

Note for Information

The new EU supervisory framework

The following is a brief note regarding the salient features of the new EU legislation that has recently been adopted establishing the three new European Supervisory Authorities. This legislation entered into force on the 1st January, 2011. This note is not intended as advice and any interested persons should seek professional advice from legal advisors/financial intermediaries. It is only intended for general information and guidance.

- Following the financial crisis that has exposed important failures in financial supervision and following approval by the European Council, the European Commission has in September 2009 presented a package of proposals reforming the EU's supervisory structure;
- The reform of the EU's supervisory structure established a European System of Financial Supervisors (ESFS) consisting of a network of national financial supervisors working together with three new European Supervisory Authorities (ESAs) and a European Systemic Risk Board (ESRB);
- The three new European Supervisory Authorities were created by transforming the previous European supervisory Committees - the Committee of European Banking Supervision (CEBS), the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS) and the Committee of European Securities Regulators (CESR) - respectively into the following:
 1. the **European Banking Authority** (EBA);
 2. the **European Insurance and Occupational Pensions Authority** (EIOPA);
 3. the **European Securities and Markets Authority** (ESMA).
- The main responsibility of these new Authorities is to ensure that a single set of harmonised rules and consistent supervisory practices are applied by the supervisory authorities of the Member States;

- The objective of the Authorities is to contribute to:
 1. improving the functioning of the internal market, including in particular a high, effective and consistent level of regulation and supervision;
 2. protecting depositors, investors, policyholders and other beneficiaries;
 3. ensuring the integrity, efficiency and orderly functioning of financial markets;
 4. safeguarding the stability of the financial system; and
 5. strengthening international supervisory coordination.

- The Authorities have been entrusted with a number of tasks and powers including:
 1. the power to issue guidelines addressed to financial market participants;
 2. the power to adopt individual decisions addressed to financial institutions;
 3. the implementation of technical standards; and
 4. the power to address instances of non-application or incorrect application and breach of Union Law.

Regulations of the European Union are directly applicable.

The above-mentioned EU legislation was published in the Official Journal on the 15th December 2010 and is available on the following link:

<http://eur-lex.europa.eu/JOHtml.do?uri=OJ:L:2010:331:SOM:EN:HTML>

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