

Conference on Operationalizing Systemic Risk Monitoring

Panel III

Establishing a Regulatory Perimeter Institutional and Organizational Issues

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Lessons learned (1)

The interconnection and dependencies of markets and market participants are stronger than expected

- with risks transferred from local markets to the global market
- with products increasing the linkage and complexity of the market
- with systemically important institutions as intermediaries tying together market participants

Effectiveness of market discipline and self regulation is overestimated

- public market data and observations did not result in market discipline - inadequate risk pricing and risk management of SIMIs
- market participants had a strong appetite for regulatory arbitrage

Lessons learned (2)

- a **holistic view** of regulation and supervision of markets, products and market participants is needed
- systemic risks need to be assessed and addressed **locally** and **globally**, taking into account local risks, local regulation and opportunities of **arbitrage**
- **regulation and supervision of SIFIs** need to be more comprehensive
 - Macro-prudential surveillance needs to be better integrated with micro-prudential supervision
 - coordination and cooperation between the relevant supervisory authority need to be improved
 - supervisory authorities need to have efficient instruments

Identification and supervision of SIMIs

How to identify SIMIs?

- different criteria and indicators for identification of SIFIs are discussed: size / interconnectedness / complexity / substitutability
- criteria and indicators for identifying systemically important markets and instruments are missing

Who should be responsible for identification and supervision of regulated entities?

Who should be responsible for identification of systemically relevant, unregulated entities and markets?

Who should develop policy options for unregulated entities and markets

Stand-alone systemic risk regulator - ESRB

defining, collecting and analyzing relevant information



identification und prioritization of risks



early warnings und recommendations

forwarded by the European Council or the European Supervisory Authorities (ESAs)

EU

**individual
member states**

supervisory authority

Commission

Stand-alone systemic risk regulator (1)

Possible range of tasks and competencies

1. Macro-prudential analysis and surveillance

- monitoring the development of markets and new instruments
 - assessing the linkages and dependencies of markets
 - analyzing shortcomings/differences in regulation
 - cooperating with other global bodies like FSB etc.
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- information deficit is reduced
 - policy options could be developed to reduce possibility of regulatory arbitrage
 - systemic “risk regulator” could contribute to a global early warning system

Stand-alone systemic risk regulator (2)

2. Regulation and supervision of SIFIs?

- supervisory arbitrage could be eliminated and international level playing field could be carefully attended to
 - all necessary information could be gathered and analyzed in detail
 - responsibility and accountability ?
 - effectiveness and efficiency of supervision?
 - national level playing field
 - lender of last resort?
- There are several difficulties aligned with supervision of SIFIs on a global basis

Challenges in coordination and oversight

Local supervision with emphasis on the global significance of SIFIs and cross border coordination

- developing a common understanding of different regulatory and supervisory approaches
- sharing information about local markets and national and international standards
- integration of macro-prudential surveillance and micro-prudential supervision
- joint risk assessment
- coordination of supervisory activities and actions
- effective and efficient crisis management

Thank you for your attention !