



27 February 2008

Dear Mr McCreevy
Charlie.McCreevy@ec.europa.eu

Further to the December 2007 Council conclusions on the Review of the Lamfalussy Process, we attach a copy of the 2008 work programmes for each of the individual Level 3 Committees (CESR, CEBS and CEIOPS), together with our provisional joint 3L3 cross sector work programme.

In order to facilitate a constructive dialogue with EU institutions, we wish to highlight the following key priorities that are contained in each of these four detailed work programmes. These are:

Joint 3L3 priorities

The 3L3 committees have identified and consulted (in November 2007) on a comprehensive list of cross sector areas to work on for the next three years. From these, they have identified six key areas to focus their efforts, which are: (i) Home-host co-operation, with a specific focus on setting up a common framework for the delegation of supervisory tasks; (ii) consistency issues in the regulatory and supervisory treatment of competing products, such as investment funds and insurance policies; (iii) the self-regulatory standards for - and possible coordinated regulatory approaches towards - credit rating agencies; (iv) consistency issues on internal governance requirements stemming from different directives; (v) financial conglomerates; and (vi) issues concerning the valuation of illiquid financial instruments, also in light of the weaknesses highlighted during the recent market turmoil. Whilst work has commenced on all these areas, for some there are preliminary deliverables in 2008, although the full visible results on all topics are not envisaged until 2010.

In addition to the identified 3L3 work as such and irrespective of the differing stages that each of the Committees have attained to date, the Committees will also continue to work, individually, coordinated or jointly, as relevant, on areas identified in the December 2007 Council Conclusions of the Lamfalussy Process. The key priorities will be (i) the implementation and/or further strengthening of self-assessment and peer review mechanisms; (ii) the identification of possible obstacles stemming from differences in supervisory powers and objectives; (iii) the exploration of tools to further foster convergence and strengthen the national application of Level 3 guidelines, recommendations and standards; and (iv) their work on developing convergence in day to day supervisory practice and



support co-operation within colleges of supervisors.

The Committees will also develop their supervisory culture efforts, including providing individual sector and cross sector training together with developing a 3L3 training platform, and facilitating staff exchanges.

Further, the three committees will continue their cooperation in following the recent market turmoil, and coordinating their supervisory efforts, where appropriate.

CESR's priorities

Cooperation with the US Authorities (namely the SEC) to facilitate the process of mutual recognition of exchanges and broker/dealers pending a US initiative. Peer review exercises, particularly on MiFID, will be accelerated.

Follow up actions to the current market turmoil, where the key priority is to report on the role of Credit Rating Agencies in structured finance, and monitor developments in the field of investment funds.

Supporting effective supervision in the EU single market, where the key priorities are: strengthening the supervisory convergence as regards reporting obligations, supervisory practices relating to mutual funds, market abuse(s) investigations and enforcement of financial information and coordinate actions relating to the application of MiFID.

CEBS' priorities

Contribution to the review of the Capital Requirement Directive (CRD) framework, with the finalisation of the advice on own funds, large exposures, liquidity issues, national discretions and work on the impact of the CRD on the EU banking sector and on the economic cycle.

Follow up actions to the current market turmoil, with a particular focus on (i) the supervision of liquidity risk; (ii) enhancing transparency of exposures to structured finance products and entities; (iii) strengthening the standards for the valuation of illiquid financial instruments; and (iv) weaknesses in the market for credit default protection and so-called "monoline" risk.

Supporting effective supervision in the EU single market, where the key priorities are (i) further progress in operational networking. to support a smooth working of colleges of supervisors and to address practical issues emerging in the supervision of cross-border groups; (ii) moving ahead towards truly uniform reporting frameworks; and (iii) addressing Pillar 2 implementation issues, such as the treatment of diversification benefits arising from internal economic capital models.



CEIOPS' priorities

Insurance:

Ongoing **contribution to the Solvency II project** for the creation of Level 1 EU legislation (the Solvency II Framework Directive Proposal) in view of negotiations in the European Council and the European Parliament; prepare advice on future Level 2 implementing measures with Level 3 standards in mind.

Follow up actions to the current market turmoil, including update on the sector's exposure; study possible risks for insurers; continue reports on financial conditions and financial stability; together with banking supervisors report on financial conditions and financial stability of European financial conglomerates.

Supporting effective supervision in the EU single market, where the key priorities are: (i) consumer and client protection issues; (ii) enhance convergence of supervisory practice and co-operation for insurance groups; (iii) identify common methods and procedures in Members' assessment of third country regimes' "equivalence"; and (iv) continue developments in European accounting, and international relations

Pensions:

Examine the solvency rules for pensions funds as asked by the European Commission, with a view amongst other things to provide the input needed to better understand how solvency rules should operate for them.

Follow up actions to the current market turmoil, including study possible risks for pension funds; continue reports on financial conditions and financial stability.

Supporting effective supervision in the EU single market, the key priorities being: (i) consumer and client protection issues; (ii) review CEIOPS' framework for supervisory cooperation; and (iii) undertake projects on outsourcing, internal controls and risk management for IORPs.



The present summary of the work programmes will be published as provisional in the websites of the three Committees. We stand ready to discuss any issues or comments you may have.

We are sending this letter also to Dr Andrej Bajuk and Mme Berès and we are also copying it to the President of the Economic and Financial Committee and the Chair of the Financial Services Committee.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'E. Wymeersch', written over a light blue background.

Eddy Wymeersch
CHAIR OF CESR

A handwritten signature in black ink, appearing to be 'Kerstin af Jochnick', written over a light blue background.

Kerstin af Jochnick
CHAIR OF CEBS

A handwritten signature in black ink, appearing to be 'Thomas Steffen', written over a light blue background.

Thomas Steffen
CHAIR OF CEIOPS

Cc.
Mr Jorgen Holmquist
Mr David Wright