Macro-prudential oversight of the financial system and establishing a European Systemic Risk Board (ESRB)

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OPINION OF THE EUROPEAN CENTRAL BANK on a proposal for a regulation of the European Parliament and of the Council on Community macro-prudential oversight of the financial system and establishing a European Systemic Risk Board and a proposal for a Council decision entrusting the European Central Bank with specific tasks concerning the functioning of the European Systemic Risk Board.

On 6 October 2009 the European Central Bank (ECB) received a request from the Council of the European Union for an opinion on this proposal. The ECB **broadly supports** the decision proposed by the Commission, which are aimed at establishing a new body responsible for the conduct of macro-prudential oversight in the EU, namely the ESRB.

The ECB has decided that it stands ready to ensure the Secretariat of the ESRB and to support the ESRB and suggests referring to this in a recital of the proposed regulation. The ECB is prepared to bring to the benefit of the ESRB, with the participation of all the members of the ECB's General Council, the macroeconomic, financial and monetary expertise of all EU central banks. This contribution will be underpinned by the activities of the ECB and ESCB in the areas of financial stability monitoring, macroeconomic analysis, collection of statistical information, and by the overall synergies in terms of expertise, resources and infrastructure in the context of existing central banking activities in the EU.

In the area of statistics, the ECB is prepared to provide the necessary information to the ESRB relating to the macroeconomic and macro-financial environment and has the necessary expertise to do so. This includes in particular information on market conditions and market infrastructures. Micro-prudential information will be provided by the three new European supervisory authorities.

The EBC makes the following **specific observations**:

Procedure for the issuance and follow-up of risk warnings and recommendations: the ECB fully supports the proposed regulation which provides that the ESRB risk warnings and recommendations will be directly transmitted to the respective addressees, with parallel transmission to the Ecofin Council. Changes to these provisions that would lead to an 'indirect route' for the transmission of risk warnings and recommendations would undermine the effectiveness and timeliness of the recommendations as well as the independence and credibility of the ESRB.

Organisational aspects of the ESRB: the ECB considers it particularly important that the composition of the ESRB's Steering Committee adequately reflects that of the ESRB's General Board in order to ensure that the Committee is representative of the Board, whose meetings it is meant to prepare. However, as the composition of the euro area will change with time, it would not be advisable to lay down in a legal act a specific, immutable allocation of seats between euro area and non-euro area central banks. The ECB supports the Commission's approach under which only the chair of the ESRB gives directions to the head of the secretariat.

Chair and the vice-chair of the ESRB's General Board: these should be elected on the basis of the same procedures and by the same group of voting members, as the vice-chair should be fully able to deputise for the chair, if necessary. Consequently, the vice-chair should also be elected, as stated in the Commission's proposal, by and from the members of the General Board who are also members of the General Council of the ECB. Different procedures for the election of the chair and vice-chair would add undue complications and could give the unwarranted impression that they represent different groups within the ESRB.

Composition of the ESRB's General Board: the ECB supports the Commission's proposal that the president and vice-president of the ECB be voting members of the ESRB's General Board. This is in line with the principle that the ECB's General Council provides the basis for the voting members of the General Board. Indeed, if he were not a member of the ESRB's General Board, the vice-president would be prevented from voting in this election. In view of the systemic importance of certain European non-EU countries for the EU financial system, it may be considered appropriate to invite representatives from these countries to attend some of the ESRB's meetings and/or the technical committees as observers when relevant issues are being discussed.

The observations contained in this opinion are without prejudice to the future ECB opinion on the three draft proposals for Regulations of the European Parliament and of the Council establishing a European Banking Authority, a European Insurance and Occupational Pensions Authority and a European Securities and Markets Authority, which form part of the legislative package adopted by the Commission on 23 September 2009 reforming European financial supervision.