



Leibniz Institute for Financial Research SAFE  
Sustainable Architecture for Finance in Europe (<https://safe-frankfurt.de/>)

## SAFE Finance Blog

### The Benefits of Consolidating Financial Supervision in Europe

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05/09/2017

#### Helmut Gründl pleas for a single integrated European Supervisory Authority



Brexit and the subsequent need to find a new location for the London-based European Banking Authority (EBA) provide the opportunity to move towards a consistent system of financial supervision in the European Union and to consolidate regulatory and supervisory structures that have emerged over time – mainly as a reaction to urgent needs in crisis times. The current system of EU supervisory bodies,

especially in the banking area (Single Supervisory Mechanism, Single Resolution Mechanism, Single Resolution Board, European Systemic Risk Board, EBA) is so complex that it raises concerns about being a forceful tool for ensuring financial stability.

With this in mind, current plans to maximize synergies between EBA and the European Insurance and Occupational Pensions Authority (EIOPA) by consolidating them “under one roof”, i.e. as a single European Supervisory Authority (ESA), are very reasonable. However, this step should be part of a consistent restructuring of the whole system of financial regulation and supervision in the EU.

An integrated ESA could, on the one hand, foster supervisory convergence in the EU by monitoring – across all financial sectors – the application of supervisory standards in the member states. On the other hand, it should be endowed with supervisory power on supranational topics, especially concerning group supervision, the supervision of financial conglomerates and ensuring financial stability.

Similar to the procedures in several national supervisory authorities, prudential regulation can, in principle, be separated from consumer protection. In this sense, the European Securities and Markets Authority (ESMA) could be the nucleus for a European-wide integrated consumer protection authority for the financial services area, whereas the integrated ESA could be endowed with supervisory power on prudential regulation and supervision.

A consolidated and integrated financial supervision in the EU would substantially reduce the opacity of the supervisory system and avoid regulatory arbitrage. It would create the possibility to monitor the interconnectedness between financial institutions and the supervision of groups and financial conglomerates – an important tool to curb systemic risk. Moreover, an improved exchange and transfer of data between banking, insurance and securities supervision would foster supervisory effectiveness and efficiency. Harmonization of recovery and resolution activities across financial sectors could also provide for more transparency and a level playing field for financial institutions as well as consumers.

A further positive side-effect of an integrated supervision would be the transfer of know-how both about best-practices between different supervisory sectors and about new developments in FinTech, Cyber Risk and Big Data that affect the financial services sectors. And, last but not least, an integrated ESA could serve as a strong partner in international negotiations, e.g. at the Basel Committee on Banking Supervision or the International Association of Insurance Supervisors.

A successful reorganization of the European system of financial supervision would raise confidence in the stability of the financial system and, therefore, be an important milestone on the way to a strengthened EU as whole.

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