



Gabriel Bernardino
Chairman of EIOPA

Introductory Statement



Hearing at the Economic and Monetary Affairs (ECON) Committee of the European Parliament
Brussels, 17 November 2015

Mr Chairman,

Honourable members of the ECON Committee,

Ladies and gentlemen,

I am pleased to be invited to ECON and to share with you my vision and strategy for EIOPA in the upcoming years and to respond to the questions you may have with a view to a possible confirmation as EIOPA Chair by the European Parliament. My vision is to develop EIOPA further as a credible supervisory Authority within the European System of Financial Supervision. Let me outline my three main strategic priorities: First, enhancing supervisory convergence, second, reinforcing preventive consumer protection and third, preserving financial stability.

1. Enhance supervisory convergence

With the application of Solvency II there will be a shift from regulation to supervision. As underlined within the own initiative report of the European Parliament on "Stocktaking and challenges of the EU Financial Services Regulation: impact and the way forward towards a more efficient and effective EU framework for Financial Regulation and a Capital Markets Union" consistent and convergent implementation and application of EU Regulation is key. Why? Because regulation is one thing but application and even more consistent application is another one. Consistency and convergence of supervisory practices in the EU is a key element to ensure application of EU regulation, to reduce the scope for supervisory arbitrage, to guarantee a level playing field and ultimately to ensure a similar level of protection to all EU policyholders.

In the context of current differences of supervisory cultures and practices between member states, the main focus of EIOPA for the following five years will be to increase convergence towards a European supervisory culture, a risk-based culture that aims to ensure strong but fair supervision. I see Solvency II implementation as an opportunity into this direction, and will ensure that this opportunity is not missed.

In this context EIOPA will prioritize the bilateral engagement with National Competent Authorities (NCAs) providing independent and challenging feedback on supervisory practices, facilitating cross-border discussions and supporting improvements in local supervisory practices in line with initiatives like the successful Balance Sheet Review recently done in Romania. A special attention will be devoted to the on-going monitoring and benchmarking of internal models, an area where material differences can have a huge impact in the level playing field and policyholder protection.

2. Reinforce preventive consumer protection

EIOPA will continue to place consumer protection, both prudential and conduct of business, at the center of its strategy. Conduct issues not only harm individual consumers, but can have wider prudential impact, posing a serious threat to the stability of the financial sector. We will actively contribute to complete the single rulebook on consumer protection, namely through the implementation of the Insurance Distribution Directive (IDD), and delivering elements of cross-sectoral consistency through the Joint Committee of the European Supervisory Authorities (ESAs), for example finalizing the work on Packaged Retail and Insurance-based Investment Products (PRIIP's).

Our main focus will be to gradually implement a coordinated EU level of preventive risk-based supervision, using risk-based conduct indicators and thematic reviews as a major instrument to early detect and mitigate possible situations of consumer detriment. Restoring trust of consumers in financial markets is an area where EIOPA is ready to provide a truly added-value.

3. Preserve financial stability

In a challenging macro-economic and financial environment, with persistent low interest rates, the solvency position of insurers and pension funds and the sustainability of their promises and business models are clearly challenged. EIOPA will continue to run credible stress tests as preventive supervisory tools, identifying the main risks and vulnerabilities and issuing clear recommendations to deal with them.

Building on the new harmonized Solvency II reporting, we will implement a comprehensive information system and further develop the capacity to provide reliable risk analysis and early warning indicators, both at individual, group and system-wide level. This will reinforce the quality of both micro- and macro-supervision in the EU.

Beyond the three main priorities, and as part of our regulatory mandate, EIOPA will continue to develop policy work based on evidence as the basis for sound and robust prudential regulation. We will ensure a rigorous and transparent review of Solvency II, assessing cumulative effects and unintended consequences and privileging principles like simplicity and proportionality. Moreover, as we assist to the increased relevance of the work in international fora, EIOPA will continue to strengthen its successful participation in the development of the insurance International Capital Standards. I stand ready to further report to the European Parliament and to engage in this area.

EIOPA will continue to participate in the development of the Capital Markets Union, namely advising on the development of a simple, standardized and fully transparent pan-European personal pension product, the PEPP. Safe, sustainable and adequate pensions are a priority for EIOPA as well as for European citizens and their representatives. The creation of a truly single market for personal pensions in the EU can reduce costs and provide better returns to consumers by increasing economies of scale, while helping the provision of long-term stable funding to the EU economy. It would be crucial to count with the support of the European Parliament on this important initiative, in order to make sure that the overall interest of EU citizens is prioritized to national interests and that robust supervisory arrangements are put in place to ensure the trust and confidence of EU citizens.

In a context of financial and human constraints, difficult choices between competing tasks will need to continue to be made and adequate prioritization will be as important as ever. Moving from regulation to supervision we will need to strengthen our internal capacity to run operational processes and reinforce the emphasis on high standard project and risk management. I am looking forward to work together with the new Executive Director, in an open and cooperative manner as I did with the current one, to ensure that the organization continues to respond properly and positively to a changing environment.

Dear Chairman, Dear Members of the ECON Committee,

If confirmed by the European Parliament I will continue to guide my behaviour and decisions as EIOPA's chair by the highest standards of independence, accountability and transparency. I will always be available to engage and report back to you on EIOPA's activities and strategies. For me independence and accountability must go hand in hand. That's why I believe that my accountability towards the European Parliament only reinforces my independence in pursuing the public interest. And transparency is for me a key condition for accountability.

At my end I am very much looking forward to continue to master successfully together with EIOPA's management team and staff the challenges ahead of us in the next five years having always in mind working in the interest of the EU citizens.

Thank you for your attention; and I am now looking forward to responding to all your questions.