



Info

First reading deal on prudential assessment of bank takeovers

Parliament has given a first reading to a directive changing European rules on how mergers of banks and other financial institutions are approved. Since the text adopted has been already been agreed in informal negotiations with the Council, the proposals should enter force without further changes.

When a bank or similar financial institution changes ownership, more is at stake than the usual competition issues considered for any takeover or merger: the relevant financial supervisory authority also needs to consider whether the new ownership would have implications for the bank's financial stability. Amid concern that these approval processes were sometimes acting as a barrier to cross-border mergers and acquisitions, the Commission proposed to tighten up the European rules on the procedures followed by financial authorities with a view to greater clarity and legal certainty.

The text adopted, on the advice of the rapporteur, Wolf Klinz (ALDE, DE) includes the following provisions, among others:

- where the Commission proposed that supervisory authorities should take their decision within 30 working days of being notified of a proposed acquisition, the new text sets the limit at 60 working days;
- the relevant supervisory authority may interrupt this period to ask for necessary additional information from the proposed acquirer, as long as it does so NO more than 50 days into the period; the interruption can be for up to 20 working days (or 30 in the case of non-EU acquirers or those not already subject to financial supervision under EU directives);
- five criteria are set out as the only basis for the decision of whether the acquisition is in line with "sound and prudent" management of the organisation concerned: the reputation of the proposed acquirer and proposed management, the acquirer's financial soundness, whether they will comply with EU prudential requirements, and whether they might be involved in money laundering or terrorist financing;
- it is made clear that Member States may not impose more stringent requirements than those set out in the directives as amended.

The Commission originally proposed that it should be able to request the supervisory authorities for the documents on which their decision is based. Rather than providing new powers, the text as adopted includes a statement in the introductory section, reminding Member States that, under the Treaty, they should cooperate with Commission by providing information needed to determine whether they, the Member States, have infringed their obligations under the directive.

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