European Systemic Risk Board (ESRB): organisation

2017/0232(COD) - 20/09/2017 - Legislative proposal

PURPOSE: to improve the functioning of the European Systemic Risk Board (ESRB) so that it can better monitor risks in the EU financial system.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: following the financial crisis, the EU set up the European System of Financial Supervision (ESFS), built on a two-pillar system of macro-prudential and micro-prudential supervision.

The European Systemic Risk Board (ESRB), established in December 2010, is the macroprudential pillar of the ESFS. Its task is, in particular, to contribute to the prevention or mitigation of systemic risks to financial stability in the EU that arise within the financial system, while taking into account macroeconomic developments, so as to avoid periods of widespread financial distress. It has specific tools, such as recommendations and warnings to shape macroprudential policy in the EU.

Consisting of a wide range of members, including national central banks, supervisory authorities and European institutions, the ESRB's importance is borne out by its work as a coordination platform and information hub, on monitoring risk from an EU-wide perspective.

The **2017 Commission report** on the mission and organisation of the ESRB concludes that, while the ESRB is generally well-functioning, **improvements on certain specific points are necessary** in light of the recent developments in the financial supervisory architecture of the Union and in particular the set-up of a Banking Union. Improvements to the ESRB's **composition** and **how it cooperates** with European institutions are needed.

This proposal shall be seen in the context of the ongoing review of the European Supervisory Agencies (ESAs).

CONTENT: the Commission proposes targeted changes to Regulation (EU) No 1092/2010 in order:

- to propose that the **European Central Bank President** (ECB) serve as ESRB Chair on a permanent basis;
- to give a **greater role to the head of the Secretariat of the ESRB**, whose tasks are currently limited, to enhance the impact of the ESRB warnings and recommendations. The proposal here is to introduce a consultation procedure in which the **General Board assesses the candidates proposed by the ECB** for the post of Head of the ESRB Secretariat, in particular their qualities and experience necessary to manage the Secretariat. Parliament and Council would be informed of the procedure;
- to update the ESRB Regulation to take account of the creation of the Banking Union and to **add the Single Supervisory Mechanism and the Single Resolution Board** as voting members of the ESRB General Board;

- to **include the ECB as a possible addressee of ESRB warnings and recommendations** for ECB tasks conferred to it by the Single Supervisory Mechanism Regulation (Regulation (EC) No 1024 /2013), i.e. for supervisory tasks not pertaining to the conduct of monetary policy;
- to provide that the **advisory technical committee and the advisory scientific committee** shall consult, as appropriate, stakeholders at an early stage and in an open and transparent manner to ensure the quality and relevance of ESRB opinions, recommendations and decisions.

The Regulation will be reviewed after 5 years.

BUDGETARY IMPLICATIONS: the budgetary cost for the ESRB Secretariat is borne by the ECB and has no direct implication for the EU budget.