



CESR 06-707

8 January 2007

## **3L3 Work Programme 2007**

This 3L3 work programme for 2007 is developed in accordance with the Joint Protocol of 24 November 2005. The items included have been selected on the basis of a "significance test" based on three criteria: CESR, CEBS and CEIOPS agreed to focus their joint work only on those topics for which a) there is a high risk of disruptive regulatory arbitrage, b) cross-sector cooperation can deliver obvious gains in the effective conduct of supervisory activities, and c) co-operation between the three Committees could bring about a real efficiency gain. In the work programme some issues are referred to as "priority", meaning that they will be treated as especially important and will be done in 2007. The Committees may find other areas of common concern during the course of the year, depending (inter alia) on changes in the markets and regulatory initiatives and the results of analytical reports which are currently being prepared.

### **A. Joint Work**

*This section of the work programme sets out work which is to be carried out jointly by the three Committees, and which should result in joint output.*

#### **A.1. Financial Conglomerates (priority issue)**

The joint Interim Working Committee on Financial Conglomerates (IWCF) will focus on the identification and mapping of conglomerates and on the framework and process for supervisory cooperation.

Technical input to the Commission will be provided in the area of capital requirements for financial conglomerates, focusing on (a) a comparison of sectoral rules for eligibility of capital instruments, (b) an analysis of the consequences of the sectoral rules for the supervision of financial conglomerates, (c) recommendations relevant to the supervision of financial conglomerates.

In close connection with related work for banking, the IWCF will also provide technical analysis of the equivalence of Third Countries supervision, focused in particular on Switzerland and the United States.

## **A.2. Integrity**

The Committees will work jointly to ensure consistency of approaches in the prevention of money laundering and Terrorist financing (AML/CFT) and in the approach to Off-Shore Centres and non-cooperative jurisdictions (OFCs).

- AML/CFT: the Committees will support convergence of supervisory practices in the implementation of Directive 2005/60/EC (so-called Third Anti-Money Laundering Directive). In particular, they will conduct a mapping of responsibilities, resources and instruments of national authorities – by mid-2007 – and a survey of practical issues emerging in the implementation of the Directive – by late 2007.
- The Committees will jointly work to fulfil the tasks included in the terms of reference of the Financial Stability Table of the EFC. In the course of 2007 they will develop sector specific databases facilitating the exchange of supervisory information concerning OFCs. The Committees will also start exploring possible approaches for the supervision of financial business in such jurisdictions, focusing in particular on internal governance issues. This work, to be conducted in close connection with global forums such as the Financial Stability Forum, will extend into 2008.

## **A.3. Joint overview of 'fit and proper' criteria on managers**

The Committees will review the "fit and proper" criteria for managers across the sectors with a view to have a clear benchmark for convergence of supervisory practices when new legislation in the area of cross-border mergers is in place. This is a priority project, but the precise timing will be defined with reference to the finalisation of the review of relevant Community legislation.

## **B. Consistency projects to reduce supervisory burdens and streamline processes**

*This section of the work programme sets out mapping and comparison of sector work projects that aim at streamlining processes and developing consistent approaches across sectors. This might lead to future joint initiatives. Under this heading have been introduced a number of new tasks that can be derived from the implementation of the so called Francq report, endorsed by ECOFIN in their conclusions of 5 May 2006.*

### **B.1. 3L3 consistency on Francq report issues (priority issues)**

The 3L3 Committees will actively cooperate to ensure consistency of approaches in the implementation of the ECOFIN recommendations on financial supervision (so-called Francq recommendations). In particular, close connections will be established between sector work on:

- Efforts to enhance a common supervisory culture (training, staff exchanges, etc.)
- Peer review and mediation
- Better regulation, with a particular focus on impact assessments
- Delegation of tasks

### **B.2. Own funds (priority issue)**

Following the comparison of capital elements eligible for (and deductible from) own funds of banks, investment firms and insurance companies, the 3L3 will analyse in 2007 the impact of the differences and consider how relevant issues can be addressed.

### **B.3. Finalisation and follow up to other analytical work from 2006. (priority issue)**

In the first quarter of 2007 the Committees will complete analytical reports on:

- Internal governance
- Reporting requirements
- Supervisory cooperation
- Substitute products and related level playing field issues

The reports should serve as the basis for a first analysis by the three Committees, assessing whether there are different approaches, highlighting where each Committee might benefit from experience gained in other sectors, and checking whether further detailed analysis and/or cross-sector harmonisation are deemed useful.

In particular – following the initial work - the issue of the selling and marketing of substitute products (financial instruments, bank saving products, and insurance saving products) may require to joint work in a manner to be defined under heading A during the course of 2007.

For more detailed information, reference is made to the 3L3 Work Programme 2006.

### **B.4. Commodities firms' supervision - possible 3L3 item**

The CEBS' review of prudential supervisory practices and prudential risks that arise from conduct of commodities business advice on commodities firms, will be finalized in 2007. As a contribution from CESR is expected within the framework of the call for evidence on commodities firms recently issued by the Commission, CEBS and CESR will cooperate closely to ensure

consistency of approaches in this area. CEIOPS will continue to liaise with CEBS and CESR in view of its work on Solvency II.

## **C. Reports to European Institutions**

### **C.1. Financial market trends, cross sector risks/convergence (priority subject)**

On cross sector risks and on cross sector convergence, the Committees will continue to report jointly to European institutions and/or EU committees, such as the ECON Committee of the European Parliament, the Financial Stability Table of the EFC or the Financial Services Committee (FSC).

### **C.2. 3L3 joint Annual Report/medium term agenda**

A joint 3L3 report for 2007 will be prepared for the FSC, including a backward looking section on the results already achieved under the Joint Protocol and the 3L3 Work Programme 2006, and a forward looking section to identify a 2/3 years' work agenda and priorities.

## **D. Information points for the exchange of experiences**

*On the following issues the Committees will exchange information on their respective work in progress, with the aim of identifying the need for any further specific action. Need for such information may be on a continuous basis or on an ad-hoc basis.*

### **1. Solvency II/Basel II**

### **2. Enforcement of IFRS**

### **3. Audit Committee representation**

### **4. Deposit insurance/Investor compensation/Insurance guarantee**

### **5. Mutual funds/Hedge funds**

### **6. External Credit Assessment Institutions/Credit Rating Agencies**

### **7. Clearing and settlement**

### **8. IT data sharing arrangements, including sharing of set-up and maintenance costs.**

### **9. Crisis Management**