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Press release | 31.05.2017

New rules for finance industry sign of political amnesia

Securitisation agreement

On Tuesday night (30 May), the European Parliament and Council of ministers agreed on new legislation designed to resuscitate the market for "securitisation" - one of the key causes of the financial crisis that began 10 years ago and that Europe has yet to fully recover from. The agreement creates a publically sponsored label of "simple, transparent securitisation" to promote confidence in these complex and potentially dangerous products. It also lowers the cost for financial institutions that invest in them.

Greens/EFA MEP, **Molly Scott-Cato**, who negotiated for the group, comments:

"We deeply regret this latest example of political amnesia and regulatory rollback. This legislation will certainly benefit banks and other finance firms but it will not benefit the real economy or ordinary citizens. There is also a risk that the weakness of controls on securitisation may increase the uncontrolled spread of poorly understood risks throughout the financial system.

"Throughout the negotiations, we attempted to limit the damage by proposing that banks share much more of the risk of the loans that they sell off (increasing their 'skin in the game' to ensure they don't engage in dumping of bad risks), that banks are discouraged from investing in each other's securitisations, that the products are far less complex and that investors are given the highest quality of information about what is actually in the box.

"Despite initially strong support from the S&D rapporteur for our amendments, the right wing of the Parliament ensured that, rather than strengthening safeguards against a repetition of past problems, instead, the already unsatisfactory proposal from the Commission was watered down in favour of banks and other lenders of specific kinds of loans and other intermediaries."

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Responsible MEPs



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