

Consultation on the Review of the European System of Financial Supervision

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The European Supervisory Authorities (ESAs)

Effectiveness and efficiency of the ESAs in accomplishing their tasks

How do you assess the impact of the creation of the ESAs on the financial system in general and on (i) financial stability, (ii) the functioning of the internal market, (iii) the quality and consistency of supervision, and (iv) consumer and investor protection in particular?

Name of organization: Portuguese Banking Association Registration ID in the Transparency register: 55522233436-23 Contact details: Av. da República, 35-5º, 1050-186 Lisboa - Portugal Tel. (+351) 213 510 070 Fax (+351) 213 579 533 apbancos@apb.pt Although the creation of the ESAs proved to have a significant impact on financial stability and the functioning of the internal market, the consistency (uniformity) of supervision needs to be improved, particularly as far as financial markets are concerned. It is worth asking whether a European architectural framework for financial markets to effectively ensure market stability and soundness shouldn't require a more direct involvement of supranational, independent institutions not only to define the rules but also to conduct supervisory tasks over financial entities and operations affecting the European market and ultimately the European economy (such as one hopes with the forthcoming functioning of the SSM for banks 'prudential supervision). In addition, we highlight that information overload and overlapping requirements (e.g. MiFID and PRIIPS, PRIIPs and Prospectus Directive) is not an effective approach to consumer and investor protection.

Do the ESAs' mandates cover all necessary tasks and powers to contribute to the stability and effectiveness of the financial system? Are there elements which should be added or removed from the mandate? Please explain?

The ESA's mandates represent a significant change from the previous network-based Lamfalussy Level 3 Committees, whose powers fell short of being able to issue binding rules. The ESAs now have considerable (quasi-)rule-making powers, being able to draft technical standards - endorsed into binding law by the European Commission - and to issue guidelines and recommendations. In addition, ESAs' mandates allows them, in exceptional circumstances, to direct compulsory decisions to national supervisory authorities, as well as to override these authorities and issue decisions directly to individual financial institutions in a Member State. Recently we have witnessed some differentiation in the ESAs mandates' scope. Although the roles and powers of the ESMA, EBA and EIOPA are relatively similar, Regulation (EU) no 513/2011 of the European Parliament and of the Council, of 11 May 2011, amending Regulation (EC) No 1060/2009 on credit rating agencies, established a clear distinction between ESMA and the two other ESAs. First, it makes ESMA exclusively responsible for the registration and supervision of credit rating agencies in the European Union (setting aside National Regulatory Authorities). Second, it establishes the enforcement methodology of the ESMA in this Regulation. The exclusive responsibility of the ESMA for the

registration and supervision of credit rating agencies (vide answer to Question 1.1.a) constitutes a good example of the move towards a greater Europeanization of market supervision. ESAs' mandate allows them to have a crucial role in rule-making, either by designing and setting rules (RTS and ITS) or by generating "soft law" (guidelines and recommendations). Nevertheless, the recent European experience has examples of regulatory overshooting situations, where these dominant agencies on paper are not equally efficient regulators when formal mandates are translated into actual practice

In your view, do the ESAs face any obstacles in meeting their mandates? If yes, what do you consider to be the main obstacles? Please explain.

An obstacle that ESAs face in meeting their mandates is the ambiguity of the rule-making design in the European Union. On one hand, it assigns a crucial role to ESAs, while on the other hand, it requires Commission endorsement to acquire binding force. The dimension of this potential obstacle depends upon how the relationship between the two parties will develop in practice.

Work towards achieving a single rulebook - regulatory activities

Do you consider that the technical standards and guidelines/recommendations developed by the ESAs have contributed to further harmonise a core set of standards in the area of supervision (the single rulebook)? If you have identified shortcomings, please specify how these could be addressed.

The most important element towards achieving a single rulebook is the use of Regulations rather than Directives. For example, the single European market in financial services continues to be held back by discrepancies between the way in which national governments and regulators have implemented previous financial services Directives (including, for instance, MiFID). However, it is worth mentioning that the use of regulations per se is not sufficient if the regulations are not well designed and comprehensive. A good example is the ambiguity of EMIR regarding the entity responsible for receiving information when a non-financial counterparty exceeds the threshold limit. Regarding technical standards, guidelines and recommendations, it is important to highlight that guidelines produced by the ESAs are applied on a "comply or explain" basis. As a result, different Member States interpret these rules differently, some seeing them as binding rules while others treat them as pure recommendations. It is important that NCAs take the steps necessary to ensure the enforceability of ESAs opinions and guidelines in their respective jurisdictions. The strength of the guidelines and recommendations could be further bolstered by additional public instances of "naming and shaming". The ESAs are required to inform the EP, the Council and the Commission in its annual report of the guidelines and recommendations issued, stating which competent authority has not complied with them, and outlining how the ESA intends to ensure that the competent authority follows its recommendations and guidelines in the future. The additional public disclosure of compliance with the guidelines and recommendations would contribute towards approaching a single rulebook. In the regulatory tsunami following the financial crisis, negotiations on EU Regulations and Directives were very often delayed. Following this, the ESAs have decided to provide their own guidelines on matters related to these dossiers while still waiting for the final outcome of these rules. These intermediate guidelines should be avoided as much as possible since they create extra burden to the participants and authorities and may unintentionally lead the negotiations into a certain direction. In addition, public consultations on guidelines and recommendations should always be conducted. Currently, such consultations are left to the leeway of ESAs and are to be conducted only when considered appropriate. Lastly, there is a lack of intervention of the ESAs in the financial crime domain (mainly in Anti-Money Laundering and Counter-Terrorism Financing policies) which is crucial for the harmonization of rules and procedures in the European Union.

What is your assessment of the work undertaken by the ESAs as regards providing opinions (e.g. technical advice) to the EU institutions?

The Portuguese Banking Association is not aware of any problems in the provision of opinions by ESAs to EU institutions, either in the annual joint hearing at the EP for the three ESAs, either on ad-hoc hearings, of a more technical nature, that take place with the EP and Council. We consider that, in addition to providing opinions, the European Banking Authority, the European Securities and Markets Authority, and the European Insurance and Occupational Pensions Authority should be actively involved in the elaboration of Level 1 legislation, in order to better ensure coherence between the "Level 1 text and the technical standards.

Common supervisory culture/convergence of supervisory practices

In your view, did the ESAs contribute to promoting a supervisory culture and convergence of supervisory practices? If you have identified shortcomings how could these be addressed?

Despite the noteworthy progresses (namely in EBA's case) the promotion of a supervisory culture and convergence of supervisory practices by ESAs has yet a considerable road ahead. The convergence of supervisory practices based on peer reviews - as preconized in Article 30 (1) ESAs Regulations ("in order to further strengthen consistency in supervisory outcomes" the Authorities shall periodically organise and conduct peer reviews") is still clearly insufficient. In areas such as the financial markets, supervisory rules and outcomes are widely different, thereby creating a potential for regulatory arbitrage.

Consistent application of EU law

In your view, do the procedures on breaches of EU law (Article 17 ESAs Regulations) and binding mediation (Article 19 ESAs Regulations) ensure the consistent application of EU law? If you have identified shortcomings how could these be addressed?

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Emergency situations

Do you consider the ESAs' role in emergency situations appropriate? Please explain.

The ESA's role in emergency situations is often relatively sluggish. For example: ESMA's investor warning "Trading in foreign exchange (forex)", released in 5 December 2011 (http://www.esma.europa.eu/system/files/2011-412_1.pdf) appeared only a significant time after an exponential increase in the number of unauthorized firms offering transactions, or platforms to trade, in currency derivatives in the forex market. In addition, the reversion of decisions is also too slow, resulting in substantial negative effects for the banking sector. A clear example is EBA's sovereign portfolio buffer.

Coordination function (Art 31 ESAs Regulations)

Do you think that the coordination role of the ESAs is appropriate? If you have identified shortcomings, please specify how these could be addressed.

The coordination of legislation must be first conducted at a global level. It is crucial to have a coordinated approach to reforms in view of the global nature of the banking and financial services industries. EU legislation should not - as it frequently happens - front-run issues still being consulted upon at a global level. The impact of front-running other proposals is a potential mix of differently-defined requirements, different implementation dates, and different interpretations with which to cope. These situations create a different level playing field between credit institutions worldwide. A good example is the implementation of Basel III, where EU banks face a serious competitive disadvantage by introducing the new rules well ahead their US counterparts.

In your experience, to what extent have coordination activities carried out by the ESAs contributed to promoting a coordinated EU response to adverse market conditions? Please explain.

The financial crisis that began in 2007 (and later on also an economic crisis) had a significant impact on the foundations of the financial system, in global and European terms. The crisis acted as a catalyst for reform of the financial regulation system, and for the creation of the ESAs, which many had long been calling for. Although a significant part of the regulatory reforms were aimed at a sounder financial system, their impact proved prejudicial to regular banking activity and to the economy as a whole. They exacerbated austerity and significantly worsened the prospects of economic growth in the EU area. The uncoordinated and duplicative approach of much of the legislation that appeared, led not only to inefficiencies and greater administrative costs, but also compromised important policy objectives of economic recovery. Therefore, we appreciate that EU policymakers are becoming increasingly interested in the importance of promoting adequate regulation that balances different objectives. It is essential to create an appropriate and consistent regulatory framework for banking activity and the economy as a whole. That framework should ensure a recovery of investor confidence but not be constrained or over-regulated by legal and regulatory provisions with contradictory effects that place considerable restraints on the European economy.

Tasks related to consumer protection and financial activities

How do you assess the role and achievements by the ESAs in the field of consumer protection? Please specify the main achievements by each ESA.

ESAs efforts to improve the harmonization of national approaches have been beneficial to consumer protection. The level of protection is quite ambitious (in some cases even excessive).

Are you aware of the warnings that were issued by the ESAs so far? If yes, please specify which ones and whether they have contributed to improve consumer protection or any other objective of the ESAs.

Some warnings issued by the ESAs, although important were not timely. For example ESMA's investor warning "Trading in foreign exchange (forex)", released in 5 December 2011 (http://www.esma.europa.eu/system/files/2011-412_1.pdf) appeared only a significant time after an exponential increase in the number of unauthorized firms offering transactions, or platforms to trade, in currency derivatives in the Forex market.

What are the main strengths and weaknesses of the current framework on consumer protection (Article 9 ESAs Regulations) and what would you suggest to address any possible shortcomings?

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Direct supervisory powers

How do you assess ESMA's direct supervisory powers? If you have identified shortcomings, please specify how these could be addressed.

CRA was the first case where an ESA was entitled direct supervisory powers. Although ESMA's performance for the registration and supervision of credit rating agencies (CRAs) was noteworthy, the same does not apply to the European Union regulation on derivatives, central counterparties and trade repositories (EMIR), which added additional direct supervisory powers to ESMA. The process is chaotic. A noteworthy example is that deadlines are long surpassed and that ESMA is permanently updating the implementation timetable on its website.

How do you assess ESMA's performance for the registration and supervision of credit rating agencies (CRAs)?

Since July 2011, all registration and supervisory responsibilities concerning CRAs were transferred from the NCAs to ESMA. ESMA's CRA Unit has conducted a significant supervisory work (registration and certification, on-going supervision, and development of a central repository). However, at present, ESMA's CRA Unit seems under-staffed for its proposed goals (e.g. objective of conducting inspections on all CRAs by 2014).

Do you consider that further responsibilities of direct supervision should be entrusted on one or more of the ESAs, particularly with regard to institutions or infrastructures of pan-European reach? Please explain.

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Governance of the ESAs

General governance issues

Are the governance requirements sufficient to ensure impartiality, objectivity and autonomy of the ESAs?

At the ESAs level, draft technical standards, guidelines and recommendations are adopted by the Board of Supervisors - each Authority's primary decision making body. Although the founding regulations proclaim the independence of the Board of Supervisors, in several circumstances, decisions are still very much dominated by "domestic" and political views.

How do you assess the accountability requirements? If you have identified shortcomings, please specify how these could be addressed.

By comparison to the Lamfalussy Committees, the ESAs Regulations encompass enhanced mechanisms of accountability. However it is worth mentioning that although the tort liability of the ESAs is legally possible, it is highly unlikely in light of the case law of the Court of Justice of the European Union

Decision-making bodies and voting modalities

Does the current composition of the Board of Supervisors (BoS) ensure that it acts efficiently? If you have identified shortcomings, please specify how these could be addressed.

National authorities have a strong position - through the presence of the heads of national supervisory authorities - in the BoS. By co-opting the Member States, the model creates the potential for conflicts of interests in the Authorities' main decision-making body with members tending to be entrenched in narrowly-drawn national interests. Risks of interference

are bolstered by the fact that the ESAs are partially funded by compulsory contributions from the competent national supervisory authorities. Different alternatives can be considered to address these shortcomings, namely adding more independent members to the BoS or moving to a full time and professional BoS. Nonetheless, it is worth highlighting that the majority and qualified-majority voting system constitute important improvements compared with the former system based on consensus.

Does the composition of the Management Board ensure that the ESAs are run effectively and perform the tasks conferred on them? If you have identified shortcomings, please specify how these could be addressed.

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Does the mandate of the Management Board ensure that the ESAs are run effectively and perform the tasks conferred on them? If you have identified shortcomings, please specify how these could be addressed.

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Financing and resources

How do you assess the arrangements on financing and resources? If you have identified shortcomings, please specify how these could be addressed.

ESAs' financing and resources currently depend mostly on financing from national authorities (and not from the European Commission budget). In this respect, we believe that efforts should be made to increase the independence of revenue sources. In addition, the volume of tasks that the ESAs are expected to accomplish are, in some circumstances, overambitious bearing in mind their financing and resources. This is clearly the present case at ESMA and EBA, given the dozens of RTSs flowing from EMIR, MiFID, CRD, CRR, etc. As a result, ESAs should see their resources increase to an extent that is commensurate to their task and responsibilities.

Involvement and role of relevant stakeholders

How would you assess the impact of the relevant stakeholder groups within the ESAs on the overall work and achievements of the ESAs?

The framework of public consultations and working groups is too limited, to ensure a proper contribution from all pertinent stakeholders. Stakeholders have very limited time to provide inputs on complex issues and ESAs tend to be inflexible in their points-of-view. ESAs should consult the different stakeholders more frequently and also allow early industry comments.

Are you satisfied with the quality and timeliness of consultations carried out by the ESAs?

No. Over the last two years, there have been multiple consultations carried out simultaneously by the ESAs with very short consultation periods considering the complexity of the issues involved. There is a need for more time for consultations e.g. minimum lengths and these should be hardwired into the ESAs regulations. The sooner market participants are involved in the rule making, the better the industry is prepared for the rules i.e. implementation will be speeded up. Any discussion paper should be open for consultation for a minimum period of 60 days and any official consultation paper for a minimum period of 90 days. This would allow for transparency and give the ESAs input and information on the most important and controversial topics.

Are you satisfied with the appointment procedures for the stakeholder groups?

Not exactly. ESAs stakeholder groups have 30 members appointed by the ESAs, following an open call for candidates. The secrecy around the establishment of the stakeholder groups, task forces and working groups is not helpful in creating well considered and workable rules. Lastly, ESAs should engage with the stakeholders groups early on in the processes, to get their views on priorities and contents.

In your experience, does the composition of stakeholder groups ensure a sufficiently balanced representation of stakeholders in the relevant sectors? If not, which areas appear to be insufficiently/overly represented?

In ESMA, Banking representatives are not satisfactorily represented. Most representative Associations should be admitted by default (perhaps on rotational basis) or accepted as observers. Stakeholder participation could be enhanced by allowing more time for consultations. The sooner stakeholders are involved in the discussion of rulemaking, the better the industry is prepared for the rules i.e. implementation will be speeded up.

Is the work undertaken by the stakeholder groups sufficiently transparent? Do you see areas where the approach towards transparency needs to be revisited?

Transparency should in this respect be at the same level with the traditional European legislative process. Agendas and minutes should be published.

In your experience, are the ESAs, and in particular the ESAs stakeholder groups, sufficiently accessible for stakeholders not directly represented in these stakeholder groups?

No. Please see comments to questions 1.2.4 a), 1.2.4 b), 1.2.4 d) and 1.2.4 e). Additionally, the EU legislative process is becoming more and more complex and cumbersome, with several layers of authorities involved, decisions, and bureaucratic procedures. Such framework implicitly excludes the less sophisticated players from adequately participating in the decision making process.

Joint bodies of the ESAs

How do you assess the functioning of the Board of Appeal (BoA)?

If you have identified shortcomings, please specify how these could be addressed.

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What is your assessment of having one joined BoA for all ESAs as compared to a dedicated BoA for each ESA respectively?

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How do you assess the functioning of the Joint Committee (JC)?

If you have identified shortcomings, please specify how these could be addressed.

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Does the JC ensure cross-sectoral cooperation and consistent approaches between the three ESAs? If you have identified shortcomings, please specify how these could be addressed.

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ESRB

ESRB's mandate and experience

Risk identification and prioritisation

What are your views on the ESRB mandate? If you think it should be amended please specify how.

The existing structure of macroprudential oversight is currently too much dispersed across several entities - ECB, ESRB Member States and National Authorities. It needs to be revised, in order to promote consistence, coherence, and to be effective.

What are your views on the definition of systemic risk, as provided by the ESRB Regulation? If you think it should be amended, please specify how.

According to the ESRB Regulation systemic risk "means a risk of disruption in the financial system with the potential to have serious negative consequences for the internal market and the real economy. All types of financial intermediaries, markets and infrastructure may be potentially systemically important to some degree". The definition implicitly tends to focus on systemic risk from within the financial system (and not from the outside). An example of systemic risk that might have come from outside of the financial system was the possibility that the September 11, 2001 terrorist attacks could lead to widespread disruption to financial flows because of the destruction of physical infrastructure and death of highly specialized industry professionals.

Do you think that the ESRB has developed a sufficiently preventive and forward-looking approach? Please comment on the successes and shortcomings and how they could be, respectively strengthened or addressed.

No. The approach developed by the ESRB has not been sufficiently forward-looking since its recommendations are too vague regarding the articulation of powers between various entities (national and supranational) involved in the macroprudential supervision process. This may result in potential conflicts arising during the implementation of the macroprudential policy. In addition, the ESRB has not been very efficient so far: monitoring actions have been considerably slow and recommendations have little enforcement.

What aspects of EU financial stability should be addressed by the ESRB as a priority?

The ESRB should focus on the increasing risks to bank solvency resulting from negative or reduced economic growth. It should also look at the broad picture and potential implications of the unbalanced development of shadow banking (mostly unregulated) vs. the over regulated banking system.

What is your assessment of the ESRB's coordination with other economic or financial policy areas or economic governance procedures, for example on macroeconomic imbalances?

ESRB's coordination with other economic or financial policy areas or economic governance procedures, such as on macroeconomic imbalances, is non-existing

Please outline and comment on the areas in which the ESRB has been most effective.

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Should the ESRB specific mandate be adapted in light of the Single Supervisory Mechanism? If yes, how?

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Timeliness and appropriateness of warnings and recommendations

What are your views on the powers conferred to the ESRB by the ESRB Regulation (i.e. the power to issue warnings and recommendations)? Are they sufficient? Please explain. What are your views on the use the ESRB has made of these powers in practice?

One of the powers the ESRB Regulation refers to is the power to "(...) in collaboration with the ESAs, developing a common set of quantitative and qualitative indicators (risk dashboard) to identify and measure systemic risk" (Article 3, n.º 2 (g) of the ESRB Regulation). As the definitions of these indicators do vary across Member States, the ESRB should create of a set of uniform concepts underlying a common set of quantitative and qualitative indicators.

What is your assessment of the ESRB's public recommendations in terms of content and timeliness? What is their impact on the direct addressees, and indirectly on the relevant market/market participants? If you identify any potential improvements, please specify how these could be delivered.

Over the last two years, the ESRB has published 6 Recommendations only. However, the majority of them was published simultaneously: • Recommendation of 22 December 2011 on the macro-prudential mandate of national authorities; • Recommendation of 22 December 2011 on US dollar denominated funding of credit institutions; • Recommendation of 20 December 2012 on money market funds; • Recommendation of 20 December 2012 on funding of credit institutions. Furthermore, it is difficult to follow a logic in the sequence of the existing recommendations. The outline of a broad strategy in terms of macroprudential oversight, and the objectives in view should have been the first steps of ESRB activity, followed then by a series of recommendations in line with the identified strategy and the desired objectives. The perception from the outside however is currently one of lack of coordination and driving direction.

Did the recommendations adequately address the relevant policy makers in alerting them to, and advising them on, the necessary measures for risk mitigation?

ESRB reports are too general and without specific recommendations when, for instance, there are currently observable sources of systemic risk arising out of central bank liquidity provisions and excessively low interest rates.

Were the recommendations specific enough and did they address the main specific risks that could be identified in the period under review? If not, where would you identify the shortcomings and how could these be improved?

The ESRB has published two recommendations concerning specifically the macroprudential oversight so far ("The macro-prudential mandate of national authorities" (ESRB/2011/3) and "Intermediate objectives and instruments of macro-prudential policy" (ESRB/2013/1)). Although the ESRB establishes indicative macro-prudential instruments (as different ratios to be used in the analysis,), it does not provide a clear standardization of concepts to be used. As definitions vary from one Member State to another, the standardization is crucial and should be provided by the ESRB. Otherwise, a divergent interpretation of the proposed set of macro-prudential instruments at the national level may put a level playing field at peril.

Implementation of warnings and recommendations

How do you assess the non-binding character of warnings and recommendations? Could

such tools be strengthened? If yes, please specify how.

When potential risks that can affect the financial system and the real economy are detected, the ESRB can emit warnings and recommendations to the Member States, NCAs and other EU bodies. Considering that Article 2c of ESRB Regulation establishes systemic risk as “a risk of disruption in the financial system with the potential to have serious negative consequences for the internal market and the real economy”, it is difficult to understand how Member States and EU bodies are not forced to act upon the warnings and recommendations issued by the ESRB. Similar to the ESAs’ case, the strength of the warnings and recommendations of the ESRB could be bolstered by, at minimum, public “naming and shaming”. However, in our view, and as far as macroprudential oversight is concerned, even this is considered insufficient.

What is your assessment of the 'act or explain' mechanism chosen by the Regulation? If you identify any room for improvement please specify how this could be addressed.

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What impact did public recommendations have on the market or public in general? Please outline your experience.

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Institutional framework and governance of ESRB

General governance issues

Key principles for good governance

Do the regulations provide ESRB with the right structures to follow the good governance model in terms of openness, participation, accountability, effectiveness and coherence and to promote a common supervisory culture? Please explain your answer.

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Has ESRB contributed to establishing a common macro-prudential policy framework and convergence of macro-prudential supervisory practices within EU? Please explain your answer.

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Has the ESRB acted as an impartial body in the interests of EU as a whole? Please explain your answer.

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Accountability and transparency

Are the ESRB's accountability and reporting obligations, (including the frequency), to the European Parliament and the Council sufficient and transparent enough? If not, please explain how they should be improved.

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What is your assessment of the nature of these public hearings?

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Decision-making bodies and voting arrangements

Voting arrangements for the designation or election of the Chair of the ESRB

What are your views on the fact that the President of the ECB is by rule the Chair of the ESRB? If you think this rule should be amended, please specify how the ESRB Chair should be appointed. For example, should it be defined in the Regulation or should she/he be appointed by an EU institution or the ESRB itself? If by an EU institution, by which one and how?

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Do the governance arrangements ensure that the Chair carries out his tasks with sufficient independence? If not, please specify where there is room for improvement and how this could be addressed.

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Composition, mandate and functioning of the General Board

What is your assessment of the composition, size and mandate of the General Board? If you identify any shortcomings please specify how these could be addressed.

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What is your assessment of the relative representation of central banks on the General Board?

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What is your assessment of the participation of the European Supervisory Authorities (EBA, EIOPA, ESMA)?

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What is your assessment of the presence of non-voting members at General Board meetings?

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Internal organisation

What is your assessment of the supporting activities of the ECB to the ESRB, according to the relevant regulation (Council Regulation 1096/2010)? What are the key advantages and disadvantages of this set-up? If you identify any room for improvement, please specify how this could be addressed.

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Access to data

In your view, has the ESRB had adequate access to relevant data and financial information for the fulfilment of its mandate?

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For the analysis of systemic risk, what is the balance needed between, on the one hand, data in summary or aggregate form and, on the other hand, firm-specific data?

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How do you assess the data access procedures foreseen in the ESRB Regulation? If you identify any room for improvement, please specify how this could be addressed.

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ESRB external relations and communication

Positioning of ESRB as an authoritative policy institution focused on monitoring and preventing systemic risks

What is your assessment of ESRB communications?

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What is your assessment of the ESRB's reputation as the body responsible for identifying and helping to mitigate systemic risk?

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Interaction with other international bodies (e.g. G20/FSB)

What is your assessment of the ESRB interactions with the International Monetary Fund (IMF); the Financial Stability Board (FSB); the G20 Group; macro-prudential authorities in any other relevant non-EU countries? If you identify any room for improvement, please specify how this could be addressed.

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Cooperation and interaction between the ESAs (micro level) and ESRB (macro level)

Assessment of market developments

What is your assessment of the past stress test exercises that were initiated and coordinated by EIOPA and EBA? If you have identified any shortcomings, please specify how these could be addressed.

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Did the stress tests and EBA's recapitalization exercise contribute to increase confidence in the stability of the financial system and increase the resilience of financial institutions? Please explain.

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Aspects of macro-micro interaction

What is your assessment of the cooperation between ESRB and the ESAs? In which areas has cooperation been successful? If you identify room for improvement, please specify how this could be addressed.

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What is your assessment of the ESAs' follow-up actions on the ESRB recommendations? Please explain.

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Has ESRB contributed to the work of the ESAs by bringing a macro-prudential perspective into micro-prudential activities? If so, please comment on key successes and/or shortcomings.

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Structure of the ESFS

What is your assessment of the structure of the ESFS?

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Does the structure of the ESFS facilitate the identification, monitoring and mitigation of systemic risk in the EU financial sector? Please explain.

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Do you consider that the ESFS can be further simplified in order to tangibly enhance coherence between the ESAs and the ESRB? Please explain and add concrete suggestions, where possible.

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Do you consider that the structure of the ESFS, in particular the roles of EBA and ESRB, will need to be revisited in light of the establishment of the Single Supervisory Mechanism (SSM) and the new role of the ECB within the ESFS? Please explain and add concrete suggestions, where possible. How should synergies in terms of supervision within ESFS including ECB be exploited? Please explain.

An unified bank supervision in the euro area, under the auspices of the European Central Bank (ECB), raises questions about the role of the EBA and also of the ESRB in the future EU supervisory scene. The establishment of the SSM is expected to re-focus the EBA's efforts in home - host supervisory coordination whereas the ECB with its significant new supervisory powers is foreseen to make a strong effort to achieve consistent supervisory outcomes within the SSM as the single supervisor. The creation of the Single Supervisory Mechanism should imply, in the medium term, changes to the Regulation of the ESRB and to the conduction of macroprudential oversight in the European Union. The ESRB should define the strategy, objectives and the policy of macroprudential supervision. This macroprudential policy should be approved, at an European Level, through a legislative act, emanated by the European Commission, the Council and the European Parliament. Afterwards, through delegated acts, EBA should set common RTS/ITS and Guidelines of macroprudential nature. The former should be of mandatory application by Member States, National Competent Authorities and Central Banks (ECB for SSM countries), without prejudice of the possibility of exercising options and discretions.

From your experience, do you think that the ESAs and ESRB attract a sufficient number of diverse and excellent staff? If not, why not? If you identify room for improvement, please specify how this could be addressed.

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Miscellanea

Do you have any other comment on the effectiveness and efficiency of the ESAs and ESRB within ESFS and on ESFS in general? Please indicate whether the Commission may contact you for further details on the information submitted, if required.