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 (ECB) on the review of the mission and organisation of the European Systemic Risk Board (ESRB).

On 8 August 2014, the European Commission adopted a report on the mission and organisation of the European Systemic Risk Board (ESRB) as required under Regulation (EU) No 1092/2010 and Regulation (EU) No 1096/2010 (*please refer to the summary dated from the same day in the documentation gateway*). The European Central Bank (ECB) delivered an opinion on this report.

At present, the ECB considered that **no far-reaching changes are needed to the ESRB legal framework** and that the ESRB has, on balance, functioned well. However, so**me technical adjustments to the ESRB's operational framework would improve its efficiency.** These should be considered by the European Parliament, the Council and the Commission, when assessing the need for concrete legislative proposals.

The ECB made the following specific observations:

(1) ECB support provided to the ESRB - Link between ESRB macro-prudential oversight in the European Union and the ECB's mandate for monetary policy, financial stability and banking supervision.

- The ESRB was established in 2010 to conduct macro-prudential oversight in the Union. The activities the ECB carries out to support the ESRB neither affect the ECB's institutional, functional and financial independence nor the ESCB's performance of its tasks under the Treaty and the Statute of the European System of Central Banks and of the European Central Bank.
- As concerns the proposal advanced by several stakeholders in the Commission consultation process to enhance the ESRB's autonomy, the ECB considered that an appropriate balance should be sought as an unwarranted degree of autonomy would be incompatible with the continued reliance of the ESRB on the ECB's reputation and expertise.

(2) The Chair of the ESRB's General Board.

- The ECB supported the Commission's proposal to keep the President of the ECB as the Chair of the ESRB's General Board. The role of the President of the ECB as the Chair of the ESRB's General Board should therefore not be changed. Importantly, the President of the ECB would need to be re-appointed as Chair of the ESRB's General Board by the end of 2015, since Regulation (EU) No 1092 /2010 provides an explicit limitation on the term of office. Consequently, a legislative proposal specifying the modalities for the designation of the Chair would need to be prepared and adopted in the first half of 2015.

(3) ESRB organisation.

- ***Review of the composition of the ESRB's General Board***: the ECB considered that there would be only very limited possibilities to reduce membership. In fact the ECB stated that all macro-

prudential decision-makers should participate in the General Board. In addition, it would be beneficial that the Single Supervisory Mechanism (SSM) is represented on the General Board with non-voting rights, i.e. in the same way that national supervisors are currently represented.

- ***Review of the composition and tasks of the Steering Committee***: the ECB agreed with the Commission's proposal to strengthen the Steering Committee's role. For example, the Steering Committee could be used as a platform for the exchange of information on planned macro-prudential measures before they are officially notified to the ESRB. Furthermore, the Steering Committee could take a more proactive, forward-looking approach in setting the priorities for the General Board agenda and in identifying key policy issues in the form of a work programme. The strengthened role of the Steering Committee should not in any way compromise the role of the General Board as the ESRB's sole decision-making body. Finally, the ECB considers it beneficial that the SSM is represented on the Steering Committee.
- ***The role of a Managing Director***: the ECB suggested that appointment of an ESRB Managing Director should be balanced by permanently assigning the ex officio chairmanship of the General Board to the President of the ECB. The ECB furthermore suggested that the scope of the Managing Director's role should be further clarified.

(4) SRB toolbox.

- The ECB supports an approach which should enable the ESRB to highlight some risks at an earlier stage without necessarily having to issue a formal warning. However, the ECB considered that there is no need to establish a formal role for the ESRB in the Union legislative procedure beyond what is already provided for in Regulation (EU) No 1092/2010.

(5) ESRB access to data: the ECB called for:

- improvements to be made to the procedures related to the exchange of data;
- streamlining the data access procedures in cases where data are already available in European or national authorities and only the content, format and access rights of such data need to be specified;
- the review of Article 15 of Regulation (EU) No 1092/2010 to make procedures for the provision of individual firm-level data more attuned to the needs of the ESRB and less restrictive, by distinguishing data that is sensitive (e.g. on interconnectedness) and ensuring the appropriate protection of confidentiality.
- The ECB would encourage the ESAs to give appropriate weight to the needs of the ESRB when considering new or amended supervisory reporting requirements, so as to better reflect macro-prudential analytical needs.

(6) Interaction between the ESRB and the SSM.

- Regulation (EU) No 1092/2010 should explicitly provide for SSM representation on the ESRB's General Board. The ECB considered it useful to provide the SSM representation on the Steering Committee as well as on the Advisory Technical Committee (ATC).