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NOTE

from:	General Secretariat
to:	Permanent Representatives Committee/Council
Subject:	Proposal for a Regulation of the European Parliament and of the Council establishing a European Insurance and Occupational Pensions Authority - Outcome of the European Parliament's first reading (Strasbourg, 20 to 23 September 2010)

I. INTRODUCTION

In accordance with the provisions of Article 294 of the TFEU Treaty and the joint declaration on practical arrangements for the codecision procedure¹, a number of informal contacts have taken place between the Council, the European Parliament and the Commission with a view to reaching an agreement on this dossier at first reading, thereby avoiding the need for a second reading and conciliation.

¹ OJ C 145, 30.6.2007, p.5.

In this context, the rapporteur, Mr Peter SKINNER (UK - S&D), presented a single compromise amendment (amendment 132) to the proposal for a Regulation, on behalf of the Committee on Economic and Monetary Affairs. This amendment had been agreed during the informal contacts referred to above.

II. VOTE

When it voted on 22 September 2010, the plenary adopted the single compromise amendment (amendment 231) to the proposal for a Regulation and the corresponding legislative resolution, thereby completing the first reading of the European Parliament. No other amendments were adopted. The amendment adopted corresponds to what was agreed between the three institutions and ought therefore to be acceptable to the Council. Consequently, once the legal linguists¹ have scrutinized the text, the Council should be in a position to adopt the legislative act.

The Parliament's legislative resolution does not set out the adopted amendments one by one. Instead, the legislative resolution sets out the text of the Commission's proposal as modified by the amendments. The text of the European Parliament legislative resolution is annexed to this note.

¹ In order to prepare for the Legal/Linguistic Experts' meeting with national experts, delegations with legal-linguistic comments may send them to the coordination secretariat of the Directorate for the Quality of Legislation (secretariat.jl-codecision@consilium.europa.eu) by 12.10.2010.

European Supervisory Authority (European Insurance and Occupational Pensions Authority) *I**

European Parliament legislative resolution of 22 September 2010 on the proposal for a regulation of the European Parliament and of the Council establishing a European Insurance and Occupational Pensions Authority (COM(2009)0502 – C7-0168/2009 – 2009/0143(COD))
(Ordinary legislative procedure: first reading)

The European Parliament,

- having regard to the Commission proposal to Parliament and the Council (COM(2009)0502),
 - having regard to Article 251(2) and Article 95 of the EC Treaty, pursuant to which the Commission submitted the proposal to Parliament (C7-0168/2009),
 - having regard to the Commission Communication to Parliament and the Council entitled 'Consequences of the entry into force of the Treaty of Lisbon for ongoing interinstitutional decision-making procedures' (COM(2009)0665),
 - having regard to Article 294(3) and Article 114 of the Treaty on the Functioning of the European Union,
 - having regard to the opinion of the European Central Bank of 8 January 2010¹,
 - having regard to the opinion of the European Economic and Social Committee of 21 January 2010²,
 - having regard to the undertaking given by the Council representative by letter of 15 September 2010 to approve Parliament's position, in accordance with Article 294(4) of the Treaty on the Functioning of the European Union,
 - having regard to Rule 55 of its Rules of Procedure,
 - having regard to the report of the Committee on Economic and Monetary Affairs and the opinions of the Committee on Budgets, the Committee on Legal Affairs and the Committee on Constitutional Affairs (A7-0170/2010),
1. Adopts its position at first reading hereinafter set out³;
 2. Takes note of the Commission statements annexed to this resolution;

¹ OJ C 13, 20.1.2010, p. 1.

² Not yet published in the Official Journal.

³ This position replaces the amendments adopted on 7 July 2010 (Texts adopted, P7_TA(2010)0273).

3. Calls on the Commission to refer the matter to Parliament again if it intends to amend the proposal substantially or replace it with another text;
4. Instructs its President to forward its position to the Council, the Commission and the national parliaments.

Position of the European Parliament adopted at first reading on 22 September 2010 with a view to the adoption of Regulation (EU) No .../2010 of the European Parliament and of the Council establishing a European *Supervisory Authority (European Insurance and Occupational Pensions Authority)*

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty *on the Functioning of the European Union*, and in particular Article 114 thereof,

- Having regard to the proposal from the *European Commission* **█**,
- Having regard to the opinion of the European Economic and Social Committee¹,
- **█**
- Having regard to the opinion of the *European Central Bank*²,

Acting in accordance with the *ordinary legislative* procedure³,

Whereas:

(1) The financial crisis in 2007/2008 exposed important shortcomings in financial supervision, both in particular cases and in relation to the financial system as a whole. Nationally-based supervisory models have lagged behind the *financial globalisation and the* integrated and interconnected reality of European financial markets, in which many financial firms operate across borders. The crisis exposed shortcomings in the area of cooperation, coordination, consistent application of *Union* law and trust between national supervisors.

(1a) In several resolutions before and during the financial crisis, the European Parliament has called to move towards a more integrated European supervision, in order to ensure a true level playing field for all actors at Union level and reflect the increasing integration of financial markets in the Union (in its resolutions of 13 April 2000 on the Commission communication on implementing the framework for financial markets: Action Plan⁴, of 21 November 2002 on prudential supervision rules in the European Union⁵, of 11 July 2007 on financial services policy (2005-2010) - White Paper⁶, of 23 September 2008 with recommendations to the Commission on hedge funds and private equity⁷ and of 9 October 2008 with recommendations to the Commission on Lamfalussy follow-up: future structure of supervision⁸, and in its positions of 22 April 2009 on the amended proposal for a

¹ Opinion of 22 January 2010 (not yet published in the Official Journal).

² *OJ C 13, 20.1.2010, p. 1.*

³ Position of the European Parliament of 22 September 2010.

⁴ *OJ C 40, 7.2.2001, p. 453.*

⁵ *OJ C 25 E, 29.1.2004, p. 394.*

⁶ *OJ C 175 E, 10.7.2008.*

⁷ *OJ C 8 E, 14.1.2010, p. 26.*

⁸ *OJ C 9 E, 15.1.2010, p. 48.*

*directive of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II)*¹ and of 23 April 2009 on the proposal for a regulation of the European Parliament and of the Council on Credit Rating Agencies²).

- (2) A report published on 25 February 2009 by a high-level group of experts chaired by J. de Larosière (*the de Larosière Report*), requested by the Commission, concluded that the supervisory framework needed to be strengthened to reduce the risk and severity of future financial crises. *The high-level group* recommended ■ reforms to the structure of supervision of the financial sector in the *Union*. *The group* ■ also concluded that a European System of Financial Supervisors should be created, comprising three European Supervisory Authorities, one for the *banking sector, one for the securities sector and one for the insurance and occupational pensions sector*, ■ and the creation of a European Systemic Risk Council. *The report represented the reforms the experts considered were needed and on which work had to begin immediately.*
- (3) *In* its Communication of 4 March 2009 entitled "Driving European Recovery"■, *the Commission* proposed to bring forward draft legislation creating a European System of Financial Supervisors and a European Systemic Risk Board, and in its Communication of 27 May 2009 entitled "European Financial Supervision"■, *it* provided more detail about the possible architecture of such a new supervisory framework *reflecting the main thrust of the de Larosière Report*.
- (4) The European Council, in its conclusions of 19 June 2009, *confirmed* that a European System of Financial Supervisors, comprising three new European Supervisory Authorities, *should* be established. The system should be aimed at upgrading the quality and consistency of national supervision, strengthening oversight of cross border groups and establishing a European single rule book applicable to all financial institutions in the *internal market*. It emphasised that the European Supervisory Authorities should also have supervisory powers for credit rating agencies and invited the Commission to prepare concrete proposals on how the European System of Financial Supervisors could play a strong role in crisis situations, while stressing that decisions taken by the European Supervisory Authorities should not impinge on the fiscal responsibilities of Member States.
- (5) The financial and economic crisis has created real and serious risks to the stability of the *financial system and the functioning of the* internal market. Restoring and maintaining a stable and reliable financial system is an absolute prerequisite to preserving trust and coherence in the internal market, *and therefore* to preserve and improve the conditions for the establishment of a fully integrated and functioning internal market in the field of financial services. Moreover, deeper and more integrated financial markets offer better opportunities for financing and risk diversification, and thus help to improve the capacity of the economies to absorb shocks.
- (6) The *Union* has reached the limits of what can be done with the present status of the Committees of European Supervisors ■. The *Union* cannot remain in a situation where there is no mechanism to ensure that national supervisors arrive at the best possible supervisory decisions for cross-border institutions; where there is insufficient cooperation and information exchange between national supervisory authorities; where joint action by national authorities

¹ *OJ C 184 E, 8.7.2010, p. 214.*

² *OJ C 184 E, 8.7.2010, p. 292.*

requires complicated arrangements to take account of the patchwork of regulatory and supervisory requirements; where national solutions are most often the only feasible option in responding to European problems; **and where** different interpretations of the same legal text exist. The European System of **Financial Supervision (hereinafter "ESFS")** should be designed to overcome these deficiencies and provide a system that is in line with the objective of a stable and single **Union** financial market for financial services, linking national supervisors into a strong **Union** network.

- (7) The **ESFS** should be **an integrated** network of national and **Union** supervisory authorities, leaving day-to-day supervision **■** at the national level **■**. Greater harmonisation and the coherent application of rules for financial institutions and markets across the **Union** should also be achieved. **In addition to the European Supervisory Authority (European Insurance and Occupational Pensions Authority) (hereinafter "Authority"), a European Supervisory Authority (European Banking Authority) and a European Supervisory Authority (European Securities and Markets Authority) as well as a Joint Committee of the European Supervisory Authorities (hereinafter "Joint Committee") should be established. A European Systemic Risk Board (hereinafter "ESRB") should form part of the ESFS for the purposes of the tasks as specified in this Regulation and Regulation (EU) No .../2010 [ESRB].**
- (8) The European Supervisory Authorities should replace the Committee of European Banking Supervisors established by Commission Decision 2009/78/EC¹, the Committee of European Insurance and Occupational Pensions Supervisors established by Commission Decision 2009/79/EC² and the Committee of European Securities Regulators established by Commission Decision 2009/77/EC³, and assume all of the tasks and competences of those committees **including the continuation of on-going work and projects, where appropriate**. The scope of each Authority's action should be clearly defined. **The Authorities should be accountable to the European Parliament and the Council. When this accountability relates to cross-sectoral issues that have been coordinated through the Joint Committee, the three Authorities will be accountable, through the Joint Committee, for this coordination.**
- (9) The **■** Authority **■** should act with a view to improving the functioning of the internal market, **■** in particular by ensuring a high, effective and consistent level of regulation and supervision taking account of the varying interests of all Member States **■** and **■** the **different nature** of financial **institutions**. **The Authority should protect public values like the stability of the financial system, the transparency of markets and financial products and the protection of policyholders, pension scheme members and beneficiaries. The Authority should also prevent regulatory arbitrage and guarantee a level playing field, and strengthen international supervisory coordination, for the benefit of the economy at large, including financial institutions and other stakeholders, consumers and employees. Its tasks should also include promoting supervisory convergence and providing advice to the Union institutions in the area of insurance, reinsurance and occupational retirement provision regulation and supervision, and related corporate governance, auditing and financial reporting issues. The Authority should also be entrusted with certain responsibilities for existing and new financial activities.**
- (9a) It should also be able to temporarily prohibit or restrict certain financial activities that threaten the orderly functioning and integrity of financial markets or the stability of the**

¹ OJ L 25, 29.1.2009, p. 23.

² OJ L 25, 29.1.2009, p. 28.

³ OJ L 25, 29.1.2009, p. 18.

whole or part of the financial system in the Union in the cases specified and under the conditions laid down in the legally binding Union acts referred to in Article 1(2) or if so required in the case of an emergency situation in accordance with and under the conditions laid down in Article 10. In cases where a temporary prohibition or restriction of certain financial activities has a cross-sectoral impact, sectoral legislation should provide that the Authority should consult and coordinate its action with, where relevant, the European Supervisory Authority (European Banking Authority) and the European Supervisory Authority (European Insurance and Occupational Pensions Authority), through the Joint Committee.

- (9b) *The Authority should take due account of the impact of its activities on competition and innovation within the internal market, the Union's global competitiveness, financial inclusion, and the Union's new strategy for jobs and growth.*
- (9c) *In order to fulfil its objectives, the Authority should have legal personality as well as administrative and financial autonomy.*
- (9d) *Based on the work of international bodies, systemic risk should be defined as a risk of disruption in the financial system with the potential to have serious negative consequences for the internal market and the real economy. All types of financial intermediaries, markets and infrastructures may potentially be systematically important to some degree.*
- (9e) *Cross-border risk includes all risks caused by economic imbalances or financial failures in all or parts of the Union that have the potential to have significant negative consequences for the transactions between economic operators of two or more Member States, for the functioning of the internal market or for the public finances of the Union or any of its Member States.*
- (10) The Court of Justice of the European *Union* in its judgement on 2 May 2006¹ (United Kingdom/European Parliament and Council) *in Case C-217/04 held that: "nothing in the wording of Article 95 EC [now Article 114 TFEU] implies that the addressees of the measures adopted by the Community legislature can only be the individual Member State. The legislature may deem it necessary to provide for the establishment of a Community body responsible for contributing to the implementation of a process of harmonization in situations where, in order to facilitate the uniform implementation and application of acts based on that provision, the adoption of non-binding supporting and framework measures seems appropriate"*. The purpose and tasks of the Authority – assisting *competent* national supervisory authorities in the consistent interpretation and application of *Union* rules and contributing to financial stability necessary for financial integration – are closely linked to the objectives of the *Union acquis* concerning the internal market for financial services. The Authority should therefore be established on the basis of Article *114 TFEU*.
- (11) The legal acts which lay down the tasks for *competent* authorities of Member States, including cooperating with each other and with the Commission, are the following² : Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II)¹, with the exception of Title IV, Directive 2002/92/EC of the European Parliament and of the Council of 9 December 2002 on insurance mediation², Directive 2003/41/EC of the

¹ OJ L 335, 17.12.2009, p.1.

² OJ L 9, 15.1.2003, p. 3.

European Parliament and of the Council of 3 June 2003 on the activities and supervision of institutions for occupational retirement provision¹, **Directive 2002/87/EC of the European Parliament and of the Council of 16 December 2002 on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate**², Directives 64/225/EEC of 25 February 1964 on the abolition of restrictions on freedom of establishment and freedom to provide services in respect of reinsurance and retrocession³, **73/239/EEC** of 24 July 1973 on the coordination of laws, regulations and administrative provisions relating to the taking up and pursuit of the business of direct insurance other than life assurance⁴, **73/240/EEC** of 24 July 1973 abolishing restrictions on freedom of establishment in the business of direct insurance other than life assurance⁵, **76/580/EEC** of 29 June 1976 amending Directive 73/239/EEC on the coordination of laws, regulations and administrative provisions relating to the taking up and pursuit of the business of direct insurance other than life assurance⁶, **78/473/EEC** of 30 May 1978 on the coordination of laws, regulations and administrative provisions relating to Community co-insurance⁷, **84/641/EEC** of 10 December 1984 amending, particularly as regards tourist assistance, the First Directive 73/239/EEC on the coordination of laws, regulations and administrative provisions relating to the taking-up and pursuit of the business of direct insurance other than life assurance⁸, **87/344/EEC** of 22 June 1987 on the coordination of laws, regulations and administrative provisions relating to legal expenses insurance⁹, **88/357/EEC** of 22 June 1988 on the coordination of laws, regulations and administrative provisions relating to direct insurance other than life assurance and laying down provisions to facilitate the effective exercise of freedom to provide services¹⁰, **92/49/EEC** of 18 June 1992 on the coordination of laws, regulations and administrative provisions relating to direct insurance other than life assurance (third non-life insurance Directive)¹¹, **98/78/EC** of the European Parliament and of the Council of 27 October 1998 on the supplementary supervision of insurance undertakings in an insurance group¹², **2001/17/EC** of the European Parliament and of the Council of 19 March 2001 on the reorganisation and winding-up of insurance undertakings¹³, **2002/83/EC** of the European Parliament and of the Council of 5 November 2002 concerning life assurance¹⁴ and **2005/68/EC** of the European Parliament and of the Council of 16 November 2005 on reinsurance¹⁵. However, with regard to institutions for occupational retirement provision **the Authority's actions should be without prejudice to national social and labour law.**

¹ OJ L 235, 23.9.2003, p. 10.

² **OJ L 35, 11.2.2003, p. 1.**

³ OJ 56, 4.4.1964, p. 878.

⁴ OJ L 228, 16.8.1973, p. 3.

⁵ OJ L 228, 16.8.1973, p. 20.

⁶ OJ L 189, 13.7.1976, p. 13.

⁷ OJ L 151, 7.6.1978, p. 25.

⁸ OJ L 339, 27.12.1984, p. 21.

⁹ OJ L 185, 4.7.1987, p. 77.

¹⁰ OJ L 172, 4.7.1988, p. 1.

¹¹ OJ L 228, 11.8.1992, p. 1.

¹² OJ L 330, 5.12.1998, p. 1.

¹³ OJ L 110, 20.4.2001, p. 28.

¹⁴ OJ L 345, 19.12.2002, p. 1.

¹⁵ **OJ L 323, 9.12.2005, p.1.**

(12) Existing *Union* legislation regulating the field covered by this Regulation also includes **and, in relevant parts**, Directive 2005/60/EC of the European Parliament and of the Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing¹, and Directive 2002/65/EC of the European Parliament and of the Council of 23 September 2002 concerning the distance marketing of consumer financial services².

(12a) It is desirable that the Authority contribute to the assessment of the need for an European network of national Insurance Guarantee Schemes which is adequately funded and sufficiently harmonised.

(12b) In accordance with Declaration 39 on Article 290 of the Treaty on the Functioning of the European Union (TFEU), annexed to the Final Act of the Intergovernmental Conference which adopted the Treaty of Lisbon, the elaboration of regulatory technical standards requires assistance of technical expertise in a form which is specific to the financial services area. It is necessary to allow the Authority to provide such expertise also on standards or parts of standards that are not based on a draft technical standard that it has elaborated.

(13) There is a need to introduce an effective instrument to establish harmonised *regulatory* technical standards in financial services to ensure, also through a single rulebook, a level playing field and an adequate protection of policyholders, *pension scheme members and other beneficiaries* across Europe. As a body with highly specialised expertise, it is efficient and appropriate to entrust the Authority, in areas defined by Union law, with the elaboration of draft regulatory technical standards, which do not involve policy choices.

(13a) The Commission should endorse those draft *regulatory* technical standards in accordance with Article 290 TFEU in order to give them binding legal effect. They should be subject to amendment only in very restricted and extraordinary circumstances, provided that the Authority is the one in close contact with and acknowledging the daily functioning of financial markets. They would be subject to amendment in cases where the draft regulatory technical standards were incompatible with Union Law, would not respect the principle of proportionality or would run counter to the fundamental principles of the internal market for financial services as reflected in the *acquis* of Union financial services legislation. The Commission should not change the content of the draft regulatory technical standards prepared by the Authority without prior coordination with the Authority. To ensure a smooth and expeditious adoption process for those standards, the Commission should be subject to a time limit for its decision on the endorsement.

(13b) Given the technical expertise of the Authorities in the areas where regulatory technical standards should be developed, note should be taken of the Commission's stated intention to rely as a rule on the draft technical standards submitted to it by the Authorities in view of the adoption of the corresponding delegated acts. However, in cases where an Authority fails to submit a draft regulatory technical standard within the time limits set out by the relevant legislative act, it should be ensured that the result of the exercise of delegated powers is actually achieved, and the efficiency of the decision-making process is maintained. Therefore, in these cases the Commission should be empowered to adopt regulatory technical standards in the absence of a draft by the Authority.

¹ OJ L 309, 25.11.2005, p. 15.

² OJ L L 271, 9.10.2002, p. 16

(13c) The Commission should also be empowered to adopt implementing legal acts as stated in Article 291 TFEU.

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- (15) In areas not covered by **regulatory** technical standards, the Authority should have the power to issue █ guidelines and recommendations on the application of **Union** legislation. In order to ensure transparency and strengthen compliance by national supervisory authorities with those guidelines and recommendations, it should be possible to **publish the reasons for not complying** with those guidelines and recommendations.
- (16) Ensuring the correct and full application of **Union** law is a core prerequisite for the integrity, **transparency**, efficiency and orderly functioning of financial markets, the stability of the financial system, and for neutral conditions of competition for financial institutions in the **Union**. A mechanism should therefore be established whereby the Authority addresses instances of **non-application or incorrect** █ application **and thus a breach** of **Union** law. This mechanism should apply in areas where Union legislation defines clear and unconditional obligations.
- (17) To allow for a proportionate response to instances of incorrect or insufficient application of **Union** law, a three-step mechanism should apply. At **the** first level, the Authority should be empowered to investigate alleged incorrect or insufficient application of **Union** law obligations by national authorities in their supervisory practice, concluded by a recommendation. Where the **competent** national authority does not follow the recommendation, the Commission should be empowered to **issue a formal opinion taking into account the Authority's recommendation, requiring the competent authority to take the actions necessary to** ensure compliance with **Union** law █ .

- █
- (19) To overcome exceptional situations of persistent inaction by the competent authority concerned, the Authority should be empowered, as a last resort, to adopt decisions addressed to individual financial institutions. This power should be limited to exceptional circumstances in which a competent authority does not comply with the **formal opinion** addressed to it and in which **Union** law is directly applicable to financial institutions by virtue of existing or future EU Regulations.
- (20) Serious threats to the orderly functioning and integrity of financial markets or the stability of the financial system in the **Union** require a swift and concerted response at **Union** level. The Authority should therefore be able to require national supervisory authorities to take specific actions to remedy an emergency situation. **The power to determine the existence** of an emergency situation █ should be conferred on the **Council, following a request by any of the European Supervisory Authorities, the Commission or the ESRB.**
- (20a) The Authority should be able to require national supervisory authorities to take specific action to remedy an emergency situation. The action undertaken by the Authority in this respect is without prejudice to the Commission powers under Article 258 TFEU to initiate infringement proceedings against the Member State of the supervisory authority in question for its failure to take such action as well as the Commission's right in such circumstances to seek interim measures in accordance with the rules of procedures of the Court of Justice. It is further without prejudice to any liability that that Member State**

might incur in accordance with the case law of the Court of Justice if the Member State's supervisory authorities fail to take the action required by the Authority.

- (21) In order to ensure efficient and effective supervision and a balanced consideration of the positions of the **competent** authorities in different Member States, the Authority should be able to settle disagreements **in cross-border situations** between those **competent** authorities with binding effect, including within colleges of supervisors. A conciliation phase should be provided for ■ during which the **competent** authorities may reach an agreement. **The Authority's competence should cover disagreements on the procedure or content of an action or inaction by a competent authority of a Member State in cases specified in the legally binding Union acts referred to in Article 1(2) of this Regulation. In such a situation, one of the supervisors involved may raise the issue to the Authority, which should act in accordance with this Regulation. It may require the competent authorities concerned to take specific action or to refrain from action in order to settle the matter in order to ensure compliance with Union legislation, with binding effects for the competent authorities concerned. Where a competent authority does not comply with the settlement decision addressed to it, the Authority should be empowered to adopt ■ decisions directly addressed to financial institutions in areas of Union law directly applicable to them. The power to adopt such a decision should apply only as a last resort and only to ensure the correct and consistent application of Union law. In cases where the relevant Union legislation confers discretion on Member States' competent authorities, decisions taken by the Authority cannot replace the exercise in compliance with Union law of that discretion.**
- (21a) *The crisis has proven that the current system of cooperation between national authorities whose powers are limited to individual Member States is insufficient as regards financial institutions that operate cross border.*
- (21b) *Expert Groups set up by Member States to examine the causes of the crisis and make suggestions to improve the regulation and supervision of the financial sector have confirmed that the current arrangements are not a sound basis for the future regulation and supervision of European cross-border financial institutions.*
- (21c) *As the de Larosière Report indicates, "In essence, we have two alternatives: the first 'chacun pour soi' beggar-thy-neighbour solutions; or the second - enhanced, pragmatic, sensible European cooperation for the benefit of all to preserve an open world economy. This will bring undoubted economic gains".*
- (22) Colleges of supervisors play an important role in the efficient, effective and consistent supervision of financial institutions operating across borders. The Authority should **contribute to promoting and monitoring the efficient, effective and consistent functioning of the colleges of supervisors and in that respect have a leading role in ensuring a consistent and coherent functioning of supervisory colleges for cross-border institutions across the Union. It should therefore have full participation rights in colleges of supervisors with a view to streamlining the functioning of and the information exchange process in colleges and to foster convergence and consistency across colleges in the application of Union law. As the de Larosière Report states, "competition distortions and regulatory arbitrage stemming from different supervisory practices must be avoided, because they have the potential of undermining financial stability – inter alia by encouraging a shift of financial activity to countries with lax supervision. The supervisory system has to be perceived as fair and balanced".**

- (22a) *Convergence in the fields of crisis prevention, management and resolution, including funding mechanisms, is necessary in order to ensure that public authorities are able to resolve failing financial institutions whilst minimising the impact of failures on the financial system, reliance on taxpayer funds to bail out insurance or reinsurance undertakings and the use of public sector resources, limiting damage to the economy, and coordinating the application of national resolution measures. In this regard, the Commission should be able to request the Authority to contribute to the assessment referred to in Article 242 of Directive 2009/138/EC in particular as regards the cooperation of supervisory authorities within, and functionality of, colleges of supervisors, the supervisory practices concerning setting the capital add-ons, the assessment of the benefit of enhancing group supervision and capital management within a group of insurance or reinsurance undertakings, including possible measures to enhance a sound cross-border management of insurance groups notably in respect of risks and asset also report on any new developments and progress concerning a set of coordinated national crisis management arrangements and including the necessity or otherwise of a system of coherent and credible funding mechanisms, with appropriate financing instruments.*
- (22b) *In the current review of the Directive 94/19/EC of the European Parliament and the Council of 30 May 1994 on deposit-guarantee schemes¹ and Directive 97/9/EC of the European Parliament and of the Council of 3 March 1997 on investor-compensation schemes², the Commission 's intention to pay special attention to the need to ensure further harmonisation throughout the Union is noted. In the insurance sector, the Commission's intention to examine the possibility of introducing Union rules protecting insurance policy holders in case of a failing insurance company is also noted. The European Supervisory Authorities should play an important role in these areas and appropriate powers concerning the European systems of guarantee schemes may be conferred upon them.*
- (23) The delegation of tasks and responsibilities can be a useful instrument in the functioning of the network of supervisors in order to reduce the duplication of supervisory tasks, foster cooperation and thereby streamline the supervisory process as well as reduce the burden imposed on financial institutions. The Regulation should therefore provide a clear legal basis for such delegation. ***Whilst respecting the general rule that delegation should be allowed, Member States should be able to introduce specific conditions for the delegation of responsibilities, e.g. regarding information and notification of delegation arrangements.*** Delegation of tasks means that tasks are carried out by another supervisory authority instead of the responsible authority, while the responsibility for supervisory decisions remains with the delegating authority. By delegation of responsibilities one national supervisory authority, the delegatee, ***should*** be able to decide upon a certain supervisory matter in its ***own*** name in lieu of ***the Authority or of*** another national supervisory authority. Delegations should be governed by the principle of allocating supervisory competence to a supervisor which is ***best*** placed to take action in the subject matter. A reallocation of responsibilities ***would*** be appropriate, for example, for reasons of economies of scale or scope, of coherence in group supervision, and of optimal use of technical expertise among national supervisory authorities. ***Decisions by the delegatee authority should be recognised by the delegating authority and by other competent authorities as determinative within the scope of the delegation.*** Relevant ***Union*** legislation may further specify the principles for reallocation of responsibilities upon agreement. The Authority should facilitate ***and monitor*** delegation agreements between national supervisory authorities by all appropriate means. It should be informed in advance of

¹ *OJ L 135, 31.5.1994, p.5.*

² *OJ L 84, 26.3.1997, p. 22.*

intended delegation agreements to be able to express an opinion where appropriate. It should centralise the publication of such agreements to ensure timely, transparent and easily accessible information about agreements for all parties concerned. ***It should identify and disseminate best practices regarding delegation and delegation agreements.***

- (24) The Authority should actively foster supervisory convergence across the ***Union*** with the aim of establishing a common supervisory culture.
- (25) Peer reviews are an efficient and effective tool for fostering consistency within the network of financial supervisors. The Authority should therefore develop the methodological framework for such reviews and conduct them on a regular basis. Reviews should focus not only on convergence of supervisory practices but also on the capacity of supervisors to achieve high quality supervisory outcomes as well as the independence of ***competent*** authorities. ***The outcome of peer reviews should be made public with the agreement of the competent authority subject to the review. Best practices should also be identified and made public.***
- (26) The Authority should actively promote a coordinated ***Union*** supervisory response, in particular ***to ensure*** the orderly functioning and integrity of financial markets or the stability of the financial system in the ***Union***. In addition to its powers for action in emergency situations, it should therefore be entrusted with a general coordination function within the ***ESFS***. The smooth flow of all relevant information between ***competent*** authorities should be a particular focus of the ***Authority's*** actions.
- (27) In order to safeguard financial stability it is necessary to identify, at an early stage, trends, potential risks and vulnerabilities stemming from the micro-prudential level, across borders and across sectors. The Authority should monitor and assess such developments in the area of its competence and, where necessary, inform the European Parliament, the Council, the Commission, the other European Supervisory Authorities and the ***ESRB*** on a regular and, as necessary, ad hoc basis. The Authority should also ***in cooperation with the ESRB initiate and coordinate Union-wide stress tests*** to assess the resilience of financial institutions to adverse market developments, ***and ensure that*** an as consistent as possible methodology is applied at the national level to such tests. ***In order to properly perform its functions, the Authority should conduct economic analyses of the markets and the impact of potential market developments.***
- (28) Given the globalisation of financial services and the increased importance of international standards, the Authority should foster the dialogue and cooperation with supervisors outside the ***Union***. ***It should be empowered to develop contacts and enter into administrative arrangements with supervisory authorities and the administrations of third countries and international organisations, while fully respecting*** the existing roles and competences of the European Institutions ***and Member States. Participation in the work of the Authority should be open to countries which have concluded agreements with the Union where by they have adopted and are applying Union law, and the Authority should be able to cooperate with third countries applying legislation which has been recognised as equivalent.***
- (29) The Authority should serve as an independent advisory body to the European Parliament, the Council, and the Commission in the area of its competence. ***Without prejudice to the competencies of the competent authorities concerned, the Authority*** should be able to provide its opinion on the prudential assessment of mergers and acquisitions under ***Directive 2007/44/EC, in those cases in which that Directive requires consultation between competent authorities from two or more Member States.***

- (30) In order to effectively carry out its duties, the Authority should have the right to request all necessary information. To avoid duplication of reporting obligations for financial institutions, that information should normally be provided by the national supervisory authorities who are closest to financial markets and institutions **and take into account already existing statistics**. However, **as a last resort**, the Authority should **be able to address a duly justified and reasoned request for** information directly **to a** financial institution **■** where a national **competent** authority does not or cannot provide such information in a timely fashion. Member States' authorities should be obliged to assist the Authority in enforcing such direct requests. **In this context, the work on common reporting formats is essential. The measures for the collection of information should be without prejudice to the legal framework of the European Statistical System (ESS) and the European System of Central Banks (ESCB) in the field of statistics. This Regulation should therefore be without prejudice to Regulation EC no 223/2009 of the European Parliament and of the Council of 11 March 2009 on European statistics¹ and to Council Regulation EC No 2533/98 of 23 November 1998 concerning the collection of statistical information by the European Central Bank².**
- (31) Close cooperation between the Authority and the **ESRB** is essential to give full effectiveness to the functioning of the European Systemic Risk Board and the follow-up to its warnings and recommendations. The **Authority and the** ESRB should share any relevant information **among each other**. Data related to individual undertakings should be provided only upon reasoned request. Upon receipt of warnings or recommendations addressed by the European Systemic Risk Board to the Authority or a national supervisory authority, the Authority should ensure follow-up **as appropriate**.
- (32) **The** Authority should consult interested parties on **regulatory** standards, guidelines and recommendations and provide them with a reasonable opportunity to comment on proposed measures. **Before adopting draft regulatory standards, guidelines and recommendations the Authority should carry out an impact study**. For reasons of efficiency, an Insurance and Reinsurance **Stakeholder Group** and an Occupational Pensions **Stakeholder Group** should be **used** for that purpose, representing **both** in balanced proportions **and respectively the relevant** financial institutions **operating in the Union (representing the diverse business models and sizes of financial institutions and businesses), SMEs, trade unions, academics, consumers,** other retail users of **those services ■** and **representatives of relevant professional associations**. **These Stakeholder Groups** should **■** work as an interface with other user groups in the financial services area established by the Commission or **Union** legislation.
- (32a) **Members of the Stakeholder Groups representing non-profit organisations or academics should receive adequate compensation in order to allow persons that are neither well-funded nor industry representatives to fully take part in the debate on financial regulation.**
- (32b) **The Insurance and Reinsurance Stakeholder Group shall be consulted by and may submit opinions and advice to the Authority on issues related to the optional application to institutions covered by Directive 2002/83/EC or Directive 2003/41/EC on the activities and supervision of institutions for occupational retirement provision.**
- (33) Member States have a core responsibility **for ensuring coordinated crisis management and** preserving financial stability in crisis **situations**, in particular with regard to stabilising and resolving individual ailing financial institutions. **Decisions** by the Authority in emergency or

¹ OJ L...

² OJ L...

settlement situations affecting the stability of a financial institution should not impinge on the fiscal responsibilities of Member States. A mechanism should be established whereby Member States may invoke this safeguard and ultimately bring the matter before the Council for a decision. ***However, this safeguard mechanism should not be abused in particular in relation to a decision taken by the Authority which does not have a significant or material fiscal impact, e.g. a reduction of income linked to the temporary prohibition of specific activities or products for consumer protection purposes. When taking decision under this safeguard article, the Council should vote in accordance with the principle where each member has one vote.*** It is appropriate to confer on the Council a role in this matter given the particular responsibilities of the Member States in this respect. ***Given the sensitivity of the issue, strict confidentiality arrangements should be ensured.***

- (34) In its decision-making procedures, the Authority should be bound by ***Union*** rules and general principles on due process and transparency. The right to be heard of the addressees of the Authority's decisions should be fully respected. The Authority's acts form an integral part of ***Union*** law.
- (35) A Board of Supervisors composed of the heads of the relevant ***competent*** authority in each Member State, and chaired by the Chairperson of the Authority, should be the principal decision-making organ of the Authority. Representatives of the Commission, the European Systemic Risk Board, the ***European Supervisory Authority (European Banking Authority) and the European Supervisory Authority (European Securities and Markets Authority)*** should participate as observers. Members of the Board of Supervisors should act independently and only in the ***Union's*** interest.
- (35a) As a general rule, the Board of Supervisors should take its decisions with simple majority in accordance with the principle of one man-one vote. However, for acts of a general nature, including those relating to the adoption of regulatory standards, guidelines and recommendations, for budgetary matters as well as for request by a Member State to reconsider a decision by the Authority to temporarily prohibit or restrict certain financial activities, it is appropriate to apply the rules of qualified majority as laid down in Article 16(4) of the Treaty on European Union and in the Protocol (No 36) on transitional provisions. Cases concerning the settlement of disagreements between national supervisory authorities should be examined by a restricted, objective panel, composed of members who are not representatives of the competent authorities which are parties to the disagreement, nor have any interest in the conflict or direct links to the competent authorities concerned. The composition of the panel should be appropriately balanced. The decision taken by the panel should be approved by the Board of Supervisors by simple majority in accordance with the principle where each member has one vote. However, with regard to decisions taken by the consolidating supervisor, the decision proposed by the panel could be rejected by members representing a blocking minority of the votes as defined in Article 16(4) of the Treaty on European Union and in Article 3 of the Protocol (No 36) on transitional provisions annexed to the Treaty on European Union and to the Treaty on the Functioning of the European Union.***
- (36) A Management Board composed of the Chairperson of the Authority, representatives of national supervisory authorities and the Commission should ensure that the Authority carries out its mission and performs the tasks assigned to it. The Management Board should be entrusted with the necessary powers to, inter alia, propose the annual and multi-annual work programme, exercise certain budgetary powers, adopt the Authorities staff policy plan, adopt special provisions on the right to access to documents and propose the annual report.

- (37) A full time Chairperson, **appointed** by the Board of Supervisors **following** an open competition should represent the Authority. **The Chairperson should be appointed by the Board of Supervisors on the basis of merit, skills, knowledge of financial institutions and markets, and experience relevant to financial supervision and regulation, following an open selection procedure organised and managed by the Board of Supervisors assisted by the Commission. For the designation of the first Chair of the Authority, the Commission shall inter alia draw up a shortlist of candidates on the basis of merit, skills, knowledge of financial institutions and markets, and experience relevant to financial supervision and regulation. For the subsequent designations, the opportunity of having a shortlist drawn up by the Commission will be reviewed in the report to be established pursuant to the review clause. Before taking up his duty, and up to one month after the selection by the Board of Supervisors, the European Parliament may, after having heard the candidate selected by the Board of Supervisors, object to the designation of the selected person.**
- (37a) The management of the Authority should be entrusted to an Executive Director, who should have the right to participate in meetings of the Board of Supervisors and the Management Board without the right to vote.
- (38) In order to ensure cross-sectoral consistency in the activities of the European Supervisory Authorities, those authorities should coordinate closely **through** a Joint Committee ■ and reach common positions where appropriate. **The Joint Committee should coordinate the functions of the three European Supervisory Authorities in relation to financial conglomerates and other cross sectoral matters.** Where relevant, acts also falling within the area of competence of the European **Supervisory Authority (European Banking Authority)** or the European **Supervisory Authority (European Securities and Markets Authority)** should be adopted in parallel by the European Supervisory Authorities concerned. **The Joint Committee should be chaired for a 12-month term on a rotating basis by the Chairpersons of the three European Supervisory Authorities. The Chairperson of the Joint Committee should be a Vice-Chair of the European Systemic Risk Board. The Joint Committee should have dedicated staff provided by the three European Supervisory Authorities to allow for informal information sharing and the development of a common supervisory culture approach across the three European Supervisory Authorities.**
- (39) It is necessary to ensure that the parties affected by decisions adopted by the Authority may exercise the necessary remedies. To effectively protect the rights of parties and for reasons of procedural economy, where the Authority has decision-making powers, parties should be granted a right of appeal to a Board of Appeal. For reasons of efficiency and consistency, the Board of Appeal should be a joint body of the three European Supervisory Authorities, independent from their administrative and regulatory structures. The decision of the Board of Appeal should be subject to appeal before the Court of ■ Justice of the European **Union**.
- (40) In order to guarantee its full autonomy and independence, the Authority should be granted an autonomous budget with revenues mainly from obligatory contributions from national supervisory authorities and from the General Budget of the European Union. **Union financing of the Authority is subject to an agreement by the budgetary authority in accordance with Point 47 of the Interinstitutional Agreement between the European Parliament, the Council and the Commission of 17 May 2006 on budgetary discipline and sound financial management¹.** The **Union** budgetary procedure should be applicable. The auditing of accounts should be undertaken by the Court of Auditors. **The overall budget is subject to the discharge procedure.**

- (41) Regulation (EC) No 1073/1999 of the European Parliament and of the Council of 25 May 1999 concerning investigations conducted by the European Anti-Fraud Office (OLAF)¹ should apply to the Authority. The Authority should also accede to the Inter-institutional Agreement of 25 May 1999 between the European Parliament, the Council of the European Union and the Commission of the European Communities concerning internal investigations by the European Anti-Fraud Office (OLAF)².
- (42) In order to ensure open and transparent employment conditions and equal treatment of staff, the Staff Regulations of Officials of the European Communities and the Conditions of Employment of Other Servants of the European Communities³ should apply to the staff of the Authority.
- (43) It is essential that business secrets and other confidential information are protected. The confidentiality of information *made available to the Authority and* exchanged in the network should ■ be *subject to stringent and effective confidentiality rules*.
- (44) The protection of individuals with regard to the processing of personal data is governed by Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data⁴ and by Regulation (EC) No 45/2001 of the European Parliament and of the Council of 18 December 2000 on the protection of individuals with regard to the processing of personal data by the Community institutions and bodies and on the free movement of such data⁵, which are fully applicable to the processing of personal data for the purposes of this Regulation.
- (45) In order to ensure the transparent operation of the Authority, Regulation (EC) No 1049/2001 of the European Parliament and of the Council of 30 May 2001 regarding public access to European Parliament, Council and Commission documents⁶ should apply to the Authority.
- (46) Countries which are not members of the European Union should be allowed to participate in the work of the Authority in accordance with appropriate agreements to be concluded by the *Union*.
- (47) Since the objectives of this Regulation, namely improving the functioning of the internal market by means of ensuring a high, effective and consistent level of prudential regulation and supervision, protecting policyholders, pension scheme members and other beneficiaries, protecting the integrity, efficiency and orderly functioning of financial markets, maintaining the stability of the financial system, and strengthening international supervisory coordination, cannot be sufficiently achieved by the Member States and can, therefore, by reason of *the* scale of the action, be better achieved at *Union* level, the *Union* may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty *on European Union*. In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve those objectives.

¹ *OJ L 136, 31.5.1999, p. 1.*

² *OJ L 136, 31.5.1999, p. 15.*

³ *OJ L 56, 04.03.1968, p.1.*

⁴ *OJ L 281, 23.11.1995, p. 31.*

⁵ *OJ L 8, 12.1.2001, p. 1.*

⁶ *OJ L 145, 31.5.2001, p. 43.*

- (48) The Authority ***should assume*** all current tasks and powers of the Committee of European Insurance and Occupational ***Pensions*** Supervisors. Commission Decision 2009/79/EC of 23 January 2009 establishing the Committee of European Insurance and Occupational ***Pensions*** Supervisors should therefore be repealed, ***as of the date of the establishment of the Authority*** and Decision ***No 716/2009/EC*** of the European Parliament and of the Council establishing a Community programme to support specific activities in the field of financial services, financial reporting and auditing¹, should be amended accordingly. ***Given the already existing structures and operations of the Committee of European Insurance and Occupational Pensions Supervisors, it is important to ensure a very close co-operation between the Committee of European Insurance and Occupational Pensions Supervisors and the Commission when establishing appropriate transitory arrangements, making sure that the period during which the Commission is responsible for the administrative establishment and initial administrative operation of the Authority should be as limited as possible.***
- (49) It is appropriate to set a time limit for the application of this Regulation in order to ensure that the Authority is adequately prepared to begin operations and to ensure a smooth transition from the Committee of European Insurance and Occupational Pensions Supervisors. ***The Authority should be appropriately financed and should, at least initially, be financed through 40% Union funds and 60% through contributions from Member States, made in accordance with the weighting of votes set out in Article 3(3) of the Protocol (No 36) on transitional provisions.***
- (49a) ***In order to enable the Authority to be established on 1 January 2011, this Regulation should enter into force on the day following that of its publication in the Official Journal of the European Union.***

HAVE ADOPTED THIS REGULATION:

CHAPTER I

ESTABLISHMENT AND LEGAL STATUS

Article 1

Establishment and Scope of action

1. This Regulation establishes a European ***Supervisory Authority (European Insurance and Occupational Pensions Authority)*** (***hereinafter "the Authority"***).
2. The Authority shall act within the powers conferred by this Regulation and within the scope of Directive ***2009/138/EC [Solvency II] with the exception of Title IV***, Directive 2002/92/EC, Directive 2003/41/EC, Directive 2002/87/EC, Directives 64/225/EEC, 73/239/EEC, 73/240/EEC, 76/580/EEC, 78/473/EEC, 84/641/EEC, 87/344/EEC, 88/357/EEC, 92/49/EEC, 98/78/EC, 2001/17/EC, 2002/83/EC and 2005/68/EC and to the extent that these acts apply to insurance undertakings, reinsurance undertakings, institutions for occupational retirement provision and insurance intermediaries, within the relevant parts of Directive 2005/60/EC and Directive 2002/65/EC, including all directives, regulations, and decisions based on these acts, and of any further ***legally binding Union act*** which confers tasks on the Authority.

¹ ***OJ L 253, 25.9.2009, p.8.***

- 2a. *The Authority shall also act in the field of activities of insurance undertakings, reinsurance undertakings, financial conglomerates, institutions for occupational retirement provision and insurance intermediaries, in relation to issues not directly covered in the acts referred to in paragraph 2, including matters of corporate governance, auditing and financial reporting, provided that such actions by the Authority are necessary to ensure the effective and consistent application of the legislation referred to in paragraph 2.*
- 2b. *With regard to institutions for occupational retirement provision, the Authority shall act without prejudice to national social and labour law.*
3. The provisions of this Regulation are without prejudice to the powers of the Commission, in particular under Article 258 TFEU to ensure compliance with *Union* law.
4. The objective of the Authority shall be to *protect the public interest by contributing to the short, medium and long-term stability and effectiveness of the financial system, for the Union economy, its citizens and businesses. The Authority shall* contribute to:
- (i) improving the functioning of the internal market, including in particular a *sound*, effective and consistent level of regulation and supervision,
 - (ii) ensuring the integrity, *transparency*, efficiency and orderly functioning of financial markets,
 - (v) strengthening international supervisory coordination,
 - (vi) *preventing regulatory arbitrage and promoting equal conditions of competition,*
 - (vii) *ensuring the taking of risks related to insurance, reinsurance and occupational pensions activities is appropriately regulated and supervised, and*
 - (viii) *enhancing customer protection.*

For *those purposes*, the Authority shall contribute to ensuring the consistent, efficient and effective application of the *acts* referred to in *paragraph 2*, fostering supervisory convergence, providing opinions to the European Parliament, the Council, and the Commission *and undertaking economic analyses of the markets to promote the achievement of the Authority's objective.*

In the exercise of the tasks conferred upon it by this Regulation, the Authority shall pay particular attention to any potential systemic risk posed by financial institutions, failure of which may impair the operation of the financial system or the real economy.

When carrying out its tasks, the Authority shall act independently and objectively and in the interest of the Union alone.

Article 1a

The European System of Financial Supervision

1. The Authority shall form part of a European System of Financial *Supervision (ESFS)*. *The main objective of the ESFS shall be to ensure that the rules applicable to the financial sector are adequately implemented to preserve financial stability and to ensure confidence in the financial system as a whole and sufficient protection for the customers of financial services.*
2. *The ESFS shall comprise the following:*
 - (a) *the European Systemic Risk Board (ESRB), for the purposes of the tasks as specified in Regulation (EC) No .../2010 (ESRB) and this Regulation;*
 - (b) *the Authority;*
 - (c) *the European Supervisory Authority (European Securities and Markets Authority) established by Regulation (EU) No .../2010 [ESMA];*
 - (b) *the European Supervisory Authority (European Banking Authority) established by Regulation (EU) No .../2010 [EBA];*
 - (e) *the Joint Committee of the European Supervisory Authorities (“Joint Committee”) for the purposes of carrying out the tasks as specified in Articles 40 to 43;*
 - (f) *the competent or supervisory authorities in the Member States as specified in the Union acts listed in Article 1(2) of this regulation, Regulation (EU) No .../2010 [ESMA] and Regulation (EU) No .../2010 [EBA];*
3. *The Authority shall cooperate regularly and closely with the ESRB as well as with the European Supervisory Authority (European Banking Authority) and the European Supervisory Authority (European Securities and Markets Authority) through the Joint Committee, ensuring cross-sectoral consistency of work and reaching joint positions in the area of supervision of financial conglomerates and on other cross-sectoral issues.*
4. *In accordance with the principle of sincere cooperation under Article 4(3) of the Treaty on European Union, the parties to the ESFS shall cooperate with trust and full mutual respect, in particular in ensuring the flow of appropriate and reliable information between them.*
5. *Those supervisory authorities that are party to the ESFS shall be obliged to supervise financial institutions operating in the Union in accordance with the acts referred to in Article 1(2).*

Article 1b (new):
Accountability of the Authorities

The Authorities referred to in Article 1a(2)(a) to (d) shall be accountable to the European Parliament and the Council.

Article 2
Definitions

For *the* purposes of this Regulation the following definitions apply:

- (1) 'financial institutions' means ■ undertakings, *entities and natural and legal persons subject to any of the legislative acts mentioned in Article 1(2)*. With regard to Directive 2005/60/EC, '*financial institutions*' means only insurance undertakings and insurance intermediaries as defined in that Directive;
- (2) "*competent authorities*" means:
- (i) *supervisory authorities as defined in Directive 2009/138/EC, and competent authorities as defined in Directive 2003/41/EC and 2002/92/EC;*
- (ii) *with regard to Directives 2002/65/EC and 2005/60/EC, the authorities competent for ensuring compliance with the requirements of those Directives by financial institutions as defined in paragraph 1.*

Article 3
Legal status

1. The Authority shall be a *Union* body with legal personality.
2. In each Member State, the Authority shall enjoy the most extensive legal capacity accorded to legal persons under national law. It may, in particular, acquire or dispose of movable and immovable property and be a party to legal proceedings.
3. The Authority shall be represented by its Chairperson.

Article 4
Composition

The Authority shall comprise the following:

- (1) a Board of Supervisors, which shall exercise the tasks set out in Article 28;
- (2) a Management Board, which shall exercise the tasks set out in Article 32;
- (3) a Chairperson, who shall exercise the tasks set out in Article 33;
- (4) an Executive Director, who shall exercise the tasks set out in Article 38;
- (5) a Board of Appeal, as referred to in Article 44, which shall exercise the tasks set out in Article 46.

Article 5
Seat

The Authority shall have its seat in Frankfurt *am Main*.

CHAPTER II

TASKS AND POWERS OF THE AUTHORITY

Article 6
Tasks and Powers of the Authority

1. The Authority shall have the following tasks:
 - (a) **contributing to** the establishment of high- quality common regulatory and supervisory standards and practices, in particular by providing opinions to the **Union** institutions and by developing guidelines, recommendations, and draft **regulatory technical and implementing** technical standards which shall be based on the **legislative acts** referred to in Article 1(2);
 - (b) **contributing to the** consistent application of **legally binding Union acts**, in particular by contributing to a common supervisory culture, ensuring consistent, efficient and effective application of the **acts** referred to in Article 1(2), preventing regulatory arbitrage, mediating and settling disagreements between **competent** authorities, **ensuring effective and consistent supervision of financial institutions, ensuring** a coherent functioning of colleges of supervisors and taking actions, **inter alia**, in emergency situations;
 - (c) **stimulating and facilitating** the delegation of tasks and responsibilities **among competent** authorities;
 - (d) **cooperating** closely with the ESRB, in particular by providing the ESRB with the necessary information for the achievement of its tasks and by ensuring a proper follow up to the warnings and recommendations of the ESRB;
 - (e) **organising and conducting** peer review **analyses of competent** authorities, **including issuing guidelines and recommendations and identifying best practices, in order to** strengthen consistency in supervisory outcomes;
 - (f) **monitoring and assessing** market developments in the area of its competences;
 - (fa) **undertaking economic analyses of markets to inform the discharge of the Authority's functions;**
 - (fb) **fostering policyholder and beneficiary protection;**
 - (fc) **contributing to the consistent and coherent functioning of supervisory colleges, the monitoring, assessment and measurement of systemic risk, the development and coordination of recovery and resolution plans, providing a high level of protection to policy holders, beneficiaries and throughout the Union, in accordance with Articles 12 to 12e;**
 - (g) **fulfilling** any other specific tasks set out in this Regulation or in **Union legislative acts**;
 - (ga) **publishing on its website and regularly updating information relating to its field of activities, in particular, within the area of its competence, on registered financial institutions, in order to ensure information is easily accessible by the public.**
 - (gb) **taking over, as appropriate, all existing and ongoing tasks from the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS);**
2. To achieve the tasks set out in paragraph 1, the Authority shall have the powers set out in this Regulation, in particular **■** to:

- (a) develop draft *regulatory technical standards in the specific cases referred to in Article 7*;
- (aa) *develop draft implementing* technical standards in the specific cases referred to in *Article 7e*;
- (b) issue guidelines and recommendations, as laid down in Article 8;
- (c) issue recommendations in specific cases, as referred to in Article 9(3);
- (d) take individual decisions addressed to *competent* authorities in the specific cases referred to in *Articles 10 and 11*;
- (e) *in cases concerning directly applicable Union law*, take individual decisions addressed to financial institutions, in the specific cases referred to in Article 9(6), *in* Article 10(3) and *in* Article 11(4);
- (f) issue opinions to the European Parliament, the Council, or the Commission as provided *for* in Article 19;
- (fa) *collect the necessary information concerning financial institutions as provided for in Article 20*;
- (fb) *develop common methodologies for assessing the effect of product characteristics and distribution processes on the financial position of institutions and on consumer protection*;
- (fc) *provide a centrally accessible database of registered financial institutions in the area of its competence where specified in the acts referred to in Article 1(2)*.



Article 6a

Tasks related to consumer protection and financial activities

1. *The Authority shall take a leading role in promoting transparency, simplicity and fairness in the market for consumer financial products or services across the single market, including by:*
 - (i) *collecting, analysing and reporting on consumer trends*;
 - (ii) *reviewing and coordinating financial literacy and education initiatives by the competent authorities*;
 - (iii) *developing training standards for the industry; and*
 - (iv) *contributing to the development of common disclosure rules.*
2. *The Authority shall monitor new and existing financial activities and may adopt guidelines and recommendations with a view to promoting the safety and soundness of markets and convergence of regulatory practice.*

3. *The Authority may also issue warnings in case a financial activity poses a serious threat to the objectives laid down in Article 1(4).*
4. *The Authority shall establish, as an integral part of the Authority, a Committee on financial innovation, which gathers all relevant competent national supervisory authorities with a view to achieving a coordinated approach to the regulatory and supervisory treatment of new or innovative financial activities and providing advice for the Authority to present to the European Parliament, the Council and the Commission.*
5. *The Authority may temporarily prohibit or restrict certain financial activities that threaten the orderly functioning and integrity of financial markets or the stability of the whole or part of the financial system in the Union in the cases specified and under the conditions laid down in the legislative acts referred to in Article 1(2) or if so required in the case of an emergency situation in accordance with and under the conditions laid down in Article 10.*

The Authority shall review its decision at appropriate intervals and at least every three months. If the decision is not renewed after that three month period, it shall automatically expire.

A Member State can request the Authority to reconsider its decision. In that case, the Authority shall decide in accordance with Article 29(1) subparagraph 2, whether it maintains its decision.

The Authority may also assess the need to prohibit or restrict certain types of financial activities and, where there is such a need, inform the Commission in order to facilitate the adoption of any such prohibition or restriction.

Article 7

Regulatory technical standards

1. *Where the European Parliament and the Council delegate powers to the Commission to adopt regulatory technical standards by means of delegated acts under Article 290 TFEU in order to ensure consistent harmonisation in the areas specifically set out in the legislative acts referred to in Article 1(2), the Authority may develop draft regulatory technical standards. The Authority shall submit its draft standards to the Commission for endorsement.*

Regulatory technical standards shall be technical, shall not imply strategic decisions or policy choices and their content shall be delimited by the acts on which they are based.

Before submitting them to the Commission, the Authority shall conduct open public consultations on **draft regulatory technical standards** and analyse the potential related costs and benefits, *unless such consultations and analyses are disproportionate in relation to the scope and impact of the draft regulatory technical standards concerned or in relation to the particular urgency of the matter. The Authority shall also request the opinion of the relevant Stakeholder Groups referred to in Article 22.*

Where the Authority submits a draft regulatory technical standard, the Commission shall immediately forward it to the European Parliament and the Council.

Within three months of receipt of **a draft regulatory technical standards**, the Commission shall decide whether to endorse *it*. The Commission may endorse the **draft regulatory technical standards** only in part or with amendments where the **Union** interest so requires.

Where the Commission *intends not to* endorse the *draft regulatory technical standards* or *to endorse* them in part or with amendments, it shall *send the draft regulatory technical standards back to* the Authority **■**, *explaining why it does not endorse it, or as the case may be, explaining the reasons for its amendments. Within a period of 6 weeks, the Authority may amend the draft regulatory technical standards on the basis of the Commission's proposed amendments and resubmit it in the form of a formal opinion to the Commission. The Authority shall send a copy of its formal opinion to the European Parliament and to the Council.*

If on the expiry of that time limit, the Authority has not submitted an amended draft regulatory technical standard, or has submitted a draft regulatory technical standard that is not amended in a way consistent with the Commission's proposed amendments, the Commission may adopt the regulatory technical standard with the amendments it considers relevant or reject the standards.

The Commission may not change the content of a draft regulatory technical standard prepared by the Authority without prior coordination with the Authority, as set out in this Article.

- 1a. In cases where the Authority has not submitted a draft regulatory technical standard within the time limit set out in the legislative acts referred to in Article 1(2), the Commission may request such a draft within a new time limit.*
- 1b. Only in cases where the Authority does not submit a draft to the Commission within the new time limit set out in paragraph 2, the Commission may adopt a regulatory technical standard by means of a delegated act without a draft from the Authority.*

The Commission shall conduct open public consultations on draft regulatory technical standards and analyse the potential related costs and benefits, unless such consultations and analyses are disproportionate in relation to the scope and impact of the draft regulatory technical standards concerned or in relation to the particular urgency of the matter. The Commission shall also request the opinion or advice of the relevant Stakeholder Groups referred to in Article 22.

The Commission shall immediately forward the draft standard to the European Parliament and the Council.

It shall send the draft regulatory technical standards to the Authority. Within a period of 6 weeks, the Authority may amend the draft regulatory technical standards and submit them in the form of a formal opinion to the Commission. The Authority will send a copy of its formal opinion to the European Parliament and to the Council.

If on the expiry of the six weeks, the Authority has not submitted amended draft regulatory technical standards, the Commission may adopt the regulatory technical standards.

If the Authority has submitted amended draft regulatory technical standards within the six-week period, the Commission may amend the draft regulatory technical standards on the basis of the Authority's proposed amendments or adopt the regulatory technical standards with the amendments it considers relevant. The Commission may not change the content of the draft regulatory technical standards prepared by the Authority without prior coordination with the Authority, as set out in this Article.

2. The **regulatory technical** standards shall be adopted **■** by means of regulations or decisions. **They shall be published in the Official Journal of the European Union and shall enter into force at the date stated therein.**

Article 7a
Exercise of the delegation

1. **The power to adopt regulatory technical standards referred to in Article 7 shall be conferred on the Commission for a period of four years from ...*. The Commission shall draw up a report in respect of the delegated power at the latest six months before the end of the four-year period. The delegation of powers shall be automatically extended for periods of an identical duration, unless the European Parliament or the Council revokes it in accordance with Article 7d.**
2. **As soon as it adopts a regulatory technical standard, the Commission shall notify it simultaneously to the European Parliament and to the Council.**
3. **The power to adopt regulatory technical standards is conferred on the Commission subject to the conditions laid down in Articles 7b to 7d.**

Article 7b
Objections to regulatory technical standards

1. **The European Parliament or the Council may object to the delegated act within a period of three months from the date of notification of the regulatory technical standard adopted by the Commission. At the initiative of the European Parliament or the Council that period shall be extended by another three months. Where the Commission adopts a regulatory technical standard which is the same as the draft submitted by the Authority, the period during which the European Parliament and the Council may object is one month from the date of notification; at the initiative of the European Parliament or the Council that period shall be extended by another month.**
2. **If, on the expiry of that period, neither the European Parliament nor the Council have objected to the delegated act, it shall be published in the Official Journal of the European Union and shall enter into force at the date stated therein. The delegated act may be published in the Official Journal of the European Union and enter into force before the expiry of that period if the European Parliament and the Council have both informed the Commission of their intention not to raise objections.**
3. **If the European Parliament or the Council objects to a regulatory technical standard, it shall not enter into force. In accordance with Article 296 TFEU, the institution which objects shall state the reasons for objecting to the regulatory technical standard.**

Article 7c
Non-endorsement or amendment of the draft regulatory technical standard

* **OJ please insert the date of entry into force of this Regulation.**

- 1. In the event that the Commission does not endorse the draft regulatory technical standard or amends them in line with Article 7, the Commission shall inform the Authority, the European Parliament and the Council, stating its reasons.*
- 2. Where appropriate the European Parliament or Council may invite the responsible Commissioner, together with the Chairman of the Authority, within one month for an ad hoc meeting of the competent committee of the European Parliament or Council to present and explain their differences.*

*Article 7d
Revocation of the delegation*

- 1. The delegation of power referred to in Article 7 may be revoked by the European Parliament or by the Council.*
- 2. The decision of revocation shall put an end to the delegation. It shall be published in the Official Journal of the European Union.*
- 3. The institution which has commenced an internal procedure for deciding whether to revoke the delegation of power shall endeavour to inform the other institution and the Commission within a reasonable time before the final decision is taken, indicating the regulatory technical standard powers which could be subject to revocation.*

*Article 7e
Implementing technical standards*

- 1. The Authority may develop implementing technical standards, by means of implementing acts under Article 291 TFEU, in the areas specifically set out in the legislative acts referred to in Article 1(2). Implementing technical standards shall be technical, not imply strategic decisions or policy choices and their content shall be to determine the conditions of application of that legislation. The Authority shall submit its draft standards to the Commission for endorsement.*

Before submitting them to the Commission, the Authority shall conduct open public consultations on draft implementing technical standards and analyse the potential related costs and benefits, unless such consultations and analyses are disproportionate in relation to the scope and impact of the draft implementing technical standards concerned or in relation to the particular urgency of the matter. The Authority shall also request the opinion of the relevant Stakeholder Groups referred to in Article 22.

Where the Authority submits a draft implementing technical standard, the Commission shall immediately forward it to the European Parliament and the Council.

Within three months of receipt of a draft implementing technical standard, the Commission shall decide whether to endorse it. The Commission may extend that period by one month. The Commission may endorse the draft implementing technical standards only in part or with amendments where the Union interest so requires.

Where the Commission intends not to endorse a draft implementing technical standard or to endorse it in part or with amendments, it shall send the draft implementing technical standard back to the Authority explaining why it does not intend to endorse it, or as the case may be, explaining the reasons for its amendments. Within a period of six weeks, the

Authority may amend the draft implementing technical standards on the basis of the Commission's proposed amendments and resubmit it in the form of a formal opinion to the Commission. The Authority shall send a copy of its formal opinion to the European Parliament and to the Council.

If on the expiry of this time limit, the Authority has not submitted an amended implementing technical standard, or has submitted an implementing technical standard that is not amended in a way consistent with the Commission's proposed amendments, the Commission may adopt the implementing technical standard with the amendments it considers relevant or reject it.

The Commission may not change the content of an implementing technical standard prepared by the Authority without prior coordination with the Authority, as set out in this Article.

- 2. In cases where the Authority has not submitted a draft implementing technical standard within the time limit set out in the acts referred to in Article 1(2), the Commission may request such a draft within a new time limit.*
- 3. Only in cases where the Authority does not submit a draft to the Commission within the time limits set out in paragraph 2, the Commission may adopt an implementing technical standard by means of a implementing act without a draft from the Authority.*

The Commission shall conduct open public consultations on draft implementing technical standards and analyse the potential related costs and benefits, unless such consultations and analyses are disproportionate in relation to the scope and impact of the draft implementing technical standards concerned or in relation to the particular urgency of the matter. The Commission shall also request the opinion or advice of the relevant Stakeholder Groups referred to in Article 22.

The Commission shall immediately forward the draft implementing technical standard to the European Parliament and the Council.

It shall send the draft implementing technical standards to the Authority. Within a period of 6 weeks, the Authority may amend the draft implementing technical standards and submit them in the form of a formal opinion to the Commission. The Authority will send a copy of its formal opinion to the European Parliament and to the Council.

If on the expiry of the six weeks, the Authority has not submitted amended draft implementing technical standards, the Commission may adopt the implementing technical standards.

If the Authority has submitted amended draft implementing technical standards within the period of six weeks, the Commission may amend the draft regulatory technical standards on the basis of the Authority's proposed amendments or adopt the implementing technical standards with the amendments it considers relevant.

The Commission may not change the content of the draft implementing technical standards prepared by the Authority without prior coordination with the Authority, as set out in this Article.

4. ***The implementing technical standards shall be adopted by means of regulations or decisions. They shall be published in the Official Journal of the European Union and shall enter into force at the date stated therein.***

Article 8
Guidelines and recommendations

1. The Authority shall, with a view to establishing consistent, efficient and effective supervisory practices within the ESFS, and to ensuring the common, uniform and consistent application of **Union** legislation, issue guidelines and recommendations addressed to competent authorities or financial institutions.
 - 1a. ***The Authority shall, where appropriate, conduct open public consultations regarding the guidelines and recommendations and analyse the related potential costs and benefits. Such consultations and analyses shall be proportionate in relation to scope, nature and impact of the guidelines or recommendations. The Authority shall, where appropriate, also request the opinion or advice from the Stakeholder Groups referred to in Article 22.***
2. ***The competent authorities and financial institutions shall make every effort to comply with those guidelines and recommendations.***

Within two months of the issuance of a guideline or recommendation, each competent authority shall confirm whether it complies or intends to comply with that guideline or recommendation. In the event that a competent authority does not comply or intend to comply, it shall inform the Authority, stating its reasons.

The Authority shall publish the fact that a competent authority does not comply or intend to comply with that guideline or recommendation. The Authority may also decide, on a case by case basis, to publish the reasons provided by the competent authority for not complying with that guideline or recommendation. The competent authority shall receive advanced notice about such a publication.

If required by that guideline or recommendation, financial institutions shall report, in a clear and detailed way, whether they comply with that guideline or recommendation.

- 2b. ***In the report referred to in Article 28(4a) the Authority shall inform the European Parliament, the Council and the Commission of the guidelines and recommendations that are issued, stating which competent authority has not complied with them, and outlining how the Authority intends to ensure that the competent authority follows its recommendations and guidelines in the future.***

Article 9
Breach of Union law

1. Where ***a competent authority has not applied or has applied the acts referred to in Article 1(2) in a way which appears to be a breach of Union law, including the regulatory technical standards and implementing technical standards established in accordance with Articles 7 and 7e, in particular by failing to ensure that a financial institution satisfies the requirements laid down in that legislation, the Authority shall act in accordance with the powers set out in paragraphs 2, 3 and 6 of this Article.***

2. Upon request from one or more *competent* authorities, from the *European Parliament, the Council, the Commission, the Stakeholder Groups* or on its own initiative and after having informed the *competent* authority concerned, the Authority may investigate the alleged *breach or non-application of Union law*.

Without prejudice to the powers laid down in Article 20, the *competent* authority shall, *without delay*, provide the Authority with all information which the Authority considers necessary for its investigation ■ .

3. The Authority may, at the latest within two months from initiating its investigation, address to the *competent* authority concerned a recommendation setting out the action necessary to comply with *Union law*.

The competent authority shall, within ten working days of the receipt of the recommendation, inform the Authority of the steps it has taken or intends to take to ensure compliance with *Union law*.

4. Where the *competent* authority has not complied with *Union law* within one month from receipt of the Authority's recommendation, the Commission may, after having been informed by the Authority or on its own initiative, *issue a formal opinion* requiring the *competent* authority to take the action necessary to comply with *Union law*. *The Commission's formal opinion shall take into account the Authority's recommendation*.

The Commission shall *issue* such a *formal opinion* no later than three months from the adoption of the recommendation. The Commission may extend this period by one month.

■

The Authority and the *competent* authorities shall provide the Commission with all necessary information.

5. *The competent* authority shall, within ten working days of receipt of the *formal opinion* referred to in paragraph 4, inform the Commission and the Authority of the steps it has taken or intends to take to *comply with* the Commission's *formal opinion*.

6. Without prejudice to the powers of the Commission under Article 258 TFEU, where a *competent* authority does not comply with the *formal opinion* referred to in paragraph 4 ■ within the period of time specified therein, and where it is necessary to remedy in a timely manner the non compliance ■ in order to maintain or restore neutral conditions of competition in the market or ensure the orderly functioning and integrity of the financial system, the Authority may, where the relevant requirements of the *acts* referred to in Article 1(2) are directly applicable to financial institutions, adopt an individual decision addressed to a financial institution requiring the necessary action to comply with its obligations under *Union law* including the cessation of any practice.

The decision of the Authority shall be in conformity with the *formal opinion issued* by the Commission pursuant to paragraph 4.

7. Decisions adopted under paragraph 6 shall prevail over any previous decision adopted by the *competent* authorities on the same matter.

When taking action ■ in relation to *issues* which are subject to a *formal opinion pursuant to paragraph 4 or a decision pursuant to paragraph* ■ 6, *competent authorities shall comply with the formal opinion or the decision, as the case may be.*

- 7a. *In the Report referred to in Article 28(4a), the Authority shall set out which competent authorities and financial institutions have not complied with the decisions referred to in paragraphs 4 and 6.*

Article 10

Action in emergency situations

1. In the case of adverse developments which may seriously jeopardise the orderly functioning and integrity of financial markets or the stability of the whole or part of the financial system in the *European Union*, the *Authority shall actively facilitate and, where deemed necessary, coordinate any actions undertaken by the relevant national competent supervisory authorities.*

In order to be able to perform this facilitating and coordinating role, the Authority shall be fully informed of any relevant developments, and shall be invited to participate as an observer in any relevant gathering by the relevant national competent supervisory authorities.

- 1a. *The Council, in consultation with the Commission and the ESRB and, where appropriate, the European Supervisory Authorities, may adopt a decision addressed to the Authority, determining the existence of an emergency situation for the purposes of this Regulation, following a request by the Authority, the Commission or the ESRB. The Council shall review this decision at appropriate intervals and at least once a month. If the decision is not renewed after one month, it shall automatically expire. The Council may declare the discontinuation of the emergency situation at any time.*

Where the ESRB or the ESAs deem that an emergency situation may arise, they shall issue a confidential recommendation addressed to the Council and provide with an assessment of the situation. The Council will then assess the convenience of convening a meeting. In this process, due care of confidentiality shall be guaranteed.

If the Council determines the existence of an emergency situation, it shall duly inform the European Parliament and the Commission without delay.

2. *Where the Council has adopted a decision pursuant to paragraph 1a, and in exceptional circumstances where co-ordinated action by national authorities is necessary to respond to adverse developments which may seriously jeopardise the orderly functioning and integrity of financial markets or the stability of the whole or part of the financial system in the Union, the Authority may adopt individual decisions requiring competent authorities to take the necessary action in accordance with the legislation referred to in Article 1(2) to address any such developments by ensuring that financial institutions and competent authorities satisfy the requirements laid down in that legislation.*
3. Without prejudice to the powers of the Commission under Article 258 TFEU, where a *competent* authority does not comply with the decision of the Authority referred to in paragraph 2 within the period laid down therein, the Authority may, where the relevant requirements laid down in the *legislative acts referred to in Article 1(2) including in regulatory technical standards and implementing technical standards adopted in*

accordance with the legislative acts referred to in Article 1(2) are directly applicable to financial institutions, adopt an individual decision addressed to a financial institution requiring the necessary action to comply with its obligations under that legislation, including the cessation of any practice. ***This shall only apply in situations in which a competent authority does not apply the legislative acts referred to in Article 1(2), including regulatory technical standards and implementing technical standards adopted in accordance with the legislative acts referred to in Article 1(2), or does apply them in a way which appears to be a manifest breach of those legislative acts, and where urgently remedying is necessary to restore the orderly functioning and integrity of financial markets or the stability of the whole or part of the financial system in the Union.***

4. Decisions adopted under paragraph 3 shall prevail over any previous decision adopted by the **competent** authorities on the same matter.

Any action by the **competent** authorities in relation to *issues* which are subject to a decision pursuant to paragraph 2 or 3 shall be compatible with those decisions.

Article 11

Settlement of disagreements between **competent** authorities *in cross-border situations*

1. Without prejudice to the powers laid down in Article 9, where a **competent** authority disagrees on the procedure or content of an action or inaction *of a competent authority of another Member State in cases specified in the acts referred to in Article 1(2)*, the Authority, at the request of one or more of the **competent** authorities concerned may assist the authorities in reaching an agreement in accordance with the procedure set out in *paragraphs 2 to 4*.

In cases specified in the legislation referred to in Article 1(2), and where on the basis of objective criteria, disagreement between competent authorities from different Member States can be determined, the Authority may, on its own initiative, assist the authorities in reaching an agreement in accordance with the procedure set out in paragraphs 2 to 4.

2. The Authority shall set a time limit for conciliation between the **competent** authorities taking into account any relevant time periods specified in the *acts* referred to in Article 1(2) and the complexity and urgency of the matter. ***At that stage the Authority shall act as a mediator.***
 3. If, at the end of the conciliation phase, the **competent** authorities concerned have failed to reach an agreement, the Authority may, ***in accordance with the procedure set out in the third and fourth subparagraph of Article 29(1)*** take a decision requiring them to take specific action or to refrain from action in order to settle the matter, ***with binding effects for the competent authorities concerned, in order to ensure compliance with Union law.***
 4. Without prejudice to the powers of the Commission under Article 258 TFEU, where a **competent** authority does not comply with the decision of the Authority, and thereby fails to ensure that a financial institution complies with requirements directly applicable to it by virtue of the *acts* referred to in Article 1(2), the Authority may adopt an individual decision addressed to a financial institution requiring the necessary action to comply with its obligations under *Union* law, including the cessation of any practice.
- 4a. ***Decisions adopted under paragraph 4 shall prevail over any previous decision adopted by the competent authorities on the same matter. Any action by the competent authorities in***

relation to facts which are subject to a decision pursuant to paragraph 3 or 4 shall be compatible with those decisions.

- 4b. *In the Report referred to in Article 35(2), the Chairperson of the Authority shall set out the nature and type of disagreements between competent authorities, the agreements reached and the decisions taken to settle such disagreements.*

Article 11a

Settlement of disagreements between competent authorities across sectors

The Joint Committee shall, in accordance with the procedure laid down in Article 11 and Article 42, settle cross sectoral disagreements that may arise between one or more competent authorities as defined in Article 2(2) of this Regulation and of Regulation (EU) .../2010 [EBA] and Regulation (EU) .../2010 [ESMA].

Article 12

Colleges of supervisors

1. The Authority shall contribute to ***promoting and monitoring*** the efficient, ***effective*** and consistent functioning of ***the*** colleges of supervisors ***referred to in Directive 2009/138/EC*** and foster the coherence of the application of ***Union law among the*** colleges. ***With the objective to converge supervisory best practices, staff from the Authority shall be able to participate in the activities of the colleges of supervisors, including on-site examinations, carried out jointly by two or more competent authorities.***
2. The Authority shall ***lead in ensuring a consistent and coherent functioning of supervisory colleges for cross-border institutions across the Union, taking account of the systemic risk posed by financial institutions referred to in Article 12b.***

For the purpose of ***this paragraph and of paragraph 1 of this Article, the Authority*** shall be considered a '***competent*** authority' within the meaning of the relevant legislation **█** .

It may:

- (a) ***collect and share*** all relevant information **█** in cooperation with the ***competent*** authorities **█** in order to facilitate the work of ***the college and*** establish and manage a central system to make such information accessible to the ***competent*** authorities in ***the college***;
- (b) ***initiate and coordinate Union-wide stress tests in accordance with Article 17 to assess the resilience of financial institutions, in particular the systemic risk posed by financial institutions as referred to in Article 12b, to adverse market developments, and an evaluation of the potential for systemic risk to increase in situations of stress, ensuring that a consistent methodology is applied at the national level to such tests and, where appropriate, address a recommendation to the competent authority to correct issues identified in the stress test;***
- (c) ***promote effective and efficient supervisory activities, including evaluating the risks to which financial institutions are or might be exposed as determined under the supervisory review process or in stress situations;***

- (d) *oversee, in accordance with the tasks and powers specified in this regulation, the tasks carried out by the competent authorities, and*
 - (e) *request further deliberations of a college in any cases where it considers that the decision would result in an incorrect application of Union law or would not contribute to the objective of convergence of supervisory practices. It may also require the group supervisor to schedule a meeting of the college or add a point to the agenda of a meeting.*
3. *The Authority may develop regulatory and implementing technical standards to ensure uniform conditions of application with respect to the provisions regarding the operational functioning of colleges and issue guidelines and recommendations adopted under Article 8 to promote convergence in supervisory functioning and best practices adopted by the colleges of supervisors.*
- 3a. *A legally binding mediation role should allow the Authority to resolve disputes between competent authorities in accordance with the procedure set out in Article 11. The Authority may take supervisory decisions directly applicable to the institution concerned in accordance with Article 11.*

The Joint Committee may settle cross-sectoral disagreements between competent authorities in accordance with the procedures laid down in Articles 11 and 42.

Article 12a General provisions

1. *The Authority shall duly consider systemic risk as defined by Regulation (EU) No .../2010 [ESRB] meaning a risk of disruption in the financial system with the potential to have serious negative consequences for the internal market and the real economy and address risks of disruption in financial services that:*
- (i) *is caused by an impairment of all or parts of the financial system; and*
 - (ii) *has the potential to have serious negative consequences for internal market and the real economy.*

The Authority shall consider, where appropriate, the monitoring and assessment of systemic risk as developed by the ESRB and the Authority and respond to warnings and recommendations in accordance with Article [17] of the ESRB Regulation.

2. *The Authority, in collaboration with the ESRB, and in accordance with Article 12b(1), shall develop a common approach to the identification and measurement of systemic importance, including quantitative and qualitative indicators as appropriate.*

These indicators shall be a critical element in the determination of appropriate supervisory actions. The Authority shall monitor the degree of convergence in the determinations made, with a view to promoting a common approach.

3. *Without prejudice to acts referred to in Article 1(2), the Authority shall draw up, as necessary, additional guidelines and recommendations for financial institutions, to take account of the systemic risk posed by them.*

The Authority shall ensure that the systemic risk posed by financial institutions is taken into account when developing draft regulatory and implementing technical standards in the areas laid down in the legislative acts referred to in Article 1(2).

- 4. On request of one or more competent authorities, the Council, the European Parliament, or the Commission, or on its own initiative, the Authority may conduct an inquiry into a particular type of financial institution or type of product or type of conduct in order to assess potential threats to the stability of the financial system and make appropriate recommendations for action to the competent authorities concerned.*

For these purposes, the Authority may use the powers conferred on it under this regulation, including Article 20.

- 5. The Joint Committee shall ensure overall and cross-sectoral coordination of the activities carried out in accordance with this Article.*

Article 12b

Identification and measurement of systemic risk

- 1. The Authority shall, in consultation with the ESRB, develop criteria for the identification and measurement of systemic risk and an adequate stress testing regime which includes an evaluation of the potential for systemic risk that may be posed by financial institutions to increase in situations of stress.*

The Authority shall develop an adequate stress testing regime to help identify those financial institutions that may pose a systemic risk. These institutions shall be subject to strengthened supervision, and where necessary, to the recovery and resolution procedures referred to in Article 12d.

- 2. The Authority shall take fully into account the relevant international approaches when developing the criteria for the identification and measurement of systemic risk that may be posed by insurance, re-insurance and occupational pensions institutions, including those established by the FSB, the IMF, IAIS and the BIS.*

Article 12c

Permanent capacity to respond to systemic risks

- 1. The Authority shall ensure it has specialised and ongoing capacity to respond effectively to the materialisation of systemic risks as referred to in Articles 12a and 12b and, in particular, with respect to institutions that pose a systemic risk.*
- 2. The Authority shall fulfil the tasks conferred to it under this Regulation, the legislation referred to in Article 1(2), and contribute to ensuring a coherent and coordinated crisis management and resolution regime in the Union.*

Article 12d

Recovery and resolution procedures

- 1. The Authority shall contribute to and participate actively in the development and coordination of effective and consistent recovery and resolution plans, procedures in emergency situations and preventive measures to minimise the systemic impact of any failure.*

2. *The Authority may identify best practices aimed at facilitating the resolution of failing institutions and, in particular, cross border groups, in ways which avoid contagion, ensuring that appropriate tools, including sufficient resources, are available and allow the institution or the group to be resolved in an orderly, cost-efficient and timely manner.*
3. *The Authority may develop regulatory and implementing technical standards as specified in the legislative acts referred to in Article 1(2) in accordance with the procedure laid down in Articles 7 - 7d of this Regulation.*

Article 12e

Development of a European network of national Insurance Guarantee Schemes

The Authority may contribute to the assessment of the need for a European network of national Insurance Guarantee Schemes which is adequately funded and sufficiently harmonised.

Article 12f

Crisis prevention, management and resolution

The Authority may be requested by the Commission to contribute to the assessment referred to in Article 242 of Directive 2009/138/EC in particular as regards the cooperation of supervisory authorities within, and functionality of, colleges of supervisors, the supervisory practices concerning setting the capital add-ons, the assessment of the benefit of enhancing group supervision and capital management within a group of insurance or reinsurance undertakings, including possible measures to enhance a sound cross-border management of insurance groups notably in respect of risks and asset management and may report on any new developments and progress concerning:

- (a) a harmonised framework for early intervention;*
- (b) practices in centralised group risk management and functioning of group internal models including stress testing;*
- (c) intra-group transactions and risk concentrations;*
- (d) the behaviour of diversification and concentration effects over time;*
- (f) a harmonised framework on asset transferability, insolvency and winding-up procedures which eliminates the relevant national company or corporate law barriers to asset transferability;*
- (g) an equivalent level of protection of policy holders and beneficiaries of the undertakings of the same group particularly in crisis situations;*
- (h) a harmonised and adequately funded EU-wide solution for insurance guarantee schemes.*

Having regard to to point (f), the Authority may also report on any new developments and progress concerning a set of coordinated national crisis management arrangements and including the necessity or otherwise of a system of coherent and credible funding mechanisms, with appropriate financing instruments .

The review of this Regulation as provided for in Article 66 shall in particular examine the possible enhancement of the role of the Authority in a framework of crisis prevention, management and resolution.

Article 13
Delegation of tasks and responsibilities

1. **Competent** authorities may, *with consent of the delegatee*, delegate tasks and responsibilities to *the Authority or other competent authorities subject to the conditions set out in this Article. Member States may set out specific arrangements regarding the delegation of responsibilities that have to be complied with before their competent authorities enter into such agreements and may limit the scope of delegation to what is necessary for effective supervision of cross-border financial institutions or groups.*
2. The Authority shall **stimulate and** facilitate the delegation of tasks and responsibilities between **competent** authorities by identifying those tasks and responsibilities that can be delegated or jointly exercised and by promoting best practices.
 - 2a. *The delegation of responsibilities shall result in the reallocation of competences laid down in the acts referred to in Article 1(2). The law of the delegatee authority shall govern the procedure, enforcement and administrative and judicial review relating to the delegated responsibilities.*
3. **Competent** authorities shall inform the Authority of delegation agreements they intend to enter into. They shall put the agreements into effect at the earliest one month after informing the Authority.

The Authority may give an opinion on the intended agreement within one month of being informed.

The Authority shall publish any delegation agreement as concluded by the **competent** authorities by appropriate means, in order to ensure that all parties concerned are informed appropriately.

Article 14
Common supervisory culture

1. The Authority shall play an active role in building a common European supervisory culture and consistent supervisory practices, *as well as* ensuring uniform procedures and consistent approaches throughout the **Union. The Authority** shall carry out, at a minimum, the following activities:
 - (a) provide opinions to **competent** authorities;
 - (b) promote an effective bilateral and multilateral exchange of information between **competent** authorities, with full respect of the applicable confidentiality and data protection provisions provided for in the relevant **Union** legislation;
 - (c) contribute to developing high quality and uniform supervisory standards, including reporting standards, *and international accounting standards in accordance with Article 1(2a)*;

- (d) review the application of the relevant **regulatory and implementing** standards adopted by the Commission, guidelines and recommendations issued by the Authority and propose amendments where appropriate, **and**
 - (e) establish sectoral and cross-sectoral training programmes, facilitate personnel exchanges and encourage **competent** authorities to intensify the use of secondment schemes and other tools.
2. The Authority may, as appropriate, develop new practical instruments and convergence tools to promote common supervisory approaches and practices.

Article 15

Peer review of **competent** authorities

1. The Authority shall periodically **organise and** conduct peer review analyses of some or all of the activities of **competent** authorities, to further **strengthen** consistency in supervisory outcomes. To this end, the Authority shall develop methods to allow for objective assessment and comparison between the authorities reviewed. **When conducting peer reviews, existing information and evaluations already made with regard to the competent authority concerned shall be taken into account.**
2. The peer review shall include an assessment of, but not be limited to:
 - (a) the adequacy of **resources and governance** arrangements **■** of the **competent** authority, with particular regard to the effective application of the **regulatory technical and implementing technical standards referred to in Articles 7 to 7e and of the acts** referred to in Article 1(2) and to the capacity to respond to market developments;
 - (b) the degree of convergence reached in the application of **Union** law and in supervisory practice, including **regulatory technical and implementing** technical standards, guidelines and recommendations adopted under Articles 7 and 8, and the extent to which the supervisory practice achieves the objectives set out in **Union** law;
 - (c) good practices developed by some **competent** authorities which might be of benefit for other **competent** authorities to adopt ;
 - (ca) **the effectiveness and the degree of convergence reached with regard to the enforcement of the provisions adopted in the implementation of Union law, including the administrative measures and sanctions imposed against persons responsible where these provisions have not been complied with.]**
3. On the basis of the peer review the Authority may issue **guidelines and** recommendations **pursuant to Article 8. In accordance with Article 8, competent authorities shall endeavour to follow the guideline and recommendation by the Authority. The Authority shall take into account the outcome of the peer review when developing draft regulatory technical or implementing technical standards in accordance with Articles 7 to 7e.**
- 3a. **The Authority shall make the best practices that can be identified from those peer reviews publicly available. In addition, all other results of peer reviews may be disclosed publicly, subject to the agreement of the competent authority being the subject of the peer review.**

Article 16
Coordination function

1. The Authority shall fulfil a general coordination role between **competent** authorities, **in particular in situations** where adverse developments could potentially jeopardise the orderly functioning and integrity of financial markets or the stability of the financial system in the **Union**.

The Authority shall promote a coordinated **Union** response, inter alia by:

- (1) facilitating the exchange of information between the **competent** authorities;
 - (2) determining the scope and, **where possible and appropriate**, verifying the reliability of information that should be made available to all **competent** authorities concerned;
 - (3) without prejudice to Article 11, **carrying out non-binding mediation** on the request of **competent** authorities or on its own initiative;
 - (4) notifying the ESRB of any potential emergency situations without delay.
- (4a) taking all appropriate measures in case of developments which may jeopardise the functioning of the financial markets with a view to facilitating the coordination of actions undertaken by relevant competent authorities.**
- (4b) centralising information received from competent authorities in accordance with Articles 12 and 20 as the result of the regulatory reporting obligations for institutions active in more than one Member State. The Authority shall share that information with the other competent authorities concerned.**

Article 17
Assessment of market developments

1. The Authority shall monitor and assess market developments in the area of its competence and, where necessary, inform the European **Supervisory Authority (European Banking Authority)**, the European **Supervisory Authority (European Securities and Markets Authority)**, the ESRB **and** the European Parliament, the Council and the Commission about the relevant micro-prudential trends, potential risks and vulnerabilities. **The Authority shall include in its assessments an economic analysis of the markets in which financial institutions operate, and an assessment of the impact of potential market developments on them.**
- 1a. The Authority shall, in cooperation with the ESRB, initiate and coordinate Union-wide assessments of the resilience of financial institutions to adverse market developments. To that end, it shall develop the following, for application by the competent authorities:**
- (a) common methodologies for assessing the effect of economic scenarios on an institution's financial positions;
 - (b) common approaches to communication on the outcomes of these assessments of the resilience of financial institutions;

(ba) common methodologies for assessing the effect of particular products or distribution processes on an institution's financial position and on policyholders, pension scheme members, beneficiaries and customer information.

2. Without prejudice to the tasks of the ESRB set out in Regulation **(EC) No .../2010 [ESRB]**, the Authority shall, at least once a year, and more frequently as necessary, provide assessments to the European Parliament, the Council, the Commission and the ESRB of trends, potential risks and vulnerabilities in the area of its competence.

The Authority shall include a classification of the main risks and vulnerabilities in these assessments and, where necessary, recommend preventative or remedial actions.

3. The Authority shall ensure an adequate coverage of cross-sectoral developments, risks and vulnerabilities by closely cooperating with the European **Supervisory Authority (European Banking Authority)** and the European **Supervisory Authority (European Securities and Markets Authority)** **through the Joint Committee.**

Article 18 International relations

1. Without prejudice to the competences of the **Union Institutions and Member States**, the Authority may develop contacts **and** enter into administrative arrangements with **supervisory authorities**, international organisations and the administrations of third countries. **These arrangements shall not create legal obligations in respect of the Union and its Member States, nor shall they prevent Member States and their competent authorities from concluding bilateral or multilateral arrangements with third countries.**
2. The Authority shall assist in preparing equivalence decisions pertaining to supervisory regimes in third countries in accordance with the **acts** referred to in Article 1(2).
- 2a. **In the report referred to in Article 28(4), the Authority shall set out the administrative arrangements agreed upon with international organisations or administrations in third countries and the assistance provided in preparing equivalence decisions.**

Article 19 Other tasks

1. The Authority may, upon a request from the European Parliament, the Council, the Commission or on its own initiative provide opinions to the European Parliament, the Council and the Commission on all issues related to its area of competence.
2. With regard to prudential assessments of mergers and acquisitions falling **within the scope** of Directive 2007/44/EC **and which according to that Directive require consultation between competent authorities from two or more Member States**, the Authority may, on application of **one of the competent authorities concerned**, issue and publish an opinion on a prudential assessment, **except in relation to the criteria in Article 59(1)(e) of Directive 2009/138/EC. The opinion shall be issued promptly and in any event before the end of the assessment period according to Directive 2007/44/EC.** Article 20 shall apply **to the areas about which the Authority may issue an opinion.**

Article 20
Collection of information

1. At the request of the Authority, **competent** authorities ▯ of the Member States shall provide the Authority with all the necessary information to carry out the duties assigned to it by this Regulation, *provided that the addressee has legal access to the relevant data, and provided that the request for information is necessary in relation to the nature of the duty in question.*
 - 1a. The Authority may also request information to be provided at recurring intervals *and in specified formats. Those requests shall, where possible, use common reporting formats.*
 - 1b. *On a duly justified request from a competent authority of a Member State, the Authority may provide any information that is necessary to enable the competent authority to carry out its duties, in accordance with the professional secrecy obligations laid down in sectoral legislation and Article 56.*
 - 1c. *Before requesting information in accordance with this Article and in order to avoid duplication of reporting obligation, the Authority shall first take account of any relevant existing statistics produced and disseminated by the European Statistical System and the European System of Central Banks.*
2. Where information is not available or is not made available in a timely fashion by the **competent** authorities ▯, the Authority may address a *duly justified and reasoned request to other supervisory authorities, the Ministry of finance where it has at its disposal prudential information, the central bank or statistical office of the Member State concerned.*
 - 2a. *Where information is not available or is not made available under paragraphs 1 or 2 in a timely fashion, the Authority may address a duly justified and reasoned request directly to the relevant financial institutions ▯. The reasoned request shall explain why the data concerning the respective individual financial institutions is necessary.*

*The Authority shall inform the relevant **competent** authorities of ▯ requests in accordance with paragraph 2 and this paragraph.*

At the request of the Authority, the **competent** authorities ▯ shall assist the Authority in collecting such information.
3. The Authority may use confidential information received *under this Article* only for the purposes of carrying out the duties assigned to it by this Regulation.

Article 21
Relationship with the ESRB

1. The ▯ Authority shall co-operate *closely and on a regular basis* with the ESRB.
2. The Authority shall ▯ provide the ESRB with regular and *timely* information necessary for the achievement of its tasks. Any data necessary for the achievement of its tasks that are not in summary or collective form shall be provided without delay to the ESRB upon a reasoned request, as specified in Article [15] of Regulation (EU) No .../2010 [ESRB]. *The Authority, in cooperation with the ESRB, shall have in place adequate internal procedures for the*

transmission of confidential information in particular information regarding individual financial institutions.

3. The Authority shall, in accordance with paragraphs 4 and 5, ensure a proper follow-up to ESRB warnings and recommendations referred to in Article 17 of ***Regulation (EU) No .../2010 [ESRB]***.
4. On receipt of a warning or recommendation from the ESRB addressed to the Authority, it shall convene a meeting of the Board of Supervisors without delay and assess the implications of such a warning or recommendation for the fulfilment of its tasks.

It shall decide, by the relevant decision-making procedure, on ***any*** actions to be taken in accordance with the powers conferred upon it by this Regulation for addressing the issues identified in the warnings and recommendations.

If the Authority does not act further to a recommendation, it shall explain to the ESRB ***and the Council its reasons for not doing so.***

5. On receipt of a warning or recommendation from the ESRB addressed to a ***competent*** national supervisory authority, the Authority shall, where relevant, use the powers conferred upon it by this Regulation to ensure a timely follow-up.

Where the addressee intends not to follow the recommendation of the ESRB, it shall inform and discuss with the Board of Supervisors its reasons for not acting.

The competent authority shall take due account of the views of the Board of Supervisors when informing the ***Council and the ESRB*** in accordance with Article [17] of Regulation ***(EU) No .../2010 [ESRB]***

6. In discharging its tasks set out in this ***Regulation***, the Authority shall take the utmost account of the warnings and recommendations of the ESRB.

Article 22

Insurance ***and*** Reinsurance ■ Stakeholder Group and ***Occupational Pensions Stakeholder Group***

1. ***To help facilitate*** consultation with stakeholders in areas relevant to the tasks of the Authority, an Insurance ***and*** Reinsurance ***Stakeholder Group*** and an ***Occupational Pensions Stakeholder Group*** shall be established. ***(the Stakeholder Groups). The Stakeholder Groups shall be consulted on actions taken in accordance with Article 7 concerning regulatory technical standards and implementing technical standards, and, to the extent that these do not concern individual financial institutions, Article 8 concerning guidelines and recommendations. If actions must urgently be taken and consultation becomes impossible, the Stakeholder Groups shall be informed as soon as possible.***

The Stakeholder Groups shall meet at least four times a year. They may commonly discuss areas of mutual interest and shall inform each other on the other issues being discussed.

Members of the one stakeholder group may be also members of the other stakeholder group.

2. The Insurance ***and*** Reinsurance ■ Stakeholder Group shall be composed of 30 members, representing in balanced proportions ■ insurance and reinsurance ***undertakings and***

insurance intermediaries operating in the Union, their employees *representatives* as well as consumers, users of ■ insurance *and* reinsurance ■ services, *representatives of SMEs and representatives of relevant professional associations*. *At least five of its members shall be independent top-ranking academics. Ten of its members shall represent insurance undertakings, reinsurance undertakings or insurance intermediaries and three of those shall represent cooperative and mutual insurers or reinsurers.*

- 2a. *The Occupational Pensions Stakeholder Group shall be composed of 30 members, representing in balanced proportions Institutions for Occupational Retirement Provision operating in the Union, employee representatives, representatives of beneficiaries, representatives of SMEs and representatives of relevant professional associations. At least five of its members shall be independent top-ranking academics. Ten of its members shall represent Institutions for Occupational Retirement Provision.*
3. The members of the ■ Stakeholder **Groups** shall be appointed by the Board of Supervisors of the Authority, following proposals from the relevant stakeholders. In making its decision, the Board of Supervisors shall, to the extent possible, ensure an appropriate geographical *and gender* balance and representation of stakeholders across the *Union*.
4. The Authority shall *provide all necessary information subject to professional secrecy as set out in Article 56 and* ensure adequate secretarial support for the ■ Stakeholder Groups. *Adequate compensation shall be provided to members of the Stakeholder Groups representing non-profit organisations, excluding industry representatives. The Groups may establish working groups on technical issues.* Members of the ■ Stakeholder **Groups** shall serve for a period of two and a half years, following which a new selection procedure shall take place.

The members may serve two successive terms.

5. The ■ Stakeholder **Groups** may submit opinions and advice to the Authority on any issue related to the tasks of the Authority *with particular focus on the tasks set out in* specified in Articles 7 to 7e, Articles 8, 14, 15 and 17.
6. The ■ Stakeholder **Groups** shall adopt its rules of procedure *on the basis of the agreement of a two-thirds majority of members*.
7. The Authority shall make public the opinions and advice of the ■ Stakeholder **Groups** and the results of *their* consultations.

Article 23 Safeguards

1. The Authority shall ensure that no decision adopted under Articles 10 or 11 impinges in any way on the fiscal responsibilities of Member States.
2. Where a Member State considers that a decision taken under *Article 11(3)* impinges on its fiscal responsibilities, it may notify the Authority and the Commission within *two weeks* after notification of the Authority's decision to the *competent* authority that the decision will not be implemented by the *competent* authority.

In its notification, the Member State shall *clearly and specifically explain* why and ■ how the decision impinges on its fiscal responsibilities.

In that case, the decision of the Authority shall be suspended.

Within a period of one month from the notification by the Member State, the Authority shall inform the Member State as to whether it maintains its decision or whether it amends or revokes it. ***If the decision is maintained or amended, the Authority shall state that fiscal responsibilities are not affected.***

Where the Authority maintains its decision, the Council, ***shall take a decision*** by a majority of the ***votes cast, at one of its meetings at the latest two months after the Authority has informed the Member State as set out in the previous subparagraph, as to*** whether the Authority's decision is maintained .

Where the Council ***after having considered the matter, does not take a decision*** to maintain the Authority's decision, ***in accordance with the previous subparagraph, the Authority's decision shall be*** terminated.

3. Where a Member State considers that a decision taken under Article 10(2) impinges on its fiscal responsibilities, it may notify the Authority, the Commission and the Council within three working days after notification of the Authority's decision to the ***competent*** authority that the decision will not be implemented by the ***competent*** authority.

In its notification, the Member State shall ***clearly and specifically explain*** why and how the decision impinges on its fiscal responsibilities.

In that case, the decision of the Authority shall be suspended.

The Council shall, within ten working days, ***convene a meeting and take a decision, with a simple majority of its members, as to***, whether the Authority's decision is revoked.

Where the Council, ***after having considered the matter***, does not take a decision ***to revoke*** the Authority's decision, ***in accordance with the previous subparagraph, the suspension of the Authority's decision shall be terminated.***

- 3a. ***Where the Council has taken, in accordance with paragraph 3, a decision not to revoke a decision of the Authority relating to Article 10(2), and the Member State concerned still considers that that decision impinges upon its fiscal responsibilities, it may notify the Commission and the Authority and request the Council to re-examine the matter. The Member State concerned shall clearly set out the reasons for its disagreement with the decision of the Council.***

Within a period of four weeks after the notification referred to in the previous subparagraph, the Council shall confirm its original decision or take a new decision in accordance with paragraph 3.

The period of four weeks may be extended by four additional weeks by the Council, if the particular circumstances of the case so require.

- 3b. ***Any abuse of this Article, in particular in relation to a decision by the Authority which does not have a significant or material fiscal impact, shall be prohibited as incompatible with the internal market.***

Article 24
Decision-making procedures

1. Before taking the decisions provided for in ***this Regulation***, the Authority shall inform ***any named*** addressee of its intention to adopt the decision, setting a time limit within which the addressee may express its views on the matter, taking full account of the urgency, ***complexity and potential consequences*** of the matter. ***This applies mutatis mutandis to recommendations as referred to in Article 9(3).***
2. The decisions of the Authority shall state the reasons on which they are based.
3. The addressees of decisions of the Authority shall be informed of the legal remedies available under this Regulation.
4. Where the Authority has taken a decision pursuant to Article 10(2) or (3), it shall review that decision at appropriate intervals.
5. The decisions which the Authority takes pursuant to Articles 9, 10 and 11 shall be made public and shall state the identity of the ***competent*** authority or financial institution concerned and the main content of the decision, ***unless such publication is in conflict with the legitimate interest of financial institutions in the protection of their business secrets or could seriously jeopardise the orderly functioning and integrity of financial markets or the stability of the whole or part of the financial system of the Union.***

CHAPTER III

ORGANISATION

Section 1

board of Supervisors

Article 25
Composition

1. The Board of Supervisors shall be composed of:
 - (a) the Chairperson, who shall be non-voting;
 - (b) the Head of the █ national ***public*** authority competent for the supervision of financial institutions in each Member State, ***who shall meet in person at least twice a year;***
 - (c) one representative of the Commission who shall be non-voting;
 - (d) one representative of the ESRB who shall be non-voting;
 - (e) one representative of each of the other two European Supervisory Authorities who shall be non-voting;
- 1a. The Board of Supervisors shall convene meetings with the Stakeholder Groups regularly, at least twice per year.***

2. Each **competent** authority **■** shall be responsible for nominating a high-level alternate from its authority **■**, who may replace the member of the Board of Supervisors referred to in paragraph 1(b), in case this person is prevented from attending.
- 2a. *In Member States where there is more than one authority responsible for the supervision according to this Regulation, those authorities shall agree on a common representative. Nevertheless, when an item to be discussed by the Board of Supervisors does not fall within the competence of the national authority being represented by the member referred to in paragraph 1(b), that member may bring a representative from the relevant national authority, who shall be non-voting.*
3. The Board of Supervisors may decide to admit observers.

The Executive Director may participate in meetings of the Board of Supervisors without the right to vote.

Article 26 Internal committees and Panels

1. The Board of Supervisors may establish internal committees or panels for specific tasks attributed to the Board of Supervisors, and may provide for the delegation of certain clearly defined tasks and decisions to internal committees or panels, to the Management Board or to the Chairperson.
2. For the purposes of Article 11, the Board of Supervisors shall convoke **an independent** panel to facilitate **an impartial** settlement of the disagreement, consisting of the Chairperson and two of its members, who are not representatives of the **competent** authorities which are parties to the disagreement **and who do not have any interest in the conflict, nor direct links to the competent authorities concerned**.
- 2a. *Subject to Article 11(2), the panel shall propose a decision for final adoption by the Board of Supervisors, in accordance with the procedure set out in the third subparagraph of Article 29(1).*
- 2b. *The Board of Supervisors shall adopt rules of procedure for the panel referred to in paragraph 2.*

Article 27 Independence

1. When carrying out the tasks conferred upon it by this Regulation, the Chairperson and the voting members of the Board of Supervisors shall act independently and objectively in the **sole interest of Union as a whole** and shall neither seek nor take instructions from **Union** institutions or bodies, from **any** Government of a Member State or from any other public or private **bodies**.
- 1a. *Neither Member States, Union institutions or bodies nor any other public or private body shall seek to influence the members of the Board of Supervisors in the performance of their tasks.*

Article 28 Tasks

1. The Board of Supervisors shall give guidance to the work of the Authority and shall be in charge of taking the decisions referred to in Chapter II.
2. The Board of Supervisors shall adopt the opinions, recommendations, and decisions, and issue the advice referred to in Chapter II.
3. The Board of Supervisors shall appoint the Chairperson.
4. The Board of Supervisors shall adopt, before 30 September each year, on the basis of a proposal by the Management Board, the work programme of the Authority for the coming year, and shall transmit it for information to the European Parliament, the Council and the Commission.

The work programme shall be adopted without prejudice to the annual budgetary procedure and shall be made public.

4a. *The Board of Supervisors shall, on the basis of a proposal by the Management Board, adopt the annual report on the activities of the Authority, including on the performance of the Chairperson's duties, on the basis of the draft report referred to in Article 38(7) and shall transmit that report to the European Parliament, the Council, the Commission, the Court of Auditors and the European Economic and Social Committee by 15 June every year. The report shall be made public.*

5. The Board of Supervisors shall adopt the multi-annual work programme of the Authority, and shall transmit it for information to the European Parliament, the Council and the Commission.

The multi-annual work programme shall be adopted without prejudice to the annual budgetary procedure and shall be made public.

6. The Board of Supervisors shall **adopt** the ■ budget in accordance with Article 49.
7. The Board of Supervisors shall exercise disciplinary authority over the Chairperson and the Executive Director and may remove them from office in accordance with Article 33(5) or Article 36(5) respectively.

Article 29 Decision making

1. ***Decisions*** of the Board of Supervisors shall be taken by simple majority of *its* members, ***in accordance with the principle where each member has one vote.***

With regard to acts specified in Articles 7, 7e and 8 and measures and decisions adopted under Chapter VI and by way of derogation from the first subparagraph, the Board of Supervisors shall take decisions on the basis of a qualified majority of its members, as defined in Article 16(4) of the Treaty on European Union and in Article 3 of the Protocol (No 36) on transitional provisions.

With regard to decisions in accordance with Article 11(3), for decisions taken by the group supervisor, the decision proposed by the panel shall be considered as adopted, if approved by a simple majority, unless it is rejected by members representing a blocking minority of the votes as defined in Article 16(4) of the Treaty on European Union and in Article 3 of the Protocol (No 36) on transitional provisions.

For all other decisions in accordance with Article 11(3), the decision proposed by the panel shall be adopted by a simple majority of the members of the Board of Supervisors in accordance with the principle where each member has one vote.

2. Meetings of the Board of Supervisors shall be convened by the Chairperson at his or her own initiative or at the request of one third of its members, and shall be chaired by the Chairperson.
3. The Board of Supervisors shall adopt and make public its rules of procedure.
4. The rules of procedure shall set out in detail the arrangements governing voting, including, where appropriate, the rules governing quorums. The non-voting members and the observers, with the exception of the Chairperson and the Executive Director, shall not attend any discussions within the Board of Supervisors relating to individual financial institutions, unless otherwise provided for in Article 61 or in the *acts* referred to in Article 1(2).

Section 2

Management Board

Article 30 Composition

1. The Management Board shall be composed of the Chairperson ■ and ***six other*** members of the Board of Supervisors, ***elected by and from the voting members of the Board of Supervisors.***

Each member other than the Chairperson shall have an alternate, who may replace the member of the Management Board if that person is prevented from attending.

The term of office of the members elected by the Board of Supervisors shall be two and a half years. It may be extended once. ***The composition of the Management Board shall be balanced and proportionate and reflect the Union as a whole. Mandates shall be overlapping and an appropriate rotating arrangement shall apply.***

2. Decisions by the Management Board shall be adopted on the basis of a majority of the members present. Each member shall have one vote.

The Executive Director ***and a representative of the Commission*** shall participate in meetings of the Management Board without the right to vote.

The representative of the Commission shall have the right to vote on matters referred to in Article 49.

The Management Board shall adopt and make public its rules of procedure.

3. Meetings of the Management Board shall be convened by the Chairperson on its own initiative or at the request of at least a third of its members, and chaired by the Chairperson.

The Management Board shall meet preceding every meeting of the Board of Supervisors and as often as it deems necessary. It shall meet at least ***five times a year*** in ■ session.

4. The members of the Management Board may, subject to the rules of procedure, be assisted by advisers or experts. ***The non-voting members with the exception of the Executive Director, shall not attend any discussions within the Management Board relating to individual financial institutions.***

Article 31 Independence

The members of the Management Board shall act independently and objectively in the ***sole*** interest ***of the Union as a whole and shall neither seek nor take*** instructions from ***Union*** institutions or bodies, from any government of a Member State or from any other public or private body.

Neither Member States, Union institutions or bodies, nor any other public or private body shall seek to influence the members of the Management Board.

Article 32 Tasks

1. The Management Board shall ensure that the Authority carries out its mission and performs the tasks assigned to it in accordance with this Regulation.
2. The Management Board shall propose, for adoption by the Board of Supervisors, an annual and multi-annual work programme.
3. The Management Board shall exercise its budgetary powers in accordance with Articles 49 and 50.
4. The Management Board shall adopt the Authority's staff policy plan and, pursuant to Article 54(2), the necessary implementing measures of the Staff Regulations of Officials of the European Communities (hereinafter 'the Staff Regulations').
5. The Management Board shall adopt the special provisions on right of access to the documents of the Authority, in accordance with Article 58.
6. The Management Board shall ***propose an*** annual report on the activities of the Authority, ***including on the Chairperson's duties***, on the basis of the draft report referred to in Article 38(7) to the ***Board of Supervisors for approval***.
7. The Management Board shall adopt and make public its rules of procedure.
8. The Management Board shall appoint and remove the members of the Board of Appeal in accordance with Article 44(3) and 44(5).

Section 3

Chairperson

Article 33 Appointment and tasks

1. The Authority shall be represented by a Chairperson, who shall be a full-time independent professional.

The Chairperson shall be responsible for preparing the work of the Board of Supervisors and shall chair the meetings of the Board of Supervisors and the Management Board.

2. The Chairperson shall be appointed by the Board of Supervisors on the basis of merit, skills, knowledge of financial institutions and markets, and experience relevant to financial supervision and regulation, following an open selection procedure.

Before *taking up his duty, and up to one month after the selection by the Board of Supervisors, the European Parliament may, after having heard* the candidate selected by the Board of Supervisors, *object to the designation of the selected person.*

The Board of Supervisors shall also elect from among its members an alternate who shall carry out the functions of the Chairperson in his absence. *That alternate shall not be elected from amongst the members of the Management Board.*

3. The Chairperson's term of office shall be five years and may be extended once.
4. In the course of the nine months preceding the end of the five-year term of office of the Chairperson, the Board of Supervisors shall evaluate:
 - (a) the results achieved in the first term of Office and the way they were achieved;
 - (b) the Authority's duties and requirement in the coming years.

The Board of Supervisors taking into account the evaluation may extend the term of office of the Chairperson once subject to confirmation by the European Parliament.

5. The Chairperson may be removed from office only *by the European Parliament following a decision* of the Board of Supervisors .

The Chairperson may not prevent the Board of Supervisors from discussing matters relating to the *Chairperson*, in particular the need for his or her removal and shall not be involved in deliberations concerning such a matter.

Article 34 Independence

Without prejudice to the role of the Board of Supervisors in relation to the tasks of the Chairperson, the Chairperson shall neither seek nor take instructions from *Union* institutions or bodies, from any government of a Member State or from any other public or private body.

Neither Member States, Union institutions or bodies nor any other public or private bodies shall seek to influence the Chairperson in the performance of his or her tasks.

In accordance with the Staff Regulations referred to in Article 54, the Chairperson shall, after leaving the service, continue to be bound by the duty to behave with integrity and discretion as regards the acceptance of certain appointments or benefits.

Article 35 Report

1. The European Parliament *and the Council* may invite the Chairperson or his or her alternate *to make a statement*, while fully respecting his *or her* independence. *The Chairperson shall,*

make a statement **■** before *the European Parliament* and answer *any* questions put by *its* members, *whenever so requested*.

2. *The Chairperson shall report in writing on the main activities of the Authority to the European Parliament when requested and at least 15 days before making the statement referred to in paragraph 1.*
- 2a. *In addition to the information referred to in Articles 7a to 7e and Articles 8, 9, 10, 11a and 18, the report shall also include any relevant information requested by the European Parliament on an ad-hoc basis.*

Section 4

Executive Director

Article 36 Appointment

1. The Authority shall be managed by the Executive Director, who shall be a full-time independent professional.
2. The Executive Director shall be appointed by the Board of Supervisors on the basis of merit, skills, knowledge of financial institutions and markets, and experience relevant to financial supervision and regulation and managerial experience, following an open selection procedure *after the confirmation of the European Parliament*.
3. The Executive Director's term of office shall be five years and may be extended once.
4. In the course of the nine months preceding the end of the five-year term of office of the Executive Director, the Board of Supervisors shall *evaluate* in particular:
 - (a) the results achieved in the first term of Office and the way they were achieved;
 - (b) the Authority's duties and requirement in the coming years.

The Board of Supervisors taking into account the evaluation may extend the term of office of the Executive Director once.
5. The Executive Director may be removed from office only upon Decision of the Board of Supervisors.

Article 37 Independence

1. Without prejudice to the respective roles of the Management Board and the Board of Supervisors in relation to the tasks of the Executive Director, the Executive Director shall neither seek nor take instructions from any government, authority, organisation or person outside the Authority.
 - 1a. *Neither Member States, Union institutions or bodies nor any other public or private body shall seek to influence the Executive Director in the performance of his or her tasks.*

In accordance with the Staff Regulations referred to in Article 54, the Executive Director shall, after leaving the service, continue to be bound by the duty to behave with integrity and discretion as regards the acceptance of certain appointments or benefits.

Article 38

Tasks

1. The Executive Director shall be in charge of the management of the Authority and shall prepare the work of the Management Board.
2. The Executive Director shall be responsible for implementing the annual work programme of the Authority under the guidance of the Board of Supervisors and under the control of the Management Board.
3. The Executive Director shall take the necessary measures, notably the adoption of internal administrative instructions and the publication of notices, to ensure the functioning of the Authority, in accordance with this Regulation.
4. The Executive Director shall prepare a multi-annual work programme, as referred to in Article 32(2).
5. Each year by 30 June, the Executive Director shall prepare a work programme for the following year, as referred to in Article 32(2).
6. The Executive Director shall draw up a preliminary draft budget of the Authority pursuant to Article 49 and shall implement the budget of the Authority pursuant to Article 50.
7. Each year the Executive Director shall prepare a draft **■** report with a section on the regulatory and supervisory activities of the Authority and a section on financial and administrative matters.
8. The Executive Director shall exercise in respect to the Authority's staff the powers laid down in Article 54 and manage staff matters.

CHAPTER IV

JOINT BODIES OF THE EUROPEAN SUPERVISORY AUTHORITIES



Section 2

Joint Committee of European Supervisory Authorities

Article 40

Establishment

1. ***The*** Joint Committee of the European Supervisory Authorities is hereby established.
2. The Joint Committee shall serve as a forum in which the Authority shall cooperate regularly and closely and ensure cross-sectoral consistency with the European ***Supervisory*** Authority (***European Banking Authority***) and the European ***Supervisory Authority*** (***European Securities and Markets Authority***), ***in particular regarding:***

- *financial conglomerates;*
 - *accounting and auditing;*
 - *micro-prudential analyses of cross-sectoral developments, risks and vulnerabilities for financial stability;*
 - *retail investment products;*
 - *anti-money laundering measures; and*
 - *information exchange with the ESRB and developing the relationship between the ESRB and the European Supervisory Authorities.*
3. *The Joint Committee shall have a dedicated staff provided by the three European Supervisory Authorities that shall act as a secretariat.* The Authority shall contribute adequate resources to █ administrative, infrastructure and operational expenses.
- 3a. *In the event that a financial institution reaches across different sectors, the Joint Committee shall resolve disagreements in accordance with Article 42.*

Article 41 Composition

1. The Joint Committee shall be composed of the █ Chairpersons of the European **Supervisory Authorities**, and, where applicable, the Chairperson of a Sub-Committee established under Article 43.
2. The Executive Director, *a representative of* the Commission and the ESRB shall be invited to the meetings of the Joint Committee █ as well as the Sub-Committees mentioned in Article 43 as observers.
3. The chair of the Joint Committee █ shall be appointed on an annual rotational basis from among the Chairpersons of the *Authority, the European Supervisory Authority (European Banking Authority) and the European Supervisory Authority (European Securities and Markets Authority)*. *The Chairperson of the Joint Committee shall be a Vice-Chair of the ESRB.*
4. The Joint Committee █ shall adopt and publish its own rules of procedure. The rules may specify further participants of the meetings of the Joint Committee.

The Joint Committee █ shall meet at least once every two months.

Article 42 Joint positions and common acts

Within the scope of its tasks in Chapter II, and notably with respect to the implementation of Directive 2002/87/EC, where relevant, the Authority shall reach joint positions with the European **Supervisory Authority (European Banking Authority)** and with the European **Supervisory Authority (European Securities and Markets Authority)** as appropriate.

Acts under Articles 7, 9, 10, or 11 of this Regulation in relation to the application of Directive 2002/87/EC and of any other *acts* referred to in Article 1(2) that also falls within the area of

competence of the European *Supervisory Authority (European Banking Authority)* or the European *Supervisory Authority (European Securities and Markets Authority)* shall be adopted by the Authority, the European *Supervisory Authority (European Banking Authority)*, and the European *Supervisory Authority (European Securities and Market Authority)*, as appropriate, in parallel.

Article 43 Sub-committees

1. For the purposes of Article 42, a Sub-Committee on Financial Conglomerates to the Joint Committee ■ shall be established.
2. That Sub-Committee shall be composed of the individuals mentioned in Article 41(1), and one high-level representative from the current staff of the relevant *competent* authority from each Member State.
3. The Sub-Committee shall elect a Chairperson from amongst its members, who shall also be a member of the Joint Committee ■ .
4. The Joint Committee may establish further Sub Committees.

Section 3

Board of Appeal

Article 44 Composition *and operation*

1. The Board of Appeal shall be a joint body of the *three European Supervisory Authorities*.
2. The Board of Appeal shall be composed of six members and six alternates, who shall be individuals *of a high repute* with *a proven record of* relevant knowledge and *professional* experience, *including supervisory, experience to a sufficiently high level in the fields of banking, insurance, occupational pensions, securities markets or other financial services*, excluding current staff of the *competent* authorities or other national or *Union* institutions involved in the activities of the Authority. *The Board of Appeal shall have sufficient legal expertise to provide expert legal advice on the legality of Authority's exercise of its powers.*

The Board of Appeal designates its President.

■

3. Two members of the Board of Appeal and two alternates shall be appointed by the Management Board of the Authority from a short-list proposed by the Commission, following a public call for expression of interest published in the Official Journal of the European Union, and after consultation of the Board of Supervisors.

The other Members shall be appointed in accordance with Regulation (EU) No .../2010 [EBA] and Regulation (EU) No .../2010 [ESMA].

4. The term of office of the members of the Board of Appeal shall be five years. This term may be extended once.

5. A member of the Board of Appeal, who was appointed by the Management Board of the Authority, may not be removed during his term of office, unless he has been found guilty of serious misconduct, and the Management Board takes a decision to that effect after consulting the Board of Supervisors.

5a. *The decisions of the Board of Appeal shall be adopted on the basis of a majority of at least four of its six members. Where the appealed decision falls within the scope of this Regulation, this majority of four members shall include at least one of the two members of the Board of Appeal appointed by the Authority.*

The Board of Appeal shall be convened by its President when necessary.

6. The Authority, the European ***Supervisory Authority (European Banking Authority)*** and the European ***Supervisory Authority (European Securities and Markets Authority)*** shall ensure adequate operational and secretarial support for the Board of Appeal ***through the Joint Committee.***

Article 45

Independence and impartiality

1. The members of the Board of Appeal shall be independent in making their decisions. They shall not be bound by any instructions. They may not perform any other duties in the Authority, in its Management Board or in its Board of Supervisors.
2. Members of the Board of Appeal may not take part in any appeal proceedings if they have any personal interest therein, or if they have previously been involved as representatives of one of the parties to the proceedings, or if they have participated in the decision under appeal.
3. If, for one of the reasons referred to in paragraph 1 and 2 or for any other reason, a member of a Board of Appeal considers that a fellow member should not take part in any appeal proceedings, the member shall inform the Board of Appeal accordingly.
4. Any party to the appeal proceedings may object to the participation of a member of the Board of Appeal on any of the grounds referred to in paragraph 1 and 2, or if suspected of bias.

An objection may not be based on the nationality of members nor shall it be admissible if, while being aware of a reason for objecting, the party to the appeal proceedings has nonetheless taken a procedural step other than objecting to the composition of the Board of Appeal.

5. The Board of Appeal shall decide on the action to be taken in the cases specified in paragraphs 1 and 2 without the participation of the member concerned.

For the purpose of taking that decision, the member concerned shall be replaced on the Board of Appeal by his alternate, unless the alternate finds himself in a similar situation. Should this be the case, the Chairperson shall designate a replacement from among the available alternates.

6. The members of the Board of Appeal shall undertake to act independently and in the public interest.

For that purpose, they shall make a declaration of commitments and a declaration of interests indicating either the absence of any interest which may be considered prejudicial to their independence or any direct or indirect interest which might be considered prejudicial to their independence.

Those declarations shall be made public, annually and in writing.

CHAPTER V

REMEDIES

Article 46

Appeals

1. Any natural or legal person, including **competent** authorities, may appeal against a decision of the Authority referred to in Articles 9, 10 and 11 and any other decision taken by the Authority in accordance with the **acts** referred to in Article 1(2) which is addressed to that person, or against a decision which, although in the form of a decision addressed to another person, is of direct and individual concern to that person.
2. The appeal, together with the statement of grounds thereof, shall be filed in writing at the Authority within two months of the day of notification of the decision to the person concerned, or, in the absence thereof, of the day on which the Authority has published its decision.

The Board of Appeal shall decide upon the appeal within two months after the appeal has been lodged.

3. An appeal lodged pursuant to paragraph 1 shall not have suspensive effect.

However, the Board of Appeal may, **■** if it considers that circumstances so require, suspend the application of the contested decision.

4. If the appeal is admissible, the Board of Appeal shall examine whether it is well-founded. It shall **■** invite the parties to the appeal proceedings to file observations on notifications issued by itself or on communications from the other parties to the appeal proceedings, within specified time limits. Parties to the appeal proceedings shall be entitled to make an oral presentation.
5. The Board of Appeal may **confirm** the **decision taken by the competent body** of the Authority, or **■** remit the case to the competent body of the Authority. That body shall be bound by the decision of the Board of Appeal **and that body shall adopt an amended decision regarding the case concerned**.
6. The Board of Appeal shall adopt and make public its rules of procedure.
7. The decisions taken by the Board of Appeal shall be reasoned and made public by the Authority.

Article 47

Actions before the Court of **■** Justice *of the European Union*

1. An action may be brought before the Court of Justice *of the European Union*, in accordance with *Article 263 TFEU*, contesting a decision taken by the Board of Appeal or, in cases where there is no right of appeal before the Board of Appeal, by the Authority.
 - 1a. *Member States and the Union institutions, as well as any natural or legal person, may lodge a direct appeal before the Court of Justice against decisions of the Authority, in accordance with Article 263 TFEU.*
2. In the event that the Authority has an obligation to act and fails to take a decision, proceedings for failure to act may be brought before the Court of Justice in accordance with *Article 265 TFEU*.
3. The Authority shall be required to take the necessary measures to comply with the judgment of the Court of *Justice of the European Union*.

CHAPTER VI

FINANCIAL PROVISIONS

Article 48 Budget of the Authority

1. The revenues of the Authority, *a European body in accordance with Article 185 of Council Regulation No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities¹ (the "Financial Regulation")*, shall consist, in particular, of *any combination of the following*:
 - (a) obligatory contributions from the national public authorities competent for the supervision of financial institutions; *which shall be made in accordance with a formula based on the weighting of votes set out in Article 3(3) of the Protocol (No 36) on transitional provisions annexed to the Treaty on European Union and to the TFEU. For the purposes of this Article, Article 3(3) of the Protocol (No 36) on transitional provisions shall continue to apply beyond the deadline of 31 October 2014 therein established;*
 - (b) a subsidy from the *Union*, entered in the General Budget of the European Union (Commission Section);
 - (c) any fees paid to the Authority in the cases specified in the relevant instruments of *Union* law.
2. The expenditure of the Authority shall include, at least, staff, remuneration, administrative, infrastructure *professional training* and operational expenses.
3. Revenue and expenditure shall be in balance.
4. Estimates of all Authority revenue and expenditure shall be prepared for each financial year, corresponding to the calendar year, and shall be presented in the budget of the Authority.

¹ *OJ L 248, 16.9.2002, p.1.*

Article 49
Establishment of the budget

1. By 15 February each year, the Executive Director shall draw up a draft statement of estimates of revenue and expenditure for the following financial year, and shall forward this preliminary draft budget to the Management Board *and the Board of Supervisors*, together with the establishment plan. Each year, the *Board of Supervisors* shall, on the basis of the preliminary draft drawn up by the Executive Director *and approved by the Management Board*, produce a statement of estimates of revenue and expenditure of the Authority for the following financial year. That statement of estimates, including a draft establishment plan, shall be transmitted by the *Board of Supervisors* to the Commission by 31 March. Prior to adoption of the statement of estimates, the draft prepared by the Executive Director shall be approved by the *Management Board*.
 2. The statement of estimates shall be transmitted by the Commission to the European Parliament and to the Council (hereinafter referred to as the 'budgetary authority'), together with the preliminary draft General Budget of the European Union.
 3. On the basis of the statement of estimates, the Commission shall enter in the preliminary draft General Budget of the European Union the estimates it deems necessary in respect of the establishment plan and the amount of the subsidy to be charged to the general budget of the European Union in accordance with *Articles 313 and 314 TFEU*.
 4. The budgetary authority shall adopt the establishment plan for the Authority. The budgetary authority shall authorise the appropriations for the subsidy to the Authority.
 5. The budget of the Authority shall be adopted by the **■** *Board of Supervisors*. It shall become final after the final adoption of the *General Budget* of the European Union. Where necessary, it shall be adjusted accordingly.
 6. The Management Board shall, without delay, notify the budgetary authority of its intention to implement any project which may have significant financial implications for the funding of its budget, in particular any project relating to property such as the rental or purchase of buildings. It shall inform the Commission thereof. If either branch of the budget authority intends to issue an opinion, it shall, within two weeks of receipt of the information on the project, notify the Authority of its intention to issue such an opinion. In the absence of a reply, the Authority may proceed with the planned operation.
- 6a. *For the first year of operation of the Authority, ending on 31 December 2011, the financing of the Authority by the European Union is subject to an agreement by the budgetary authority as provided for in Point 47 of the Interinstitutional Agreement of 17 May 2006 on budgetary discipline and sound financial management.***

Article 50
Implementation and control of the budget

1. The Executive Director shall act as authorising officer and shall implement the Authority's budget.
2. By 1 March following the completion of each financial year, the Authority accounting officer shall forward to the Commission's accounting officer and to the Court of Auditors the provisional accounts, accompanied by the report on budgetary and financial management

during the financial year. The Authority accounting officer shall also send the report on budgetary and financial management to the members of the Board of Supervisors, the European Parliament and the Council by 31 March of the following year.

The Commission's accounting officer shall then consolidate the provisional accounts of the institutions and decentralised bodies in accordance with Article 128 of Financial Regulation.

3. After receiving the observations of the Court of Auditors on the provisional accounts of the Authority in accordance with the provisions of Article 129 of the Financial Regulation, the Executive Director, acting on his own responsibility, shall draw up the final accounts of the Authority and transmit them, for opinion, to the Management Board.
4. The Management Board shall deliver an opinion on the final accounts of the Authority.
5. The Executive Director shall transmit those final accounts, accompanied by the opinion of the Management Board, by 1 July following the completion of the financial year, to the Members of the Board of Supervisors, the European Parliament, the Council, the Commission and the Court of Auditors.
6. The final accounts shall be published.
7. The Executive Director shall send the Court of Auditors a reply to the latter's observations by 30 September. He or she shall also send a copy of this reply to the Management Board and the Commission.
8. The Executive Director shall submit to the European Parliament, at the latter's request and as provided for in Article 146(3) of the Financial Regulation, any information necessary for the smooth application of the discharge procedure for the financial year in question.
9. The European Parliament, following a recommendation from the Council acting by qualified majority, shall, before 15 May of the year N + 2, grant a discharge to the Authority for the implementation of the budget ***comprising revenue from the General Budget of the European Union and competent authorities*** for the financial year N.

Article 51 Financial rules

The financial rules applicable to the Authority shall be adopted by the Management Board after the Commission has been consulted. Those rules may not depart from Commission Regulation (EC, Euratom) No 2343/2002¹ unless the specific operational needs for the functioning of the Authority so require and only with the prior agreement of the Commission.

Article 52 Anti-fraud measures

1. For the purposes of combating fraud, corruption and any other illegal activity, the provisions of Regulation (EC) No 1073/1999 shall apply to the Authority without any restriction.

¹ ***OJ L 357, 31.12.2002, p.72.***

2. The Authority shall accede to the Interinstitutional Agreement of 25 May 1999 between the European Parliament, the Council of the European Union and the Commission of the European Communities concerning internal investigations by the European Anti-Fraud Office (OLAF)¹ and shall immediately adopt appropriate provisions for all staff of the Authority.
3. The funding decisions and the agreements and the implementing instruments resulting from them shall explicitly stipulate that the Court of Auditors and OLAF may, if need be, carry out on-the-spot checks on the beneficiaries of monies disbursed by the Authority as well as on the staff responsible for allocating these monies.

CHAPTER VII

GENERAL PROVISIONS

Article 53 Privileges and immunities

The Protocol on Privileges and Immunities of the European Communities shall apply to the Authority and its staff.

Article 54 Staff

1. The Staff Regulations, the Conditions of employment of other servants and the rules adopted jointly by the *Union* institutions for the purpose of applying these shall apply to the staff of the Authority, including its Executive Director *and its Chairperson*.
2. The Management Board, in agreement with the Commission, shall adopt the necessary implementing measures, in accordance with the arrangements provided for in Article 110 of the Staff Regulations.
3. In respect of its staff, the Authority shall exercise the powers conferred on the appointing authority by the Staff Regulations and on the authority entitled to conclude contracts by the Conditions of employment of other servants.
4. The Management Board shall adopt provisions to allow national experts from Member States to be seconded to the Authority.

Article 55 Liability of the Authority

1. In the case of non-contractual liability, the Authority shall, in accordance with the general principles common to the laws of the Member States, make good any damage caused by it or by its staff in the performance of their duties. The Court of Justice shall have jurisdiction in any dispute over the remedying of such damage.
2. The personal financial liability and disciplinary liability of Authority staff towards the Authority shall be governed by the relevant provisions applying to the staff of the Authority.

¹ *OJ L 136, 31.5.1999, p. 15.*

Article 56
Obligation of Professional Secrecy

1. Members of the Board of Supervisors and the Management Board, the Executive Director, and members of the staff of the Authority including officials seconded by Member States on a temporary basis **and all other persons carrying out tasks for the Authority on a contractual basis** shall be subject to the requirements of professional secrecy pursuant to Article 339 TFEU and the relevant provisions in *Union* legislation, even after their duties have ceased.

Article 16 of the Staff Regulation shall apply to them.

In accordance with the Staff Regulations referred to in Article 54, the staff shall, after leaving the service, continue to be bound by the duty to behave with integrity and discretion as regards the acceptance of certain appointments or benefits.

Member States, Union institutions or bodies, or any other public or private body shall not seek to influence staff members of the Authority.

2. Without prejudice to cases covered by criminal law, any confidential information received by persons referred to in paragraph 1 whilst performing their duties may not be divulged to any person or authority whatsoever, except in summary or aggregate form, such that individual financial institutions cannot be identified.

Moreover, the obligation under paragraphs 1 and the first subparagraph of this paragraph shall not prevent the Authority and the national supervisory authorities from using the information for the enforcement of the *acts* referred to in Article 1(2), and in particular for legal proceedings for the adoption of decisions.

3. Paragraphs 1 and 2 shall not prevent the Authority from exchanging information with national supervisory authorities in accordance with this Regulation and other *Union* legislation applicable to financial institutions.

That information shall be subject to the conditions of professional secrecy indicated in paragraphs 1 and 2. The Authority shall lay down in its internal rules of procedure the practical arrangements for implementing the confidentiality rules referred to in paragraphs 1 and 2.

4. The Authority shall apply Commission Decision (ECSC, Euratom) 2001/844/EC,¹.

Article 57
Data protection

This regulation shall be without prejudice to the obligations of Member States relating to their processing of personal data under Directive 95/46/EC or the obligations of the Authority relating to its processing of personal data under Regulation (EC) No 45/2001 when fulfilling its responsibilities.

Article 58
Access to documents

¹ OJ L 317, 3.12.2001, p.1.

1. Regulation (EC) No 1049/2001 shall apply to documents held by the Authority.
2. The Management Board shall adopt practical measures for applying Regulation (EC) No 1049/2001 by 31 May 2011.
3. Decisions taken by the Authority pursuant to Article 8 of Regulation (EC) No 1049/2001 may be the subject of a complaint to the Ombudsman or of proceedings before the Court of Justice, following appeal to the Board of Appeal, as appropriate, in accordance with the conditions laid down in **Articles 228 and 263** of the **TFEU** respectively.

Article 59
Language arrangements

1. The provisions of Council Regulation No 1¹ shall apply to the Authority.
2. The Management Board shall decide on the internal language arrangements for the Authority.
3. The translation services required for the functioning of the Authority shall be provided by the Translation Centre for the Bodies of the European Union.

Article 60
Headquarters Agreement

The necessary arrangements concerning the accommodation to be provided for the Authority in the Member State where its seat is located and the facilities to be made available by that Member State, as well as the specific rules applicable in that Member State to the Executive Director, the members of the Management Board, staff of the Authority and members of their families shall be laid down in a Headquarters Agreement between the Authority and that Member State concluded after obtaining the approval of the Management Board.

That Member State shall provide the best possible conditions to ensure proper functioning of the Authority, including multilingual, European-oriented schooling and appropriate transport connections

Article 61
Participation of third countries

1. Participation in the work of the Authority shall be open to countries which are not members of the European Union and which have concluded agreements with the Union whereby they have adopted and are applying Union law in the area of competence of the Authority as referred to in Article 1(2).
- 1a. ***The Authority may cooperate with third countries applying legislation which has been recognised as equivalent in the areas of competence of the Authority referred to in Article 1(2), as provided for in international agreements concluded by the Union in accordance with Article 216 TFEU.***
2. Under the relevant provisions of these agreements, arrangements shall be made specifying, in particular, the nature, scope and procedural aspects of the involvement of these countries

¹ OJ 17, 6.10.1958, p. 385.

referred to in paragraph 1 in the work of the Authority, including provisions relating to financial contributions and to staff. They may provide for representation, as an observer, on the Board of Supervisors, but shall ensure that these countries do not attend any discussions relating to individual financial institutions, except where there is a direct interest.

CHAPTER VIII

TRANSITIONAL AND FINAL PROVISIONS

Article 62

Preparatory actions

- 1. ***During the period after the entry into force of this Regulation, and before the establishment of the Authority, CEIOPS shall act in close cooperation with the Commission to prepare for the replacement of CEIOPS by the Authority.***
1. ***Once the Authority has been established, the Commission shall be responsible for the administrative establishment and initial administrative operation of the Authority until the Authority has appointed an Executive Director.***

For that purpose, until such time as the Executive Director takes up his/her duties following his appointment by the Board of Supervisors in accordance with Article 36, the Commission may assign one official on an interim basis in order to fulfil the functions of the Executive Directors. ***That period shall be limited to the time necessary for the appointment of an Executive Director of the Authority.***

█ The interim Executive Director may authorise all payments covered by credits provided in the budget of the Authority, once approved by the Management Board and may conclude contracts, including staff contracts following the adoption of the Authority's establishment plan.

3. Paragraphs 1 and 2 are without prejudice to the powers of the Board of Supervisors and the Management Board.
- 3a. ***The Authority shall be considered the legal successor of CEIOPS. At the latest on the date of establishment of the Authority, all assets and liabilities and all pending operations of CEIOPS will be automatically transferred to the Authority. The Committee of European Insurance and Occupational Pensions Supervisors shall establish a statement showing its closing asset and liability situation as of the date of that transfer, This statement shall be audited and approved by its members and by the Commission.***

Article 63

Transitional Staff provisions

1. By way of derogation from Article 54, all employment contracts ***and secondment agreements*** concluded by ***CEIOPS*** or its Secretariat and in force on the date of application of this Regulation shall be honoured until their expiry date. They may not be extended.
2. All members of staff under contracts referred to in paragraph 1 shall be offered the possibility of concluding temporary agent contracts under Article 2(a) of the Conditions of Employment of Other Servants at the various grades as set out in the Authority's establishment plan.

An internal selection limited to staff who have contracts with **CEIOPS** or its Secretariat shall be carried out after the entry into force of this Regulation by the authority authorised to conclude contracts in order to check the ability, efficiency and integrity of those to be engaged. ***The internal selection procedure shall take full account of the skills and experience demonstrated by the individual's performance prior to the engagement.***

3. Depending on the type and level of functions to be performed, successful applicants shall be offered temporary agents' contracts of a duration corresponding at least to the time remaining under the prior contract.
4. The relevant national law relating to labour contracts and other relevant instruments shall continue to apply to staff members with prior contracts who choose not to apply for temporary agent's contracts or who are not offered temporary agents contracts in accordance with paragraph 2.

Article 63a **National provisions**

The Member States shall make such provision as is appropriate to ensure the effective application of this Regulation.

Article 64 Amendments

Decision No 716/2009/EC is hereby amended insofar as **CEIOPS** is removed from the list of beneficiaries set out in Section B of the Annex to that Decision.

Article 65

Repeal

Commission Decision 2009/79/EC, establishing **CEIOPS**, is hereby repealed █ with effect from the date of application referred to in Article 67.

Article 66 **Review clause**

1. ***By ...**** and every three years thereafter, the Commission shall publish a general report on the experience acquired as a result of the operation of the Authority and the procedures laid down in this Regulation. That report shall █ evaluate, ***inter alia***:
 - (a) ***the convergence in supervisory practices reached by competent authorities,***
 - (i) ***the convergence in functional independence of the competent authorities and in standards equivalent to corporate governance;***
 - (ii) ***the impartiality, objectivity and autonomy of the Authority;***
 - (b) ***the functioning of the colleges of supervisors;***

* ***OJ please insert date: three years after the date of application of this Regulation.***

- (c) progress achieved towards convergence in the fields of crisis prevention, management and resolution, including European funding mechanisms;*
- (d) the role of the Authority as regards systemic risk;*
- (e) the application of the safeguard clause established in Article 23;*
- (f) the application of the binding mediation role established in Article 11.*

1a. The report referred to in paragraph 1 shall also examine whether:

- (a) it is appropriate to continue separate supervision of banking, insurance, occupational pensions, securities and financial markets;*
- (b) it is appropriate to supervise prudential supervision and the conduct of business separately or by the same supervisor;*
- (c) it is appropriate to simplify and reinforce the architecture of the ESFS in order to increase the coherence between the macro and the micro levels and between the European Supervisory Authorities;*
- (d) the evolution of the ESFS is consistent with that of the global evolution;*
- (e) there is sufficient diversity and excellence within the ESFS;*
- (f) accountability and transparency in relation to publication requirements are adequate;*
- (g) the resources of the Authority are adequate to carry out its responsibilities;*
- (h) the appropriateness of the seat of the Authority and whether it is appropriate to move the Authorities to a single seat to enhance better coordination between them.*

1b. Concerning the issue of direct supervision of institutions or infrastructures of pan-European reach and taking account of market developments, the Commission will draw up an annual report on the appropriateness of entrusting the Authority with further supervisory responsibilities in this area.

2. The report and any accompanying proposals, as appropriate, shall be forwarded to the European Parliament and to the Council.

Article 67
Entry into force

This Regulation shall enter into force on the day following that of its publication in the Official Journal of the European Union.

It shall apply from 1 January 2011, *with the exception of Article 62 and Article 63(1) and (2), which shall apply as from the date of its entry into force. The Authority shall be established on 1 January 2011.*

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at

For the European Parliament

The President

For the Council

The President

COMMISSION STATEMENTS**Declaration in relation to supervisory powers on credit rating agencies and other areas**

"La Commission prend note qu'un accord a été trouvé pour conférer certains pouvoirs de supervision à ESMA s'agissant des agences de notation. La Commission considère qu'il pourrait être utile, dans le futur, de confier des compétences de supervision aux Autorités européennes dans d'autres domaines. Ceci pourrait, en particulier, concerner certaines infrastructures de marché. La Commission examinera ces questions de façon approfondie et fera les propositions législatives qui lui paraîtront appropriées."

Declarations in relation to crisis management and resolution

"In its Communication of 26 May 2010 on Bank Resolution Funds, the Commission emphasised that 'an appropriate first step could be a system based around the establishment of a harmonized network of national funds linked to a set of coordinated national crisis management arrangements'.

The Commission confirms that it intends to make legislative proposals for a complete set of tools for prevention and resolution of failing banks in Spring 2011. This will ensure that public authorities are able to resolve failing financial institutions whilst minimising the impact of failures on the financial system, limiting damage to the economy and the use of public sector resources.

The Commission confirms that the ESAs should play an important role in these areas and that it will examine which powers concerning the tools for prevention and resolution of failing banks should be conferred upon it.

These arrangements are a first step and would be reviewed by 2014 with the aim of creating Union integrated crisis management and supervisory arrangements, as well as a Union Resolution Fund in the longer term."