Press release | 19.05.2015

Financial market manipulation

EP votes to weaken draft rules transparency and supervision of benchmarks

The European Parliament today voted on draft EU legislation on benchmarks used for commodities, interbank lending and exchange rates. The Greens criticised the vote, which would mean the draft law would fail to address flaws in the current rules, which allowed the LIBOR and EURIBOR scandals to occur. Commenting after the vote, Greens/EFA president **Philippe Lamberts** said:

"MEPs have chosen not to learn the lessons from the LIBOR and EURIBOR financial market manipulation scandals. The draft law voted today was supposed to address the regulatory flaws, which allowed the scandals to occur, by providing for greater transparency and supervision of benchmarks. However, MEPs have to further weaken an already weak proposal, by introducing industry driven amendments. While the introduction of the principle of proportionality in the legislation - which implies that strong governance and control provisions should apply to critical benchmarks - is to be welcomed, too many exemptions were introduced and key provisions on transparency, consumer protection, and supervision initially proposed by the Commission were simply removed or further weakened.

"Removing the transparency requirements on the composition (i.e. input data) of benchmarks will hamper the ability of both private and institutional investors to properly assess the risks associated with indices and benchmarks. The LIBOR scandal occurred precisely because of manipulated input data, due to a lack of transparency, so failing to address this would be a fundamental error.

"In addition, the exclusion of any benchmarks based on regulated data from the definition of a critical benchmark created a serious loophole in the proposed legislation. This implies that important benchmarks such as Gold FIX, Silver or UBS commodities will not be deemed critical anymore. The exemption granted to benchmarks based on contributions from non-supervised entities from the application of certain key governance requirements is also particularly worrying.

MEPs have also further watered down provisions on supervision of benchmarks, which will prevent effective European-level supervision. Instead of the Commission being tasked to list critical benchmarks, this will be left up to national authorities. We managed however to introduce a European backstop, which empowers the European Securities and Markets Authority (ESMA) to define a benchmark as critical. Unfortunately, ESMA will not have a binding mediation role in cases of disputes between national authorities in the supervision of critical benchmarks."

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Responsible MEPs



Philippe Lamberts

Member

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