

European Supervisory Authorities: powers, governance and funding

2017/0230(COD) - 16/04/2019 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 521 votes to 70, with 65 abstentions, a legislative resolution on the proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) No 1093/2010 establishing a European Supervisory Authority (European Banking Authority); Regulation (EU) No 1094/2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority); Regulation (EU) No 1095/2010 establishing a European Supervisory Authority (European Securities and Markets Authority); Regulation (EU) No 345/2013 on European venture capital funds; Regulation (EU) No 346/2013 on European social entrepreneurship funds; Regulation (EU) No 600/2014 on markets in financial instruments; Regulation (EU) 2015/760 on European long-term investment funds; Regulation (EU) 2016/1011 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds; Regulation (EU) 2017/1129 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market; and (EU) Directive 2015/849 on the prevention of the use of the financial system for the purposes of money-laundering or terrorist financing.

As a reminder, the proposal aims to strengthen the mandates, governance and financing of the European Supervisory Authorities (ESAs) by giving them greater responsibility for ensuring the convergence of financial market supervision.

The European Parliament's position adopted at first reading under the ordinary legislative procedure amended the Commission's proposal as follows:

Strengthening the powers of the ESAs

Combating money laundering and terrorist financing

The amended text strengthens the role of the European Banking Authority (EBA) with regard to the risks posed to the financial sector by money laundering and terrorist financing activities. To this end, the EBA shall:

- collect information from the competent national authorities. The competent authorities shall be required to provide all information to the Authority;
- develop common regulatory and supervisory standards, including by developing draft technical regulatory standards, draft technical implementing standards, guidance, recommendations and opinions, with a view to preventing and combating money laundering and terrorist financing in the financial sector. The measures adopted by the EBA shall take due account of the nature, scale and complexity of risks inherent in the business of an institution, undertaking, other subject or financial activity, that is affected by the Authority's action;
- conduct peer reviews of competent authorities and risk assessment exercises on the appropriateness of competent authorities' strategies and resources in the light of the most significant emerging risks related to money laundering and terrorist financing;
- assess the strategies, capacities and resources of the competent authorities to deal with emerging risks related to money laundering and terrorist financing;
- play a leading role in helping to facilitate cooperation between the competent authorities of the Union and the authorities concerned in third countries on these issues, with a view to better coordinating measures taken at Union level in important cases with a cross-border dimension.

Protection of consumers and financial activities

EBA shall take a leading role in promoting transparency, simplicity and equity in the market for financial products or services throughout the internal market, including:

- collecting, analysing and reporting consumption trends, such as changes in the costs and charges of retail financial products and services in the Member States;
- by developing risk indicators for the timely identification of potential causes of consumer harm;
- foster further developments in terms of regulation and supervision which could ease a deeper harmonization and integration at the EU level.

ESMA and EBA shall also be empowered to coordinate 'mystery shopping' by the competent authorities, if applicable.

In addition, ESMA shall be granted direct supervisory powers over administrators of critical benchmarks, as well as data communication service providers.

When launching and coordinating Union-wide assessments of the resilience of financial institutions to adverse market developments, ESAs shall take into account the risks that environmental, social and governance factors pose to the financial stability of these institutions.

Coordination groups

In order to improve the current supervisory convergence system, the amended text introduces a new tool, namely coordination groups. Such coordination groups should promote convergence in relation to the supervisory practices undertaken by competent authorities, in particular through the exchange of information and experiences. The participation of all competent authorities in these coordination groups should be mandatory and competent authorities should provide the coordination groups with the necessary information. Coordination groups should be considered to be set up wherever the competent authorities identify a need to coordinate in view of specific market developments.

Reporting channels

The EBA shall have reporting mechanisms in place for the receiving and handling of information provided by a natural or legal person reporting on actual or potential breaches, abuse of law, or non-application of Union law. It shall ensure that information can be transmitted anonymously

and securely. Where the Authority considers that the information communicated contains significant evidence or indications of significant infringements, it shall provide feedback to the informant.

Responsibility of the European System of Financial Supervision

At the request of the European Parliament, the Chairperson shall participate in a hearing before the European Parliament on the performance of the Authority. A hearing shall take place at least annually. The Chairperson shall make a statement before the European Parliament and answer any questions put by its members, whenever so requested.