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NEW CHALLENGES OF SUPERVISING FINANCIAL CONGLOMERATES

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Abstract. The focus of this article is to analyse the development of large financial groups in the financial market called financial conglomerates, and to analyse the adequacy of their supervision, weather procedures and instruments of prudential supervision enable supervisory authorities to get the required information and to take effective decisions. In this article, the review of scientific literature allowed to distinguish three main typologies of financial conglomerate structures. Analysis shows that a large variety of financial conglomerate structures causes the risks of contagion, risk of concentration, management complexity and conflicts of interests and requires more intense and a different kind of their prudential supervision. The current European Union legislation provides for a comprehensive set of rules on prudential supervision, but the latest findings have indicated that group risks arise across the whole financial sector, underscoring the importance of the supplementary supervision of the links within financial groups and between financial institutions. Supplementary supervision on group risks will enhance financial stability and better protection of depositors, insurance policy holders and investors.

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Keywords: financial conglomerate, financial conglomerate structure, supervision of financial conglomerates, financial groups.
Reikšminiai žodžiai: finansų konglomeratai, finansų konglomeratų struktūra, finansų konglomeratų priežiūra, finansinės grupės.

1. Introduction

New developments and the growing convergence within the financial sector have led to a blurring of boundaries between the different sub-sectors of financial systems and to the creation of large financial groups which provide services in different financial sectors, often across borders, called financial conglomerates. In the light of the financial crisis, the European Commission evaluated the effectiveness of the Financial Conglomerates Directive and found that supplementary supervision could not be carried out on certain financial groups because of their legal structure.

The current European Union (EU) legislation—the Financial Conglomerates Directive 2002/87/EC, Capital Requirements Directive (2006/48/EC and 2006/49/EC) and Directive on Supplementary Supervision of Insurance Undertakings in Insurance Groups (98/78/EC)—provides for a comprehensive set of rules on the prudential supervision of credit institutions, insurance undertakings and investment firms which are part of respectively a banking/investment firm group or an insurance group, i.e. groups with homogeneous financial activities. Appropriate supervision of financial conglomerates is an important step in modernization of EU financial legislation because these companies are often systemically important not only for one EU member state but for all EU as a whole. Improvement of supervision of financial conglomerates will promote convergence in national supervisory approaches and between sectors, will enhance financial stability and better protection of depositors, insurance policy holders and investors. Exploring the lessons of last financial crisis it is very important that these supervisory measures would enable the objectives of various supervisory authorities to be met and serve the interests of consumers.

The aim of this article is to analyse the development of financial conglomerate structures in the financial markets and the adequacy of their supervision, weather procedures and instruments of prudential supervision enable supervisory authorities to get the required information, assess the main changes coursed by recent financial crisis and to submit conclusions and proposals to improve supervision of financial conglomerates.

2. The identification of a financial conglomerate

A clear definition of a "financial conglomerate" is important for each legislator to distinguish a financial conglomerate from other groups of undertakings, to take into account the group structure and wide area of activities that a financial conglomerate may be engaged in.

The Joint Forum on Financial Conglomerates (Basel Committee, 2001) has defined financial conglomerates as "any group of companies under common control whose exclusive or predominant activities consists of providing significant services in at least two different financial sectors (banking, securities, insurance)."

The Article 2(14) of the Directive 2002/87 /EC of the European Parliament and of the Council defines a financial conglomerate, the main criteria being: "…at least one of the entities in the group is within the insurance sector and at least one is with the banking or investment services sector; the consolidated and/or aggregated activities of

the entities in the group within the insurance sector and the consolidated and/or aggregated activities of the entities within the banking and investment services sector are both significant within the meaning of Article 3." A group will be financial conglomerate if at least 40% of its business is financial and at least 10% of its financial business is in each of the insurance and the combined banking/investment sectors. The 10% threshold is the average of the part of the smallest sector in 1) total assets and 2) total solvency requirement. So provisions of Directive to identify a financial group as a conglomerate were based on the assumption that one could recognize a group exposed to group risks by the quantitative ratios of the balance sheet totals and solvency figures also on qualitative indicators. But industry and the supervisory community agree that the current identification process and quantitative thresholds are not sufficient for the objectives of Financial Conglomerates Directive.

The Financial Conglomerates Directive provides for the identification of financial conglomerates which should be subject to supplementary supervision, based on quantitative thresholds.

3. The development of the financial conglomerate's structural typologies

The growing convergence in the financial markets caused different forms of financial conglomerates and has received wide attention in scientific literature (Herring et al.1990), (Van den Berghe et al. 1998), (Hoschka 1994).

The analysis of scientific literature showed that researchers have developed different schemes of the typologies classifying financial conglomerates. A systematic analysis of scientific literature allows us to distinguish three main typologies of financial conglomerate structures:

I typology is based on the degree of legal and operational separateness. Legal separateness implies that different products are provided by separate corporate entities, each of which has its own management structure, set of accounts, board of directors, and capital. Operational separateness implies regulatory or self-imposed restrictions (called firewalls or Chinese walls) that inhibit the integrated production of different financial services (Herring et al.1990):

1 model: Complete integration (German model): managers are allowed to conduct all activities within a single corporate entity. There neither legal nor operational separateness and financial conglomerate can produce any given output at the lowest cost because it can exploit economies of scope. As for this type of appropriate anti-competitive behaviour, conflicts of interest and potential risk of contagion the costs of supervision can be much higher than in other cases.

2 model: Bank parent–non-bank subsidiaries (British model): there is a legal in that the banking function is conducted in the corporate parent and non-banking functions are conducted in separately incorporated subsidiaries. Compared to the German model, operational efficiency is inevitably reduced. On the other hand, this form has some advantages: losses are limited, tax benefits can be exploited, regulatory costs are reduced.

3 model: Holding company parent—complete legal separateness: the US model is comparable to the British model, but here the company shell is the sole owner of the banking subsidiary and is non-banking counterparts. In this model legal separateness is more extensive than in the former model and less potential for economies of scope, social benefits are higher than in the German model as the legal separateness simplifies regulation and supervision.

4 model: Holding company parent—complete legal and operational separateness: holding company operates as an investment company and no operational synergies between the different parts are exploited. This model should not be considered as an integrated financial corporation, because this structure benefits from financial synergies. Also this model needs only limited supervision.

II typology is based on the basis of the relative proportion of their banking and insurance activities (by the balance sheet total) was developed by the supervisor of the Dutch insurance companies and pension funds (Van den Berghe et al.1998), which was used for effective control of financial conglomerates:

- primarily banking financial conglomerates;
- primarily insurance financial conglomerates;
- mixed financial conglomerates.

III typology is based on the mode of entry strategies of banks into insurance industry (i.e. the mode of diversification) and to insurance companies entering the banking industry (Hoschka, 1994):

- **De novo entry** (start-ups): the relative success of this method of entry is often explained by the fact that with de novo entry, the strong cultural differences can be overcome more easily. The banks have a higher degree of control over the whole start-up process and they don't have to take into account an insurance partner with totally different culture.

- **Mergers/acquisitions**: is the next best option for banks and insurance companies because both a merger and acquisition have the advantage that it is easier to follow the same direction in the all finance approach; the expertise and experience for both the banking and the insurance domain is available in the group from the start.

- **Joint ventures**: is defined as a kind of a cooperation agreement between two or more independent companies, setting up a legally independent entity, owned and controlled by the parent companies (a bank and an insurance company). This method was frequently used in cross-border alliances.

- **Distribution alliances:** marketing agreements can be completed with substantial cross-shareholdings. This method of entry gives for companies the highest degree of freedom. The combined offering of insurance and credit services requires a lot of involvement to resolve the problems that will appear. With this method two parties will give up efforts more quickly and will pay attention to other priorities.

The studies which used the typology based on the mode of diversification found that de novo entries and mergers and acquisitions were most successful than joint ventures and distribution alliances (Hoschka, 1994).

Structures of financial conglomerates depends to a large extent from custom and practice in different countries, from rules or laws governing, not only by ownership of

banks but also from activities in which banks can be involved. For example in Switzerland, Italy, Germany, France, Luxembourg, Netherlands securities business is considered to be something of a "natural" banking activity which can be organized within the legal entity of the bank or by separate subsidiary within financial conglomerate (http://www.riskinstitute.ch/136350.htm). There is no single structure of a financial conglomerate among different countries. Their character depends from sector representing in the holding company the major business of conglomerate. Also, a financial conglomerate can be primarily as security, an insurance or a banking structure. Combining insurance and banking services generates scope economies in terms of monitoring the customers, competition in the financial markets becomes more intense. The pro-competitive effect reduces the prices of the financial services, increases monitoring and improves financial stability. Also, increased monitoring allows regulators apply lower capital requirements for financial conglomerates (Malkonen, 2009).

On the other hand, a financial conglomerate can consist of businesses where no one sector dominates in the character of the entity. For example, a financial conglomerate involved primarily in banking typically will be one in which the parent company is either bank, or a financial holding company, the most dominant subsidiary of which is an authorised credit institution. Smaller less important subsidiaries will include securities firms or insurance companies. Particularly, for supervisory purposes it is important to distinguish financial conglomerates whose interests are in financial activities from mixed financial conglomerates, which are commercially or industrially oriented, but have at least one regulated financial entity in their structure. Prudential rules—particularly capital adequacy requirements—are applied on a consolidated basis. This means when a bank owns subsidiaries or is itself owned by a parent company that owns a broader group of companies, the assets and liabilities of all these companies are considered in assessing whether or not the bank meets these relevant prudential standards (Schooner, Taylor 2010).

Such mixing of commercially or industrially activities in financial conglomerates have raised the importance of the more complex supervisory issues. Some of these conglomerates are among the biggest financial groups which are active in the financial markets and provide services on a global basis. If such conglomerates, and, in particular, credit institutions, insurance undertakings and investment firms which are part of such a conglomerate, were to face financial difficulties, these could seriously destabilise the financial system and affect individual depositors, insurance policy holders and investors. Also breakups can potentially increase idiosyncratic volatility for parent firms through such channels as: loss of diversification (portfolio effect), change in growth opportunities, change in operational efficiency, and the flow and assimilation of information (information effect) (Desai, Savickas 2010).

4. The dynamics of the financial conglomerates and their value estimation

The Joint Committee on Financial Conglomerates (JCFC) coordinates the identification of financial conglomerates and every year announces the new list of identified fi-

nancial conglomerates (http://ec.europa.eu/internal_market/financial-conglomerates/supervision_en.htm). Table 1 below shows the dynamics of the financial conglomerates during the period of 2005-2009 years.

Table 1. The number of identified financial conglomerates

Financial conglomerates with:	2005	2006	2007	2008	2009
1. Head of group in the EU/EEA	62	74	61	59	57
2. Head of group outside of the EU/EEA :	-	-	8	8	4
2.1. In Switzerland	-	-	2	2	2
2.2. In the USA	-	-	5	5	2
2.3. In Australia	-	-	1	1	-

Source: JCFC statistics, analysis by authors.

Table 1 shows the number of the financial conglomerates with head of group in EU/EEA in 2006 year which compose of 62 European groups (end 2005 figures). At the end of 2009 year this number composed of 57 European groups and 4 groups with head of group outside the EU/EEA territory. About 35 of them are small and operate mainly domestically with a relatively small number of licenses. A typical large conglomerate has over 400 licenses in several jurisdictions and several sectors (banking, life and/or non-life insurance, asset management). The biggest conglomerates may have over 1000 legal entities or licenses. Their ability to substitute capital markets with internal capital markets creates value for conglomerates when the financing cost in external markets is high (Yan, 2006). As financial conglomerates are complex of different financial products, investors and analysts are interested in adequate valuation of such companies. Existing literature generally analysis non-financial firms (Berger and Ofek, 1995) or banks combining investment and commercial banking and show significant diversification discounts: firms that engage in multiple activities are valued less. In this article we shall overlook the results of first attempt in literature to analyse the valuation of cross-sectoral groups, combining banking and insurance described in Journal of Banking & Finance (Lelyveld and Knot, 2009). The main target of researchers was to answer the question—are companies concerning banking and insurance within a single entity valued at more or less than the sum of their constituting parts, i.e. is there a premium or a discount, and if so, what causes this discount. For this purpose above mentioned authors made analysis on the value of 45 largest financial conglomerates that have been published by the EU in 2006. The researchers main measure of interest was the benchmark market-to-book value of financial conglomerates as imputed from the weighted combination of their stand-alone valuations by the formula:

$$\bar{Q}_t = \sum_{j=1}^{n} wa_{kjt} \left(\left(\sum_{i=1}^{Nj} A_{it} \right)^{-1} \sum_{i=1}^{Nj} A_{it} Q_{it} \right) \quad (1)$$

where: *wa* – the weight for each sector with *k* being either total assets or sales; $n = 2$ (banking and insurance); A_i - stands for assets; Q_i – market- to- book value of each single sector firm; $N = 45$. For each conglomerate in research formula the authors used

the relative weight of banking compared to insurance within the conglomerate (measured by assets or sales) to combine the average market-to-book valuation of standalone banks and insurers. They also compute an alternative specification of (1) where they computed the median instead of the average market-to-book value for each of the two sectors (changing the part within the brackets). The authors compared the mean and median valuation benchmarks to actual conglomerate market-to-book valuation, and subsequently tested for the various theories formulated to explain diversification benefits or discounts such as riskiness, liquidity, mispricing. After empirical analysis of the key valuation measures (size, time, the degree of mixedness, and riskiness) results of calculations were (Lelyveld and Knot, 2009):

- 52% of the researched financial conglomerates had a premium;
- 48% of the researched financial conglomerates had a discount.

Besides this, the research of financial conglomerates by priorities of the key valuation measures showed the results as follows:

- the first prior that larger conglomerates had more opportunities for inefficient cross-subsidization and faced a larger discount, was strongly confirmed;
- the second prior that the discount would be reduced as conglomerates become less opaque, was also approved by the data; time trend prior was significantly positive, suggesting that investors need a time to appreciate the financial conglomerate business model over time; the mixed variable was marginally significant ;
- the third prior based on the risk shifting argument also was kept: an increase in risk positively affected the excess value and as risk decreased through diversification within conglomerate, value shifted from equity holders to debt-holders.

Some authors (Bikker and Van Lelyveld, 2003) are explaining that the risk reducing effect of insurance-banking conglomerates is arising from the balance sheets that are mirror images: banks borrow short term and lend long term, while insurers (life) take on liabilities for longer time then the securities they can invest in. Thus, the constant cash flow in such financial conglomerate leads to its higher valuation.

Thus, summarizing the results on the research of the valuations of financial conglomerates acting in banking and insurance in the literature, in contrast to previous studies, can be assumed that the researchers could not find universal diversification discount of the value of financial conglomerates but significant variability. This can be explained that financial conglomerates are relatively new phenomenon in the financial sector and that financial markets still need the time to become more familiar with the financial conglomerates business model. In respect of this supervision of financial conglomerates needs great consideration.

5. Developments in legislation on supervision of the financial conglomerates

In 2000 the G10's Joint Forum of financial sector supervisors released the principles of supervising financial conglomerates. The leading idea was that groups in the financial sector, which are operating in several markets and with many regulated enti-

ties, were exposed to risks, which had nothing to do with the banking business or with the insurance business, but which had everything to do with the challenge of controlling a group of many different legal entities. These group risks: the risks of contagion, of risk concentration, of management complexity and conflicts of interest, justified more intense, and a different kind of supervision of larger, more complex groups, than the smaller, simpler groups (Estavillo, Knot 2010).

Directive 2002/87/EC of the European Parliament and of the Council of 16 December 2002 on supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate and amending Council Directives 73/239/EEC, 79/267/EEC, 92/49/EEC, 92/96/EEC, 93/22/EEC and Directives 98/78/EC and 2000/12/EC of the European Parliament and of the Council (Financial Conglomerate Directive) fulfilled the lack of prudential supervision on a group-wide basis of credit institutions, insurance undertakings and investment firms which are part of such a conglomerate. In particular serious attention was given to the solvency position and risk concentration at the level of the conglomerate, the intra-group transactions, the internal risk management processes at conglomerate level, and the fit and proper character of the management.

The Financial Conglomerates Directive entered into force from the 1 of January 2005. The Directive introduced supplementary supervision of financial conglomerates on a group-wide basis. It aimed to target those conglomerates with activities in the European Economic Area (EEA) that are among the largest global financial groups in the region to ensure that their activities do not seriously destabilize the financial system. There are two meanings of the Directive: if the parent undertaking of the financial conglomerate is in the EEA and outside EEA.

In the first case the Directive requires that a regulatory coordinator must be appointed to exercise supplementary supervision over the financial conglomerate. There is a procedure for identifying the coordinator which is generally the regulator of the parent undertaking heading a financial conglomerate. When a financial conglomerate is not headed by a regulated entity, there are rules for identifying the coordinator based upon the relative size and jurisdiction of the regulated sectors or entities within the financial conglomerate.

In second case, for financial conglomerates, the Directive requires the regulator that would be the coordinator if the identification procedure laid down in the Financial Conglomerates Directive were applied to verify whether the regulated entities in the group are subject to supervision by a third country regulator "equivalent" to that provided by the Directive. This regulator is required to consult with the other European regulators of the group‘s entities and consider any guidance issued by the European Financial Conglomerates Committee before taking this decision. If no third country having equivalent supervision can be identified, the provisions of the Directive may be applied "by analogy" to the regulated entities of the group in the EEA. Also alternatively, the European regulators may agree on other methods to ensure appropriate supplementary supervision: these can include the requirement to establish a holding company for the regulated entities in EEA.

The Financial Conglomerates Directive required the coordinator to exercise supplementary supervision by a variety of methods:

- supplementary supervision of the conglomerate‘s capital adequacy;
- monitoring and requiring the annual reporting of significant risk concentrations at the level of the financial conglomerate;
- monitoring and requiring annual reporting of significant intra-groups transactions (above 5 percent of the financial conglomerate‘s capital requirement are presumed significant).

Solvency is one of the key areas of the Financial Conglomerates Directive. Financial conglomerates must have adequate capital and the possibility for double gearing of own funds within a conglomerate to be eliminated. The Directive defines 3 methods for calculating capital adequacy at group level:

1. *The accounting consolidation method*, which is based on consolidated accounts and compares the consolidated own funds with the sum of the solvency requirements for each different financial sectors which are calculated according the corresponding sectoral rules;

2. *The deduction and aggregation method* is based on "solo" accounts and compares the sum of the own funds of each regulated and unregulated financial entity in the group with the sum of solvency requirements for each regulated and unregulated financial entity in the group together with the book value of the participations in other entities of the group;

3. *The book value/requirement deduction method* is based on solo accounts but is driven by the parent undertaking‘s capital with the sum of its capital requirements and the higher of the book value of its participation in the other entities in the group and these entities corresponding solvency requirements.

The Financial Conglomerates Directive also provides for the appointment of one of the relevant supervisory authorities as a "coordinator" responsible for the supplementary supervision aspects and the coordination of the other supervisory authorities.

The Directive adopted a series of actions which were needed to complete the Single Market in Financial Services, and approved supplementary prudential legislation for financial conglomerates which abolished loopholes in the sectoral legislation and ensured sound supervisory arrangements to financial groups with cross-sectoral financial activities.

Just as the insurance and banking industries are different, the regulation and supervision of these two sectors differ in profound ways. But common to the regulation of banks and insurers is consumer protection.

6. Current supervision of financial conglomerates

Now supervision of financial conglomerates in EU is mainly organized at the national level. Each single legal entity that wants to operate in the banking sector of the EU countries needs authorization from the national supervisor and needs to comply with the relevant banking regulation. The same applies for legal entities that want to

operate in the insurance sector: such entities need to be authorized as insurance companies and must comply with the relevant insurance regulation. Supervision rules also allows for a group of authorized banking entities to be subject to consolidated banking supervision. Similarly, in the insurance sector, a group of authorized insurance entities can be subject to insurance group supervision. Financial conglomerates are often active in both banking and insurance business and operate in several EU Member states. The Financial Conglomerate Directive gives national financial supervisors additional powers and tools to watch over these firms. Also the Directive requires supervisors to apply supplementary supervision on these conglomerates in addition to the specific banking and insurance supervision.

Supplementary supervision becomes relevant when a financial group consists of several legal entities that are authorized to do business in banking, insurance or other sectors of the financial services industry. The number of legal entities within a conglomerate can be near 1000. All of these entities are controlled by a parent entity, where decisions are made regarding business strategies, internal governance and group-wide risk management. While the parent entity can be a regulated entity itself, such as bank or an insurance company, it can also take the form of a holding company.

Supplementary supervision focuses on problems that can arise from:

- multiple use of capital: supervisors are to make sure that capital is not used twice or more within conglomerate;

- group risks are the risks that arise from the group structure and which are not related to specific banking or specific insurance business. They refer to the risk of contagion (when risks spread from one end of the group to another), to risk of concentration (the same risk materializing in several parts of the group at the same time), to risk of management complexity (managing near 1000 legal entities) and conflicts of interest (one part of group has an interest in selling an exposure, while another part of the group has an interest in keeping that exposure). The Financial Conglomerates Directive allows national supervisors to monitor those risks and requires supervisors to cooperate across sectors and across borders in order to control possible risks.

7. Arising problems and response of new developments in prudential legislation of supervision

In the light of the financial crisis, the Commission evaluated the effectiveness of the Financial Conglomerates Directive. It found that supplementary supervision could not be carried out on certain financial groups because of their legal structure. In some cases national financial supervisors were left without the appropriate tools because they had been obliged to choose either banking or insurance supervision under the sector-specific directives or supplementary supervision under the Financial Conglomerates Directive as the definitions for banking and insurance holding companies in the sector-specific directives and for mixed holdings in the Financial Conglomerates Directive were mutually exclusive.

In January of 2009 the Joint Committee on Financial Conglomerates presented their findings. The review process has indicated that group risks arise across the whole financial sector, underscoring the importance of the supplementary supervision of the links within financial groups and between financial institutions. The main issues, which are not still regulated are: supervision at the top level; risk based identification; clear inclusion of participations and of asset management companies in the identification of conglomerates and in the directive; clear supervisory treatment of participations.

The main objective is to restore the full spectrum of supervisory tools and powers, regardless of the legal structures of financial conglomerates, to extend the scope of supplementary supervision to non-regulated entities such as asset management companies, special purpose entities. There are still legal entities where assets are stored off the groups' balance sheets. Especially during the crisis, it became clear that contagion and risk concentration originated also from non-regulated parts of financial conglomerates.

The amendments of the Financial Conglomerate Directive aims to introduce an enhanced prudential regime for the supervision of third-country financial conglomerates. It does this by requiring a determination to be made for third-country conglomerates, banking and investment groups about whether the home country supervisor carries out worldwide group supervision to a standard equivalent to that in the EU. If it does, then there will be no additional requirements for the group concerned. If it does not, EEA supervisors have to perform worldwide group supervision themselves or apply alternative supervisory measures that will achieve the same objective.

8. Conclusions

Concluding issues the proposed amendments to the Financial Conglomerates Directive can be summarized as follows:

1. If under the current rules, supervisors have to choose which supervision they apply when a group acquires a significant stake in another sector and when the parent entity is a holding company, now it is proposed to change this: both banking and insurance supervision and supplementary supervision could be applied on the conglomerate' parent entity, also if it concerns a holding company. So the non-operating holding companies will be included in day-to-day supervision. For this purpose will be amended the definitions of Mixed Financial Holding Company, Financial Holding Company and Insurance Holding Company in a way that enables supervisors to apply both the top level provisions in Capital Requirements Directive and insurance directives. Also it is proposed the inclusion of asset management companies, special purpose entities and/or other non regulated entities (pension funds, other commercial entities) and their treatment in day-to-day supervision.

2. The overview of the valuations of financial conglomerates acting in banking and insurance in the literature, in contrast to previous studies, showed that the re-

searchers could not find universal diversification discount of the value of financial conglomerates but significant variability. This can be explained that financial conglomerates are relatively new phenomenon in the financial sector and that financial markets need the time to become more familiar with the financial conglomerates business model. Thus determines more restrictive regulation and supervision of financial conglomerates.

3. Financial supervisors justifying the potential group risks should be allowed to identify a group as a financial conglomerate and apply supplementary supervision. The identification process of financial conglomerates should allow for risk-based assessments, in addition to existing definitions relating to size (quantitative indicators). Especially useful will be under the current rules, the balance sheet figures are determinative when identifying conglomerates. This approach sometimes results in a list of conglomerates that are not necessarily exposed to group risks, while groups that are evidently exposed to group risks are not always included within the scope of supplementary supervision.

4. Financial supervisors should be allowed to waive a group from supplementary supervision if it is small (smaller than 60 billion total assets) and if the supervisor assesses the group risks to be negligible, even if the small group meets the quantitative indicators. This should enable supervisors to allocate their resources to the supplementary supervision of larger and systemically important conglomerates. For this purpose must be modified the parameters assessing the significance of the smallest financial sector for larger groups amending the mechanics of the application of thresholds.

5. The legislative proposal of Directive changes now is passing to the European Parliament and the EU Member States for consideration and is expected to see the changes enter into force in 2011. In future the growing role of the Joint Committee with the establishment and day to day effectiveness of financial conglomerate's colleges and supplementary supervision on group risks will enhance financial stability and better protection of depositors, insurance policy holders and investors.

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NAUJI FINANSINIŲ KONGLOMERATŲ PRIEŽIŪROS IŠŠŪKIAI

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Santrauka. Šio straipsnio tikslas yra išnagrinėti didelių finansinių grupių, vadinamų finansiniais konglomeratais, vystymąsį ir ištirti jų priežiūros pakankamumą, ar procedūros ir priemonės, taikomos priežiūroje, leidžia priežiūrininkams gauti reikiamą informaciją, kad galėtų priimti efektyvius sprendimus. Atlikus mokslinės literatūros bei veiksnių, darančių įtaką finansinių konglomeratų vertei, apžvalgą, išskirtos trys pagrindinės finansinių konglomeratų tipologinės struktūros bei veiksniai, didinantys ar mažinantys jų vertę. Analizė parodė, kad plati finansinių konglomeratų struktūrų įvairovė sukelia užkrato ir koncentracijos riziką, sudėtingą valdymą ir interesų konfliktus bei reikalauja daug intensyvesnės ir įvairesnės jų priežiūros, atitinkamai atsižvelgiant ir panaudojant veiksnius, darančius įtaką jų vertei. Dabartinė Europos Sąjungos teisėkūra turi visapusišką taisyklių rinkinį, taikomą priežiūroje, tačiau naujausi duomenys parodė, kad grupių rizikos atsiranda visame finansiniame sektoriuje, pabrėždami papildomos priežiūros tarp finansinių grupių grandžių ir tarp finansinių institucijų svarbą. Finansinių grupių rizikos papildoma priežiūra užtikrins finansinį stabilumą ir geresnę indėlininkų, draudėjų bei investuotojų apsaugą.

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