



**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 15 March 2010

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SURE 14**

"I" ITEM NOTE

from : General Secretariat of the Council
to : Permanent Representatives Committee

Subject : Draft 2010 Work Programmes of the three EU Committees of supervisors (CEBS, CEIOPS and CESR)
- Approval of a letter by the President of the Council

1. On 2 November 2009, the Chairs of the three EU Committees of supervisors (CEBS, CEIOPS and CESR) sent a letter to Mr Borg, in his capacity as President of the ECOFIN, as a cover to their draft 2010 Work Programmes. The aim was to fulfil the relevant Council conclusion of 4 December 2007¹, which read in particular: "[The Council] INVITES the Level 3 committees to transmit to the Commission, the Council and the European Parliament their draft work programmes, so as to allow them to express their view on the key priorities and give policy advice on supervisory convergence and cooperation."
2. Similar letters were sent in parallel to the Chairwoman of the ECON Committee in the European Parliament and to the Commissioner for Internal Market in the European Commission.

¹ See doc. 15552/07 EF 84 ECOFIN 492 + COR 1.

3. In response to the aforementioned letter by the Chairs of the EU Committees of supervisors, a draft letter for the signature of the President of the Council has been agreed in the FSC and the EFC, as set out in Annex.
 4. The Permanent Representatives Committee is invited to approve that draft letter.
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DRAFT

Mr Giovanni Carosio
Chairman
Committee of European Banking Supervisors

Mr Gabriel Bernardino
Chairman
Committee of European Insurance and Occupational Pensions Supervisors

Mr Eddy Wymeersch
Chairman
Committee of European Securities Regulators

"Dear Mr,

Thank you for sending us the Work Programmes of the Committees of Supervisors, along with the Joint Cross-Sector Work Programme for 2010. The Council appreciates the possibility to provide, together with the European Parliament and the Commission, the Committees with its views on the key priorities for the coming year.

The current financial crisis has demonstrated the need to reform the European financial regulatory and supervisory framework. The Council is accordingly in the process of negotiating with the European Parliament the adoption of a new EU financial supervision architecture, with a view to ensuring that the new bodies foreseen in the concerned Regulations (the three ESAs and the ESRB) can be ready for creation in the course of 2010. The Work Programmes take into account that this will clearly affect the work streams of the Committees in 2010. In addition to crisis related actions, the Council notes that the Committees will continue their key work to promote supervisory convergence in the day-to-day application of the EU financial services legislation. Furthermore, timely technical assistance and advice on specific proposals by the Committees is crucial for the drafting of well-founded legislative proposals. Accordingly, the overall number of work streams in 2010 will be substantial. The Council is pleased to note that the Committees have set clear priorities in the Work Programmes as well as in the Joint Cross-Sector Work Programme.

For the Council, reform of the EU supervisory architecture will be a top priority in 2010. The Commission proposals for Regulations establishing European Supervisory Authorities (ESAs), without pre-judging the result of the inter-institutional negotiations, will have significant impact on the Committees. The preparation for their transformation into the Authorities will raise a broad range of institutional and operational issues.

Furthermore, in the course of 2010, the Committees will have to make necessary internal preparations to ensure a smooth transformation into the Authorities. Against this background, the Council is pleased to note that actions related to such a transition will be a key priority for the Committees in 2010 and expects the Committees to show a committed and constructive approach to that end. In addition, the Committees will need to start putting in place arrangements to ensure that relevant micro-supervisory information from the respective ESAs can in due time be channelled to the ESRB as appropriate.

As regards regulatory initiatives in response to the financial crisis, the Commission may consider putting forward legislative amendments to the recently published Regulation on Credit Rating Agencies (CRAs) and the Council is pleased to note that CESR / ESMA and national supervisors will give high priority to the overall implementation of that Regulation. Regarding OTC markets, the Council has particularly high expectations as regards CESR's contribution to the related aspects of the MiFID review and its work in the Working Group on Derivatives, as well as its assistance and advice on trade repositories and central counterparties. Moreover, CESR's timely technical assistance and advice on specific proposals such as UCITS IV, the review of MiFID, work on directors' compensation and the review of the Market Abuse and Transparency Directives (among others) is crucial for the drafting of well-founded legislative proposals. CESR's work on ensuring the consistent implementation of EU legislation, including IFRS, is also crucial to the good functioning of the internal market.

The Council is fully committed to contributing shaping and implementing the G20 agenda, which, in conjunction with the ongoing work by the Basle Committee on Banking Supervision will result in legislative proposals aimed at strengthening the resilience of the banking sector. CEBS' support will be crucial in evaluating the impact on European banks of the policy measures (such as those on capital and liquidity requirements) that are being developed internationally

It is essential that the strength of the European banking systems' balance sheets be maintained, and that the quality of its assets be closely monitored so that adequate levels of capital are kept at any given time. In this context, CEBS should do its utmost in conducting its next stress-testing exercise with the aim of helping to assess the degree of dependence of EU banks on public support and banks' lending capacity, which are to be essential inputs when considering potential exit strategies. Similarly, the Council will also consider in due time the final results of CEIOPS' on-going stress tests.

The financial crisis has underlined how important it is that retail investors are able to make informed investment decisions and that investors, savers and consumers of financial services as a whole are duly protected. The Council intends to pursue this working line further and, in this context, welcomes the Committees' commitment to work towards enhancing the standards for consumer protection where necessary, and to fully take on board the strong cross-sectoral dimension of the work ahead in this field.

The council supports that high priority is accorded in the Programmes to work related to the promotion of enhanced supervisory convergence and cooperation. As regards CEIOPS, the Council particularly takes note of the continuation of very important work on Solvency II (Quantitative Impact Study, Level 2 advice, incl. on third-country equivalence, and the development of Level 3 guidance). The Council welcomes the fact that CEIOPS work regarding Solvency II and in other areas will also include drawing the necessary lessons from the crisis and will enhance its data collection and analysis process. The Council also places high expectations in CEBS' and CEIOPS' actions to monitor the setting-up of colleges of supervisors and to finalise guidelines on the operational functioning of colleges.

Overall, the Council appreciates that the Committees of supervisors are facing up to the challenges stemming from institutional and market developments, and that their work programmes appear adequate to pave effectively the way to their successor Authorities.

This letter has been drafted in close cooperation with the European Parliament and the Commission and will also be sent to the two other chairpersons of the Committees of Supervisors.

Mrs. Elena Salgado

President of ECOFIN Council "