
MEPs strengthen EU financial watchdogs

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MEPs approved rules strengthening the EU financial supervision needed for safer financial markets, fighting money laundering, and protecting consumers.

The new law, adopted on Tuesday by 521 in favour, 70 against, with 65 abstentions, already agreed with EU ministers and spearheaded through Parliament by Othmar Karas (EPP, AT) and Pervenche Berès (S&D, FR), consists of an upgrade of the EU financial supervisory authorities established in 2010.

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

More empowered finance watchdogs

The revision of the supervisory architecture will increase the responsibilities of the EU watchdogs for banking, for securities and financial markets, and for insurance and pensions, and improve their governance structure. This will allow them 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 instruments or benchmarks. ESMA will also coordinate national actions in the areas of Financial Technologies (FinTech) and promote sustainable finance, including when conducting EU-wide stress tests to identify which activities could have a negative effect on the environment.

Consumers will benefit from various new powers that will be given to the EU supervisory authorities, such as the power to coordinate competent authorities' mystery shopping activities to measure compliance with regulation, and reinforcing powers to prohibit or restrict certain financial activities considered damaging to consumers.

New powers to improve fight against money laundering

Finally, the new law strengthens the European Banking Authority's (EBA) mandate, tasking it with preventing the financial system from being used for money-laundering and terrorist financing. Specifically, EBA will now have the power to adopt measures to prevent and counter money laundering and terrorist financing. National authorities will be obliged to provide the EBA with information necessary to identify weaknesses in the EU financial system regarding money laundering.

Next steps

EU ministers will now have to formally confirm the deal before the reform enters into force.