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COMMITTEE:
EUROPEAN PARLIAMENT - COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS

CHAIRPERSON:
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TOPIC: (A)
FINANCIAL AND ECONOMIC CRISIS: FINANCIAL SUPERVISORY PACKAGE

EUROPEAN PARLIAMENT (EP)

Committee on Economic and Monetary Affairs

The European Parliament is the only EU body elected directly by the European citizens; its members exercise the independent mandate, this means that each and every one of the 735 MEPs represent all of the people of Europe regardless of political color or nationality.

As in any other parliament the technical debate on the proposed legislation is not done at a plenary session but in the Parliament's committees where the proposals are being discussed before they are presented at a plenary session. In a discussion on a proposal one committee is assigned as "responsible" and one or more are to deliver "opinions". When the work in a committee is done it presents the plenary with opinions, amendments to a proposal or it may be the so-called "Own-initiative report". The EP has twenty committees each of them having specific competencies.

One of those twenty committees is the Committee on Economic and Monetary Affairs (ECON), its specific competencies cover: the economic and monetary policies of the Union, the functioning of Economic and Monetary Union and the European monetary and financial system (including relations with the relevant institutions or organisations); the free movement of capital and payments (cross-border payments, single payment area, balance of payments, capital movements and borrowing and lending policy, control of movements of capital originating in third countries, measures to encourage the export of the Union's capital); the international monetary and financial system (including relations with financial and monetary institutions and organisations); rules on competition and State or public aid; tax provisions and the regulation and supervision of financial services, institutions and markets including financial reporting, auditing, accounting rules, corporate governance and other company law matters specifically concerning financial services.

SOFIMUN 2010 will simulate the EP-ECON as close as possible to reality, meaning each delegate will be representative of a specific Member State and at the same time being affiliated to a European political group. Those two components will be vital for determining the policy position of a certain MEP: the general position of the European political group strengthened by cooperation among MEPs coming from the same European political group and the specific and/or slightly different position of their national parties (which are part of European political groups).

More at:
http://www.europarl.europa.eu/activities/committees/homeCom.do?language=EN&body=ECON

Topic A: Financial and economic crisis: financial supervisory package – 1. INTRODUCTION

In October and November 2008 the Commission of the European Communities (EC) transmitted to the European Parliament (EP) and the Council of the European Union (CEU) two communications entitled **"From financial crisis to recovery: A European framework for action"** and **"A European Economic recovery plan"**, containing a number of proposals for measures that had to be employed both on national and the European level as a response to the ongoing financial and economic crisis. After the CEU and the EP approved them in March 2009, those two communications became the general framework for the newest EU cross-cutting policy called "Financial and Economic crisis". One of the proposed measures was the creation of a European financial supervision which was elaborated and proposed in May 2009 and became a reason for a very heated debate in Europe. The United Kingdom opposed the idea for having EU bodies with binding powers[1], but the idea was endorsed by France[2]. Nevertheless in June 2009 and the idea for European financial supervision was indorsed by the European Council the proposal for "European financial supervision" COM (2009) 252 was revised and reintroduced by the Commission and became known as the "Financial supervisory package" comprising of six proposals aimed at reforming and augmenting the existing European supervisory framework by creating new bodies and reforming existing ones on Union level that will have the task of keeping the European financial and banking system sable and will be able to influence the financial and budgetary policies of the Member States. The key issue with that is how exactly this influence should be exerted, what status they should have, should they or some of them be part of the European Central Bank (ECB) or a separate EU agencies. Other issue is their relations and coordination with the national authorities that are charged with the same tasks.

The six proposals are: COM (2009) 499 **"Community macro prudential oversight of the financial system and establishing a European Systemic Risk Board"**; COM (2009) 500

[1]"Britain's new European financial architecture" written by Bill Cash; http://europeanjournal.typepad.com/my_weblog/2009/06/a-new-constitution-for-the-financial-market-system.html.
[2]"EU to create Regional Financial Regulatory Body" written by Warren Mass; http://www.thenewamerican.com/index.php/world-mainmenu-26/europe-mainmenu-35/127.

"Entrusting the European Central Bank with specific tasks concerning the functioning of the European Systemic Risk Board"; COM (2009) 501 **"Establishing a European Banking Authority"**; COM (2009) 502 **"Establishing a European Insurance and Occupational Pensions Authority"**; COM (2009) 503 **"Establishing a European Securities and Markets Authority"** and COM (2009) 576 **"Amending Directives 1998/26/EC, 2002/87/EC, 2003/6/EC, 2003/41/EC, 2003/71/EC,2004/39/EC, 2004/109/EC, 2005/60/EC, 2006/48/EC, 2006/49/EC, and 2009/65/EC in respect of the powers of the European Banking Authority, the European Insurance and Occupational Pensions Authority and the European Securities and Markets Authority"**. The proposed new bodies are designed in such a way that they will exercise supervisory powers both on macro and micro economical levels, and based on that they can be called macro and micro supervisory bodies.

2. European Union: the road to the "Financial Supervisory Package"

Before the beginning of the current financial and economic crisis the European supervisory framework was comprised of three committees, with strictly advisory powers, the **Committee of European Banking Supervisors (CEBS)**, the **Committee of European Insurance and Occupational Pensions Committee (CEIOPS)** and the **Committee of European Securities Regulators (CESR)**, they are more commonly known as the "Lamfalussy level 3 Committees".[3] Those three were established in order to address two key factors holding up the development of European securities markets and the European financial market, first the inefficient regulatory system which derives from the lack of consistent implementation of the existing rules and the lack of rules in certain areas for e. g. cross border collateral, market abuse and so on. Second the need for a regulatory system that can insure a quick reaction to the changes in the market.[4]

Until the beginning of the crisis the developments in the "Lamfalussy process"[5] were satisfactory, the three committees managed to create a flexible system of financial supervision, the

[3] http://ec.europa.eu/internal_market/finances/committees/index_en.htm.
[4] "The Lamfalussy Report";Chapter I: the reasons for change; p.10-14: 2001

[5] The so called **Lamfalussy process** is named after the chair of the committee (Alexandre Lamfalussy) which drafted in 2001 a report outlining the problems and the necessary reforms in the European Supervision Architecture (ESA). The Lamfalussy process is the process of reforming the ESA between 2001 and 2007. You can find more information at http://ec.europa.eu/internal_market/finances/committees/index_en.htm.

overall decision making process became more efficient and inclusive and has speeded up. The time needed to adopt the first four Lamfalussy directives amounted to 20 months on average, which compares favourably to the time taken to negotiate previous directives (e. g. 4 years for the Investment Services Directive in 1989-93).[6]

Despite the overall positive results achieved within the "Lamfalussy process", since the beginning of the current crisis several things became apparent, one of them was the significant gaps in the framework for regulating and supervising the international financial system. This framework has failed to keep pace with the processes of integration and innovation in financial markets and so was ill-equipped to deal with the first truly global crisis of the modern era.[7] In the report by the "de Larosiere Group"[8] (a.k.a. DLR), presented in February 2009, was the first time when a significant changes in the existing regulatory system were proposed, aimed at meeting the challenges presented by the crisis. The core of the supervisory reform is based on two main elements. First, there is a need to reinforce the role of macroprudential supervision. Macro-prudential supervision is a relatively recent concept and relates to financial-stability risks arising from macro-economic developments – such as excessive credit growth or asset price inflation – and broad developments within the financial system such as a concentration in mortgage lending or widespread exposure to complex and illiquid assets. The DLR report suggests the establishment of a **European Systemic Risk Council (ESRC)**, which will be tasked with macro-prudential risk surveillance. Second, the establishment of a **European System of Financial Supervisors (ESFS)**, which will be comprised of three new Supervisory Authorities for the banking sector, the insurance and pensions sector and the securities markets. These Authorities imply the need for upgrading the current "Lamfalussy level 3 Committees", providing them with a more formal structure and more binding powers. Also the new Authorities will have specific responsibility for promoting a more harmonised set of financial rules and a common supervisory culture. In this role, they could set common technical standards of supervision and act as mediators in the event of disputes between national supervisors.[9]

[6] "Review of the Lamfalussy process" COM (2007) 727; p.3-5
[7] "Towards a new framework for EU financial supervision", p.1; May 2009
[8] The **"de Larosiere Group"** or the DLR as its more commonly known is a high level group mandated by the Commission to give advice on the future of European financial regulation and supervision. The Group presented its report on 25 February 2009 and its recommendations were endorsed by the Commission in its Communication to the Spring European Council of March 2009. It's named after its chair Jacques de Larosière. You can find more information at http://ec.europa.eu/internal_market/finances/committees/index_en.htm.
[9] "Towards a new framework for EU financial supervision", p.6-8; May 2009

In May 2009 the Commission acted on the suggestions made in the report by the "de Larosiere Group"[10] and proposed the creation of the "European financial supervision" (with COM (2009) 252) comprised by the **European Systematic Risk Council (ESRC)** and the **European System of Financial Supervision (ESFS)**. The proposed financial supervision arrangement was aimed at addressing the following key issues first, the incapability of the current supervisory arrangements of preventing, managing and resolving the crisis. Second, the nationallybased supervisory models have lagged behind the integrated and interconnected reality of today's European financial markets, in which many financial firms operate across borders. The crisis exposed serious failings in the cooperation, coordination, consistency and trust between national supervisors.[11] The problem with this proposal was that it provided those two "bodies" with binding powers which was opposed by several of the largest Member States and second it did not address key issues as the much needed amendments in the existing legislation for e. g. Insider Dealing and Market Manipulation (MAD) Directive 2003/6/EC, Capital Requirements Directive (CRD) comprising Directive 2006/48/EC and Directive 2006/49/EC and Markets in Financial Instruments Directive (MiFID) Directive 2004/39/EC.[12] Because of those two problems the Commission was forced to broaden and rethink its approach to the problem with the reform of **Europe's Supervisory Architecture (ESA)**. But not just due to those problems, but also because if there were gaps in the financial supervision, meaning Member States opting-out, and leaving the legislation in the state that it is in, the proposal would not have achieved it goals and the situation with the European Supervision Architecture would have reverted to a state very similar to the one before 2001. Basically the Union will not have a system able to prevent future financial crisis of the magnitude of the current one.[13]

In September and October 2009 the Commission proposed a set of six communications gathered in the so called "Financial Supervisory Package" which in essence cover the entire scope of problems related with reforming the ESA and in consequence raising a multitude of substantial and technical problems that according to the program of the Spanish presidency must be solved by the end of 2010.[14]

3. "Financial Supervisory Package": provisions, procedural status and discussions

[10] "Report of the de Larosière group"; Chapter III: EU supervisory repair; p. 38-59; 2009
[11] "European Financial Supervision" SEC (2009) 715-716
[12] Those directives were adopted under the "Lamfalussy process".
[13] "Towards a new framework for EU financial supervision", p.1-8; May 2009
[14] http://www.eu2010.es/en/presidencia/trio/.

III.1 Provisions

The six proposals comprising the "Financial Supervisory Package" can be separated in to two groups or key elements: macro and micro supervisory bodies.

III.1.1 Macro supervision

The first key element is the macro supervision is entrusted to the European Systematic Risk Board (ESRB) as well as entrusting specific tasks in the same area to the European Central Bank (ECB) concerning the functioning of the ESRB.[15]

The main characteristics of the proposals can be outlined as follows:

The objective of the ESRB will be to:

- prevent or mitigate systemic risks within the financial system, so as to avoid episodes of widespread financial distress;
- contribute to a smooth functioning of the internal Market; and
- ensure a sustainable contribution of the financial sector to economic growth.

To that end the ESRB is to be responsible for the macro-prudential oversight of the financial system within the Community (defined as all financial institutions, markets and market infrastructures).

The ESRB is to have the following tasks:

- determine and/or collect, as appropriate, and analyse all the relevant information;
- identify and prioritise such risks;
- issue warnings where risks are deemed to be significant;
- issue recommendations for remedial action where appropriate;
- monitor the follow-up to warnings and recommendations;
- cooperate closely with the ESFS and, where appropriate, provide the ESAs with the information on systemic risks required for the achievement of their tasks;

[15] "Community macro prudential oversight of the financial system and establishing a European Systemic Risk Board" COM (2009) 499; "Entrusting the European Central Bank with specific tasks concerning the functioning of the European Systemic Risk Board" COM (2009) 500

- coordinate with international institutions, particularly the International Monetary Fund and the Financial Stability Board as well as the relevant bodies in third countries on matters related to macro-prudential oversight;
- carry out other related tasks as specified in Community legislation.

The ESRB is to have the power to:

- request information in individual, summary or collective form, relating to financial institutions from the European Supervisory Authorities (ESAs); if the requested data are not available to the ESAs or are not made available in a timely manner, the ESRB may request the data from national supervisory authorities, national central banks or other authorities of Member States;
- issue warnings and recommendations of a general or specific nature, to be addressed to the Community as a whole (Commission), or to one or more Member State(s), ESA(s), or national supervisory authorit/y/ies.

The ESRB is to have the following composition:

General Board (61 members, 33 voting members of which 29 central bankers): 2 ECB, 27 national central banks, 1 European Commissioner, 3 ESA-Chairs, 27 national supervisors of the competent national supervisory authorities depending on the item discussed (non-voting), 1 Council-Economic and Financial Committee President (non-voting); at least 4 meetings per year;

Steering Committee (12 members, of which 7 central bankers): Chair +Vice Chair, 5 other members of the General Board who are also members of the ECB General Council, 1 European Commissioner, 3 ESA-Chairs, 1 Council (President of the Economic and Financial Committee); at least quarterly meetings;

Secretariat: ensured by ECB, Head appointed by ECB;

Advisory Technical Committee (61 members + head of Secretariat.): 27 national central banks, 1 ECB, 27 national supervisors, 3 ESA, 2 Commission, 1 Council (Economic and Financial Committee); Chair appointed by General Board, no fixed term;

ESRB-Chair and Vice-Chair: central bankers elected for a term of 5 years by and from the Members of the General Board who are also members of the ECB-General Council. The Chair presides over the meetings of the General Board and the Steering Committee.

Advisory Technical Committee-Chair: appointed by General Board following a proposal from the ESRB-Chair, no fixed term;

The Members of the ESRB are to perform their duties impartially and must neither seek nor take instructions from Member States. Member States must not seek to influence the members of the ESRB in the performance of their ESRB-related tasks. Proceedings of all ESRB meetings will be confidential.

III.1.2 Micro supervision

The micro supervision is entrusted to the European Banking Authority (EBA), European Insurance and Occupational Pensions Authority (EIOPA) and European Securities and Markets Authority (ESMA)[16], all of them comprising the second key element of the financial supervisor package, known as European Supervisory Authorities (ESAs).[17]

According to the Commission the main differences between the three proposed ESAs concern their objectives, their scope of action, and the defined terms, which the Commission has aligned with the specificities of the relevant sector and existing Community legislation.

Moreover, the Commission proposes that the ESMA should be responsible for registering credit rating agencies as well as suspending/withdrawing such registrations. The responsibilities and powers of the ESMA with regard to credit rating agencies will be defined in an amendment to the Regulation on Credit Rating Agencies.

The main characteristics of the proposals can be outlined as follows:

The ESAs are to be Community bodies with legal personality and are to have their seats in London (EBA), Frankfurt (EIOPA) and Paris (ESMA).

The objective of the ESAs will be to contribute to:

- Improving the functioning of the internal market, including in particular a high, effective and consistent level of regulation and supervision;
- protecting: depositors and investors (EBA), policyholders and other beneficiaries (EIOPA) and investors (ESMA);
- ensuring the integrity, efficiency and orderly functioning of financial markets;
- safeguarding the stability of the financial system;
- strengthening international supervisory coordination.

The ESAs are to have the following tasks:

- contribute to the establishment of high-quality common regulatory and supervisory standards and practices, in particular by providing opinions (solicited or not) to the

[16] "Establishing a European Banking Authority" COM (2009) 501; "Establishing a European Insurance and Occupational Pensions Authority" COM (2009) 502; "Establishing a European Securities and Markets Authority" COM (2009) 503
[17] "Financial Supervision – Frequently Asked Questions"; MEMO/09/251; Brussels, 27 May 2009

Community institutions and by developing guidelines, recommendations, and draft technical standards;

- contribute to a consistent application of Community legislation, in particular by contributing to a common supervisory culture, ensuring consistent, efficient and effective application of the legislation, preventing regulatory arbitrage, mediating and settling disagreements between competent authorities, promoting a coherent functioning of colleges of supervisors and taking actions in emergency situations;
- facilitate the delegation of tasks and responsibilities between competent authorities;
- cooperate closely with the ESRB, in particular by providing the ESRB with the necessary information for the achievement of its tasks and by ensuring a proper follow up to the warnings and recommendations of the ESRB;
- conduct peer review analysis of competent authorities, to strengthen consistency in supervisory outcomes;
- monitor and assess market developments in the area of its competence;
- fulfil any other specific tasks set out in the regulations or in the Community legislation.
- *The ESAs are to have the power to:*
- develop draft technical standards and submit them to the Commission for endorsement only in part or with amendments (the Commission has proposed a comitology procedure which will not involve Parliament, contrary to the usual practise),
- issue guidelines and recommendations addressed to competent authorities or financial institutions,
- issue recommendations addressed to the competent authorities setting out the action necessary to comply with Community law,
- take individual decisions addressed to competent authorities:
- to take the necessary action to address any risks that may jeopardise the orderly functioning and integrity of financial markets or the stability of the whole or part of the financial system by ensuring that financial institutions and competent authorities satisfy the requirements laid down in that legislation, subject to the Commission having adopted a decision addressed to one of the ESA, determining the existence of an emergency situation,

- requiring a competent authority to take specific action or to refrain from action in order to settle a disagreement on the procedure or content of an action or inaction by another competent authority
- take individual decisions addressed to financial institutions, where the national competent authority does not comply with:
- the Commission decision to comply with Community law,
- a decision of one of the ESA in an emergency situation, where the Commission has adopted a decision determining the existence of an emergency situation,
- a decision of one of the ESAs to settle a disagreement.
- issue opinions to Parliament, the Council, or the Commission.

Safeguards

The ESAs are to ensure that no decision adopted in relation to an emergency situation or the settlement of a disagreement impinges in any way on the fiscal responsibilities of Member States. Where a Member State considers that this is not the case, and where the decision is maintained, it may ask the Council to vote by QMV to decide whether the decision should be maintained or revoked.

Composition

The ESAs are to comprise the following:

Board of Supervisors (32 members): Chair, 27 national supervisors, 1 Commission, 1 ESRB, 1 of each ESA; deciding with either Qualified Majority Voting or simple majority

Management Board (6 members): Chair, 1 Commission, 4 BoS,

Chairperson, independent professional appointed for 5 years by the Board of Supervisors, subject to confirmation by Parliament,

Executive Director, independent professional appointed for 5 years by the Board of Supervisors,

Board of Appeal (6 members): Joint body of the three ESAs,

Stakeholder Group (30 members)

The ESAs are to form part of a European System of Financial Supervisors and are to co-operate with the ESRB.

When carrying out their tasks, the Chair, the Executive Director, the voting members of the Board of Supervisors and the members of the Management Board must act independently and objectively in the Community interest and must not seek or take instructions from Community institutions or bodies, from the Government of a Member State or from any other public or private body.

Revenue

The revenue of the ESAs are to consist, in particular, of:

- obligatory contributions from the national public authorities competent for the supervision of financial institutions;
- a subsidy from the Community, entered in the General Budget of the European Union (Commission Section);
- any fees paid to the Authority in the cases specified in the relevant instruments of Community law.

III.1.3 Omnibus I and II (COM (2009) 576)

III.1.3.1 Omnibus I

In parallel with the regulations establishing the EBA, the EIOPA, the ESMA and the ESRB, and in order for the proposed supervisory framework to work effectively, the Commission has put forward a proposal for an omnibus directive (Omnibus I) amending existing legislation.

These amendments aim at:

- defining the appropriate scope of technical standards as an additional tool for supervisory convergence,
- integrating the mediation and settlements task of the authorities,

Streamlining and integrating the different legislative texts in the new supervisory architecture.

The legislative texts amended by Omnibus I deal mainly with securities and banking (Capital Requirement Directive 2006/48/EC and 2006/49/EC, Financial Conglomerates Directive 2002/87/EC, Institutions for Occupational Retirement Provisions Directives 2003/41/EC, Market Abuse Directive 2003/6/EC, Markets in Financial Instruments Directive 2004/39/EC, Prospectus Directive 2003/71/EC, Settlement Finality Directive 1998/26/EC, Transparency Directive 2004/109/EC, Anti Money-Laundering Directive 2005/60/EC and UCITS Directive 2009/65/EC).

III.1.3.2 Omnibus II

Where appropriate, the Commission will propose further changes in the existing legislation in a further omnibus directive (Omnibus II). Omnibus II, which was expected to be adopted early 2010, but still is not. It's likely to focus mainly on insurance legislation such as the Solvency II Directive and the Insurance Mediation Directive.

III.2 Procedural status

All of the proposals are in an "ordinary legislative procedure" (ex co-decision). The "European Systemic Risk Board: establishment; macro-prudential oversight of the financial system" COM (2009) 499 is currently awaiting its first reading in the plenary of the European Parliament (EP) and was approved by the Council of the European Union in its Economic and Financial Affairs configuration (CEU – ECOFIN) and has passed scrutiny at six out of the twenty-seven parliaments of the Member States, the rest still haven't initiated a scrutiny procedure. The status of the legislative procedure on the other five proposals is quite similar. The only differences are that the CEU-ECOFIN agrees on the general approach of the proposal in COM (2009) 500 – 504 and still did not held any discussions on COM (2009) 576.

III.3 Discussions

The debate on the "Financial Supervisory Package" is the latest in the long line of discussion on how to create a more efficient, flexible and resilient to financial crisis supervisory architecture of the EU. In the beginning it was inefficient, rigid and the legislative framework had gaps in it[18], after 2001 began the so called Lamfalussy process which was aimed at resolving all of those issues, though it had an overall positive result[19], the created committees and adopted legislation were ill-prepared for the current financial and economic crisis, this lead to the need for a reform in the European Supervisory Architecture.[20] As in any other policy area the main issue is how much power the national governments are willing to give the European institutions, moreover given the fact that all of the six proposals are in the ordinary legislative procedure and its current status the discussions are held within the responsible EU institutions, meaning the European Parliament and the Council of the European Union. Within the EP the proposals are still awaiting to be presented in a plenary session, never the less a lot of debate has be carried out in the "responsible" for those proposals committee, the Committee on Economic and Monetary Affairs (ECON). At the ECON there has been several hearings of positions of relevant NGOs and academics on the question, as well as several discussions that produced 1,800 amendments most of which on the European Systematic Risk Board, the European Banking Authority and European Securities and Markets Authority. Some discussions has been carried out within the European political groups, in general none of them oppose the proposed financial supervisory package. The differences are more in the details, for e. g. the Socialists and Democrats (S&D) consider that the proposed European Supervisory Architecture should be strengthened even more, the European People's Party (EPP) considers the proposals good as they are, though its German members are raising the question about the status

[18]" The Lamfalussy Report";Chapter I: the reasons for change; p.9-19; 2001
[19] "Review of the Lamfalussy process" COM (2007) 727; p.3-5
[20] "Towards a new framework for EU financial supervision", p.1-8; May 2009

of the new bodies (separate agencies or part of the ECB, or a split between the two). Then there is the European Conservatives and Reformists (ECR) that emphasize on the need for a better clarification on the role of the national supervisory bodies. At the CEU the discussions are at a halt now until the proposals pass through their first reading at a plenary session of the EP, but it has approved the general approach of the proposals. This means that there are a great number of technical and substantive issues that need resolving before the financial supervisory package can become a reality.

4. EFFORTS TO ADDRESS THE ISSUE

The issues that must be resolved can be divided into two groups: substantial and technical.

IV.1 Substantive issues

For the European Supervisory Authorities these are:[21]

How to ensure a single set of harmonised technical rules, and consistent application of those rules.

How to ensure the good functioning of colleges of supervisors, particularly in terms of supply of appropriate information to all members of the college.

How to achieve agreement between home and host supervisors on matters which require agreement.

There is a need for better co-ordination between supervisors, and coherent action, in financial emergencies.

How to avoid impingement of Member States' fiscal responsibility, in line with the European Council conclusions, while not hindering the activity of the ESAs in areas which do not impinge on the fiscal responsibilities of Member States. This will ensure that the principle of subsidiarity is respected in the activity of the ESAs, because the area of direct fiscality is an exclusive competence of the Member States.

For the European Systematic Risk Board these are:[22]

How to make the ESRB as effective as possible, given that it cannot be given binding powers because a political decision has already been taken not to give it legal personality.

The warnings and recommendations of the ESRB must reach the right addressees and lead to the desired action, but without having the self-fulfilling effect of helping to trigger a crisis.

[21] COMMISSION STAFF WORKING DOCUMENT; SEC (2009) 1235; p. 2-3
[22] COMMISSION STAFF WORKING DOCUMENT; SEC (2009) 1235; p. 3

The ESRB must receive the information which it needs to carry out macroprudential assessments effectively.

The ESRB must have a secretariat structured and located so as to allow it to carry out its functions cost-effectively.

Subsidiarity must be respected in the structuring and activity of the ESRB.

IV.2 Technical issues

For the macro supervision: [23]

definition of financial stability, adequacy of the scope of mandate and powers in order to achieve financial stability,

adequate consideration of euro and non-euro area Member States,

lack of legal personality and accountability of the ESRB,

institutional balance between the community institutions,

central banks involvement and relative weight of players involved in general,

balance between ESRB supervision of activities of banking sector and macro-supervision of insurance and securities sectors,

potential conflict of interest between ECB's primary objective to maintain price stability and ESRB objectives,

accountability versus independence of ECB,

non-binding effect of warnings and recommendations,

absence of sanctioning power,

level of public disclosure of warnings and recommendations,

voting procedures for the publicity of warnings and recommendations,

international dimension (coordination and representation),

involvement of ESRB in decision on emergency situation,

[23] WORKING DOCUMENT on European banking authority, European securities and markets authority, Macro-prudential oversight of the financial system and establishment of a European Systemic Risk Board, European insurance and occupational pensions authority; p. 5

cooperation between the ESAs and the ESRB, particularly with regard to information flows and data processing,

financing of the ESRB activities, level of participation of euro and non-euro area Member States and EEA countries,

access to documents and confidentiality of proceedings,

permanent Council representation,

absence of Parliament representation,

future evolution and review clause,

procedure to appoint Chair/Vice-Chair

For the micro supervision:[24]

number of authorities and division of tasks and responsibilities,

accountability of each authority,

medium to long-term financing,

international dimension (coordination and representation),

decision-making procedures in an emergency situation; decision-making process in general (simple majority vs. QMV),

information-gathering powers,

powers with reference to future sectoral legislation,

use of comitology in respect of Commission decisions; Parliament's role ,

cooperation and coordination between the three authorities,

cooperation between the authorities and the ESRB,

cooperation between the authorities and the national supervisory authorities,

procedure and follow-up of peer reviews,

definition of cross-border risk,

[24] WORKING DOCUMENT on European banking authority, European securities and markets authority, Macro-prudential oversight of the financial system and establishment of a European Systemic Risk Board, European insurance and occupational pensions authority; p. 8

safeguards,

decision-making power vis-à-vis financial institutions; absence of sanctioning power,

role in relation to colleges of supervisors; relevance to large cross-border operating financial institutions,

role, participation and composition of stakeholder group,

future evolution and review clause

Suggested Reading and Additional Sources

Topic A: Financial and economic crisis: financial supervisory package

For a better understanding of the issue, the following sources should be consulted, but they are not exhaustive, therefore it is recommended that the delegates research the topic on their own, both through academic sources, as well as informal channels.

Mandatory

The following materials should be read by the participants in order to gain an in-depth view on the issue.

1. **Statement of Jose Maria Roldán Alegre, Director General Banking Regulation, Banco de Espaňa -** http://www.europarl.europa.eu/document/activities/cont/201002/20100205ATT68577/20100205ATT68577EN.pdf

2. **Position paper of Pan European Insurance Forum -** http://www.europarl.europa.eu/document/activities/cont/201002/20100205ATT68579/20100205ATT68579EN.pdf (highly recommended)

3. **Testimony on the planned reform of the macroprudential supervision in Europe -** http://www.europarl.europa.eu/document/activities/cont/201002/20100205ATT68581/20100205ATT68581EN.pdf (highly recommended)

4. **Prudential Supervisory Arrangements and Financial Crises — A Critique of the European Commission's Impact Assessment on the Revision of the CRD -** http://www.europarl.europa.eu/document/activities/cont/201002/20100205ATT68583/20100205ATT68583EN.pdf

5. **Financial Supervision – Frequently Asked Questions -** http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/836&format=HTML&aged=0&language=EN&guiLanguage=en (highly recommended)

6. Financial Markets in Europe: Towards a Single Regulator? - http://works.bepress.com/cgi/viewcontent.cgi?article=1000&context=mads_andenas (highly recommended)

7. EBF position on the European Commission proposals on the reform of the European supervisory architecture - http://www.ebf-fbe.eu/uploads/documents/positions/BankingReg/D1982E-2009-EBF%20position%20on%20the%20Commission%20proposed%20Supervisory%20Package.pdf (highly recommended)

8. Lessons from the recent market turmoil for effective Risk Based Supervision - http://hstalks.com/main/browse_talk_view.php?t=1452&s=1452&s_id=461&c=250 (highly recommended)

9. Report of the de Larosière group - http://ec.europa.eu/internal_market/finances/docs/de_larosiere_report_en.pdf

V.1 Useful links

European Commission – financial and economic crisis: http://ec.europa.eu/financial-crisis/index_en.htm

European Parliament – Committee on Economic and Monetary Affairs: http://www.europarl.europa.eu/activities/committees/homeCom.do?language=EN&body=ECON

Access to European Union Law: http://eur-lex.europa.eu/en/index_cnt.html

Monitoring the decision – making process between institution: http://ec.europa.eu/prelex/apcnet.cfm?CL=en

The Legislative Observatory: http://www.europarl.europa.eu/oeil/

European Central Bank (ECB): http://www.ecb.int/home/html/index.en.html

V.1.1 European political groups and national member political parties

EPP - http://www.eppgroup.eu; http://www.epp.eu/

Member State	Political party	Website
Austria	Austrian People's Party	http://www.oevp.at
Bulgaria	Citizens for European Development of Bulgaria (GERB); Union of the Democratic Forces	www.gerb.bg; http://www.sds.bg;

	(UDF);	
	Democrats for Strong Bulgaria (DSB)	**http://www.dsb.bg**
Cyprus	**Democratic Rally**	**http://www.disy.org.cy**
Czech Rep	**Christian and Democratic Union - Czechoslovak People's Party**	**http://www.kdu.cz/**
Denmark	**Conservative People's Party**	**http://www.konservative.dk**
Estonia	**Isamaa ja Res Publica Liit**	**http://www.irl.ee/**
Greece	**New Democracy**	**http://en.nd.gr/**
Italy	**The People of Freedom; Christian Democratic Unit and Christian Democratic Centre; South Tyrol People's Party**	**http://www.ilpopolodellaliberta.it/; http://www.udc-camera.it/; http://www.svpartei.org/**
Latvia	**People's Party; New Era**	**http://www.tautaspartija.lv/; http://www.jaunaislaiks.lv**
Luxembourg	**Christian-Social People's Party**	**http://www.csv.lu/**
Malta	**Nationalist Party**	**http://www.pn.org.mt/**
Poland	**Civic Platform of the Republic of Poland; Polish People's Party**	**http://www.platforma.org; http://www.psl.org.pl**

S&D - http://www.socialistsanddemocrats.eu; http://www.pes.org/en

Member State	Political party	Website
Belgium	**Socialist Party; Social Progressive Alternative**	**www.ps.be; www.s-p-a.be**
France	**Socialist Party**	**www.parti-socialiste.fr**
Hungary	**Hungarian Social Democratic Party; Hungarian Socialist Party**	**www.mszdp.hu; http://mszp.hu/**
Ireland	**Labour Party**	**www.labour.ie**
Lithuania	**Lithuanian Social Democratic Party**	**www.lsdp.lt**
Portugal	**Socialist Party**	**www.ps.pt**
Slovakia	**Social democracy**	**www.strana-smer.sk**
Slovenia	**Social Democrats**	**www.socialnidemokrati.si/**

ALDE - http://www.alde.eu/en/

Member State	Political party	Website

Netherlands	**Democraten 66; Volkspartij voor Vrijheid en Democratie**	**http://www.d66.nl/; www.vvd.nl**
Romania	**Partidul Naţional Liberal**	**http://www.pnl.ro/**
Spain	**Partido Nacionalista Vasco (Basque National Party); Convergence and Union; Valencian Nationalist Bloc**	**http://www.eaj-pnv.eu/eusk/; www.ciu.cat; www.bloc.ws; www.unio-mallorquina.com; www.coalicioncanaria.org; http://www.partidoandalucista.org**
Sweden	**Centerpartiet; Folkpartiet Liberalerna**	**http://www.centerpartiet.se/; http://www.folkpartiet.se/**

Greens/EFA - http://www.greens-efa.org/; http://europeangreens.eu/

Member State	Political party	Website
Finland	**Vihreä liitto**	**http://www.vihreat.fi/**
Germany	**Bündnis 90/Die Grünen**	**http://www.gruene.de/**

ECR - http://www.ecrgroup.eu/

Member State	Political party	Website
United Kingdom	**The Conservative party**	**http://www.conservatives.com/**