Press release | 14.07.2010

EU Financial Supervision

Despite some progress in negotiations, still a long way to go for effective EU financial supervision

Sven Giegold, Coordinator of Greens/EFA in the Economic and Monetary Affairs Committee and the EP's rapporteur for the European Securities and Markets Authority (ESMA) declares:

"In today's negotiations between Council, Commission and the Parliament it became clear that more movement on the side of Council is needed to finally come to an agreement on the new EU financial architecture in September. The discussions revolve around the powers given to the Banking, Insurance and Market authorities. In order to prevent future crisis, it is essential that the authorities have binding rights to intervene in the markets. Amongst these are:

The banning of financial products

The developments of the last weeks have once more made clear that in order to stop speculation on financial markets through short selling or other financial activities, the European Securities and Markets authority (ESMA) needs far reaching power to suspend the trade of dangerous products in the internal market.

Directly address decisions to financial institutions

In case of emergency and when national authorities do not act appropriately, the European Authorities must be able to directly address decisions to the financial institutions concerned.

Binding mediation in case of conflicts between national supervisors.

The EU financial architecture will only be effective if it is ensured that the EU Authorities have the right to binding mediation. This is crucial in cases in which national authorities cannot agree on how to proceed in dealing with a cross-border financial institution.

Future transfer of tasks to the Authorities (enabling clause)

It must be clear in the legislation for the authorities that they can assume additional exclusive supervisory rights for EU wide market infrastructure for derivate trading. Only in this way is proper guidance given for forthcoming legislation in particular in the field of derivatives and market infrastructure, which potentially carry very high risks.

Safeguard clause

Member states insist on a far reaching safeguard clause, which would provide them with quasi veto rights

against certain EU decisions. It must be made clear that this clause can only be invoked in the case of significant impacts on the expenditure side of national budgets.

Chair of the ESRB (European Systemic Risk Council)

The EP insists that the chair of the ESRB should be the president of the ECB to provide as much authority as possible to the chair.

Furthermore, Council insists on the silly idea of spreading the authorities over three cities (London, Paris, Frankfurt), rather than concentrating them in one city to foster better and effective cooperation. Council is also insisting on its right to declare emergencies (triggering certain supervisory powers), rather than giving the right to the Commission, which politically would make much more sense. Only if Council accepts the aforementioned points of the European Parliament position, can the Parliament accept that the last two points, provided that it is made clear in the revision clause that these too questions will be re-evaluated in three years time.

For some issues it was agreed to proceed by writen procedure. For others further trialogues will be necessary after the summer breaks COREPER will deal again with the dosssier next week

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Sven Giegold

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