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* Views expressed are those of the authors and do not necessarily reflect official positions of De Nederlandsche Bank.

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Abstract

Following Eijffinger and Geraats (2006), we construct an index of transparency of banking supervisors that takes political, economic, procedural, policy and operational transparency into account. Based on a survey, we construct the index for 24 banking supervisors. There are large differences among transparency of supervisors. The average total score is 9.2 points (out of 15), whereas the minimum is 6.25 points and the maximum 12.75 points. The average of economic transparency is the highest, while the average score for policy transparency is the lowest. Our analysis suggests that it is very hard to identify factors that can explain these differences.

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Key words: transparency, banking supervision

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1. Introduction

Nowadays it is widely believed that monetary policymakers should be transparent. While in the past they were associated with secrecy, central banks are now remarkably more transparent, placing much greater weight on their communications (Blinder et al. 2008). One reason for this change is that transparency is a prerequisite for accountability. The view that independent central banks should be accountable, i.e. explain both their actions and the reasoning that underlies those actions, is widely shared among central bankers. According to Issing (2001, p. 281), "In a democratic society, a high degree of transparency and accountability in monetary policy making reinforces the legitimacy of the central bank and consolidates the public support for its price stability mandate." Another reason for more openness is that transparency may enhance the effectiveness of monetary policy making. Indeed, recent evidence suggests that central bank transparency increases the effectiveness of monetary policy, although not all evidence points in the same direction (see Van der Cruijsen and Eijffinger, 2010 for a survey).

By contrast, the transparency of banking supervisors has been less of an issue. For instance, the De Larosière Report hardly pays any attention to this issue. Only in a footnote the report states: "Independence [of the supervisors] should be balanced and strengthened by proper accountability arrangements and *transparency of the regulatory and supervisory process*, consistent with confidentiality requirements" (p. 47, italics added).

However, similar to monetary policymaking, various arguments can be put forward why transparency of banking supervisors may be beneficial as well. First, transparency enhances the legitimacy of the supervisor. Especially in times of financial turmoil, the legitimacy of the authorities responsible for banking supervision is crucial. Second, although less so than central banks, supervisors have become more independent from government,

which, in turn requires accountability (Quintyn et al. 2007).¹ Transparency is key to make accountability work. It also safeguards independence. By making actions and decisions transparent, chances for interference are reduced (Quintyn et al. 2007). Third, transparency will increase the predictability of the supervisor, which, in turn, may stimulate banks to adhere to existing regulation. Indeed, Arnone et al. (2007) report a positive correlation between the transparency of the supervisor (measured as the extent to which countries implement the IMF Transparency Code on Banking Supervision) and the effectiveness of banking supervision. Fourth, transparency may help shape expectations and improve the robustness of linkages across institutions and markets. As pointed out by Sundararajan et al. (2003), uncertainty about the policy framework and its intent could itself contribute to abrupt and destabilizing market behavior. Finally, transparency forces supervisors to take careful decisions and to be consistent, reducing arbitrary decision-making. Indeed, supervisors seem to endorse transparency. For instance, according to the Basel Core Principles, “*an effective system of banking supervision will have clear responsibilities and objectives for each agency involved in the supervision of banks. Each such authority should possess operational independence, transparent processes, sound governance and adequate resources, and be accountable for the discharge of its duties*” (BCP 1). The European Banking Authority (EBA, previously CEBS) recognises the need for supervisory transparency and has set up guidelines for supervisory transparency (CEBS, 2010). This framework is intended to increase the transparency of supervisory practises and to enhance the comparability of national practises. On its website, EBA gathers relevant information of all European Union countries on supervisory laws and regulations, national options and discretions and statistical data on national banking sectors, risk indicators and supervisory actions.

¹ Lastra (1996) and Goodhart et al. (1998) were among the first to stress the need for independence of supervisors. The Basel Core Principles for Effective Banking Supervision put the need for operational independence for bank supervisors in the first principle.

At the same time, supervisors face more restrictions than monetary policy makers. For instance, they cannot reveal much information on individual financial institutions. Most supervisors face legal restrictions in this regard. Furthermore, transparency concerning an individual institution facing financial problems may cause a run on that institution, which, of course, will only worsen its problems. A final issue is that more than in monetary policy-making, banking supervisors may have to communicate differently to various stakeholders (the public, financial institutions, politicians).

The debate on transparency has been complicated by the fact that it is a qualitative concept for which few measures exist. Eijffinger and Geraats (2006) propose an index for the transparency of monetary policy that comprises the political, economic, procedural, policy and operational aspects of central banking.² They provide this index for nine major central banks for 5 years (1998–2002). This index has been expanded, both with respect to the number of countries and time span covered, in subsequent research by Dincer and Eichengreen (2007; 2009) and Siklos (2010) revealing the various ways in which central banks have become transparent and how transparency is evolving over time.

There is hardly any comparative research on transparency of banking supervisors.³ Following Eijffinger and Geraats (2006), we suggest an index of transparency of banking supervisors.⁴ The index refers to the implementation of banking supervision and therefore does not cover the decision-making process for banking regulation. Based on a survey and information provided on websites, we construct the index for 24 banking supervisors. It turns

² Earlier, Siklos (2002) constructed a transparency index measuring released information by central banks.

³ The papers that come closest to our research are Arnone et al. (2007) and Masciandaro et al. (2008). Arnone et al. (2007) examine the relationship between the quality of banking supervision and governance of the supervisory agency, based on assessments of the Basel Core Principles and the IMF Code on Transparency in Financial Policies, covering 116 and 53 countries, respectively. Masciandaro et al. (2008) analyze recent trends in, and determinants of, financial supervisory governance inside and outside central banks. These authors provide indexes for the levels of supervisory independence and accountability in 55 countries.

⁴ Previous work on transparency of banking supervisors by IMF economists (like Arnone et al. 2007 and Seelig and Novoa, 2009) relies on information that is not publicly available.

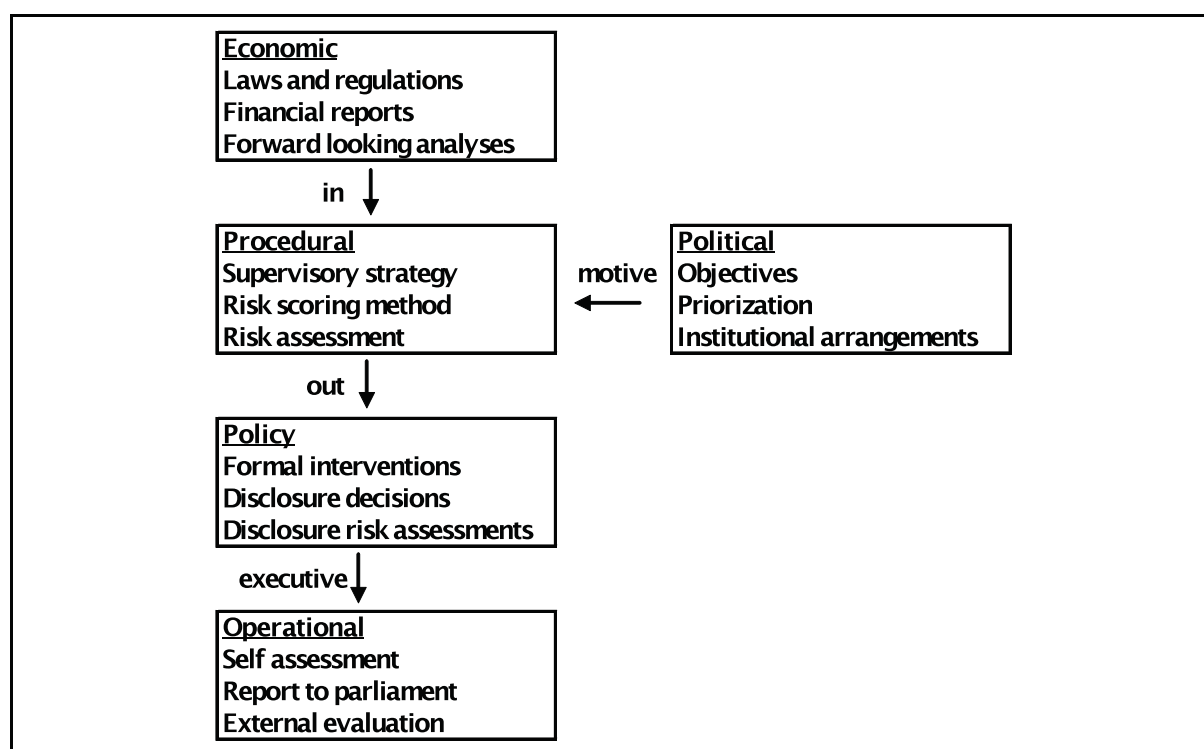
out that there are large differences among transparency of supervisors. Our analysis suggests that it is very hard to identify factors that can explain these differences.

The rest of the paper is structured as follows. Section 2 presents the conceptual framework that is used to motivate our index of banking supervisors' transparency as well as the questions used to construct the index. The index is used in Section 3 to show how transparent supervisors are. Section 4 provides a critical discussion of the results and Section 5 concludes.

2. Transparency of banking supervision

Transparency in supervision can be defined as the extent to which the supervisor discloses information that is related to the supervisory process. As argued by Sundararajan et al. (2003), a good policy transparency framework should consist of three basic elements: (i) clear and consistent policy objectives and periodic explanation of its rationale and performance; (ii) a well-founded legal, institutional, and economic basis; and (iii) provision of data and information to create an informed view of the state of policies that is likely to affect individual's and firm's financial choices. Following Geraats (2002), we distinguish five aspects of transparency: political, economic, procedural, policy and operational transparency. These aspects of transparency correspond to information disclosure about the stages of banking supervision are illustrated in Figure 1.

Figure 1. Framework



Political transparency refers to openness about policy objectives. This comprises a statement of the formal objectives of banking supervision, including an explicit prioritization in case of potentially conflicting goals. Political transparency is enhanced by institutional arrangements, like independence of the supervisor, because they ensure that there is no undue influence or political pressure to deviate from stated objectives (Eijffinger and Geraats, 2006). It is quantified by the following questions:

1. Is there a formal statement of the objective(s) of banking supervision?
2. Is there a clear prioritization in case of multiple supervisory objectives?
3. Which institutional arrangements are in place, which strengthen the operational independence of the supervisory authority?

As pointed out by Quintyn et al. (2007), various arrangements can enhance the independence of the supervisor. For instance, supervisors should have the final word on granting and withdrawing banking licenses. Furthermore, supervisory agencies that enjoy a high degree of

budgetary independence are better equipped to withstand political interference. Finally, one of the most important requirements is that supervisors enjoy legal protection in the performance of their duties. The absence of proper legal protection may have a paralyzing effect on supervision as the fear of suits brought by regulated entities against supervisors in their personal capacity could affect their willingness to take appropriate supervisory measures.

Economic transparency focuses on the information that is used for banking supervision. This includes all relevant supervisory laws and regulations, regular off-site financial reports of banks, and forward-looking analyses of financial sector developments. It is quantified by the following questions:

4. Are all relevant supervisory laws and regulations, including those made by the supervisory authority, easily accessible to the public?
5. To what extent does the supervisory authority make information from the regular off-site financial reports of banks available to the public?
6. Does the supervisory authority regularly publish forward-looking analyses of financial sector developments, and if so, how often?

Procedural transparency is about the way supervisory decisions are taken. It involves an explicit strategy that describes the supervisory policy framework, a method to assess riskiness of banks, and a strategy for interventions. It is quantified by the following questions:

7. Has the supervisory authority a clear ‘supervisory strategy’, for instance a publicly available document that explains how the supervisory authority wants to reach its goals in the coming period, its methodology (e.g. risk-based or not, co-operative or repressive, principle or rule-based), its priorities and/or main supervisory themes?
8. Is the method the supervisory authority uses to come to a risk scoring of a bank publicly available; e.g. which factors or risks does the supervisory authority look at when assessing a bank and how do these inputs lead to a scoring?

9. Is there a publicly available explicit strategy for supervisory interventions; e.g. is there an ‘intervention ladder’ that links the outcome of the risk assessment to specific intervention actions?

Policy transparency means a prompt announcement of policy decisions. In addition, it includes an explanation of the decision. It is quantified by the following questions:

(10) To what extent does the supervisory authority inform the public about formal interventions, e.g. issuing directions, issuing fines and replacing directors of financial institutions?

11. To what extent does the supervisory authority inform the public about formal non-sanctioning supervisory decisions, e.g. granting of licenses, giving permission to mergers and acquisitions, doing fit and proper checks?

12. To what extent does the supervisory authority inform the public about the outcomes of its risk assessments?

Operational transparency concerns the implementation of the supervisor’s policy actions. It involves reporting about the extent to which the supervisor has been able to achieve its objectives. It is quantified by the following questions:

13. Does the supervisory authority regularly publish an internal evaluation (self-assessment) of its functioning, and if so, how often?

14. Does the supervisory authority regularly report to parliament about its functioning, and if so, how often?

15. Is there a regular publicly available external evaluation of the functioning of the supervisory authority, and if so, how often?

3. Results

As pointed out by Eijffinger and Geraats (2006), transparency could be measured by analyzing either formal disclosure requirements or actual practices. We pursue the latter approach because the information disclosure by supervisors may go beyond legal requirements. Following Eijffinger and Geraats, we concentrate on the contents rather than the medium of information disclosure.

Based on the questions as defined in Section 2, we have set up a survey, which was sent to 42 banking supervisors world-wide. We received 24 replies, which implies a response rate of 57%.⁵ Table 1 shows the main outcomes of the survey. The scores refer to the time that the survey was held (second half of 2010). This implies that announced future changes have not been taken into account.⁶ Based on the responses we have received, we have coded the answers as explained in Appendix 1. The maximum score per transparency aspect is 3 points, leading to a maximum total score of 15 points. Although in most cases the scoring was rather straightforward, our scoring options sometimes did not fully capture the actual situation. In those cases, we have tried to score the supervisory authority concerned in a consistent and fair manner.

⁵ We have included the index only for supervisors that responded to the questionnaire. For supervisors that did not respond, we tried to construct the index ourselves based on the English website of the institution. However, as this would make the results less comparable we chose not to include the latter results.

⁶ This applies, for instance, to APRA, the supervisory authority in Australia that is preparing a publication on emerging issues and supervisory concerns on an industry basis (question 6).

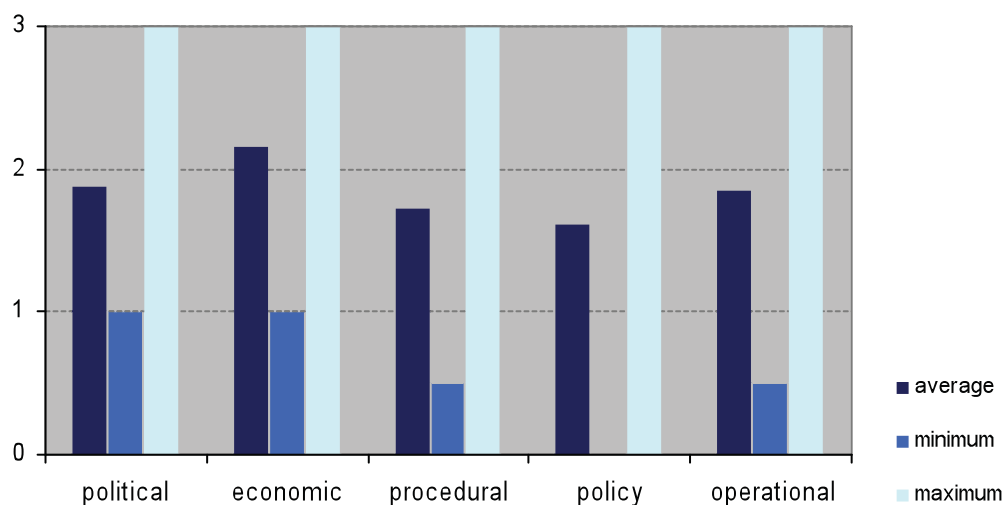
Table 1. Transparency index for banking supervisors

Supervisory authority	Political	Economic	Procedural	Policy	Operational
Australia (Australian Prudential Regulation Authority, APRA)	1.5	1.75	3	1.75	1.5
Belgium (Banking, Finance and Insurance Commission, CBFA)	1.5	1.75	1	1.25	1.5
Brazil (Banco Central do Brasil, BCB)	1	3	1	1	1
Canada (Office of the Superintendent of Financial Institutions Canada, OSFI)	1.75	1.75	3	1.25	2.5
China (China Banking Regulatory Commission, CBRC)	1.75	2	2.5	2	2
Denmark (Finanstilsynet, Danish FSA)	1.5	3	2	2	1.5
France (Autorité de Contrôle Prudentiel, ACP)	1.75	2.5	1	2.5	0.5
Germany (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin)	2	2.5	1	1.5	1.5
Hong Kong (Hong Kong Monetary Authority, HKMA)	1.5	2.5	2	1.5	2.5
Indonesia (Bank Indonesia, BI)	3	2.75	0.5	0	2.5
Ireland (Central Bank of Ireland, CBI)	1.75	1.75	1	1.75	3
Italy (Banca d'Italia)	2	1.5	2.5	1.75	1.5
Japan (Financial Services Agency, FSA)	1.75	2	2	2.5	3
Luxembourg (Commission de Surveillance du Secteur Financier, CSSF)	2	1.5	1	1.75	0.5
Netherlands (De Nederlandsche Bank, DNB)	1.5	2.25	2	1.5	2
Norway (Finanstilsynet)	2.5	2.25	3	3	2
Russia (Central Bank of the Russian Federation, CBR)	2	1.5	2	1.5	2.5
Singapore (Monetary Authority of Singapore, MAS)	2	2.25	2	0.75	1.5
Slovenia (Banka Slovenije)	1.75	2.5	2	1	1
Spain (Banco de España)	3	2.5	1	1.5	2.5
Sweden (Finansinspektionen, FI)	1.75	2.5	1	2.75	1.5
Switzerland (Swiss Financial Market Supervisory Authority, FINMA)	2	1	1	0.75	1.5
Turkey (Banking Regulation and Supervisory Agency, BRSA)	2	2.5	2	1.5	2.5
United Kingdom (Financial Services Authority, FSA)	2	2.25	2	2	2.5
Average	1.9	2.2	1.7	1.6	1.9
Standard deviation	0.45	0.51	0.75	0.68	0.71

We also checked whether the answers given were consistent with information provided on the website of the supervisor concerned. So although our scoring takes the answers from the supervisors as starting point, we sometimes gave a different score based on the information provided on the website. We have mailed the first draft of the paper to respondents and non-respondents, giving them an opportunity to comment on the scores that we gave. This led to a few well-documented minor adjustments (all surveys and correspondence is available on request).

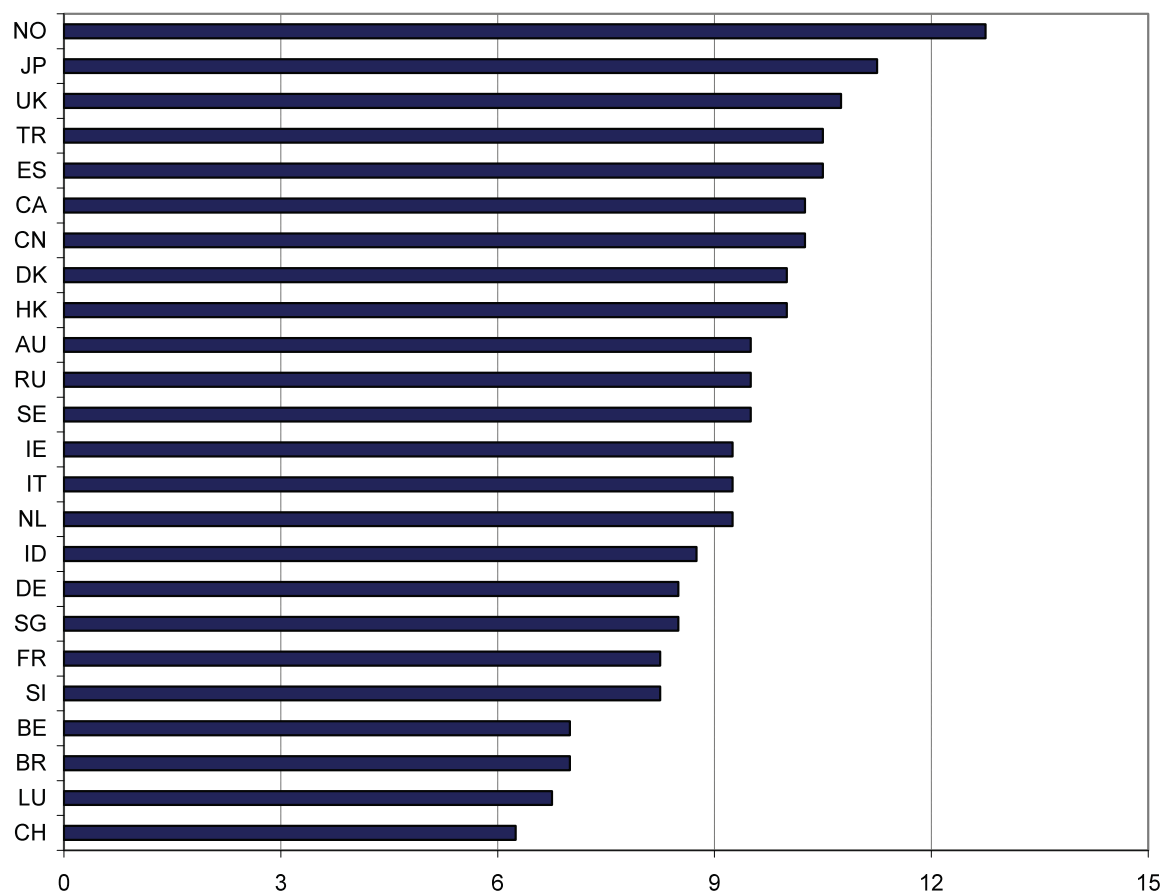
Overall, we find that no supervisor reaches the maximum score of 15 points. The average total score is 9.2 points, whereas the minimum is 6.25 points and the maximum 12.75 points. Figure 2 shows the average, the minimum and the maximum scores for the various dimensions of the transparency index. The figure shows that the average of economic transparency is the highest (2.2), while the average score for policy transparency is the lowest (1.6). Figure 2 also shows that there is much diversity among the countries in our sample. This is also illustrated by the standard deviation shown in the final row of Table 1. Procedural transparency has the highest standard deviation. In the next section we will analyze this diversity in more detail.

Figure 2. Summary: average, maximum and minimum for different dimensions of transparency



As shown in Figure 3, we find that western and central European countries (e.g. Switzerland, Luxembourg, Belgium) are less transparent than supervisors in northern Europe or other regions of the world (e.g. Norway, Hong Kong, Denmark, UK). This may be attributed to legal differences. Supervisors in countries with a French civil code are less transparent than countries with a Nordic or Anglo-Saxon legal tradition.

Figure 3. Ranking of countries based on total transparency score



4. Discussion

This section provides a more detailed analysis of the results, differentiating between transparency of different groups of supervisors, namely:

- Supervisors in industrial countries vs. supervisors in emerging markets;
- Supervisors that are also responsible for monetary policy-making versus supervisors without responsibility for monetary policy-making;
- Supervisors in countries with an inflation targeting strategy vs. supervisors in countries with a different monetary policy strategy;
- Countries where financial supervision is located within one organization vs. countries having different supervisory authorities; and

- Supervisors that are also responsible for market conduct supervision vs. supervisors that do not have this responsibility.
- Supervisors that are member of EBA vs. other supervisors.

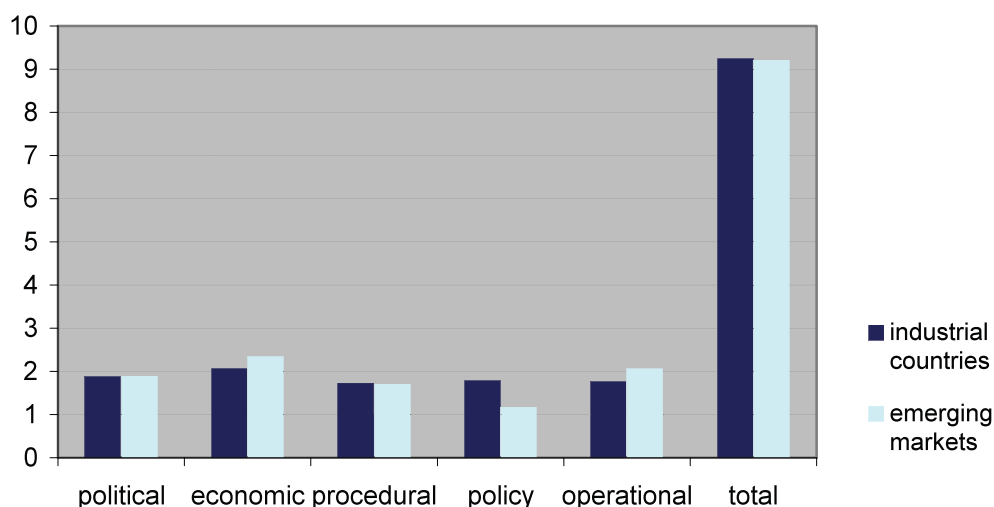
Supervisors in industrial countries vs. supervisors in emerging markets

The motivation for the first distinction is that Dincer and Eichengreen (2007) report that transparency of monetary policy is generally higher in industrial countries than in emerging markets. Similarly, Arnone et al. (2007) report higher transparency of banking supervision (based on adherence to the IMF code) in industrial countries than in emerging economies. Figure 4, which shows the averages for both groups of countries, suggests that the overall level of transparency of supervisors in industrial countries is very similar to transparency of supervisors in emerging economies.⁷ However, the dimensions of transparency differ across both groups of countries. Supervisors in industrial countries score higher on policy transparency than supervisors in emerging markets.⁸ This difference is significant at the 5% level; the differences for the other dimensions of transparency are not statistically significant (see the t-statistics in Table A1 in Appendix 3).

⁷ Emerging markets in our sample are: Brazil, China, Hong Kong, India, Indonesia, Korea, Mexico, Russia, Saudi Arabia, Singapore, South Africa and Turkey.

⁸ This difference is caused by diverging answers on question 10.

Figure 4. Transparency: supervisors in industrial countries vs. supervisors in emerging markets



Supervisors that are also responsible for monetary policy-making versus supervisors without responsibility for monetary policy-making

The second sample split is interesting as there has been a debate whether responsibility for banking supervision may affect the independence of the central bank (see, for instance, Grilli et al., 1991). Quintyn et al. (2007) argue that the move to integrated financial sector supervisors, which often involved transferring the banking supervisory function to an agency outside the central bank, led to concerns that this would create a less-independent function than existed previously.⁹ However, Masciandaro et al. (2008) find that neither the role of the central bank as a supervisor, nor the degree of unification of supervision outside the central bank seems to have an impact on the degree of independence of the financial supervisor.

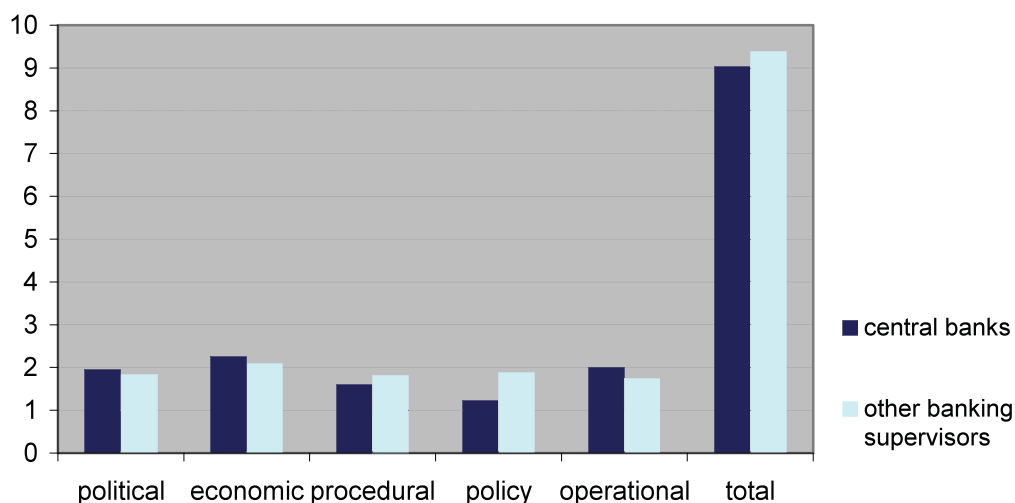
As a result of the recent financial crisis, the role of central banks in supervision is currently being reconsidered in several countries. Central banks, both in their capacity as lenders of last resort and being responsible for monitoring financial stability, need access to

⁹ By contrast in the Netherlands, the central bank—already the bank supervisor—took on additional prudential supervisory functions, while a second “peak” was established outside the central bank, the Authority for Financial Markets, in charge of the conduct-of-business supervision (see Kremers et al. 2003). According to Seelig and Novoa (2009), the practice of placing financial sector supervisors in central banks is particularly pronounced in Africa and Latin America. In our sample, in 14 countries the central bank is not responsible for supervision.

timely data and supervisory information about financial institutions. It may, therefore, be more efficient to make them responsible for banking supervision.

Figure 5 compares the scores for the various dimensions of transparency for countries where the central bank is responsible for banking supervision and countries where a separate institution is responsible for banking supervision.¹⁰ It follows that the largest differences between the two groups of countries exist for policy transparency. The average of policy transparency of supervisors not responsible for monetary policy is 1.89, while it is 1.23 for countries where the central bank is in charge of banking supervision (see Table A1 in Appendix 3 for full details). This difference is statistically significant ($t = -2.76$). The differences for the other dimensions of transparency are not significant across both groups of countries.

Figure 5. Transparency: central banks vs. other banking supervisors

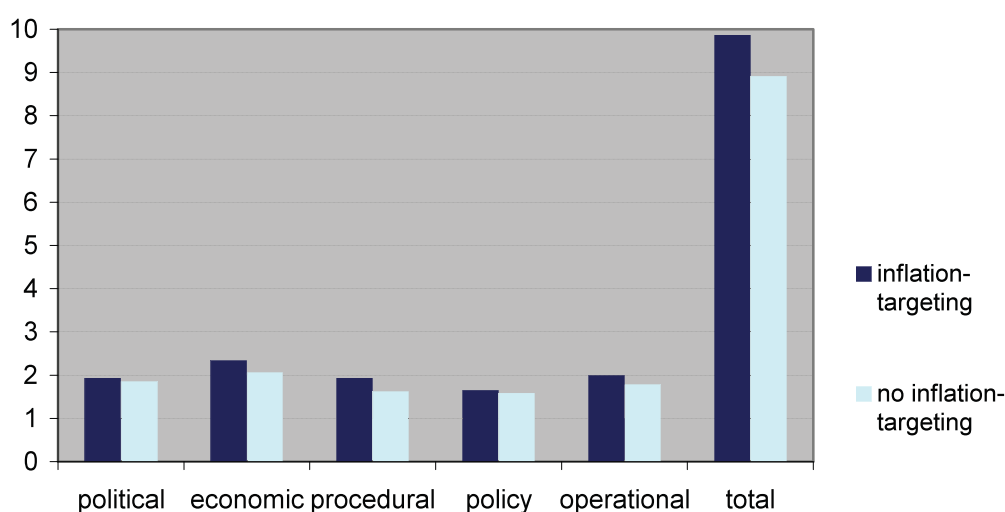


¹⁰ In Brazil, Hong Kong, Indonesia, Italy, the Netherlands, Russia, Singapore, and Spain the supervisory authority is currently also responsible for monetary policy. Recent developments have not been taken into account in this grouping. Also note that in Italy, the Netherlands and Spain the responsibility for monetary policy is different than in the other countries, as the governors of these three central banks have just one vote in the Governing Council of the European Central Bank.

Supervisors in countries with an inflation targeting strategy vs. supervisors in countries with a different monetary policy strategy

As inflation-targeting countries generally have the highest level of transparency in monetary policy-making (Blinder et al. 2008), we hypothesize that these countries also have higher levels of supervisory transparency. Figure 6 shows the outcomes.¹¹ On average the transparency of supervisors in inflation-targeting countries is nearly 1 point higher than the transparency of supervisors in non-inflation-targeting countries. In particular, supervisors in inflation-targeting countries score relatively higher on procedural transparency. The differences in transparency scores are however not statistically significant (see Table A1 in Appendix 3).¹²

Figure 6. Transparency: supervisors in countries with an inflation-targeting regime vs. supervisors in countries without an inflation-targeting regime



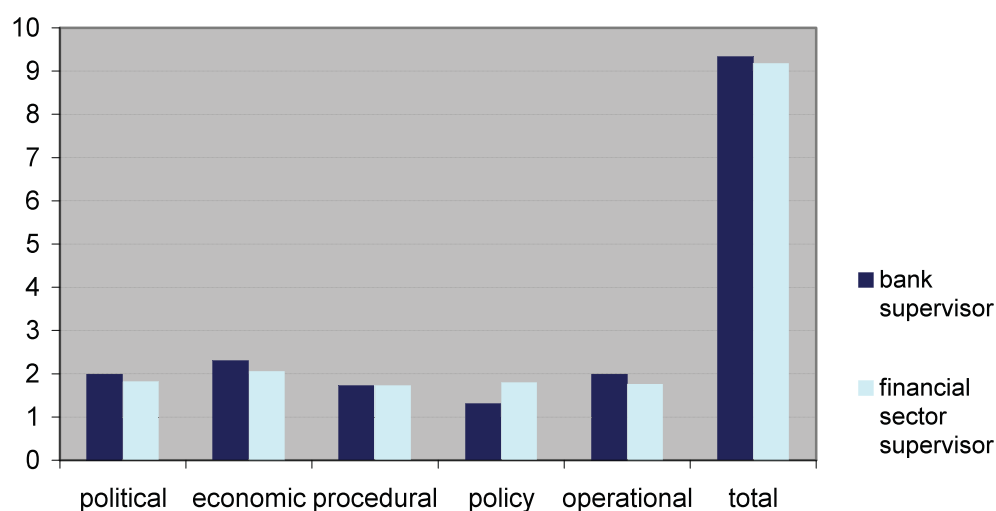
¹¹ Inflation targeting countries are: Australia, Brazil, Canada, Indonesia, South Africa, Sweden, Turkey and the United Kingdom.

¹² There are both inflation-targeting and non-inflation-targeting central banks among the most transparent central banks (Dincer and Eichengreen, 2009). Therefore we also compared the transparency of supervisors in high versus low central bank transparency countries. There were no significant differences (results available on request).

Countries where financial supervision is located within one organization vs. countries having different supervisory authorities

Figure 7 shows differences between countries with an integrated financial supervisor and countries with a separate banking supervisor.¹³ As pointed out above, until recently there was a tendency to allocate all supervisory responsibilities to one organization. This followed developments in financial regulation that made it possible for banks, insurers, and securities firms to offer similar or even identical products, or have common ownership. Despite the recent trend to unify supervision, in several countries banking supervision is still the responsibility of a separate organization. Figure 7 suggests that the transparency of these different types of banking supervisors do not differ much across most dimensions of transparency, except for policy transparency where the difference is significant at the 10% level (see Table A1).

Figure 7. Transparency: integrated supervisors vs. banking supervisors

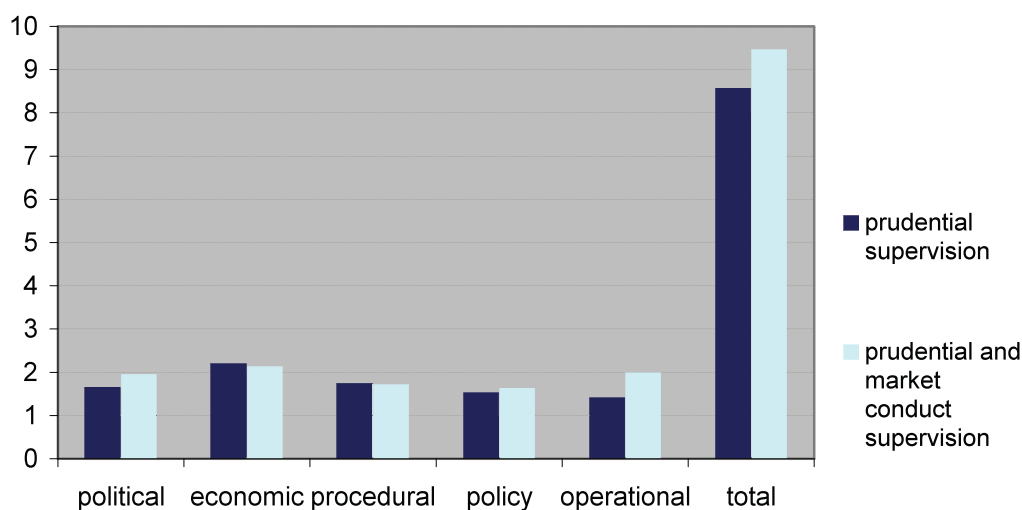


¹³ Countries with a financial sector supervisor are: Australia, Belgium, Canada, Denmark, France, Germany, Ireland, Japan, Luxembourg, Netherlands, Norway, Singapore, Sweden, Switzerland, and the United Kingdom.

Supervisors that are also responsible for market conduct supervision vs. supervisors that do not have this responsibility

This split is motivated by the fact that in several countries market conduct supervision is located in a separate institution, while in others the banking supervision authority is also responsible for this task.¹⁴ As the primary goal of market conduct supervision is markedly different from prudential supervision, namely safeguarding a responsible business conduct of institutions operating on financial markets, the supervisory approach will also differ. As the supervisory approach needs to enhance a safe and fair business environment, supervisory interventions probably are more frequent. However, in terms of their transparency, both groups of supervisors hardly differ, as Figure 8 shows. The only difference that is significant at the 10% level is operational transparency (see Table A1).

Figure 8. Transparency: supervisors only responsible for prudential supervision vs. supervisors also responsible for market conduct

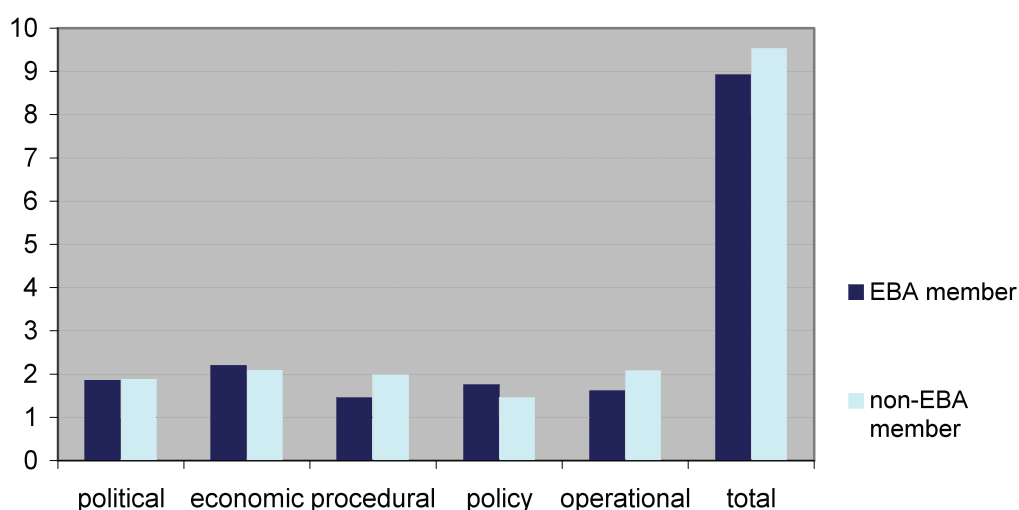


¹⁴ Integrated supervisors: Australia, Belgium, Canada, China, Denmark, Germany, Hong Kong, Indonesia, Ireland, Japan, Luxembourg, Norway, Singapore, Spain, Sweden, Switzerland, Turkey, and the United Kingdom.

Supervisors that are member of EBA vs. other supervisors

As EBA has issued specific guidelines for supervisory disclosure and publishes relevant information on supervisory rules and regulations and data on its website, the final split indicates whether these actions help to make supervisors more transparent.¹⁵ Figure 9 indicates that the EBA requirements do not necessarily lead to higher transparency. This holds for all aspects of transparency. On average, the EBA member supervisors have a transparency total score of 8.9, whereas non-members score 9.5. However, the differences between both groups of supervisors are not statistically significant except for procedural transparency (at the 10% level).

Figure 9. Transparency: EBA members vs. non-EBA members



5. Conclusions

In contrast to the transparency of monetary policy makers, the transparency of banking supervisors has hardly been researched. Following the methodology that Eijffinger and Geraats (2006) developed for monetary policy transparency, we have constructed an index of transparency of banking supervisors that refers to the implementation of banking supervision

¹⁵ EBA Members included in the sample are: Belgium, Denmark, France, Germany, Ireland, Italy, Luxembourg, Netherlands, Slovenia, Spain, Sweden and the UK.

for 24 banking supervisors. The index takes political, economic, procedural, policy and operational transparency into account. Based on a survey, we construct the index for 24 banking supervisors. There are large differences among transparency of supervisors. The average total score is 9.2 points (out of 15), whereas the minimum is 6.25 points and the maximum 12.75 points. The average of economic transparency is the highest, while the average score for policy transparency is the lowest. Our analysis suggests that it is very hard to identify factors that can explain differences across supervisors. Only two differences are statistically significant at the 5% level: policy transparency is higher in industrial countries compared to emerging countries and it is higher for supervisors that are not responsible for monetary policy compared to supervisors that are a central bank.

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Appendix 1. The index

This appendix contains detailed information on the banking supervision transparency index. The index is the sum of the scores for the answers to the fifteen questions below (min=0, max=15). Note that all questions pertain to published information that is freely available in English.

Political transparency

- (1) Is there a formal statement of the objective(s) of banking supervision? No formal objective(s) = 0. There are formal objectives, but they are not explained = 1/2. There are formal objectives and they are explained = 1.
- (2) Is there a clear prioritization in case of multiple objectives? No prioritization = 0. There is a prioritization, but this is not explained = 1/2. There is a prioritization that is explained = 1.
- (3) Are there explicit institutional arrangements or contracts between the supervisory authorities and the government? No = 0. One positive answer = 1/4. Two positive answers = 1/2. Three positive answers = 3/4. Four positive answers = 1.

Economic transparency

- (4) Are all relevant supervisory laws and regulations, including those made by the supervisory authority, easily accessible to the public? No = 0. Only the relevant laws or only the regulations made by the supervisory authority = 1/2. Yes = 1.
- (5) To what extent does the supervisory authority make information from the regular off-site financial reports of banks available to the public? No = 0. Only key indicators (solvability, profitability) at an aggregate level = 1/4. Extensive information (e.g. about market risks, operational risks, credit risks, leverage ratio) at an aggregate level = 1/2. Key indicators for (major) individual institutions = 3/4. Extensive reporting about (major) individual institutions = 1.
- (6) Does the supervisory authority regularly publish forward-looking analyses of financial sector developments, and if so, how often? No = 0. Only key indicators at an aggregate level, once a year = 1/4. Only key indicators at an aggregate level, more than once a year = 1/2. Extensive reporting at aggregate level, once a year = 3/4. Extensive reporting at aggregate level, more than once a year = 1.

Procedural transparency

(7) Has the supervisory authority a clear ‘supervisory strategy’, for instance a publicly available document that explains how the supervisory authority wants to reach its goals in the coming period, its methodology (e.g. risk-based or not, co-operative or repressive, principle or rule-based), its priorities and/or main supervisory themes? No = 0. Yes, but dispersed = $\frac{1}{2}$. Yes within one document = 1.

(8) Is the method the supervisory authority uses to come to a risk scoring of a bank publicly available; e.g. which factors or risks does the supervisory authority look at when assessing a bank and how do these inputs lead to a scoring? No = 0. Yes, but no explanation = $\frac{1}{2}$. Yes, with explanation = 1.

(9) Is there a publicly available explicit strategy for supervisory interventions; e.g. is there an ‘intervention ladder’ that links the outcome of the risk assessment to specific intervention actions? No = 0. Yes, but no explanation = $\frac{1}{2}$. Yes, with explanation = 1.

Policy transparency

(10) To what extent does the supervisory authority inform the public about formal interventions, e.g. issuing directions, issuing fines and replacing directors of financial institutions? Not at all = 0. Only at an anonymous basis and/or at an aggregate level without explanation = $\frac{1}{4}$. Only at an anonymous basis and/or at an aggregate level with explanation = $\frac{1}{2}$. In individual cases (publishing name of bank) without explanation of case = $\frac{3}{4}$. In individual cases (publishing name of bank) with explanation of case = 1.

11. To what extent does the supervisory authority inform the public about formal non-sanctioning supervisory decisions, e.g. granting of licenses, giving permission to mergers and acquisitions, doing fit and proper checks? Not at all = 0. Only at an anonymous basis and/or at an aggregate level without explanation = $\frac{1}{4}$. Only at an anonymous basis and/or at an aggregate level with explanation = $\frac{1}{2}$. In individual cases (publishing name of bank) without explanation of case = $\frac{3}{4}$. In individual cases (publishing name of bank) with explanation of case = 1.

12. To what extent does the supervisory authority inform the public about the outcomes of its risk assessments? Not at all = 0. Only at an anonymous basis and/or at an aggregate level without explanation = $\frac{1}{4}$. Only at an anonymous basis and/or at an aggregate level with explanation = $\frac{1}{2}$. In individual cases (publishing name of bank) without explanation of case = $\frac{3}{4}$. In individual cases (publishing name of bank) with explanation of case = 1.

Operational transparency

13. Does the supervisory authority regularly publish an internal evaluation (self-assessment) of its functioning, and if so, how often? No = 0. Yes, but less than once a year = $\frac{1}{2}$. Yes and at least once a year = 1.

14. Does the supervisory authority regularly report to parliament about its functioning, and if so, how often? No = 0. Yes, but less than once a year = $\frac{1}{2}$. Yes and at least once a year = 1.

15. Is there a regular publicly available external evaluation of the functioning of the supervisory authority, and if so, how often? No = 0. Yes, but less than once a year = $\frac{1}{2}$. Yes and at least once a year = 1.

Appendix 2. The survey

The goal of this questionnaire is to collect comparable data on the transparency of supervisory authorities around the world and thereby gain insight into the transparency practices of banking supervisors.

Clarification

- Transparency means that information on a certain subject can easily be found by the public. In most cases, this implies that the website of the supervisory authority provides such information in a clear way. Regular publications, such as annual or quarterly reports, may also fulfill this task.
- The focus of the questionnaire is on prudential supervision (as opposed to conduct of business supervision).
- In case more than one authority is supervising banks in a country, the questionnaire relates to the authority that is primarily responsible for banking supervision.

Questionnaire

1. Is there a formal statement of the objective(s) of banking supervision, please specify?
2. Is there a clear prioritization in case of multiple supervisory objectives, please specify?
3. Which of the following institutional arrangements are in place that strengthen the operational independence of the supervisory authority?
 - a. The law does not give the government the right to intervene in policy decisions made by the supervisory authority
 - b. The law defines clear criteria for dismissal of the president of the supervisory authority
 - c. The supervisory authority does not need to submit the budget to the government for a priori approval
 - d. The supervisory authority cannot be held liable for damages caused by its actions, or only in cases of gross negligence and wilful misconduct
4. Are all relevant supervisory laws and regulations, including those made by the supervisory authority, easily accessible to the public? Please specify.
 - a. No
 - b. The relevant supervisory laws only
 - c. The regulations made by the supervisory authority only
 - d. Both laws and regulations

e. Other, please specify...

5. To what extent does the supervisory authority make information from the regular off-site financial reports of banks available to the public?

a. None

b. Key indicators (solvability and profitability) at an aggregate level

c. Extensive information (e.g. about market risks, operational risks, credit risks, leverage ratio) at an aggregate level

d. Key indicators for (major) individual banks

e. Extensive information for (major) individual banks

f. Other, please specify...

6. Does the supervisory authority regularly publish forward-looking analyses of financial sector developments, and if so, how often? Please specify.

7. Has the supervisory authority a clear 'supervisory strategy', for instance a publicly available document that explains how the supervisory authority wants to reach its goals in the coming period, its methodology (e.g. risk-based or not, co-operative or repressive, principle or rule-based), its priorities and/or main supervisory themes? Please specify. If yes, is this information available in 1 document?

8. Is the method the supervisory authority uses to come to a risk scoring of a bank publicly available; e.g. which factors or risks does the supervisory authority look at when assessing a bank and how do these inputs lead to a scoring? Please specify.

9. Is there a publicly available explicit strategy for supervisory interventions; e.g. is there an 'intervention ladder' that links the outcome of the risk assessment to specific intervention actions? Please specify.

10. To what extent does the supervisory authority inform the public about formal interventions, e.g. issuing directions, issuing fines and replacing directors of financial institutions?

a. Not at all

b. Only at an anonymous basis and/or at an aggregate level without explanation

c. Only at an anonymous basis and/or at an aggregate level with explanation

d. In individual cases (publishing name of bank) without explanation of case

e. In individual cases (publishing name of bank) with explanation of case

f. Other, please specify...

11. To what extent does the supervisory authority inform the public about formal non-sanctioning supervisory decisions, e.g. granting of licenses, giving permission to mergers and acquisitions, doing fit and proper checks?

- a. Not at all
- a. Only at an anonymous basis and/or at an aggregate level without explanation
- b. Only at an anonymous basis and/or at an aggregate level with explanation
- c. In individual cases (publishing name of bank) without explanation of case
- d. In individual cases (publishing name of bank) with explanation of case
- e. Other, please specify...

12. To what extent does the supervisory authority inform the public about the outcomes of its risk assessments?

- a. Not at all
- b. Only at an anonymous basis and/or at an aggregate level without explanation
- c. Only at an anonymous basis and/or at an aggregate level with explanation
- d. In individual cases (publishing name of bank) without explanation of case
- e. In individual cases (publishing name of bank) with explanation of case
- f. Other, please specify...

13. Does the supervisory authority regularly publish an internal evaluation (self-assessment) of its functioning, and if so, how often? Please specify.

14. Does the supervisory authority regularly report to parliament about its functioning, and if so, how often? Please specify.

15. Is there a regular publicly available external evaluation of the functioning of the supervisory authority, and if so, how often? Please specify.

16. In case you have any additional comments, please add them here.

Appendix 3.

Table A1. Detailed results for the various subsamples (1/2)

	Political	Economic	Procedural	Policy	Operational	Total
Industrial vs. emerging countries						
Average	1.88	2.07	1.74	1.79	1.76	9.25
Industrial	1.89	2.36	1.71	1.18	2.07	9.21
Emerging	0.39	0.51	0.79	0.61	0.75	1.67
Stand. dev.	0.61	0.50	0.70	0.66	0.61	1.23
Emerging	-0.04	-1.26	0.06	2.13**	-1.05	0.06
T-statistic						
Central banks vs. others						
Average	1.95	2.25	1.60	1.23	2.00	9.03
Monetary policy: yes	1.84	2.09	1.82	1.89	1.75	9.39
Monetary policy: no	0.63	0.51	0.66	0.55	0.71	0.98
Stand. dev.	0.27	0.52	0.82	0.63	0.73	1.85
Monetary policy: yes	0.52	0.75	-0.73	-2.76**	0.84	-0.63
Monetary policy: no						
T-statistic						
Inflation targeters vs. others						
Average	1.94	2.34	1.94	1.66	2.00	9.88
Inflation targeters	1.86	2.06	1.63	1.59	1.78	8.92
Rest	0.61	0.44	1.02	0.96	0.60	1.66
Stand. dev.	0.36	0.53	0.59	0.52	0.77	1.40
Rest	0.33	1.37	0.80	0.17	0.76	1.39
T-statistic						
Financial sector supervisors vs. bank supervisors						
Average	2.00	2.31	1.72	1.31	2.00	9.33
Banking supervisor	1.82	2.07	1.73	1.80	1.77	9.18
Financial supervisor	0.65	0.53	0.71	0.58	0.66	1.17
Stand. dev.	0.27	0.50	0.80	0.68	0.75	1.74
Financial supervisor	0.80	1.10	-0.04	-1.89*	0.79	0.25
T-statistic						

Table A1. Detailed results for the various subsamples (2/2)

	Political	Economic	Procedural	Policy	Operational	Total
Prudential supervision only vs. market conduct supervision also						
Average	1.67	2.21	1.75	1.54	1.42	8.58
Stand. dev.	1.96	2.14	1.72	1.64	2.00	9.46
	0.38	0.60	0.61	0.56	0.74	0.94
	0.46	0.49	0.81	0.72	0.66	1.64
	-1.56	0.26	0.09	-0.34	-1.72*	-1.60
EBA member vs. non-EBA members						
Average	1.88	2.21	1.46	1.77	1.63	8.94
Stand. dev.	1.90	2.10	2.00	1.46	2.08	9.54
	0.41	0.47	0.58	0.49	0.77	1.25
	0.51	0.56	0.83	0.81	0.60	1.77
	-0.11	0.49	-1.86*	1.14	-1.63	-0.97

*, ** significant at 10% and 5% level, respectively

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