

European Securities and Markets Authority (ESMA)

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The Council agreed on a **general approach** on draft regulations aimed at establishing three new authorities for the supervision of financial services in the EU, namely:

- [a European Banking Authority](#);
- [a European Insurance and Occupational Pensions Authority](#);
- a European Securities and Markets Authority.

It asked the presidency to start negotiations with the European Parliament with a view to adoption of the texts at first reading.

The draft regulations are part of a package of proposals to reform the EU framework for the supervision of banking, insurance and securities markets in the wake of the global financial crisis.

Negotiations with the Parliament on the macro-financial aspects of the package are already underway. At its meeting on 20 October, the Council reached agreement on a draft regulation aimed at establishing a [European Systemic Risk Board \(ESRB\)](#) to monitor potential threats to the stability of the financial system.

The three European supervisory authorities (ESAs) will be part of a European System of Financial Supervisors, working in tandem with a network of Member State supervisors. Together, they constitute the micro-financial aspects of the reform package.

Entry into force will only be possible once all of the texts have been adopted; the aim is for the new framework to be put into place during the course of 2010.

In June, the European Council supported the creation of both the ESRB and the European System of Financial Supervisors, calling for:

- an upgrading of the quality and consistency of national supervision;
- a strengthening of the oversight of cross-border financial groups through the setting up of supervisory colleges;
- the establishment of a single rule book applicable to all financial institutions in the EU.

The three ESAs are due to replace three existing EU committees of supervisors (CEBS, CEIOPS and CESR) and will have legal personality under EU law. They will comprise high-level representatives of all national supervisory authorities, under a permanent chairmanship. The national authorities will remain responsible for day-to-day supervision of individual firms, and a steering committee will be set up to ensure cooperation and to coordinate the sharing of information between the ESAs and the ESRB.

According to the Council's general approach, the ESAs would be responsible for:

- ensuring that a single set of harmonised rules and consistent supervisory practices is applied by national supervisors;
- ensuring a common supervisory culture and consistent supervisory practices;
- collecting micro-prudential information;
- ensuring consistent application of EU rules, in cases such as the manifest breach of EU law or ESA standards and disagreement between national supervisors or within a college of supervisors.