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Chair
Committee on Economic
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European Parliament

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Joint Opinion - Review on the functioning of the European Systemic Risk Board (ESRB)

I. Legal basis

1. Article 20 of the ESRB Regulation¹ provides that the European Parliament and the Council shall by 17 December 2013 examine the Regulation on the basis of a report from the Commission and, after having received an opinion from the European Central Bank (ECB) and the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA), the European Securities and Markets Authority (ESMA), collectively known as the European Supervisory Authorities (ESAs), determine whether the mission and organisation of the European Systemic Risk Board (ESRB) need to be reviewed.

¹ Regulation No 1092/2010 of the European Parliament and the Council of 24 November 2010 on European Union macro-prudential oversight of the financial system and establishing a European Systemic Risk Board (ESRB);

2. The ESAs competence to deliver an opinion is based on Article 34(1) of the ESAs' Regulations². In accordance with Article 44(1) of the ESAs Regulations, the ESAs' Board of Supervisors have adopted the following opinion.

II. **Background**

3. Article 1 of the ESRB Regulation established a European Systemic Risk Board.
4. The ESRB is responsible, according to Article 3 of the ESRB Regulation, for the macro-prudential oversight of the financial system within the Union. In this capacity it contributes to the prevention or mitigation of systemic risks to financial stability in the Union that arise from developments within the financial system, taking into account macroeconomic developments, so as to avoid periods of widespread financial distress. It also contributes to the smooth functioning of the internal market and thereby ensures a sustainable contribution of the financial sector to economic growth.
5. The ESRB's General Board's membership includes the President and the Vice-President of the European Central Bank, the Governors of the national central banks of the Member States, the European Commission, the Chair and the two Vice-Chairs of the ESRB Advisory Scientific Committee and the Chair of the ESRB Advisory Technical Committee, one high-level representative per Member State of the competent national supervisory authorities, the President of the Economic and Financial Committee (EFC) and the Chairpersons of EBA, EIOPA and ESMA. The ESRB, together with the ESAs and the national supervisory authorities form part of the European System of Financial Supervision.

² 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; 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 ; Regulation (EU) No 1095 /2010 of the European Parliament and of the 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

III. ESAs' opinion

6. In line with their establishing Regulations, the ESAs have cooperated closely and on a regular basis with the ESRB through active participation in the General Board, the Steering Committee, the Advisory Scientific Committee, the Advisory Technical Committee and various working groups. Further, the ESAs chairs have served respectively as the second Vice-Chair of the ESRB in their capacity as Chair of the Joint Committee of the three ESAs. Also the ESRB is an observer to the ESAs' Boards of Supervisors and to the ESAs' Joint Committee. In addition, close co-operation at staff level between the ESAs and the ESRB secretariat has been established.
7. The ESAs believe that the establishment of the ESRB has contributed to providing a macro-prudential oversight element to the EU framework, by its identification and assessment of the interlinkages between developments in the broader macro-economic environment and the financial system. It has served also as a mechanism for enhancing the integration and communication of macro-prudential analysis conducted by the various competent authorities at different levels across the EU.
8. In this context, the ESAs consider that the mandate of the ESRB is relevant and should be maintained. The non-legally binding, "act or explain" tools attributed to the ESRB have triggered significant work by competent authorities and the ESAs, addressing some key macro-prudential themes. These "act or explain" tools support an appropriate interaction between macro-prudential and micro-prudential responsibilities.
9. The ESAs consider that their cooperation with the ESRB, within the framework of the ESFS, has worked well. In some cases, though, the ESAs would have appreciated greater support from the ESRB in clarifying macro-prudential issues relevant for supervisory decisions. The legislation could be strengthened in this respect, by introducing an obligation for the ESRB and the ESAs to support each

other in the performance of their tasks, also by providing advice at the request of the other party.

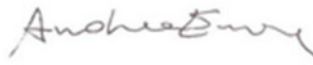
10. The ESAs believe that macro-prudential supervision should cover all financial sectors as well as the wider economic context. We note that the ESRB General Board's agenda has been largely driven by the financial and economic crisis, and the ESRB's analysis of risks has focused on the banking sector. The ESRB should build on that experience and knowledge, whilst further enhancing its cross-sectoral focus to encompass the securities markets, insurance and pensions domains. Moreover, input from supervisory authorities from all sectors into the ESRB decision making processes should be further enhanced.
11. The ESAs consider that the current institutional arrangements and setting of the ESFS should be retained, and that radical changes are not warranted. Both the micro and the macro-prudential pillars of the supervisory architecture should continue to operate separately and in close interaction, with each component providing its own perspective in the systemic risk identification, monitoring and assessment. Retaining both the top-down and bottom-up approach is crucial in ensuring a comprehensive assessment of financial stability issues in the EU.
12. Finally, according to the Regulation the ESRB shall be chaired by the President of the ECB for a term of 5 years following the entry into force of the Regulation. For the subsequent terms, the Chair of the ESRB shall be designated in accordance with the modalities determined on the basis of the review provided for in Article 20 of the Regulation. As set out in the ESRB's High Level Group on the ESRB review the ESAs believe that the recent changes in the micro- and macro-prudential supervision environment should be considered in this debate.

We are looking forward to continuing our fruitful cooperation in the future and remain at your disposal to discuss any further issues.

Yours sincerely,



Gabriel Bernardino
Chair, EIOPA
Chair, Joint Committee



Andrea Enria
Chair, EBA



Steven Maijoor
ESMA Chair,