
ESA Staff**JC 2011 17 Rev3****15 March 2012**

Medium term strategy for the Joint Committee

Introduction

Article 54 to 57 of the European Supervisory Authorities (EBA, ESMA and EIOPA, known as the ESAs)' Regulation¹ covers the remit of the Joint Committee of the European Supervisory Authorities. The Regulation states that the Joint Committee shall serve as a forum in which the three European Supervisory Authorities shall cooperate regularly and closely and ensure cross-sectoral consistency among them. Specifically, the Joint Committee shall ensure cross-sectoral consistency of work, avoiding overlaps with sectoral work, and reach joint positions where appropriate, in particular regarding the areas of a) supervision of financial conglomerates, b) accounting and auditing, c) micro-prudential analyses of cross-sectoral developments, d) risks and vulnerabilities for financial stability, e) retail investment products, f) measures combating money laundering and g) information exchange with the European Systemic Risk Board (ESRB) and development of the relationship between the ESRB and the ESAs.

This note proposes five areas where the Joint Committee shall strive to deliver over the medium term. These proposals shall assist the ESAs and their Joint Committee, in their planning and resourcing, in preparing their annual work programme, as well as in their accountability to EU Institutions and other stakeholders.

I. Risk Assessment

The Joint Committee shall ensure overall and cross sectoral coordination, monitoring and assessment of the systemic risk work performed by the ESAs.

The Joint Committee shall assist in the development of the cooperation between the ESAs and the ESRB, as part of their commitment to the European System of Financial Supervision, respecting the ESA-ESRB confidentiality agreement on firm level information.

Proposed deliverables:

The Joint Committee shall produce policy focussed risk reports for the EFC-FST meetings in March and September each calendar year. These reports shall include preliminary policy conclusions, and provide a cross sectoral assessment which shall be fed into each of the ESAs sector systemic risk assessment work.

¹ Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC (the "EBA Regulation" and "EBA"); Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/79/EC (the "EIOPA Regulation" and "EIOPA"); Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC (the "ESMA Regulation" and "ESMA"); commonly referred to as "the European Supervisory Authority (ESA) Regulations".

Timeline:

2012 to 2013: Half yearly risk reports to be delivered to the EFC-FST meetings in March and end September each calendar year.

II. Regulatory work

The Joint Committee shall contribute to the EU Single Rulebook by developing Technical Standards and Guidelines in relation to cross sectoral directives and regulations, and shall provide joint advice/input to the European Commission in relation to legislative proposals, which have cross sectoral ramifications.

Proposed deliverables:

The Joint Committee shall develop Technical Standards and Guidelines in relation to legislative proposals which have cross sectoral ramifications, such as for the Financial Conglomerates Directive (FICOD), European Markets Infrastructure Regulation (EMIR), Third Money Laundering Directive, and the proposed Audit Regulation. The Joint Committee shall prepare responses to request for Calls for Advice, and/or provide input to the European Commission in relation to its forthcoming reviews of legislation, which have cross sectoral ramifications, such as for the FICOD, the Third Money Laundering Directive, the Payment Services Directive and the 2nd E-money Directive.

Timeline:

2012 to 2013, respecting adherence to any deadlines contained in the various legislation/legislative proposals/ requests of the European Commission.

III. Consumer Protection

The Joint Committee shall conduct joint analysis, develop joint proposals and actions with a view to seeking that financial institutions follow a consistent cross sectoral approach to consumer protection, addressing information asymmetries, conflicts of interest and market inefficiencies, in order to enhance consumer protection in a cross sector consistent manner, with specific emphasis on developing and distributing retail financial products.

Education and training: The Joint Committee shall explore which tasks in relation to consumer protection and financial activities, under Article 9 of the ESAs Regulation, could be performed at a cross sectoral level, for example financial literacy and education initiatives, in order to ensure cross sector consistency.

Safe and sound markets: The Joint Committee shall develop by 2014, some high level principles to be applied by Member States' Competent Authorities. The objective of these principles will be that the boards of financial institutions ensure that due consideration and analysis of the risks to consumers is performed, before a new financial product is launched.

Cross sectoral consumer market analysis: The Joint Committee's Sub-Committee on Consumer Protection and Financial Innovation shall, in liaison with each ESAs sectoral Financial Innovation standing committees, monitor financial products developments, with a view to enhancing consumer protection.

Regulatory Convergence: In the short term, the Joint Committee shall consider the appropriate cross sector consistent measures in light of the EC's legislative proposals on Packaged Retail Investment Products (PRIIPs) due to be published in 2012. The Joint Committee shall undertake further consideration of any cross sectoral issues relating to PRIIPs stemming from developments in relation to the Markets in Financial Instruments Directive (MiFID) and the Insurance Mediation Directive (IMD), where appropriate.

Proposed deliverables:

The Joint Committee shall develop cross sector consistent Joint Guidelines, Recommendations and/or Opinions to enhance consumer protection in response to its joint analysis of consumer trends, financial activities, financial innovation, financial literacy and education initiatives, and also in light of EC's legislative proposals, where appropriate.

Timeline: 2012 to 2013.

IV. Supervisory Practice

In relation to the supervision and enforcement of financial institutions, the Joint Committee shall, as appropriate, assess supervisory practices and risk based approaches, with a view to promoting cross sector consistent approaches and practices, such as Guidelines for colleges of Financial Conglomerates and for Anti money-laundering supervision. With regard to Accounting Standard developments, the Joint Committee shall, as appropriate, assess and provide cross sector consistent inputs/exchange views in order to ensure cross sector consistency in their application.

Proposed deliverables:

Supervision of Financial Conglomerates: The Joint Committee shall develop Guidelines aimed at the convergence of supervisory practices with regard to Mixed Financial Holding Companies, 3rd Country Equivalence, and supervisory coordination arrangements under the FICOD.

AML supervision: The Joint Committee shall assess AML supervisory practices and risk based approaches, with a view to producing an AML supervisory tool kit so as to promote common supervisory approaches and practice.

Accounting: The Joint Committee shall ensure cross sector exchange of views on a regular basis in order to promote consistent IFRS application. The Joint Committee shall foster an exchange of views on current accounting developments and on potential input to accounting standard setters in order to promote a coordinated cross-sectoral perspective.

Timeline:

2012 to 2013, respecting adherence to any deadlines contained in the various legislation/legislative proposals/ requests of the European Commission.

V. Common Processes and Procedures

The Joint Committee shall strive to have common/consistent policies and procedures for key ESA processes and procedures. These will cover, but will not be limited to, the ESAs Rules of Procedures for their respective Board of Supervisors, Management Boards, Templates for Joint Technical Standards and Guidelines, consistent Consultation Processes, mediation processes in handling complaints by the ESAs; and treatment of breaches of Union Law.

Proposed deliverables:

The Joint Committee shall contribute to consistency in the ESAs Board of Supervisors Rules of Procedure, the ESAs' Peer Review methodologies, the ESAs' Mediation processes, ESAs powers in an Emergency², the ESAs' Impact Assessment Quality Assurance Methodology, and the ESAs' document control standards.

Timeline:

By end 2012.

² Article 18 of the ESAs' Regulations sets out the tasks and powers of the ESAs in the area of crisis management.

Conclusion

The ESAs should set up the tools/assign resources for the development by the ESAs and the monitoring by the relevant entities of these tasks. The work programme is in this respect an essential instrument and should reflect in more detail the above list of objectives, and act as a monitoring tool for the strategy.