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Article

Determination of Public Supervision Aspects and Legal Pillars of Activities of Financial Agents in Central European Countries

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Abstract: Financial intermediation can be performed by certain types of financial agents or financial brokers in selected European countries. Using primarily analysis and the comparison, the authors focus on certain legal aspects of distribution of financial services in selected Member States of the EU and the EEA, providing a comparative legal analysis. In Slovakia, it is being focused on the subordinate financial agent. The subordinate financial agent is an entrepreneur entitled to perform financial intermediation. The subordinate financial agent belongs under the delegated supervision of the independent financial agent. The paper deals with a consideration *de lege ferenda*, a change to the relevant legislation according to which the subordinate financial agents could belong to the supervised financial market entities. The authors provide pros and cons regarding the direct supervision of this entity realized by the National Bank of Slovakia. The paper is being prepared by using analysis, synthesis, the inductive method, the deductive method, and the comparative method. When regulating distribution of financial services on the European level, the Insurance Distribution Directive had played a key role. Mainly due to protection of financial consumers, the subordinate financial agent should belong under the direct supervision of the National Bank of Slovakia.

Keywords: distribution of financial services; financial agent; financial broker; financial market supervision; Central Bank



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1. Introduction

The topicality of the legal regulation of the distribution of financial services can be derived primarily from the growing share of financial agents and financial brokers in the sale of financial products offered by financial institutions all over Europe. Additionally, in view of the principle *vigilantibus iura scripta sunt*, it seems appropriate to continuously educate consumers on the distribution of financial services. Given the fact that the distribution of financial services entails a certain degree of risk, especially with regard to the return on funds invested in selected financial products, this type of business will always require state intervention. The intervention in question manifests itself primarily in the determination of the conditions for the implementation of this sui generis entrepreneurship. The legislator determines, by means of generally binding rules, the obligations in relation to the commencement, conduct, and termination of financial intermediation. This regulation is reflecting in Member States of the EU and the EEA two common ideas, financial consumer protection and ensuring sustainable growth.

The distribution of financial services in the Slovak Republic is being regulated by the Act No. 186/2009 Coll. on Financial Intermediation and Financial Advisory Amending and Supplementing Certain Acts as Amended (hereinafter referred to as “Financial Intermediation Act”) ([National Council of the Slovak Republic 2009](#)). Available online: <https://www.slov-lex.sk/pravne-predpisy/SK/ZZ/2009/186/20220101> (accessed on 12

December 2022). This legislation applies to the sector of capital market, to the sector of deposit taking, to the sector of insurance and reinsurance, to the sector of credits and loans, including housing loans and consumer loans, to the sector of supplementary pension savings, and to the sector of old-age pension savings.

According to Article 2 Paragraph 1 of the Financial Intermediation Act, financial intermediation means primarily offering the conclusion of a financial services contract. In accordance with Article 2 Paragraph 5 of the Financial Intermediation Act, performing financial intermediation is a business. Financial agents conducting this business are entrepreneurs according to Article 2 Paragraph 2 Letter (c) of the Act No. 513/1991 Coll. Commercial Code as Amended (hereinafter referred to as “Commercial Code”) ([Federal Assembly of the Czech and Slovak Federal Republic 1991](#)).

Financial intermediation can be performed by an independent financial agent, a bound financial agent, a subordinate financial agent, a supplementary insurance intermediary, a tied agent, a financial intermediary from another Member State in the insurance or reinsurance sector, and a financial intermediary from another Member State in the field of housing credit. From this group, it is being focused on the subordinate financial agent.

The main goals of this paper are the investigation of the currently valid legal framework to perform financial intermediation as a subordinate financial agent, as well as the introduction of a *de lege ferenda* consideration in order to secure a more efficient supervision over this entity. The main goal of this paper is also to provide information about the legal environment regulating financial intermediation in selected Member States of the EU and EEA.

Based on the main goal, the authors are setting the following objectives: (1) to define the legal status of a subordinate financial agent; (2) to characterize delegated supervision over the subordinate financial agent; (3) to analyze the legal environment for performing financial market supervision; (4) to introduce a consideration *de lege ferenda* on basis of the analysis.

2. Result—A Consideration *De Lege Ferenda*

The financial market is governed, not only by the invisible hand of the market, but also by visible and invisible economic and power interference by the state ([Mrkývka 2012](#)).

The term control expresses the ultimate responsibility of the state for the status in which the supervision of financial activities carried out by non-state actors takes place in a particular state territory ([Chod 2013](#); [Hronec et al. 2022](#)).

The actual exercise of control does not have to be carried out by the state or state authorities, but may be entrusted, always at the will and with the consent of the state authority, to entities other than the state, public and private law corporations, or self-governing institutions.

Although the overarching nature remains preserved in such a delegation, the fact that control is carried out by an entity other than the state justifies the change in the designation of this activity, for which positive law often uses the term supervision instead of the term state control ([Bakeš et al. 2009](#)).

Financial market supervision can be defined as a special type of supervision that is carried out by a public entity distinct from the state in its separate sphere of competence ([Hendrych et al. 2009](#)). Financial market supervision is an activity that fulfils the public interest in control aimed at ensuring the legality of conduct and the fulfillment of legal obligations ([Ruthig and Storr 2020](#)).

It is necessary to reflect, at least briefly, the legal principles of supervision. Legal principles are either explicitly expressed in law or in a treaty, or legal principles are derived from these legal acts through interpretation, by case law, legal doctrine, and commentaries. Legal principles are rules that are a centuries-old invention of legal culture and are immanent in the rule of law, whether or not they are explicitly expressed in the applicable legal rules. The knowledge of the principles is reached indirectly by analyzing the whole

matter governed by the relevant regulation, and by abstraction and generalization of the knowledge thus obtained.

One of the main principles of financial market supervision is the principle of effectiveness of supervision. The principle in question means that regulation should not provide legal opportunities to evade supervision, or that regulation should encourage or incentivize entities to do so. The principle of unambiguity of supervision implies, in particular, a clear and comprehensible regulatory environment, allowing for uniform interpretation and enhancing legal certainty. The principle of elasticity reflects the idea that supervision should respond to changing conditions for doing business.

Supervision over the supervised financial market entities is being performed in two forms, as off-site supervision and on-site supervision.

2.1. On-Site and Off-Site Supervision

The categorization of forms of supervision is based on the terminology established by the Act No. 747/2004 Coll. on Financial Market Supervision and Amending Certain Laws as Amended (hereinafter referred to as “Financial Market Supervision Act”) (National Council of the Slovak Republic 2004) Available online: <https://www.slov-lex.sk/pravne-predpisy/SK/ZZ/2004/747/20220413> (accessed on 12 December 2022). And also by the Financial Intermediation Act. If the subordinate financial agent would become a supervised financial market entity, both forms could be used.

2.1.1. Off-Site Supervision

Off-site supervision is a form of monitoring in which statistical reports sent regularly by supervised financial market entities are examined (Zrůst 2019). The information obtained through off-site supervision contributes to risk-based supervision, enabling the supervisory authority to monitor the varying degree of riskiness of the activities of individual supervised financial market entities, and to set supervisory priorities and allocate their resources efficiently).

The *lex generalis* for off-site supervision is the Financial Market Supervision Act, which, in its fourth part, regulates the procedure for the performance of this form of supervision.

Off-site supervision can be characterized as a procedure defined by financial law rules, whereby a supervised financial market entity provides information, reports, or statements to the National Bank of Slovakia. This form of supervision is characterized by the fact that there is no personal interaction between the supervised financial market entity and the staff of the National Bank of Slovakia.

The data contained in the statements must be complete, correct, up-to-date, true, and verifiable. The terms in question may be interpreted as follows:

1. Complete data are data that are submitted and prepared in accordance with the conditions laid down in the Financial Intermediation Act and the relevant measures of the National Bank of Slovakia;
2. Correct data are data which are prepared and submitted according to the methodology laid down in the respective measures, in particular, the measure on statements;
3. The data are up-to-date if they correspond in content to the period for which or the date on which they are submitted;
4. True data are data which correspond to reality;
5. Verifiable data are data which, by their content, prove a fact.

If the subordinate financial agent would be subject to the direct supervision of the National Bank of Slovakia, an obligation to file such data in statements would exist.

If the National Bank of Slovakia would have reasonable doubts about the data, the subordinate financial agent would be obliged to submit supporting documents and provide an explanation within the time limit set by the National Bank of Slovakia.

2.1.2. On-Site Supervision

The essence of on-site supervision is personal interaction in order to obtain detailed information on the activities of the supervised financial market entity (Zrůst 2019).

On-site supervision provides an immediate and detailed overview, ensuring not only the veracity of the statements, but also other facts not covered by the statistical statements, such as information flows, methodological, or staffing levels of risk management (Zrůst 2019).

On-site supervision over the subordinate financial agent could verify, in particular, compliance with the rules in relation to clients, the organizational structure of the subordinate financial agent, and the fulfillment of information obligations towards the National Bank of Slovakia.

On-site supervision can be divided into different phases, not only in terms of time, but also in terms of the actions carried out by the National Bank of Slovakia.

Accordingly, we distinguish the notification phase, in which the persons designated to carry out on-site supervision provide inspection authorization evidence to the supervised financial market entity, which has the formal and substantive requirements defined by law.

This is followed by the propaedeutic phase, where the employees who will form the supervisory team analyze the requested documents delivered by the supervised financial market entity to the National Bank of Slovakia, the statements and other information, and reporting obligations.

The implementation phase takes place at the premises of the supervised financial market entity. Information and data that could not be verified from the documents available at the National Bank of Slovakia are being ascertained. During the phase in question, the persons entrusted with on-site supervision as well as the supervised financial market entity shall exercise the rights and perform the duties incumbent upon them.

Including the subordinate financial agent into the group of supervised financial market entities would allow the supervisory authority to perform, in particular, during the on-site supervision of the following rights towards the subordinate financial agent. The members of the on-site supervision team shall have the right to request cooperation from the subordinate financial agent. During the implementation phase, there will be situations where cooperation will be necessary in order to ascertain the true state of the regulated business. The exercise of the right in question cannot be abused. The members of the on-site supervision team shall have the right to written information on the object of on-site supervision, the preliminary findings of deficiencies, the identified deficiencies, explanations, statements, and other oral information within a specified period of time. The members of the on-site supervision team shall have the right to enter and enforce entry upon unsuccessful summons into the buildings, rooms, grounds, and other premises of the independent financial agent.

On-site supervision shall not be terminated when the members of the supervisory team leave the premises of the supervised financial market entity. This is followed by a description and evaluation phase. The knowledge gained through on-site supervision is described and evaluated in documentary outputs, with three alternatives.

An interim report shall be produced on key facts relating to the subject matter of the supervision, or on the conduct of the on-site supervision in the absence of documentary evidence, including a description of the relevant facts and findings on impediments to on-site supervision.

The partial report contains a description of the facts, the deficiencies found, but only partial, because it relates only to a part of the object of the on-site supervision, it is made if it is necessary for the purpose of a special procedure on that part, or a special solution to the deficiencies found, and other findings on that part of the object of the on-site supervision.

The on-site inspection report represents the mandatory conclusion of the fact-finding process.

The on-site supervision shall be terminated upon expiry of the time-limit for lodging written objections to the information given in the on-site inspection reports. If the super-

vised financial market entity has exercised its right to lodge written objections within the statutory time limit, on-site supervision shall terminate by delivering a written notification of the result of the examination of the written objections to the information contained in the on-site inspection reports.

In context with the mentioned above, there exists the need to change the Article 38 Paragraph 1 of Financial Intermediation Act, so that the National Bank of Slovakia performs supervision over the financial intermediation carried out by the subordinate financial agent. At the same time, it is also necessary to change Article 1 Paragraph 1 of the Financial Market Supervision Act, so that the subordinate financial agent will be incorporated into the group of supervised financial market entities.

2.2. *De Lege Ferenda Proposal*

The subordinate financial agent does not belong to the group of supervised financial market entities. However, in order to provide the full range of information, it must be mentioned that the subordinate financial agent can be sanctioned by the National Bank of Slovakia.

Once the legislator has empowered this supervisory body to sanction the subordinate financial agent, it is possible to take the idea into consideration that this entity could also be under the supervision of the National Bank of Slovakia.

The strongest argument supporting the direct supervision of the National Bank of Slovakia rises from the fact that, in practice, the subordinate financial agent is very often in contact with the non-professional client.

A non-professional client is a client, i.e., a person to whom financial intermediation is provided, not for business purposes, but for his own personal use or for the use of members of his household.

In particular, non-professional clients are at a disadvantage vis-à-vis financial institutions, as they lack information about the financial services that are being offered through the independent financial agent, and subsequently, through the subordinate financial agent.

In practice, financial products, designed specifically for non-professional clients, are full of obstructions and incomprehensible to people without a legal education due to the way in which financial service contracts are drafted (Kyncl 2012). Here comes the subordinate financial agent into play, whose fundamental duty is to explain the substance of the financial services contract to the non-professional client. In order to prevent providing of incorrect information, it is necessary for the subordinate financial agent to be supervised directly by the authority how this obligation is being fulfilled.

Further arguments supporting the direct supervision of the National Bank of Slovakia over the subordinate financial agent are the client's expectations. Clients of a subordinate financial agent have particular (but not exclusive) expectations relating to the cooperation in the administration of a financial services contract. Clients also have expectations regarding the cooperation in the handling of claims under the financial service contract, in particular, in connection with events decisive for the occurrence of such claims, if the nature of the financial service allows for such cooperation. These expectations can only be fulfilled on a long-term basis, if there is a specific financial market supervisory authority which would be in charge of the checking of the long-time functioning of the subordinate financial agent.

An argument against the supervision realized by the National Bank of Slovakia is the number of subordinate financial agents. As already mentioned, they build the most numerous group, and supervising them would require staff and lead to more costs. By choosing an appropriate approach towards managing the off-site and on-site supervision, e.g., a special organizational unit, this obstacle would be surmountable. Subordinate financial agents very often meet non-professional clients; the benefits of the direct supervision would exceed disadvantages.

2.3. A Comparative Analysis

The Act No. 170/2018 Coll. on Insurance and Reinsurance Distribution as Amended (hereinafter only “Act On Insurance and Reinsurance Distribution”) (Parliament of the Czech Republic 2018). Available online: <https://www.zakonyprolidi.cz/cs/2018-170#> (accessed on 19 November 2022). The Act No 170/2018 Coll. on Insurance and Reinsurance Distribution as amended regulates in Article 12 that the independent intermediary shall arrange insurance on the basis of an authorization under Article 6 as(a) an insurance agent, if he arranges insurance for an insurance undertaking, or(b) an insurance broker where he arranges insurance for a customer. From this regulation, it can be derived that one authorization to act as an independent intermediary granted by the Czech National Bank, enables an entity to act either in favor of an insurance undertaking, or in favor of the client. The Czech regulatory environment differs from the Slovak. A significant innovation brought by the Slovak legislation was the distinction between financial intermediation and financial advisory. The Slovak legislator prohibits the simultaneous exercise of financial intermediation and financial advisory. Financial advisory is a type of business in which the client provides the financial advisor with remuneration. Financial advisory is a business providing the client with an output that is intended to meet the client’s requirements. The category of financial advisors consists of natural and legal persons with their registered office, location of an organizational unit, or place of business in Slovakia. Financial advisory must be provided independently of financial institutions and of financial agents. Financial advisors need another type of authorizations as financial agents in order to perform their activities. Financial advisors operate as a set of independent entities acting for clients on the basis of a written contract. The Czech and Slovak legal regulation concerning the distribution of financial services have another distinction. The Slovak subordinate financial agent is not supervised financial market subject, meaning this entity is not under the direct supervision of the National Bank of Slovakia, while the Czech tied agent belongs under the direct supervision of the Czech National Bank. From a point of view of a financial consumer, the model of direct supervision provides more protection, as the supervisory body can gain information via on-site or off-site supervision.

3. Discussion

3.1. Subordinate Financial Agent—A *De Lege Lata* Analysis

From the Slovak regulatory framework, based on a *de lege lata* analysis, the following essential characteristics of the subordinate financial agent can be derived. The function of the subordinate financial agent is to search for and contact potential clients, analyze the client’s needs, and arrange the conclusion of a financial service contract (Zuzaňák et al. 2011). A subordinate financial agent is an entity that has a contract with an independent financial agent (only one at the same time). A subordinate financial agent can be either a natural or a legal person. It is clear from the definition of a subordinate financial agent that this entity is bound to the license of the independent financial agent, it cannot carry out financial intermediation in sectors other than the independent financial agent itself, however, its activity may be narrower, and it may not cover all these sectors. The subordinate financial agent operates on the basis of a written contract with the independent financial agent. The law does not specify what type of contract it should be, but since both parties are entrepreneurs (Article 2 Paragraph 2 Letter c) Commercial Code in conjunction with Article 2 Paragraph 5 Financial Intermediation Act), it will be a so-called relative business (Article 261 Paragraph Commercial Code), an unnamed contract. The Commercial Code shall apply in the alternative, and the rule of interpretation *lex specialis derogat lex generalis* shall apply.

The subordinate financial agent is not being licensed by the National Bank of Slovakia. This entity carries out financial intermediation on the basis of registration in the register of financial agents, financial advisers, financial intermediaries from other Member States operating in the insurance or reinsurance sector, and financial intermediaries from other Member States engaged in the provision of housing loans (hereinafter referred to as “register”) kept by the supervisory authority. The application for the registration of the

subordinate financial agent into the register shall be made by the applicant—the independent financial agent. At the same time, the independent financial agent is responsible for fulfilling the conditions set by the Financial Intermediation Act by the entity that is subject to the application.

In correlation with management and legal aspects, the subordinate financial agent is obliged to include in its organizational structure a professional guarantor. According to the Financial Intermediation Act, the mentioned obligation arises, if the subordinate financial agent cumulatively fulfills two conditions, this subject is a legal person that carries out financial intermediation through its employees.

The professional guarantor of the subordinate financial agent is mainly responsible for:

1. Monitoring compliance with the obligations of employees performing activities, the content of which is financial intermediation, and for taking measures to correct deficiencies in the performance of this activity;
2. Providing professional assistance to employees performing activities according to number one;
3. Checking and handling complaints of clients of the subordinate financial agents.

In correlation with management and legal aspects, if the statutory body of the subordinate financial agent has more members, the subordinate financial agent is obliged to appoint in writing at least one member of the statutory body who will be responsible for carrying out financial intermediation. In correlation with management and legal aspects, the activity of a professional guarantor is authorized to be performed by a member of the statutory body of the subordinate financial agent who is responsible for carrying out financial intermediation.

3.2. Subordinate Financial Agent Being Subject to Delegated Supervision in Slovakia

The subordinate financial agent is part of its independent financial agent's network, and its activities will be determined, to some extent, by the instructions of the supervisor relating to the conduct of financial intermediation.

In the Financial Intermediation Act, the legislator has introduced a unique regulation, for which the term oversight supervision or delegated supervision has evolved, meaning the supervision of activities of a subordinate financial agent is not carried out by National Bank of Slovakia, but by the independent financial agent. In addition, the independent financial agent is being supervised by the National Bank of Slovakia how this duty is being fulfilled.

Among the qualitative requirements for the exercise of delegated supervision, it is worth mentioning, in particular:

1. The scope of delegated supervision, expressed in terms of the formulation used by the Financial Intermediation Act according to which the independent financial agent has to undertake all the efforts that may be required in order to achieve the objectives of supervision;
2. The content of delegated supervision, which is in compliance with the obligations under the Financial Intermediation Act and also sector-specific, rules, depending on the type of financial service and other generally binding legal provisions applicable to financial intermediation (Winkler 2019).

The preventive functioning of delegated supervision consists in setting up procedures and measures to prevent breaches of generally binding legal provisions, such as direct process control, approval mechanisms, and education of responsible persons (Winkler 2019). The sanction functioning of delegated supervision, which is particularly emphasized by the Financial Intermediation Act because it is relatively in detail anchored there, namely by the requirements for the content of the contract concluded between the independent and subordinate financial agent (Winkler 2019).

Among the quantitative requirements for delegated supervision, we should mention in particular its continuity, i.e., supervision cannot be carried out randomly or occasionally, but on a permanent basis (Winkler 2019).

The goal of delegated supervision is that the financial intermediation is being performed by the subordinate financial agent in accordance with law. Delegated supervision is not to be replaced with supervision exercised by the National Bank of Slovakia.

In the Financial Intermediation Act, the legislator has introduced a unique regulation, for which the term oversight supervision or delegated supervision has evolved, meaning the supervision of activities of a subordinate financial agent is not carried out by National Bank of Slovakia, but by the independent financial agent. In addition, the independent financial agent is being supervised by the National Bank of Slovakia how this duty is being fulfilled.

3.3. Selected Legal Aspects of the German Regulation of Distribution of Financial Services in the Sector of Insurance and Reinsurance

According to Article 48 of the BGBl. I p. 434 Insurance Supervision Act of April 1, 2015 (BGBl. I p. 434), as last amended by Article 8 of the Act of December 19, 2022 (BGBl. I p. 2606) (hereinafter referred to as "Insurance Supervision Act") (Parliament of Federal Republic of Germany 2015), insurance undertakings are allowed to cooperate in the area of distribution with:

1. Insurance brokers and insurance agents licensed under Article 34d Paragraph 1 of the BGBl. I p. 202 Trade, Commerce and Industry Regulation Act (Gewerbeordnung) in the Version Promulgated on February 22, 1999 (BGBl. I p. 202), as last amended by Article 21 of the Act of December 19, 2022 (BGBl. I p. 2606) (hereinafter referred to as "German Trade Licensing Act") (Parliament of Federal Republic of Germany 1999).
2. Product accessory intermediaries that are, according to Article § 34d Paragraph 6 of the German Trade Licensing Act, exempted from the obligation to obtain a license upon application if the following conditions are met: brokering insurance as a supplement to the goods supplied or services rendered as part of their main activity; carrying out their activity directly on behalf of one or more insurance intermediaries with a permit and/or one or more insurance companies; proof of professional liability insurance or equivalent guarantee; declaration by the client that they are reliable and appropriately qualified, and do not live in disorderly financial circumstances.
3. Tied insurance agents performing business according to Article 34d Paragraph 7 Sentence One Number One of the German Trade Licensing Act.
4. Annex agents according to Article 34d Paragraph 8 of the German Trade Licensing Act, when no permit is further required by a trader,
 - i. if he as an insurance intermediary in secondary activity
 - (a) does not broker insurance on a full-time basis,
 - (b) these insurances represent an additional service to the delivery of a good or the provision of a service and
 - (c) those insurances cover the risk of defect, loss or damage to the goods or non-utilization of the service, or damage, loss of luggage, or other risks related to a trip booked with the trader; and
 - the premium, calculated pro rata temporis on an annual basis, does not exceed an amount of EUR 600; or
 - the premium per person, notwithstanding subparagraph (aa), does not exceed EUR 200 if the insurance is an additional service to a service mentioned above, with a duration of no more than three months;
 - ii. if, as a building and loan association or as an intermediary commissioned by a building and loan association, he arranges insurance for member of a building and loan association within the framework of a collective agreement, which is an integral part of the contracts with the building and loan association, and which

- is intended solely to secure the building and loan associations' repayment claims arising from loans granted; or
- iii. if, as an additional service to the delivery of a good or the provision of a service in connection with loan and leasing contracts, he brokers residual debt insurance whose annual premium does not exceed an amount of EUR 500. Furthermore, it is being focused on a tied insurance agent.

Tied Insurance Agent

A tied insurance agent must not dispose of a license if this entity carries out activities as an insurance intermediary exclusively on behalf of one insurance undertaking. Or if this entrepreneur is distributing insurance products of several insurance undertakings that are not in competition, and these insurance undertakings are authorized to perform business in Germany. The condition which must be fulfilled at the same time is based on the fact that the insurance undertaking or undertakings assume unlimited liability for the tied insurance agent arising from his activity as an intermediary;

Tied insurance agent must prove reliability, orderly financial circumstances, and appropriate qualification by insurer (Beenken 2022). These requirements can be abstracted through a reserve from Article 34a Paragraph 5 of the German Trade Licensing Act (Beenken 2022). According to Article 34a Paragraph 5 of the German Trade Licensing Act, a license pursuant to paragraphs 1 and 2 shall be denied if:

1. Facts justify the assumption that the applicant does not have the necessary reliability for the business operation;
2. The applicant lives in disorderly financial circumstances;
3. The applicant cannot provide proof of professional liability insurance or an equivalent guarantee; or
4. The applicant does not prove by means of an examination successfully passed before the Chamber of Industry and Commerce that he/she possesses the expertise required for insurance brokerage or insurance consulting with regard to insurance-related matters, in particular, with regard to requirements, forms of offers and scope of benefits, and the legal basis, as well as customer consulting.

As a rule, anyone who has been convicted of a crime or of theft, embezzlement, extortion, fraud, embezzlement, money laundering, forgery of documents, receiving stolen goods, usury, or an insolvency offense by a final court decision within the last five years prior to filing the application does not possess the reliability required by the German Trade Licensing Act.

Disorderly financial circumstances within the meaning of the German Trade Licensing Act shall generally be deemed to exist if insolvency proceedings have been opened in respect of the applicant's assets, or the applicant has been entered in the register of debtors pursuant to Article 882b of the Code of Civil Procedure.

Financial Services Supervisory Authority also obliged insurers to provide evidence of the appropriate qualification of tied insurance agents. This does not only refer to the beginning of the cooperation, but the representatives are also to be qualified continuously, for example, when new insurance products are introduced (Beenken 2022).

3.4. Selected Legal Aspects of the Austrian Regulation of Distribution of Financial Services in the Sector of Insurance and Reinsurance

A key source of legislation for the performance financial intermediation in the sector of insurance and reinsurance is represented by the BGBl. No. 194/1994 Trade Licensing Act as amended (Parliament of the Republic of Austria 1994). According to the Article 137 Paragraph One of the Austrian Trade Licensing Act, insurance mediation is:

1. Advising, proposing, or carrying out other preparatory work for the conclusion of insurance contracts;
2. Concluding insurance contracts or assisting in their administration and performance, especially in the event of a claim;

3. Providing information about one or more insurance contracts based on criteria chosen by a customer through a website or other media, as well as ranking insurance products, including price and product comparison, or offering a discount on the price of an insurance contract, if the customer can conclude an insurance contract directly or indirectly through a website or other medium; or
4. The activities referred to in items one to three with respect to reinsurance contracts.

An insurance intermediary is any natural person, legal entity, or registered partnership that engages or performs the activity of insurance intermediation for remuneration.

The sole entrepreneur shall meet the necessary professional qualification for the purpose of distributing financial services in the sector of insurance and reinsurance in accordance with the minimum requirements set out in Annex 9 1 of the Austrian Trade Licensing Act. In the case of companies (Article 9 Paragraph 1 of the Austrian Trade Licensing Act), only persons who meet the requirements of this paragraph may be appointed to the management body of a company as persons with significant responsibility for insurance mediation. This also applies to all employees directly involved in insurance mediation. With regard to employees directly involved in insurance brokerage, proof of internal training with regard to the products sold or comparable training is sufficient. Natural persons from the mentioned group shall meet the requirements of continuing professional education and training, as set forth in Exhibit 9, in order to maintain an appropriate level of performance commensurate with the duties they perform and the market in which they operate.

In order to obtain an authorization to engage in the activity of insurance mediation, evidence must be provided of professional liability insurance valid for the entire territory of the Community, or of another comprehensive coverage guarantee covering liability for breach of professional due diligence obligations that is economically and legally at least equivalent thereto in the amount of at least EUR 1,250,000 for each individual claim, and EUR 1,850,000 for all claims in one year. The aforementioned minimum insurance amounts shall increase or decrease in accordance with the regulatory technical standards pursuant to Art. 10 (7) of Directive (EU) 2016/97 on insurance distribution (hereinafter: "Insurance Distribution Directive"), OJ No. L 26, 02.02.2016 p. 19, as amended by corrigendum OJ No. L 222, 17.08.2016 p. 114, and Directive (EU) 2018/411 amending Directive (EU) 2016/97, as regards the date of application of the implementing measures adopted by the Member States, OJ L 76, 19.03.2018 p. 28 (European Parliament and Council 2016). The professional indemnity insurance must be taken out with a company authorized to conduct business in Austria. Austrian law must be applicable to the insurance contract, and the place of jurisdiction must be Austria.

Another category that is allowed to perform the distribution of financial services in the sector of insurance and reinsurance is the insurance intermediary in ancillary activity. This subject is a natural or legal person that is not a credit institution or investment firm, as defined in Article 4(1)(1) and (2) of Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms, and amending Regulation (EU) No 646/2012, OJ No L 176, 27.06.2013 p. 1, as last amended by OJ No L 208, 02. 08.2013 p. 68, and last amended by Delegated Regulation (EU) 2015/62 amending Regulation (EU) No 575/2013 of the European Parliament and of the Council as regards the leverage ratio, OJ No. L 11, 17.01.2015 p. 37, and which takes up or carries out the insurance mediation activity as an ancillary activity for remuneration, if all the following conditions are met:

1. The trader does not engage in insurance mediation as a main occupation or as a main business purpose;
2. The trader only sells certain insurance products that are ancillary to the supply of a good or the provision of a service; and
3. The insurance products in question do not cover life insurance or liability risks, unless such coverage is complementary to the goods or service that the intermediary provides as its principal occupation or business purpose.

The activity of insurance mediation within the scope of a trade license under Article 94 Number 75 or Number 76 of the Austrian Trade Licensing Act, as a secondary trade or

as a secondary activity, may be carried out either in the form of “insurance agent”, or in the form of “insurance broker and consultant in insurance matters”, depending on the actual relationship with insurance undertakings.

3.5. Selected Legal Aspects of the Czech Regulation of Distribution of Financial Services in the Sector of Insurance and Reinsurance

On 20 January 2016, the Insurance Distribution Directive was published in the Official Journal of the EU, replacing the former Directive 2002/92/EC on insurance mediation, and introducing a lot of new features into the intermediation of insurance products (Jemelka et al. 2022). These corresponded to the overall European Commission’s approach to consumer protection on the financial market, which is not only evident in the insurance sector, but also in the capital market sector and consumer credit sector (Jemelka et al. 2022). The main objective of this concept is to ensure the same level of consumer protection for different distribution methods, reinforcing the emphasis on clarity and comparability of financial information and information on financial products (in particular information on costs and agreed benefits), and to increase the requirements for the professionalism of those operating in the sector (Jemelka et al. 2022).

Compared to the previous Directive 2002/92/EC, the new Insurance Distribution Directive applies a so-called distribution-neutral regulatory approach, i.e., it extends the scope of regulation to direct sales of insurance at branches of insurance companies (which is also related to the change in the name of the Directive), introduces special (stricter) rules of conduct for the distribution of life insurance products with an investment component, for products with a simpler on the other hand, it sets out narrower information obligations, strengthens the requirements for the professionalism and credibility of persons intending to distribute insurance, including the requirement for continuous professional training of persons already active in the sector, and introduces a new obligation for insurance companies to assess the suitability of the insurance products offered for particular target groups of customers (with the possibility for supervisors to check the suitability of the product for the needs of the customers), and clarifies the possibilities and rules for cross-border provision of insurance services, including the division of supervisory powers between home and host authorities (Jemelka et al. 2022).

The main core of the Act On Insurance and Reinsurance Distribution is the regulation of the rights and obligations of persons distributing insurance or reinsurance in connection with such distribution (Jemelka et al. 2022).

According to the Act On Insurance and Reinsurance Distribution, a natural or legal person may only broker insurance or reinsurance as an entrepreneur:

1. An independent intermediary;
2. A tied agent;
3. Supplementary insurance intermediary; or
4. An insurance intermediary with a home Member State other than the Czech Republic.

Further, the focus lies on the tied agent. The tied agent means a subject that is authorized to broker insurance or reinsurance by virtue of the registration in the register which is kept by the Czech National Bank.

A tied agent shall, for the performance of the activity of insurance or reinsurance intermediation on the basis of the authorization, enter into a contract with the represented person, which shall be in writing. The contract may be concluded with only one principal at the same time. A principal may be an insurance undertaking, reinsurance undertaking, independent intermediary, or insurance intermediary with a home Member State other than the Czech Republic.

The principal may only notify such a tied agent:

1. Who is domiciled in the Czech Republic;
2. Whose close connection with another person, or the direct or indirect shareholding of another person exceeding 10% of the voting rights, or share capital of the tied agent does not prevent or will not prevent the effective exercise of supervision over the

- tied agent; where a close connection with a person which has its registered office or effective head office in a State which is not a Member State, or a direct or indirect holding by such a person in excess of 10% of the tied agent's voting rights or capital, the law of that State and the manner in which it is applied, including the enforcement of the law, shall not prevent the effective exercise of supervision of the tied agent; and
3. Which meets the conditions for carrying on the business of the tied agent set out in the Act On Insurance and Reinsurance Distribution.

The notification shall be submitted to the electronic application of the Czech National Bank for registration of entities. The notification shall contain, especially:

1. Information on the person of the person who intends to operate as a tied representative;
2. The subject of activity under this Act, broken down by individual groups of expertise;
3. A statement that the tied agent meets the conditions for the exercise of the activity under Act On Insurance and Reinsurance Distribution; and
4. A statement of which persons are closely related to the tied agent or have a direct or indirect interest exceeding 10% in the voting rights, or share capital of the tied agent and the amount of such interest.

The Czech National Bank shall, on the basis of a notification submitted by the represented party, enter the tied agent in the register if the information given in the notification enables the person named in the notification to be identified in the relevant basic register; the person who intends to act as the tied agent is not an independent intermediary, tied agent, supplementary insurance intermediary, or insurance intermediary with a home Member State other than the Czech Republic under the Act On Insurance and Reinsurance Distribution.

The Czech National Bank shall enter the tied agent in the register immediately, but no later than within 5 working days from the date of receipt of the notification.

The authorization to act as a tied agent shall arise from the registration of the tied agent in the register. In the event that a person is notified as a tied agent by more than one principal, the Czech National Bank shall enter the person in the register for the principal who first notified the person. The authorization to act as a tied agent shall last until the end of the calendar year following the calendar year in which the entry in the register was made. The Czech National Bank shall extend the authorization to act as the tied agent for a further 12 months upon payment of the administrative fee. The Czech National Bank shall promptly confirm the payment of the administrative fee to the principal.

3.6. Selected Legal Aspects of the Liechtenstein Regulation of Distribution of Financial Services in the Sector of Insurance and Reinsurance

It also is being focused on the regulatory framework concerning the distribution of financial services in the sector of insurance and reinsurance of the Member state of the EEA, namely Liechtenstein. The supervisory authority is represented here by the Financial Market Authority Liechtenstein.

The key source of regulation is represented by the Liechtensteinisches Landesgesetzblatt Jahrgang 2018 Nr. 9 Insurance Distribution Act ([Parliament Principality of Liechtenstein 2017](#)). This law applies to natural persons and legal entities that take up or carry out the distribution of insurance and reinsurance products in Liechtenstein or from Liechtenstein.

The regulatory environment distinguishes between an agent and a broker. The term agent means an insurance intermediary, reinsurance intermediary, or insurance intermediary in an ancillary capacity who is engaged by insurance or reinsurance company or other agent to sell insurance or reinsurance. The term broker means an insurance intermediary, reinsurance intermediary, or insurance intermediary in an ancillary capacity who is engaged by a policyholder or other broker to sell insurance or reinsurance.

Both entities are entitled to perform intermediation once the authority has granted a license. In order to obtain a license to engage in insurance and reinsurance distribution, the

following requirements must be met: good reputation, required professional qualification; sufficient financial security; domestic registered office, domestic head office and domestic permanent establishment; adequate payment security in favor of the policyholder; no impairment of the proper supervision of the Financial Market Authority by participations, or close links of natural persons or legal entities in the applicant.

The regulatory environment is not based on a positive legal definition of the term good repute, but on a negative one. Management bodies of insurance or reinsurance intermediary, and persons engaged in insurance or reinsurance distribution must be of good repute. This is not the case if:

1. They have been convicted of a criminal offence against the assets of another person, and are entered in the Liechtenstein criminal register or in a foreign criminal register;
2. Bankruptcy proceedings have been instituted against them or, if unsatisfied, creditors' rights still exist as a result of bankruptcy proceedings dating back more than ten years;
3. They repeatedly fail to comply with orders or measures of the Financial Market Authority Liechtenstein;
4. There are reasons to seriously doubt their good reputation as businessmen; or
5. There are reasons to seriously doubt their guarantee of irreproachable business conduct. If criminal proceedings for a criminal offense against third-party property, or disciplinary or supervisory proceedings are pending against one of the natural persons in positions referred to above, the Financial Market Authority Liechtenstein may suspend proceedings.

Another legal condition that must be fulfilled is the required professional qualification. Minimum requirements for professional knowledge and skills are defined by the legislator in the Insurance Distribution Act regardless of the insurance products distributed, appropriate knowledge, and skills must be demonstrated mainly in the following areas: applicable laws governing the distribution of insurance products, such as consumer protection laws and relevant tax laws; complaint handling; assessment of the customer's needs; insurance market; ethical standards in business; minimum financial literacy.

Insurance and reinsurance intermediaries are obliged to have professional liability insurance:

1. Which covers liability arising from the breach of professional duties of care;
2. Which provides for a sum insured of at least EUR1,250,000 or the equivalent in Swiss francs for each claim and EUR 1,850,000, or the equivalent in Swiss francs for all claims in a year;
3. Whose local area of coverage includes at least all EEA contracting states;
4. Which provides for subsequent liability for at least three years;
5. Which provides for a deductible not exceeding 10% of the sum insured;
6. That contains a provision requiring the insurance undertaking to notify the Financial Market Authority Liechtenstein immediately of the suspension or cessation of insurance coverage.

Professional liability insurance must be taken out with an insurance undertaking licensed to do business in Liechtenstein. The minimum insurance sums shall be periodically adjusted to the European Consumer Price Index determined by Eurostat. The Financial Market Authority Liechtenstein shall publish the valid minimum insurance sums in each case. To ensure that the requirements of Articles 14 and 15 of the Insurance Distribution Act are met, insurance and reinsurance undertakings shall issue the necessary internal guidelines and procedures, which they shall implement and review on a regular basis. They shall designate a function to ensure the proper implementation of the issued rules and procedures. Insurance and reinsurance undertakings shall keep records of all relevant documents relating to the application of Articles 14 and 15 of the Insurance Distribution Act, and shall retain and keep them up to date. At the Financial Market Authorities' request, they shall inform it of the name of the person responsible for this office. When supervising the intermediation of insurance services, this supervisory body is in charge of

enforcing the Insurance Distribution Act. The Financial Market Authority Liechtenstein is performing namely the following main tasks: granting and revoking licenses for performing insurance intermediation; receiving complaints from policyholders; cross-border activity of Liechtenstein insurance intermediaries in the EEA and Switzerland, and the ongoing supervision of insurance intermediaries.

4. Theoretical Basis and Methods

4.1. Theoretical Basis

The On the level of EU, the distribution is being regulated by Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 on insurance distribution OJ No. L 26, 02.02.2016 p. 19, as amended by corrigendum OJ No. L 222, 17.08.2016 p. 114 (hereinafter also “Insurance Distribution Directive”). Enacted in 2016, the directive in question, builds upon almost 15 years long “life” of Insurance Mediation Directive, that it repeals (Marano and Noussia 2020).

The purpose of this directive is the protection of clients through improved sales standards and also ensuring that policyholders are being treated equally, whether purchasing insurance from an intermediary, other operators, or a broker (Marano and Noussia 2021a). The Insurance Distribution Directive targets not only on insurance brokers and insurance intermediaries, like in the past, but also several types of institutions and persons, and a consequence clients benefit from equal treatment and from the same level of protection (Marano and Rokas 2019). The Insurance Distribution Directive also increases transparency in costs and prices (Marano and Noussia 2021b). It came into force on 1 October 2018 (McGurk 2019).

Certain aspects of the regulation of financial services (Quaglia 2012) and of the regulation of financial services after the crisis had been studied by Quaglia, L. (Quaglia 2013). Information regarding the design of the financial market supervision after the crisis had been published by Hennessy, A. (Hennessy 2014).

The currently valid Slovak legal framework is specific, as it distinguishes between financial intermediation and financial advisory. According to Bonney, L. et al., modern sales role can be described as that of a knowledge broker who shares salient information, beyond what the customer already knows, to influence sales outcomes (Bonney et al. 2022).

Financial intermediaries (brokers) can be defined as information distributors of their clients’ investment recommenders (Chuang 2016). Clientele differences that had been observed across various types of brokers are being market specific (Fong et al. 2020). Studies on financial advisory had been published by Law, K., F., Zuo, L. 2021 (Law and Zuo 2021) and Inderst, R. 2011 (Inderst 2011). When choosing whether the financial intermediary (broker) or financial advisor, trust in the financial service plays a key role (Devlin et al. 2015). A greater proximity to financial intermediaries is connected with financial inclusion (Allen et al. 2016). The efficiency of financial intermediation should be increased, and households should be provided with better saving opportunities (Gu 2021).

According to Fong, K.Y.L., Gallagher, D.R, and Lee, A., D. (Fong et al. 2014) the type of broker determines the individual investors. The same can be said about retail investors and financial advisors (Mario Monti et al. 2014). In addition, financial literacy is of importance in this field (Atlas et al. 2019). Natural persons carry out various transactions as consumers, including also the financial market (Nizioł 2021). Studies show that financial literacy can be also given endogenously determined through the consumer’s investment in financial literacy (Barthel and Lei 2021). It also can be noted that advisor incentives to engage in cross trading are directly related to their opportunities for generating revenues from affiliated trading operations (Casavecchia and Tiwari 2016).

Studies concerning the banking sector, that are considering policies related to disclosures to customers, show that more regulatory requirements decrease bank efficiency (Gaganis et al. 2020).

The focused topic has been analyzed by many authors from a different point of view, e.g., the regulation of public services (Skora et al. 2022; Săraru 2023), the aspect of e-

commerce and securities (Gregusova et al. 2016; Peráček 2021, 2022), the aspect of the review of national court judgments (Funta and Králiková 2022), and the misuse of law (Matejkova and Pavelek 2020).

However, information about the following has not been provided yet: (1) an analysis of registration principle when starting performing financial intermediation as a subordinate financial agent; (2) an analysis of delegated supervision over the subordinate financial agent; (3) an analysis of on-site and off-site supervision carried out by the National Bank of Slovakia.

4.2. Methods

Financial law rules translate economic categories into the field of financial law (Králik et al. 2005). Financial law rules regulate a wide range of dynamically evolving socio-economic relations that are highly subject to political changes, which determines the diversity of financial law rules and their instability (Balko and Králik 2005). The characteristics of legal norms include normativity, bindingness, universality, and state compulsion (Ottová 2006).

Legal rules, as rules of conduct in a particular sphere of social relations, determine, by means of commands, prohibitions and permissions, the manner in which financial intermediation a sui generis business is being conducted by financial agents.

In the light of this fact, the analysis, synthesis, deduction, induction, and also the comparative method were used.

A method can be defined as a set of rules defining a class of operational procedures leading from a starting point (base) to a goal (Knapp 1981).

The current legal regulation of financial intermediation in the category of subordinate financial agent was analyzed. We characterized the analysis as a sequential collection of information (Knapp and Gerloch 2001). Analysis is an operation in which an object, phenomenon, or process will be mentally or factually decomposed into its constituent elements (Dudinská 1996). The individual parts, obtained on the basis of the thought decomposition of the phenomenon under study, become the subject of further investigation and critical evaluation (Gonda 2012).

Compared to analysis, synthesis is the opposite process, it is the unification of the composition of a process from its basic elements into a whole, and this unification does not have to be just the sum of the individual parts, which were previously divided by analysis (Dudinská 1996). Synthesis represents the mental unification of individual parts into a whole, enabling knowledge of the interrelationships between phenomena and the structure of the whole (Dudinská 1996). The deductive method uses deductive reasoning to recognize the truth (Knapp and Gerloch 2001). The inductive method is applied so that, on the basis of an examination of written documents, certain partial knowledge of particulars, having the logical character of statements about particulars, is obtained from which, on the basis of certain rules, general conclusions of the highest degree of probability are drawn (Knapp and Gerloch 2001).

Analysis, synthesis, the deductive and inductive method were applied, especially when the legal environment of other European countries was being examined.

The essence of the comparative method is comparison, i.e., the object of comparative consideration is always at least two elements, one of which is the comparatum (i.e., that which is being compared) and the other is the comparandum (that which is to be compared with it), both of which must have some reasonable tertium comparationis, i.e., some common feature by which they can be compared (Knapp 1981). We considered it a common feature that all five European states belong to the continental legal system, in which the normative legal act is one of the most important formal sources of law. The comparative method was used in the conclusion, where common features and differences of the regulation were pointed out. A comparative analysis was carried out in order to prepare *de lege ferenda* proposals for the improvement of the legal regulation of the examined area in the Slovak Republic.

5. Discussion and Conclusions

The objectives have been met and, by using scientific methods, we have reached the following results and suggestions.

Financial market supervision, in its broadest sense, can be defined as the examination of the compliance of the business activities of supervised financial market entities with generally binding legislation. Substantive competence of the National Bank of Slovakia in carrying out financial market supervision is defined through the activities that the supervisory authority carries out in the financial market, namely in relation to financial market entities and clients of these entities. In terms of the substantive competence, following the currently valid legal frame, the National Bank of Slovakia, in particular, has the obligation to establish prudential rules, safe operation rules, and other requirements for the business of supervised financial market entities, to conduct proceedings, issue opinions, methodological guidelines and recommendations, carries out on-site and off-site supervision of supervised financial market entities, carries out the protection of financial consumers, carries out tasks, activities, and powers under the single supervisory mechanism in cooperation with the European Central Bank pursuant to specific legislation, and cooperates and exchanges information to the extent necessary for the performance of its tasks, with the European Central Bank, with participants in the European System of Financial Supervision, and with foreign financial market supervisory authorities. The legislator defines the entities supervised by the National Bank of Slovakia. The list in question appears to be definitive, however, it cannot be overlooked that the legislator also includes supervision in the current legislation of the supervision of natural and legal persons who carry out unauthorized activities. Unauthorized financial market business is the provision of a financial service or financial product by a person who is not authorized to engage in the activity in question. In a broader sense, we can speak of financial market business without any authorization by the National Bank of Slovakia (i.e., authorization as a constitutive individual administrative act, or registration in the relevant register). In this context, we consider that, although the regulation implies certain attributes of the entities supervised by the National Bank of Slovakia, the list of such attributes is demonstrative. This is primarily because unauthorized business on the financial market takes various forms and shapes. Their sophistication is increasing, and it is not and will not be possible in the future to create a coherent group from the entities listed. It is, therefore, not possible to enshrine a definitive list of them in the legislation. We consider that the list of supervised financial market entities is enumerative.

The subordinate financial agent is not being licensed by the National Bank of Slovakia. This entity, a legal person or a natural person (entrepreneur), carries out financial intermediation on the basis of registration in the register kept by the supervisory authority. The subordinate financial agent is not a supervised financial market entity. The subordinate financial agent is under the delegated supervision, meaning the supervision of activities when performing financial intermediation and compliance with the relevant legislation are checked by the independent financial agent. In addition, the independent financial agent is being supervised by the National Bank of Slovakia how this duty is being fulfilled.

Nevertheless, on the subordinate financial agent, sanctions can be imposed by the National Bank of Slovakia. As the legislator has empowered this supervisory body to sanction the subordinate financial agent, it is possible to take the idea into consideration that this entity could also be under the supervision of the National Bank of Slovakia. The currently valid Slovak legal frame has also created a unique situation where an entity, that is not directly being supervised by the National Bank of Slovakia, can be directly sanctioned by this authority.

The strongest argument supporting the direct supervision of the National Bank of Slovakia rises from the fact that, in practice, the subordinate financial agent is very often in contact with the non-professional client. This means he performs financial intermediation for a consumer. The term consumer is being defined by legal rules for each respective regulation specifically (Veterníková 2015). One of the basic duties of the subordinate financial agent is to explain the substance of the financial services contract to the non-

professional client. In order to prevent providing of incorrect information, it is necessary for the subordinate financial agent to be supervised directly by the authority how this obligation is being fulfilled.

Further arguments supporting the direct supervision of the National Bank of Slovakia over the subordinate financial agent are the client's expectations. Clients of a subordinate financial agent have particular (but not exclusive) expectations relating to the cooperation in the administration of a financial services contract. Clients also have expectations regarding the cooperation in the handling of claims under the financial service contract, in particular, in connection with events decisive for the occurrence of such claims, if the nature of the financial service allows for such cooperation. These expectations can only be fulfilled on a long-term basis, if there is a specific financial market supervisory authority which would be in charge of the checking of the long-time functioning of the subordinate financial agent.

Enabling off-site supervision and on-site supervision would mean an obligation imposed on the subordinate financial agent to act, tolerate, or refrain from doing something for the purpose of verifying that financial intermediation is carried out in accordance with applicable law. Supervision of the subordinate financial agent by the National Bank of Slovakia, which could be possibly incorporated into the regulation, would lead in practice to a stronger protection of the financial consumer.

Delege ferenda the Article 38 Paragraph 1 of Financial Intermediation Act must be supplemented, so that the National Bank of Slovakia will perform supervision over the financial intermediation carried out by the subordinate financial agent. At the same time, it is also necessary to change Article 1 Paragraph 1 of the Financial Market Supervision Act, so that the subordinate financial agent will be incorporated into the group of supervised financial market entities.

It has also been focused on regulation in other Member States of the EU and of the EEA, namely Germany, Austria, Czech Republic, and Liechtenstein. An important role in performing financial services in the EU-Member States has played the Insurance Distribution Directive. A significant difference between the German and Slovak regulation can be seen in the way of regulation, as far as the authorization to commence the activity is concerned. While the German, Austrian categories of subjects entitled to distribute financial services in the area of insurance and reinsurance are being regulated the by the German Trade Licensing Act, Austrian Trade Licensing Act, the Czech, and Slovak ones are expressly excluded by the Act. No. 455/1991 Coll. On Trade Business as amended.

Finally, it must be mentioned that the regulatory framework in all European countries must be created with reflecting to the ensure sustainable growth. *Pro futuro* it seems to be interesting to focus on the advantages and disadvantages of the Slovak integrated regulation concerning the distribution of financial services in the sectors of insurance and reinsurance, capital market, supplementary pension savings, old-age pension savings, deposit taking, credit, and loans, including housing loans and consumer loans.

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