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Mr Anders Forsberg
Secretary-General of the Riksdag

Dear Mr Forsberg,

I would like to thank the Riksdag and the Committee on Finance for its statement on the Commission's communication *European financial supervision* {COM(2009)252}.

The EU's response to the global economic crisis has been a test of resilience and of speed of reaction. This situation has also presented challenges of co-ordination and reinforced the need for solidarity among the 27 Member States. The Commission and Member States have responded positively to the need to take measures to deal with the crisis and prepare for recovery.

In terms of regulatory reform, an ambitious set of actions in the G20 has been agreed, and a programme of reform to the European financial and regulatory system has been launched. The Commission has already presented legislative proposals to improve protection for bank depositors, make credit ratings more reliable, get the incentives right in securitisation markets, and reinforce the solidity and standards of supervision.¹

Over the remainder of 2009 and beyond, the Commission will continue to implement the ambitious reform of the European financial system which is set out in detail in our Communication 'Driving European Recovery' {COM(2009)114}, adopted on 4 March, taking account of the views from all stakeholders. The reform will set a clear course for the EU to lead and shape the process of global change in particular through the work of the G-20. In parallel, the Commission will continue to apply the framework for urgent rescue relief as well as long-term restoration of viability in application of the existing state aid guidance.

- A key element of the response is to provide the EU with a supervisory framework that detects potential risks early, deals with them effectively before they have an impact, and meets the challenge of responding to complex international financial markets.

The implementation of the arrangements included in the financial supervision package will have to be monitored, and their effectiveness carefully assessed. The framework for the exercise of the competences will be specified exhaustively and in precise detail in the relevant sectoral legislation. The conferring of competences will be in full conformity with the Treaty. Without prejudice to the application of Community law, and recognising

¹ COM(2008) 661, COM(2008) 704, COM(2008)602

the potential liabilities that may be involved for Member States, decisions under the respective mechanisms shall not impinge on the fiscal responsibilities of the Member States. Moreover, any decision by the European Supervisory Authorities or the Commission is subject to review by the Community Courts.

The Committee's statement also contains a number of specific issues for further consideration. Firstly, concerns over who will chair the European Systemic Risk Board (ESRB). The Commission initially proposed that the Chair would be the President of the ECB, in line with the recommendation made in the de Larosière report. The European Council, on 18/19 June, signalled in its conclusions that the members of the General Council of the ECB should elect the chair of the ESRB..

Secondly, the Committee's statement suggests that, where possible, warnings from the ESRB should be made public. Depending on the issue at stake, public warnings could either act to strengthen or undermine financial stability. Therefore it would seem appropriate for the European Systemic Risk Council (ESRC) to decide in each case whether a recommendation should be kept confidential or made public, on the basis of its own judgement. However, bearing in mind that the recommendations by the ESRC would not be binding, public disclosure could be expected in certain cases to increase their effectiveness.

In terms of the European System of Financial Supervisors (ESFS), the Committee's statement recommends that a review be conducted within 2-3 years. This suggestion is in line with the recommendation in the Commission's Communication, for a review after a fixed number of years.

The Committee also notes that direct supervision of certain entities with a pan European reach and the role of the new Authorities in crisis situations need to be considered carefully for a variety of reasons. The Commission will take these issues carefully into account in the preparation of our legislative proposals.

Finally, the Committee's statement suggests that the Council and the Parliament should play a key role in the accountability of the new Authorities and that regular reporting should be carried out. Indeed, in the Commission's Communication it was proposed regular (bi-annual) reporting by the ESRB and the ESFS to both Parliament and the Council.

The Commission is committed to working with all concerned to build a stronger, more reliable system for the future, and we welcome your continued input into development of our response.

Yours sincerely,

Margot WALLSTRÖM
Vice-President of the European Commission