

Consultation on the Review of the European System of Financial Supervision

The European Supervisory Authorities (ESAs)

Effectiveness and efficiency of the ESAs in accomplishing their tasks

How do you assess the impact of the creation of the ESAs on the financial system in general and on (i) financial stability, (ii) the functioning of the internal market, (iii) the quality and consistency of supervision, and (iv) consumer and investor protection in particular?

-open reply-(optional)

Do the ESAs' mandates cover all necessary tasks and powers to contribute to the stability and effectiveness of the financial system? Are there elements which should be added or removed from the mandate? Please explain?

-open reply-(optional)

In your view, do the ESAs face any obstacles in meeting their mandates? If yes, what do you consider to be the main obstacles? Please explain. -open reply-(optional)

Work towards achieving a single rulebook - regulatory activities

Do you consider that the technical standards and guidelines/recommendations developed by the ESAs have contributed to further harmonise a core set of standards in the area of supervision (the single rulebook)? If you have identified shortcomings, please specify how these could be addressed.

-open reply-(optional)

What is your assessment of the work undertaken by the ESAs as regards providing opinions (e.g. technical advice) to the EU institutions? -open reply-(optional)

Common supervisory culture/convergence of supervisory practices

In your view, did the ESAs contribute to promoting a supervisory culture and convergence of supervisory practices? If you have identified shortcomings how could these be addressed? -open reply-(optional)

Consistent application of EU law

In your view, do the procedures on breaches of EU law (Article 17 ESAs Regulations) and binding mediation (Article 19 ESAs Regulations) ensure the consistent application of EU law? If you have identified shortcomings how could these be addressed? -open reply-(optional)

Emergency situations

Do you consider the ESAs' role in emergency situations appropriate? Please explain. -open reply-(optional)

Coordination function (Art 31 ESAs Regulations)

Do you think that the coordination role of the ESAs is appropriate? If you have identified shortcomings, please specify how these could be addressed.

-open reply-(optional)

In your experience, to what extent have coordination activities carried out by the ESAs contributed to promoting a coordinated EU response to adverse market conditions? Please explain. -open reply-(optional)

Tasks related to consumer protection and financial activities

How do you assess the role and achievements by the ESAs in the field of consumer protection? Please specify the main achievements by each ESA.

-open reply-(optional)

Are you aware of the warnings that were issued by the ESAs so far? If yes, please specify which ones and whether they have contributed to improve consumer protection or any other objective of the ESAs.

-open reply-(optional)

What are the main strengths and weaknesses of the current framework on consumer protection (Article 9 ESAs Regulations) and what would you suggest to address any possible shortcomings? -open reply-(optional)

Direct supervisory powers

How do you assess ESMA's direct supervisory powers? If you have identified shortcomings, please specify how these could be addressed.

-open reply-(optional)

How do you assess ESMA's performance for the registration and supervision of credit rating agencies (CRAs)?

-open reply-(optional)

Do you consider that further responsibilities of direct supervision should be entrusted on one or more of the ESAs, particularly with regard to institutions or infrastructures of pan-European reach? Please explain.

-open reply-(optional)

Governance of the ESAs

General governance issues

Are the governance requirements sufficient to ensure impartiality, objectivity and autonomy of the ESAs?

-open reply-(optional)

How do you assess the accountability requirements? If you have identified shortcomings, please specify how these could be addressed. -open reply-(optional)

Decision-making bodies and voting modalities

Does the current composition of the Board of Supervisors (BoS) ensure that it acts efficiently? If you have identified shortcomings, please specify how these could be addressed.

-open reply-(optional)

Does the composition of the Management Board ensure that the ESAs are run effectively and perform the tasks conferred on them? If you have identified shortcomings, please specify how these could be addressed.

-open reply-(optional)

Does the mandate of the Management Board ensure that the ESAs are run effectively and perform the tasks conferred on them? If you have identified shortcomings, please specify how these could be addressed. -open reply-(optional)

Financing and resources

How do you assess the arrangements on financing and resources? If you have identified shortcomings, please specify how these could be addressed. -open reply-(optional)

Involvement and role of relevant stakeholders

How would you assess the impact of the relevant stakeholder groups within the ESAs on the overall work and achievements of the ESAs?

-open reply-(optional)

Are you satisfied with the quality and timeliness of consultations carried out by the ESAs?

-open reply-(optional)

Are you satisfied with the appointment procedures for the stakeholder groups?

-open reply-(optional)

In your experience, does the composition of stakeholder groups ensure a sufficiently balanced representation of stakeholders in the relevant sectors? If not, which areas appear to be insufficiently/overly represented?

-open reply-(optional)

Is the work undertaken by the stakeholder groups sufficiently transparent? Do you see areas where the approach towards transparency needs to be revisited?

-open reply-(optional)

In your experience, are the ESAs, and in particular the ESAs stakeholder groups, sufficiently accessible for stakeholders not directly represented in these stakeholder groups?

-open reply-(optional)

Joint bodies of the ESAs

How do you assess the functioning of the Board of Appeal (BoA)?

If you have identified shortcomings, please specify how these could be addressed.

-open reply-(optional)

What is your assessment of having one joined BoA for all ESAs as compared to a dedicated BoA for each ESA respectively?

-open reply-(optional)

How do you assess the functioning of the Joint Committee (JC)?

If you have identified shortcomings, please specify how these could be addressed.

-open reply-(optional)

Does the JC ensure cross-sectoral cooperation and consistent approaches between the three ESAs? If you have identified shortcomings, please specify how these could be addressed.

-open reply-(optional)

ESRB

ESRB's mandate and experience

Risk identification and prioritisation

What are your views on the ESRB mandate? If you think it should be amended please specify how.

-open reply-(optional)

Sveriges Riksbank: The ESRB mandate was thoroughly elaborated following the absence of macro-prudential oversight within the European Union. The mandate was deliberately made broad. The lessons that can be drawn from the most recent crisis but also from other financial crises is that systemic risks can arise in all sectors of finance and have repercussions in all countries of the Union. In that respect the mandate is suitable.

What are your views on the definition of systemic risk, as provided by the ESRB Regulation? If you think it should be amended, please specify how.

-open reply-(optional)

Sveriges Riksbank: We see no point in amending the current definition. It is a definition which implies that the ESRB must be very vigilant to all types of systemic risks in the financial system in the EU. The definition is also in line with other international definitions of systemic risk.

Do you think that the ESRB has developed a sufficiently preventive and forward-looking approach? Please comment on the successes and shortcomings and how they could be, respectively strengthened or addressed.

-open reply-(optional)

Sveriges Riksbank: On the whole yes. Of course, it was a challenge for the ESRB to start its operations in the midst of a crisis. Nevertheless, it has been able to find a forward looking approach. The ATC has managed to generate issues of relevance to the General Board, some of which have resulted in recommendations. The recommendations made so far are on the whole forward looking. However, the ESRB has from time to time encountered difficulties in getting access to the relevant statistics in a timely manner. The delays in this respect have delayed some actions, which is unfortunate. It would, therefore, be most valuable if the ESRB processes of getting access to data could be facilitated and speeded up. A shortcoming could be that focus has so far largely been on the banking sector. Although this focus has been natural so far, given the structure of the problems in the financial system, in the future, it would be valuable to widen the scope of the ESRB analytical work also to other sectors of the financial system. This intention has also been discussed and broadly supported in ESRB discussions.

What aspects of EU financial stability should be addressed by the ESRB as a priority?

-open reply-(optional)

Sveriges Riksbank: The ESRB should above all work with crisis prevention (and not crisis management). The focus should be on the

financial system in the EU as a whole, but banking problems or other financial stability risks often emerge at only one or a few locations to start with. An important task for the ESRB is, therefore, to draw attention to these risks and the need to act on them in an early stage in order to prevent them from becoming EU-wide. Therefore the expression “focus on the financial system in the EU as a whole” must not be used as a pretext for not dealing with risks in individual countries. In terms of timing, it should primarily focus on analyzing systemic risks in a medium term perspective. However, when the EU is in the midst of a crisis, it will also need to contribute with its analysis of systemic implications of different policy actions being taken or not being taken.

What is your assessment of the ESRB's coordination with other economic or financial policy areas or economic governance procedures, for example on macroeconomic imbalances?

-open reply-(optional)

Sveriges Riksbank: A unique quality of the ESRB is its large membership, which facilitates sharing of information on the analyses undertaken in related policy areas and in other economic governance procedures, for example in the ESAs, in the EFC or in the Commission. Given that the ESRB was set up at a stage when the EU financial system had just suffered a severe crisis and was still very vulnerable to systemic risks, its first tasks consisted above all in reducing these imminent risks. On the whole we make a positive assessment of these actions. Through stimulating the development of strong national macro-prudential frameworks at the national level, through issuing recommendations to this effect, the ESRB intends to strengthen members' ability to prevent and mitigate risks to the financial system within the EU in the future. As regards the relation to the macroeconomic imbalances procedure, the ESRB should be informed about that analysis, but it is essential that the ESRB focuses on risks which are of relevance for the financial sector, and does not devote time to analyze macroeconomic risks, which is not in its mandate and for which other institutions are better suited.

Please outline and comment on the areas in which the ESRB has been most effective.

-open reply-(optional)

Sveriges Riksbank: First of all, it should be stressed that, given the circumstances when the ESRB started its operations and the fact that it is a very young body, it was quickly operational. But, as underlined above, it has so far been most effective on issues related to the banking sector. A second area where the ESRBs work has been fruitful is in stimulating the development of national macro-prudential frameworks. Related to this, the ESRB has had an important role in promoting the macro-prudential perspective in negotiations on different EU legislative acts, not least the CRD IV/CRR.

Should the ESRB specific mandate be adapted in light of the Single Supervisory Mechanism? If yes, how?

-open reply-(optional)

Sveriges Riksbank: We see no need to adapt the ESRB mandate in light of the SSM. There are several arguments in favour of letting the ESRB remain the main forum for discussions about financial stability concerns and macro-prudential policy within the EU. • The strong integration of financial markets within the EU makes it rational to have an institutional set-up covering all EU countries when conducting macro-prudential surveillance. Splitting the surveillance into two steps, limiting the first step to SSM countries, which has been mentioned as a possibility, would seem irrational and reduce its effectiveness. The difficult task of avoiding regulatory arbitrage could also become more demanding. An EU-wide setting is also valuable when sharing information and experiences on the use of different macro-prudential instruments. • When assessing the appropriate macro-prudential stance in member countries it is central to consider systemic risks in the whole financial sector, and not only the banking sector. Only the ESRB has this broader perspective on systemic risks. • The ESRB is already well established and has by now well-functioning working procedures and a proven track record when it comes to issuing warnings and recommendations.

Timeliness and appropriateness of warnings and recommendations

What are your views on the powers conferred to the ESRB by the ESRB Regulation (i.e. the power to issue warnings and recommendations)? Are they sufficient? Please explain. What are your views on the use the ESRB has made of these powers in practice?

-open reply-(optional)

Sveriges Riksbank: We deem that those powers are sufficient. Nevertheless, for the system to work properly, it is of utmost importance that: • the recommendations are followed-up properly by the ESRB within a clearly defined framework. Otherwise, the system with warnings and recommendations will quickly become ineffective. • the ESRB has an effective communication strategy, through which the ESRB prioritizations of risks as well as the follow-up of recommendations are clearly communicated. • the ESRB stays independent and free from political influence. Regarding the issuing of recommendations, the ESRB has made good use of its powers. All recommendations have been preceded by a thorough analytical work. In most cases the analysis has been carried out by ad hoc expert groups, with participants from several member institutions. This set-up has enabled the ESRB to analyze potential systemic risks rather quickly (typically within 6 months). This work has been closely followed by the ATC before being presented to the Steering Committee

and the General Board. Thereby the content of the recommendations has been thoroughly scrutinized and it has also been anchored among member institutions. Overall this process has worked very well. One problem which has arisen from time to time, though, is the timely access to the data needed. The reason has in most cases been that the procedures established for data collection are quite cumbersome.

What is your assessment of the ESRB's public recommendations in terms of content and timeliness? What is their impact on the direct addressees, and indirectly on the relevant market/market participants? If you identify any potential improvements, please specify how these could be delivered.

-open reply-(optional)

Sveriges Riksbank: Regarding the timeliness, the recommendations on FX-lending and USD-funding were made in reaction to lessons learnt following vulnerabilities that became apparent during the financial crisis. The other recommendations are more preemptive, and made in reaction to the potential build-up of financial stability risks. The recommendation on national macro-prudential mandates seems to have been most timely, as most countries were (or still are) in the process of establishing macro-prudential frameworks. It is most likely that in many countries the actions in the fields addressed by the ESRB recommendations would not have been taken unless the ESRB had acted. As regards the assessment process, the response rate of addressees has been very high. It is too early, though, to evaluate the actions taken in response to the recommendations as no final assessments have been undertaken yet. That the ESRB carries out thorough and consistent assessments of addressees' compliance will be key for the effectiveness of the recommendations as a tool. As regards the economic impact of the recommendations, in terms of improvement of financial stability, it is far too early to make any assessment.

Did the recommendations adequately address the relevant policy makers in alerting them to, and advising them on, the necessary measures for risk mitigation?

-open reply-(optional)

Sveriges Riksbank: The recommendations contain advice about how to mitigate the risks. They have been addressed to the relevant policy makers within the respective areas. However, the recommendations may well benefit from being drafted in a somewhat more straight-forward manner than today, as that would make their messages come through more clearly. Some form requirements will of course be necessary, as they are legal texts and a basis for compliance assessments. Some improvements ought to be possible to achieve, though, without compromising the legal requirements.

Were the recommendations specific enough and did they address the main specific risks that could be identified in the period under review? If not, where would you identify the shortcomings and how could these be improved?

-open reply-(optional)

Sveriges Riksbank: The recommendations have on the whole been specific enough and have reflected the main risks. Nevertheless, some of them have been watered down compared to the initial writings. This is of course unfortunate, but as often in international cooperation, compromises are a necessary means to move forward.

Implementation of warnings and recommendations

How do you assess the non-binding character of warnings and recommendations? Could such tools be strengthened? If yes, please specify how.

-open reply-(optional)

Sveriges Riksbank: The tools in themselves do not have to be strengthened but in order to increase their power it is important that the ESRB has a stringent assessment process and an effective communication strategy.

What is your assessment of the 'act or explain' mechanism chosen by the Regulation? If you identify any room for improvement please specify how this could be addressed. -open reply-(optional)

Sveriges Riksbank: The act or explain mechanism is a good mechanism which could be reinforced by publicity via, for example, the publication on the ESRB web-page of the assessments of members' compliance with the recommendations.

What impact did public recommendations have on the market or public in general? Please outline your experience.

-open reply-(optional)

Sveriges Riksbank: Given that there have been rather few news articles/comments on the ESRB work in the media, the effects on the public in general is probably very limited. As regards the market participants, they have at least to some extent noted the actions of the ESRB, but it is difficult to draw any general conclusions yet. A negative reaction by market participants does not necessarily mean that the actions are not warranted from a systemic risk perspective. It is also difficult to judge the impact on the market of different ESRB

actions so far, given the severity of the crisis and the different emergency measures taken that have also had a calming effect on the markets. In the future, it is important that knowledge of and confidence in the ESRB is strengthened. That is best done via as much transparency as possible. Thereby, if the public as well as market participants can follow ESRB's views on systemic risks (that exist or are being built-up) as well as the actions that the ESRB takes to prevent and mitigate the risks, the impact on both the public and the market should be largely positive.

Institutional framework and governance of ESRB

General governance issues

Key principles for good governance

Do the regulations provide ESRB with the right structures to follow the good governance model in terms of openness, participation, accountability, effectiveness and coherence and to promote a common supervisory culture? Please explain your answer.

-open reply-(optional)

Sveriges Riksbank: On the whole, the ESRB is provided with the right structures to follow a good governance model and it is broadly in line with what most people had expected. In terms of openness the longer term effectiveness of warnings and recommendations will to a large extent depend on whether the warnings and recommendations as such, as well as the assessments of their implementation, are made public. There is nothing in the current structures that prevent such transparency, so it is primarily a question on how members will use the framework. The voting procedures ensure that the decision making process is efficient despite the large number of stakeholders, and give all members the possibility of participating in important policy decisions. The accountability process would gain from some clarifications regarding the representation of the ESRB at the EFC-FST. The EFC President has stressed that the interplay between the ESRB and Governments requires the presence of a high-level representative of the ESRB General Board at EFC-FST meetings. The ESRB has on several occasions been represented by the ECB vice President. However, the ECB's new role increases the risk of confusion between the ECB and the ESRB. This strengthens the case for giving the ESRB its own seat at the EFC. Another General Board member would in such a case be designated and have the advantage of bringing an EU level perspective on financial stability. Regarding the promotion of a common supervisory culture, the ESRB and its members are currently learning by doing and some progress has already been made.

Has ESRB contributed to establishing a common macro-prudential policy framework and convergence of macro-prudential supervisory practices within EU? Please explain your answer.

-open reply-(optional)

Sveriges Riksbank: Yes it has. The ESRB has been a very important forum for discussions about macro-prudential policy frameworks within the EU. One important outcome was the recommendation on national macro prudential mandates which, judging from comments from many ESRB members, seems to have had substantial effects on the national discussions on how to organize macro-prudential policy. A second important outcome was the recommendation on intermediate objectives and instrument for macro-prudential policy, which was recently published. A third most important ESRB contribution in this respect, was its involvement in EU discussions on the CRD IV/CRR, which initially gave very limited room for maneuver for national macro-prudential policy. However, due to inter alia the ESRB involvement, important changes, which made national actions possible, were introduced.

Has the ESRB acted as an impartial body in the interests of EU as a whole? Please explain your answer.

-open reply-(optional)

Sveriges Riksbank: Yes it has. The ESRB should guard against the risk of disruptions to the financial system within the Union. Sometimes those risks arise in certain geographic areas or sectors of finance but have the potential to have effects on the whole of the EU. Therefore, although actions need to be taken only in specific areas, it has been in the interest of the EU as a whole. The ESRB cannot address only pan-European issues as several risks with potential large systemic implications would be missed out. An important tool to ensure that the ESRB stays an impartial body is the voting procedure of the General Board, as intended by legislation.

Accountability and transparency

Are the ESRB's accountability and reporting obligations, (including the frequency), to the European Parliament and the Council sufficient and transparent enough? If not, please explain how they should be improved.

-open reply-(optional)

Sveriges Riksbank: The obligations seem to be sufficient. However, as stated above, a strengthened communication strategy would also

be valuable from an accountability perspective.

What is your assessment of the nature of these public hearings? -open reply-(optional)

Sveriges Riksbank: In the future, taking account of the ECB's new supervisory role, it is important to find a solution where the ECB and the ESRB do not send the same representative so as to avoid the risk of confusion. So far the ESRB is a rather young and unknown institution, but as it develops its communication strategy further, the ESRB will become more well-known and those public hearings will probably also become more effective.

Decision-making bodies and voting arrangements

Voting arrangements for the designation or election of the Chair of the ESRB

What are your views on the fact that the President of the ECB is by rule the Chair of the ESRB? If you think this rule should be amended, please specify how the ESRB Chair should be appointed. For example, should it be defined in the Regulation or should she/he be appointed by an EU institution or the ESRB itself? If by an EU institution, by which one and how?

-open reply-(optional)

Sveriges Riksbank: Taking account of the ECB's new supervisory role it could be advisable to give the ESRB a separate Chair so as to avoid possible future conflicts of interests. The Chair could be appointed by the General Board among General Board members and through a voting procedure for a period of three years (with the possibility of renewing the mandate once).

Do the governance arrangements ensure that the Chair carries out his tasks with sufficient independence? If not, please specify where there is room for improvement and how this could be addressed.

-open reply-(optional)

Sveriges Riksbank: See suggestion above.

Composition, mandate and functioning of the General Board

What is your assessment of the composition, size and mandate of the General Board? If you identify any shortcomings please specify how these could be addressed.

-open reply-(optional)

Sveriges Riksbank: The large membership of the ESRB has indeed been a challenge when it comes to organizing the work. In this respect, the voting procedure has been instrumental in ensuring the decision-making capability of the ESRB, also in cases when a consensus cannot be reached. The large membership is also the ESRB's main strength. The setting which gathers all EU central bankers and supervisors at the national level as well as the EU level ensures that people with unique competences and insights to risks in the financial system in the EU meet and exchange experiences. Deciding on warnings and recommendations in this large setting also increases the respect for the warnings and recommendations that are issued. Regarding the mandate, it seems appropriate, but we see a practical need to delegate some powers from the General Board to the ATC. The analytical process would, for example, become more efficient if the ATC could be empowered with signing off data requests. The ATC is very close to the analytical process where most of the data is needed and such delegation would make the process of obtaining the data needed for analytical purposes less rigid. It would also reduce the burden of the General Board. It is important that powers are delegated to a body that represents the whole ESRB. Furthermore, the General Board should keep the power to reconsider such delegations.

What is your assessment of the relative representation of central banks on the General Board?

-open reply-(optional)

Sveriges Riksbank: It is a good set-up which contributes to the impartiality of the decisions taken. It is important that the ESRB remain free from political influence and thereby that voting members could not take instructions from Member States.

What is your assessment of the participation of the European Supervisory Authorities (EBA, EIOPA, ESMA)?

-open reply-(optional)

Sveriges Riksbank: The contribution has been valuable and could likely evolve going forward as ESRB becomes somewhat less focused on the banking sector to the benefit of for example the insurance sector.

What is your assessment of the presence of non-voting members at General Board meetings?

-open reply-(optional)

Sveriges Riksbank: The non-voting members are most involved in the preparation of the General Board decisions, for example through

participation in working groups and expert groups, and also during the General Board discussions.

Internal organisation

What is your assessment of the supporting activities of the ECB to the ESRB, according to the relevant regulation (Council Regulation 1096/2010)? What are the key advantages and disadvantages of this set-up? If you identify any room for improvement, please specify how this could be addressed.

-open reply-(optional)

Sveriges Riksbank: The idea of letting the ECB contribute in terms of analytical, statistical, administrative and logistical support to the ESRB has advantages as regards possible synergies. Nevertheless, there are some drawbacks that must be remedied, which is even more important after the start of the SSM. • It is somewhat difficult to make out how the staff that is provided by the ECB but that do not work at the ESRB Secretariat actually feed into the ESRB work. The ESRB Secretariat resources are stressed but working conditions would certainly improve if the ESRB could choose how to allocate the resources that are provided by the ECB. • In order to safeguard the ESRB's ability to properly analyze, prioritize and mitigate potential systemic risks and also in order to give the ESRB a stronger analytical independence from the ECB as one of its potential addressees of warnings and recommendations (in its new supervisory capacity), the Secretariat needs to be provided with more analytical resources. In order to increase expertise in different financial sectors, it would also be advantageous if some of the strengthening of resources would come from the ESAs. • A possible way of proceeding could be to let the ESRB make a yearly proposal to the ECB regarding its need for resources. This process should also ensure that the ESRB General Board can prioritize how the resources that the ECB contributes to the ESRB should be allocated.

Access to data

In your view, has the ESRB had adequate access to relevant data and financial information for the fulfilment of its mandate?

-open reply-(optional)

Sveriges Riksbank: Data access has been a problematic issue for the ESRB from the start. Although the requested data has always been obtained there have been very long delays in some cases. Both the heavy procedures for obtaining some of the data as well as the delays have slowed down the analytical work to an extent that it could, if not amended, hinder the ESRB from fulfilling its mandate.

For the analysis of systemic risk, what is the balance needed between, on the one hand, data in summary or aggregate form and, on the other hand, firm-specific data?

-open reply-(optional)

Sveriges Riksbank: Access to firm specific data is of major importance for the analysis of systemic risks, in particular for the understanding of the interconnectedness within the financial system. Vulnerabilities could initially be firm specific but, in case the institution has important links to other firms, the vulnerabilities could also have repercussions on them and thereby develop into a systemic crisis. The importance of gaining a better understanding of such interconnections was a very important lesson from the recent financial crisis. The ESRB must therefore be able to access the firm-specific data it needs.

How do you assess the data access procedures foreseen in the ESRB Regulation? If you identify any room for improvement, please specify how this could be addressed.

-open reply-(optional)

Sveriges Riksbank: In order to limit the difficulties that the ESRB has encountered with data collection, it should be granted more powers in this field. The procedures for the provision of some individual data should for example be made less restrictive. Individual institutions' aggregate positions that are usually published cannot be seen as having the same level of confidentiality as bilateral exposures between individual institutions. The overly burdensome procedure when requiring data which is not in summary or aggregate form from the ESA's could also be simplified by dropping one step of the two currently required. There is also some room for improvement of data access procedures that does not require legislative changes, but that can be done by the ESRB General Board: • Regarding the permanent collection of data, the interim solution is unsatisfactory, as it has led to many delays and sometimes only partial provision of data. It needs to be reviewed and should include more binding power regarding the provision of data. Additionally, more data should be available on a regular basis, without the need to resort to ad hoc requests. Obtaining information at one point in time is not always sufficient to monitor a risk. • Regarding ad-hoc requests for data the current procedures are too heavy and have slowed down the analytical work. Some streamlining of the procedures is needed.

ESRB external relations and communication

Positioning of ESRB as an authoritative policy institution focused on monitoring and preventing systemic risks

What is your assessment of ESRB communications?

-open reply-(optional)

Sveriges Riksbank: The ESRB has put very limited efforts into communication and is therefore not known to the public and often not even to the initiated public or the financial industry. As the ESRB only has soft tools (warnings and recommendations), its most effective means to influence supervisors, policy-makers and the general public is through producing high-quality and timely analyses which are widely understood and accepted. To achieve that would require an effective communication strategy, which needs to be developed further. In concrete terms, it would be most valuable if the ESRB would produce regular risk assessments, where the risks facing the financial system are pedagogically explained and prioritized. Naturally, the ESRB also needs to communicate openly and clearly about its recommendations and the assessments of their implementation.

What is your assessment of the ESRB's reputation as the body responsible for identifying and helping to mitigate systemic risk?

-open reply-(optional)

Sveriges Riksbank: Given that the ESRB was set up in the midst of a crisis, the ESRB has not yet been able to create a proper reputation as a body responsible for identifying systemic risks. Regarding its responsibility for preventing and mitigating systemic risks, its reputation is, unfortunately, not widespread. The main reason behind the limited knowledge about the ESRB is most likely its rather careful approach to communication to external parties. Developing a more active communication strategy would help the ESRB positioning itself as an authoritative policy institution.

Interaction with other international bodies (e.g. G20/FSB)

What is your assessment of the ESRB interactions with the International Monetary Fund (IMF); the Financial Stability Board (FSB); the G20 Group; macro-prudential authorities in any other relevant non-EU countries? If you identify any room for improvement, please specify how this could be addressed.

-open reply-(optional)

Sveriges Riksbank: There have been contacts and some fruitful exchanges of information between the ESRB Secretariat and for example the US FSOC as well as the secretariats of different international organizations such as the FSB. The purpose of such exchanges has been both to influence upcoming global standards or regulations and to consider implications for the EU of agreements in those bodies.

Cooperation and interaction between the ESAs (micro level) and ESRB (macro level)

Assessment of market developments

What is your assessment of the past stress test exercises that were initiated and coordinated by EIOPA and EBA? If you have identified any shortcomings, please specify how these could be addressed.

-open reply-(optional)

Sveriges Riksbank: • Conducting stress tests can be an effective way of increasing market participants' confidence in the financial system. However, a prerequisite for this is that the stress tests are credible and transparent. Otherwise, the result on market participants' confidence and thereby on financial stability is likely to be negative. • The improvements in the 2011 stress test methodology compared to the exercise of the preceding year were welcome but the tests still lacked credibility mainly due to the fact that the assumed adverse macro-economic scenario was too lax. • Because of its role as a macro-prudential overseer under the ESRB Regulation, the ESRB has a strong interest in stress test exercises, as confirmed also by the ESA's Regulations. The work regarding the 2011 stress tests was initiated before the ESA's and the ESRB were formally established. Hence the technical features, as the methodology and the adverse macro-economic scenario, were being agreed upon around the time when the ESRB became operational. The involvement of the ESRB was therefore limited. • In future exercises it is essential that the ESRB is involved already in the early stages of the tests, i.e. in: o the formulation of assumptions and macro-economic scenarios, o the discussions on what vulnerabilities to test for, o the interpretation and presentation of the results, o the quality review of the tests. • Much progress has been made, though, regarding future ESRB involvement in ESRB stress tests.

Did the stress tests and EBA's recapitalization exercise contribute to increase confidence in the stability of the financial system and increase the resilience of financial institutions? Please explain.

-open reply-(optional)

Sveriges Riksbank: EBA's system wide stress test revealed local vulnerabilities and in this respect, was a good complement to local authorities stress tests such as the semi-annual stress test conducted at the Riksbank. However the scenarios underlying EBA's stress test from 2011 severely underestimated the macroeconomic tail risks of some European economies stemming from macroeconomic imbalances, thus underestimating the credit risk in many European banks. Hence the positive implications on confidence and on the stability of the financial system were limited. The recapitalization exercise, on the other hand, did contribute to reduce uncertainty and increase the credibility of the process and thereby increased confidence in the stability of the financial system as well as the resilience of financial institutions.

Aspects of macro-micro interaction

What is your assessment of the cooperation between ESRB and the ESAs?

In which areas has cooperation been successful? If you identify room for improvement, please specify how this could be addressed.

-open reply-(optional)

Sveriges Riksbank: The ESRB gathers all relevant EU members, including the ESA's and thereby has a large coverage. The ESA's have been contributing with their insights and analyses to ESRB meetings as well as to different working groups and expert groups. In the future, an intensified cooperation on, for example, their risk dashboards, possibly leading to the development of a common risk dashboard, with different contributors, would be a welcome step. Another welcome development would be if the ESRB's analysis of the interconnections between different financial sectors could be strengthened further.

What is your assessment of the ESAs' follow-up actions on the ESRB recommendations? Please explain.

-open reply-(optional)

Sveriges Riksbank: It is somewhat early to make an assessment of the follow-up actions on the recommendations.

Has ESRB contributed to the work of the ESAs by bringing a macro-prudential perspective into micro-prudential activities? If so, please comment on key successes and/or shortcomings.

-open reply-(optional)

Sveriges Riksbank: The ESRB has contributed, for example, through sending letters and replies to some consultations where the macro-prudential perspective has been brought into the discussions.

Structure of the ESFS

What is your assessment of the structure of the ESFS?

-open reply-(optional)

Sveriges Riksbank: The ESFS was set up following a thoroughly made analysis by the de Larosière group. The main parts of the conclusions drawn at that time are still valid. The financial crisis revealed large failures in the regulatory and supervisory field which required increased coordination of micro prudential authorities as well as the set-up of a union wide macro prudential supervising body. The need of such a structure is still present today. An important new development since then is the proposal to establish a banking union. However, the banking union concerns only the banking systems in the SSM countries. Hence, there is still a need to increase coordination between all sectors of finance and between all EU countries. The structure of the ESFS is therefore still relevant.

Does the structure of the ESFS facilitate the identification, monitoring and mitigation of systemic risk in the EU financial sector? Please explain.

-open reply-(optional)

Sveriges Riksbank: Financial integration is strong within the EU. It is therefore important that there are forums with a large coverage where all EU members from all sectors of finance are represented. The current structure of the ESFS where micro- and macro-prudential supervisors cooperate and communicate in a structured way is an efficient set-up with an almost matrix-like coverage of financial risks.

Do you consider that the ESFS can be further simplified in order to tangibly enhance coherence between the ESAs and the ESRB? Please explain and add concrete suggestions, where possible.

-open reply-(optional)

Sveriges Riksbank: No, the current structure has been established quite recently, and the institutions are working more and more effectively together. Hence, it would be unfortunate to start restructuring this cooperation now, as it may lead to an extended period with less efficient coverage of systemic risks. It would probably be wiser to wait and see how the new structure, which also includes the SSM,

will work, before considering any further changes.

Do you consider that the structure of the ESFS, in particular the roles of EBA and ESRB, will need to be revisited in light of the establishment of the Single Supervisory Mechanism (SSM) and the new role of the ECB within the ESFS? Please explain and add concrete suggestions, where possible. How should synergies in terms of supervision within ESFS including ECB be exploited? Please explain.

-open reply-(optional)

Sveriges Riksbank: The ESRB has an important role in the new EU macro-prudential policy framework and its responsibilities should remain unchanged. There are several arguments in favour of letting the ESRB remain the main forum for discussions about financial stability concerns and macro-prudential policy within the EU: • The strong integration of financial markets within the EU makes it rational to have an institutional set-up covering all EU countries when conducting macro prudential surveillance. Splitting the surveillance into two steps, limiting the first step to SSM countries, which has been mentioned as a possibility, would seem irrational and reduce the effectiveness of surveillance. The difficult task of avoiding regulatory arbitrage could also become more demanding. An EU-wide setting is also valuable when sharing information on experiences of the use of different macro-prudential instruments. • When assessing the appropriate macro-prudential stance in member countries it is central to consider systemic risks in the whole financial sector, and not only in the banking sector. Only the ESRB has this broader perspective on systemic risks. • The ESRB is already well established and has by now well-functioning working procedures and a proven track record when it comes to issuing warnings and recommendations.

From your experience, do you think that the ESAs and ESRB attract a sufficient number of diverse and excellent staff? If not, why not? If you identify room for improvement, please specify how this could be addressed.

-open reply-(optional)

Sveriges Riksbank: Regarding the ESRB Secretariat, the competence of most of the staff is very good, but there is a problem with understaffing. In order to ensure that the ESRB will be able to attract high quality staff also in the future, it needs to get a stronger analytical independence and more resources to ensure better working conditions. Giving the Secretariat a more independent role in the analytical work (which presupposes an increase in resources at the Secretariat) and developing a more active communication strategy (which would strengthen the effectiveness and standing of the ESRB), would ensure that the ESRB remains an attractive employer, and may increase its appeal even further.

Miscellanea

Do you have any other comment on the effectiveness and efficiency of the ESAs and ESRB within ESFS and on ESFS in general? Please indicate whether the Commission may contact you for further details on the information submitted, if required.

-open reply-(optional)

Sveriges Riksbank: • The ESRB should remain the main forum for macro-prudential oversight and discussions on macro-prudential actions in the EU. Then the situation of fragmented responsibility that prevailed prior to the crisis, and that was one of the main reasons behind the creation of the ESRB, would be avoided. • It should be clarified that the ESRB can address warnings and recommendations also to the ECB. Yes, such contacts are welcome.