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A Swedish outlook on the field of enforcement action research

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Presentation

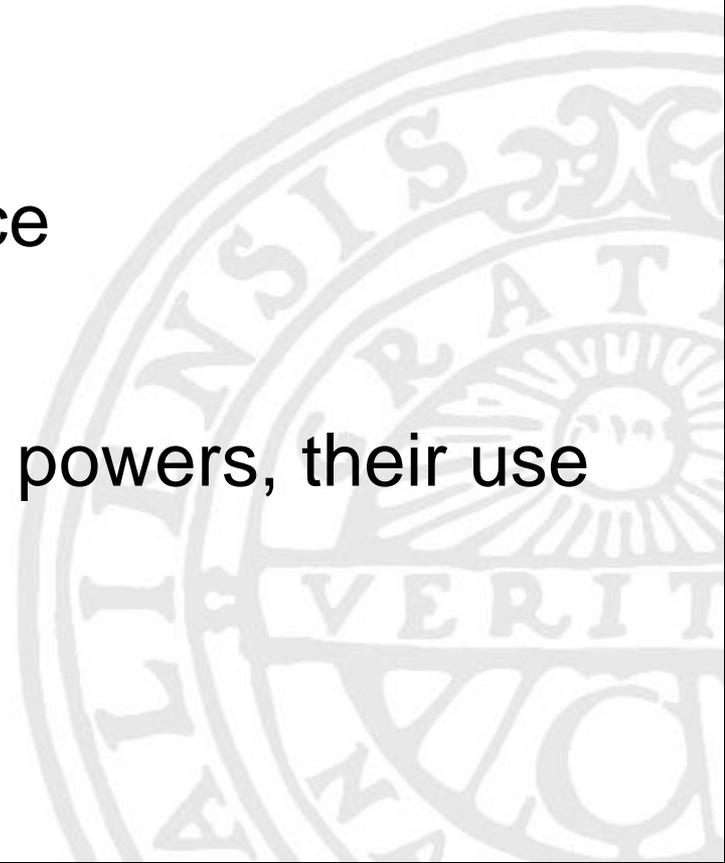
- Research survey
- Research proposal





Research survey

- "Take stock"
- Some 30 articles
- Law, economics, finance
- Selection: enforcement powers, their use and/or effects





Motive for more research (in general)

- Financial supervision more legalistic turn since global financial crisis?
- Stricter sanctions raises stakes
 - E.g. Maximum administrative fine 10 % of last year's turnover
 - Administrative fines can target individual managers



Motivation for research on the Swedish case

We have:

- Access to data
- International relevance - Harmonised regulation in EU
- Stakeholder interest

But none so far...

- Legal studies: Private and/or public law?
- Market studies: ..?



The Swedish case

- Swedish FSA an "integrated supervisor"+
- Organised under the Dep. Of Finance
- FSA Board take decision on enf. Actions
- Appeals to the Administrative Court of Appeal
- Some 150-200 examinations per year
- Some 10-15 enforcement actions per year (since 2005)
- 1-5 appeals per year
- Decisions, meeting minutes, court rulings public

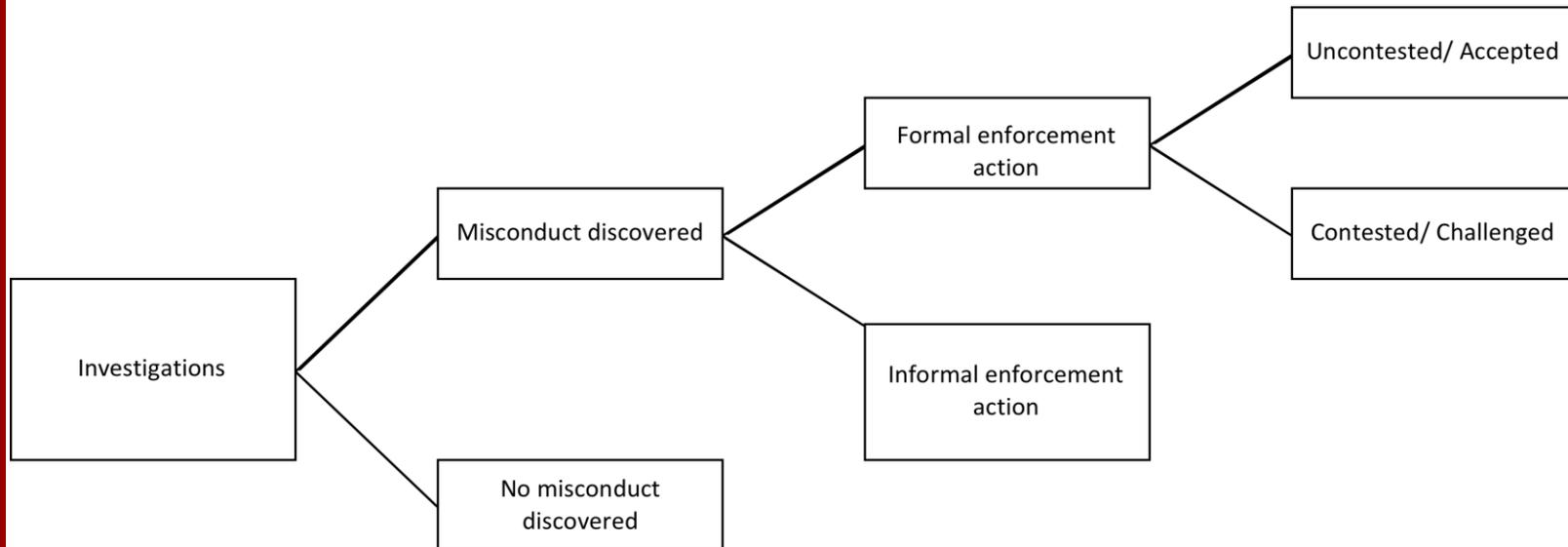


Connecting Swedish case to international research – survey findings

- US and UK overwhelmingly, both data and outlook
- Some exceptions (Thomann et al, Tsoumas etc al, and EU/ECB growing)
- "Market perspective"
 - event studies
 - quantitative approaches
- "Legal perspective"
 - "rule of law"-themes
 - "effectiveness" of sanctions (less dev.)

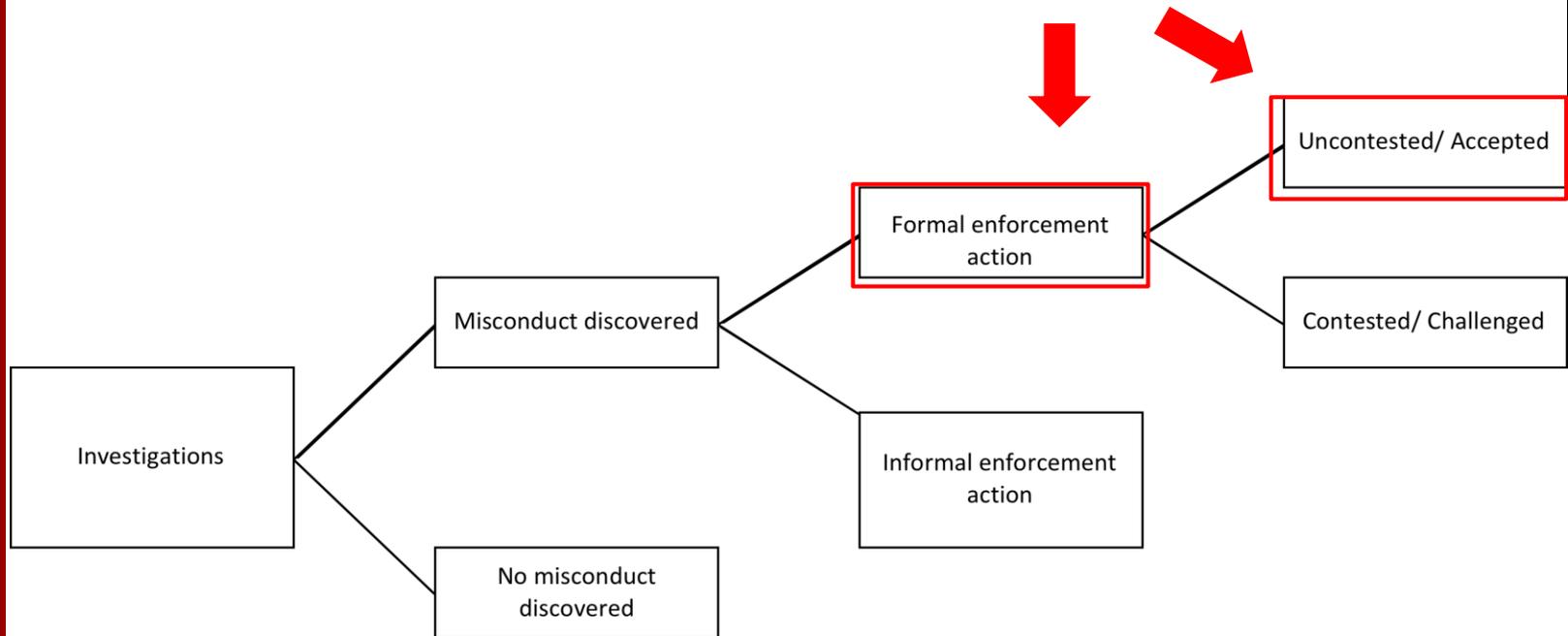


Studying supervisors by looking at enforcement actions



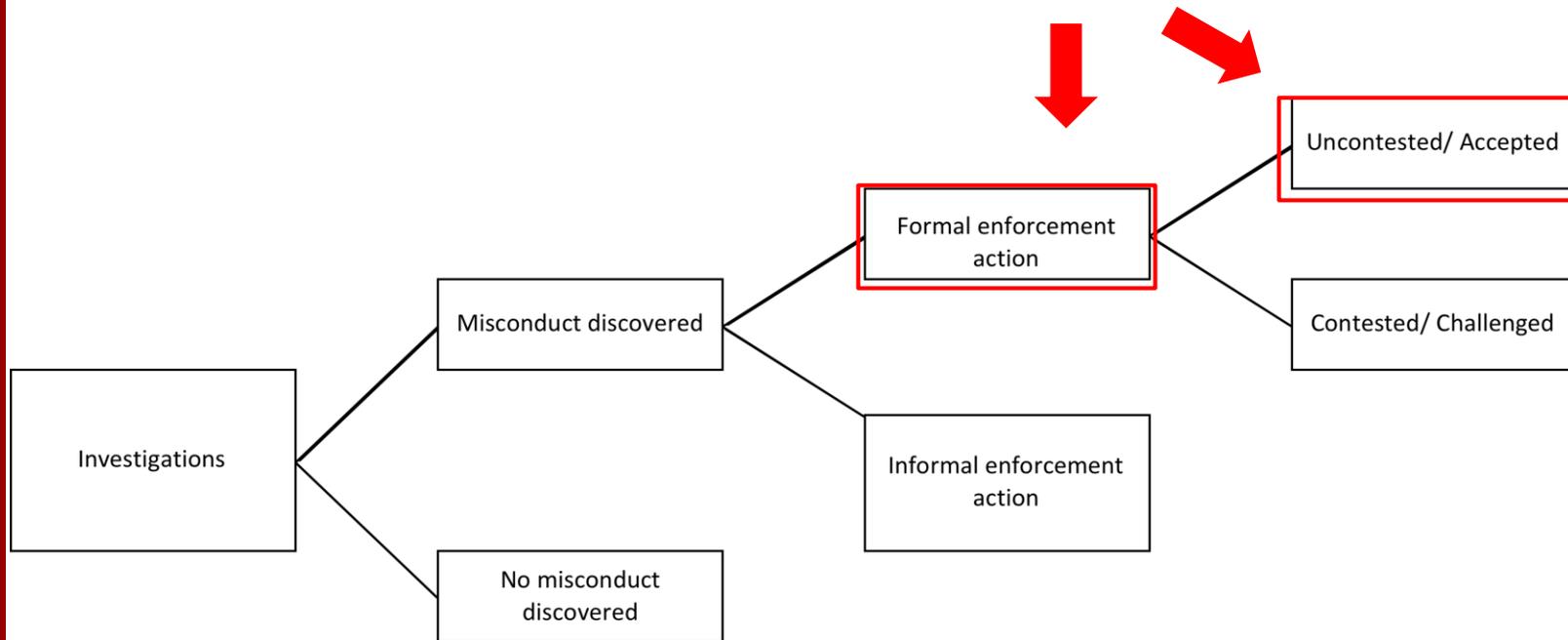


Studying supervisors by looking at enforcement actions





Studying supervisors by looking at enforcement actions



Conclusions based on "tip of iceberg"



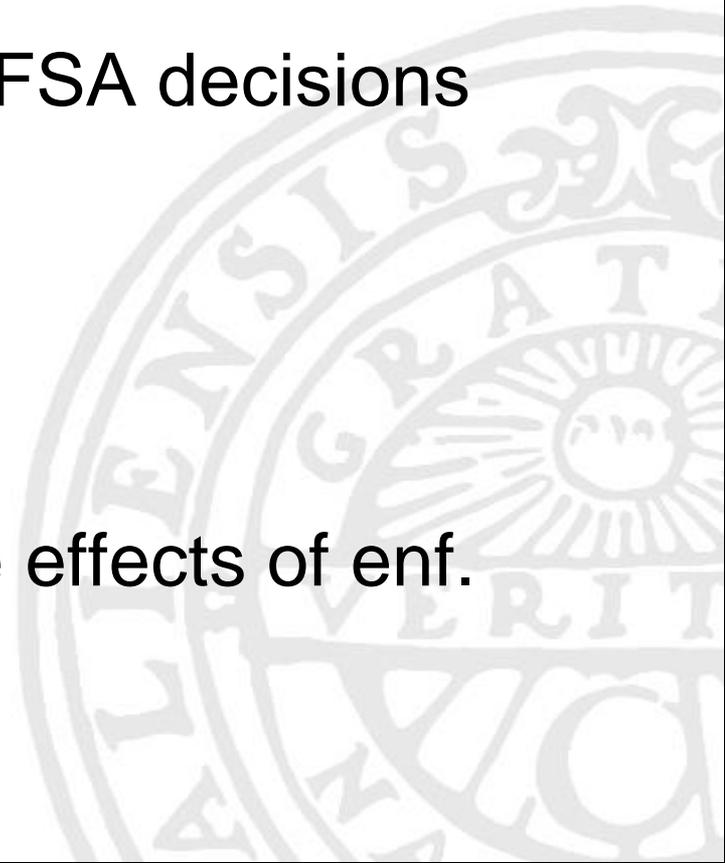
However, important questions can be addressed:

- Countries similar in enforcement powers, but very different in practice – why and to what effect?
- Increased use of formal enforcement actions – how to assess their effectiveness?
- More powers given to supervisors – how to ensure suitable "rule of law" checks and balances?
- Markets do react to enforcement actions, also corporate governance effects?



Our research proposal

- Effectiveness of enforcement actions
- "Praxis discovery" via FSA decisions
- Event studies
- Corporate governance effects of enf. actions





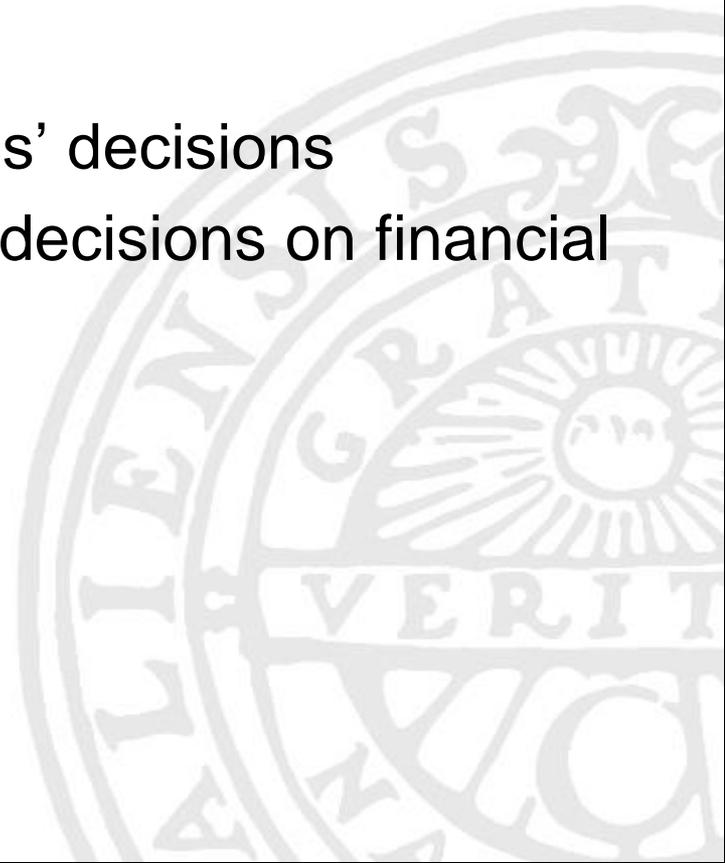
Research potential: Effectiveness of financial supervision

- A legal issue: the application of the legislation must fulfil its stated purposes
 - The employment of enforcement powers and sanctioning tools
 - Are regulatory aims and purposes met (wholly/partly) or even contravened?
- Market / economic perspective: Are benefits of enforcement actions exceeding costs



Research potential: A sanctioning praxis?

- Material: Swedish FSA's sanctioning decisions on financial firms
- Legal perspective
 - legal value of authorities' decisions
 - effectiveness: how are decisions on financial firms motivated?





Research potential: A sanctioning praxis?

- Material: Swedish FSA's sanctioning decisions on financial firms, meeting minutes, appeals, judgements etc.
- Legal perspective
 - legal value of authorities' decisions
 - effectiveness: how are decisions on financial firms motivated?



Corporate governance effects of enforcement actions

- Enforcement actions usually target legal person
- However, breaches / misconduct due to "human factor"
- Study corporate governance effects of enforcement actions
 - organisation
 - strategy
 - resources
 - careers



Good prospects for international cooperation

- Contribute with small open economy case of Sweden
- Similar regulatory environment – conclusions of general relevance
- Access to data - Pooling of data
- Contribute with original approaches