

Brussels, 16 SEP. 2010
C/2010/6076

Mr Renato Schifani
President
Senate of the Republic
Piazza Madama
00186 Roma

Dear President,

I would like to thank you for your letter dated 18 May 2010 and the text of the resolution of the Finance and Treasury Committee of the Senate of the Italian Republic regarding the legislative package on the reform of European Financial Supervision. It contains many helpful ideas and recommendations which constitute a welcome input to the ongoing discussions on the future set-up of European supervisory arrangements.

As you know, the Council and the European Parliament are currently trying to reach an agreement on this package. The Commission is playing an active role to facilitate the process and to avoid any potential delay in the process that should lead to the creation of the new European Supervisory Authorities (hereinafter ESAs) and of the European Systemic Risk Board (hereinafter ESRB). A swift establishment of the new supervisory architecture will be critical to contribute to a stable and sound financial sector and to support a sustainable recovery.

We welcome the support of the Finance and Treasury Committee for the general thrust of the system we have proposed. We also take careful note of its concerns around certain aspects of the proposed arrangements.

The Senate Committee suggests the adoption of the so called 'twin peaks' model based on the principle of supervision by objective and not by sector. As pointed out in the 27th May 2009 Communication¹, it would at this point of time appear preferable to maintain the current sectoral approach at European level and build upon the existing structures, the three so called Lamfalussy Committees. However, this issue should be part of the review which is foreseen 3 years after the entry into force of the package.

Regarding the adoption of technical standards, please note that, for legal reasons, the European Commission needs to endorse the technical standards if they are to become legally binding.

That said, it is clear that the Commission will have to rely on the technical expertise of the new Authorities and it is likely that a majority of the proposed standards will be adopted by

¹ European Financial Supervision (COM(2009) 252 final).

the Commission without any changes. In its resolution, the Senate Committee also suggests that the areas in which technical standards could be issued should be extended. This will be possible through appropriate amendments of the relevant sectoral legislation.

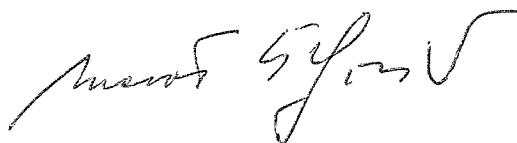
As regards the process for the determination of an emergency situation, we note that the Council, in its general approach of 2nd December, considered that the Council should declare an emergency situation. This is a possible outcome of the final agreement.

We fully share the call of the Senate Committee for enhanced transparency concerning the peer reviews to be conducted by the ESAs, including with regard to the degree of harmonization as regards application of technical standards. We also welcome the support for our proposal to entrust the ESAs with the power of issuing legally binding decisions addressed to financial institutions and market participants, under certain conditions.

As regards the ESRB, the proposals of the Senate Committee concern issues which are at the very heart of the discussions currently on-going between the Council, the Parliament and the Commission. In this context, the Commission takes good note of the issues put forward by the Senate Committee.

I hope you will find this a valuable contribution to your own deliberations and look forward to developing our policy dialogue further in the future.

Yours sincerely

A handwritten signature in black ink, appearing to read "Manuel G. Silva". The signature is written in a cursive style with a large, sweeping flourish at the end.