

Annex to the Statement by Steven Maijor – ESAs Joint Committee facts and figures from September 2014 to August 2015

Economic & Monetary Affairs Committee European Parliament

The ESAs Joint Committee is a forum for cooperation between the European Banking Authority (EBA), European Insurance and Occupational Pensions Authority (EIOPA) and the European Securities and Markets Authority (ESMA), collectively known as the three European Supervisory Authorities (ESAs), established on 1 January 2011. The Joint Committee plays in addition an important role for the cooperation between the ESAs and the European Systemic Risk Board (ESRB) and the European Commission.

Through the Joint Committee, the ESAs regularly cooperate to ensure consistency in their practices. In particular, the Joint Committee works in the areas of supervision of financial conglomerates, accounting and auditing, micro-prudential analyses of cross-sectoral developments, risks and vulnerabilities for financial stability, retail investment products and measures combating money laundering.

Consumer protection

The Joint Committee has continuously put the focus of its activities on the area of consumer protection. The regulatory work has been devoted primarily to the joint mandate on Packaged Retail Investment and Insurance-based Products (PRIIPs), where the legal mandate foresees the drafting of three Regulatory Technical Standards (RTS): a major one on the content and presentation of the Key Information Document (KID), designed to help retail investors in the EU better understand and compare PRIIPs across the EU, and two other ones on the revision and review of the KID, and on the timing of delivery of the KID. In this context, the Joint Committee published in November 2014 a Discussion Paper and in June 2015 a Technical Discussion Paper, to be followed by the publication of a Consultation Paper in November 2015.

In December 2014 the Joint Committee consulted on and finalised joint guidelines for cross-selling practices. These guidelines establish a coherent and effective approach to supervising firms that offer cross-selling options, in order to enhance protection of EU customers.

Furthermore, over the past months the Joint Committee has been actively looking at risks related to the conduct of business in banking and insurance sectors. Following that

assessment, the Joint Committee shared the identified policy responses with European policy-makers.

In addition, the Joint Committee has started to investigate the extent to which the use of automated financial advice tools, which support the purchasing of a good or service by a consumer without interaction with staff, raises issues for consumers and/or other market participants. As the next step it is expected to publish a Discussion Paper with an analysis of the phenomenon in the securities, banking and insurance sector.

The annual ESAs Joint Consumer Protection Day was hosted this year by EIOPA in Frankfurt and took place on 3 June 2015. The event, its third edition, gathered over 300 consumers, regulators and industry participants and discussed topics like conduct risk and the growing digitalisation of financial services.

Cross-sectoral risk assessment

The Joint Committee produced two bi-annual cross-sectoral reports focused on identification of key risks and vulnerabilities in the EU financial system (in April and August 2015). They provided an overview of the main cross-sectoral risks in the EU financial system and recommended concrete policy actions to mitigate identified risks. Throughout the last twelve months the main risks focused on the weak economic growth in the EU, low interest rate environment, high volatility of financial markets, decreasing structural market liquidity and low profitability of financial institutions. In addition, the Joint Committee has been assessing risks associated with conduct of business in banking and insurance sectors.

Contribution to the EU single rulebook

- **Securitisation:** The Joint Committee published its own-initiative report on identified gaps and inconsistencies in the existing EU Level 1 and Level 2 requirements on due diligence, disclosure and reporting for structured finance instruments (SFI). The report also includes a number of recommendations on how to address those shortcomings, in light of the European Commission's public consultation on securitisation.
- **Financial Conglomerates:** the Joint Committee published, in December 2014, guidelines on the consistency of supervisory practices for financial conglomerates. These guidelines aim at clarifying and enhancing the cooperation between national competent authorities in order to achieve a supplementary level of supervision of financial conglomerates. The Joint Committee also submitted to the European Commission in December 2014 a draft RTS on risk concentration and intra-group transactions, which aims at clarifying which risks shall be considered as significant. In addition, the Joint Committee updates and publishes a list of identified financial conglomerates every year.
- **Anti-money laundering:** Following the adoption of the 4th Anti-Money Laundering Directive and 2nd Wire Transfer Regulation, the Joint Committee has established

various workstreams aiming at delivery of the envisaged ESAs' regulatory mandates pursuant to the two legislations, which include one Joint Opinion, three Guidelines and two RTSs. First public consultations are expected for publication in October 2015.

- Mapping of ECAIs' credit assessments: The Joint Committee has continued to work on developing the ESAs' joint draft Implementing Technical Standard (ITS) on the mapping of External Credit Assessment Institutions (ECAIs)' credit assessments. The draft ITS aim to specify for all ECAIs the correspondence between risk weights and credit assessments (via credit quality steps) as well as the factors and benchmarks. A public consultation on a number of mapping reports was published in October 2014 and the Joint Committee intends to publish its final draft ITS in Autumn 2015.
- Reducing over-reliance on credit ratings: The Discussion Paper on the Use of Credit Ratings by Financial Intermediaries was published by the Joint Committee for public consultation in December 2014 and provides for an overview of how credit ratings are currently used by financial institutions that fall within the scope of the intended guidelines.
- Acquisitions and increases of holdings in the financial sector: The Joint Committee carried out its review of the 2008 joint Guidelines for the prudential assessment of acquisitions and increases of holdings in the financial sector, based on the shortcomings the European Commission had identified in its review report from February 2013. In June 2015, the Joint Committee launched a public consultation on the revised Guidelines.
- Joint Assessment Team: The Joint Assessment Team was established in early 2015 with the aim to assess the compliance of the different initial margin models to the requirements of the draft joint RTS on EMIR and the BCBS-IOSCO framework, and to give some clarification on the supervisory expectations on the models provided to the developers, to improve the models.

The ESAs have continued to provide secretarial support to the Board of Appeal, including to two appeal cases finalised in November 2014 and August 2015 respectively.

In order to increase its visibility, the Joint Committee will be launching a common website in Autumn 2015.

Joint Committee products from September 2014 to August 2015

Delivered
Regulatory Technical Standards (RTS)
Draft RTS on risk concentration and intra-group transactions under Article 21a (1a) of the Financial Conglomerates Directive (JC 2014 092)
Consultations
Discussion Paper on Use of Credit Ratings by Financial Intermediaries (JC/DP/2014/01)
Discussion Paper on Key Information Document (KID) for Packaged Retail and Insurance-based Investment Products (PRIIPs) (JC/DP/2014/02)
Consultation Paper on Cross Selling Guidelines (JC/CP/2014/05)
Addendum to the Consultation Paper on the mapping of ECAs under CRR (JC/CP/2014/01add)
Consultation Paper on draft ITS on mapping of ECAs under Solvency II (JC/CP/2015/01)
Consultation Paper on Risk Management Techniques for OTC derivatives (JC/CP/2015/02)
Consultation Paper on revised Guidelines on the prudential assessment of acquisitions and increases of Qualifying Holdings in the financial sector (JC/CP/2015/03)
Guidelines
Guidelines on coordination arrangements for financial conglomerates (JC/GL/2014/01)
Reports
JC Report on risk and vulnerabilities in the EU financial system (Spring 2015) (JC 2015 007)
JC Report on risk and vulnerabilities in the EU financial system (Autumn 2015) (JC 2015 XXX)
JC Report on securitisation (JC 2015 022)
Joint Committee Work Programme 2015 (JC 2014 074)
Training/Workshop
Joint ESAs Consumer Protection Day 2015
In progress
Regulatory Technical Standards (RTS)
Draft RTS on Key Information Document (KID) for Packaged Retail and Insurance-based Investment Products (PRIIPs)
Draft RTS on appointment and functions of the Central Contact Point (4 th AMLD)
Draft RTS on risk-mitigation techniques for OTC derivative contracts not cleared by a CCP

Implementing Technical Standards (ITS)
Draft ITS on mapping of ECAls
Consultations
Discussion Paper on Automation in Financial Advice
Guidelines
Guidelines on Qualifying Holdings
Guidelines on Cross-Selling requirements
Guidelines on Simplified and Enhanced Due Diligence (4 th AMLD)
Guidelines on Risk-Based Approach to AML Supervision (4 th AMLD)
Opinion
Joint Opinion on the Risk of Money Laundering and Terrorist Financing affecting the Financial Sector (4 th AMLD)
Reports
Report of the Joint Assessment Team on assessing the compliance of initial margin models
List of financial conglomerates 2015