



Mr Jacques de Larosière
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on supervision in the EU
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Monsieur le Président, *et cher ami,*

We have read with great interest the report which the High-Level Group on supervision in the EU has devised under your leadership. I am pleased to let you know that we appreciate the high-quality and comprehensiveness of the report which the Group presented.

A new regulatory agenda to reduce risks and improve risk management, to improve systemic shock absorbers, to address pro-cyclical amplifiers, to strengthen transparency and to set the right incentives can be endorsed by us. We subscribe to the need that there should be strengthened coordinated oversight of cross-border groups, both macro- and micro-prudential, and that there should be effective crisis management procedures to increase confidence between countries.

The report rightly stresses that there should be a harmonised set of minimum core standards. This will certainly ensure the proper functioning of the single market. Policy-makers should also be conscious of the usefulness of self-regulation.

Moving towards stronger cross-border oversight should indeed leave intact the national supervisory structures. It is especially important that oversight is extended to all unregulated actors and to more clearly attribute final responsibility.

Creating a European Systemic Risk Council for macro-prudential oversight is very positive provided that this is done in the context of the general council so that all EU countries are covered.

It is also important that there will be appropriate representation of securities and insurance regulators to ensure an international capital markets perspective.



It would also be useful to devise a better definition of the operational relationship between macro-prudential oversight and day-to-day supervision considering that the risk assessment flows directly from the hands-on experience in day-to-day supervision.

For the global level, we agree that the colleges of supervisors for large cross-border groups that are currently being set-up should carry out robust comprehensive risk assessments.

I will send you a copy shortly of our forthcoming European Action Plan to restore companies' access to finance which will contain a large number of recommendations which in many instances emulate the other recommendations of the report, such as the need for standardisation of over-the-counter credit derivatives, the central clearing of credit default swaps, and increased transparency of securitised products to restore confidence in markets.

I hope that these initial remarks will be useful. We will follow-up this first reaction with a more detailed assessment of the recommendations of the report.

Yours sincerely, *et avec mes sentiments amicaux,*

Ernest-Antoine Seillière