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**NOTE**

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From: General Secretariat of the Council  
To: Delegations

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Subject: Review of the European System of Financial Supervision  
Presidency issues note

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Delegations will find attached the Presidency issues note for the ECOFIN meeting on 7 November 2017 with regard to the Review of the European System of Financial Supervision.

## **Review of the European System of Financial Supervision**

### **Presidency issues note for the ECOFIN meeting on 7 November 2017**

Financial integration lies at the heart of the Single Market and the Economic and Monetary Union and brings important economic benefits for the euro area and the EU as a whole.

In July 2017, the Council noted therefore that there is a need to further intensify policy efforts in building the Capital Markets Union (CMU), also in view of a well-functioning Economic and Monetary Union<sup>1</sup>. The Council also invited the Commission to carry forward the Action Plan for the Capital Markets Union in order to have the Capital Markets Union building blocks in place by 2019.

The Commission in its communication "Reinforcing integrated supervision to strengthen the Capital Markets Union and financial integration in a changing environment" stressed that in order to put in place the Capital Markets Union, the EU must, as a priority, strengthen and integrate its supervisory framework.

In line with this communication and in the context of the review of the European System of Financial Supervision (ESFS), on 20 September 2017, the Commission presented three legislative proposals, which provide for amendments to two Directives and nine Regulations. These proposals modify the current EU supervisory framework, notably through:

- targeted amendments to the European Systemic Risk Board regulation to further strengthen macroprudential oversight across the EU,
- strengthening the existing powers of the European Supervisory Authorities to ensure supervisory convergence,
- enlarging the scope of direct supervision by the European Securities Markets Authority,
- requiring the European Supervisory Authorities to take account of environmental, social and governance factors, as well as issues related to FinTech, when performing tasks within their respective mandates,

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<sup>1</sup> Council conclusions on the Commission Communication on the mid-term review of the Capital Markets Union Action Plan (doc. 11170/17)

- revising the funding and the governance of the European Supervisory Authorities,
- allowing the European Securities Markets Authority to receive transaction data directly from market participants,
- increasing the role of the European Insurance and Occupational Pensions Authority in coordinating the authorisation of insurance and reinsurance companies' internal risk measurement models,
- enhancing the European Supervisory Authorities' procedures to issue guidelines and recommendations to reflect the importance of these instruments.

With a view to providing guidance to the Council's preparatory bodies in taking forward the work on the Commission legislative proposals, the Presidency invites Ministers to express their views on the following issues:

1. The current review is an opportunity to take stock of and further improve the functioning of the ESFS. Should the co-legislators seize this opportunity also to prepare the ESFS for potential future challenges?
2. Are there elements of the ESFS review package which should be prioritised in order to address short-term challenges?
3. Given that the financial integration in the European Union is progressing, in which areas and to what extent should the powers of the European Supervisory Authorities be strengthened with a view to creating a more integrated supervisory framework?