José Manuel Campa, Chair, EBA

Petra Hielkema, Chair, EIOPA

Verena Ross, Chair, ESMA

July 2024

Dear Chairpersons,

As we approach the end of this institutional mandate of the Commission, we find it an apt time to reflect on the past five years, and to look ahead to the next institutional cycle. As heads of supervisors in the Nordic countries, we often meet and discuss current issues of common interest and the expectations we face as supervisors. We have taken the liberty to share our reflections with you.

Since the financial crisis, financial markets have seen a plethora of regulation, globally and not least in the EU. Moving into the next legislative mandate, we believe it is crucial to start transforming the single rulebook into also being a simpler rulebook. The EU rulebook should be more simple, proportionate, and entail the least possible number of burdens while at the same time underpin financial stability and a high level of consumer and investor protection. A simpler rulebook enforced by risk-based supervision with strong discretionary tools also creates a better balance in supporting a stable, diverse, and well-functioning financial sector.

A simpler rulebook is in line with the expectations that we as supervisors are faced with from the political and public side, where there is an increased focus on resources and reducing burdens for companies. We as national and European supervisors should work together to navigate this landscape and ensure that our resources are used most efficiently on those institutions and market participants with the highest risks. Likewise, we should avoid rigid “check the box”-compliance checks which do not significantly reduce or address risks. This will require a continued focus on a risk-based approach on all levels.

We acknowledge the enormous task placed on the ESAs in terms of being mandated to draft technical standards for level 2 mandates, drafting guidelines, and responding to Q&As, often within a very tight time frame to meet the deadline. Given this, it is extremely important to maintain a strict focus on these core tasks in the coming cycle, since it will be determinant for the realization of a usable rulebook. With scarce resources in national competent authorities as well as in the ESAs, such a strict focus and prioritization is much needed.

In general, both at national and EU level, resources are scarce and under increasing pressure. This is not just the case in terms of budget, where public funds for areas such as defense and security are top priority. There is also a pressure in terms of the increase of regulatory requirements subject to supervision, new areas under regulation (i.e. digital finance and AI), an increasing need for coordination across regulatory areas and challenges in recruiting specialized staff.

While much of the task to simplify and shorten the single rulebook lies with the Commission and the co-legislators in the European Parliament and the Council, we as supervisors should also remain vigilant in our work and strive to achieve a simpler and shorter rulebook both for market players to comply with and for supervisors to enforce. As a concrete example to follow, EIOPA has an applaudable ambition to reduce guidelines related to Solvency II by 25 pct. When developing level 2 regulation and level 3 guidance, it serves us all well both as national and European supervisors to remember that less is (often) more. We should strive to fulfill the mandates given to us with clear and concise requirements and try to avoid making them overly lengthy.

We also call on you to continue the excellent work on the Union supervisory handbook, which could be further developed with a clear overview of level 1, 2, and 3 along with hyperlinks to applicable regulation.

We as supervisors at national or EU-level also have a shared responsibility to continue to emphasise the need for continued and better impact assessments from the Commission. This will help ensure that new regulation achieves the stated objectives and has the intended impact and implications both for the private and public sector. Specifically, impact assessments should as a minimum include cost calculations at both the EU and national level and a detailed assessment of changes to IT and digital platforms, as this is especially costly for private and public entities to develop. Proper and credible impact assessments also help to guide us as national and EU supervisors when developing technical standards and guidelines, keeping a firm eye on the impact for supervisors and the financial sector.

As an example, the IT development for the European Single Access Point (ESAP) was estimated by the Commission to cost around 50.000 EUR pr. collecting body, whereas the current estimated costs for national collecting bodies such as financial supervisors, are many times higher, which the table below illustrates:

<table>
<tr><th>ESAP</th><th>Initial estimated cost from the Commission Impact Assessment</th><th>Current estimated cost for national supervisory authorities</th></tr>
<tr><td>Denmark</td><td rowspan="5">50.000 € pr. collecting body</td><td>5-6[1] mil. € for the DFSA alone</td></tr>
<tr><td>Finland</td><td>6[2] mil. € for the FIN-FSA alone</td></tr>
<tr><td>Iceland</td><td>N/A</td></tr>
<tr><td>Norway</td><td>3-4 mil. € for the NO-FSA[3]</td></tr>
<tr><td>Sweden</td><td>3-3,5[4] mil. € for the SE-FSA</td></tr>
</table>

Of course, it goes without saying that the need for improved impact analysis is equally relevant for all the many pieces of legislation and guidance resulting from Level 2 and 3 processes, where the ESAs play a key role.

Finally, we underline that by a simpler rulebook, we do not mean a less strict rulebook. On the contrary, a simpler approach could lead to even a bit stricter regulation, but easier to understand and explain.

We hope that this letter will leave some food for thought, and that we can continue this conversation and cooperate in moving toward a simpler and more risk-based rulebook. We would very much appreciate if you would share this letter with your respective boards as well as relevant staff.

Sincerely,

Louise Caroline Mogensen, Director General of the Danish Financial Supervisory Authority

Tero Kurenmaa, Director General of the Finnish Financial Supervisory Authority

Ásgeir Jónsson, Governor of the Central Bank of Iceland

Per Mathis Kongsrud, Director General of the Norwegian Financial Supervisory Authority

Daniel Barr, Director General of the Swedish Financial Supervisory Authority

[1] This is currently only an estimate with a high degree of uncertainty.
[2] This is a rough estimate for the years 2024-2030.
[3] The NO-FSA is currently not a national collecting body.
[4] Until 2031.