

Driving European Recovery

European System of Financial Supervisors

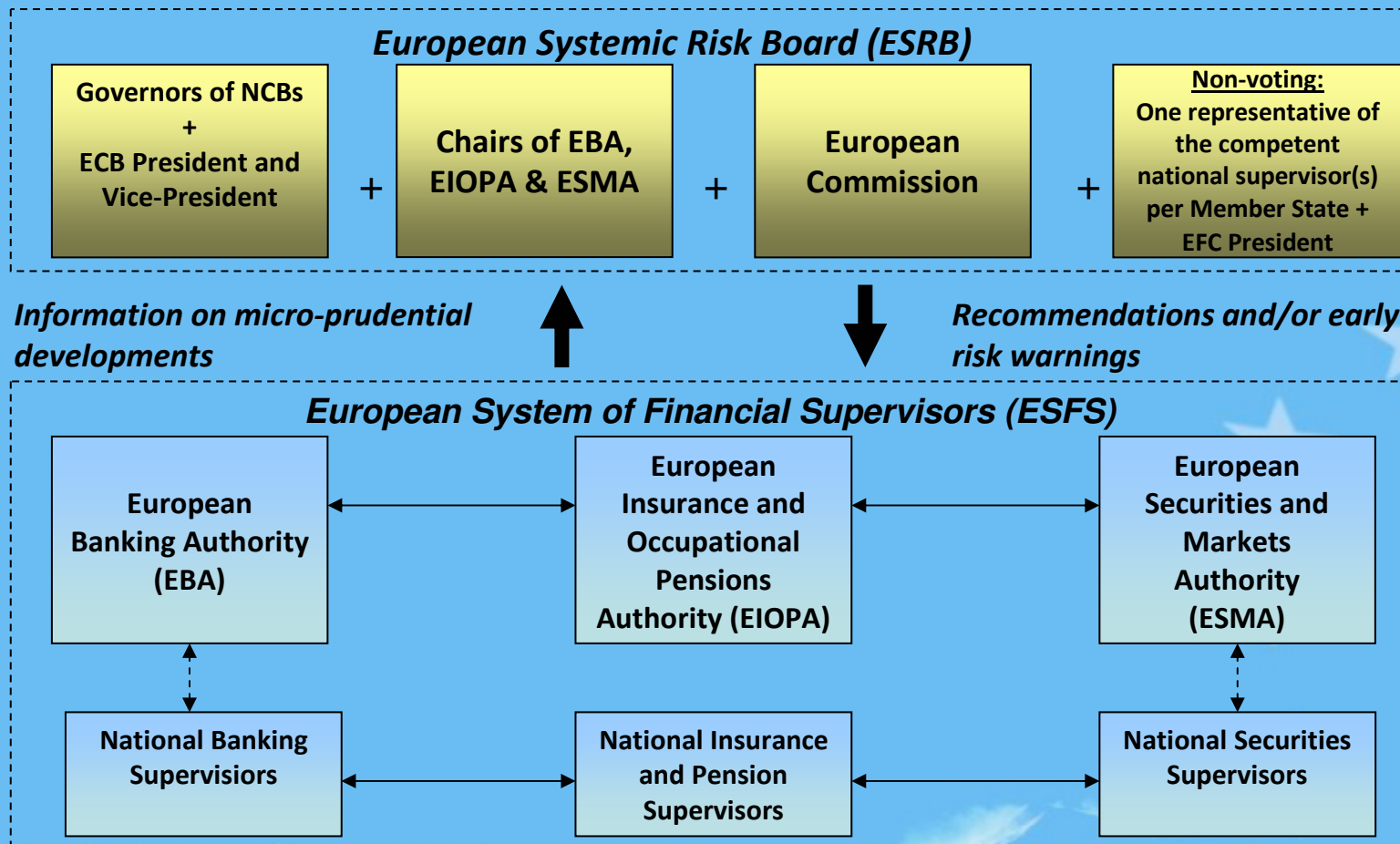


European Commission 
Internal Market & Services DG

Shortcomings of the present system

- Lack of adequate macro-prudential supervision;
- Lack of early warning mechanisms;
- No means for supervisors to take common decisions;
- Lack of frankness and cooperation between supervisors;
- Failures to challenge supervisory practices on a cross-border basis;
- Lack of consistent supervisory rules, powers and sanctions across Member States;
- Lack of resources in the Level 3 committees.

The new architecture

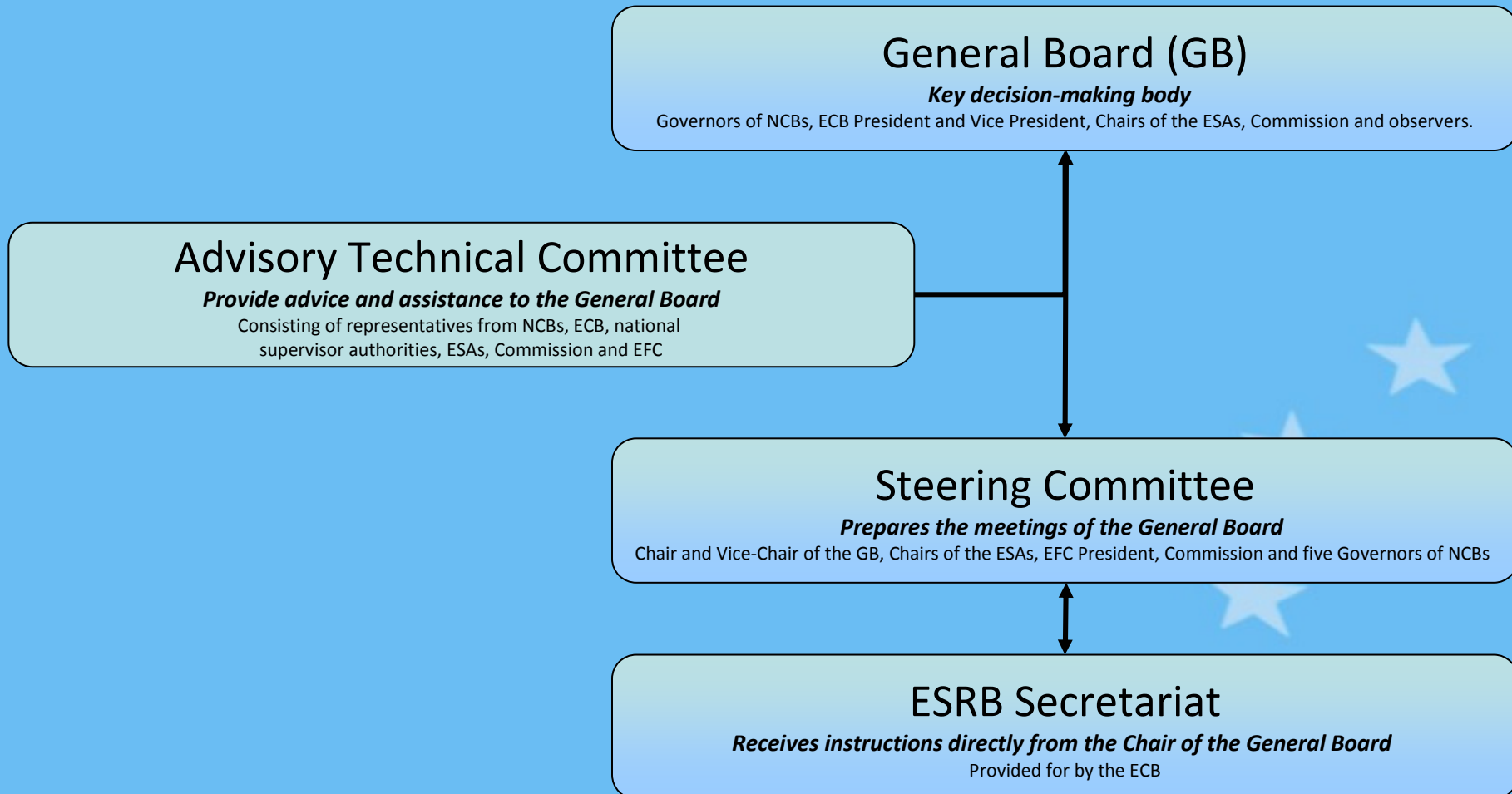


European Commission
Internal Market & Services DG

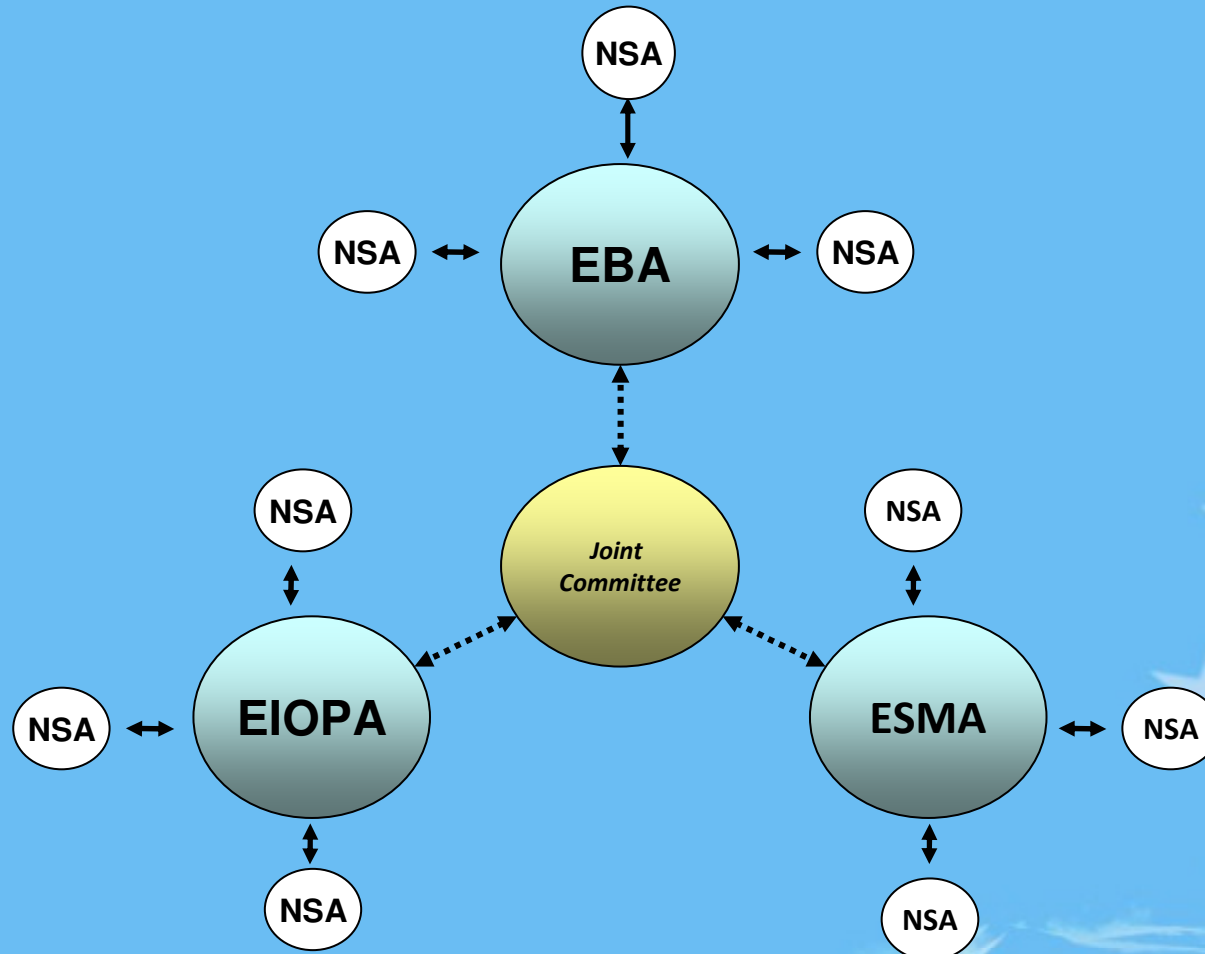
Objective of the ESRB

- Develop a European macro-prudential perspective;
- Enhance the effectiveness of early warning mechanisms;
- Improving the interaction between micro-and macro-prudential analysis;
- Allow for risk assessments to be translated into action by the relevant authorities.

The ESRB at work



ESFS: three independent Authorities working together in a network of supervisors



The ESAs at work

Board of Supervisors (BoS)

Key decision-making body

Independently appointed Chairperson + Heads of national supervisory authorities + observers



Management Board (MB)

Ensuring that the Authority is run effectively and can perform the tasks assigned to it.

Chairperson, four elected members of the Board of Supervisors and the Commission



ESA Staff

Executes decisions by BoS and MB

The Executive Director and around 90 staff



Stakeholder Group(s)

EIOPA shall establish 2 stakeholder groups for consultation:

1. Insurance and Reinsurance SG: 30 members (industry, employees, consumers, users)
2. Occupational Retirement Provision SG: 30 members (funds, members, beneficiaries, consumers, users)

SG shall meet at least twice a year

Main tasks and powers

- Development of technical standards;
- Ensure consistent application of EU law;
- Resolving disagreements;
- Action in emergency situations.

With:

- Colleges of supervisors remaining lynchpin;
- Individual firm supervision remaining at the national level.

Technical Standards

Technical rules to ensure uniform application of EU law



Authority develops draft standards
(in areas specified in EU law and respecting better regulation principles)



Endorsement by Commission

Consistent application of Community Law

Quick remedy to deal with clear and manifest breaches by national supervisors

ESA investigates upon its own initiative



ESA recommendation to national supervisor



In case of non-compliance: Commission decision

Direct decisions to firms

- Last resort option;
- Only if supervisors do not comply with ESA decisions => almost never be used;
- But needed to ensure that EU law is effectively applied in all MS;
- Smart way of ensuring compliance in a network of supervisors.

Settlement of Disagreements

*Binding Decisions to settle disagreements
between national supervisors*

Supervisors disagree on matter where EU law requires co-operation,
one of them requests help from ESA



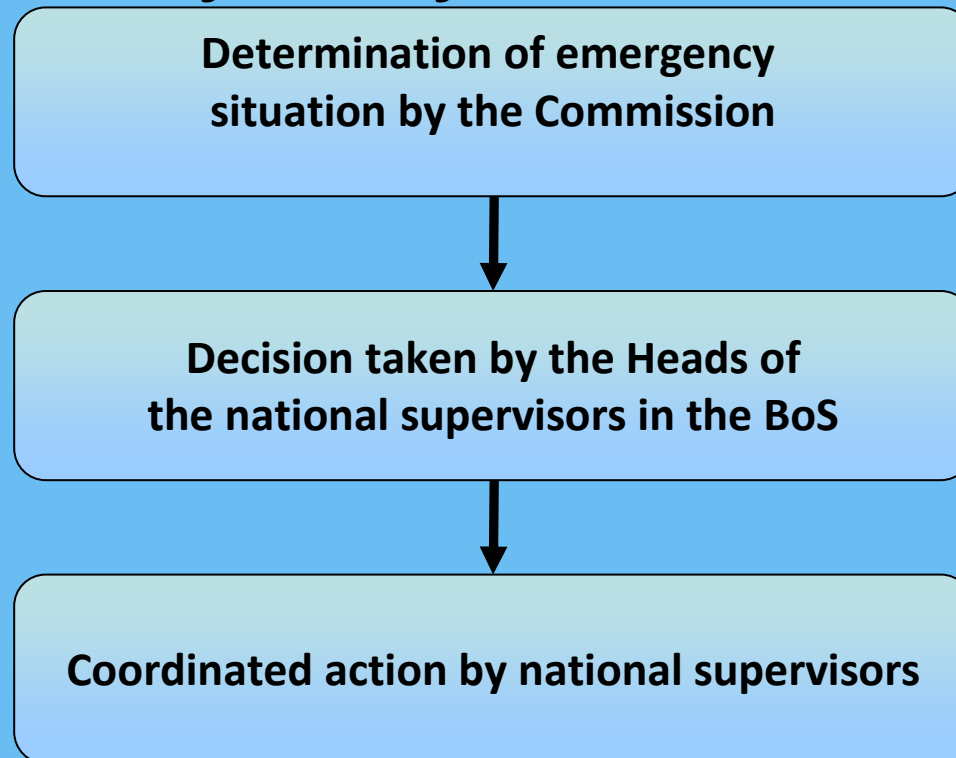
Conciliation phase initiated and organised by ESA



In rare cases of continued disagreement:
ESA to take a binding decision addressed to national supervisor

Emergency situations

Coordinated action needed to remedy serious risks for EU financial stability

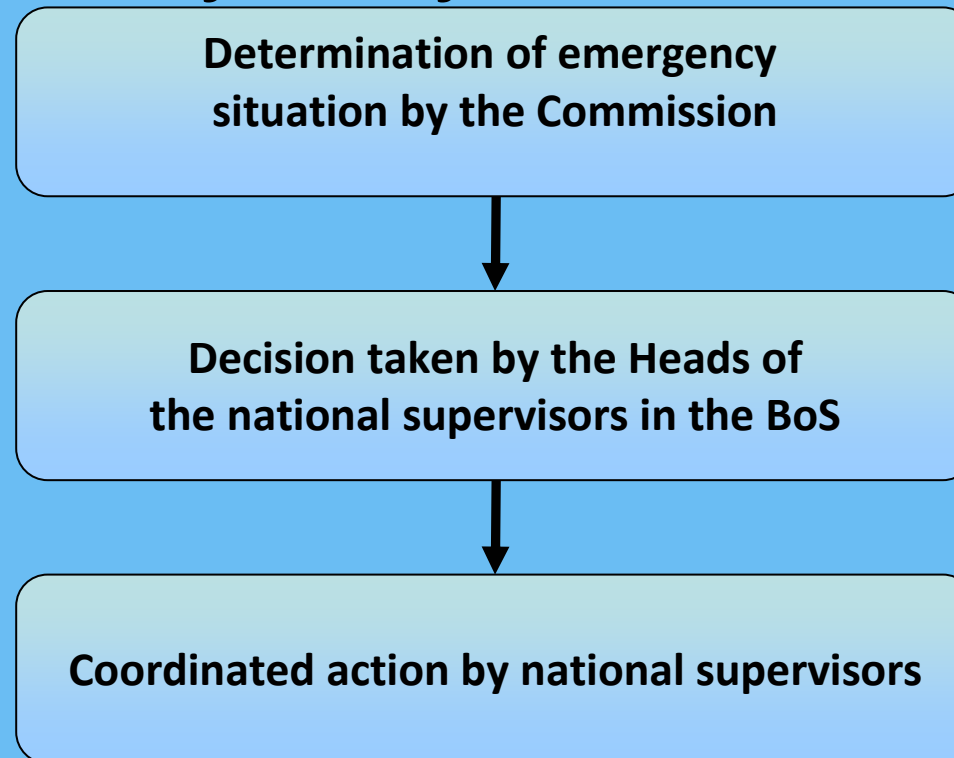


Other competences

- Exclusive supervision of pan-European entities, if provided for in future legislation;
- Participation in colleges
- Collection of information;
- Peer Reviews;
- Stress tests;
- Provide opinions.

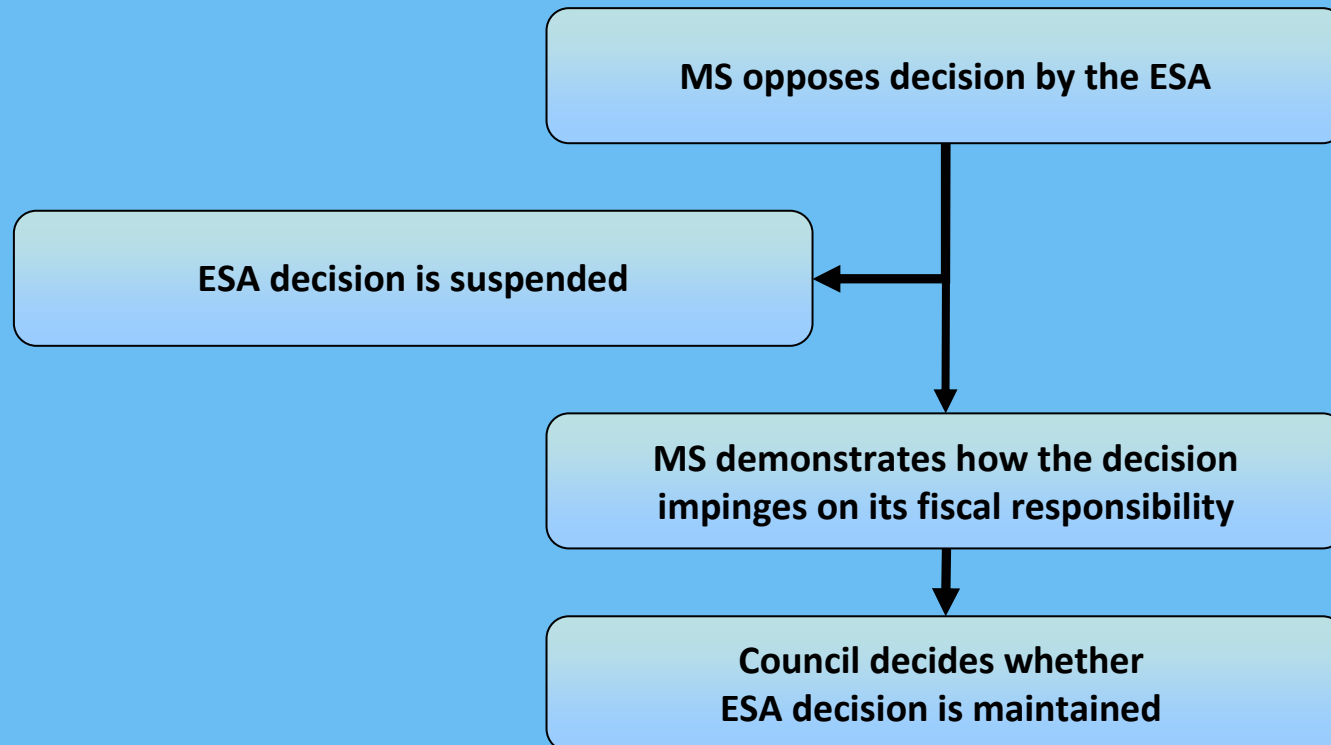
Emergency situations

Coordinated action needed to remedy serious risks for EU financial stability



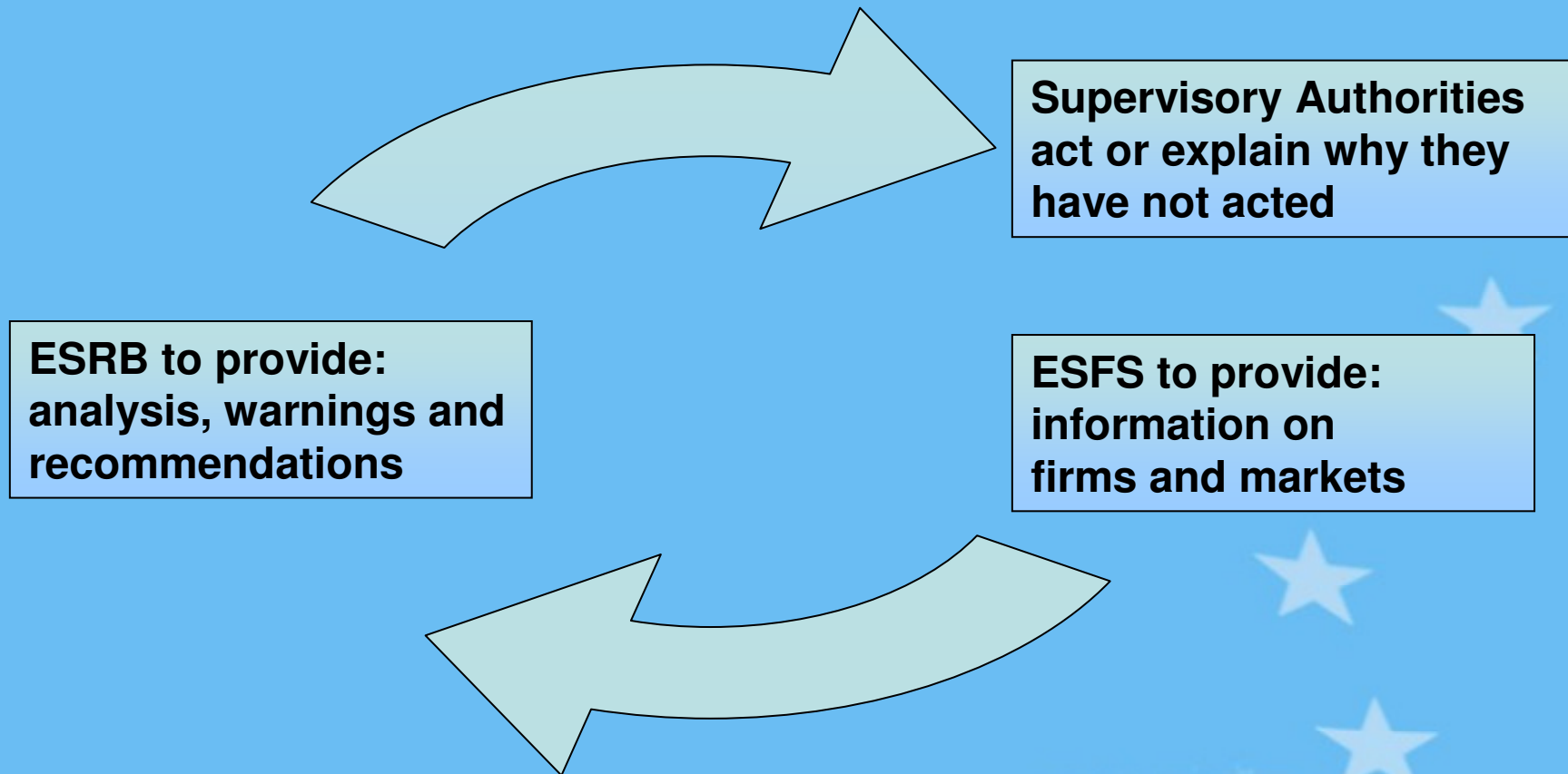
Safeguard clause

Authorities must ensure that no decision impinges on the fiscal responsibilities of Member States



Note: fast-track procedure foreseen for emergency situations

Relation with ESRB



Benefits of the proposed system

- Fully connected macro-micro supervisory framework;
- Strong cooperation and enhanced trust;
- Reinforce colleges of supervisors;
- Move towards harmonised rules and powers;
- Reinforcement of supervisory resources;
- New procedures for supervisors to take common decisions;
- Comprehensive means to challenge cross-border decisions;
- Quick mechanism allowing for collaborative decisions in emergency situations.

Council general approach

- Welcomed rapid conclusion, but...
- Original proposal was weakened in various areas:
 - Direct decisions in emergency situations and dispute settlement;
 - Scope for dispute settlement;
 - Clause enabling the Council and EP to transfer – in the future – certain supervisory powers to the ESAs.

European Parliament

- Rapporteurs present an ambitious vision for the future of supervision;
- Important to secure a single reading by the summer;
- Open, constructive and pragmatic approach needed from both sides.

Thank you for your attention

