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Lamfalussy follow up: future structure of supervision

Check Against Delivery
Seul le texte prononcé fait foi
Es gilt das gesprochene Wort

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President, Honourable Members,

Let me start my remarks with the situation in financial markets. We are in the most serious crisis in living memory. What started as a sub prime crisis has now moved way beyond this to embrace the whole economy. Fears about the ability to raise financing are creating even greater lack of confidence among all economic actors. Unless there is a rapid unfreezing of lending we face a continued downward spiral with obvious impact on economic activity. Freeing up lending is the number one priority today. The measures taken by central banks today will be an important contribution to unblocking the flow of lending.

One thing we have seen over the past few weeks is that no economy or financial market is immune from what is taking place.

At ECOFIN yesterday the concern of Finance Ministers was evident. We recognised the need for governments to intervene to shore up the financial markets whether it be by capital injections, guarantees or other means. There is no silver bullet here. Strong, fast responses are essential.

For its part the Commission is showing its capacity to respond quickly. I will be bringing to the college next week amendments to the Deposit Guarantee scheme which will increase the minimum level of protection as well as requiring MS to put in place procedures for rapid pay out .

At ECOFIN yesterday it was agreed that MS would increase the current level to at least €50,000 with many going beyond this to €100,000. This reflects to a degree the differences in average savings in MS.

In addition we are urgently putting changes to our accounting rules to ensure Banks in the EU can avail of the same flexibility that is offered to banks in the US. Namely this will provide the option for individual banks if they want to move assets from their trading books to their banking books. This is a comitology measure which I hope the Parliament will be able to give its agreement as a matter of urgency. In the meantime I would hope that national supervisors would apply these new provisions already so that banks, who wished to, could avail of this new possibility for their third quarter results. In addition there is the IASB's acceptance of the US SEC's clarification of the use of fair value accounting when there is no active market information. This is also highly relevant for banks and should be used for third quarter reporting.

We are of course continuing to work for the rapid implementation of the ECOFIN Roadmap to strengthen the EU's capacity to prevent and manage future financial crises. The overall the implementation of these initiatives is on track.

In times of crises politicians need to be seeing to do things so as to reassure the public. Things are no different here in Brussels. Except that our margin for manoeuvre is more limited. We do not have access to the financial resources that are necessary to combat this crisis. It is Central Banks and finance ministers who control the purse strings. What we have to do is endeavour to maximise a common approach by MS. There can me no doubt but that by working together MS are in a much stronger position to counteract the downward spiral we are currently in. We must continue to assist MS to work towards common goals and shared approaches. Where we have the tools we will continue to come forward quickly with any necessary measure.

Turning now to your report on the 'Lamfalussy follow-up and future structure of supervision' I would like to congratulate the Economic and Monetary Affairs Committee, in particular Ms van den Burg and Mr Daianu, for their excellent work in producing such a thought-provoking and wide-ranging report. It highlights many of the challenges facing us now in the context of the current financial crisis. Innovative and well-thought through proposals for regulatory and supervisory reform are crucially needed in the current situation.

You include in your report quite a demanding list of recommendations of where legislative action would be needed. It is heartening to see that so many of the issues you highlight are those that the Commission is also prioritising. In many cases, work is either ongoing or is planned on initiatives corresponding to the recommendations.

Let me mention here some of our most important ongoing initiatives are the Solvency II proposal, the proposal for revisions to the Capital Requirements Directive which was adopted by the College of Commissioners last week, and the legislative proposal on Credit Rating Agencies, due in November.

This reflects many of the recommendations put forward in your report.

The proposal for amendments to the **Capital Requirements Directive** covers critical areas and will fundamentally strengthen the regulatory framework for EU banks and the financial system. I hope you will fully support us on this First reading agreement by next April is essential

Soon we will also come forward with a proposal on **Credit Rating Agencies**, to be adopted in November. The proposal will aim to introduce a legally binding authorisation and robust external oversight regime whereby European regulators will have to supervise the policies and procedures followed by the credit rating agencies. The Committee of European Securities Regulators (CESR) will play a strong coordination role.

On the **EU supervisory framework**, we are working on a revision of the Commission Decisions establishing the three Committees of supervisors. By the end of the year, these Committees will be assigned specific, practical tasks, such as: (i) mediation, (ii) drafting recommendations and guidelines, and (iii) an explicit role to strengthen the analysis and responsiveness to risks to the stability of the EU financial system. Also we have now to think about the longer term vision of European supervision. Current events are showing its limitations today. The ECB's handling of the crisis has been exemplary. We now have to reflect seriously on how our supervisory arrangements for the cross border financial institutions are constructed. As President Barroso announced earlier we want to establish a High Level group to work through the various options and make recommendations on how we should proceed.

This takes up the suggestion in your report of a **High Level Group** to tackle European supervisory arrangements.

I have been around here long enough to know that agreement reforms to supervisory arrangements will not be easy.

But if we do not draw the lessons from the current crisis then we are doing a grave disservice to the Union. This reflection should not blind us to the necessity to take the pragmatic steps to strengthen supervision that we have put forward in the Solvency 2 proposal and in The Capital Requirements Directive. Colleges of supervisors are essential.

The time ahead will be fraught. All of us have to take our respective responsibilities. Now is the time for us to show that by working together we can confront the challenges I look forward to the strong support of the Parliament in this regard.

Thank you.