



## Financial supervision

International financial services and insurance groups operating in various European countries do so in accordance with internal models governed by domestic legislation. This situation works against efforts to upgrade supervision and achieve coordinated risk management at the European level. It is necessary to set up appropriate information systems and mechanisms for effective risk or crisis management in accordance with a common set of rules for all European Union member states.

To date, no European supervisory network exists because there would be no latitude for coordinating and harmonizing its actions. The existence of supervisory rules specific to each country also mobilizes excessive capital. It is estimated that the excess is as much as 50% in the insurance industry and 19% in the banking industry. This limited and heterogeneous mobilization of funds in the marketplace weighs on the developmental capacities of groups and constitutes a competitive disadvantage versus some of their non-European peers. It has also worked against the emergence of more attractive products available across Europe.

Despite the efforts that underlie Basel II, progress in this area has been limited to principles and coordination so far, with no progress in the area of centralized risk assessment and management. Eurofi has identified five decisive structural factors:

- Perfect understanding between the regulators and supervisors of the 25 EU member states, so that they are reassured as to the scope of their jurisdiction
- Total mobilization around this common objective
- Agreement as to the role of various supervisors, whether they are in the host country or at the banking or insurance group level
- Harmonization of domestic legislation whenever necessary
- A European approach is absolutely necessary, which presupposes that domestic supervisor and regulators have the same competencies.