

The New Architecture for European Financial Supervision

ESE Conference

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European System of Financial Supervision

Micro-prudential Supervision

Joint Committee

EBA

EIOPA

ESMA

National supervisory authorities

Macro-prudential Supervision

European Systemic Risk Board (ESRB)

Micro-prudential information



Macro-prudential information, warnings and recommendations to the supervisors

Warnings and recommendations to the Member States



What is new?

- CEBS, CEIOPS and CESR only had advisory powers and no legal personality
- EBA, EIOPA and ESMA are independent bodies with legal personality
- ESAs may (under certain circumstances) address individual decisions to national supervisory authorities and financial institutions (see Art. 17, 18 and 19)
- Introduction of macro-prudential supervision at European level

ESRB: macro-prudential supervision

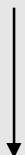
Determining, collecting and analysing all the relevant and necessary information



Identifying, assessing and prioritising systemic risks



Warnings and recommendations for remedial action
(with a specified timeline for the policy response)



EU (EP/Council/COM)
as a whole



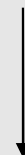
Member
States



ESAs







National supervisory
authorities

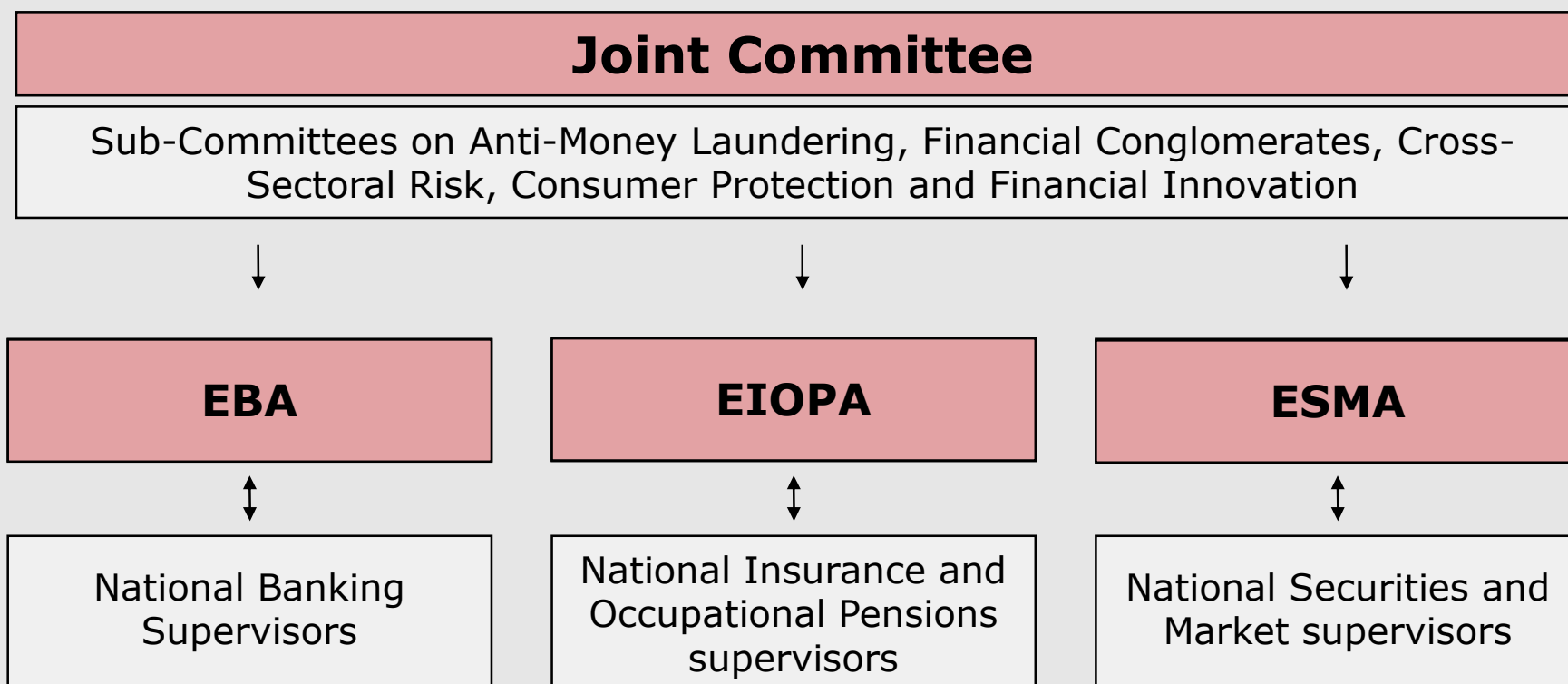


KOM
(for legislation)

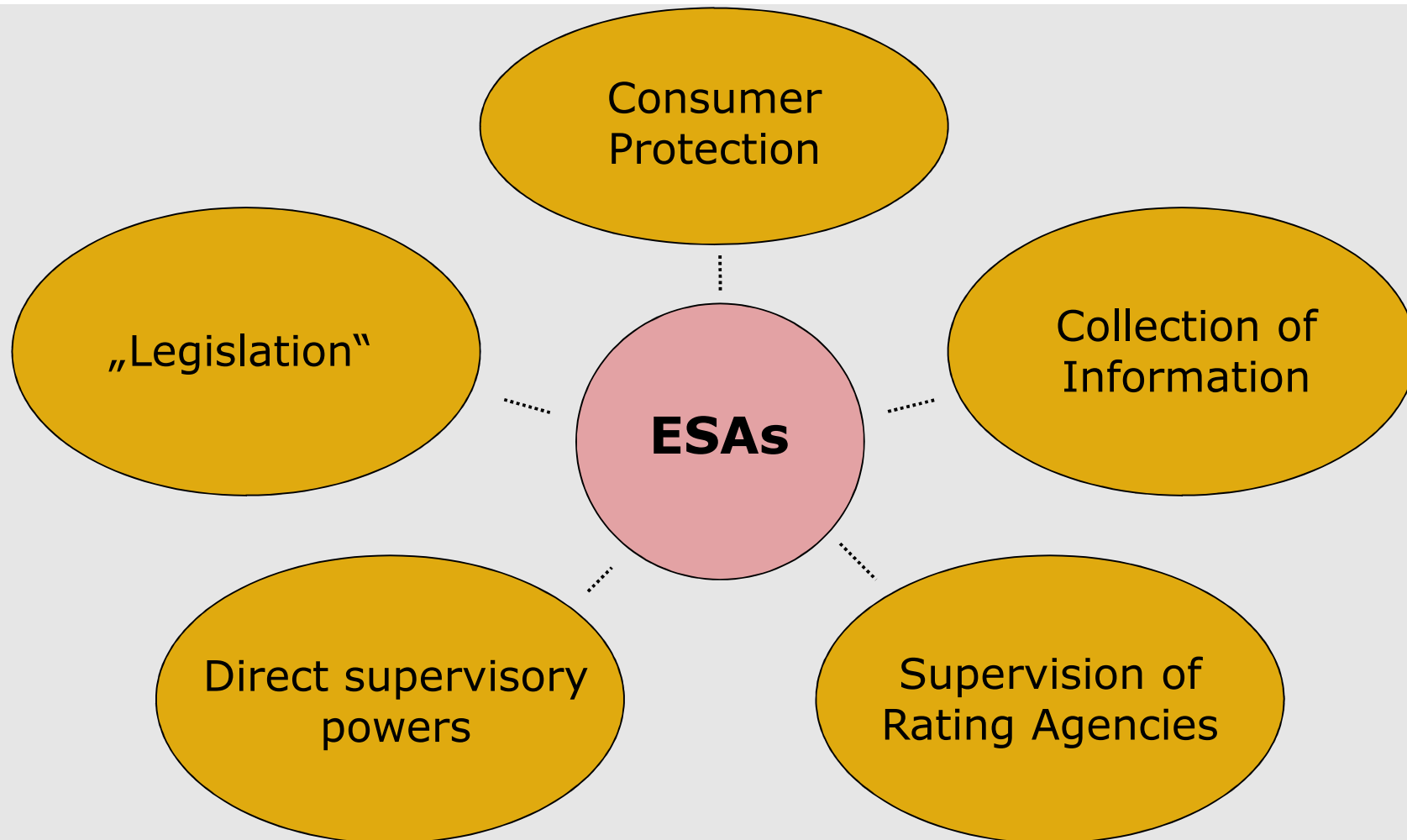
Evaluation: macro-prudential supervision

-  Identifying and assessing macro-prudential risks on European level
-  Enhancing cooperation and coordination between macro- and micro-prudential pillar
-  Close link to the ECB might jeopardize the independence of the ESRB; but, it guaranteed a quick start
-  Effective enforcement of warnings and recommendations?

ESAs: micro-prudential supervision



ESAs: new supervisory powers






Harmonising the rules

„Legislative“ powers of ESAs

- **Binding** *regulatory technical standards* (Art. 10) and *implementing technical standards* (Art.15), so far based on:
 - Omnibus-Directive I (amending various sector-directives)
 - Omnibus-Directive II (mainly amending Solvency II)

- **„Non-binding“** guidelines and recommendations (Art. 16)
 - Comply-or-explain mechanism is stricter than enforcement mechanism for Level-3-Guidelines
 - Enforced by political pressure

Evaluation: „legislative“ powers

-  European rulebook guarantees key standards and reduces regulatory arbitrage; it contributes to more coherence in the internal market
-  Experts (= supervisors) will deal with technical issues
-  If ESAs do not submit a draft technical standard within the time limits set by legislative acts, COM may adopt technical standards (technical expertise is missing)

„Supervisory decisions“

1. Decisions concerning

- Breach of Union Law (Art. 17)
- Actions in emergency situations (Art. 18)
- Settlement of disagreements (Art. 19)





2. Supervision of Rating Agencies (CRAs)

- Registration, day-to-day supervision, on-site inspections




3. Consumer protection (Art. 9)

- ESAs may temporarily prohibit or restrict certain financial activities that constitute a threat to financial integration/stability

Evaluation: direct powers

-  ESAs can only address decisions directly to national authorities if certain requirements are met; decisions towards financial institutions only as ultima ratio
-  Supervision of rating agencies
-  Settlement of disagreements between competent authorities as well as co-ordinating tasks
-  The „safeguard-clause“ is not strong enough to guarantee the national fiscal responsibility

Evaluation: further competences

-  Introduction of competences with respect to consumer protection is an important step forward
-  Strengthening supervisory colleges and ESAs' competences in this context is positive
-  Competence for collecting information (Art. 35) has a wide scope of application, national supervisory authorities have to get used to sharing confidential information

Challenges

Challenges for the ESAs:

- Important deliverables/projects; high expectations
- Establishment process is ongoing; human resources are still not adequate

Challenges for national supervisory authorities:

- Delegation of power
- Time-consuming to participate in all projects of ESAs
- Possibility to be overruled in decisions towards financial institutions

Conclusion

- The new supervisory architecture is an important step for the European internal market
- Approach balances adequately ESAs' competences at the European level and national responsibilities
- Review by January 2014 will reveal positive aspects of the current framework as well as things for improvement
- At this stage it was not possible to go further

Conclusion

- National authorities and ESAs should try to make the best out of their challenges → Cooperation!
- Let us play an active, responsible role in the whole process and not watch silently!