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NOTE

from: General Secretariat of the Council
to: Delegations

Subject: Summary record of the meeting of the European Parliament **Committee on Economic and Monetary Affairs (ECON)** held in Brussels on 30 September.

The meeting was chaired by Ms BOWLES (ALDE, UK) and Mr GAUZES (EPP, FR).

Item 1 on the agenda

Adoption of the agenda

The agenda was adopted.

Item 2 on the agenda

Approval of the minutes of the meeting of 16-17 September 2013 **PV – PE519.554v01-00**

The minutes were approved.

Items 3, 4 and 5 on the agenda

Hearings with Steven J. Maijoor, Chairman of the European Securities and Markets Authority, with Andrea Enria, Chairman of the European Banking Authority and with Gabriel Rodrigo Ribeiro Tavares Bernardino, Chairman of the European Insurance and Occupational Pensions Authority

ECON/7/06957 ECON/7/06958 ECON/7/06959

In their opening statements, the three chairmen read out the speeches contained in Annexes I, II and III in which they emphasised resource constraints and called for a suitable independent budget line.

In the debate that followed, several MEPs praised the work of the European Supervisory Agencies (ESAs) and agreed with calls for adequate resources. Mr GAUZES (EPP, FR) claimed that Member States and national supervisors were restricting the operational independence of the ESAs. MEPs queried the chairman of the European Securities and Markets Authority (ESMA) on credit rating agencies (CRAs) and ratings. Mr GIEGOLD (Greens/EFA, DE) enquired regarding ways to reduce investors' cost burdens in the EU and noted that in spite of the existence of a European passport there was no European framework to limit fees, while Mr LANGEN (EPP, DE) called for a uniform treatment of bonuses across the EU, and Ms BERES (S&D, FR) underlined the existing disparities between consumer and financial market interests in participants' groups.

The EBA's chairman was quizzed on the harmonisation of regulatory and supervisory procedures, on the implementation of the single rule book, and on the coordination with national supervisors and the European Central Bank (ECB). Moreover, Ms FERREIRA (S&D, PT) expressed interest in knowing the areas in which the EBA would require binding powers, whereas Ms GOULARD (ALDE, FR) enquired as to the terms and conditions of the asset quality review, Mr STREJCEK (ECR, CZ) asked whether the EBA should be represented in the Single Resolution Board (SRB) and Mr HOANG NGOC (S&D, FR) how cooperatives and savings banks should be treated.

Speakers questioned the EIOPA chairman on his views regarding ongoing EU negotiations on the insurance sector. Mr GIEGOLD criticised the Council's stance on Solvency II, which he claimed was being watered down, while Ms GOULARD insisted on the creation of a clear EU framework.

In terms of cross-sectoral issues, Ms BERES focused her comments on the Packaged Retail Investment Products (PRIPs) and the extension of the ESAs' remit in order to enhance consumer protection and the banning of risky products.

In response, the 3 chairmen underscored differences between the ESAs' objectives in their set-up plans and the Commission 2014 budget proposals, and advocated a clear delineation of tasks at EU and national level. All agreed with calls for the enhancement of consumer representation in stakeholders' groups and for more powers for the ESAs to ban products detrimental to consumers. Additionally, the EIOPA and the EBA chairmen called for legal certainty in this respect.

As the current chair of the Joint Committee, Mr BERNARDINO underlined the good cooperation between ESAs and referred to the discussions the Joint Committee had held on cross-sectoral issues such as prolonged low interest rates, self-placement, broad governance, handling of complaints, benchmark rate setting, and anti-money-laundering measures.

As EIOPA's chairman, Mr BERNARDINO declared that the implementation of the single rule-book required matching resources. He agreed with pleas to provide regulatory certainty in the insurance sector and called for an agreement between the Council and the European Parliament (EP). He voiced concerns regarding certain calibration elements in Solvency II (volatility balancer) which might impact the soundness of technical provisions and of policyholder protections. Like some MEPs he too believed that the Council was watering down some features in Solvency II on the quality of the investment-matching adjustment but remained convinced that in the end all parties would reach a satisfactory agreement. He also insisted in preserving a high degree of transparency in Solvency II and having a review clause. Finally, he was convinced that Europe had an opportunity to take the lead internationally if there were an agreement on Solvency II; that EU financial supervision should include the insurance sector, and that EIOPA should have greater powers in terms of validation of internal models and of supervision of large EU insurance undertakings, since 5 out of the 9 global systemic insurance bodies were European.

The ESMA chairman, Mr MAIJOOR, listed three shortcomings in the rating of banks in Europe: lack of transparency on methodology and on related information on the use of new methodologies, and insufficient rigour in terms of the banking methodology used by the CRA; adding that at ESMA's request, CRAs had to design an action plan to correct the problems that had been identified. He noted that CRA supervision had changed from a nearly unregulated to a very regulated environment, and stressed the desire to improve governance and internal controls and to reduce reliance on ratings. He explained that CRAs still had to take very substantial steps to meet new organisational requirements and announced that the results of ESMA's onsite inspection on sovereign debt ratings would be published by the end of 2013.

Mr MAIJOOR added that all shortcomings and infringements of the CRA regulation required action plans and the appointment of independent investigative officers. Furthermore, he recognised the importance of fees and their impact on returns and the significance of independent advice, and mentioned the publication of a study carried out by ESMA on structured products and on Undertakings for Collective Investment in Transferable Securities (UCITS) which included considerations on costs. Additionally, he admitted that the absence of limits for investor fees would need to be addressed in UCITS and proposed having Exchange Traded Funds (ETFs) more frequently available to retail investors due to their low fees. Finally, he pointed out that at present markets issued non-zero-risk weighting for sovereigns, and that ESMA would not deliver any work on electronic reporting before 2014.

The EBA chairman, Mr ENRIA, referred to the great number of standards delivered by the EBA with the help of national experts. He viewed the EBA as the guardian of the single rule-book and proposed strengthening the advisory tasks of the ESAs during the review of the European System of Financial Supervision to enable greater uniformity in the setting up of the single rule-book. He also claimed that the EBA was subject to EU primary legislation, which left room for national discretion, and therefore called for more binding supervisory and mediation powers. He disagreed with the EBA's involvement in the board of the Single Resolution Mechanism (SRM) as it could intervene in some cross border situations as a mediator between the SRM and non-euro-area resolution boards. He explained that there would only be one set of stress tests under the legal responsibility of EBA and that their success and credibility would depend largely on the value of the asset quality review and on the level of transparency and disclosure. Furthermore, he stressed the need to use the same definition of asset quality to ensure comparability. He noted that there would be close coordination between the ECB and the EBA and called for the association of the college of supervisors to ensure a cross-border dimension in both exercises. He also agreed with the need to have backstops beforehand and with calls for the creation of a single European backstop. He added that once backstops were established by governments, it would be possible for private investors to bear part of the losses without affecting the position of unsecured debt holders and depositors. Finally, he was convinced that the legislation on sovereign exposure had to be applied in both exercises, adding that European legislation had deviated at times from international standards and produced laxer requirements on the treatment of sovereign exposures. He explained that once the process of balance sheet repair and recapitalisation was over banks would resume their lending to the real economy and to SMES, adding that the banks that were the most recapitalised were the ones lending the most to the real economy and that the higher the bar the better the adjustment.

Finally, Mr ENRIA referred to the need to apply the same legislation to all banks by using the proportionality principle in order not to harm the smaller and less sophisticated institutions and acknowledged that the EBA was considering the development of standards on high remunerations and bonuses which would set thresholds to ensure harmonised standards and a uniform framework.

Item 6 on the agenda

Chair's announcements

Ms BOWLES (ALDE, UK) announced that the calendar for 2014 had been adopted and was available on the committee's website. She then informed the committee that a dialogue with France's Finance Minister was planned for 14 November; that Spain and Portugal had confirmed their willingness to participate in an exchange of views with the committee but that no dates had been arranged yet; and that Malta and Luxembourg had not yet responded to the committee's formal invitation for a similar exchange of views. She also told the committee that a fourth trilogue on the Markets in Financial Instruments Directive (MiFID) had been held on 25 September and had dealt with provisions on sanctions and redress, third countries and access to market infrastructure, adding that a fifth trilogue was scheduled for 9 October. Additionally she announced that a fourth trilogue on the Bank Recovery and Resolution Directive (BRRD) had taken place on 26 September and had discussed home host issues, third country regimes and minimum requirements for liabilities eligible for bail-in. She noted that good progress had been made on scope and resolution authorities, that further technical work had been commissioned, and that the next meeting was scheduled on 8 October.

***** Voting time *****

Item 7 on the agenda

European Semester for economic policy coordination: implementation of 2013 priorities

ECON/7/12854 2013/2134(INI)

Rapporteur: Ms FERREIRA (S&D, PT)

- Adoption of the draft report

The draft report was approved, with 30 votes in favour, 2 against and 0 abstentions.

Item 8 on the agenda

Follow-up on the Delegation of Legislative Powers and the Control by Member States of the Commission's Exercise of Implementing Powers

ECON/7/11951 2012/2323(INI)

Rapporteur for the opinion: Ms BOWLES (ALDE, UK)

Rapporteur for the responsible committee (JURI): Mr SZAJER (EPP, HU)

- Adoption of the draft opinion

The draft opinion was approved, with 32 votes in favour, 0 against and 0 abstentions.

*** *End of vote* ***

Item 9 on the agenda

Denominations and technical specifications of euro coins intended for circulation (recast)

ECON/7/12475 2013/0096(NLE)

Rapporteur: Mr GAUZES (EPP, FR)

- Consideration of the draft report

This item was postponed.

Item 10 on the agenda

Annual Report on EU Competition Policy

ECON/7/12416 2013/2075(INI)

Rapporteur: Mr TREMOSA I BALCELLS (ALDE, ES)

- Consideration of amendments

In his opening remarks Mr TREMOSA I BALCELLS (ALDE, ES) proposed disregarding amendments relating to other legislative proposals. He believed that the European Parliament should have more powers in the competition field, that the Commission should be more accountable, and that DG Competition should have more resources, which in his opinion could be diverted from less active DGs in order to keep the budget under control. He agreed that investigations should be carried out swiftly and admitted that fines could result in the closing down of some companies and in particular SMEs. He defended the deepening of the single market in the transport sector and called for the elimination of more than 1400 bilateral agreements by Member States with third countries in the air transport sector. He welcomed amendments on the energy sector, on oil prices and on Google since they complemented the report.

Mr TREMOSA I BALCELLS also welcomed the opinion of the Internal Market and Consumer Protection Committee and announced that he would propose a new section on electronic payments in order to have a more consistent text. Finally, he found it unacceptable that football clubs received substantial banking loans with better conditions than SMEs and that at the same time they owed millions of euros to social security.

In the debate that followed, Ms FERREIRA (S&D, PT) insisted on the need to ensure that state aid for banks was compatible with competition policy and with the Single Supervisory Mechanism (SSM), and on having a single market in the field of energy.

The Commission representative welcomed the report and mentioned some linguistic inaccuracies in some of the amendments on state aid (amendment 2) as well as some issues regarding the concept, definition and scope of the Services of General Economic Interest (SGEI) (amendments 69 and 83), regarding state aid to banks (amendments 91 and 111) and on the 'Monday effect' in the energy field. She referred to the need to clarify merger policy since there seemed to be some misunderstanding on competition rules, stressing that having a dominant position in the market was not illegal *per se*. She explained that amendment 32 on financial markets having payments treated on a case by case basis by DG Competition was not acceptable, since the Commission had already proposed legislation in that field.

Vote in ECON: 17 October 2013. Vote in plenary: December 2013.

Item 11 on the agenda

Any other business

No other business was discussed.

Item 13 on the agenda

Next meeting

The next meeting will be held in Brussels on 14 October 2013.

Speech by Mr Steven J. Maijor, Chairman of the European Securities and Markets Authority

Ladies and gentlemen,

Today is my third annual appearance here as Chair of the European Securities and Markets Authority. I want to use this opportunity to provide you with a brief update on our progress in the 12 months since I last spoke to you, but will also highlight areas where I believe changes would allow ESMA to better fulfil its role.

ESMA's objectives include responsibility for:

- creating a Single Rulebook;
- supervisory convergence in EU securities law application;
- supervision of Credit Rating Agencies and Trade Repositories;
- investor protection; and
- financial stability in the EU

While achieving these objectives may seem a daunting task, I believe that ESMA has risen to the challenge and performed well in delivering high quality work to challenging deadlines and with limited resources.

One of ESMA's main tasks, unique amongst the ESAs, is the supervision of key market players, with our main focus being on credit rating agencies. ESMA has developed an effective supervisory regime, and conducted significant on-site supervisory work with CRAs, most recently on bank rating methodologies, and structured finance and sovereign debt ratings. ESMA now supervises 22 CRAs, with three new entities registered in the last 12 months, and we are confident that direct EU supervision has helped improve the functioning of CRAs.

Another major area of progress is in relation to EMIR, the EU's response to the risks posed by OTC derivatives. We have produced the technical standards necessary for EMIR's implementation, started to consult on the clearing obligations for the different types of derivatives, begun the recognition process for third-country CCPs and expect to announce the first registrations of trade repositories in early November.

This will see ESMA take on further supervisory responsibility as well as starting the clock for the reporting of derivatives trades. In addition we have cooperated with our global counterparts in ensuring that the different regional regimes can operate as harmoniously as possible.

Alongside our work on the single rulebook, CRA supervision and EMIR, significant achievements have included our work, with the EBA, on principles to address shortcomings in critical benchmark setting processes in the EU. On the international side, I should also mention the negotiated cooperation agreements on alternative investment funds supervision between EU and third country regulators.

We continue to progress in the area of investor protection, through the development of guidelines on remuneration and UCITS/ETFs as well as direct warnings to investors and the collection and analysis of data on financial consumer trends. We believe that critical to enhancing our progress in this area will be the finalisation of PRIPs and MiFID II/MiFIR in the coming months.

On stability, I would mention the improved data and intelligence on risks in securities markets, and ESMA recently published its second *Trends, Risks, and Vulnerabilities* Report.

So far, I have been silent on supervisory convergence, a key ESMA objective. While we have progressed in this area, it has not been as significant as we would have hoped. While I think the governance of the ESAs works well for the single rulebook and direct supervision, there is more tension around convergence, as it requires the assessment of colleagues' supervisory practices. To improve the organisation and governance of our convergence work, ESMA will introduce changes aimed at strengthening our peer review tool with more on-site visits, targeting of topical supervisory matters and more independent assessment teams.

Finally, regarding funding, I welcome very much the provisions of the recently adopted Opinion by ECON on the EU's general budget. However, I would like to raise, once again, the need to put ESMA's financing on a stable footing.

The current 60/40 contribution weighting of ESMA's budget, between National Competent Authorities and the EU institutions, means that any increase in ESMA's budget automatically increases the financial contribution of national authorities, which may be problematic in the current circumstances. This results in tensions, as it implicitly undermines the regulatory reform agenda, which requires the strengthening of regulation and supervision both at EU and national level.

In terms of resolving these conflicts, I believe that a move to either 100% EU funding, a broader use of industry fees related to direct supervision or administrative acts by ESMA, such as the recognition of 3rdcountry CCPs, or a combination of both should be considered to ensure a sustainable funding model.

Finally, and even more importantly, I think the ESAs should be funded through an independent budget line in the General Budget of the EU to reinforce their status as independent authorities.

Thank you for your time today.

Speech by Mr Andrea Enria, Chairman of the European Banking Authority

Dear Madame Chair, Honourable Members of this Committee,

The process of repair of EU banks' balance sheets is steadily progressing. Last year, the recapitalisation exercise launched by the EBA led to strengthening the capital position of major EU banks by more than EUR 200 bn. All indicators of capital adequacy point to a significant improvement: the Common Equity Tier 1 (CET1) ratio for the largest banks is now well above 11%; and the leverage ratio, if computed with comparable accounting standards, is only slightly below that of the major US banks. Nonetheless, the prevailing price-to-book ratios still signal a lack of confidence in the quality of European banks' balance sheets and in their ability to produce profits going forward.

The EBA has agreed on a recommendation to all competent authorities to carry out asset quality reviews, which - along with our work on the consistency of risk-weighted assets - should dispel the remaining uncertainties and provide a more reliable picture of the loss absorbency capacity of EU banks. The EBA has developed also common definitions of non-performing loans and forbearance, which are essential to enhance the comparability of data and the effectiveness of the asset quality review. The EBA is also planning its 2014 stress test exercise, which will make sure that banks are capable of remaining on the trajectory of capital strengthening dictated by the new rules contained in the Capital Requirements legislative framework (CRD/CRR), including under stressed market conditions. Our work in this area is undertaken in close coordination with the ECB, which will soon start its comprehensive balance sheet assessment of the banks envisaged in the Council Regulation establishing the Single Supervisory Mechanism (SSM). We have to be clear: there will be one asset quality review only, conducted by the competent authorities – which for the banks falling under the remit of the SSM will be the ECB – and only one stress test, which the EBA will closely coordinate with the ECB and other national competent authorities. These exercises will be the first litmus test on the functioning of the new institutional arrangements.

The crisis has seriously impaired the functioning of the Single Market in banking. The Banking Union goes a long way in addressing the shortcomings of the institutional arrangements for the single currency, but more is needed to re-establish the integrity of the Single Market, as most large EU banking groups have establishments both within and outside the euro area.

The EBA is engaged in a not so- visible, but very essential work that is aimed at rebuilding trust and cooperation amongst national supervisors in the EU. We are using all the tools at our disposal: we launched three investigations into potential breaches of EU law and have performed non-binding mediation between EU banking supervisors, formally and informally, with good success in a number of cases. However, the task is daunting, and it would be helpful if some ambiguities on the legal basis for binding mediation could be clarified to support our efforts.

The Single Rulebook in banking is becoming even more important. It is essential for the effective functioning of the SSM, as the ECB will have to apply national laws and it would be seriously hampered in the performance of its tasks by a large amount of national discretions. Moreover, it is essential for the integrity of the Single Market, as differences in basic rules can maintain segmentation across national borders, especially between the SSM and non-SSM jurisdictions. In the context of the Single Rulebook, we are working hard to design, develop and finalise, with appropriate public consultations and impact assessments, the huge number of technical standards and guidelines assigned to the EBA. We have also intensified our efforts in the area of consumer protection, issuing a warning on contracts for difference and two opinions with good practices on mortgage lending.

I would like to bring to your attention four issues, which I consider of paramount importance in developing the Single Rulebook:

- i. some form of involvement of the EBA staff in the technical discussions on primary banking legislation would be very beneficial, especially in defining the scope and timelines for mandates to the EBA;
- ii. the degree of national flexibility in key legislative provisions can be very detrimental to the achievements of the objectives assigned to the EBA; for instance, it is very difficult for us to perform mediation in the area of recovery and resolution, if national discretion is not constrained within a European framework of resolution planning and coordination among authorities: e.g. in case of carving out certain creditors from bail-in;

iii. a stronger legal basis would better support our efforts in the area of consumer protection: we are developing important work in the area of responsible lending, complaints handling, product oversight and governance, and the distribution of structured funding products, but for this work we are relying mostly on provisions on corporate governance and internal controls in prudential Directives as a legal basis, as no Directive on consumer protection has so far been brought into the EBA's scope of action in Article 1 of our founding Regulation, and we have so far been assigned only one technical standard;

iv. resource constraints are becoming increasingly biting; our ability to deliver is increasingly dependent on the support of staff from national competent authorities, now subject to further strain, with the establishment of the SSM. An independent budget line, accompanied by a more adequate allocation of resources is crucial to keep up with our challenging tasks.

Thank you for your attention.

Speech by Mr Gabriel Rodrigo Ribeiro Tavares Bernardino, Chairman of the European Insurance and Occupational Pensions Authority

Madame Chair,

Honourable members of the Committee on Economic and Monetary Affairs,

Thank you for the invitation and the possibility to have an open exchange of views. I would like to start my introduction with the achievements of the Joint Committee of the three European Supervisory Authorities (ESAs), which I have the honour to chair this year. Then I will focus on EIOPA's work and report about our activities over the last year. I will reflect on some of our challenges and a possible way forward.

Joint Committee of the ESAs

The Joint Committee of the ESAs is well-established as a forum of regular co-operation and information exchange on cross-sectoral issues among the ESAs. Our common work resulted in two cross-sectoral Reports on Risks and Vulnerabilities in the EU Financial System, which provided policy-makers with a wide-ranging picture of the main risks and recommended concrete policy actions. The work on consumer protection has been a key priority of the Joint Committee. We organised the first Joint Consumer Protection Day in June in Paris, which proved to be a very fruitful forum for discussions on different cross-sectoral consumer matters and developed preparatory work on areas such as PRIPs and product governance. Further, the Joint Committee has issued a proposal on principles for benchmark rate-setting processes and submitted the first joint draft Regulatory Technical Standards on the consistent application of the calculation methods described in the Financial Conglomerates Directive. Throughout regular meetings the co-operation between the ESAs was fostered and intensified.

This year the Joint Committee has made very substantive contributions to enhance the consistency of the supervisory approaches at the cross-sectoral level and to the development of a common supervisory culture in the EU, and will continue to further do so in the upcoming years.

EIOPA's Achievements

Turning to EIOPA, our activities have been focused on three main directions:

- Establishment of a European single rule book for insurance and pensions;

- Promotion of supervisory convergence; and
- Enhancing consumer protection.

European single rule book

EIOPA has been heavily engaged in the process of developing a single rule book for insurance and pensions in the EU. In the absence of international standards – unlike in the banking sector where you have the Basel accord - EIOPA has been responsible for developing the technical regulatory framework of insurance and pensions risk-based supervision, work which encompasses all legislative layers from level 1 to Guidelines.

On Solvency II, we produced the Report on the Long-Term Guarantee Assessment as an input to the trilogue discussions on the Omnibus II Directive. We delivered a set of potential measures aimed at ensuring an appropriate supervisory treatment of long-term guarantee products, under volatile and exceptional market conditions. EIOPA's independent supervisory assessment is prudentially sound and represents a reliable basis for an informed political decision. I am confident that the outcome of the political negotiations will ensure a high degree of policyholder protection and will create the conditions for an effective supervisory process, preserving the risk-based economic framework and the increased transparency that was strongly supported by this Parliament in the 2009 Directive.

Also in the context of Solvency II, EIOPA is analysing whether the calibration and design of capital requirements for investments in certain assets under the envisaged Solvency II regime necessitates any adjustment under the current economic conditions, without jeopardising the prudential nature of the regime.

An agreement on the final shape and on the date of implementation of Solvency II is urgently needed to enhance consumer protection, increase financial stability and avoid market fragmentation. We cannot continue with the current regulatory uncertainty.

Facing the inevitable delay in the application of Solvency II, EIOPA used its power to issue Guidelines. Guidelines on the preparation for Solvency II aim to ensure a consistent and convergent path towards implementation by insurers and supervisors, taking into account due proportionality. After a public consultation process the final Guidelines have been approved by the Board of Supervisors and were published last week.

In the pensions area EIOPA has continued to work on its advice on the revision of the IORP Directive. In 2013 we delivered the results of the first quantitative impact study in the field of occupational pensions.

This was the first truly European assessment that provides a comprehensive and comparable view of the financial situation of occupational pension funds. It shows that the minimum harmonisation approach of the current IORP Directive has resulted in large differences in the protection of members and beneficiaries across Europe and that pension funds dispose of vulnerabilities in different areas: some are very dependent on future payments by the sponsor and in others substantial benefit reductions are expected. EIOPA stands ready to undertake all the necessary work in order to ensure safe, sustainable and adequate pensions for European citizens.

EIOPA is working to improve definitions and methodologies for assessing the holistic balance sheet and will run further assessments. My aim is to present the next Commission with further tested technical proposals for a European risk-based prudential regime that appropriately reflects the specific reality of pension funds.

In order to ensure the above-mentioned, EIOPA has also devoted its attention to personal pensions. We published a Discussion Paper on a possible EU-single market for personal pension products, focusing on potential cross-border frameworks, transparency and disclosure requirements, distribution and selling practices, professional requirements and product regulation.

Personal pension plans should be focused on the long-term nature of their objective (retirement savings), avoiding the traps of the short term horizon. They should be based on a simple framework, allowing for reduced cost structures and be managed using robust and modern risk management tools. They should rely on clear and transparent governance structures and provide full transparency to their members.

Promotion of supervisory convergence

Regulation and the creation of the single rule book is an important step but it should not be viewed as a panacea. Much more efforts should be invested in implementation of rules and in applying them in a consistent way as part of the response to the recently identified fragmentation in the financial markets. That is why we put a strong emphasis on the promotion of supervisory convergence in our work. In this context we have been using a number of tools: participation in the colleges of supervisors, conducting peer reviews and issuing opinions addressed to NCAs.

EIOPA's experts are actively engaged in the college meetings. We have been following a structured approach through the development and execution of Action Plans that include concrete actions to be performed at college level. This ensured an improvement in the exchange of information and a more consistent approach in the college work.

As part of its supervisory mandate, EIOPA has participated together with the national supervisors in joint on-site inspections.

During the last year EIOPA has conducted 4 peer reviews that contribute to the development of convergent supervisory standards. Recently we published the results of our peer review on internal models where we highlight a number of differences in supervisory practices in the pre-application process of internal models and identify best practices and outline recommendations in order to enhance consistency in supervisory practices.

EIOPA's work on supervisory convergence is also underway through the development of a Supervisory Handbook that will incorporate good supervisory practices and by the recently set up Centre of Expertise on Internal Models. The centre was initiated to achieve a consistent, compliant and efficient implementation of Solvency II Internal Models across Member States. This is progressing by working collaboratively to deliver tools that equip NSAs and by exercising oversight on Internal Model activity. It aims at developing good practices and sound indicators to support a consistent analysis and validation in this critical area of Solvency II implementation.

Following our market analysis and risk assessment, EIOPA identified a prolonged period of low interest rates as a potential threat to the stability of the EU insurance sector. A coordinated supervisory response was set out in EIOPA's Opinion that includes recommendations on enhanced supervision and promotion of industry actions to mitigate the underlying risks. We raised awareness about this potential risk at the ESRB level and now this is included in the ESRB overview of systemic risks. EIOPA will run a comprehensive stress test in 2014. It is envisaged that this risk will be a central part of the test.

EIOPA was very active regarding its responsibility for investigating potential breaches or non-application of EU-law. Where most of the cases were opened on the basis of a complaint, EIOPA on its own initiative also initiated two examinations on the national implementation of relevant EU-law.

We continue technical training for supervisors in order to build up a convergent supervisory culture. We organised around 30 seminars and events per year that are attended by more than 1000 experts.

Consumer protection

Since the beginning, one of our main priorities is consumer protection. During the period under report we issued our first Guidelines on complaints-handling by insurance undertakings: 32 competent national authorities confirmed their compliance or intention to comply with these Guidelines. Currently, EIOPA is monitoring the compliance plan of the national authorities. We also have consulted on similar guidelines relating to complaints-handling by insurance intermediaries.

Our consumer protection agenda is focused on ensuring a paradigm shift in the direction of transparency towards consumers and on reinforcing fairness in selling practices.

Having identified significant consumer detriment in the Payment Protection Insurance market, including mis-selling practices, market imperfections and disproportionate levels of commissions, we issued an Opinion where we provide a framework for supervisory analysis of the issue, recommend NCAs to use it, and to report back to EIOPA. Based on the information received from NCAs EIOPA will decide if and what kind of further action is needed at an EU level.

Reflecting the relevance that we attach to selling practices we have published Good Practices Reports on Comparison Websites, on Knowledge & Ability of Distributors of Insurance Products, on Industry Training Standards and on the Provision of Information to Members of Defined Contribution Pension Schemes.

Furthermore, EIOPA has been creating the necessary basic conditions to identify consumer protection issues as they arise. In this context we developed an enhanced methodology for collecting, analysing and reporting on consumer trends from the NCAs and we are exploring the use of social media monitoring tools to inform our consumer trends analysis. Nevertheless, let me highlight that in order to enact EIOPA's power to ban or restrict financial activities, sectorial legislation in insurance and pensions is needed.

Challenges and way forward:

Looking at the current challenges there are three key points where I see a clear need for evolution: to strengthen EIOPA's operational independence, to reinforce our independent challenging role towards National Competent Authorities and to enhance EIOPA's mandate and powers to ensure better coordinated supervision.

Firstly, let me stress that the current financing arrangements affect the overall efficiency of the Authority. They are inflexible, inefficient, create administrative burden and are not optimal from an operational independence perspective.

I would like to thank the ECON Committee for their statement calling for a need for independent budget lines and to make the ESAs independent from their national member authorities.

Furthermore it is extremely important to ensure a degree of flexibility in the budgetary framework in order to be possible to attract highly qualified staff, especially in critical areas for our mission going forward like the supervision and validation of internal models and the independent assessment of supervisory practices.

Secondly, in order to ensure an adequate and consistent level of supervision, for the benefit of consumer protection and financial stability, it is fundamental to strengthen our independent challenging role towards National Competent Authorities.

The current power of EIOPA to conduct an inquiry into a particular type of financial institution, type of product, or type of conduct, should be extended. This power should not be confined to situations of potential threats to the stability of the financial system but be used more generally to support the independent assessment of supervisory practices. Furthermore, it is essential to avoid the burdensome case-by-case discussions on EIOPA's access to individual company information. Going forward, EIOPA should obtain access to the information included in the harmonised templates developed for Solvency II in a direct and efficient way.

Thirdly, we need to take further steps to ensure better coordinated supervision at Union level. In this context EIOPA should be tasked with a centralized oversight role in the field of internal models and, as part of a step-by-step approach, consideration should be made to assign EIOPA an enhanced supervisory role for the largest important cross-border insurance groups.

The European Union will benefit from stronger and more coordinated supervision at the European level. At EIOPA we are creating the basic conditions and taking the appropriate steps to build a credible and respected supervisory authority. The European Parliament has been instrumental in the progress achieved and I am confident that with your continuous support we will continue to fulfil our mission for the benefit of all European citizens.

Thank you for your attention.
