Procedure file

Basic information

INL - Legislative initiative procedure	2013/2166(INL)	Procedure completed
European system of financial supervision (ESFS) review Subject 2.50.10 Financial supervision		

Key players

European Parliament	Committee responsible	Rapporteur	Appointed
	ECON Economic and Monetary Affairs		18/06/2013
		Verts/ALE GIEGOLD Sven	
		Shadow rapporteur	
		PPE LULLING Astrid	
		S&D SÁNCHEZ PRESEDO Antolín	
		ALDE KLINZ Wolf	
		ECR SWINBURNE Kay	
European Commission	Commission DG	Commissioner	
	Financial Stability, Financial Services and Capital Markets Union	BARNIER Michel	

Key events

12/09/2013	Committee referral announced in Parliament		
12/02/2014	Vote in committee		
25/02/2014	Committee report tabled for plenary	A7-0133/2014	
10/03/2014	Debate in Parliament		
11/03/2014	Results of vote in Parliament		
11/03/2014	Decision by Parliament	T7-0202/2014	Summary
11/03/2014	End of procedure in Parliament		

Technical information

Procedure reference	2013/2166(INL)
Procedure type	INL - Legislative initiative procedure

Procedure subtype	Request for legislative proposal
Legal basis	Rules of Procedure EP 47
Other legal basis	Rules of Procedure EP 159
Stage reached in procedure	Procedure completed
Committee dossier	ECON/7/13127

Documentation gateway

Committee draft report		PE521.510	11/10/2013	EP	
Amendments tabled in committee		PE524.602	15/01/2014	EP	
Committee report tabled for plenary, single reading		A7-0133/2014	26/02/2014	EP	
Text adopted by Parliament, single reading		T7-0202/2014	11/03/2014	EP	Summary
Commission response to text adopted in plenary		SP(2014)457	11/08/2014	EC	

European system of financial supervision (ESFS) review

The Committee on Economic and Monetary Affairs adopted a report by Sven GIEGOLD (Greens/EFA, DE) with recommendations to the Commission on the European System of Financial Supervision (ESFS) Review (Initiative Rule 42 of the Rules of Procedure).

The financial crisis had demonstrated that inadequate risk management and inefficient, uneven and fragmented supervision of financial markets had contributed to financial instability and a lack of consumer protection in financial services.

Members recalled that Parliament was strongly in favour of the creation of the European Supervisory Authorities (ESAs), had provided for more powers in coordination and direct supervision for the ESAs, and believed that they are key actors in the creation of more stable and safer financial markets and that the Union needed stronger and better coordinated supervision at Union level.

It requested that the Commission submit to Parliament, by 1 July 2014, legislative proposals for the revision of Regulations adopted in 2010 on reform of the financial supervision framework, based on the experience gained since the ESAs were established and on an in-depth analysis of the legal basis and alternatives available to Article 114 TFEU, including recent case-law.

Members recommended that the legislative acts should contain the following elements, inter alia:

(1) Further adaptation of the European System of Financial Supervision to the Single Supervisory Mechanism (SSM):

- enhance the mandate for all ESAs for binding and non-binding mediation especially with regard to the ECB and enhance the powers of all ESAs to conduct stress tests to have at least the possibilities comparable to those given to EBA in the course of the establishment of the SSM;
- ensure that the ESAs, the European Systemic Risk Board (ESRB), national supervisory authorities and the ECB in the case of those Member States participating in the SSM have access to the same supervisory information;
- provide for mechanisms enhancing the independence of the ESRB, enlarge the role of the scientific committee of the ESRB, and appoint an executive Chairperson of the ESRB;
- assess and clarify the mandate and tasks of the ESRB in order to avoid conflicts of interest arising between micro-prudential supervision and supervisory tools and macro-economic oversight.

(2) Improve the functioning of the ESFS by:

Chairpersons: (i) enhancing the powers of the chairpersons of all three ESAs to take technical and operational decisions or to request information from other supervisory authorities; (ii) ensuring that the Chairpersons of the ESAs and the ESRB are formally invited to ECOFIN meetings at least twice per year to report on their activities and work programme.

Governance: organisation, decision making, independence and transparency: (i) transforming the Management Boards of the three ESAs into independent bodies, staffed by three professionals with a European mandate, appointed by Parliament, the chairperson of the ESAs and the executive directors; (ii) modifying the composition of the Board of Supervisors which should be composed of the head of the national competent authorities plus the members of the Management Board; (iii) reallocating the tasks between the Management Board and the Board of Supervisors in a way that the Board of Supervisors will focus on giving strategic guidance to the ESAs work; (iv) enhancing transparency of stakeholder involvement and potential conflicts of interest.

Single rule book and single market: (i) requiring the Commission and, where relevant, the ESAs to provide a timely response to comments from Members of the European Parliament on draft regulatory technical standards (RTS); (ii) giving the ESAs the mandate to report to the Commission where national legislation or differences in national legislation hamper the functioning of the single market; (iii) requiring the ESAs to carry out assessments on the impact of proposed measures on small businesses and barriers to entry to the financial sector.

Supervisory cooperation and convergence: (i) enhancing the balance in the supervision of the three sectors by fostering the role of ESMA and the European Insurance and Occupational Pensions Authority (EIOPA) in the ESFS in order to avoid that banking-oriented regulation will be adapted and applied to other sectors inappropriately; (ii) revising the ESAs peer review model and developing a more independent assessment model, such as that of the International Monetary Fund (IMF) (FSAP); (iii) establish an appropriate mechanism for, where deemed necessary, an assessment of supervisory practices in the Member States in dialogue with the competent authorities by means of onsite visits and, where appropriate, followed up by recommendations for improvements;

Enhanced powers: Members recommended: (i) enhancing the investigatory powers of the ESAs and increasing their resources in order to directly monitor the appropriate implementation of rules derived from legal acts and the compliance with other decisions adopted under the Union legal framework; (ii) introducing direct supervision, including stress tests, by the ESAs of highly integrated pan European entities or activities; (iii) giving EBA the power, the mandate and the resources to develop measures to identify new risks for consumers in the banking sector.

European system of financial supervision (ESFS) review

The European Parliament adopted by 544 votes to 110 with 16 abstentions, a resolution containing recommendations to the Commission on the European System of Financial Supervision (ESFS) Review).

The financial crisis had demonstrated that inadequate risk management and inefficient, uneven and fragmented supervision of financial markets had contributed to financial instability and a lack of consumer protection in financial services.

Need for stronger supervision: Parliament recalled that Parliament was strongly in favour of the creation of the European Supervisory Authorities (ESAs), had provided for more powers in coordination and direct supervision for the ESAs, and believed that they are key actors in the creation of more stable and safer financial markets and that the Union needed stronger and better coordinated supervision at Union level.

Although the regulations establishing the ESAs are almost identical, their scope has evolved very differently. Furthermore, the creation of the SSM modified the underlying supervisory scheme of the ESFS and created a certain degree of asymmetry between the different authorities and their scopes of supervision.

Currently, legislation relating to financial markets, financial services and financial products was highly fragmented. The multitude of legal texts caused loopholes, duplication of reporting obligations, institutional divergence and regulatory overlap and can cause unintended consequences and negative impacts on the real economy.

Proposals for reform: the plenary requested that the Commission submit to Parliament, by 1 July 2014, legislative proposals for the revision of Regulations adopted in 2010 on reform of the financial supervision framework, based on the experience gained since the ESAs were established and on an in-depth analysis of the legal basis and alternatives available to Article 114 TFEU, including recent case-law.

Members recommended that the legislative acts should contain the following elements, inter alia:

(1) Further adaptation of the European System of Financial Supervision to the Single Supervisory Mechanism (SSM):

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- ensure that the ESAs, the European Systemic Risk Board (ESRB), national supervisory authorities and the ECB in the case of those Member States participating in the SSM have access to the same supervisory information;
- provide for mechanisms enhancing the independence of the ESRB, enlarge the role of the scientific committee of the ESRB, and appoint an executive Chairperson of the ESRB;
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With regard to the ESRB, Parliament recommended the following: (i) ensuring that the ESRB would be represented in the meetings of the Economic and Financial Committee; (ii) enabling the ESRB to issue EU-wide guidance to Members States on macro-prudential instruments as leverage, loan to value and debt to income ratios; (iii) enabling the ESRB to address warnings and recommendations to the ECB in its role in monetary policy as well as in its function as single supervisor (SSM); (iv) revising the structure of the ESRB to allow swifter decision-making and stronger accountability.