

The CNB's detailed answers to the Commission's questions

<p>I. Tasks and powers of the ESAs</p> <p>A. Optimising existing tasks and powers</p> <p>1. Supervisory convergence</p>	
<p>1. In general, how do you assess the work carried out by the ESAs so far in promoting a common supervisory culture and fostering supervisory convergence, and how could any weaknesses be addressed? Please elaborate on your response and provide examples.</p>	<p><i>In general, the progress achieved in the area of convergence of the NCAs' supervisory procedures in the EU can be assessed as positive. It was undoubtedly achieved thanks to the ESAs' activities, even though there is ample space for further improvement in this area too. Higher harmonisation of the form and scope of guidelines would be beneficial, as these are in numerous cases rather inconsistent, some are too prescriptive, detailed and little interconnected, while others are so general that they cannot meet the objective of harmonisation and convergence. The ESAs' interpretation function is considerably undersized and it takes very long for official Q&As to be issued.</i></p>
<p>2. With respect to each of the following tools and powers at the disposal of the ESAs:</p> <ul style="list-style-type: none"> - peer reviews (Article 30 of the ESA Regulations); - binding mediation and more broadly the settlement of disagreements between competent authorities in cross-border situations or cross-sectorial situations (Articles 19 and 20 of the ESA Regulations) - supervisory colleges (Article 21 of the ESA Regulations); <p>To what extent:</p> <p>a) have these tools and powers been effective for the ESAs to foster supervisory convergence and supervisory cooperation across borders and achieve the objective of having a level playing field in the area of supervision;</p> <p>b) to what extent has a potential lack of an EU interest orientation in the decision making process in the Boards of Supervisors impacted on the ESAs use of these tools and powers?</p> <p>Please elaborate on questions (a) and (b) and, importantly, explain how any weaknesses could be addressed.</p>	<p><u>Peer reviews</u></p> <p><i>We consider peer reviews an effective tool to find out the state of application of supervisory practices by supervisory authorities. However, they should be conducted more efficiently, should focus on problematic areas of supervision and should be organised with higher support from ESAs staff. One of the reasons for the inconsistency of supervisory procedures is also uneven and insufficient transposition of European legislation. The legal basis of the NCAs' activities should also be incorporated into peer review and findings should be provided to the EC. Given the legally problematic basis of the "comply or explain" procedure for applying the guidelines by the NCAs, this should be replaced with a statement from the NCAs and used also in peer reviews or on-site inspections.</i></p> <p><u>Mediation</u></p> <p><i>The use of the term "binding mediation" distorts the nature of this process, which is a decision made by the ESAs. Moreover, it is a decision linked with no direct responsibility. Entrusting the ESAs with binding mediation is therefore nonsystemic and inappropriate. The ESAs should continue to play the leading role in genuine mediation when dealing with supervisory problems.</i></p> <p><u>Supervisory colleges</u></p>

	<i>We consider the ESAs' powers in the area of supervisory colleges as sufficient. Supervisory colleges are functioning well, just as the ESAs fulfil the coordination role in the work of the colleges.</i>
3. To what extent should other tools be available to the ESAs to assess independently supervisory practices with the aim to ensure consistent application of EU law as well as ensuring converging supervisory practices? Please elaborate on your response and provide examples.	<i>We view the ESAs' powers as sufficient and we are not aware of the need for other tools. The ESAs' priority should be to concentrate on resolving real problems and ambiguities regarding the implementation of new regulations.</i>
4. How do you assess the involvement of the ESAs in cross-border cases? To what extent are the current tools sufficient to deal with these cases? Please elaborate on your response and provide examples.	<i>Using the current and, in our opinion sufficient tools, the ESAs should actively address the problems in the area of cross-border services and the related problems in the area of notifications, and the activities of home supervisory authorities connected with this. This should be one of the priorities of the ESAs' activities. A failure to address the problems with cross-border provision of services could jeopardise the entire concept of notifications of activities in the EU. In an extreme cast, the ESAs should also use the existing tool – on-site inspections.</i>
2. Non-binding measures: guidelines and recommendations	
5. To what extent are the ESAs tasks and powers in relation to guidelines and recommendations sufficiently well formulated to ensure their proper application? If there are weaknesses, how could those be addressed? Please elaborate and provide examples.	<i>We do not consider the ESAs' powers and tasks concerning the publication of general guidelines and recommendations to be sufficiently well formulated. This is due to the formulation of Article 16 of the ESA Regulations. This article does not clearly formulate the "comply or explain" principle for supervised entities (only supervisory authorities are obliged to publish the reasons why they do not comply with the guidelines). This is an unjustified disproportion between supervisory authorities and supervised financial institutions, when supervised financial institutions only state whether they observe the guidelines (i.e. implicitly also whether they do not comply with them) and do not give reasons. It is not clear what is understood by the requirement for supervisory authorities and financial institutions to make every effort to comply with the guidelines (whether this formulates a "stricter" "comply or explain" principle or whether this elevates the l guidelines to the level of hard law). It should be clarified what is the obligatory effect of the guidelines (hard law vs soft law). It must also be defined or clarified (e.g. in the recital) whether it is possible that supervisory authorities adopt the guidelines before their entry into effect. The guidelines assume that authorities will comply with them in the future. However, the effect of some of the guidelines has been postponed and it</i>

	<p><i>is not clear whether their earlier application at the national level can be required.</i></p> <p><i>The framework for the guidelines should, in our view, also be extended to include the ESAs' opinion. The addition of the ESAs' opinions on certain supervisory issues to the current guidelines and recommendations would bring more flexibility and fill the gap between the content of the published guidelines implementing EU law and very detailed Q&As.</i></p> <p><i>In our opinion, a certain shortcoming of the published guidelines and recommendations is the fact that in some cases they go beyond legislation, or there is an effort to use them to address some inconsistencies in EU legislation, which is done with a bona fide purpose, but is ultra vires (i.e. beyond the powers, and creates legal uncertainty and reputational risks for the EU supervisory structure).</i></p>
<p>3. Consumer and investor protection</p>	
<p>6. What is your assessment of the current tasks and powers relating to consumer and investor protection provided for in the ESA Regulations and the role played by the ESAs and their Joint Committee in the area of consumer and investor protection? If you have identified shortcomings, please specify with concrete examples how they could be addressed.</p>	<p><i>We consider the ESAs' tasks and tools in the area of consumer protection contained in the ESA Regulations as sufficient and we do not think that there is a need to expand them. When assessing the ESAs' activities in the area of consumer protection, there can be identified certain shortcomings relating to the choice and application of an inappropriate tool, which does not respect the hierarchy of the legal force of EU and national legislation. This was reflected mainly in some documents, which were issued by the ESAs in an effort to converge supervisory procedures without a relevant legal basis (e.g. the general guidelines on cross-selling or the rules on product oversight and governance). This is a major problem, as this can result in a difference between the wording and scope of these ESA documents, and the transposition of the relevant EU legislation in national legislation.</i></p> <p><i>From the perspective of a consumer, this might lead to the wrong idea that he can seek protection of his rights guaranteed by the ESA guidelines, although this cannot be achieved in reality. This may expose the NCAs to an excessive reputational risk and mislead consumers.</i></p> <p><i>As regards the role of the ESAs' Joint Committee, it should serve to coordinate the ESAs' activities. We think that it is desirable to improve the management of this useful</i></p>

	<i>coordination activity of the Committee. However, it should not be transformed into a new European quasi-supervisory agency.</i>
7. What are the possible fields of activity, not yet dealt with by ESAs, in which the ESA's involvement could be beneficial for consumer protection? If you identify specific areas, please list them and provide examples.	<i>We have not identified any new areas that could be beneficial in terms of consumer protection. The ESAs' current powers are sufficiently flexible to cover a broad range of activities.</i>
4. Enforcement powers – breach of EU law investigations	
8. Is there a need to adjust the tasks and powers of the ESAs in order to facilitate their actions as regards breach of Union law by individual entities? For example, changes to the governance structure? Please elaborate and provide specific examples.	<i>We do not think it is necessary to adjust the ESAs' powers as regards breach of EU law. Breach of EU law should always be decided by court on a proposal from the Commission, and not by administrative authorities.</i>
5. International aspects of the ESAs' work	
9. Should the ESA's role in monitoring and implementation work following an equivalence decision by the Commission be strengthened and if so, how? For example, should the ESAs be empowered to monitor regulatory, supervisory and market developments in third countries and/or to monitor supervisory co-operation involving EU NCAs and third country counterparts? Please elaborate and provide examples.	<i>The assessment of third countries' equivalence is very important both as regards the authorisation to provide services in third countries and cooperation with supervisory authorities outside the EEA. It definitely should not be done as a single action, as this entails a considerable risk for the conduct of supervision by the NCAs if the conditions in a third country, under which equivalence was granted, change. However, the assessment of equivalence, and particularly the follow-up activities including monitoring, are very demanding in terms of time and the necessary resources. This de facto monitoring of the situation should be performed in the EU and the ESAs could carry out this task.</i>
6. Access to data	
10. To what extent do you think the ESAs powers to access information have enabled them to effectively and efficiently deliver on their mandates? Please elaborate and provide examples.	<i>Given the fact that the day-to-day supervision is performed by the NCAs and with regard to the effort not to excessively increase the burden on financial institutions by duplicate reporting requirements, we believe that the ESAs' current possibilities to obtain data through the NCAs are fully sufficient for the ESAs to perform their tasks.</i>
11. Are there areas where the ESAs should be granted additional powers to require information from market participants? Please elaborate on what areas could usefully benefit from such new powers and explain what would be the advantages and disadvantages.	<i>We point out the fact that the current reporting is sufficiently extensive and any further powers for the ESAs can lead to an increase in the already considerable burden placed on reporting entities.</i>
7. Powers in relation to reporting: Streamlining requirements and improving the framework for reporting requirements	
12. To what extent would entrusting the ESAs with a coordination role on reporting, including periodic reviews of reporting requirements, lead	<i>We regard the existing reporting as considerably extensive and any further powers for the ESAs, which could lead to an increase in the already</i>

<p>to reducing and streamlining of reporting requirements? Please elaborate your response and provide examples.</p>	<p><i>considerable burden on reporting entities, as undesirable. We fundamentally disagree with reporting directly only to the ESAs and not to the NCA. The problem of deciding on the extent of monitoring from the ESA level is that the application of national deviations to all reporting entities results in an extreme extent of the reported data. Instead of extending the scope of the ESAs' powers in this area, the ESAs should reduce their requirements for basic needs and leave the national specificities within the powers of the individual NCAs.</i></p> <p><i>Furthermore, it should be noted that the consultation does not mention the ECB, to which large amounts of data are reported, which results in duplication of the reported requirements between the ESAs and the ECB. At the same time the ESAs' plan is to further increase the reporting requirements.</i></p> <p><i>We are also sceptical about the proposal that the EBA should set the implementing rules in the area of supervisory reporting, benchmarking and disclosure through its decisions instead of the current situation when the rules and their changes are prepared in the EBA's draft implementing technical standards and then approved by the Commission. In addition to legal doubts about admissibility of such a procedure, this is due to a concern about ensuring consistency and also about ensuring stability, i.e. preventing excessively frequent changes.</i></p> <p><i>In addition to the aforementioned reduction in the scope, we would also welcome an effort by the ESAs to ensure as stable reporting as possible, with any changes focusing only on removing inconsistencies.</i></p>
<p>13. In which particular areas of reporting, benchmarking and disclosure, would there be useful scope for limiting implementing acts to main lines and to cover smaller details by guidelines and recommendations? Please elaborate and provide concrete examples.</p>	<p><i>Binding reporting rules should be set by binding regulations. Methodical tools may serve to clarify terms, but only in cases when it is not known in advance that clarification will be needed. If an ambiguity is known of in advance, it should be removed during preparations of a binding regulation, and not after.</i></p>
<p>8. Financial reporting</p>	
<p>14. What improvements to the current organisation and operation of the various bodies do you see would contribute to enhance enforcement and supervisory convergence in the financial reporting area? How can synergies between the enforcement of accounting and audit standards be strengthened? Please elaborate.</p>	<p><i>The requirements for proper accounting standards are part of the governance requirements. The enforcement is thus ensured through measures relating to shortcomings in governance. EU activities should rather focus on harmonisation of accounting frameworks of public interest entities (credit institutions and insurance companies) and should require a compulsory IFRS use in these entities for</i></p>

	<i>accounting, individual as well as consolidated financial statements.</i>
15. How can the current endorsement process be made more effective and efficient? To what extent should ESMA's role be strengthened? Please elaborate.	<i>We recommend the ESMA's role be strengthened in the process of implementing the IFRS in EU law. Members of ESMA's standing committees approach the implementation of the IFRS with an unbiased view. The IFRS applied in the EU are yet to contain the key document of the IFRS, i.e. the Conceptual Framework contained in the IFRS issued by the International Accounting Standards Board (IASB). Stakeholders, especially investors, need high-quality financial information based on a true and fair view of an undertaking and on the application of the prudence principle. The application of other than purely factual criteria might lead to an enhancement of an undertaking's financial condition, i.e. overstatement of its assets and incomes and understatement of its liabilities and expenses. This is contrary to the provision of a true view of an undertaking and the application of the prudence principle.</i>

New powers for specific prudential tasks in relation to insurers and banks

1. Approval of internal models under Solvency II

16. What would be the advantages and disadvantages of granting EIOPA powers to approve and monitor internal models of cross-border groups? Please elaborate on your views, with evidence if possible.	<p><i>The approval process of using group internal models and assessing appropriateness of their areas of competence according to Article 231 of Directive 2009/138/EC should remain fully within the competence of a group supervisor and supervisory authorities of all Member States in which registered offices of related insurance or reinsurance undertakings included in the scope of the internal model are located, or supervisory authorities within the colleges of supervisors according to Article 344(2) of Regulation No. 2015/35. From our point of view, it is very important to know the group specific during the approval process.</i></p> <p><i>The EIOPA should have mainly an advisory role in this respect, or intervene in the settlement of disagreements between competent supervisory authorities according to Article 19 of Regulation No. 1094/2010. Despite the complex nature of internal models, we believe that the current regulation, requiring consultations and cooperation between concerned supervisory authorities, has a positive effect on the convergence of supervisory practices.</i></p> <p><i>The EIOPA is currently represented in the process of approval of internal models and may contribute to the convergence. However, the EIOPA does not take sufficient advantage of this</i></p>
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	<p><i>option and its role in the assessment and approval of group internal models is rather passive. The EIOPA may reach the convergence of approaches within its existing powers, through a more active role in the assessment and approval of group internal models.</i></p>
<p>2. Mitigating disagreements regarding own funds requirements for banks</p>	
<p>17. To what extent could the EBA's powers be extended to address problems that come up in cases of disagreement? Should prior consultation of the EBA be mandatory for all new types of capital instruments? Should competent authorities be required to take the EBA's concerns into account? What would be the advantages and disadvantages? Please elaborate and provide examples.</p>	<p><i>We believe that the EBA should maintain its significant position. In practice, the EBA shall function as a coordinator of the process of assessing conformity of the capital instruments and qualitative requirements. The EBA is thus a suitable place for an expert discussion between competent regulatory and supervisory authorities at the respective levels, i.e. the level of working groups, Standing Committees or the Board of Supervisors. However, we do not deem it necessary to make consultations or discussions regarding individual issues of instruments mandatory, i.e. continuation of the current practice would be sufficient.</i></p> <p><i>Similarly as in the case of consultations, different regimes should be applied to CET1 instruments on the one hand and AT1/T2 instruments on the other hand as regards disagreement over the conclusions of the assessment between a competent supervisory authority and the resulting opinion at the relevant expert level (Standing Committee or the Board of Supervisors). The competent supervisory authority should have the power to make a final and binding decision whether the assessed capital instrument is compliant with all qualitative requirements and concurrently it should be obliged to properly justify its position. As the main reasons for such practice we regard the fact that supervisory authorities usually have a privileged knowledge of all conditions and relevant legislation for the issue of the specific capital instrument.</i></p> <p><i>Consultations are possible even today, at the request of the concerned authority or a member of the EBA staff involved in the college. We are of the view that this is the most efficient procedure. The decision should remain in the hands of the supervisory authority responsible for standard supervision.</i></p>
<p>3. General question on prudential tasks and powers in relation to insurers and banks</p>	
<p>18. Are there any further areas where you would see merits in complementing the current tasks and powers of the ESAs in the areas of banking or insurance? Please elaborate and provide</p>	<p><i>We currently see no area in which ESAs' powers would have to be enhanced beyond the scope of the existing framework.</i></p>

examples.	
C. Direct supervisory powers in certain segments of capital markets	
19. In what areas of financial services should an extension of ESMA's direct supervisory powers be considered in order to reap the full benefits of a CMU?	<p><i>Generally, we disagree with further direct supervisory powers for the ESAs which were primarily established as agencies aimed solely at regulation of the financial system. As regards the areas mentioned by the Commission in the consultation paper, we believe that possible direct supervision of data providers by the ESMA might make sense only in the case entities which provide cross-border services. The proposed supervision of pan-European investment fund schemes is not justified by the situation in the market and it is thus not necessary, or even desirable, to centralise supervision in this area if there is the single European passport. To our knowledge, no information is known that the fund investment sector, most notably the successful UCITS segment, is inefficient within the EU. To the contrary, it is one of the most advanced and best-functioning areas of the cross-border provision of services within the EU.</i></p> <p><i>In our view the central counterparties should continue to be supervised by a relevant NCA, which is ultimately responsible for the pursuit of their activities or resolution of their problems.</i></p>
20. For each of the areas referred to in response to the previous question, what are the possible advantages and disadvantages?	<p><u><i>Direct supervision of “data providers”</i></u></p> <p><i>The advantage of centralised supervision of pan-European data providers could be to achieve a higher degree of harmonisation of the data provide and hence better conditions for their use.</i></p> <p><u><i>Supervision of pan-European investment fund schemes</i></u></p> <p><i>Advantages are not obvious as the application of the same rules and procedures by individual NCAs should be provided in the single European passport regime (see above).</i></p> <p><u><i>Market infrastructure – central counterparties</i></u></p> <p><i>As regards central counterparties, we also believe that possible concentration of supervisory powers may have more disadvantages than advantages. We think that cooperation between NCAs in colleges and the ESMA’s coordination role are a sufficient guarantee of efficient supervision.</i></p>
21. For each of the areas referred to in response to	<u><i>Direct supervision of “data providers”</i></u>

<p>question 19, to what extent would you suggest an extension to all entities or instruments in a sector or only to certain types or categories?</p>	<p><u>See replies to questions 19 and 20</u></p> <p><u>Supervision of pan-European investment fund schemes</u></p> <p><i>We do not believe that an enhancement of the ESMA's powers in investment funds would be beneficial.</i></p> <p><u>Market infrastructure</u></p> <p><i>We do not believe that an enhancement of the ESMA's powers in central counterparties would be beneficial.</i></p>
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II. Governance of the ESAs

Assessing the effectiveness of the ESAs governance

<p>22. To what extent do you consider that the current governance set-up in terms of composition of the Board of Supervisors and the Management Board, and the role of the Chairperson have allowed the ESAs to effectively fulfil their mandates? If you have identified shortcomings in specific areas please elaborate and specify how these could be mitigated.</p>	<p><i>Based on the CNB's experience, we do not deem it appropriate to change the current governance model for the ESAs. The current decision-making model proved successful in practice and the number of members of the Board of Supervisors represents no barrier to efficient decision-making. Powers and the structure of the Management Board need not be changed.</i></p> <p><i>Regarding the governance of the ESAs it is important the ESAs remain independent, objective and impartial in order to fulfil their tasks, especially when formulating their own strategy and work programme, while proportionally reflecting the needs and problems identified by Member States and resources must be used efficiently.</i></p> <p><i>The members of the Board of Supervisors can already delegate some decisions to the Chairpersons of the ESAs or a dedicated panel made up of members of the Board of Supervisors. This model has already proved successful in practice. If necessary, the role of the Management Board can be amended (newly delegated, etc.) in the future under the existing applicable legislation which provides sufficient room for this. The power to delegate must remain exclusively within the competence of the Board of Supervisors.</i></p>
<p>23. To what extent do you think the current tasks and powers of the Management Board are appropriate and sufficient? What improvements could be made to ensure that the ESAs operate more effectively? Please elaborate.</p>	<p><i>Based on the CNB's experience so far, the current composition and mandate of the Management Board enable efficient functioning of both the Management Boards and the ESAs. In addition to the budget and IT projects, the respective Management Boards should pay greater attention to issues relating to the</i></p>

	<p><i>efficient use of human and financial resources of the ESAs and the efficiency of the ESAs' management.</i></p>
<p>24. To what extent would the introduction of permanent members to the ESAs' Boards further improve the work of the Boards? What would be the advantages or disadvantages of introducing such a change to the current governance set-up? Please elaborate.</p>	<p><i>It is not necessary to change the current efficient way of discussions and decision-making in the Board of Supervisors by amending ESAs' Regulations. Nevertheless, improvements would be particularly welcome as regards the management of the ESA's activities and the chairing and preparation of plenary and other meetings by ESA's executives. As the term "permanent members" is not explained in more detail, we can only assess that by permanent members one can consider European Commission staff or individuals hired by the European Commission to discharge an office in the Management Board or the Board of Supervisors.</i></p> <p><i>Such a shift away from direct participation of members of the Management Board and the Board of Supervisors, appointed by NCAs but working independently in the best interests of the EU, could strengthen the administrative nature of the ESAs, which is, among other things, in contradiction of the fundamental principles on which the ESAs were established. Such shift could also reduce the application of experience directly from the financial market, which the ESAs have obtained from the members of the Management Board or the Board of Supervisors appointed by the NCAs. Therefore, we do not support introduction of permanent members to the ESAs' Boards.</i></p>
<p>25. To what extent do you think would there be merit in strengthening the role and mandate of the Chairperson? Please explain in what areas and how the role of the Chairperson would have to evolve to enable them to work more effectively? For example, should the Chairperson be delegated powers to make certain decisions without having them subsequently approved by the Board of Supervisors in the context of work carried out in the ESAs Joint Committee? Or should the nomination procedure change? What would be the advantages or disadvantages? Please elaborate.</p>	<p><i>In the current set-up, the Board of Supervisors may already delegate some decisions to the Chairpersons of the ESAs or to an ad hoc panel, and this model has proven successful in practice. Further delegation options may be considered for the future, but this power must remain in the hands of the members of the Board of Supervisors. Therefore, legislative changes are not needed in this respect, as the current set-up provides sufficient room for delegation.</i></p>
<p>26. To what extent are the provisions in the ESA Regulations appropriate for stakeholder groups to be effective? How could the current practices and provisions be improved to address any weaknesses? Please elaborate and provide concrete examples.</p>	<p><i>From the CNB's perspective, we believe that the impact of these groups on ESAs activities is limited but positive. We consider the composition of stakeholder groups to be appropriate and see no reason for change.</i></p> <p><i>By contrast, we regard the application by ESAs' executives of suggestions put forward by stakeholder groups as insufficient. In this context, ESAs' activities would certainly benefit from more efficient use of responses by the</i></p>

	<p><i>industry (stakeholders) to the ESAs' consultation documents. The responses should be evaluated thoroughly and the results of the consultations should be regularly submitted to the Board of Supervisors. This would increase the application of stakeholders' views using also channels other than stakeholder groups.</i></p>
<p>III. Adapting the supervisory architecture to challenges in the market place</p>	
<p>27. To what extent has the current model of sector supervision and separate seats for each of the ESAs been efficient and effective? Please elaborate and provide examples.</p>	<p><i>We prefer to keep the current model of three European supervisory authorities, which can be considered as sufficiently functional. However, if the current model were to be changed, the one-peak model could be more beneficial than just merging supervision over credit institutions and insurance companies (twin-peak model) due to possible improvements in the coordination of the ESAs' work and outputs, the deepening interdependence of individual financial market sectors and potential cost savings of the ESAs' activities.</i></p>
<p>28. Would there be merit in maximising synergies (both from an efficiency and effectiveness perspective) between the EBA and EIOPA while possibly consolidating certain consumer protection powers within ESMA in addition to the ESMA's current responsibilities? Or should EBA and EIOPA remain as standalone authorities?</p>	<p><i>See reply to question 27.</i></p>
<p>IV. Funding of the ESAs</p>	
<p>29. The current ESAs funding arrangement is based on public contributions:</p> <p>a) should they be changed to a system fully funded by the industry;</p> <p>b) should they be changed to a system partly funded by industry?</p> <p>Please elaborate on each of (a) and (b) and indicate the advantages and disadvantages of each option.</p>	<p><i>The ESAs should continue to set priorities in their activities and focus on key activities stemming from primary legislation reflecting the needs of EU Member States. The budget of the ESAs must then be designed appropriately, not only ensuring the given activities, but also in line with the development of the possibilities (in terms of capacity etc.) of the NCAs and the Commission. The activities of the ESAs must be efficient and the available resources must be used economically.</i></p> <p><i>We consider the current mixed model of the funding arrangement combining funds from the NCAs, the EU and the industry to be a balanced one. It is set correctly, as those whose decisions directly affect the extent and priorities of the ESAs' activities cover the majority of the costs in the ESAs' budget. We disagree with a shift of the financial burden from the NCAs or the Commission to the industry in the form of new taxes or fees, especially at a time when financial services providers are significantly raising their expenses because of the implementation of, and compliance with, EU rules, including e.g.</i></p>

	<p><i>enhanced requirements on IT systems. If the industry covered the costs of the ESAs' activities from its contributions without being able to influence the scope of their activities, the budgets of the individual ESAs could grow in a substantial or even "uncontrollable" manner.</i></p>
<p>30. In your view, in case the funding would be at least partly shifted to industry contributions, what would be the most efficient system for allocating the costs of the ESA's activities:</p> <p>a) a contribution which reflects the size of each Member State's financial industry (i.e., a "Member State key"); or</p> <p>b) a contribution that is based on the size/importance of each sector and of the entities operating within each sector (i.e., an "entity-based key")?</p> <p>Please elaborate on (a) and (b) and specify the advantages and disadvantages involved with each option, indicating also what would be the relevant parameters under each option (e.g., total market capitalisation, market share in a given sector, total assets, gross income from transactions etc.) to establish the importance/size of the contribution.</p>	<p><i>For reasons stated above, we disagree with an increase in the financial burden on the industry in the form of partial or full funding of the ESAs' budgets.</i></p>
<p>31. Currently, many NCAs already collect fees from financial institutions and market participants; to what extent could a European system lever on that structure? What would be the advantages and disadvantages of doing so?</p> <p>Please elaborate.</p>	<p><i>For reasons stated above, we disagree with an increase in the financial burden on the industry in the form of partial or full funding of the ESAs' budgets and we regard potential duplication of fees imposed at the national and European levels as inappropriate.</i></p>
<p>General Question</p>	
<p>32. You are invited to make additional comments on the ESAs Regulation if you consider that some areas have not been covered above. Please include examples and evidence where possible.</p>	<p><i>We have no additional comments.</i></p>