Press release | 09.02.2012

EU financial rules (derivatives)

Minimalist deal on derivative rules is missed opportunity for comprehensive EU regulation

The European Parliament and Council today reached a political agreement on proposed EU legislation on over-the-counter derivative products. The Greens gave a mixed response to the deal, welcoming the creation of a regulatory framework for these opaque and risky products but regretting the failure to provide for proper EU oversight and tougher rules on risk management. Commenting on the outcome, Green MEP **Pascal Canfin** said:

"EU rules to address the risks associated with derivative products are long overdue and we welcome today's deal, which will go some way to addressing the damaging impact unregulated derivatives have had. It is regrettable that the legislation does not go further however, notably in terms of EU oversight of clearing houses and tougher rules on risk management. This minimalist deal is a missed opportunity for comprehensive EU regulation.

"A crucial new provision is that the majority of privately traded over-the-counter derivatives will be standardised and traded through central counterparties, which will create greater stability in the financial system. Regulators will have reliable and comprehensive information on the use of these products: an important step to lifting the haze from the financial system.

"We regret that the final legislation will not include a more comprehensive role for the European Securities and Markets Authority (ESMA) in regulating central counterparty clearing houses. At the insistence of the UK, the ESMA would only be able to overrule the decision of a national regulator on the basis of unanimity. Unfortunately, member states were unwilling to ensure EU financial regulation agencies have sufficient and binding powers.

"The final agreement on the 'prudential rules' (for example regarding risk management) that will apply to clearing house also fails to convince and falls far short of the robust rules that are necessary. It also ignores the recommendations of the European systemic risk committee (ESRB), which argued for more powers for regulators."

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