Deal reached to beef up EU financial watchdogs

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Legislators reached a deal strengthening the EU financial supervisory architecture needed for safer financial markets, fighting money laundering, and protecting consumers across the EU.

The reform, agreed on Thursday between negotiators of the European Parliament and the Council, consists of an upgrade of the EU financial supervisory authorities established in 2010. The legislation has been spearheaded through the European Parliament by Othmar Karas (EPP, AT) and Pervenche Berès (S&D, FR).

European consumers, investors and businesses will benefit from safer and more integrated financial markets thanks to the reform, which was also essential to pave the way for completing the banking union and the capital markets union, two flagship projects for a stronger single market. The co-legislators also made provisions to promote financial products which support environmental, social and good governance initiatives (ESGs).

Mr Karas said, "With the reform, the European system for financial supervision will be stronger, more effective and efficient, and better equipped to meet the challenges of globalisation, digitisation, money laundering and Brexit. The financial market must be there to support the real economy, investment, jobs and growth in Europe. This is what we want to ensure and this is why this review is so important."

Ms Berès said, "The comprehensive agreement reached today demonstrates that Europe can still join forces to upgrade its model to counter all types of financial risks. This is great news for consumers, who will be better protected, for firms which will be able to operate cross border in a sounder financial environment and for the Union as a whole since further supervisory convergence will make it more resilient."

More empowered finance watchdogs

The revision of the architecture will increase the responsibilities, and improve the governance structure of the EU watchdogs for banking, for securities and financial markets, and for insurance and pensions. This will allow these supervisory authorities to keep up with the increasingly complex world of finance thereby protecting consumers and taxpayers better, and settle disputes and breaches of EU law more effectively.

Helping consumers and sustainable finance

To ensure a uniform application of EU rules and promote a true Capital Markets Union, the reform also entrusts the European Securities and Markets Authority (ESMA) with direct supervisory power in specific financial sectors, such as markets in financial instrumentsor benchmarks. ESMA is also given a coordinating role of national actions in the areas of Financial Technologies (FinTech) and promoting sustainable finance, including when conducting union wide stress tests to identify which activities could have a negative effect on the environment.

Consumers will benefit from various new powers which will be given to the EU supervisory authorities such as the power to coordinate mystery shopping activities of competent authorities, and reinforcing powers regarding prohibibition or restriction of certain financial activities considered damaging to consumers.

New powers to improve fight against money laundering

The agreement strengthens the European Banking Authority's (EBA) mandate, tasking it with preventing the use of the financial system for the purposes of money-laundering and terrorist financing. Specifically, EBA will now be tasked with the new power to adopt measures to prevent and counter money laundering and terrorist financing, and national authorities will be obliged to provide the EBA will information necessary to identify weaknesses in the EU financial system regarding money laundering.

Next steps

The informal deal, reached between the negotiators of the European Parliament and the Council Presidency, the two branches of the EU's legislative process, will now need to be approved during the April plenary session of the EP.

La page du Parlement européen