

## Background information on supervision

European and national regulatory authorities have undertaken several reflections and initiatives with a view to addressing gaps exposed by the international financial crisis that erupted in 2007.

Against this background, a number of EU Member States are in the process of planning/implementing reforms regarding their national supervisory structure.

Within the European Union, and following the Larosière Group recommendations, a new framework for financial supervision was established, leading to the creation of the **European System of Financial Supervision**. In addition to the national financial supervisory authorities, this system consists of the European Systemic Risk Board (which will be in charge of macroprudential supervision of the EU financial system, with its Secretariat being entrusted to the ECB) and three new European Supervisory Authorities (for the banking, securities and markets, and insurance and pension funds sectors respectively).

Following the guidelines and recommendations issued by several international bodies and the European Union (more specifically, the Financial Stability Board, the Basel Committee on Banking Supervision and the Committee of European Banking Supervisors, which has been replaced by the European Banking Authority), the organisation and functioning of banking supervision, in most jurisdictions, have been adapted to the needs and demands arising from new financial activity conditions, with the aim of strengthening the efficiency and effectiveness of the supervisory function.

These developments enable a better response to the growing financial market integration and to the need to monitor systemic risks more closely. Besides, they respond to the particular attention that must be paid by the State to the protection of consumers of financial services and products and to the necessary adoption by supervisory authorities of more proactive, intensive approaches, through closer scrutiny of supervised institutions.

Banco de Portugal has accompanied these developments, improving and modernising its supervisory structures and work approaches. More specifically, the Bank implemented a risk-based supervisory model, adopted a permanent on-site monitoring mechanism (which was launched in 2009 and now comprises all major banking groups) and reinforced supervision on banking consumer protection.

Banco de Portugal will continue to enhance its skills, to improve the effectiveness of its organisation and of the instruments used in banking regulation and supervision, and to better protect consumers of banking products and services, taking into account the international guidelines and the obligations arising from participation as from January 2011 in the European System of Financial Supervision and, in particular, in the European Systemic Risk Board and the European Banking Authority.