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## Foreword

In view of the financial crisis which has persisted since 2008, there is clearly a need to improve the way that the supervision of financial institutions is organised and applied. This has led the authorities at both European and Belgian level to rethink the subject in depth.

At European level, the European System of Financial Supervisors (ESFS) was created on 1 January 2011. It comprises the European Systemic Risk Board, the European body responsible for macroprudential oversight, and three European Supervisory Authorities which are to strengthen microprudential supervision in Europe in banking, insurance and securities markets respectively.

Drawing inspiration from developments in a number of European Union countries and on the basis of the recommendations of Belgium's special commission of inquiry into the financial and banking crisis and those of the Lamfalussy Committee, the Belgian authorities decided in 2010 to change the supervision of the financial sector, and more specifically the interaction between the Bank and the former Banking, Finance and Insurance Commission (CBFA), switching to a "twin peaks" model.

This change was carried out in two stages. Following a transitional stage featuring the creation of a Committee on Systemic Risks and System-relevant Financial Institutions (CSRSFI) comprising the members of the Bank's Board of Directors and the CBFA's Management Committee, the Royal Decree of 31 March 2011 entrusted to the Bank all the macroprudential oversight and microprudential supervision functions concerning banks and insurance companies<sup>(1)</sup>. The CBFA, renamed the FSMA (Financial Services and Markets Authority), is responsible for supervising financial markets, investment instruments, financial product marketing, and the code of conduct applicable to financial sector players, and protection for consumers of financial services. This Decree entered into force on 1 April 2011, on which date almost 200 staff of the former CBFA were transferred to the Bank to ensure the continuity of supervision activities.

This date therefore marks a major turning point in the history of our enterprise, since it is accompanied by the assumption of an entirely new area of activity which is particularly exacting and of great importance for society as a whole. This was and remains a significant challenge for the Bank, as we could not just tack on this activity as a straightforward addition to the broad range of tasks which the Bank already performs. In taking over prudential supervision, we were obliged to give it new emphasis by using the expertise, competence and data available at the Bank for the benefit of this work. We therefore had to encourage a transverse perspective, cross-fertilisation, and the circulation of information, which is a crucial issue here. We organised a joint review exercise for the purpose of designing the most efficient way of organising this activity in its new environment.

(1) For the time being, the FSMA is still in charge of the microprudential supervision of pensions.

This Report unveils the principles governing the new organisation and describes how they were translated into our everyday work and our organisation chart.

However, the challenge was not just conceptual. We had to integrate new staff and give them the best possible facilities for their work. We also had to incorporate the new workload into the operation of the company and, in particular, into the functioning of the Board of Directors. To ensure efficiency in the new configuration, we introduced reforms not least of which was the establishment of a General Secretariat, which will in future take on a large part of the purely organisational work. The Secretariat also takes charge of managing the agendas, the minutes, and the circulation of files for the Board of Directors, monitors the execution of the decisions and deals with external communication.

It must be remembered that the Bank had to contend with this reform during a protracted financial crisis when the sovereign debt crisis was erupting. Throughout Europe, central banks were constantly stepping in, deploying the whole range of tools at their disposal. All this made 2011 an exceptionally busy year for the Bank, in all sectors of activity. The Report on Economic and financial developments and the Report on Financial stability and prudential supervision describe the developments concerning the crisis and their impact on the Bank's monetary and prudential policies. In the fluid context which I have described, the first part of this Corporate Report gives an update on all the Bank's activities. In accordance with the relevant legislation, the Management Report is supplemented this year by a Remuneration Report.

The Bank as a whole provides a service for society, and the efficiency of that service is one way of measuring its value. In the tasks which it has performed since 1850, in those which it has carried out in the Eurosystem since the creation of the euro, and in those entrusted to it by law, such as the new financial stability tasks which it took on in 2011, the Bank will continue to aim at the highest standards of quality and efficiency.