Press release | 29.03.2012

EU financial rules (derivatives)

EP adopts new derivatives rules but missed opportunity for comprehensive EU regulation

The European Parliament today adopted new EU legislation on over-the-counter derivative products, based on a legislative agreement reached in February. The Greens welcome the creation of a regulatory framework for these opaque and risky products but regretted the failure to provide for proper EU oversight and tougher rules on risk management. After the vote, Green MEP and finance spokesperson **Pascal Canfin** (France) said:

"It is welcome that these opaque and risky financial products will finally be regulated at EU level. This help address the damaging impact unregulated derivatives have had. The new rules will ensure 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 both these products and derivatives traded on exchanges, which will go some way towards shedding light on this shadowy market. We hope this data will be put to good use in tracking the transfer of financial risks between market participants.

"The failure to ensure a more comprehensive role for the European Securities and Markets Authority (ESMA) in regulating central counterparty clearing houses (CCPs) is a major shortcoming however. At the insistence of the UK, the supervisors from other member states that might be impacted if a CCP collapses would only be able to overrule the decision of a national regulator on the basis of unanimity. 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 particularly in regard to the risk in the system of CCPs taken as a whole. It also ignores the recommendations of the European systemic risk committee (ESRB), which argued for more powers for regulators to intervene to prevent systemic problems. As such, this represents a missed opportunity for more comprehensive EU regulation."

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