

Why it is important to review the ESAs

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Q and A with Pervenche Berès, ECON's whip for Socialists and Democrats

-- By Philip Kaleta

Pervenche Berès, the Socialists and Democrats (S&D) whip in the European Parliament's committee on economic and monetary affairs (ECON), is set to end her 25-year career as an MEP in early 2019 when the current legislature dissolves ahead of the EU election.

But Berès is keen to cement her legacy as rapporteur for the review of the European Supervisory Authorities (ESAs) — the European Securities and Markets Authority, European Banking Authority, and European Insurance and Occupational Pensions Authority — and is still fighting to ensure that the EU's three financial industry watchdogs get the powers they need to do their job properly.

Berès' departure will create a power vacuum within ECON, but she refuses to discuss her committee successor or her own future. The Frenchwoman instead spoke to POLITICO at length about the contradictory positions that German MEPs have toward the ESAs and her call to redraft the revised Markets in Financial Instruments Directive (MiFID II) in light of Brexit.

What are the main challenges the ESAs face?

The reason why I am eager to get on with this file ... is related to Brexit ... We have been negotiating for years now to make sure we have a solid [piece of] EU legislation. The problem is the implementation. The reasons for this are the decisions made at the board of supervisors at the ESAs, where national competent authorities (NCAs) sit at the table. They are making side deals ... People are complaining that the ESAs don't use their full power. But they don't have the structure to use their power if there is a self-blocking mechanism like the board of supervisors installed, which is very dear to the Germans.

What are the main challenges for EU financial markets after Brexit?

First of all, the financial center of London will leave the internal market. They don't like it in Paris when I describe the situation like this. London was the main planet and the other ones were the satellites. Now, you have to make sure when the planet is leaving that the satellites coordinate. You will not create a new planet. So you better make sure the satellites behave in a proper, consistent, and convergent way. So what are the challenges here? Sometimes you need to be close to the market in order to understand how it works. But sometimes you are so close to the markets that you can't speak anymore. It is not too big to fail, but too close to speak. This is true for the NCAs.

What do mean by "too close to speak"?

Well, it is a natural reaction for a member country or its authorities to defend their marketplace. The Germans will defend Frankfurt, the French will defend Paris. One of the reasons to set up institutions like the ESAs is to counterbalance that.

Some MEPs say your fight for the ESAs is also not free from national interest. They say you have a special interest in strengthening ESMA, which resides in Paris.

Ah come on, this comes from the Germans! They don't like ESMA because it's in Paris! Give me a German to chair ESMA, and the problem is solved. This is the worst argument I can imagine. You know, I think I am someone who is quite free in her behavior. Of course, I am a French socialist. First, I am a socialist; second, I am a European; and third, I am French, that's for sure.

Is there a general problem with cherry-picking among the EU member countries when it comes to the competences of the ESAs?

All capitals — and this is also true for Paris with ESMA — they all want to do some cherry-picking. This is also true for Brexit. MiFID, for example, was designed when nobody thought the U.K. would ever leave the EU. My strong belief is that you need to redraft MiFID completely since the U.K. is leaving. Well, this redraft never happened. Instead, we will just have a small adjustment on investment banks. We need to do [this] properly. Otherwise, the marketplaces in Europe will compete among themselves with the argument or proposal for third-country stakeholders. In the end, this is going to destroy the EU financial market.

What are the chances of the ESAs review getting passed in this term?

I have no crystal ball. But I do my best. And I understood that Othmar Karas, the European People's Party's rapporteur on the ESA files, is on the same page.

There was an idea to separate the anti-money laundering issue from the ESA file. Do you support that?

This is exactly where I don't agree. I mean, up to now, until we discovered this AML issue, the ESA review was an urgency. And it is still one. However, others also argue that [the issue of AML] is urgent. Isn't it then a little contradictory to say we need to separate the AML issue from the ESAs file because there is the political urgency, but we don't want to pass the proposal [on the ESAs] made by the Commission? Instead, we want to build a new agency from scratch, not even building on the existing expertise.

Have you talked to your colleagues from the EPP, ALDE and the Greens about this issue?

The discussion is just starting, yes. But the coordinators decided that we will reopen the deadline for amendments for [the AML part of the ESAs file]. We will not have two separate reports, it will stay in one report [on the ESAs]. I was supported by the EPP's whip in the ECON committee — Markus Ferber — on this. Then we will see what happens with the Council. If the Council is stupid enough to talk only about political solutions, then we will have to see what we can deliver at all by the end of the mandate.

The interview was edited for length and clarity.