁴ In the view of the President of the Bundesbank this conflict may be resolved by amending the Treaty.²⁵

To ensure separation of the tasks of directing monetary policy from supervisory responsibilities, competent national authorities of the state which the objections raised by the Governing Council concerned, may, if they do not agree with the Governing Council and its objections, request the Supervisory Board to conduct mediation. The mediation team is composed of one member of the Governing Council and one member of the Supervisory Board of each country from the eurozone. The Vice-President of the Supervisory Board takes the Chair. For each motion requesting mediation a special committee to analyse the individual case is appointed in a manner so as to ensure a proper balance between the members of the Governing Council and the members of the Supervisory Board. The committee prepares opinions which are subsequently submitted to the Governing Council and the Supervisory Board. After the opinions have been deliberated on, the Supervisory Board may submit a new draft of the decision to the Governing Council.

²³ The ECB's Decision of 22 January 2014 amending the Decision EBC/2004/2 adopting the Rules of Procedure of the European Central Bank (EBC/2014/1), (2014/179/UE), Official Journal of the EU L 2014/95/56 (hereinafter the Rules of Procedure).

²⁴ Article 13(h) of the Rules of Procedure.

²⁵ *Challenges Lie Ahead for the Single Supervisory Mechanism*, Deutsche Bundesbank Eurosystem, Frankfurt am Main, 10.02.2016, 1.

The meetings of the Governing Council are also separated. Those which concern supervisory tasks are held separately and have a separate agenda (Article 13 of the Rules of Procedure). Apart from the separation of competences and the manner of resolving disputes, the composition of both organs is important as it must account for its function. The Governing Council is composed of the members of the Board of the ECB and representatives of central banks from the eurozone. The composition of the Supervisory Board includes representatives of national supervisory authorities (one of each), four representatives of the ECB (appointed by the Governing Council) whose functions are not directly related to the performance of duties related to the ECB's monetary policy, a chairman elected in the course of an open qualification procedure and a vice-chairman elected from among the members of the ECB's Board. In the structure of the Supervisory Board there is a clear prevalence of the representatives of central banks and the European Central Bank (5 representing the ECB and 11 representing the national supervisors). This means that the supervision is, *de facto* performed by the representatives of central banks and the ECB because most of the European supervisors are connected with the central bank.

The answer to the question whether such an advantage is right will depend on whether one is a supporter of supervision performed by the central bank or by a specially appointed organ. The participation in the Supervisory Board of independent experts such as for example former supervisors or retired employees of the commercial banks, or, representatives of the academic world should also be considered as a possible option.

Another proposal is a two-tier system of supervision, comprising 5 to 9 members, and a board composed of representatives of national supervisors also from countries which do not belong to the Eurosystem.²⁶

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Upon the establishment of the European Economic and Currency Union, only monetary policy was moved to the supranational level. In my opinion it was a decision of a political, not substantive nature, caused by the simple fact that Member States were not willing to give away any more competences and move them to the European level instead of securing supervisory powers for themselves. Despite such a position adopted by Member States, the legal grounds for equipping the ECB with supervisory competences have been written in the Treaty as well as the Statutes of the ESCB and the ECB. This legal ground constituted no obstacle to establishing two supervisory organs at the European level: The European Council of Systemic Risk to conduct macro-prudential supervision and the European Banking Supervisory Authority to conduct micro-prudential supervision. At that time there was no indication whatsoever that Member States²⁷ would make use of this legal ground. It seems that a change in this attitude was caused by concerns that without more complete participation on the part of the European Central

²⁶ N. Véron, Europe's single supervisory mechanism and the long journey towards banking union, *Bruegel Policy Contribution* 2012, no. 16 (October), 6.

²⁷ The High-Level Group in Financial Supervision in the EU – Report, Jaques de Larriere, Brussels, 25 February 2009.

Bank, the financial crisis would never end. Finally, in 2013 a decision was taken to authorise the ECB to conduct micro-prudential supervision.

The combination of monetary policy with micro-prudential supervision in the ECB has been a reality for only one year. It is too short a period to assess whether it has turned out to be efficient or not. According to Reuters' the first tensions between the Supervisory Board and the Governing Council have already been noted.²⁸ They arise from a different approach to the situation in the European banking sector. The supervisory organ attaches much importance to the size of capital, while the Governing Council expects credit activity to be more dynamic to help to overcome deflation and end the relations between banks and governments established in 2010–2012 during the debt crisis in the eurozone. The frictions between the Supervisory Board and the Governing Council were triggered not only by increased capital requirements implemented by the Board, but also the determination of limits of treasury bonds in the portfolios already owned. The ECB's Vice-President Vítor Constâncio is of the opinion that the introduction of such a limit may be harmful to banks, financial markets and the economy. And yet, despite these tensions and frictions, none of the proposals for regulation put forward by the Supervisory Board has been rejected by the Governing Council, but merely amended. The Governing Council frequently bows under pressure from banks which believe that European supervision is too restrictive. As it transpires from the Annual Report on the Supervisory Board's activity in 2015, the principle of the separation of the tasks of monetary policy from the supervisory tasks was predominantly applied with respect to the information flow between different departments of the European Central Bank and is based on the need-to-know principle, which in practice means that individual departments had to prove each time that such information was required to implement their tasks.²⁹

Only time will tell whether placing monetary policy and supervision under one roof in the European Central Bank was the right decision.

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S u m m a r y

The discussion involving the conflict of interest between the implementation of monetary policy and banking supervision influences the institutional solution to the question of the inclusion or non-inclusion of the supervisory function among the tasks of the central bank. Consequently, credit institutions were, for many years, left unsupervised. This situation would have probably continued until today, had it not been for the financial crisis of 2008-2013. Despite the appointment of the European Financial Supervision Office in 2011, supervision of the main EU financial institutions has recently been vested in the European Central Bank. Whether this decision was the right move will only be known in the years to come, when the effectiveness of this supervision has been assessed.

²⁸ See <<http://www.firstpost.com/fwire/exclusive-ecb-divided-over-supervisors-tough-stance-on-banks-sources-reuters-2503322.html>> [accessed 25 November 2015].

²⁹ Annual Report of the ECB in the part on the Supervisory Board's activity, March 2016, 19.