

**European Commission Conference
“Towards a new supervisory architecture in Europe”**

***Speech by Ariane Obolensky, Chair of the EBF's Executive Committee and
Chief Executive of the French Banking Federation***

I would like to thank the European Commission for giving me the opportunity to address such a distinguished audience of European executive and policy-makers on the very topical issue of the future supervisory architecture in Europe.

As at least some of you, I expect, will know, some of the main objectives of the European Banking Federation are to support policies to promote the single market in financial services, to advocate free and fair competition and to promote better regulation and win support for the EU regulatory model abroad.

In this respect, EBF thinks that the fragmentation of banking supervision at the national level is one of the main obstacles to the integration of the European banking markets. Moreover the financial crisis has clearly revealed the need for a supervisory framework that can accommodate the size of pan-European groups and that can address financial stability issues.

We support the recommendations of the de Larosière Report, which lie within a pro-stability, pro-integration framework and provide a positive and forward looking input into the collective response to the recent collective failings of industry, regulatory authorities and policy makers.

More particularly as regards financial supervision, the de Larosière Report clearly provides a blueprint for effective and efficient supervision where a consistent set of rules is crucial.

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I would now like to share with you some of the Federation's more detailed reflections on the recommendations made by the de Larosière group.

European banks consider the stated goal as an extremely positive sign. But to reach such a goal implies overcoming practical and legal difficulties and

sensitivities. The EBF is ready to give its full support to the Commission in its task of building on the report to propose a reform of the supervisory architecture.

I will start with the macro level of supervision and I will then address the recommendations on the micro level. Finally, I will briefly touch upon the issue of crisis management, which, as I am sure you can all agree, can hardly be ignored when debating on the organisation of prudential supervision.

From the perspective of macro prudential supervision, the European Banking Federation sees the creation of a European Systemic Risk Council as a positive development. It is very encouraging that the objectives of the proposed Systemic Risk Council were echoed by the G-20's own commitment to guard against systemic risks.

In that regard, we hope that the European concept may serve as an inspiration to the global supervisory developments.

We also believe that the European Systemic Risk Council should be the interface with the International Monetary Fund and Financial Stability Board.

Nevertheless, the task to creating an efficient Council should not be underestimated, for to meet its objectives, the European Systemic Risk Council will need to regularly interact with the micro level supervisory authorities in order to access and exchange information in respect of confidentiality principles.

Moreover, the ESRC will be assessed against its ability to issue warnings and more importantly, against the follow-up national authorities will give to such warnings.

This raises questions of how this mechanism of alarm-ringing and subsequent public action is going to be designed, and how it will be evaluated.

We strongly believe that the ESRC could be supported in its task by a senior industry advisory panel, along the lines of the current Consultative Panel of the Committee of European Banking Supervisors. Such a panel would provide the European Systemic Risk Council with expertise in the analysis of macro-financial developments.

We leave to the political authorities the task to find the suitable formula but we underline the critic issue of confidentiality of data.

Looking at micro prudential supervision, the idea of strengthening the Level 3 Committee architecture to create a European System of Financial Supervisors appears to be a constructive way forward, by allowing for an evolutionary approach to the reform of financial supervision.

The Federation supports the proposal to maintain a sectoral approach, and would add that close cooperation between the three Authorities for the supervision of conglomerates will be essential.

We are convinced that working toward a single rulebook is a necessary step and the most urgent one towards less fragmentation and more supervisory cooperation and integration and are pleased to note the willingness of the European Institutions as well as the Level 3 Committees to work towards this objective. It is a shame that we work at the moment with no European definition of own funds.

This, we believe, must be accompanied with **stronger colleges of supervisors**.

In this respect, the proposed European System of Financial Supervisors rightly relies on colleges of supervisors. We are of the opinion that, in order to ensure consistent application of the common core rules and consistent delivery of supervisory practices, the relevant European Authority should participate in the colleges.

The Federation has repeatedly stated that consolidated supervision is the most adequate means to reflect the centralized risk management of cross-border groups. The participation of the European Authority in the colleges could help ensure the coherence that is necessary to ensure a consolidated approach towards the supervision of cross-border banking group.

Colleges of supervisors are the appropriate structures on which to enhance the supervision of large complex financial institutions. They can reduce regulatory duplication and inconsistency, improve bilateral dialogue between regulators, increase levels of trust, and enhance the cooperation of supervisors. To

achieve this, it is essential to strengthen trust amongst national supervisors and to make progress in equipping supervisors with similar and compatible tools and powers. Colleges should normally act on the basis of a consensus among their members. Nevertheless, in cases where consensus cannot be reached among the members of a college, we think like a vast majority of stakeholders that the home supervisor should have the final say.

The main objective of the conference today is to exchange views both on macro and micro prudential supervision recommendations that are put forward in the de Larosière report. But allow me to shortly address the issue of **crisis management**, which we believe can hardly be ignored in any discussion on EU level supervisory arrangements.

At least to the knowledge of the industry, we regret that nothing concrete has been yet proposed in terms of measures to be adopted at EU level to build a consistent crisis management framework, particularly as we believe that it is key to build a crisis management framework that mirrors the transfer of supervisory powers and responsibilities,.

I would like to take the opportunity of today's conference to encourage the European institutions to be ambitious in setting an early intervention framework for Europe.

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To summarise, we see both the creation of the ESRC as well as the ESFS as positive developments.

We believe it is important to make swift progress in the implementation of the road map envisaged by the de Larosière group to have the new structures in place to help address the current financial crisis and promote financial integration.

At the same time, as highlighted by some comments I have made, this is not going to be an easy task. The European Banking Federation stands ready to contribute to the extent possible to facilitate the reform process.

Thank you.