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European Parliament

Economic and monetary affairs MEPs backed tailor made regime for investment firms

Proportional and risk based oversight for investment firms paired with tightened equivalence rules for third-country firms ensuring level playing field were adopted by the committee vote.

ECON MEPs agreed with the Commission proposal saying that smaller non-systemic investment firms should be subject to tailor made rules on supervision and capital requirements, as they are a lot less exposed to credit risk and bank runs.

MEPs backed the Commission proposal that when the average of monthly total assets, calculated over a period of twelve consecutive months, exceeds EUR 30 billion an investment firm should be subject to the current capital requirements rules for banks. They enabled however competent authorities to subject an investment firm below that threshold to the bank rules when its activities are carried out at such a scale that the failure may pose a systemic risk.

MEPs made the transition from a non-systemic to a systemic player much smoother and predictable. In particular, they extend the period during which thresholds must be exceeded before moving to the higher - more burdensome category. They also increase the number of investments that are subject to the lowest requirements.

MEPs tightened the equivalence rules for the third country investment companies. On top of fulfilling additional prudential organisational, internal control and business conduct requirements, these firms would be only able to provide services of systemic importance to the EU after a detailed assessment by the Commission paired with a regulatory monitoring by ESMA. They would also need to set a proper a subsidiary in the EU if they want to provide typical bank alike services.

While keeping Commission proposal on remuneration, MEPs introduced requirement that same or similar type of jobs will be equally remunerated regardless of gender as well as new disclosure requirements on investment policy. MEPs also agreed to take special account of exposures to environmental, social and governance risks (ESG) when setting out prudential requirements.

Next steps

The draft report on prudential supervision was adopted with 35 votes to 9 and the draft report on capital requirements with 33 votes to 8. The committee is ready to enter the three way negotiations as soon as the Council reaches its common stance.

Further information

Committee on Economic and Monetary Affairs
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