Relationships between the EU and third countries concerning financial services regulation and supervision

2017/2253(INI) - 18/07/2018 - Committee report tabled for plenary, single reading

The Committee on Economic and Monetary Affairs adopted an own-initiative report by Brian HAYES (EPP, IE) on relationships between the EU and third countries concerning financial services regulation and supervision.

Since the financial crisis, more than 40 new pieces of EU financial legislation have been adopted, of which 15 include third-country provisions that give the Commission, on behalf of the EU, discretion to unilaterally decide whether regulatory rules in foreign jurisdictions can be considered equivalent.

There is no single framework underpinning equivalence decisions, each legislative act sets out a targeted equivalence regime tailored to its policy objectives.

Members welcomed the increased regulatory and supervisory cooperation between the EU and third countries. They recognised that this has contributed to improving global consistency in financial regulation and has contributed to making the EU more resilient to global financial shocks.

In a context where international cooperation is becoming increasingly difficult due to diverging national interests, Members insisted that any framework for international regulatory and supervisory cooperation should preserve the Union's financial stability and respect its regulatory and supervisory regime and standards and their enforcement.

Equivalence decisions should in particular:

- be made dependent on satisfactory third-country rules on fighting tax evasion, tax fraud, tax avoidance and money laundering;
- be objective, proportionate and risk-sensitive, while upholding high standards of EU regulation;
- be in the interest of the Union, its Member States and its citizens, having regard to the financial stability of the Union or one or more of its Member States, market integrity, investor and consumer protection and the functioning of the internal market.

Members considered that, as things stand, the EUs process for granting equivalence would benefit from more transparency towards the European Parliament. They insisted that this process should be subject to appropriate scrutiny by Parliament and the Council and that, for purposes of greater transparency, such decisions should be taken by means of delegated acts, and where necessary facilitated by an early non-objection procedure.

The report called for the development of a consistent framework for ongoing supervision of an equivalent third-country regime. It demanded that Parliament should be kept informed of ongoing regulatory and supervisory reviews of third countries.

Equivalence decisions should be subject to ongoing monitoring by the relevant European Supervisory Authority (ESA) and for the outcome of such monitoring to be made public.

The Commission is urged to:

- review and provide a clear framework for a transparent, coherent and consistent application of equivalence procedures which introduces an improved process for the determination, review, suspension or withdrawal of equivalence;
- assess the benefits of introducing an application process for granting equivalence for third countries;
- consider the current equivalence regime and to assess whether it contributes to achieving a level playing field between EU and third-country financial institutions, while preserving the financial stability of the Union;
- annually report to the European Parliament all decisions on equivalence, including equivalence granted, suspended and withdrawn, and to explain the rationale for those decisions.

The report underlined the importance of the EUs active role in global standard-setting as a means of working towards international consistency in financial regulation. To that end, it called for the Joint EU-US Financial Regulatory Forum to be upgraded to include more regular meetings with the aim of a more frequent and consistent coordination.