Financial oversight

The primary objective of any modern central bank, aside from monetary stability, is maintaining an efficient and reliable financial system.

The causes of instability in the financial system can be manifold. They can result from internal disequilibrium in the financial system, especially as a result of excessive risk-taking by financial institutions or economic agents. They can also be of an external nature and, inter alia, come from what is termed the "real" economy. Instability can moreover be magnified by inadequate macroeconomic and macroprudential policies.

The recent financial crisis demonstrated the fact that prudential supervision as it stood before the crisis was in need of considerable reform, both internationally and in Belgium, and in particular that solid macroprudential supervision was lacking. Financial oversight in Belgium has evolved since 2011 with the aim of strengthening both the macroprudential and microprudential dimensions and of ensuring a convergence of supervisory practices at a European level. The NBB follows multiple lines of approach for exercising its financial oversight mission.

At a macroprudential policy level, the Law of 25 April 2014 specifies that the NBB:

- shall in particular have the power to detect, assess and monitor different factors and developments which may affect the stability of the financial system;
- shall issue recommendations on measures to be implemented by the competent authorities in order to contribute to the stability of the financial system as a whole, particularly through strengthening the robustness of the financial system, preventing the occurrence of systemic risks and limiting the effect of potential disruptions; and
- shall adopt measures falling within the ambit of its competences with a view to achieving the objectives described.

At a microprudential level, the supervisory system established since 1 April 2011 rests on two pillars (Twin peaks):
- the supervision of banking, insurance and other financial institutions is entrusted to the National Bank of Belgium;
- the supervision of financial markets and consumer protection are the remit of the Financial Services and Markets Authority (FSMA).

The National Bank of Belgium is therefore responsible for the oversight of individual financial institutions, which is called microprudential supervision, and for macroprudential supervision, which relates to the proper functioning of the financial system as a whole. In addition, the oversight of credit institutions has been reinforced, notably to take into account the establishment of a Banking Union in the EU. This Banking Union rests on three pillars: a single supervisory mechanism, a single resolution mechanism and a common deposit guarantee system.

The NBB also exercises oversight of payment systems and securities settlements systems, overseeing the proper functioning of these systems and ensuring their efficiency and solidity.

The NBB has been designated as the financial sector authority and inspection service, within the meaning of the Law of 1 July 2011 on the security and protection of critical infrastructures.

The NBB has been tasked with co-ordinating financial crisis management; for credit institutions, this task is performed within the EU framework for recovery and resolution.

The Resolution College is responsible for tasks relating to resolution of credit institutions as laid down in the Belgian Banking Law.

The Sanctions Committee rules on the imposition by the NBB of administrative fines and penalties provided for by the laws that apply to the institutions supervised by the NBB.

The NBB is also tasked with facilitating the sharing of information and analyses relating to risks to financial stability and with creating the appropriate synergies in this respect.