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Press release

CESR, CEBS and CEIOPS,
consult on a common Medium Term Work Programme
on cross sector supervisory issues (2008-2010)

The 3 Level 3 Committees (CESR, CEBS and CEIOPS) publish today their joint "Consultation Paper on the 3 Level 3 Committees' Medium Term Work Programme".

Building on the experience of the joint work and cooperation between the three Committees in their three common years of existence, and the creation of the Joint Protocol on Cooperation that the three Committees entered into two years ago, the Committees believe that the time is right to take a more strategic and longer term look at 3L3 work.

The three Committees also wish to take the opportunity in the ongoing review of the Lamfalussy process to contribute to the discussion on the possible ways to enhance regulatory and supervisory consistency across sectors.

In the 3L3 Medium Term Work Programme, the Committees have identified a comprehensive list of cross-sector areas for delivery in the period to the end of 2010 – the 'medium term', and six key areas for work within this three year period.

The six key areas identified for further work are:

- **Home-Host and Delegation of tasks:** The Committees recognise the importance of expanding the scope and refining the methods for supervisory cooperation between national supervisors. A key aspect of the joint work will be to explore further the issue of delegation of tasks between supervisors involved in the supervision of an institution or a group of institutions, or in investigating market behaviour. Various issues are relevant across the sectors, such as differences in the availability of resources; payment for local supervision carried out in fulfilment of the tasks of, and on behalf of, another supervisor; mutual

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expectations on the acceptance of delegation; accountability; public expectations when the stability of the institution or system is endangered; as well as issues of liability and burden sharing.

- **Competing products:** The 3L3 Committees will develop further work on the differences in the regulatory treatment of products that are marketed to investors under a variety of different names and classified differently across the three sectors, but from an investor's perspective achieve the same or similar characteristics.
- **Credit rating agencies:** Building on the existing and ongoing work of CESR and CEBS respectively, the role of rating agencies in the markets as well as the use of ratings in prudential regulations will be examined in light of the recent turmoil spurred by US sub prime mortgages.
- **Internal governance:** Differing requirements on internal governance generate administrative costs for groups and conglomerates operating cross border and in several sectors of financial activity. The 3L3 Committees propose to assess whether it is possible to develop a complete set of guidance ensuring greater consistency in the requirements stemming from different sectoral Directives (in particular the MiFID and the CRD). If such efforts were to meet legislative constraints, the 3L3 work may include technical advice for the Commission on how to harmonise the texts, as well as possible definitions that exist within the Directives.
- **Conglomerates :** The three Committees have joined forces and formed the Interim Working Committee on Financial Conglomerates - IWCFC, specifically to concentrate on the convergent implementation of the Financial Conglomerates Directive (FCD). The emphasis of the work will continue to be on capital requirements and cooperation between supervisors. In particular, the 3L3 proposes to develop a common working definition of 'own funds'. Continued focus and resources will be needed over the next few years to ensure that work developed in the context of the sectoral Directives (CRD and Solvency II in particular) is carefully monitored to ensure they function effectively for conglomerates.
- **Valuation of financial instruments:** The recent turbulence in the markets has highlighted the need to assess the reliability of valuations of financial instruments, especially in cases in which a market value is not available or the market is not sufficiently liquid.

The Committees would welcome input from the financial industry, investors and all other stakeholders regarding what they would most like to see addressed in a three Level 3 setting in the medium term perspective.

Comments on the key areas, the work programme in general, and other issues raised, are invited by **18 January 2008**.

All **answers** should be posted on the website of CESR, www.cesr.eu under the area identified as “Consultations” in the menu. The link to this area can also be reached directly through the web-sites of CEBS, www.c-eps.org, or CEIOPS, www.ceiops.eu through links from the respective articles where this consultation is dealt with.

Notes for Editors

The 3L3 Medium Term Work Programme has been produced by CESR, CEBS and CEIOPS together.

CESR (Committee of European Securities Regulators), CEBS (Committee of European Banking Supervisors), and CEIOPS (Committee of European Insurance and Occupational Pensions Supervisors), are all independent committees. Comprehensive information on the role and objectives, and the relevant founding documents are available on the respective web-sites of the Committees.

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