



EUROPEAN COMMISSION

Brussels, 5/02/2010  
C/2010/ 823

Dear President,

The Commission would like to thank the Senate of the Parliament of the Czech Republic for its resolution of 5 November, transmitted to the Commission on 17 November, regarding the Commission's proposals for regulations establishing a European Systemic Risk Board and three new Authorities in the field of banking, insurance and occupational pensions and securities and markets.

I would like to draw your attention to the fact the Commission's response to the 251<sup>st</sup> resolution of the Czech Senate was transmitted on 20 November, only a couple of days after we had received the 336<sup>th</sup> resolution of the Senate.

I am looking forward to further developing our policy dialogue,

Yours sincerely,

Margot WALLSTRÖM  
Vice-President of the European Commission

Mr. Přemysl Sobotka  
President of the Senate  
of the Parliament of the Czech Republic

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EUROPEAN COMMISSION

## **COMMENTS OF THE EUROPEAN COMMISSION ON A RESOLUTION FROM THE CZECH SENATE**

### **COM (2009)499 - 500 - 501 -502 and 503 – FINANCIAL SUPERVISION PACKAGE.**

The Commission would like to emphasise that its response to the 251<sup>st</sup> resolution of the Senate concerning its Communication on European financial supervision was sent on 20 November and already explained the importance of the EU's response to the global economic crisis and the need to ensure a stable and sound financial sector for the future. It also outlined the ambitious reform agenda being undertaken in the context of the G20 and at EU level.

Regarding supervision, as you know, the legislative proposals have been adopted by the Commission and the package has been commended to the Council and Parliament for rapid adoption. The agreement on a global approach in ECOFIN on the 2<sup>nd</sup> December 2009 was subsequently endorsed by the December European Council. The proposals are now awaiting first reading in the European Parliament. As regards your opinion of November 2009, we are pleased to respond to the points raised in your resolution with respect to our initial proposals.

Firstly, regarding your concerns about day-to-day supervision remaining in the hands of national supervisory authorities, these concerns have been fully taken into account in the proposals adopted by the Commission. There was a clear political direction given on this issue in the June ECOFIN and European Council conclusions and the Commission has respected that principle in its proposals which foresee a pivotal role for national supervisors. The proposed system is a "hub and spoke" type of network of EU and national bodies. The new authorities will act only where there is clear added value, such as the development of technical standards which will apply throughout the EU, or the settlement of disputes.

Secondly, regarding the power of the Authorities to issue decisions addressed to individual financial firms, the main objective is to ensure efficient and coherent application of Community law in all Member States, ensure a level playing field for all market operators and to avoid regulatory arbitrage. This is particularly important for the effective enforcement of a common rulebook and dispute settlement. It is therefore in the interest of every financial institution and supervisory authority to know that the law is applied in the same way in all other Member States. Therefore, in the limited cases in which the Authority will need to act, it is of vital importance that the decision is applied

effectively on the ground to restore equal conditions of competition. In cases of such relevance, a national authority should not be able to delay compliance until the markets have moved on. The procedure is a last resort option, which each national authority can avoid by simply complying with the recommendation or decision addressed to it in the first place.

Thirdly, on your suggestion that the Commission should undertake a cost-benefit assessment alongside the general report required three years after the Regulations' entry into force, it is of course important to evaluate the economic effectiveness of the supervisory system. In that context, the review will indeed need to consider, with reference to the original impact assessment, whether the Authorities have met their operational objectives effectively or if further improvements are needed.

Finally, the Commission welcomes the support of the Senate for the importance of the uniform interpretation of the legislation and the closer cooperation of institutions responsible for financial supervision in Member States, and strongly believes that the proposed European System of Financial Supervision can deliver progress in these areas.

The Commission welcomes your continued views and contributions to the debate.