

## DOCUMENTATIEBLAD

**PRUDENTIAL SUPERVISION IN AN INTEGRATING EU FINANCIAL MARKET****Dirk HEREMANS<sup>1</sup> and Dries DE SMET<sup>2</sup>, (K.U. Leuven)***Abstract*

*Having constantly to adapt to financial innovation, globalization and new financial structures, financial regulation and supervision are increasingly becoming a puzzle. The EU-wide financial market integration progress certainly does not simplify the picture.*

*The huge efforts to bring about EU harmonized regulation contrast sharply with prudential supervision which remains fragmented among the EU member states. The difference in assignment of prudential supervision of branches and subsidiaries to home and host member states, is rather ambiguous. These assignments may also conflict with the surveillance of financial stability. For large financial groups operating cross-border and in particular in the new EU-10 member states, these supervisory conflicts may become serious. Contrary to the present gradual approach consisting in supervisory convergence and cooperation, more institutional EU involvement may be needed.*

*Finally, the evolution of the clearing and settlement industry in an integrating market is also becoming a new but not undisputed EU concern.*

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