The Role of the European Union in International Economic Fora

Study for the ECON Committee

2015
Abstract
The European Union, via its institutions and Member States, is participating in various standard-setting fora in the economic and financial area. Experts analysed the role of the EU in nine separate studies on selected international economic fora (G20, FSB, OECD, IMF, BCBS, IOSCO, IAIS, IASB and IOPS). In this workshop, the authors discuss and inform ECON Members on the EU’s role, representation and activities in these fora and present their core conclusions on these worldwide standard-setters with a special focus on transparency and accountability.

This workshop and the respective document was prepared by the Policy Department A at the request of the Committee on Economic and Monetary Affairs (ECON).
This document was requested by the European Parliament’s Committee on Economic and Monetary Affairs. It pertains to a series of papers provided by the experts presenting in this workshop. Those papers cover from the same scientific angle G20, FSB, IMF, OECD, BCBS/Basel, IAIS, IOSCO, IASB and IOPS.

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1. PROGRAMME OF THE WORKSHOP

ECON WORKSHOP:
The role of the EU in international economic fora

- Programme -
Wednesday, 17 June 2015, 9.30 to 12.30 hrs., European Parliament, Brussels
Room ASP 3G2, EN/FR/DE interpretation, the event is public and will be webstreamed

9.30 - 9.40 hrs
Welcome and Introduction
Pablo ZALBA BIDEGAIN (EPP), ECON Vice-Chair
Sylvie GOULARD (ALDE), ECON Rapporteur of the Report on 'The role of the EU in international economic fora'

9.40 - 9.55 hrs
Introduction
Paul TUCKER, Senior Fellow at the Mossavar-Rahmani Center for Business and Government at Harvard Kennedy School and at Harvard Business School, Cambridge MA (USA)

To prepare the own initiative report 'The EU role in the framework of international financial, monetary and regulatory institutions and bodies', the Committee on Economic and Monetary Affairs (ECON) has commissioned expertise in the form of studies on the European Union's Role in the following international economic fora, provided by the experts listed below.

The experts will present briefly their main conclusions/theses for discussion:

9.55 - 10.20 hrs
First Session:
Experts' Statements on G20, FSB, OECD and IMF
1. the Group of Twenty (G20), Fabian AMTENBRINK, Professor at the Erasmus University Rotterdam, Erasmus School of Law, European Research Centre for Economic & Financial Governance, The Netherlands; René REPASI, Scientific Coordinator of the European Research Centre for Economic and Financial Governance (EURO-CEFG), Erasmus University Rotterdam
2. the Financial Stability Board (FSB), Ivan VAN DE CLOOT, Econopolis Strategy NV, Belgium
3. the Organisation for Economic Cooperation and Development (OECD), Eli HADZHIEVA, Eureliz SPRL, Belgium
4. the International Monetary Fund (IMF), Joachim KOOPS, Director, Global Governance Institute & Research Professor, Vrije Universiteit Brussel (VUB), Belgium

10.20 - 10.50 hrs
Discussion with the experts
10.50 - 11.20 hrs  **Second Session:**
Experts' Statements on BCBS, IOSCO, IASB, IAIS and IOPS

5. the Basel Committee on Banking Supervision (BCBS), Lucia QUAGLIA, Professor of Political Science at the University of York; United Kingdom

6. the International Organization for Securities Commissions (IOSCO), Pierre-Henri CONAC, Professor of Financial Markets Law at the University of Luxembourg; Luxembourg;

7. the International Accounting Standards Board (IASB), Sebastian BOTZEM, Professor of International Political Economy at the Institute of Intercultural and International Studies, University of Bremen, Germany;

8. the International Association of Insurance Supervisors (IAIS), Lieve LOWET, Partner, ICODA, Belgium;

9. the International Organisation of Pension Supervisors (IOPS), Lieve LOWET, Partner, ICODA, Belgium.

11.20 - 12.15 hrs  Discussion with the experts

12.15 - 12.30 hrs  Closing remarks by Pablo ZALBA BIDEGAIN (EPP), ECON Vice-Chair, and Sylvie GOULARD (ALDE), ECON Rapporteur
2. CURRICULA VITAE OF THE SPEAKERS

Paul TUCKER
Sir Paul Tucker is a senior fellow at the Harvard Kennedy School and the Harvard Business School. He was Deputy Governor at the Bank of England from 2009 to October 2013, having joined the Bank in 1980. He was a member of all of the Bank of England's statutory policy committees: the Monetary Policy Committee, Financial Policy Committee (vice chair), Prudential Regulatory Authority Board (vice chair), as well as of the Court of Directors. Internationally, he was a member of the steering committee of the G20 Financial Stability Board, and chaired its Committee on the Resolution of Cross-Border Banks in order to solve the 'too big to fail' problem. He was a member of the board of directors of the Bank for International Settlements, and was chair of the Basel Committee for Payment and Settlement Systems from April 2012. He is a Visiting Fellow of Nuffield College, Oxford, and a Governor of the Ditchley Foundation.

Fabian AMTENBRINK
Fabian Amtenbrink is Vice Dean and professor at the Erasmus School of Law of the Erasmus University Rotterdam, where he holds the Chair of European Union Law. Since 2009 he is also Visiting Professor at the College of Europe in Bruges. Moreover, he is Scientific Director of the European Research Centre for Economic and Financial Governance, a joint research initiative initiated by researchers from the Leiden University, Delft University of Technology and Erasmus University Rotterdam (http://euro-cefg.eu). His research and international publications focus on constitutional and institutional aspects of European Union law, as well as legal issues of (European) economic and monetary integration. Professor Amtenbrink, who studied law at the Freie Universität of Berlin (Germany) where he is fully qualified to practice law, holds a Dutch doctorate in law (PhD) on the democratic accountability of the ECB. He serves on the editorial board of the European Law Review and the Netherlands Yearbook for International Law, as well as being a principle editor of the Nijhoff Studies in EU Law Series (Brill). For further information, please visit http://professoramtenbrink.eu/

René REPASI
René Repasi studied law at the Universities of Heidelberg and Montpellier. During his legal clerkship, he used to work for the European Commission and at the European Court of Justice. From 2007 to 2014 he has been employed as Assistant Professor at the University of Heidelberg and senior researcher at the Institute for German and European Corporate and Economic Law. In 2014 he joined the European Research Centre for Economic and Financial Governance (EURO-CEFG) of the Universities of Leiden, Rotterdam and Delft as scientific coordinator. He was furthermore appointed as ad hoc legal expert for the hearing of the ECON committee on the banking union and wrote studies on “Limits and opportunities for the ECB in the multi-tier governance” and on “Legal options for an additional EMU fiscal capacity” for the AFCO committee. He published in several English, French and German law journals on legal issues relating to the European Economic Governance. The Brussels based think tank “Centre for European Policy Studies” (CEPS) appointed him as member of its High-Level Group on EU Institutional Reforms.

Ivan VAN DE CLOOT
Ivan Van de Cloot studied economics at the University of Antwerp and was research assistant for two years in the domain of public finances. As a consultant he helped preparing the liberalisation of the gas and electricity market in Belgium. Afterwards he worked as an economist for the research department of the bank ING/BBL. Since 2008 he
has been Chief economist at Itinera Institute, a Brussels based think tank. He coordinates the research at Itinera Institute for which he collaborates with academics of different universities. He also very frequently gives lectures in Belgium and abroad. He is currently Executive professor at the Antwerp Management School and has been Professor in Macroeconomics between 2009 and 2013 at the Hogeschool-Universiteit Brussel. Ivan Van de Cloot has written books on making the pension system sustainable, tax policy, banking reform and financial regulation. As a commentator for financial and economic events, he often appears in the written and audio-visual media.

**Eli HADZHIeva**

Eli Hadzhieva funded in 2014 the Brussels-based NGO Dialogue for Europe, which focuses on EU policies in the area of economic and financial affairs, trade and foreign policy. As a Director of Eureliz communications company since 2012, Eli Hadzhieva works with distinguished journalists, opinion leaders and policy makers throughout Europe and conducts various research projects for the European Parliament and other EU institutions. She previously served as a parliamentary attaché at the Committee on International Trade, Committee on Foreign Affairs and Subcommittee on Human Rights of the European Parliament for four years. Her past work experience involves the planning of a major World Forum at the Organisation of Economic Cooperation and Development (OECD) and promoting Izmir’s bid to the Universal Exhibition at the Bureau EXPO 2015 in Paris. Besides her activities at EURELIZ and Dialogue for Europe, Eli Hadzhieva participates in the prestigious CHEE Programme at École Nationale d’Administration (ENA). Ms. Hadzhieva studied economics and political science at the Middle East Technical University, the University of Manchester, King’s College London and Sciences Po Paris. She is fluent in English, French, German, Italian, Bulgarian, Spanish and Turkish.

**Joachim KOOPS**

Professor Joachim A. Koops (BA Oxon, MA Turku, LPC Oxon, PhD Kiel) is Director of the Global Governance Institute (GGI), Brussels. He is also the Dean of Vesalius College, Vrije Universiteit Brussel (VUB), Research Professor of European Foreign & Security Policy at the VUB's Institute for European Studies and Course Director of the Executive Course in Global Risk Analysis & Crisis Management. Joachim's expertise and research interests lie at the intersection of global governance, the European Union as an International Actor as well as 'effective multilateralism' and the EU’s Relations with International Organisations. Recent publications include 'The European Union as a Diplomatic Actor’ (Palgrave Macmillan, 2015 - with a Foreword by Pierre Vimont), ‘The European Union as an Integrative Power? Assessing the EU's Effective Multilateralism towards the UN and NATO’ (VUPPress, 2011) and the forthcoming ‘Palgrave Handbook of Inter-organizational Relations in World Politics’ (Co-edited with Rafael Biermann), Palgrave Macmillan, 2016. Since 2012, Joachim has served on the Ethics Review Committee of the European Commission's DG Research & Innovation as well as as scientific evaluator under FP7 and H2020. Previously, he served as an Advisor on inter-organizational cooperation at the United Nation's Department for Policy, Evaluation and Training (DPET), DPKO/DPA, New York.

**Lucia QUAGLIA**

Lucia Quaglia is Professor of Political Science at the University of York since 2012. Previously, she was a junior lecturer at the University of Limerick (2003-4), lecturer at the University of Bristol (2004-6) and senior lecturer at the University of Sussex (2006-2012). She held visiting positions at the Robert Schuman Centre for Advanced Studies at European University Institute (Florence); the Department of Social and Political Studies at the at European University Institute (Florence); the Max Planck Institute for the Study of Societies (Cologne) and Hanse-Wissenschaftskolleg (Delmenhorst). Her most recent research monographs is 'The European Union and Global Financial Regulation', Oxford University Press.

**Pierre-Henri CONAC**

Pierre-Henri Conac is Professor of Financial Markets Law at the University of Luxembourg where he established in 2007 the Master 2 in European Banking and Financial Law (LL.M.). From 1999 to 2006, he was Associate Professor of Commercial Law at the University of Paris 1 (Panthéon-Sorbonne). He is the author of ‘The regulation of securities markets by the French Commission des opérations de bourse (COB) and the US Securities and exchange commission (SEC)’. His research areas deal with national, European and international securities law as well as comparative law in these fields, specially with the United States. Professor Pierre-Henri Conac is also co-managing editor of the European Company and Financial Law Review (ECFR). In 2011 the European Securities and Markets Authority (ESMA) appointed him to its consultative Stakeholder Group, the Securities and Markets Stakeholder Group (SMSG). He was reappointed for a second term in 2014. Pierre-Henri Conac, a French national, graduated from the University of Paris 1 (Panthéon-Sorbonne) in business law (1991), from HEC School of Management (1990), and from the Institute of Political Studies of Paris (1994). He also earned an LL.M. from Columbia Law School (1995).

**Sebastian BOTZEM**

Sebastian Botzem is Professor of International Political Economy at the Institute of Intercultural and International Studies at the University of Bremen and heads the research group ‘Transnational Political Ordering in Global Finance’. His research interests center around cross-border standardisation, transnational governance and the regulation of global finance. He was a guest researcher at the Minda de Gunzburg Center of European Studies (Harvard University), Said Business School (Oxford University) and the Stockholm Centre for Organizational Research (SCORE), Sweden. Sebastian Botzem has published extensively on transnational accounting regulation. One of his publications is ‘The Politics of Accounting Regulation’ (Edward Elgar, 2012).

**Lieve LOWET**

Lieve Lowet is a partner of ICODA European Affairs which she joined in March 2008. Between 2003 and 2008, she was secretary-general of AISAM, *Association Internationale des Sociétés d’Assurance Mutuelle*, now AMICE. Prior to AISAM, Lieve worked for 15 years with McKinsey & Co as an expert in European banking and insurance. She started her career as a banker for ING Bank Belgium (previously BBL) in 1988. Lieve has a M.A. in International Studies degree from the Johns Hopkins School of Advanced International Affairs, Bologna, a B.A. (cum laude) in Thomistic Philosophy, and a licentiaat in de Rechten (cum laude) (law degree), both from KULeuven, Belgium. She is currently an expert member of the Commissie van Verzekeringen/Commission des Assurances. She edited a text collection on European Solvency II law/Droit européen Solvabilité II in 2014.
3. INTRODUCTION BY PAUL TUCKER

European Parliament Workshop 17.6.2015
The EU’s Role in International Economic Fora
Introduction by Paul Tucker

- No jurisdiction is able to preserve financial stability on its own unless it adopts autarky. Stability is a global common good which requires cooperative policy making.

- International policy organisations come in two variants: treaty organisations whose decisions are binding, and more informal organisations. Basel, FSB, IOSCO etc. fall into latter category. The overall programme of these bodies is in effect steered by G20 Leaders.

- In the EU, the policies adopted by the global groups are either passed into law, with the Council and Parliament as co-legislators, or incorporated into rules, which are subject to veto by the majoritarian institutions. In other words, the EU and its Member States have not surrendered sovereignty.

- Where a jurisdiction participating in the global fora chooses not to apply an international standard, the rest of the world is likely to think that the world economic and financial system will in consequence be more risky. They may apply peer pressure, and they might even need to buttress their systems accordingly. It is important that that does not descend into protectionism.

- European Member States are well represented in the international fora, with the Commission there, too.

- It is important that the international standard setters consult and explain their thinking openly. It is important that national/ regional policymakers participating in international policy fora explain global initiatives to their local legislatures and citizens.
4. CONTRIBUTIONS BY THE SPEAKERS

SESSION I: Experts' Statements on G20, FSB, OECD and IMF

4.1. Group of Twenty (G20), Fabian AMTENBRINK, René REPASI

The European Union’s Role in the G20

Prof. Dr. Fabian Amtenbrink & René Repasi

G20 has developed into an ad hoc crisis management and financial markets reform forum that engages in public policy making through commitment & compliance by its participants.

Observations & Recommendations

- Accountability forms an important element of legitimization of public power and policy-making
- Accountability of (1) G20 as a collective body and (2) EU participating in G20 is largely absent
- Further institutionalization of G20 could make implementation of EU policies at the global level more effective & enhance the legitimacy/accountability of G20

EU could adopt a 'mandate'; EU/EU4 could adopt an 'agreed language' which are both to be published; EP could be included via a 'structured dialogue' and influence the COM through 'own initiative' reports based on an IIA.
Legal framework

- Competence for the EU to act at G20 level
  - Exclusive/shared competences
  - Whenever an explicit/implicit competence is found, the EU has the right to act at G20 level

- Representation of the EU at G20 level
  - In general: President of the European Commission
  - CFSP: President of the European Council
  - Monetary Policy: President of the ECB

- Coordination of EU/EU4
  - Principle of sincere cooperation (Art. 4(3) TEU)
### SWOT analysis for the EU participation in the G20

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
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<tbody>
<tr>
<td>- G20 as a platform for promoting and exporting the EU legal and regulatory framework abroad;</td>
<td>- Lack of binding coordination mechanism between the EU and the Member States;</td>
</tr>
<tr>
<td>- EU representatives have huge leverage of 25% of seats in the G20;</td>
<td>- The European Parliament has no say in coordinating the EU position for the G20;</td>
</tr>
<tr>
<td>- EU representatives are leading in following the G20 commitments;</td>
<td>- The Union is excluded from the chair/presidency rotation, which reduces its ability to influence G20 agenda;</td>
</tr>
<tr>
<td>- EU may use the G20 commitments to push through important reforms which otherwise could be objected by the non-G20 EU Member States.</td>
<td>- Weak accountability mechanisms at EU level.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>- An expansion of the G20 agenda allows the EU to influence global policies in a growing number of areas;</td>
<td>- Potential shift of competences to G20;</td>
</tr>
<tr>
<td>- A more institutionalised G20 could result in larger and more effective implementation of the EU policies at the global level.</td>
<td>- Creation of the coalition against the EU;</td>
</tr>
</tbody>
</table>

*Source: Antonbrink et al. (2015), The EU's Role in the G20*

### SWOT analysis for the G20 as a collective body

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>- G20 represents 90% of global GDP, 80% of global trade and roughly 2/3 of the world's population;</td>
<td>- More than 140 countries excluded from the participation in the G20 and therefore global decision-making imbalanced;</td>
</tr>
<tr>
<td>- Strong &quot;political weight&quot; attached to the G20 commitments;</td>
<td>- Overrepresentation of the EU member states and underrepresentation of the African continent;</td>
</tr>
<tr>
<td>- G20 limited membership and informality result in effective negotiations;</td>
<td>- Informality rules out meaningful parliamentary accountability of the G20 as a body;</td>
</tr>
<tr>
<td>- G20 expanding agenda;</td>
<td>- Informality hampers enforcement capacity of the G20;</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Further institutionalisation enhancing legitimacy and accountability of the G20;</td>
<td>- Competitive international fora might emerge;</td>
</tr>
<tr>
<td>- Opening for more members</td>
<td>- Institutionalisation as a threat to effectiveness;</td>
</tr>
<tr>
<td>- Considering a category of temporary full members</td>
<td>- Ineffectiveness in the non-crisis periods (&quot;politics as normal mode&quot;).</td>
</tr>
<tr>
<td>- Establishing a Charta of objectives and a statute</td>
<td>- Including binding rules</td>
</tr>
<tr>
<td></td>
<td>- Increasing transparency</td>
</tr>
</tbody>
</table>

*Source: Antonbrink et al. (2015), The EU's Role in the G20*
Policy recommendations as to the EU/EP

- **Strengthening EU’s role and voice in the G20**
  - *Ad hoc* determination of a single representative
  - Establishment of a procedure covering:
    - Adoption of a ‘mandate’ for the EU
    - Adoption of an ‘agreed language’ for the EU and the EU4
    - Mandatory publication of both
  - Inclusion of the EU in the chair/presidency rotation

- **Strengthening the role of the EP**
  - Interinstitutional Agreement
    - Establishing a ‘structured dialogue’ with the EP
    - EP ‘Own Initiative Report’ on G20 issues
4.2. Financial Stability Board (FSB), Ivan VAN DE CLOOT

The European Union’s role in the Financial Stability Board (FSB)

Ivan Van de Cloot
June 17, 2015
ECON (European Parliament)

EU and the Financial Stability Board:

EU involvement in the FSB

- The more EU takes a lead in financial regulation, the more influence EU will have within the FSB.
- Discuss EU positions at FSB on the agenda of the EFC: brief before and report back after FSB meetings to E.P.
- Regular discussion on FSB by EC representatives and the EU parliament + evaluation by E.P.

FSB’s internal decision making process

- Greater transparency regarding meetings
- More efforts to include “civil society” input in the public consultation and more information regarding feedback received and adopted (register of contacts)

Consider the trade offs

- **evolving from “saft law” towards Treaty based system?**
- More structural interaction FSB-IMF
4.3. Organisation for Economic Cooperation and Development (OECD), Eli Hadzhieva

THE EUROPEAN UNION’S ROLE IN THE OECD

Eli Hadzhieva
ECON Committee, European Parliament
June 17th, 2015

- OECD, competences, informal decision-making structure, soft regulatory approach and limited stakeholder involvement.
- OECD and EU interactions increased as a result of the financial crisis, especially in tax matters and Taylor-Made Advice for EU Member States in Economic Distress.
- EU’s undermined role, weak coordination mechanisms, ambiguous and outdated status in the OECD although more than half of the OECD Member States emanate from the EU and contribute to 33% of the OECD budget in addition to EU’s voluntary contributions.
- OECD referred to as a black box in debates about transparency and accountability (lack of parliamentary oversight, classification process, private meetings, annual forums sponsored by private companies).
- Way forward: full membership for the EU in the OECD and its committees, unified positions to be established in a special Council Working Group on OECD and other organisations active in global economic governance, horizontal coordination in the Commission to be overhauled, more scrutiny on the Member States seeking OECD’s economic advice, a thorough interparliamentary dialogue and an annual debate in the European Parliament.
4.4. International Monetary Fund (IMF), Joachim KOOPS

The EU’s Role in the IMF

- IMF, IMF’s involvement in European affairs and EU’s role in the IMF reinforced as a result of the Financial Crisis
- EU Member States still overrepresented in IMF with 32% of votes (particular impact in wake of Financial Crisis), but EU as a whole no formal/full-fledged seat at the table (ECB: observer; question of EU single seat in IMF is a non-issue)
- Significant problems in terms of transparency, accountability and legitimacy of
  - IMF Executive Board decision-making (here EU member state Directors should be held accountable by national parliaments)
  - EU institutions’ roles in IMF (Commission and ECB to be held accountable by European Parliament)
  - Decision-making process / accountability of joint programmes, i.e. “Troika programmes” (stronger scrutiny by coalition of European Parliament and national parliaments needed)

Joachim Koops, ECON Workshop: Role of the EU in International Economic Forum, 17.06.2015
SESSION II: Experts' Statements on BCBS, IOSCO, IASB, IAIS and IOPS

4.5. Basel Committee on Banking Supervision (BCBS), Lucia QUAGLIA

4.5.1. BCBS Conclusions

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The role of the EU in the BCBS

Lucia Quaglia

THE UNIVERSITY OF YORK

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Main conclusions

BCBS
- main international standard setter in banking, but not an international organisation (no legal personality, no budget, no universal membership, 'soft law')
- trade-off transparency versus confidentiality

EU
- asymmetries in EU’s external representation
- limited intra-EU coordination (ex-ante and ex-post)
- different preferences of the MS and different national banking systems
  → diminish EU’s influence/effectiveness in BCBS
4.5.2. BCBS Presentation

The role of the EU in the BCBS

Lucia Quaglia

THE UNIVERSITY OF YORK

Overview

• General issues in financial regulation

• Set up and functioning of BCBS

• Participation of EU in BCBS

• EU influence in BCBS

• Conformity of BCBS with ILA recommendations
General issues in financial regulation

- ‘Dilemma’ financial stability and competitiveness
- ‘Trilemma’: financial stability, competitiveness and funding to the real economy
- Why international cooperation in finance?
  i) to promote international harmonisation, so as to prevent regulatory gaps and overlaps of rules across jurisdictions;
  ii) to avoid competitive distortions, promoting a level playing field across jurisdictions;
  iii) to foster cross border cooperation amongst national regulators

Set up and functioning of the BCBS

- Legal status: not an IO, no legal personality, no budget
- Membership: no ‘universal’ membership – G 20
- Objectives: set international standards for banks; promote supervisory cooperation; cooperation with other standard setters
- Governance structure and internal bodies: GHOS, chairman, secretary general, WGs, task forces
- Processes: consensus
- Outputs: ‘soft law’, to be implemented domestically
- Special features: ‘network of national regulators’ with domestic autonomy; well-established body; detailed capital accords, de facto worldwide acceptance
Participation of EU in BCBS

- EU representation in BCBS: COM, ECB/SSM, EBA, 9 member states central banks and supervisors
- Formation of EU position: limited ex-ante and ex-post coordination
- Potential conflicts of interests: amongst member states, amongst EU institutions
- Strengths: large number of members from EU, ‘diversity’
- Weaknesses: ‘punching below weight’ and ‘asymmetries’
- Implementation of BCBS standards in EU

EU influence in BCBS

Factors affecting the influence of the EU
- Market size
- Modalities of external representation
- Regulatory capacity
- Cohesiveness
- Support of the financial industry

Case studies
Conformity of the BCBS with ILA recommendations

- Preliminary note: BCBS is not an IO - ILA recommendations refer to IOs

- BCBS complies only with some of the recommendations
- It does not fully comply with provisions concerning:
  - transparency,
  - public access to information
  - reporting and liaisons with NGOs
4.6. International Organization of Securities Commissions (IOSCO), Pierre-Henri CONAC

The European Union’s role in the International Organisation of Securities Commissions (IOSCO)

Pierre-Henri Conac
University of Luxembourg
June 17, 2015
ECON (European Parliament)

Faculty of Law, Economics and Finance

Core statement and conclusions

• ESMA is the eyes of the EU Parliament in the IOSCO Board as it can represent the European Union, has technical expertise and is subject to strict oversight by the ECON

• The EU Parliament should consider changing significantly the governance and powers of ESMA to strengthen the influence of the EU and of the Parliament itself in IOSCO

• The EU should strongly support the proposal of IOSCO to have a role in settlement of disputes in cross-border regulation as it would ensure an international level playing field while Europe is strong and Asia would also support it
Facility of Law, Economics and Finance

Outline

The role of the IOSCO in the new G-20 financial architecture

The representation of the EU (Com., ESMA, NCAs) in IOSCO

The influence of IOSCO on the EU and of the EU in IOSCO

Recommendations on strengthening the influence of the EU

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The role of the IOSCO in the new G-20 financial architecture

- IOSCO was created in 1983 with strong support from the United States
- IOSCO (124 ordinary members) covers 95% of the world's securities markets in more than 115 jurisdictions: « United Nations of securities regulation »
- IOSCO is not an international organisation under public law but a non-profit corporation incorporated under a private act recognized by Canada
- IOSCO has a permanent general secretariat located since 1987 in Madrid (with 30 staff) and a president, who is the chair of one of the securities regulator
The role of the IOSCO in the new G-20 financial architecture

- IOSCO has ordinary members (securities regulators), associate members (supra or infra national authorities and bodies) and affiliate members (private sector)

- Governance of IOSCO was changed in 2012 to provide a better representation of emerging countries in the newly established IOSCO Board (34 members)

- IOSCO is a democratic organisation (Board and General assembly) : decisions are taken by consensus even if a vote is always possible (one authority—one vote)

- IOSCO has an Emerging Markets Committee, four Regional Committees (including Europe), eight Policy committees and Task forces on given topics
Faculty of Law, Economics and Finance

The representation of the EU (Com., ESMA, NCAs) in IOSCO

- National Competent Authorities (NCAs) of EU Member States are « ordinary members » of IOSCO and represent **25 % of the Board**, with 6 permanent members (FR, DE, IT, NL, UK, ES) and three elected members (BE, GR, SE)

- The **European Commission** is an « associate member » of IOSCO since 2014 but **not an observer in the Board** because it is **not a securities supervisor**

- ESMA is not an « ordinary member », which it did not apply for, but an « associate member », and since 2013, also an **observer to the IOSCO Board**

- ESMA observer status is ‘fair’ and an **excellent result** since it allows ESMA to access to the decision making process at IOSCO while not, hopefully, reinforcing the current concern among members of an overrepresentation of Europe

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The representation of the EU (Com., ESMA, NCAs) in IOSCO

- Respective **roles of ESMA and NCAs** in the IOSCO Board clarified in 2012:
  - **ESMA has sole supervision** (eg : CRA): ESMA represents the EU position
  - **ESMA does not have supervision**: NCAs try to adopt a **non binding** joint position within ESMA but remain free to defend their national views

- ESMA is an « observer » in almost all IOSCO Board Policy Committees as well as a member of some cross-sector working groups with the BCBS (eg CPMI-IOSCO steering committee) and some Task Forces (eg Cross-Border regulation)

- The **European Commission** is not an “observer” in IOSCO Board Policy committees but in some cross-sector working groups as well as a in only two IOSCO Task Forces (Financial benchmarks and OTC derivatives regulation)
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The influence of IOSCO on the EU and of the EU in IOSCO

- Influence of IOSCO on the EU is growing especially if there was no previous legislation at the European level or in other members of IOSCO
- Regulation on Credit Rating Agencies (2009)
- Regulation on short selling (2012)
- EMIR (2013)
- Regulation on Money Market Funds (to be adopted in 2015)
- Regulation on Financial Benchmarks (to be adopted in 2015)

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The influence of IOSCO on the EU and of the EU in IOSCO

- The influence of the NCAs on IOSCO principles is very strong, as well as the influence of the EU as such, through ESMA and the European Commission
- Representation of the EU Member States at the Board means that the « EU » has a veto right and international standards cannot be contrary to EU legislation
- Consensus approach, large membership as well as shorter tenure of head of securities supervisors lead to IOSCO principles having a low level of granularity
- Some exceptions exist (2012 CPSS-IOSCO for Central Clearing Counterparties (CCPs) and the 2013 BCBS-IOSCO Principles on Margin requirements for not centrally cleared derivatives) but they are still much less detailed than EMIR
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Recommendations on strengthening the influence of the EU

- Short term policy recommendations

  - ESMA and Commission status are satisfactory and should not be changed as there is a growing opposition to a perceived European overrepresentation

  - ESMA and the Commission could better coordinate within Task Forces if the Commission has not been accepted as a member of the Task Force

  - The EU and especially the European Parliament should strongly support the proposal of IOSCO to have a role in settlement of disputes in Cross-Border Regulation as it would ensure an international level playing field

  - The EU should even take the lead to support this multinational approach while Europe is still strong within IOSCO and Asia would also support it

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Recommendations on strengthening the influence of the EU

- Long term policy recommendations

  - Not possible, justified or even desirable to have ESMA or the Commission replacing the Member States in IOSCO: a mixed approach is necessary

  - Better coordination of NCAs within the Board of Supervisors (BoS) of ESMA could be achieved by having appointed members in the managing board of ESMA like the ECB, and giving the chairman of ESMA a vote

  - Together with the Commission, make ESMA the face of Europe outside Europe, like the US Securities and Exchange Commission (SEC), on all issues linked to the recognition of equivalence and negotiation of MoUs
### 4.7. International Accounting Standards Board (IASB), Sebastian BOTZEM

<table>
<thead>
<tr>
<th>ECON Workshop, 17 June 2015</th>
<th>Institute of Intercultural and Int. Studies</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Role of the EU in Int. Economic Fora</td>
<td>University of Bremen, Germany</td>
</tr>
<tr>
<td><strong>Paper 7: IASB</strong></td>
<td><strong>Prof. Dr. Sebastian Botzem</strong></td>
</tr>
</tbody>
</table>

#### Core conclusions about the EU’s role in the International Accounting Standards Board (IASB)

1) **IASB is a private organisation, membership not tied to jurisdiction**
   - Active consultation, high formal transparency, but lack of democratic accountability
   - Decisions in standard setting exclusively taken by experts

2) **Participation – stakeholder involvement in accounting regulation**
   - Practical expertise paramount, standards (IFRS) geared towards capital market actors
   - Civil society, small and medium-sized enterprises (SMEs) marginalized

3) **Europe’s role**
   - Ex-post endorsement of standards, limited European influence in standard setting
   - Multiplicity of European actors (EC, ECB, ESMA, EFRAG), but little coordination
   - “European public good” (IAS Regulation 1606/2002) insufficiently specified
4.8. International Association of Insurance Supervisors (IAIS), Lieve LOWET

IAIS – key conclusions

ECON Workshop
17 June 2015
Lieve Lowet, partner,
ICODA European Affairs

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IAIS – International Association of Insurance Supervisors

Short overview
- Private association with 163 Members (146 countries), representing insurance supervisors/regulators.
- Standard-setting (Principles, standards and guidelines), Implementation, Financial stability.
- From association, focused on supervisory cooperation/information exchange into a globally respected standard-setter: ICPs recognised by IMF, Worldbank and FSB.
- On-going work on International Capital Standards (ICS).
- No binding force of materials, but high moral authority (FSAP, SAPR).

EU membership and coordination
- High EU representation (22% of Members, 21% of ExCo members): EU Commission (no voting rights), EIOPA, all MS (except GR and HR), some MS have several Memberships; also strong representation in WG and TF (150 people).
- Extensive coordination mechanisms via EIOPA; International Relation Network (IRN); High-level strategy papers; Preparatory telephone conferences.
- Main principles of SIL framework reflected in ICP’s.
- No rearrangements demands.

Transparency and accountability
- Observer-Membership abolished in 2014, new Stakeholder Policy since 2015, including stakeholder meetings.
- Free of charge (previously: 40% of IAIS budget provided by observers).
- No conflicts of interest; less transparency but potential involvement of more stakeholders.
- Limited transparency of Commission and EIOPA towards EU Parliament; EIOPA’s accountability formally in line with ESA regulation.
- Not clear which positions are taken by whom.

Source: The European Union’s role in International economic fora, paper 8: the IAIS, March 2009, ICODA European Affairs - Lowet analysis.
Policy Department A: Economic and Scientific Policy

### IAIS Market Share vs. Fees

<table>
<thead>
<tr>
<th>Continent</th>
<th>Fee (CHF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU</td>
<td>1,216,100</td>
</tr>
<tr>
<td>North America</td>
<td>504,500</td>
</tr>
<tr>
<td>Asia</td>
<td>1,055,900</td>
</tr>
<tr>
<td>South America</td>
<td>596,700</td>
</tr>
<tr>
<td>Non-EU</td>
<td>494,200</td>
</tr>
<tr>
<td>Europe</td>
<td></td>
</tr>
<tr>
<td>Africa</td>
<td>360,300</td>
</tr>
<tr>
<td>Oceania</td>
<td>206,900</td>
</tr>
</tbody>
</table>

Source: Swiss Re Sigma 1Q/2014, World Insurance in 2013, iiasweb.org, ICODA European Affairs - Looi analysis

### IAIS Market Premium Share vs. votes ExCo vs. votes General Meeting

<table>
<thead>
<tr>
<th></th>
<th>EU</th>
<th>North America</th>
<th>Asia</th>
<th>South America</th>
<th>Non-EU</th>
<th>Europe</th>
<th>Africa</th>
<th>Oceania</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Premium Share</td>
<td>33%</td>
<td>30%</td>
<td>28%</td>
<td>4%</td>
<td>3%</td>
<td>2%</td>
<td>2%</td>
<td></td>
</tr>
<tr>
<td>Votes ExCo</td>
<td>21%</td>
<td>21%</td>
<td>29%</td>
<td>13%</td>
<td>8%</td>
<td>4%</td>
<td>4%</td>
<td></td>
</tr>
<tr>
<td>Votes General Meeting</td>
<td>20%</td>
<td>12%</td>
<td>22%</td>
<td>18%</td>
<td>11%</td>
<td>18%</td>
<td>6%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Swiss Re Sigma 1Q/2014, World Insurance in 2013, iiasweb.org, ICODA European Affairs - Looi analysis
4.9. International Organisation of Pension Supervisors (IOPS), Lieve LOWET

IOPS – key conclusions

ECON Workshop
17 June 2015
Lieve Lowet, partner, ICODA European Affairs

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IOPS – International Organisation of Pension Supervisors

<table>
<thead>
<tr>
<th>Short overview</th>
<th>EU membership and coordination</th>
<th>Transparency and accountability</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Private association representing pension supervisors.</td>
<td>▪ 19 EU MS supervisors are Member, or 25% of total Governing Members.</td>
<td>▪ No mandatory consultation of non-observer stakeholders; no detailed procedures foreseen.</td>
</tr>
<tr>
<td>▪ Founded in 2004.</td>
<td>▪ No Membership of the Commission nor EIOPA; EIOPA applied in 2012 for Governing Membership, was offered an Associate Membership, and declined.</td>
<td>▪ Observer-Status Members pay a fee equal to the most developed country fee; limited engagement of observers; only 4 observers, of which 2 established in EU.</td>
</tr>
<tr>
<td>▪ Has 76 Governing Members (not US nor Japan), 7 Associate Members; 4 Observer-Status Members.</td>
<td>▪ Limited (working) contacts between EIOPA and IOPS.</td>
<td>▪ Intranet for Members; Annual Report, Principles and Guidelines are public.</td>
</tr>
<tr>
<td>▪ Strong link with OECD historical, strategic, operational, research, participants, joint meetings &amp; projects.</td>
<td>▪ No demands of MS supervisors for EU involvement.</td>
<td>▪ Transparency towards general public: improvements possible</td>
</tr>
<tr>
<td>▪ No binding force of standards but OECD link.</td>
<td>▪ No structured coordination mechanisms.</td>
<td>▪ No EU accountability.</td>
</tr>
<tr>
<td>▪ Standards not being used in FSAP context; work on integration in the FSAP reviews underway.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: The European Union’s role in International economic fora, paper g, the IOPS, March 2005, ICODA European Affairs - Lowet analysis
5. BACKGROUND

Member States and EU institutions (incl. European Commission and European Central Bank (ECB)) have been active in international organisations producing international standards and policy guidelines which have an effect on the ability of the EU to independently shape its own policy. As a consequence of the economic and financial crisis, this has become very apparent over the last years, in particular in the financial services and monetary sector.

For decades, international entities have shaped global standard setting and thereby influenced lawmaking in many jurisdictions, e.g. in banking, insurance and securities. As of 2008 in reaction to the crisis, the Group of Twenty (G20)\(^1\) has:

i) set the legislative areas and standard-setting agendas for a multitude of international entities (such as the Basel Committee on Banking Supervision (BCBS/‘Basel’)\(^2\), the International Association of Insurance Supervisors (IAIS)\(^3\), the International Organization of Securities Commissions (IOSCO)\(^4\), the International Accounting Standards Board (IASB)\(^5\), the International Organisation of Pensions Supervisors (IOPS)\(^6\), the Organisation for Economic Co-operation and Development (OECD)\(^7\), etc.), and

ii) established the Financial Stability Board (FSB)\(^8\) which co-ordinates standard-setters’ work, reports to G20 on the work on standards, their implementation and compliance with the standards. FSB has also some work-streams of its own.

This continuous and worldwide coordination of perceived necessary changes to the legal framework for financial actors was undertaken in order to establish a level playing field and avoid that financial actors could exploit loopholes and thus cause again financial havoc and burden on taxpayers.

For the European Union, the European Commission often participates in international financial and monetary fora where policy discussions take place and international standards are being developed. However, in recent years it has become apparent that

- the governance of the European Commission’s participation in international fora is rather opaque;
- there is a perceived lack of accountability, namely to the European Parliament;
- there is a general lack of transparency on the discussions which sometimes causes issues when integrating international standards into EU law.

In addition, (certain) Member States are members - or otherwise participate - in international fora side-by-side with the European Commission/ECB. It is not evident

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\(^1\) The G-20 Summit on Financial Markets and the World Economy of 14–15 November 2008 in Washington achieved general agreement on how to cooperate in key areas in order to strengthen economic growth and deal with the financial crisis. This Summit laid the foundation for coordinated reforms aiming to avoid similar crises in the future.

\(^2\) ‘The Basel Committee is the primary global standard-setter for the prudential regulation of banks and provides a forum for cooperation on banking supervisory matters. Its mandate is to strengthen the regulation, supervision and practices of banks worldwide with the purpose of enhancing financial stability.’, see http://www.bis.org/bcbs/about.htm?ql=1.

\(^3\) http://www.iaisweb.org/.

\(^4\) http://www.iosco.org/.

\(^5\) http://www.ifrs.org/About-us/IASB/Pages/Home.aspx.

\(^6\) http://www.iopsweb.org/.

\(^7\) http://www.oecd.org/about/.

\(^8\) http://www.financialstabilityboard.org/about/.
whether, how and to what extent efficient coordination on the European interest (‘EU speaking with one voice’) is achieved.

The legal regime which governs the EU’s role and representation in international fora is complex. In view of the growing actual or potential impact of such international standard-setters on the content of national/EU law, it is paramount to have more clarity and a decisive view how this issue (the EU’s role in international fora) should evolve and be dealt with in the future. The discussion thereon is aimed at striking a balance between the power of the EU (institutions) and the impact of international organisations.

European Parliament approach

The European Parliament has already looked intensively at the external representation of the euro area in regard to monetary and economic issues (see 2010/2099(INI)9, 2011/2011(INI)10), and has commissioned a study on External Representation of the Euro Area11. The European Commission released in October 2011 a Communication (COM(2011)669)12 putting forward additional measures to strengthen economic governance in the EU and the euro area.

However, the issue of the EU's role in international fora is not limited to economic and monetary governance and/or the euro area. Thus, the Economic and Monetary Affairs Committee (ECON) has decided to draft an own-initiative report on ‘The EU’s Role in the Framework of International Financial, Monetary and Regulatory Institutions and Bodies’. This report should explore the broader relevant points in this context, including inter alia

- on the one hand, the effects of international standard setting on the EU's ability to independently determine its own policy approach and
- on the other hand, the EU's ability to effectively contribute to international standard setting.

The scientific expertise requested in relation to this project – i.e. the nine studies and the corresponding workshop - shall provide factual information as background to this project, specifically on the G20, FSB, the International Monetary Fund (IMF), BCBS/Basel, IAIS, IOSCO, IASB, IOPS, OECD, and as well as on accountability of international organisations in general. It should also include policy recommendations for enhancing the EU's role and internal governance in this area.

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9 See EP resolution with recommendations to the Commission on improving the economic governance and stability framework of the Union, in particular in the euro area (based on the Feio report) http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+REPORT+A7-2010-0282+0+DOC+XML+V0//EN&language=EN.


6. G7 SUMMIT CONCLUSIONS, Germany, 7-8 June 2015

Following the G7 Summit in Germany on 7-8 June 2015, the G7 heads of state and government have issued a joint declaration\(^\text{13}\). The G7 leaders have highlighted commitments *inter alia* to:

- finalising the proposed common international standards on total loss absorbing capacity (TLAC) for global systemically important banks (G-SIBs) by November 2015 following completion of impact assessment exercises;
- strengthening regulation and oversight of the shadow banking sector, including the implementation of the G20 shadow banking roadmap;
- finalising concrete and feasible recommendations for the G20/OECD Base Erosion and Profit Shifting (BEPS) Action Plan by the end of 2015 and a commitment to encourage the G20 and OECD to establish a targeted monitoring system to ensure effective implementation;
- providing updates on national action plans for beneficial ownership transparency to combat tax evasion, corruption and other activities related to illicit flows of finance; and
- working with developing countries on the international tax agenda to help build up their tax administration capabilities.

**Leader's declaration, G7 summit, Germany, 7-8 June 2015:**

The EU's role in international economic fora

DATE
17 June 2015

TIME
09:30 - 12:30 hrs

ROOM
Altiero Spinelli
3G2

Committee on Economic and Monetary Affairs (ECON)

Participants needing a badge must register providing their name, full address, date of birth, nationality and passport or ID number by 12 June 2015 to: guy.tachelet@ep.europarl.europa.eu
Role
Policy departments are research units that provide specialised advice to committees, inter-parliamentary delegations and other parliamentary bodies.

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- Economic and Monetary Affairs
- Employment and Social Affairs
- Environment, Public Health and Food Safety
- Industry, Research and Energy
- Internal Market and Consumer Protection

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