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## Towards a new supervisory architecture in Europe Brussels, 7 May 2009

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Good morning ladies and gentlemen,

The crisis has exposed substantial weaknesses in financial market regulation and supervision. In response, the European Commission launched an ambitious agenda for change and I am happy to report that the Czech presidency has delivered on many fronts in this regard.

In the number of legislative proposals that we have been able to finalise, colleges of supervisors are formally established for the first time. This is an important step towards supervisory convergence and efficiency. Second, we have agreed with the European Parliament on a way of financing the Level 3 Committees from the Community budget. Giving resources to

the already stretched-out Committees which are being given ever more tasks is key. Third, the Czech presidency welcomed the de Larosiere report and planned the Council agenda in such a way so that a profound political debate on the issue of supervision could take place.

The first discussion took place on 4 April at the informal ECOFIN in Prague. After a long exchange of views, ministers of finance and central bank governors expressed strong support to reform financial markets supervision in the EU. There is a growing consensus that the reform should focus on improving the quality and intensity of supervision and, most importantly, also the institutional structure. Although many questions remain unanswered and much detail needs to be clarified, the momentum is clearly there.

Our next stop is the June ECOFIN meeting where we will be expected to produce conclusions which should feed into the European Council meeting later that month, hopefully providing the European Commission with a clear political message and a robust foundation for its legislative proposals.

Today, I would like to briefly focus on two things. First, on the issue of the first phase of the de Larosiere report. Second, on

the need to pay special attention to gather more comprehensive and better quality data.

The de Larosiere report suggests that, before dealing with the sexy subject of supervisory architecture, we should focus on ensuring our supervisors have the same high quality tools to be able to do their job properly. The Czech presidency considers that a major factor that would strengthen stability and development of European financial markets is not only harmonisation of the financial markets regulation but also the harmonisation of supervision itself.

Today, there is no single framework of sanctions and approaches to the oversight of financial markets' players vary from one member state to another. Similarly, there are doubts as to whether the level of enforcement of the applicable rules is consistent enough. These divergences could cause regulatory arbitrage, undermine confidence and threaten market stability. We should use the current opportunity and do our best to reach concrete results in this area.

The crisis has also shown that the existing crisis management and financial stability arrangements are not optimal, especially when faced with a serious cross-border shock. We must ask

ourselves whether the Memorandum of Understanding we signed last year has been implemented properly and whether it provides a sufficient basis for the future.

I would also like to emphasise the need to start working and put a great emphasis on better data gathering and storage capacity of the new supervisory architecture, whatever it may be. This is necessary not only to be able to better supervise, but also to be able to regulate better and in a more informed manner. For example, reporting transactions in financial instruments which are not traded on regulated markets is not required by EU legislation.

Second, even the information supervisors gather is often not obtained in the same format and so exchanging it quickly among supervisors or trying to produce reliable EU-wide statistics can be an excruciating task, bordering on the impossible. The agreement to reach common reporting formats in the CRD is therefore a good step forward. Third, we need to identify new types of information we want to receive from financial institutions and markets. Data needed for macro-prudential supervision will be different from data needed to fight market abuse or micro-prudential requirements. Fourth, we will need to review what actors are best to gather the information from. Finally, and most importantly, we should try

to store that information in one place so that we are able to have a complete overview of the market situation. After all, without vision, there can be no supervision.

In conclusion, the Commission promised to merge the first and the second phase identified by the de Larosiere report together. I hope that we will not lose sight of this first important piece of the puzzle. We need to take a uniform approach to achieve a greater harmonization of supervisory powers and to strengthen independence of supervisory bodies. The greater convergence of rules, standards and sanctioning powers between Member States as suggested in the de Larosière report is a necessary step in our response to the weaknesses exposed by the financial crisis.

We should also put a great emphasis on making sure our supervisors have the data to carry out their tasks effectively. Identifying the appropriate data, changing the legislation to be able gather it in common formats and ensuring that it can be put together will require enormous investment in time and resources and should preferably be done as part of a single project.

We will of course continue to do our best to contribute to our common goal - a robust European supervisory architecture. I hope that by the end of the Czech presidency the basic principles of the EU supervisory reform will be agreed. The ensuing and infinitely more complex challenge of transforming this concept into concrete legal solutions, I am more than happy to leave to our Swedish, Spanish or Polish colleagues.

Thank you for your attention.