



**Gabriel Bernardino (CEIOPS Chair)
Opening Speech**

**CEIOPS Conference
Frankfurt am Main, 17 November 2010**

Introduction

Distinguished Guests,
Ladies and Gentlemen,

On behalf of the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS), I would like to extend you a very warm welcome to our 6th Annual Conference, here in the Frankfurt Congress Center.

CEIOPS' Annual Conferences are a key part of our policy of transparency and consultation. Transparency, because of the opportunity to tell you about our current news and views; Consultation, because we welcome, and actually seek, your feedback on all issues rose. Today, we provide you with an excellent programme in both those respects, with an opportunity to hear from some of the most experienced and respected figures in the field of European financial supervision.

This will, of course, be the last Annual Conference of CEIOPS. As you know, from 1 January 2011, we will become the European Insurance and Occupational Pensions Authority (EIOPA). The name "EIOPA" may not exactly "slip off the tongue", but we are nevertheless talking about a quantum leap for CEIOPS and the other Level 3 Committees in terms of tasks and powers in the field of European financial services supervision. A quantum leap, which, we hope, will go a significant way to help restoring confidence amongst all market participants.

This is my second Annual Conference as Chairman of CEIOPS and I can only say it has been a bit of a "rollercoaster" since I took over at the end of October last year. A year ago we were discussing the findings of the De Larosière report on financial supervision in the EU and pondering the impact of the Commission's subsequent legislative proposals to reform the European financial supervisory framework. The political landscape has changed significantly in the last 12 months and those proposals have become a reality in a set of Regulations, setting up the ESAs and the European Systemic Risk (ESRB) Board.

Undoubtedly, these are interesting but also challenging times for all stakeholders. I am sure our speakers today will provide us with stimulating food for thought. It is indeed a privilege to have them with us.

I am also very pleased to say that Members of CEIOPS' Managing Board and Secretariat are in attendance here today and I would very much encourage you, if you have time, to take the opportunity to meet them in the coffee and lunch breaks. Having such a great team both in the Managing Board and the CEIOPS Secretariat backing me,

has been particularly important, given the previously mentioned rapidly changing times and accompanying challenges.

Finally, I would like to thank the City of Frankfurt, for their permanent welcome and support. CEIOPS has greatly enjoyed being here. We make the most of Frankfurt's facilities and attractions. So do our many Members and guests. I look forward to continuing in a spirit of enhanced co-operation in the future, given that EIOPA will continue to have its seat in Frankfurt.

Insurance

Our first Panel session this morning (you will not be surprised to know) is on the Solvency II project, the new regulatory regime for insurance, with the tantalising question: "Are you ready?". CEIOPS is perhaps best known for its contributions to this project, which has spanned much of CEIOPS' existence, since its foundation back in 2004. The monumental work by all involved parties has continued throughout times of stress, as well as during 'business-as-usual'.

CEIOPS continues to strongly believe that Solvency II as a modern risk-oriented regime is the answer to the main questions posed by the crisis.

Nevertheless, we still need to provide answers to some questions before the implementation of Solvency II in 2013. I would argue that we need to take care of three main elements:

First of all we should find a **prudent balanced approach** to the calibration of capital requirements.

The objective of the SCR calibration is to achieve the 99,5% level of confidence embedded in the SII framework Directive. Overall capital neutrality will be, hopefully, a consequence, not an objective per se. This is why it is so important to collect good information in QIS5 in order to refine the calibrations. I am confident that the process of calibration of the non-life risks that CEIOPS is developing together with various industry representatives will be a success.

The **second** element that I find fundamental is the **reassessment of the level of complexity**. The SCR standard formula is perhaps becoming too sophisticated in some areas and we should realize that there are no perfect formulas.

Consequently, we all need to make a further effort to allow for more simplifications to be used according to the “nature, scale and complexity” of the risks and also to search for good ideas to maximize the use of undertaking specific parameters and to simplify the reporting requirements for smaller and less complex entities, under the supervisory review process.

Finally, the **third** component is the development of **appropriate transitional measures** that should allow undertakings and supervisors appropriate time to fill the “gap” without disruption. Nevertheless, care should be taken to avoid the use of these measures to postpone Solvency II.

I believe that we need clear and transparent transition measures, subject to timely reporting by undertakings and close monitoring by supervisors.

QIS5 will put Solvency II implementing measures to a reality test. But QIS 5 is a test, not the final calibration and design. Based on the results, all actors involved, the European Commission, industry as well as CEIOPS will have to judge whether the system is fit for implementation. It is our belief that the Solvency II project will benefit from the catalysing effect of QIS5, which will help refine the measures, without losing sight of the big picture.

EIOPA will play an active role in assuring that EU insurance supervisors adopt a convergent approach to Solvency II. I firmly believe that the success of Solvency II will be dictated by the way supervisors will be able to work together and find a common approach to the supervisory review process. We should not underestimate this challenge but, at the same time, we must realise that this is a unique opportunity to build what will probably become the first truly “European supervisory process” in the financial services area.

This will be quite an achievement and I am sure that we all want to be part of it.

I am delighted that Peter Skinner MEP is part of an already very distinguished group of panel Members. Peter is a longstanding “friend” of CEIOPS as the chief rapporteur on the Solvency II Directive and on the EIOPA Regulation.

Of course, Solvency II is not the only important policy area in the field of EU insurance supervision. Over the next 12 months, we can also expect other important legislative initiatives from the European Commission, such as a revised Insurance Mediation Directive and

proposals for regulating the disclosure and sale of Packaged Retail Investment Products (so-called “PRIIPs”). EIOPA will be ready to continue its work on these different subjects.

Occupational Pensions

Our second panel session covers Occupational Pensions and the key question, which I am sure is on many person’s lips is: “Can we afford the pensions we want?”

It has been a busy year for CEIOPS in the field of occupational pensions as well. The European Commission’s Green Paper on pensions, published in July this year, marks the start of a process to modernise and further integrate the regulatory and supervisory frameworks for European pensions.

The overarching objectives of the pension reforms will be to strengthen the EU internal market for pensions and to ensure that pension systems are adequate and sustainable, delivering security in retirement to millions of EU citizens.

CEIOPS welcomes the Green Paper as an important event for European pensions and fully shares the objectives of the paper. CEIOPS especially welcomes the fact that the approach adopted integrates economic, social and financial market issues and thereby acknowledges the complexity of pensions. We also recognise the importance of the issues of adequacy, sustainability and demographic change which are raised in the Green Paper, and the need for a multitiered and integrated response.

Funded pensions (ie backed by a fund of assets) represent a considerable proportion of the wealth of citizens of Member States. Therefore, the importance of this sector, the expectations of members and beneficiaries, as well as the economic impacts must be recognised. However, pensions also have a social aspect, which should be respected. CEIOPS notes and welcomes that the Green Paper does not propose a one-size-fits-all pension system design.

Nevertheless, it is my belief that in spite of the differences in the EU pension systems, it is possible to develop a modern principles-based framework for private pension's safety within the EU, using a bottom-up approach that could leave enough flexibility to member states to adapt it to their social and labour law specificities.

This EU pension's safety framework should be characterized by a number of principles – Forward looking, Risk-based, Market consistent, Transparent, Proportionate and Countercyclical –, and should have at its heart appropriate governance standards for the pension plans and a clear commitment towards transparency. Members and beneficiaries should have the right to know who bears the risks.

I believe that the future of pensions calls for a balanced approach between security and affordability. One of the solutions for this dilemma will be a better risk sharing between the sponsoring undertakings, the members and beneficiaries and the financial markets. Any framework needs to recognize that security as a price.

EIOPA and its Members are a source of considerable expertise and information about pension's matters, and will be responsible for overseeing the implementation and ongoing application of any future IORP framework. Therefore, it is important that EIOPA be involved in the development of this framework to ensure that the result can achieve its objectives as efficiently as possible.

We look forward to working with the Commission on the follow-up to the Green Paper, including the review of the IORP Directive planned for next year.

The importance of pension's issues is well reflected in the famous saying: "We all need to take great interest in the future because we will spend the rest of our life there".

I am delighted that, amongst a superb group of panel Members, Madame Pervenche Berès MEP, has also agreed to take part in the discussions, given her outstanding credentials and the fact that she is the current Chair of the Employment and Social Affairs Committee in the European Parliament.

The "European System of Financial Supervision" (the ESAs and ESRB)

Last but not least on our programme today is a panel covering a very important new development – the creation of the so-called "European System of Financial Supervision", which will encompass competent national supervisors, the ESAs, the Joint Committee of the ESAs and the ESRB. I am delighted that, not only my colleagues from the other

Level 3 Committees can be here today to give their views, but also my fellow countryman, Vitor Constâncio, the Vice-President of the European Central Bank (ECB).

We are starting a new chapter for the supervision of the EU financial market.

This is a unique opportunity which supervisors must seize in order to ensure the stability of the financial system as well as the protection of insurance policyholders, pension scheme members and their beneficiaries.

It is, of course, a “brave new world” for CEIOPS. New tasks and powers under EIOPA in the field of colleges, consumer protection, crisis management and an enhanced international role are just some examples. In addition, existing mechanisms for Level 3 cooperation will be formalised under a Joint Committee. Gone will be the days of the Level 3 committees having purely an advisory role. We will have a right of initiative in proposing draft regulatory standards, thus contributing to the creation of a single EU rule book, and be able to settle disagreements between national supervisors.

We are, currently, entrenched in a process of a transformation. It is not quite as rapid (and radical) as a metamorphosis into a “superhero”, but we are nevertheless talking about significant changes which will take time to bed down, but will, no doubt, shape the European financial supervisory landscape for years to come.

Both macro and micro-prudential supervision will be crucial in this transformation process and in the years ahead. The ESRB will, without

doubt, have a pivotal role to play in detecting risks to the financial system as a whole with a critical function to issue early risk warnings to be rapidly acted on. The ESAs' working relationship with the ESRB will, therefore, be key. In this respect, we have been holding regular and intensive meetings with the ESRB and ECB over the last 6 months with the very aim of enhancing this relationship and assuring that there will be a mutual flow of relevant information between the two levels of supervision.

Without doubt, there are significant challenges ahead for whichever persons to take the helm of these new Authorities, but it will also present an exciting opportunity for those persons to lead the way in European financial services supervision.

Keynote Speeches

Finally, I have the honour to introduce our distinguished Keynote Speakers – **Mr Jonathan Faull and Mrs Sharon Bowles**. Both of these speakers may well be well-known to you already. However, I would, nevertheless, like to say a few words, by way of introduction:

Jonathan Faull is the Director-General for Internal Market and Services in the European Commission. He took up this position in July this year. He has worked in the Commission since 1978 in a wide variety of areas such as Transport, Competition, Press and Communication and up until recently, Justice and Home Affairs. He has also served as a member of the Cabinet of Sir Leon Brittan, the former Vice-President of the European Commission. We are delighted that he has made time in his very busy schedule to be with us today. There is

no doubt that the Commission has played a pivotal role in shaping the legislation setting up the ESAs and their initial involvement in, and continuing support to, these European agencies, in the future, will be equally important.

Later in the day, **Sharon Bowles** will be speaking to us. Sharon became a member of the European Parliament in May 2005 and was re-elected in June 2009. Since July 2009, she has been Chairwoman of the highly influential Committee on Economic and Monetary Affairs and was previously a shadow rapporteur on the Solvency II Framework Directive. She is a lawyer by training and those skills have, no doubt, been put to good use during the intensive negotiations with the Commission and Council on the drafting of the final ESA Regulations. We are honoured that she can be with us today to give her perspective on the future of the European Financial Supervisory Architecture. We are also delighted that she has agreed to moderate our panel session this afternoon on the European System of Financial Supervision.

First of all, Mr Faull, we welcome you to CEIOPS. The floor is yours.

Gabriel Bernardino,
CEIOPS Chair