

Stocktaking and challenges of the EU Financial Services Regulation: impact and the way forward towards a more efficient and effective EU framework for financial regulation and a capital markets union

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The European Parliament adopted by 575 votes to 106, with 32 abstentions, a resolution on stocktaking and challenges of the EU Financial Services Regulation: impact and the way forward towards a more efficient and effective EU framework for Financial Regulation and a Capital Markets Union (CMU).

Against the background of the 2007-2008 financial crisis, an ambitious reform agenda for the EU financial sector has been launched to strengthen financial regulation and supervision. While the outlook for growth in Europe has improved, the transposition and implementation of the financial regulatory reform is still ongoing and not yet completed.

Stocktaking and challenges for the current framework: Parliament stressed that an efficient and effective financial services framework ensuring financial stability is a prerequisite for increasing (long-term) investment and fostering growth in a competitive European economy. It acknowledged the important role that capital markets can play in addressing the financing needs of Member State economies.

Whilst recognising the achievements of financial regulation in responding to the ramifications of the financial crisis, Parliament noted concerns about the **increased complexity**, reflected in the greater amount, detail and number of layers of regulation and supervision with requirements at international, European and national level. It also stressed the need for a **holistic view of EU financial services regulation** in which the CMU contributes to complementing banking financing.

To that end, the Commission should work closely with the ESRB, ESAs and National Competent Authorities to resolve any mismatches in approach that could risk undermining the objectives of the CMU.

Harmonised and coherent regulation: Members stated that that effective and efficient EU financial services regulation should be coherent, consistent (also on a cross-sectoral basis), proportionate, non-duplicative and free of superfluous complexity and prevent legal uncertainty, regulatory arbitrage and high transaction costs.

Serve the needs of the real economy: according to Parliament, the stocktaking exercise should:

- contribute to building better functioning financial markets serving the financing needs of the real economy, including by addressing loopholes, gaps, inconsistencies, incoherence and disproportionality,
- **not undermine the legislative achievements obtained so far**, bearing in mind the requests made in review clauses as adopted in each specific legislative act,
- not be seen as an exercise leading to deregulation.

Break the link between sovereigns and banks at national level: in this regard, Members insisted on the need to **break the link** between sovereigns and banks at national level through full and consistent national

implementation of the Bank Recovery and Resolution Directive ([BRRD](#)) and the Single Resolution Mechanism ([SRM](#)) and Single Resolution Fund (SRF) provisions.

The report called for the promotion of **additional rating providers** with a view to increasing competition in a highly concentrated market. It recalled that the Commission is due to publish a report on the appropriateness and feasibility of supporting a European Public Rating Agency for sovereign debt and/or a European credit rating foundation for all other credit ratings by the end of 2016.

International framework: underlining the importance of the international framework with respect to its scope, methodologies and implications for the EU framework, the Member States, the Council, the Commission and ESAs are called upon to **streamline the EU position**, with a view to increasing its influence and promoting the legislation it has adopted through a democratic process. The need to **achieve consistency of new regulation**, both with the European acquis and with international guidance, and proportionate implementation, including in scope, is stressed in order to avoid unnecessary divergences and duplication in legislation.

Better EU financial services regulation: Parliament stated that better financial regulation implies a robust framework and starts with Member States **applying the current acquis**. The Commission is called on: (i) for regular reports to Parliament on the state of transposition and implementation of the legislation, and where applicable, the infringement proceedings brought against Member States; (ii) to come up with a thorough analysis and report of all gold-plating measures taken by Member States in the field of financial legislation and to submit them to Parliament by the end of 2016.

Member States are urged to commit to **respecting the deadlines** set for the transposition of directives since, in addition to being a legal requirement, this is key in order to avoid undue delays in the full implementation of legislation, as well as its partial or uneven application across the Union, which might result in the absence of a level playing field for the different actors involved and in other types of distortions.

ESAs and SSM: Parliament stated that the ESAs and SSM have a crucial role to play in achieving the objectives of better regulation and supervision. They have to be **adequately funded** and staffed if they are to fulfil the tasks given to them by the co-legislators.

Parliament called on the Commission and ESAs to regularly **publish consolidated versions of EU financial services regulations** on their websites, including a summary which can be accessed and understood by businesses, consumers, civil society organisations and others. It stressed that the creation of a **common register** that includes references to national implementation would be an option worth exploring.

The way forward: lastly, Members called on the Commission and the ESAs to:

- conduct regular (at least annual) **coherence and consistency** checks;
- conduct regular (at least annual) **proportionality and effectiveness** checks, particularly with regard to the requirements applicable to small and medium-sized market participants, and on every draft legislative act, and to dedicate resources to this activity;
- conduct a comprehensive **quantitative and qualitative assessment every five years** of the cumulative impact of EU financial services regulation on financial markets and its participants at EU and Member State level;

The Commission is called upon to:

- publish a **Green Paper** exploring new approaches to promoting proportionality in financial regulation;

- complete the first assessment by the end of 2016 which should examine, *inter alia*, the effects on the different financial sectors, possible gaps and loopholes, the actual and expected economic effects.