BUSINESSEUROPE

STATEMENT

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EUROPEAN FINANCIAL SUPERVISION

Improve financial supervision...

European Financial Supervision can and should be improved. The financial crisis has demonstrated the need to improve the regulation and supervision of cross-border financial institutions. Businesses need innovative and competitive well-functioning and regulated financial markets that are able to sustain a meaningful recovery and allow companies to access the finance they need to create growth and jobs.

Restore confidence...

A new European framework for financial supervision should restore confidence in financial markets and improve financial stability management. A European Systemic Risk Board is needed which monitors and assesses potential threats to financial stability and issues risk warnings and recommendations for actions and monitors their implementation. A European System of Financial Supervisors should aim to improve the quality and consistency of national supervision and strengthened oversight of cross-border groups and maintain trust between host and home state supervisors to safeguard the integrity of the single market.

Eliminate national differences...

Rule-making should be strongly improved in a co-ordinated manner, eliminating harmful differences between regulatory regimes and regulatory arbitrage whilst leaving some degree of flexibility at national level with respect to rule-making for conduct of business regulation which needs to be appropriate for the national market place. As a result, the creation of a European level playing field will be beneficial to the EU.

Follow better regulation principles...

The regulatory reform process should follow better regulation principles. Thorough impact assessments should ensure that a new framework is proportionate and does not undermine innovation and damage the functioning of markets. Regulators should refrain from imposing unnecessary administrative burdens and consult with stakeholders. The timing of new measures should be realistic to avoid rushed solutions.

Improve supervision globally...

Improved financial supervision should be done globally to ensure international consistency and avoid inefficient duplication of efforts. The interaction with the International Financial Institutions such as the revised Financial Stability Board, the International Monetary Fund (IMF), the Basel Committee and IOSCO is also key. Financial stability surveillance should flow from global to regional and then to national (and back the other way if necessary). These institutions need to be able to analyse, alert and consider required actions, and effective connections and communication is essential to achieve this.

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Respect national supervisory structures and fiscal responsibilities...

National supervisory structures should be respected while ensuring increased integration and harmonisation of rules and practices. The European System of Financial Supervisors should focus on harmonisation of the rule-book and compliance through supervisory peer review, audit, and technical interpretations and guidance. Compliance is crucial to avoid both regulatory 'gold-plating' on the one hand and a regulatory 'race to the bottom' on the other. Decisions taken should not impinge in any way on fiscal responsibilities. In order to enhance further the effectiveness of cross-border supervision, there is a strong need for political decisions on cross-border burden sharing in the event of a crisis and lender of last resort issues.

Ensure an effective follow-up of financial stability warning signals...

There should be a robust mechanism of reaction from Member States to ensure that warning signals of the European Systemic Risk Board are properly considered and acted upon. This mechanism needs to be balanced in order to provide an appropriate degree of flexibility and a 'comply or explain' is a suitable way to achieve this.

Ensure an effective membership of new supervisory bodies...

New supervisory bodies have to pay sufficient attention to non-banking bodies to ensure financial stability in a global capital markets perspective. Securities, insurance and pension supervisors should thus be able to make an effective contribution to decision-making in this respect. The same should apply to EEA States. Logistical problems with respect to financial stability decision-making due to a large number of involved parties should be resolved and the members of the General Council of the ECB should elect the chair of the European Systemic Risk Board.

Resolve data security issues and avoid duplication of data requests...

Administrative burdens should be minimised and data security issues resolved to meet concerns over the access to and security of firm specific data and additional data requests that would duplicate the work done at Member State level. Data should therefore be submitted to national supervisors who aggregate them for onwards transmission.
