

Super Regulator Will Require Superior Organization

By [Howard Amos](#)

November 06, 2012

The  Moscow Times

The head of the Federal Service for Financial Markets Dmitry Pankin warned Tuesday that the amalgamation of his agency into the Central Bank to create a single financial regulator could result in “organizational collapse.”

Discussions to use the Central Bank as a base on which to build a so-called “super-regulator” have been ongoing for years, but have received new political momentum in recent months.

The FSFM, which regulates most financial bodies outside the banking sector, supports the formation of a single, unified regulator, Pankin said during an Open Government discussion with top lawmakers and officials. But he said there were a number of risks.

“A bureaucratization of structures is my main point,” the former deputy finance minister said. “If we simply give these functions over to the Central Bank, it could lead to an organizational collapse.”

The Finance Ministry and the Central Bank are both in favor of using the Central Bank to build a super-regulator.

“We have a wonderful relationship with the FSFM and we don’t have any differences of opinion,” said Central Bank deputy chairman Sergei Shvetsov. “But that does not mean that it is effective.”

According to a presentation given by Shvetsov during the gathering — which was attended by Deputy Prime Minister Igor Shuvalov, who oversees financial regulation in the Cabinet — the Central Bank is willing to conduct a radical overhaul of its structure to assimilate the FSFM.

If a merger with the FSFM goes ahead, the Central Bank’s reorganization will include the abolition of the role of first deputy chairman within three years, according to the presentation.

Pankin pointed out that a merger would also require new laws. “A serious and cardinal revision of current legislation is necessary,” he said.

Other participants flagged the potential for conflicts of interest arising within any super-regulator. Central Bank officials are represented on the boards of several state companies, including the country’s biggest lender, Sberbank, in which it also holds a majority stake.

Shvetsov said that there were conflicts of interest within the Central Bank at the moment. “A decrease in the [Central Bank’s] participation in management bodies is the right answer to these conflicts of interest,” he said.

Chairman of the National Settlement Depository Eddie Astanin said there are no risks for international clearing and settlement banks Euroclear and Clearstream in gaining direct access to the Russian market, Interfax reported Tuesday.

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