

Other Distribution:
Department Heads

Deposit insurance agencies

The institutional framework for the Swedish Deposit Guarantee Board is set forth in the 1995 Deposit Guarantee Scheme Act and the 1996 Investor Compensation Scheme Act.

Securities regulatory agencies

The institutional framework for securities regulation, market integrity and consumer protection is set forth in the 1989 Australian Securities and Investments Commission Act.

Implementation considerations

Financial agencies need to have a clear view of their objectives. Objectives could and do have different meanings for different agencies—they can be principles of operation, such as fairness, they can be procedures, or they can be results, such as lowering risk or reducing the number of failures. Financial agencies need to convey to the public the specific objectives of their agency.

Some laws or regulations specify multiple objectives for a financial agency. As changes in financial markets evolve and depending on financial conditions at particular times, the emphasis a financial agency places on the different objectives may change. In the presence of such multiple objectives, it is important for a financial agency to disclose and explain each objective, so that the public is aware of any potential tradeoffs between them. Transparency can be enhanced if the relative priorities of the different objectives are clarified.

Defining the objectives of a financial agency involves some tradeoff between permanence and flexibility. Since laws may be difficult to change at short notice, and the objectives of financial agencies may evolve over time, it may be prudent to avoid being overly specific in defining the objectives in legislation so that agencies will have the flexibility to deal with different circumstances, by supplementing the basic legislation with updated regulations, for example. Changing the legislation or regulation too frequently can be counterproductive if it results in the public's perception of the policymaking process being in a state of flux. On the other hand, defining the objectives quite specifically means that changes in the overall legal framework periodically will require amendments to the legislation, and the process of periodically altering the governing laws can promote transparency through a public discussion on the merits of the issue. Defining the objectives of financial agencies in a treaty (e.g., the Bank of Central African States) makes it more difficult to change the objectives, because of the greater degree of consensus required to amend these forms of legislation.

5.1.1 The broad objective(s) of financial agencies should be publicly disclosed and explained.

Explanation and rationale

Public disclosure of financial policy objectives of a particular financial agency involves making information on them accessible and readily available to all interested parties. It also involves explaining the broad objectives giving detailed information about the respective agency's objectives in a format or style that is readily understood. The objectives of financial agencies active in different financial sectors vary. For some (e.g., securities regulatory agencies), the objective stresses market efficiency, for others, (e.g., banking supervisory and payment system oversight agencies) the focus is on market and systemic stability, while for others (e.g., insurance regulatory and deposit insurance agencies) the principal consideration is client-asset protection. Some agencies have multiple objectives.

Disclosing the ultimate objectives in publications and public statements and explaining them to the public raises the awareness and understanding of the policymaking process beyond the legislative framework.

Application

The broad objectives of nearly all responding financial agencies—across financial agency types—are usually disclosed through legislation; for some agencies, in addition regulations and other documents are used to specify objectives. Principal methods for disclosing and explaining the objectives include the annual report, the official gazette, web sites, public speeches, and releases to the media.

Deposit insurance agencies

The objectives of the Canada Deposit Insurance Corporation are specified in legislation, and explained in various manners, including in pamphlets required by law to be distributed by covered depository institutions.

Securities regulatory agencies

The objectives of the Securities Market Commission of Latvia are specified in the Law on the Securities Market Commission.⁷ The Commission discloses and explains its objectives to

⁷ The objectives of the Commission are “to facilitate the development and sustainability of the securities market; to protect investors’ interests and to ensure equal competition opportunities in the securities market.” See Article 5 of the Law at www.vtk.gov.lv/laws/SMC%20with%20Amendments.htm

