

AIDA XI WORLD CONGRESS - New York City

INTEGRATION OF FINANCIAL SERVICES

Questionnaire prepared for the AIDA XI World Congress, 20–24 October 2002, New York

- 1. What is the current level of integration among commercial banking, investment banking and insurance in your country?**
- 2. (a) fully integrated;**
(b) partially integrated but moving towards full integration;
(c) partially integrated and in a state of equilibrium;
(d) not integrated at all;
(e) other (please explain).
- 3. Compare the level of integration in the insurance industry in your country with the level of integration in developed countries generally. Specifically, is your country's insurance industry more heavily integrated, less heavily integrated or integrated at about the same level as the average level in countries that are members of G7 group of industrialised nations (Australia, Canada, France, Germany, Japan, Italy and the UK)? Feel free to discuss this question in some detail, explaining which aspects of the insurance industry are more or less well- integrated than others.**
- 4. What are the principal similarities between investment banking, commercial banking and insurance? Be sure to discuss both sides of the balance sheet: i.e. investments by banks and insurance companies, as well as capitalisation and funding.**
- 5. To what extent do you agree or disagree with the following statement: Investment banking, commercial banking and insurance are similar because they each involve: (a) risk-management; (b) evaluating investments and managing financial assets on a large-scale basis; (c) large-scale investing on behalf of small clients (depositors, investors and insured individuals)?**
- 6. What are the principal reasons for integration among commercial banking, investment banking and insurance in your country (circle all that apply):**
(a) achieving significant economies of scale in operations, i.e. cost savings;
(b) achieving economies of scope in operations, i.e. achieving more efficient delivery of some services or products because of information or skills acquired in delivering other services;
(c) increasing overall market share;
(d) reducing the risks associated with future trends in consumer demand by diversifying product lines;
(e) cross-marketing opportunities;
(f) matching competitors' strategic moves;
(g) reducing the risks associated with the insurance business through diversification into other areas;
(h) the need to meet international competition;
(i) other, please explain.

7. ***Are there significant regulatory obstacles to integration among investment banking, commercial banking and insurance businesses in your jurisdiction? If your answer is yes, please explain.***
8. ***Are there significant cultural, economic or other non-regulatory obstacles to integration among investment banking, commercial banking and insurance businesses in your jurisdiction? If your answer is yes, please explain.***
9. ***In your view, what are the principal obstacles to integration among investment banking, commercial banking and insurance businesses? Please rank the following in order of importance, with the number 1 (one) indicating the most significant obstacle to integration and higher numbers indicating less significant obstacles to integration:***
 - (a) regulatory obstacles unrelated to anti-trust concerns (please specify the precise source of these regulatory obstacles);***
 - (b) anti-trust concerns (please specify whether these anti-trust concerns emanate from country-specific anti-trust rules, or derive from international sources);***
 - (c) local cultural norms;***
 - (d) legal uncertainty concerns (please specify the precise source of the legal uncertainty);***
 - (e) business risks associated with taking on new lines of business;***
 - (f) costs;***
 - (g) lack of compelling business justification;***
 - (h) other, please explain.***
10. ***As a general matter, which industry is more heavily regulated in your country at the present time, investment banking, commercial banking, or insurance?***
11. ***In your country, what are the specific regulations that impose the highest costs on: (a) the commercial banking industry; (b) the investment banking industry; and (c) the insurance industry?***
12. ***Describe the general structure of the regulations that govern the insurance industry in your country.***
13. ***Is the insurance industry in your country regulated by the same regulatory agency that regulates commercial banking and/or investment banking?***
14. ***If the insurance industry in your country is not regulated by the same regulatory agency that regulates commercial banking and/or investment banking, which regulatory agency is:***
 - (a) more efficient;***
 - (b) more technically competent;***
 - (c) more sophisticated;***
 - (d) more transparent;***
 - (e) more free of corruption, special interest group pressures and/or political pressures?***
15. ***Which industry do you believe has been more profitable globally during the last decade, investment banking, commercial banking, or insurance?***
16. ***Which industry do you believe has been more profitable in your jurisdiction during the last decade, investment banking, commercial banking, or insurance?***

17. *Which industry is likely to be more profitable over the coming decade, investment banking, commercial banking, or insurance:*
 - (a) *in your country?*
 - (b) *globally?*
18. *Which industry has been more risky during the last decade, investment banking, commercial banking, or insurance:*
 - (a) *in your country?*
 - (b) *globally?*
19. *Which industry is likely to be more risky over the coming decade (2000–2010), investment banking, commercial banking, or insurance:*
 - (a) *in your country?*
 - (b) *globally?*
20. *What sort of firm would be riskier: an integrated financial services firm that offers investment banking, commercial banking and insurance services or an insurance company:*
 - (a) *in your country?*
 - (b) *globally?*
21. *What sort of firm would be riskier: an integrated financial services firm that offers investment banking, commercial banking and insurance services or a commercial bank:*
 - (a) *in your country?*
 - (b) *globally?*
22. *What sort of firm would be riskier: an integrated financial services firm that offers investment banking, commercial banking and insurance services or an investment bank:*
 - (a) *in your country?*
 - (b) *globally?*
23. *The following question deals with the issue of national identity. For many years people involved in international finance have observed that countries' national identities are closely intertwined with certain industries. Such industries sometimes are called "flagship industries". The banking and airlines industries commonly are regarded as flagship industries. For example, we still retain the idea of a national "flag carrier" in the airline industry. Italy's Alitalia and Britain's British Airways are thought of as flag carriers, despite financial problems at Alitalia, and despite the fact that British Airways has long been a private company. Many people think that the recent wave of mergers and merger-related consolidations within the Netherlands, France and Italy are attributable, at least in part, to a desire to avert future cross-border acquisitions in these countries, particularly by British, German and U.S. banks. Please respond to the following questions, which are related to the ways in which issues of national identity are intertwined with the issue of financial integration:*
 - (a) *As a general matter, do you agree or disagree with the assertion that countries' national identities are closely intertwined with certain industries?*
 - (b) *If your answer to the above question is "yes", please list the industries that you think are closely associated with national identity.*

- (c) Do you think that national identities are closely intertwined with certain industries in your country?
- (d) If you think that national identities are closely intertwined with certain industries in your country, which particular industries are closely associated with national identity?
- (e) If you think that national identities are closely intertwined with certain industries in your country, do you think that regulators should have the power to block a cross-border merger on the grounds that such a merger would result in the elimination of a major firm in a "flagship industry"?
- (f) Do you think that the insurance industry is a "flagship industry" in any country?
- (g) Do you think that the insurance industry is a "flagship industry" in your country?
24. Commercial banks, insurance companies and investment banks all play an important role in the financial security of the citizenry. It is generally thought that the government has a strong role in assuring the soundness of these institutions and in preventing the kinds of systemic failures observed in the period following the collapse of the securities markets in 1929. The following questions relate to the integration of insolvency regulation by banks:
- (a) Describe the way that insurance company insolvency is regulated in your country. If there are guaranty funds, describe the way that these work. Be sure to identify who may initiate an insurance company insolvency proceeding: creditors, regulators, or both.
- (b) To the extent that you are familiar with insolvency regulation for commercial banks and investment banks, describe those regulations.
- (c) Regulators in general, and guaranty fund administrators in particular, have an interest in the solvency and stability of out-of-state (foreign) insurance companies operating within their jurisdiction because they have a responsibility to the policyholders within their jurisdiction. Describe the extent to which regulators at the state level are able to enforce safety-and-soundness regulations, capital requirements and related solvency regulations on foreign, i.e. out-of-state insurance providers.
- (d) To what extent does solvency regulation or concern over issues related to solvency affect cross-border mergers of firms in the insurance industry?
- (e) To what extent does solvency regulation, or related concerns about solvency issues, affect mergers between firms in the insurance industry and firms in other industries, such as manufacturing, investment banking and commercial banking?

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