



European Supervisory Authorities still playing second fiddle to national financial regulators

Willem Pieter de Groen and Klaudia Zielińska

The limited resources available to the ESAs, compared to national regulators, remain a barrier to their ability to carry out their responsibilities and act as independent authorities at EU level.

Three European Supervisory Authorities (ESAs) – European Banking Authority (EBA), European Securities and Markets Authority (ESMA) and European Insurance and Occupational Pensions Authority (EIOPA) have been established to contribute to the stability and efficiency of the financial system by coordinating micro-prudential supervision and preparing secondary and tertiary legislation. The effectiveness of these three authorities, however, has been called into question since their inception in 2011. In particular, the operational and financial restrictions do not allow them to operate in an efficient manner. For example, the Economic and Monetary Affairs Committee (ECON) of the European Parliament has repeatedly stressed in its annual opinions that funds for the ESAs are not sufficiently flexible or large enough to allow them to carry out their responsibilities (ECON, 2015a and b, 2017 a and b; Demarigny et al., 2013). The IMF also concluded as early as 2013 that the ESAs' funds are insufficient to fulfil their statutory responsibilities. The European Court of Auditors (2014) further stressed that neither their staff nor budgets are sufficient to perform the tasks that were assigned to them. To be effective, the ESAs thus need more funds to hire highly-qualified staff to execute their responsibilities.

This contribution compares the financial and human resources available to the ESAs compared with those available to national financial supervisory authorities. The comparison of budgets and staff is a complex exercise. There are large differences in the responsibilities as well as the size and complexity of the financial institutions and markets supervised by the various authorities. The ESAs, for example, focus more on policy-making and coordination than the national supervisors. With the exception of ESMA, which is responsible for credit rating agencies and trade repositories, the ESAs do not perform the more labour-intensive direct supervision, which is the core responsibility of most national supervisors.¹ Moreover, the

¹ Moreover, the data are not fully comparable due to the application of different definitions. For example, human resources data are provided either in terms of end-of-year headcount or average yearly full-time equivalents.

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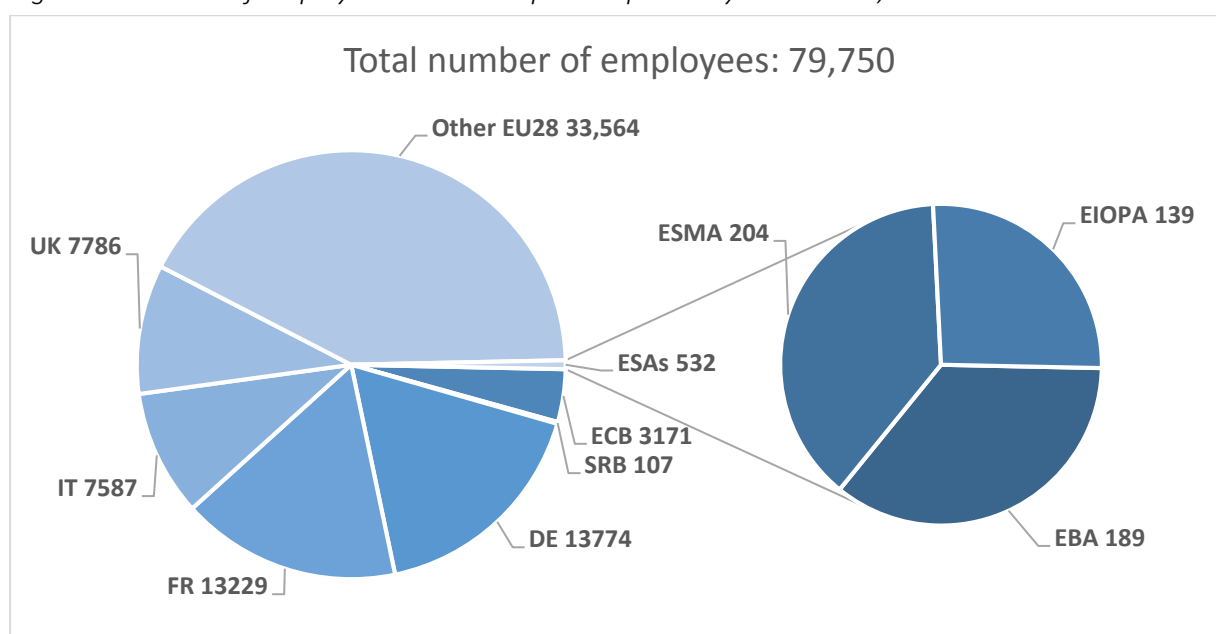
national supervisors often combine supervisory and non-supervisory activities under the roof of one financial authority. For example, many bank supervisors are part of central banks that are also responsible for monetary policy. In most cases, the figures published by the various authorities also do not allow one to distinguish between supervisory and other activities. Therefore, the total number of employees and operating expenses have been brought together to compare the resources of EU financial supervisory authorities (ESAs, ECB and SRB) with the national members of the ESAs' boards of supervisors and national macro-prudential authorities associated with the ESRB (see Table A1 in the Annex for details).

Differences in total resources are nevertheless an important indicator of the relative power and independence of authorities. Other important factors include the legally-determined powers and independence of the authorities. The exercise of power and independence is important to allow the ESAs to impose the necessary convergence in national supervisory practices to create true EU single market for financial services, as well as to prevent national supervisors from favouring their own financial institutions and thus fuelling financial instability.

Human resources

When the staff and budget figures of the ESAs are compared with other EU supervisors and national supervisors, the differences are striking. The three ESAs had in total 532 employees in 2016. Most of the employees worked at ESMA (204 employees), which is slightly larger than EBA (189) and substantially larger than EIOPA (139).

Figure 1. Number of employees in the European supervisory authorities, 2016



Source: Authors' elaboration based on annual budgets, annual accounts and financial statements (see Table A1 in the Annex for details).

Looking at the other European financial authorities, the ESAs have substantially fewer employees than the European Central Bank (ECB) has available for monetary policy operations and supervision. Of the total of about 3,200 ECB employees, more than 1,000 work for the

Single Supervisory Mechanism (SSM). Indeed, the SSM has about twice as many staff members as all the ESAs combined. The Single Resolution Board (SRB), which plays a vital role in the resolution planning and execution of 135 large and cross-border banking groups in the euro area, had only 107 employees.² To put this in some perspective, the SRB headcount is lower than that of financial supervisory authorities in countries with small financial sectors such as Latvia or Croatia (both of which have over 150 employees).

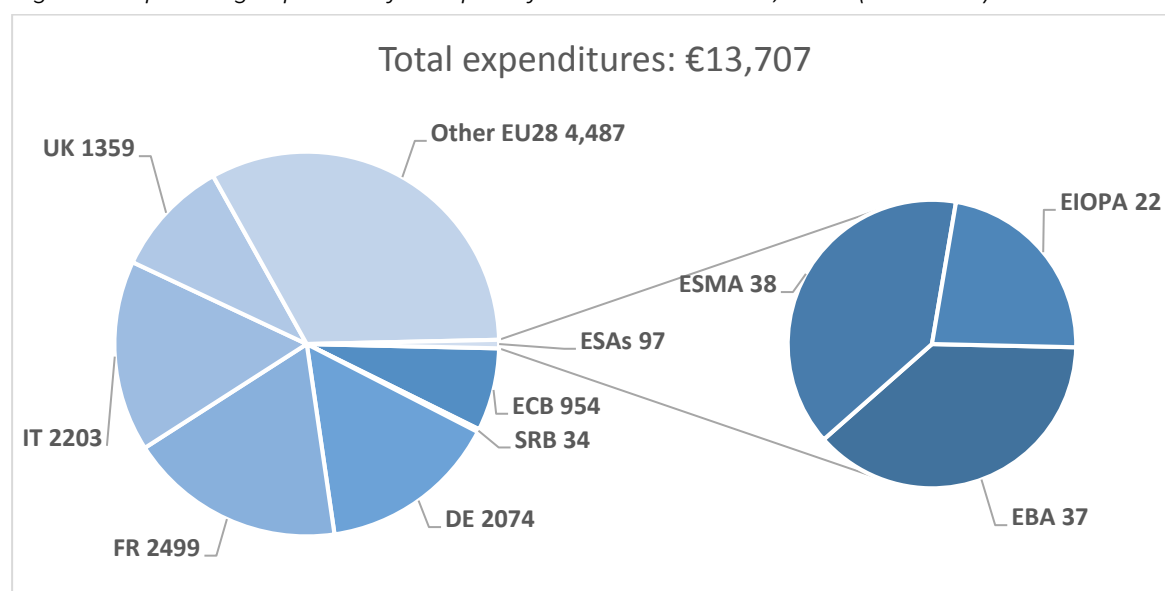
Most of the supervisors are still employed at national level. In fact, the supervisory authorities in France, Germany, Italy and the United Kingdom each have more staff than all the European financial authorities combined (i.e. ESAs, SRB and ECB). The total number of employees in these European institutions constitutes merely half of the staff currently employed in the national financial authorities in Germany, Italy or the United Kingdom.

Each of the financial authorities in almost all of the 28 EU member states, except Estonia, Finland and Slovenia, have more employees than all the ESAs combined. *Overall, the ESAs employ only around 0.7% of all staff of national and European financial authorities.*

Financial resources

Financial resources, measured by operating expenses, show a similar picture. The total sum of the operating expenses of the ESAs in 2016 was €97 million. The EBA and ESMA have a similar level of operating expenses of close to €40 million. EIOPA's expenditures are the lowest at €22 million. At the same time the total operating expenses of the ECB (€954 million) amounted to around ten times that of the three ESAs combined, whereas the SRB's operational expenditure (€34 million) fell between EIOPA and the EBA/ESMA.

Figure 2. Operating expenses of European financial authorities, 2016 (€ millions)



Source: Authors' elaboration of annual budgets, annual accounts and financial statements (see Table 1 in the Annex for details).

² The number of employees given for the Single Resolution Board is taken from 2015.

Turning to the national financial authorities, the highest total operational expenditures are reported in Germany, France and Italy. The financial authorities in each of these countries have operating expenditures above €2 billion. Indeed, the financial authorities in each of these three countries have more than 20 times the financial resources available to the three ESAs combined and about twice the financial resources of all the EU financial authorities combined (ESAs, ECB and SRB). There are only three countries in which the national financial authorities have operating expenses lower than those of the ESAs – Latvia, Lithuania and Slovenia – and these have in general a very small domestic financial sector and/or substantially lower price levels. *Overall, the ESAs have about 0.7% of the financial resources available to national and European financial authorities combined.*

The Commission's proposal

The EU budget and member states currently contribute the lion's share of the ESAs' budget, supplemented by some industry contributions for ESMA's direct supervision.³ In 2016, the budget of the ESAs amounted to €97 million, of which almost €33 million came from the European budget and €52 million came from the national authorities (European Commission, 2017b). A substantially higher budget is needed to ensure the effectiveness of these institutions and their independence from national authorities.

Following the results of a public consultation on the European Commission's proposal,⁴ there seems to be a broad recognition of the ESAs' shortage of resources. The proposal seeks to address this issue somewhat. Instead of relying on the EU budget and national contributions, the Commission suggests introducing contributions from the financial industry, replacing the contributions from the national competent authorities. This should ease the expansion of the ESAs' budgets.

It remains questionable, however, whether the change in the contributors as well as the proposals for empowering the chairpersons of the ESAs will receive the necessary support from the member states in the Council. Moreover, even if the member states support the proposal, the immediate budget growth is likely to be limited and unlikely to fundamentally change the current balance of power. The ESAs therefore seem fated to continue to play second fiddle to the dominant national financial authorities for the time being. This will remain an obstacle to the creation of a true EU single market for financial services with the same rules, implementation and enforcement in all member states.

³ Regulation (EU) No 1093/2010, No 1094/2010, No 1095/2010.

⁴ COM(2017) 536 final.

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Appendix Table A1. Resources available to European financial authorities, 2016

Country code	Authority	European system of financial supervision (ESFS)				Total operating expenses	Staff costs	Number of employees**		
		European Supervisory Authorities (ESAs) - Board of Supervisors			ESRB	EUR million*	EUR million*	Number	Time (AVG/EoY)	Base (HC/FTE)
		EBA	ESMA	EIOPA						
	European Authorities									
	<i>European Supervisory Authorities</i>									
EU	European Banking Authority (EBA)	x	x	x	x	37	22	189	EoY	HC
EU	European Securities and Markets Authority (ESMA)	x	x	x	x	38	20	204	AVG	HC
EU	European Insurance and Occupational Pensions Authority (EIOPA)	x	x	x	x	22	12	139	EoY	HC
	SUBTOTAL					97	54	532		
	<i>Other European Financial Authorities</i>									
EU	European Central Bank (ECB)	x			x	954	467	3,171	EoY	HC
EU	European Systemic Risk Board (ESRB)	x	x	x	x	n/a	n/a	n/a	n/a	n/a
EU	Single Resolution Board (SRB)	(obs)				34	16	107	EoY	HC
	SUBTOTAL					988	483	3,278		
	SUBTOTAL (All European Authorities)					1,085	537	3,810		
	EU National Competent Authorities									
AT	Finanzmarktaufsicht, Financial Market Authority (FMA)	x	x	x	x	67	40	380	EoY	FTE
AT	Oesterreichische Nationalbank, (OeNB)				x	425	299	1,238	AVG	FTE
AT	Finanzmarktstabilitätsgremium (FMSG)				x	n/a	n/a	n/a	n/a	n/a
BE	Nationale Bank van België, National Bank of Belgium (NBB)	x		x	x	413	314	2,197	AVG	FTE
BE	Autorité des services et marchés financiers, Financial Services and Markets Authority (FSMA)		x	x	x	75	57	312	EoY	FTE
BG	Българска народна банка, Bulgarian National Bank	x			x	56	18	1,142	EoY	HC

BG	Комисията за финансов надзор, Financial Supervision Commission (FSC)		x	x	x	0	n/a	255	EoY	HC
CY	Κεντρική Τράπεζα της Κύπρου, Central Bank of Cyprus	x			x	43	29	n/a	n/a	n/a
CY	Επιτροπή Κεφαλαιαγοράς Κύπρου, Cyprus Securities and Exchange Commission (CySEC)		x		x	n/a	n/a	n/a	n/a	n/a
CY	Αρμοδιότητα της Υπηρεσίας Ελέγχου Ασφαλιστικών Εταιρειών, Cyprus Insurance Companies Control, Ministry of Finance			x	x	n/a	n/a	n/a	n/a	n/a
CY	Υπηρεσιών Κοινωνικών Ασφαλίσεων, Registrar of Occupational Retirement Benefit Funds				x	n/a	n/a	n/a	n/a	n/a
CZ	Ceska Narodni Banka, Czech National Bank	x	x	x	x	127	52	1,365	EoY	HC
DE	Bundesanstalt für Finanzdienstleistungsaufsicht, Federal Financial Supervisory Authority (BaFin)	x	x	x	x	263	190	2,552	EoY	HC
DE	Deutsche Bundesbank				x	1,811	1,123	11,222	EoY	HC
DE	Ausschuss für Finanzstabilität				x	n/a	n/a	n/a	n/a	n/a
DK	Finanstilsynet, Danish Financial Supervisory Authority	x	x	x	x	40	26	292	AVG	FTE
DK	Danmarks Nationalbank				x	95	52	451	AVG	FTE
DK	Det Systemiske Risikoråd, The Systemic Risk Council				x	n/a	n/a	n/a	n/a	n/a
EE	Finantsinspektsioon, Estonia Financial Supervisory Authority	x	x	x	x	6	4	86	EoY	HC
EE	Eesti Pank, Bank of Estonia				x	18	9	232	AVG	FTE
ES	Banco de España, Bank of Spain	x			x	492	241	2,990	AVG	HC
ES	Comisión Nacional del Mercado de Valores (CNMV)		x		x	42	28	401	EoY	HC
ES	Dirección General de Seguros y Fondos de Pensiones			x	x	0	n/a	n/a	n/a	n/a
FI	Finanssivalvonta, Finnish Financial Supervisory Authority (FSA)	x			x	21	17	121	EoY	HC
FI	Suomen Pankki, Bank of Finland				x	100	48	373	AVG	HC
FR	Autorité de Contrôle Prudentiel et de Résolution, Prudential Supervisory & Resolution Authority (ACPR)	x		x	x	194	109	1,065	EoY	HC
FR	Autorité des Marchés Financiers (AMF)		x		x	113	53	474		FTE
FR	Banque de France				x	2,192	1,470	11,690	EoY	FTE
FR	Haut Conseil de Stabilité Financière, High Council for Financial Stability (HCSF)				x	n/a	n/a	n/a	n/a	n/a
GR	Τράπεζα της Ελλάδος, Bank of Greece	x		x	x	332	259	1,840		
GR	Ελληνική Επιτροπή Κεφαλαιαγοράς, Hellenic Republic Capital Market Commission (HCMC)		x		x	9	6	n/a	n/a	n/a
GR	Hellenic Ministry of Labour, Social Security and Social Solidarity			x	x	n/a	n/a	n/a	n/a	n/a
HR	Hrvatska Narodna Banka, Croatian National Bank	x			x	43	22	649	EoY	HC
HR	Hrvatska agencija za nadzor financijskih usluga, Croatian Financial Services Supervisory Agency (HANFA)		x	x	x	6	4	152	AVG	EoY

HR	Vijeće za financijsku stabilnost, The Financial Stability Council				x	n/a	n/a	n/a	n/a	n/a
HU	Magyar Nemzeti Bank, National Bank of Hungary	x	x	x	x	164	68	1,326	AVG	HC
HU	Pénzügyi Stabilitási Tanács, Financial Stability Board				x	n/a	n/a	n/a	n/a	n/a
IE	Central Bank of Ireland	x	x	x	x	237	146	1,599	EoY	FTE
IE	The Pensions Authority				x	6	4	49	AVG	FTE
IT	Banca d'Italia, Bank of Italy	x			x	2,042	1,403	6,921	AVG	HC
IT	Commissione Nazionale per le Società e la Borsa (CONSOB)		x		x	122	93	603	EoY	HC
IT	Istituto per la Vigilanza sulle assicurazioni (IVASS)				x	28	15	n/a	n/a	n/a
IT	Commissione di Vigilanza sui Fondi Pensione, Supervisory Commission on Pension Funds (COVIP)				x	11	8	63	EoY	FTE
LT	Lietuvos Bankas, Bank of Lithuania	x	x	x	x	36	15	588	EoY	HC
LU	Commission de Surveillance du Secteur Financier, Commission for the Supervision of Financial Sector (CSSF)	x	x	x	x	79	66	674	EoY	HC
LU	Commissariat aux Assurances (CAA)				x	0	n/a	n/a	n/a	n/a
LU	Banque centrale du Luxembourg				x	70	39	355	AVG	EoY
LU	Comité du risque systémique, Systematic Risk Committee				x	n/a	n/a	n/a	n/a	n/a
LV	Finanšu un Kapitāla Tirgus Komisija, Financial and Capital Market Commission (FKTK)	x	x	x	x	9	6	155	AVG	EoY
LV	Latvijas Banka, Bank of Latvia				x	39	17	517	EoY	FTE
MT	Awtorità għas-Servizzi Finanzjarji ta' Malta, Malta Financial Services Authority (MFSA)	x	x	x	x	15	9	266	AVG	HC
MT	Bank Ċentrali ta' Malta, Central Bank of Malta				x	18	11	334	AVG	FTE
NL	De Nederlandsche Bank, National Bank of Netherlands	x			x	379	204	1,703	AVG	FTE
NL	Financieel Stabiteitscomité, Financial Stability Committee (FSC)				x	n/a	n/a	n/a	n/a	n/a
NL	Autoriteit Financiële Markten (AFM)		x		x	90	69	574	AVG	FTE
PL	Komisja Nadzoru Finansowego, Polish Financial Supervisory Authority (PFSA)	x	x	x	x	46	30	911	AVG	HC
PL	Narodowy Bank Polski				x	242	109	3,296	AVG	HC
PL	Komitet Stabilności Finansowej (KSF)				x	n/a	n/a	n/a	n/a	n/a
PT	Banco de Portugal, Bank of Portugal	x			x	201	122	1,797	EoY	HC
PT	Comissão do mercado de valores mobiliários (CMVM)		x		x	19	14	n/a	n/a	n/a
PT	Autoridade de Supervisão de Seguros e de Fundos de Pensões (ASF)				x	19	13	177	EoY	HC
RO	Banca Națională a României, National Bank of Romania	x			x	97	62	1,902	EoY	HC

RO	Autoritatea de Supraveghere Financiară, Financial Supervisory Authority (ASF)		x	x	x	31	21	495		
SE	Finansinspektionen, Swedish Financial Supervisory Authority	x	x	x	x	63	43	456	EoY	HC
SE	Sveriges Riksbank				x	96	43	332	AVG	FTE
SI	Banka Slovenije, National Bank of Slovenia	x			x	33	22	434	AVG	HC
SI	Agencija za trg vrednostnih papirjev, Securities Market Agency (ATVP)		x		x	3	2	44	EoY	HC
SI	Agencija za Zavarovalni Nadzor, Insurance Supervision Agency (AZN)			x	x	3	2	41	EoY	HC
SI	Odbor za finančno stabilnost, Financial Stability Board (OFS)				x	n/a	n/a	n/a	n/a	n/a
SK	Narodna Banka Slovenska, National Bank of Slovakia	x	x	x	x	82	44	1,063	AVG	FTE
UK	Bank of England				x	594	432	3,983	AVG	HC
UK	Prudential Regulation Authority	x		x		n/a	n/a	n/a	n/a	n/a
UK	Financial Conduct Authority		x		x	674	404	3,276	AVG	FTE
UK	The Pensions Regulator				x	91	46	527	AVG	HC
UK	Financial Policy Committee				x	n/a	n/a	n/a	n/a	n/a
	SUBTOTAL					12,622	8,052	75,940		
	<i>Total for national supervisors represented in BoS ESAs</i>					6,831	4,354	41,390		
	<i>Total for national supervisors represented in BoS EBA</i>					5,580	3,561	34,474		
	<i>Total for national supervisors represented in BoS ESMA</i>					2,418	1,490	18,299		
	<i>Total for national supervisors represented in BoS EIOPA</i>					2,731	1,749	20,062		
	<i>Total for national supervisors represented in ESRB</i>					12,622	8,052	75,940		
	TOTAL					13,707	8,589	79,750		

Notes: The data are taken from the annual reports, financial statements and budgets of each authority for 2016, when available. The data for the Croatian Hrvatska agencija za nadzor finansijskih usluga (HANFA), Portuguese Autoridade de Supervisao de Seguros e de Fundos de Pensoes (ASF) and Romanian Autoritatea de Supraveghere Financiară (ASF) are based on the budget figures for 2015. Moreover, data collected for the English Financial Policy Committee is based on the budget from 2016-17 and the number of employees for the Bank of Greece comes from May 2017. It should be pointed out that the data for the Comissão do mercado de valores mobiliários (CMVM) come from the budget plan for 2016. Unfortunately, no relevant data were available for many Greek and Cypriot supervisory agencies.

* The figures not expressed in EUR have been converted into EUR using the respective exchange rate.

** FTE - full-time equivalent HC- Headcount EoY - End of Year, AVG Annual average.