Story

MEPs secure overhaul of EU financial regulation

- New European Systemic Risk Board (ESRB) for risks to the stability of the financial system
- Three European Supervision Authorities (ESAs) for banking, insurance and financial instruments

The financial and economic crisis has shown that reckless behaviour of banks and other financial institutions can have serious and costly consequences for Europe's economy and its people. The European Parliament has thus made more efficient supervision of European financial markets a priority. Today (2 September), MEPs successfully concluded negotiations with the European Commission and EU governments on the future shape of financial supervision in Europe.

The architecture agreed is for a new **European Systemic Risk Board (ESRB)** and three **European Supervision Authorities (ESAs).**

These ESAs are for **banks**, **insurance** and **pensions companies** and a third for **securities** and **markets**.

The ESRB will be concerned with macro risks, i.e. with risks to the stability of the financial system as a whole whilst ESAs will be concerned with risks to the stability of particular markets such banking, insurance and financial instruments.

The first link below this article "EP adds bite" contains a full overview of the agreement.

Negotiations centred on the powers of ESAs to impose action on financial institutions where risks to stability are identified. Some EU governments wanted a stronger role for national regulators, but Parliament safeguarded the ESAs' powers. However, the power to declare an "emergency situation" stays with European governments, though Parliament is formally empowered to request it to do so.

The following are some of the specific points that MEPs have been calling for and which have been agreed;

A broader range of skills and experiences, such as academics, will be represented in European Systemic Risk Board (ESRB), the lynchpin of the new system.

The President of the ESRB will **confidentially brief senior Members of the European Parliament** responsible for economic matters on a regular basis.

The European supervision authorities will be able to take decisions which are **directly applicable to individual financial institutions** in cases of manifest breach or non-application of law, and where there is disagreement between national authorities.

The ESAs may temporarily **prohibit or restrict harmful financial activities** or products already covered by specific financial legislation or in emergency situations.

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The Parliament recognizes that financial markets in the EU are tightly linked, with many big financial institutions easily straddling borders between member states. Accordingly, in negotiations on the Commission proposals from September 2009 MEPs demanded that more power be given to new European supervisory authorities.

Some national governments disagreed, preferring to preserve the powers of national supervisors. After lengthy negotiations Parliament's view prevailed.

Next steps

The agreement is now scheduled to be approved by the Council on 7 September and be put to an EP Plenary vote at the second session in September. If the agreement is approved at both stages work will begin in earnest on completing the various practical steps necessary to establish the new system by January 2011.