

European Financial Supervision



European Commission
DG Internal Market and Services

Internal Market & Services DG

Issues in supervision

- Macro-supervision: no single body in Europe responsible for systemic risk monitoring (macro-prudential supervision)
- Micro-supervision:
 - No means of overcoming divergences in colleges of supervisors;
 - Diverging technical standards between Member States (no harmonised rulebook);
 - No co-ordination of crisis interventions.

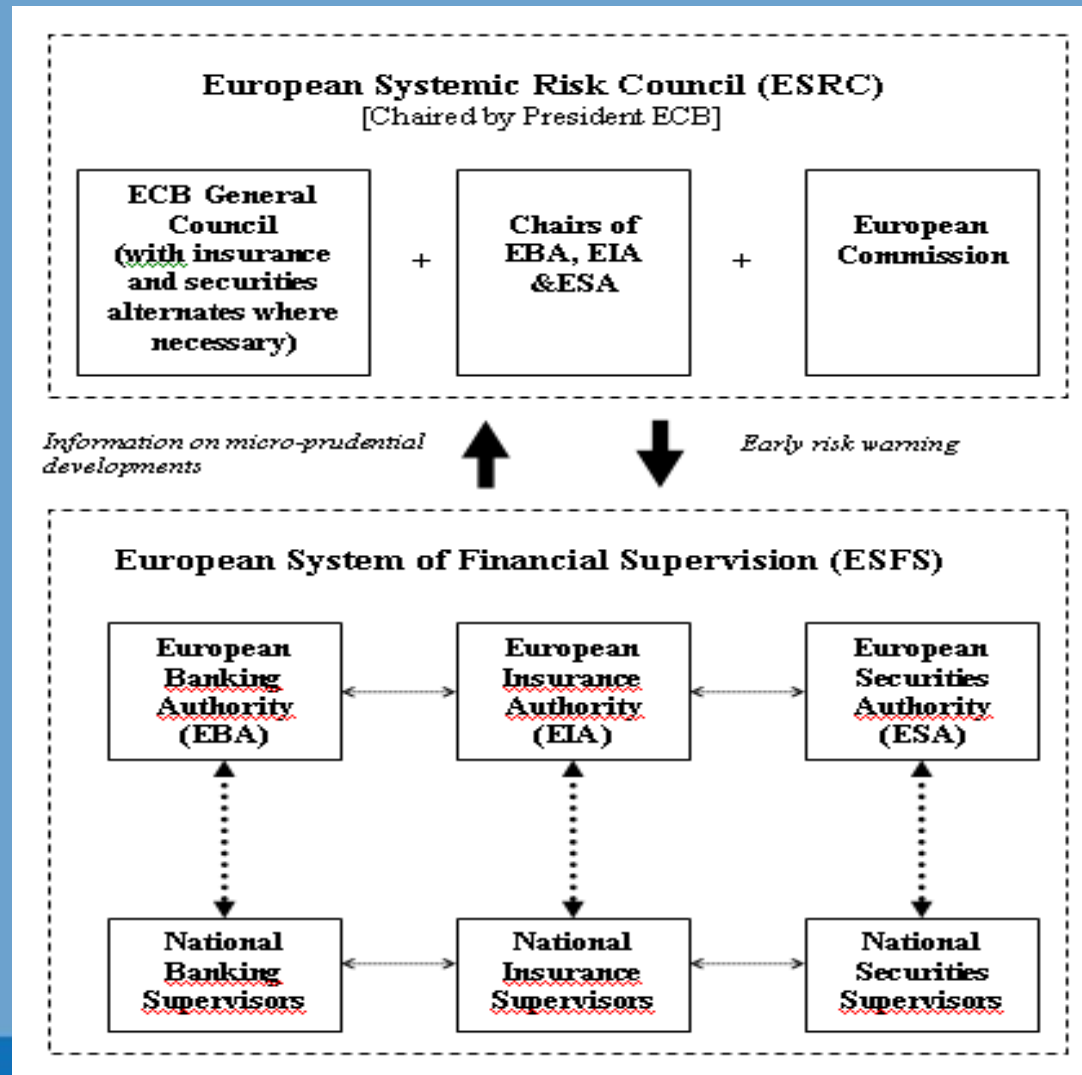
Supervision – events so far

- 25/2/2009: report of de Larosière group;
- 4/3/2009: first reaction of Commission in Communication “Driving European Recovery”;
- 20/3/2009: spring European Council conclusions
- 07/05/09: public hearing
- 27/05/2009: Commission Communication on European Financial Supervision
- 18-19/06/2009: summer European Council

Two pillars of new supervisory structure

- **European Systemic Risk Council (ESRC); and**
- **European System of Financial Supervisors (ESFS).**

New architecture in images



Micro-prudential supervision: principles

- Day-to-day supervision remains with national supervisors;
- For cross-border groups, colleges of supervisors are central;
- European Supervisory Authorities arbitrate, coordinate, promote harmonisation of rulebook;
- Commission endorses technical standards (by non-opposition procedure);
- Court of Justice is the ultimate arbiter.

ESFS structure

- **Steering Committee (replacing JCFC)**
- **European Supervisory Authorities:**
 - European Banking Authority
 - European Insurance and Occupational Pensions Authority
 - European Securities Markets Authority
- **National Supervisors**

European Supervisory Authorities

- Board of Supervisors
- Management board:
 - Chairs of all 3 Authorities
 - Chairs of national supervisors;
- Observers:
 - Commission,
 - ESRC,
 - EFTA/EEA supervisors

Tasks of the new authorities

- All current tasks of the corresponding 3L3 Committee;
- Develop binding technical standards and interpretative guidelines;
- Intervene in cases of disagreement within colleges of supervisors;
- Intervene in cases of manifest breach of Community law;
- Exercise direct supervisory powers for defined pan-European entities (credit rating agencies...)
- Crisis co-ordination role;
- Collect micro-prudential information;
- Participate in international bodies;
- Other tasks/rights (participate in meetings of colleges of supervisors).

ESFS issues

- Nature of decision-making powers (decisions binding on national supervisors/financial undertakings);
- Scope of decision-making powers (avoid fiscal implications);
- Scope of rule-making powers;
- Need to revise sectoral legislation.

ESRC composition

- **Members:**
 - Chairperson: President of the ECB;
 - Vice-Chairperson (elected by ESRC members);
 - Governors of the 27 national central banks;
 - Vice-President of the ECB;
 - Chairpersons of the three European Supervisory Authorities;
 - Member of the European Commission.
- **Observers:**
 - One representative of national supervisors per Member State;
 - Chairperson of the EFC.

ESRC tasks

- collect and analyse relevant information;
- identify and prioritise systemic risks;
- issue risk warnings and/or recommendations;
- monitor follow-up to warnings/recommendations;
- liaise with international bodies (IMF, FSB...).

ESRC issues

- Precise legal status;
- Relationship to ECB/ESCB;
- Addressees of warnings/recommendations
- Legal force of warnings/recommendations (comply or explain mechanism);
- Information needed from ESFS and general co-operation with ESFS.

Next steps

- Consultation on the 27 May Communication: deadline 15 July

http://ec.europa.eu/internal_market/consultations/2009/fin_supervision_may_en.htm

- Draft Regulations creating the new bodies to be tabled by "**early autumn**"
- New structures to be in place ideally by end 2010
- Review after 3 years – possible changes

More information

- **Communication of 27 May and associated documents:**

http://ec.europa.eu/internal_market/finances/committees/index_en.htm

- **Ongoing consultation:**

http://ec.europa.eu/internal_market/consultations/2009/fin_supervision_may_en.htm

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