

CEBS CONFERENCE 2007
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Looking ahead: future challenges for CEBS

Speech of Pervenche Berès
Chairman of ECON Committee

Ladies and gentlemen,

Let me first congratulate CEBS for having launched this debate.

Though still a very "young" committee, CEBS has already largely contributed to fostering consistent application and common understanding of Community banking legislation across the EU.

Allow me, in this context, to recall the (impressive) work carried out particularly as regards the package of guidelines aimed at enhancing timely and consistent implementation of the Capital Requirements Directives in the EU.

CEBS' working experience, albeit short, already seems to point towards a series of important challenges for the Committee's future and its agenda.

Taking into account my own experience as Chairwoman of the Committee on Economic and Monetary Affairs (ECON) of the European Parliament and its role as co-legislator on Lamfalussy-type law, and considering ECON's regular and intensive dialogue with CEBS and other Level 3 committees, **I see the following challenges:**

First - improving the consistency of implementation of EU financial services legislation still remains a priority! Although important progress has been attained, substantial work is still ahead of us!

The experience with the CRD, in particular as regards the number of national discretions which remain too high despite CEBS' efforts, point to the need to further improve working methods, transparency and consultation processes in order to strive for guidelines and high-level principles which are based on truly best practices (and not mere compromises). This is a gigantic task and not an easy one. This is particularly true if the legal set-up and preconditions do not provide sufficient room for manoeuvre.

Second -challenges stemming from Basel II both at the EU and the international level. Basel II is not completed business. 2008 will be a

year of banking revolution when the ground-breaking methods in banking – advanced approaches - become available for banks and financial institutions! Despite the amount of preparatory work that has been undertaken, **I think there is still an important challenge in ensuring proper application and enforcement of the provisions of the Capital Requirements Directive and those included in the related package of CEBS' guidelines.**

Furthermore, **CEBS has an important role to play if we are to achieve a global level-playing field as regards implementation of Basle II rules.** From an EU- regulators point of view, dialogue with their US counterparts also needs to be intensified. **In the European Parliament, we are very much concerned about the negative implications on Europe's financial institutions operating worldwide that result from the differences and time gaps between the implementation of the Basle Capital Accord by the EU and US.** (Let me add one comment: when we, in the European Parliament, have legislated on the provisions of Capital Requirements Directives, we were aiming to adopt truly global standards!)

Third challenge. This year - which is the year of evaluation of the efficiency of the Lamfalussy framework - is a great occasion for an

in-depth analysis of the real needs and necessary preconditions for CEBS and all Level 3 committees (CESR and CEIOPS)!

I think that such reflection is needed so that you and the other Level 3 committees (CESR and CEIOPS) can better deliver the tasks you have been assigned! Tasks such as fostering convergence of supervisory practices across the EU, building common supervisory culture and developing and applying a set of common supervisory practices.

Fourth, the "Francq" report not only highlighted areas which call for improvements, but also put forward important recommendations!

Therefore, I see an important challenge for CEBS in implementing these recommendations, in bringing them to life and making them workable! Let me recall just two of them: mediation mechanism and delegation of powers.

In the Committee on Economic and Monetary Affairs we are constantly debating the status of integration of our financial markets. **And what we, European politicians, nowadays see is strong and unprecedented market consolidation!**

We see dramatic market changes!

And we are becoming concerned. We are becoming more and more anxious about the uneven growth of derivatives markets, about the ever-increasing size and influence of hedge funds and private equity, and in particular about their potential systemic implications.

Whilst profound structural changes, increased linkages at European and international level within and across institutions and markets, have improved market efficiency, **they have also, however, made our financial markets more susceptible to financial crises which might spread at greater speed from one country to another, and which may become more severe than in the past!**

With regard to continuous market consolidation, the fourth challenge for CEBS lies in further strengthening the supervisory cooperation!

I wish to stress that good supervisory cooperation, good information exchange, transparency and promotion of high

European supervisory standards and common supervisory culture is an integral part of the supervisory response to permanent market transformations and ongoing cross-border and cross-sector consolidation.

Furthermore, as the boundaries between financial sectors become more blurred, I believe that greater attention needs to be paid to cross-sectoral aspects. Thus, dialogue and co-operation with the other Level 3 committees - CESR and CEIOPS - needs to be intensified.

Let me conclude with my **final observation.**

While the consolidation of market structures advances, **the consolidation of financial supervision structures seems to follow a different rhythm.**

Thus, **one could raise the question as to whether the current supervisory architecture with supervisors having different competences and responsibilities, acting upon a national mandate, is capable of ensuring a proper supervision of cross-border financial groups and conglomerates.**

Likewise, one could ask **whether the current situation is sustainable and whether or not it puts the stability of the entire European financial system at risk.**

The ECON Committee does not neglect these questions; on the contrary, **we are much concerned and our debates on prudential supervision issues are numerous.**

And as our debates intensify our views about the **importance and urgency of looking more carefully at supervisory issues and financial stability seem to converge.**

There seems to be a steadily growing consensus that the time has come to launch a more fundamental debate on the future of supervision in the EU.

For all this, all proposals by CEBS will be welcome, but the next steps will also require the involvement of the Council and the European Parliament. My final remark will be: from our side we will be very pleased to tackle this task. I wish you good luck and I can assure you that we are looking forward to the next developments, the ones you will complete on your own and the ones we will be completing together.

Thank you for your attention.