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**High-Level Conference "Towards a new
supervisory architecture in Europe"**
Bruxelles, 7th May 2009

Speaking Points

Introduction

- I would like to welcome you to the high-level conference 'Towards a new supervisory architecture in Europe'.
- We appreciate the high interest in the Commission work on European financial supervision confirmed by the good attendance today.
- Financial supervision is a key issue for the Single Market.
- An integrated European financial sector cannot work properly with supervision fragmented along national borders. We have to reduce the mismatch between an integrated market and fragmented supervision.
- Eight years ago a framework for cooperation of national supervisors was put in place, based on the report of a Committee of Wise Men chaired by baron Lamfalussy.
- Starting with the Committee of European Securities Regulators, CESR, this framework has been extended to the whole financial sector with the creation of CEBS and CEIOPS.

- The Lamfalussy framework was an important step in the right direction. It has brought national supervisors together and they have started to work on common issues.
- Over time, the three Committees have developed their European identities and gained an important role in the EU financial landscape.
- The Commission has recently strengthened the Committees by improving their decision making procedures. Yesterday, Council and Parliament agreed on the Commission proposal to fund the Committees under the Community budget.
- However, the recent events in European financial markets have shown that informal cooperation is not enough. The financial crisis has demonstrated all the weaknesses of the current supervisory framework:

1. Firstly,

the current system is clearly lacking a **mechanism for solving conflicts between participating supervisors.**

This is a major obstacle to achieving a balance between home and host supervisor interest in the supervision of cross-border financial groups.

As national authorities are only accountable to their national Parliaments/national taxpayers, host authorities can only hope that home authorities will take their situation into account in the event of a crisis.

2. Second,

the Lamfalussy framework has proved rather weak in ensuring **consistent implementation and enforcement** of EU rules.

Diverging national interpretations of supervisory rules remain a common problem. Without legal powers to set binding supervisory standards and decisions on individual firms, CESR, CEBS and CEIOPS have not been able to move forward much in this area.

The existing situation cannot achieve a level playing field for all companies in the EU Single Market.

3. Thirdly and finally,

the existing mechanisms have proved to be particularly ineffective in ensuring a **co-ordinated reaction during the financial crisis**.

Problems of communication, or a lack of trust between supervisors, have endangered the effective control of the supervised institutions in several cross-border cases.

So we need new solutions.

- In October last year President Barroso decided to establish a High Level Group on financial supervision in the European Union, chaired by Mr Jacques de Larosière.
- After four months of intensive work, the Group presented its report at the end of February. The report identified the problems and proposed solutions.
- It looked not only at the traditional area of micro-prudential supervision – supervision of individual institutions – but also focused on macro-prudential supervision – oversight of stability of the financial system as a whole.
- The de Larosière Group proposed to establish a European Systemic Risk Council under the auspices of the ECB – to ensure macro-prudential oversight;
- and a European System of Financial Supervisors based on a network of national supervisors and three new European supervisory authorities – for effective micro-prudential supervision.
- The European Commission endorsed the main recommendations of the de Larosière report in a Communication 'Driving European recovery' adopted on the 4 March.
- A Commission Communication, early March, which presented the overall EU response to the financial crisis, and announced a European financial supervision package by the end of May with more detailed proposals from the Commission.

- To prepare this package, we have carried out a consultation on the recommendations of the de Larosière report.
- During a month between early March and early April we received more than 100 submissions from a broad range of stakeholders.
- We have been examining them attentively. They will be available on the Commission's website and the feedback statement will also be published.
- The conference today is another important step in the preparation of the Commission proposals for a new supervisory architecture in Europe.
- The contributions that we are going to hear today will feed into the Commission Communication on European financial supervision. It will be adopted by the College of Commissioners on 27 May.
- We very much appreciate this opportunity to listen to the views from the consumers and the industry; the central banks and the supervisors; the European Parliament and the Presidency.
- This will provide us with various perspectives on the challenges ahead of us. It will help us to come forward with the best policy proposals for a better European financial supervision in the future.
- Our programme today features many outstanding experts and this promises to be a very valuable event. We are looking forward to lively and enriching debates.

Thank you for your attention.