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FSAP – Follow-up

Dear Mr Schaub,

On behalf of CEIOPS, I am pleased to provide you with some views on the assessment set out by the expert group on the state of financial integration following the FSAP in the insurance and occupational pension funds sectors.

As you know, CEIOPS now has been formally established and has started to work according to its role as a "level 3 committee" for the insurance and occupational pension funds sectors. We are committed to play our role for enhancing the functioning and the stability of the single financial market. In this perspective, we see the initiative of the Commission to monitor the effects of the action plan and to analyse the need for and the form of a follow up of the FSAP as a fundamental step in the way of completing and enhancing the EU framework of legislation.

1. First of all, I would like to share the view expressed in the report about the need to complete the prudential regulatory framework in insurance. The definition of a satisfactory prudential model for insurance and reinsurance undertakings represents a goal that should be achieved as soon as possible, together with the application of complete, relevant and reliable accounting standards, which can be appropriately used as a basis for regulatory reporting. Indeed, bearing in mind the need to define priorities in the CEIOPS work plan, I may confirm that the development of the Solvency II project, the implementation of the directive on reinsurance and the definition of phase II of the IFRS on insurance contracts (together with the

improvements of the other relevant IFRS) represent major areas of the future work of the Committee.

2. One of the clearest conclusions of the report is the need to review and streamline the current supervision of groups and conglomerates, enhancing, among other things, the use and the role of the lead supervisors. We share the view that supervision of groups and conglomerates should be streamlined – notably by the convergence of supervisory practices. Even though it is not reflected in the expert report, insurance supervisors are working to put in practice this purpose in the context of the coordination arrangement established by the MoU for the application of the Insurance Groups Directive (Helsinki Protocol). In this frame, CEIOPS recently published for wide consultation the “Guidelines for Coordination Committees”. The purpose of the Guidelines is to ensure consistency regarding supplementary supervision of groups as well as increasing the level of efficiency and effectiveness of the work of the supervisors participating in the coordination committees established for each multinational group. CEIOPS is ready to work for applying appropriate co-ordination arrangements in the context of conglomerates as well.

We should consider, in any case, that any change in the allocation of supervisory tasks and powers among supervisors involved in group supervision should be compatible with the corresponding allocation of their responsibilities.

Besides group supervision, a number of specific projects under way within CEIOPS are aimed at enhancing convergence in supervisory practices, such as the work undertaken in the field of pension funds for enhancing consistency between jurisdictions in the implementation and enforcement of the IORP directive and for extending the existing insurance co-operation protocols to Pension Fund Supervisory Authorities, as well as the work under way in the field of supervisory reporting for defining common approaches in using IAS financial statements for supervisory purposes.

CEIOPS is going to present to the Economic and Financial Committee a detailed plan on how to converge supervisory practices and will regularly report to the Financial Services Committee on the progress made.

3. Except for the adoption of these measures we share the wish to have a regulatory pause. The convergent implementation and effective enforcement of the rules require a considerable consolidation of the legislation. In this framework CEIOPS has already started to play its role at the level 3 of the Lamfalussy process as envisaged. The work in progress within the Committee in the field of the implementation of

the Pension Funds Directive and the Insurance Mediation Directive can be seen as a concrete realisation of this aim.

4. In any case, focusing on the creation and implementation of the prudential rules does not mean that we overlook the need to pay attention to market conduct issues. On the contrary, we recognize that the protection of consumers is based not only on the soundness of the market but on the fair conduct of the operators and the transparency of market information as well. Indeed, CEIOPS has recently established an expert group for dealing with issues related to insurance mediation. We have to bear in mind, however, that the differences in the cultural and legal environment of our jurisdictions make the achievement of significant progress difficult in the short run. We have the duty to consider this when setting priorities for our actions.
5. It has also to be borne in mind that the implementation and enforcement of the legislation is a competence and responsibility of the Member States and national authorities. CEIOPS's aim is to enhance the convergence and effectiveness of national regulations and practices by means of, among others things, the issuance of standards and recommendations. At the same time, the effectiveness of CEIOPS's action depends on the level of recognition of those standards and recommendations in practice by the members as legally they are not binding. CEIOPS, within the limits of its powers, will be keen to undertake any appropriate initiative for improving the level of their actual implementation, using for example peer reviews.
6. We share the desire to avoid useless regulatory burdens. This is a general goal of our work which, in any case, should be aligned with endowing supervisors with effective supervisory tools.
7. In conclusion, let me touch on the methodological aspects underlined in the report, which rightly mentions the need for appropriate transparency and wide consultation in developing regulatory or supervisory measures. In this regard it is worth underlining that CEIOPS is undertaking its tasks using an open approach aimed at making all interested parties fully aware of the work under way and enabling them to give input and comments. Besides the establishment of the Consultative Panel of CEIOPS, any statement or document to be issued by CEIOPS is circulated for wide consultation. Moreover, all our working groups are open for technical input from interested parties .

CEIOPS is aware of the expectations from industry and other stakeholders regarding its work. We are willing to live up to those expectations to the extent possible as a level 3 committee. We will co-operate closely with the European Commission as well as with CEBS and CESR for coping with the challenges related to the development of European financial integration.

Please, do not hesitate to contact me for any need of information or clarification.

Yours sincerely,


Henrik Bjerre-Nielsen
CEIQPS Chair