International supervisory co-operation

The need for enhanced multilateral co-operation and exchange of information in the field of financial supervision emerged historically as a response to the increasing internationalisation and integration of financial activities. Numerous fora currently serve to reinforce supervisory co-operation. At the international level, the effective implementation of the forthcoming New Basel Accord will call for efforts aimed at ensuring a level playing-field in supervisory treatment. At the EU level, strengthening the practical functioning of co-operation arrangements, through, inter alia, more extensive exchanges of information and the convergence of supervisory practices, has been fully acknowledged by policymakers as a necessary step to cope with increased financial market integration and the transposition of the New Basel Accord into the EU regulatory framework. This article reviews the structure, role and main initiatives of the fora dealing with supervisory issues at the international and EU level and looks at some of the challenges that lie ahead in this area. The ECB plays an active role in strengthening supervisory co-operation, supporting the activities of the ESCB’s Banking Supervision Committee and participating in the work of the relevant committees at the international and EU level.

1 International supervisory co-operation

The progressing globalisation of financial markets has increasingly pushed the importance of adequate supervision and surveillance to the fore. The gathering and sharing of comparable information, the establishment and refinement of harmonised prudential standards and the need for coordinated and efficient management of shocks and financial crises form key elements of international co-operation in the pursuit of effective financial supervision. Effective supervisory co-operation allows for a better understanding of existing and emerging vulnerabilities in the financial system and the timely adoption of pre-emptive measures.

General features

Supervisory co-operation at the international level displays the following general features.

First, supervisory co-operation is based on a flexible framework that focuses on setting standards and identifying best practices, the implementation of which is not legally binding at the national level. Consensus is an important element of the success of the decision-making process. Decisions are implemented on a best effort basis by the competent national authorities. The geographical extension of implementation of rules largely depends upon prior involvement in the decision-making process. This is reflected in the increasing use of technical and regional fora set up by the international committees.

Second, the international committees differ with regard to the organisational structure, reporting lines and modes of co-operation. A broad description of these is provided in Annex 1.

Third, the focus of the work of international committees has been changing over time. An increased focus on specific, technically complex issues has been apparent in the recent past, as a response to market developments.

Fourth, the importance of international committees as standard setters has increased with the strengthening of the surveillance functions of the international financial institutions. This is linked, in particular, to the work of the International Monetary Fund (IMF) and the World Bank in the context of the Financial Sector Assessment Program (FSAP), which refers to the core principles developed by the international committees to assess the resilience of the financial sector in a country.

Finally, international co-operation on a cross-sector basis has gained significant momentum in recent times, especially after the creation in 1999 of the Financial Stability Forum, which
draws on the support of the finance ministers, central banks and supervisory authorities of the G7 major industrial nations.

**Sectoral co-operation**

The Basel Committee on Banking Supervision, the International Organisation of Securities Commissions and the International Association of Insurance Supervisors are the main sectoral fora for international supervisory co-operation in the banking, securities and insurance sectors respectively.

**Long established co-operation in banking**

The Basel Committee on Banking Supervision (BCBS) was established in 1974 by the Central Bank Governors of the G10 countries in the aftermath of the bankruptcy of Bankhaus Herstatt in Germany and Franklin National in the United States. It comprises representatives from central banks and banking supervisory authorities of 13 countries. Its main objective is to enhance the quality and effectiveness of banking supervision on a worldwide basis. The BCBS pursues this goal by exchanging information on national supervisory issues and major market developments, setting supervisory standards and guidelines and identifying best practices for banks and supervisors. The BCBS does not possess any formal regulatory or supervisory power of its own. Instead, it operates under the assumption that the participating national authorities will take the necessary measures to implement its decisions. The BCBS submits its deliberations to the G10 Governors and seeks the endorsement and commitment of all member organisations.

The BCBS encourages co-operation with non-G10 countries as a “transmission mechanism” of its rules and principles. One of the tools is the Core Principles Liaison Group, which promotes co-operation at the technical level between the BCBS, banking supervisors and central banks from emerging market economies as well as the IMF and the World Bank. Contacts with supervisory authorities from other countries have also been strengthened through the International Conference of Banking Supervisors, which takes place every two years.

The BCBS has thus far devoted most of its resources to the review of banks’ capital adequacy rules. Although non-compulsory, the capital requirements set out in the 1988 Basel Accord have become international benchmarks and their scope of application extends to virtually all countries. The BCBS is currently working on the revision of the 1988 Accord. The new framework will be based on three pillars, namely minimum capital requirements, supervisory review and market discipline, and is intended to be more risk-sensitive. With a view to the effective implementation of the revised regime, the BCBS recently set up the Accord Implementation Group.

In close collaboration with non-G10 countries, the BCBS developed in 1997 the “core principles on banking supervision”, which provide a comprehensive blueprint for effective banking supervision. These principles cover: (i) preconditions for effective banking supervision; (ii) licensing approval and processing; (iii) ongoing banking supervision; (iv) the formal powers of supervisors; and (v) cross-border banking. To assist implementation and assessment, the BCBS released the “core principles methodology” in October 1999.

The ECB participates in an observer capacity in the meetings of the BCBS and in some of its sub-groups. In addition, the reports of the ESCB’s Banking Supervision Committee are normally transmitted to the BCBS.

**More limited experience of co-operation in securities and insurance**

The International Organisation of Securities Commissions (IOSCO), established in 1983, is the major international forum for
co-operation among national securities regulators and supervisors. Its objectives are to promote high regulatory standards for securities markets and intermediaries and to ensure the effective surveillance of international securities transactions. It also provides a forum for mutual assistance in the application and enforcement of such standards. IOSCO has numerous sub-structures including a technical committee organised along the lines of the BCBS and several regional and specific committees. IOSCO has a wider membership than the BCBS, comprising more than 160 members from over 90 countries. Its general meetings take place once a year in the form of a general assembly. IOSCO has no direct reporting lines.

Like the BCBS, in 1998 IOSCO developed its “objectives and principles of securities regulation”. These principles pursue three goals: ensuring the protection of investors; furthering progress towards fair, efficient and transparent markets; and reducing systemic risk. They cover a wide range of issues, including the role of the regulator, self-regulation, the enforcement of securities regulation, as well as co-operation among regulators, issuers, collective investment schemes, market intermediaries and secondary markets. They are broadly accepted as minimum requirements for good practice and included in the international standards for sound financial systems.

The International Association of Insurance Supervisors (IAIS) is a relatively young organisation, founded in 1994. It comprises national insurance regulators and supervisors from over 100 jurisdictions. The IAIS sets international standards for insurance regulation and supervision, assists its members in complying with these standards and co-ordinates work with regulators responsible for other financial sectors and international financial institutions. It is headed by an Executive Committee and its structure includes three technical committees as well as various working groups. It has no reporting lines.

The IAIS also issued the “insurance core principles” in 1997 as well as supplementary principles, standards and guidance in 1998 as means of fostering insurance supervisory practices internationally. The principles are included in the set of international standards and codes, and cover a broad area of issues, such as the organisation of supervision, licensing, corporate governance, internal controls, prudential rules, market conduct, monitoring and sanctions.

Cross-sector co-operation

High-level impetus to strengthen co-operation

The emergence of financial conglomerates heightens the need for co-operative efforts to ensure the effective supervision of complex financial groups. At the same time, the blurring of distinctions between the activities of banks, securities firms and insurance companies calls for co-operation in order to prevent regulatory arbitrage and to further promote a level playing-field. Against this background, in 1999 a report entitled “International co-operation and co-ordination in the area of financial market supervision and surveillance” (known as the “Tietmeyer Report”) was prepared at the request of the G7 Finance Ministers and Central Bank Governors to assess ways of strengthening financial supervision. The report highlighted the need to develop consistent rules on the treatment of risks across sectors and to promote international financial stability through information sharing and international co-operation in financial supervision.

On the basis of the report findings, the Financial Stability Forum (FSF) was established in February 1999 by the G7 Finance Ministers and Central Bank Governors. The FSF is a high-level forum comprising authorities responsible for financial stability (treasuries, central banks, supervisory agencies) from the G7 countries and other important financial centres, international financial institutions,
and international committees of regulators, supervisors and central banks.

The main objectives of the FSF are to assess vulnerabilities in the international financial system and to identify action that could be taken to promote international financial stability. Increased international co-operation in financial supervision and surveillance and extensive exchanges of information are key components of such activity. In that context, the FSF makes a specific contribution to addressing cross-sector issues.

With regard to its ongoing work to foster the implementation of international standards and codes, the FSF identified 12 standards and codes which have been designated as key for the sound and smooth functioning of financial systems. These standards cover three broad categories, namely macroeconomic policy, the institutional framework and market infrastructure, and the regulation and supervision of all financial sectors.

**Important work at the technical level**

The Joint Forum of Financial Conglomerates is the main technical forum for international cross-sector supervisory co-operation. It was established in 1996 under the aegis of the three international sectoral committees (BCBS, IOSCO and IAIS) and comprises senior bank, insurance and securities regulators and supervisors from 14 countries (the BCBS member countries plus Australia).

The Joint Forum examines supervisory issues relating to financial conglomerates and aims to enhance mutual understanding in this regard. It is not a standard-setting body and its task is limited to putting forward recommendations to the parent committees.

The Joint Forum provided an important technical contribution in the area of the supervision of financial conglomerates. Its 1999 report on the supervision of financial conglomerates sets out prudential recommendations in six areas, namely capital adequacy, the fitness and propriety of the top management, the exchange of information and co-operation between supervisors, the need for a co-ordinating supervisor, intra-group transactions and risk concentrations. More recent work of the Joint Forum on risk management practices, regulatory capital and core principles for supervision in the three sectors might support further convergence in supervisory rules.

Notwithstanding the significant progress made so far, there is still much work to be done to achieve a harmonised regulatory framework for all sectors of financial activity. This is a result, inter alia, of the asymmetry in the degree of harmonisation achieved in the field of bank regulation, on the one hand, and in the regulation of securities firms and insurance companies, on the other. Current developments indicate that an increasing number of major financial conglomerates are moving towards a centralised and integrated risk management framework for addressing risks and setting aside capital, which is creating new challenges for supervision and cross-sector co-operation.

**Other areas of cross-sector co-operation**

The scope of international supervisory co-operation has not been limited to the setting of standards and principles for the effective supervision of financial institutions and conglomerates. Money laundering activities and the financing of terrorism represent international threats to the integrity of financial systems, thus also implying a need for international co-operation. Co-ordinated efforts by the relevant authorities are crucial to devise and implement the appropriate counter-measures. In this context, the Financial Action Task Force on Money Laundering (FATF) has adopted 40 recommendations to combat money laundering. They are widely accepted as the benchmark for anti-money laundering systems. The implementation of these recommendations by national authorities is verified by means of peer review, and the
FATF compiles and releases a list of non-co-operative territories and jurisdictions, which is updated regularly. After the events of 11 September, the FATF also adopted eight special recommendations against terrorist financing. The ECB participates in an observer capacity in the meetings of the FATF.

2 Supervisory co-operation at the EU level

Supervisory co-operation is a fundamental building block of the EU institutional framework. Co-operation among competent authorities is based on two major “instruments”. The first consists in the supervisory agreements set out in the form of bilateral or multilateral memoranda of understanding between the competent authorities, which aim at ensuring functionality and efficiency in the day-to-day supervision of individual institutions or complex financial organisations. The second is multilateral co-operation, via committees and similar structures, with a view to improving supervisory rules and practices and ensuring a level playing-field. Annex 2 provides a broad description of the main features of the EU regulatory and supervisory committees.

Supervisory co-operation enshrined in the EU regulatory framework

The EU regulatory framework is generally consistent with the standards developed at the international level. It also contains several, more far-reaching elements which define and affect co-operation between the EU regulatory and supervisory authorities.

Co-operation among supervisory authorities draws on existing provisions in the EC Directives. By contrast with the underlying framework for international co-operation, Directives can, and often do, set out binding obligations for supervisory co-operation. In other cases, they directly remove legal obstacles to such co-operation. For instance, the sectoral Directives provide for the compulsory exchange of information by supervisors with their counterparts in the same sector within the EU. Furthermore, consolidated supervision for banking groups and investment firm groups is based on legislative provisions governing the co-operation and exchange of information among competent authorities. The exchange of supervisory information with supervisors of other sectors or with other competent authorities, including central banks, is possible but not mandatory.

Supervisory co-operation issue in the forefront

A number of long-lasting trends are deeply affecting the financial landscape in the EU. Consolidation in the banking sector, increasing concentration, intensified competition, internationalisation of financial activities within and outside the EU as well as new establishments of mixed financial groups and conglomerates are among the most common structural changes in EU countries. The introduction of the euro has further intensified such changes, contributing to the increasing integration of capital markets and closer links between financial institutions in the euro area. This means that supervisory co-operation in the EU is confronted with a rapidly evolving environment. Hence, public authorities are currently pushing for strengthened regulatory and supervisory co-operation in the EU.

First, a political agreement was achieved on the need to speed up the process of integration of the EU financial services industry, on the understanding that this might greatly contribute to enhancing the growth prospects for the area. The Financial Services Action Plan (FSAP) adopted by the European Commission in 1999 contains a detailed programme of legislative initiatives to
eliminate the existing barriers and achieve the regulatory infrastructure that could underpin a truly integrated market for financial services in the EU. This also covers the strengthening of the supervisory framework. The full implementation of the FSAP is foreseen by 2005.

Second, the Economic and Financial Committee (EFC) adopted two reports on financial stability (April 2000) and financial crisis management (April 2001), known as “Brouwer reports I and II”, endorsed by ECOFIN, which brings together the economic and finance ministers of the EU. These reports concluded that the existing institutional arrangements for regulation and supervision in the EU provide a coherent and flexible basis for safeguarding financial stability. However, they recommended an enhancement to the operation of co-operation mechanisms in the EU. In particular, the report on financial stability put forward the following recommendations: (i) strengthening cross-sector co-operation at the international level, since supervisory arrangements are primarily designed to cope with cross-border co-operation; (ii) making the exchange of information among supervisory authorities and central banks on major financial institutions and market trends a key feature of co-operation; (iii) strengthening co-operation between supervisors and central banks, with a view to ensuring that the emergence of financial problems within a group that may have contagion effects in other EU countries is reported in a timely manner to all competent authorities concerned; (iv) pursuing the convergence of supervisory practices.

The report on crisis management also focused on co-operation arrangements, recommending that: (i) in a crisis situation all authorities likely to be involved should be informed in a timely manner and, to this end, any remaining legal obstacles to the exchange of information between supervisors, central banks, overseers of payment systems and bodies administering deposit-guarantee schemes should be removed; (ii) for the major financial institutions, including conglomerates, agreement should be reached on the coordinating supervisor and its responsibilities, including information gathering and communication, particularly in crisis situations; (iii) the memoranda of understanding should be further developed to deal more concretely with crisis management. The EFC reviews on a regular basis the progress being made in the implementation of these recommendations.

Third, the report of the Committee of Wise Men on the regulation of European securities markets (known as the Lamfalussy report) proposed a reshaping of the regulatory process in the securities field. The report was prepared following a request by ECOFIN in July 2000. With a view to making EU securities legislation more flexible and effective, a four-level approach was proposed. For Level 1, the basic principles of the legislation, which are expected to remain fairly stable over time, are to be laid down via a framework of Directives and Regulations. For Level 2, the European Commission will adopt implementing measures in respect of the framework Directives and Regulations, including technical provisions that will need to keep in step with market and supervisory developments. These measures will be adopted through a more expeditious procedure, relying on the newly established European Securities Committee. Level 3 encompasses initiatives by national regulators to implement the common regulations. Another newly established committee (the Committee of European Securities Regulators) is entrusted with the task of ensuring effective co-operation between supervisory authorities, promoting best practices and carrying out peer reviews, so as to ensure more consistent and timely implementation of Community legislation in the Member States. Finally, Level 4 aims to strengthen the enforcement of Community law by the Commission, with the co-operation of the Member States. A full review of the proposed regulatory structure which is being put in place will be carried out in 2004.
Sectoral co-operation

Regulatory committees continue to play an important role

The Banking Advisory Committee (BAC) is the regulatory committee for the banking sector, comprising high-level representatives from the ministries of finance, national central banks and supervisory authorities of the Member States. The BAC was established in 1977 under the First Banking Co-ordination Directive. Its competencies are mainly in the regulatory field as it assists the European Commission in the preparation of new regulatory proposals and technical adaptations to the banking Directives and other legal instruments. In practice, the BAC also performs a comitology task, namely revising certain technical parts of EC Directives. This is, for the time being, of limited scope and concerns predefined articles of the existing banking legislation. The BAC is currently heavily involved in the revision of the new regulatory framework concerning the capital adequacy of EU banks and investment firms. While looking for consistency with the international capital adequacy standards being developed by the BCBS, the BAC also addresses EU specificities and strives to achieve a level playing-field for banks and investment firms alike. In addition, the BAC is increasingly involved in accounting issues owing to their relevance to the regulatory and supervisory framework.

The European Securities Committee (ESC) is a newly established committee composed of high-level representatives of the EU finance ministries. For the time being, it functions as an advisory body to the Commission on securities issues relating to the adoption of proposed Directives or Regulations (Level 1). It is also expected to act in a regulatory capacity in the exercise of the implementing powers conferred on it by relevant Directives/Regulations (Level 2), once the basic legislative acts have been adopted. The ECB participates in an observer capacity in the ESC, as well as in the BAC.

The Insurance Committee (IC), set up in 1991, comprises high-level representatives of the EU insurance supervisory authorities and finance ministries. Its primary role is to assist the Commission in preparing prudential legislation for the insurance sector and to discuss issues relevant to insurance regulation and supervision. As the BAC, the IC has the competence to amend technical provisions in EU insurance Directives. Considerable work has been undertaken under the auspices of the IC to improve and update the prudential framework applicable to EU insurance undertakings. In that context, the proposals on solvency margin requirements (known as the “Solvency I package”), adopted in February 2002, are aimed at improving the existing solvency margin requirements for EU insurance companies. The IC is currently involved in a broader examination of the overall financial position of insurance undertakings (known as the “Solvency II review”) and is considering the establishment of a prudential framework for reinsurance undertakings.

Supervisory committees are becoming increasingly relevant

The Banking Supervision Committee

The Banking Supervision Committee (BSC) is an ESCB committee composed of high-level representatives from national banking supervisory authorities and central banks. It assists the ESCB in the fulfilment of its statutory tasks relating to prudential supervision and financial stability. The European Commission and the Groupe de Contact (which is described below) also participate in the work of the BSC with an observer status, thus ensuring co-ordination with the other EU regulatory and supervisory committees.

The BSC has a specific role in contributing to smooth interaction between central banking and supervisory functions in the EU. This is particularly necessary because of the
The separation between the monetary policy and banking supervision jurisdictions in the euro area. But it also has a wider, EU scope, since the changes in money and capital markets and payment and securities settlement infrastructures are affecting the nature and scope of systemic risk in the whole area, raising issues that are at the core of both central banking and supervisory responsibilities.

The possible impact of conjunctural developments on the EU banking sector is regularly reviewed by the BSC, where a confidential exchange of information among members takes place. On 12 September 2001, the Committee held a teleconference to share information on the impact of the terrorist attacks in the United States and the likelihood of crisis situations arising. Since tensions emerged mainly in the banks’ management of liquidity, the contacts within the BSC were particularly helpful in providing a comprehensive picture of the situation at all times. Crisis management is clearly a field where there is a strong need for very close co-operation between central banks and supervisory authorities, especially should financial stability be called into question because of a bankruptcy or possible contagion effects arising in this context.

Regular analytical work is carried out on the soundness and stability of the EU banking sector and on the medium-term structural developments impacting on the EU banks. First, in monitoring soundness and stability, the BSC’s framework builds on semi-annual monitoring of macro-prudential indicators, based on aggregate data for national banking systems. Second, in its structural monitoring, the BSC analyses the national banking structures (e.g. in terms of size, capacity, consolidation and concentration), disintermediation, internationalisation, new technologies and profitability and capital adequacy indicators. Both analyses rely on a wide range of information sources, including confidential supervisory information, and their findings are normally used by the members of the BSC, the decision-making bodies of the ECB and the other EU and international supervisory fora. Some reports of the BSC were made available to the general public (see table).

Other supervisory committees

The Groupe de Contact (GdC) is also active in the banking sector in promoting co-operation among supervisory authorities at the technical level. It was established in 1972 and comprises banking supervisors from the EU Member States. Its main function is to promote the exchange of information on the relevant developments in banking regulation and supervision as well as on individual banking cases. It is currently undertaking important work in the area of convergence of supervisory practices.

The Committee of European Securities Regulators (CESR), which took over in September 2001 the activities and secretariat of the informal Forum of European Securities

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**Table**

<table>
<thead>
<tr>
<th>Date</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>February 1999</td>
<td>The possible effects of EMU on the EU banking systems in the medium to long term</td>
</tr>
<tr>
<td>July 1999</td>
<td>The effects of technology on the EU banking systems</td>
</tr>
<tr>
<td>April 2000</td>
<td>EU banks’ income structure</td>
</tr>
<tr>
<td>April 2000</td>
<td>Asset prices and banking stability</td>
</tr>
<tr>
<td>December 2000</td>
<td>EU banks’ margins and credit standards</td>
</tr>
<tr>
<td>December 2000</td>
<td>Mergers and acquisitions involving the EU banking industry – facts and implications</td>
</tr>
</tbody>
</table>
Commissions (FESCO), has two main tasks. First, it acts as an independent group assisting the Commission primarily but not exclusively in the preparation of technical implementing measures (Level 2). Second, it plays an important role in promoting co-operation between Member States so as to ensure more consistent day-to-day implementation of Community legislation in the securities field (Level 3).

The Conference of the Insurance Supervisory Authorities (CIS) is the longest-standing group and has been in existence since 1957. The CIS is composed of high-ranking insurance supervisors from the EU Member States and is a forum for co-operation and exchange of information. The CIS examines topics of mutual interest from an insurance supervisory perspective, including issues relating to individual insurance companies, should the need arise. It also prepares reports for the IC on its own initiative or upon request. It has adopted a number of multilateral “protocols” laying down agreed practical details for the implementation of EU insurance Directives.

3 Challenges ahead

While significant progress has been made so far in the field of multilateral supervisory co-operation, as highlighted in the sections above, significant challenges stem from regulatory and market developments and are relevant at both the international and the EU level.

A first challenge stems from the new capital adequacy regime for banks, which is being devised by the BCBS and will be transposed into the EU regulatory framework (and extended to investment firms as well). The effective implementation of the new regime, and in particular of its second pillar (supervisory review), calls for enhanced co-operation among banking supervisors on a worldwide basis to achieve further consistency in the area of supervisory tools and practices. This objective is a top priority for the EU where the process of banking integration represents an additional motive for pursuing the objective concerned. The EU banking committees play an important role in this field.

A second challenge relates to the market developments towards increased blurring of distinctions among the three segments of the financial system and further financial conglomerates. These developments call for strengthened regulatory and supervisory co-operation on cross-sector issues. In the EU, the recently proposed legislative framework for financial conglomerates provides a window of opportunity to pursue this goal. In particular, the proposed Directive introduces three key elements that are also important

Cross-sector co-operation

In the EU, cross-sector co-operation is based on the initiatives of a new and informal structure, namely the Cross-sector Roundtable of Regulators, which has assumed a useful co-ordinating function for all sectoral regulatory and supervisory groups addressing cross-sector issues of common interest. The Roundtable brings together the chairpersons and secretariats of the BAC, the BSC, the GdC, the ESC, the CESR, the IC and the CIS, with the Commission acting as a facilitator.

At a technical level, the Mixed Technical Group on the Prudential Supervision of Financial Conglomerates (MTG) was set up by the three sectoral regulatory committees to analyse the issue of financial conglomerates with a view to providing input into the Commission’s legislative initiative on the supervision of financial conglomerates. The draft EC Directive on the supervision of financial conglomerates is currently being discussed at the Council level. The MTG has continued to function as a cross-sector technical forum. The ECB participates in the MTG in an observer capacity.
from the point of view of enhancing cross-sector regulatory and supervisory cooperation: first, the identification of the role and responsibilities of the co-ordinator for the supervision of financial conglomerates, also in emergency situations; second, the setting-up of a new committee, the Financial Conglomerates Committee, which will have the task of assisting the Commission in regulatory matters pertaining to financial conglomerates and which is expected to be the competent committee for amending the technical provisions of the EU Financial Conglomerates Directive; and, third, specific provisions on the exchange of information between supervisors of different sectors and between them and other authorities, including central banks.

A third challenge relates to the increasing integration of banking and financial markets. Whereas this process is occurring on a global basis, it is particularly relevant in the EU, owing to the effects of the introduction of the single currency. While deeper financial integration reinforces the defence against financial instability, since the financial system can more easily absorb potential shocks, new sources of vulnerabilities may emerge (e.g. exposure of the domestic banking sectors to common shocks and increased risk of cross-border contagion). This requires, inter alia, reinforced ex ante monitoring of relevant developments in the banking and financial sector from a financial stability perspective through the enhanced co-operation and exchange of information on the macro-prudential tasks, which are normally undertaken by central banks, and the micro-prudential tasks, which are carried out by supervisory authorities, including those central banks entrusted with supervisory responsibilities. It also requires strengthened co-operation between central banks and supervisory authorities for crisis management. At the EU level, the BSC can play a relevant role in both cases.
### Annex 1

**International supervisory committees**

<table>
<thead>
<tr>
<th>Basel Committee on Banking Supervision (BCBS)</th>
<th>International Organisation of Securities Commissions (IOSCO)</th>
<th>International Association of Insurance Supervisors (IAIS)</th>
<th>Joint Forum</th>
</tr>
</thead>
<tbody>
<tr>
<td><a href="http://www.bis.org/bcb/aboutbcb.htm">www.bis.org/bcb/aboutbcb.htm</a></td>
<td><a href="http://www.iosco.org">www.iosco.org</a></td>
<td><a href="http://www.iaisweb.org">www.iaisweb.org</a></td>
<td><a href="http://www.bis.org/bcb/jointforum.htm#pgtop">www.bis.org/bcb/jointforum.htm#pgtop</a></td>
</tr>
<tr>
<td>Membership</td>
<td>More than 160 securities regulators from around 90 countries with three categories of membership: ordinary (voting right), associate and affiliate (non-voting)</td>
<td>Insurance supervisory authorities of some 100 jurisdictions</td>
<td>Bank, insurance and securities supervisors from Australia, Belgium, Canada, France, Germany, Italy, Japan, Luxembourg, the Netherlands, Spain, Sweden, Switzerland, the United Kingdom, the United States</td>
</tr>
<tr>
<td>Central banks and non-central bank authorities, with formal responsibility for the prudential supervision of banking business, from Belgium, Canada, France, Germany, Italy, Japan, Luxembourg, the Netherlands, Spain, Sweden, Switzerland, the United Kingdom and the United States</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Focus</td>
<td>Large, internationally active credit institutions</td>
<td>Securities firms and markets</td>
<td>Financial conglomerates and cross-sector issues</td>
</tr>
<tr>
<td>Objectives</td>
<td>To encourage convergence towards common approaches and standards; to formulate broad supervisory standards and best practices; to close gaps in international supervisory coverage in pursuit of two basic principles: no foreign banking establishment should escape supervision and supervision should be adequate.</td>
<td>To promote high standards of regulation to maintain efficient and sound markets; to exchange information on experiences in order to promote the development of domestic markets; to unite efforts to establish standards and effective surveillance of international securities transactions; to provide mutual assistance to promote market integrity by a rigorous application of the standards and by effective enforcement.</td>
<td>To study issues of common interest to the three financial sectors and develop guidance and principles and/or best practices, as appropriate; to examine ways to enhance supervisory co-ordination on a cross-sector basis.</td>
</tr>
<tr>
<td>Date of establishment</td>
<td>1974</td>
<td>1983</td>
<td>1994 (its predecessor, the Tripartite Group, was set up in 1993)</td>
</tr>
<tr>
<td>Frequency of meetings</td>
<td>Three times a year</td>
<td>Annual general assembly</td>
<td>Three times a year</td>
</tr>
<tr>
<td>Annual conference</td>
<td>Annual general assembly</td>
<td>Annual conference</td>
<td></td>
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</tbody>
</table>
## Annex 2

### EU regulatory and supervisory committees

<table>
<thead>
<tr>
<th>Type</th>
<th>Name</th>
<th>Membership</th>
<th>Main features</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sectoral regulatory committees</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Banking Advisory Committee (BAC)</td>
<td>High-level representatives from Member States’ ministries of finance, banking supervisory authorities and central banks and from the European Commission; the ECB, Norway, Liechtenstein and Iceland participate as observers.</td>
<td>The BAC acts first as a forum for discussion to advise the European Commission on new Community legislative proposals in the banking sector and the implementation of EC Directives in Member States. In this capacity, it is chaired by one of its members. Second, it performs a comitology function, under the chairmanship of the Commission, to make technical amendments to EC Directives. The BAC was established in 1977 and meets three times a year.</td>
<td></td>
</tr>
<tr>
<td>European Securities Committee (ESCC)</td>
<td>High-level representatives from Member States’ ministries of finance and from the European Commission; the ECB and the chairman of the CESR participate as observers.</td>
<td>The ESC – chaired by the Commission – advises the Commission on policy issues relating to securities regulation. Once implementing powers have been devolved to it through the co-decision procedure, the ESC will also act as a regulatory committee assisting the Commission in exercising the implementing powers conferred on it by legislative acts. The ESC was established in 2001 and meets on a regular basis.</td>
<td></td>
</tr>
<tr>
<td>Insurance Committee (IC)</td>
<td>High-level representatives from Member States’ ministries of finance/economic affairs and insurance supervisory authorities and from the European Commission; representatives from Norway, Liechtenstein and Iceland participate as observers.</td>
<td>The IC – chaired by the Commission – provides first an advisory forum to examine questions related both to the application of Community provisions and to new proposals for Directives. Second, it performs a comitology function assisting the Commission in exercising its implementing powers. The IC was created in 1992 and meets at least three times a year.</td>
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<td><strong>Sectoral supervisory committees</strong></td>
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<td>Banking Supervision Committee (BSC)</td>
<td>High-level representatives from Member States’ banking supervisory authorities and the ECB; the European Commission and the Chairman of the GdC participate as observers.</td>
<td>The BSC, as an ESCB committee, assists in the fulfilment of the ESCB’s statutory tasks in the field of prudential supervision and financial stability. In addition, the BSC can act as a forum for consultation among EU banking supervisors. The BSC was established in 1998, is chaired by one of its members and meets four or five times a year.</td>
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<td>Groupe de Contact (GdC)</td>
<td>Middle management representatives from Member States’ banking supervisory authorities; representatives from the European Commission, Norway, Liechtenstein and Iceland participate as observers.</td>
<td>The GdC promotes co-operation and the exchange of information on issues relating to banking regulation and supervisory practices. It also addresses individual cases relevant to supervision. The GdC was established in 1972, is chaired by one of its members and meets at least three times a year.</td>
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<tr>
<td>Committee of European Securities Regulators (CESR)</td>
<td>High-level representatives from competent authorities in the securities field from the Member States, Norway and Iceland and from the European Commission; the ECB can be invited to participate on an ad hoc basis.</td>
<td>The CESR is an independent advisory body contributing to the preparation of technical implementing measures, to ensuring more effective co-operation between the Member States and to a consistent and timely implementation of Community law through reinforced supervisory co-operation. The CESR was established in 2001 and replaced the Forum of European Securities Regulators (FESCO) founded in 1997. It is chaired by one of its members and meets on a regular basis.</td>
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<td>Conference of Insurance Supervisory Authorities (CIS)</td>
<td>High-level representatives from the Member States’ insurance supervisory authorities; representatives from the European Commission, Norway, Iceland and Liechtenstein participate as observers.</td>
<td>The CIS is a forum for supervisory co-operation and the exchange of information. A detailed set of rules and procedures has been agreed in the form of a “protocol” which constitutes a multilateral Memorandum of Understanding. The CIS was established in 1958, is chaired by one of its members and meets twice a year.</td>
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<td><strong>Cross-sector committees</strong></td>
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<td>Cross-sector Roundtable of Regulators (CRR)</td>
<td>Chairpersons and secretariats of the BAC, the BSC, the GdC, the ESC, the CESR, the IC and the CIS.</td>
<td>The CRR contributes to an informal exchange of information on cross-sector issues between the different sectoral fora. The CRR was established in 2001 and meets on a regular basis. The Commission acts as a facilitator.</td>
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<td>Mixed Technical Group (MTG)</td>
<td>Experts of Member States’ regulatory and supervisory authorities for banking, securities and insurance and from the European Commission; the ECB participates as an observer.</td>
<td>The MTG is a cross-sector technical forum working on prudential issues. The MTG put forward proposals for improving the prudential framework applicable to conglomerates which were used as input by the Commission for its proposals for an EC Directive on financial conglomerates. The MTG was established in 1999, under the auspices of the sectoral regulatory committees, is chaired by the Commission and meets four times a year.</td>
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