

Financial conglomerates: supplementary supervision of financial entities

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OPINION OF THE EUROPEAN CENTRAL BANK on a proposal for a directive of the European Parliament and of the Council amending Directives 98/78/EC, 2002/87/EC and 2006/48/EC as regards the supplementary supervision of financial entities in a financial conglomerate.

On 30 September 2010, the European Central Bank (ECB) received a request from the Council of the European Union for an opinion on the abovementioned proposal.

The ECB **welcomes the main aim of the proposed directive**, which is to ensure the appropriate scope of supplementary supervision of financial conglomerates, by closing the gaps that have evolved between the Union's supplementary supervision regime and the sectoral directives relating to banking and insurance services.

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

Treatment of mixed financial holding companies: the ECB welcomes the references to a 'mixed financial holding company' in the provisions of the sectoral directives defining the scope of consolidated banking supervision and group insurance supervision. This will allow the application of sectoral consolidated/group supervision, in addition to supplementary supervision, of a financial holding company or an insurance holding company which, as a result of an expansion of activities to another financial sector, becomes a mixed financial holding company. The ECB considers that efficient supervisory practices should be developed, which on the one hand will allow for all relevant risks to be incorporated in the supervision, and, on the other hand, will eliminate potential overlaps in supervision and preserve a level playing field. The ECB recommends giving the European Supervisory Authorities (ESA) powers to adopt, through the Joint Committee, common guidelines in this respect.

Treatment of asset management companies: the ECB welcomes the explicit inclusion of asset management companies in the threshold tests for the identification of financial conglomerates. The ECB recommends allocating asset management companies to the sector within the financial conglomerate with which they have the closest connection, to be further specified in supervisory guidelines.

Moreover, the ECB recommends, as a consequence of the explicit inclusion of asset management companies in the supplementary supervision regime, involving the European Securities and Markets Authority, alongside the other ESA, in the development of guidelines promoting convergence of supervisory practices concerning supplementary supervision. In this respect, the wording should be similar to that contained in Directive 2010/78/EU, i.e. 'the relevant ESA, through the Joint Committee'.

Reporting formats: the ECB recommends applying harmonised formats, frequencies and dates of reporting, on the basis of implementing technical standards developed by the relevant ESA, through the Joint Committee, for the reporting of the capital adequacy requirements calculated for the relevant entities of a financial conglomerate. Such harmonisation should follow the model already in place in the banking sector, on the basis of a 2009 amendment to the Banking Directive.