



**COUNCIL OF
THE EUROPEAN UNION**



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Council sets out its approach on the creation of three European supervisory authorities for financial services

The Council today agreed on a general approach¹ on draft regulations aimed at establishing three new authorities for the supervision of financial services in the EU, namely:

- a European Banking Authority;
- a European Insurance and Occupational Pensions Authority; and
- a European Securities and Markets Authority.

It asked the presidency to start negotiations with the European Parliament with a view to enabling adoption of the texts at first reading.

¹ The general approach was agreed at a meeting of the Economic and Financial Affairs Council.

P R E S S

The draft regulations are part of a package of proposals to reform the EU framework for the supervision of banking, insurance and securities markets in the wake of the global financial crisis.

Negotiations with the Parliament on the macro-financial aspects of the package are already underway. At its meeting on 20 October, the Council reached agreement on a draft regulation aimed at establishing a European Systemic Risk Board (ESRB) to monitor potential threats to the stability of the financial system.

The three European supervisory authorities (ESAs) will be part of a European System of Financial Supervisors, working in tandem with a network of member state supervisors. Together, they constitute the micro-financial aspects of the reform package.

Entry into force will only be possible once all of the texts have been adopted; the aim is for the new framework to be put into place during the course of 2010.

In June, the European Council supported the creation of both the ESRB and the European System of Financial Supervisors, calling for:

- an upgrading of the quality and consistency of national supervision;
- a strengthening of the oversight of cross-border financial groups through the setting up of supervisory colleges; and
- the establishment of a single rule book applicable to all financial institutions in the EU.

The three ESAs are due to replace three existing EU committees of supervisors (CEBS, CEIOPS and CESR¹) and will have legal personality under EU law. They will comprise high-level representatives of all of national supervisory authorities under a permanent chairmanship. The national authorities will remain responsible for day-to-day supervision of individual firms, and a steering committee will be set up to ensure cooperation and to coordinate the sharing of information between the ESAs and the ESRB.

¹ Committee of European Banking Supervisors, Committee of European Insurance and Occupational Pensions Supervisors, Committee of European Securities Regulators.

According to the Council's general approach, the ESAs would be responsible for:

- ensuring that a single set of harmonised rules and consistent supervisory practices are applied by national supervisors;
- ensuring a common supervisory culture and consistent supervisory practices;
- collecting micro-prudential information;
- ensuring consistent application of EU rules, in cases such as the manifest breach of EU law or ESA standards and disagreement between national supervisors or within a college of supervisors;
- using full supervisory powers at European level with regard to credit rating agencies;
- ensuring a coordinated response in crisis situations.

On account of the liabilities that may be involved for the member states, the Council's general approach provides that decisions taken by the ESAs would not impinge in any way on the fiscal responsibilities of the member states. Any binding decision taken by the ESAs would be subject to review by the EU courts.
