

Mairead McGuinness

Financial Stability, Financial Services and the Capital Markets Union

Hearing due to be held on Friday 2 October at 09.00 hours.

EP Committee responsible: Economic and Monetary Affairs (ECON)

Mairead McGuinness has served as a Member of the European Parliament (MEP) since 2004. From Ireland's Fine Gael party, she has sat with the European People's Party (EPP) throughout her time as a Member. Since 2014, she has served as a Vice-President of the European Parliament, and as First Vice-President since January 2017. In this role, during the current term she has overseen relations with national parliaments, in particular with the EU affairs committees of Member States' parliaments. She has had responsibility for the Parliament's dialogue with churches, religious associations or communities, and philosophical and non-confessional organisations on EU policies



and legislative proposals. She has been Vice-President in charge of the administrative consequences of the United Kingdom's withdrawal from the EU, and also covering North America. During the previous term, she oversaw the Parliament's information policy, press and citizens relations. In addition, she served as chair of the Working Group on Information and Communication Policy.

Ms McGuinness has been a full Member of the Parliament's Committee on Agriculture and Rural Development (AGRI) since 2004. She has also been a substitute member of several committees, including the Committees on the Environment, Public Health and Food Safety (ENVI) and on Constitutional Affairs (AFCO).

Born in 1959, Ms McGuinness was the first female graduate of University College Dublin's Bachelor of Science degree in agricultural economics in 1980. In 1984, she completed a diploma in accounting and finance and followed a career in the media before entering politics in 2004.

This Briefing concerns a portfolio change in the European Commission in mid-mandate and takes the same format and approach as those Briefings published in September 2019 to give Members of the European Parliament an overview of major issues of interest in the context of the Hearings of the Commissioners-designate.

Background

On 8 September 2020, the President of the European Commission, Ursula von der Leyen, put forward Mairead McGuinness as Commissioner-designate, after her Irish Fine Gael party colleague, Phil Hogan, [resigned in August](#). She would be responsible for the financial services portfolio, supported by the Directorate-General for Financial Stability, Financial Services and the Capital Markets Union.

The financial system plays a key role in supporting the EU economy. Financial institutions grant loans to households and businesses, help firms to raise capital, allow individuals to save and invest, offer insurance against risks and facilitate payments. Financial infrastructure enables market participants to conclude transactions with one another in an effective and orderly manner. Before the 2008 financial crisis, financial services within the EU had been integrating at a rapid pace. In particular, the Commission launched the [Financial Services Action Plan](#) in 1999, a set of measures to improve the single market for financial services, which became one of the key elements of the [Lisbon Strategy](#). The ensuing reforms focused on strengthening integration on retail markets and filling regulatory gaps.

When the global economic and financial crisis broke out in 2008, the EU shifted the focus of its financial regulatory agenda to driving recovery and forestalling future crises, by improving market transparency, strengthening financial institutions, improving corporate governance and offering better protection to consumers. The need for stronger EU-wide supervision emerged, and the [European system of financial supervision](#) (ESFS) was created in 2010, followed by the establishment of [Banking Union](#) in 2014. The financial crisis particularly emphasised the global dimension of financial markets. The [2008 G20 summit](#) in Washington agreed on a common roadmap for financial regulatory reform, to tackle the global financial crisis and to ensure a level playing field. The intensity of international cooperation on financial regulation increased after that, and the EU has stepped up its activity in international financial regulatory fora (such as the G20 and the [Financial Stability Board](#)) and in global standard-setting bodies (such as the [Basel Committee on Banking Supervision](#)). In recent times, however, this trend has been reversing somewhat, with the coronavirus crisis possibly accelerating that.

Recent developments

Following the 2008 crisis, the EU started to build a **Banking Union**, which currently rests on two pillars: the [single supervisory mechanism](#) and the [single resolution mechanism](#). In November 2015, the Commission tabled a [proposal](#), yet to be agreed, to establish a euro-area-wide integrated deposit guarantee scheme (the [European deposit insurance scheme](#), EDIS), as a third pillar. Negotiations were [put on hold](#) until 'sufficient further progress has been made on the measures on risk reduction' in the banking sector. In October 2017, the Commission published an additional [communication](#) with options for completing Banking Union. The [Euro Summit](#) of December 2018 agreed on a way forward, discussed by the Eurogroup and Euro Summit in 2019 and early 2020. Meanwhile, the 2015 [Five Presidents' Report](#) had underlined the need for a credible common fiscal backstop for the Single Resolution Fund (SRF). The Euro Summit in [June 2018](#) agreed that the European Stability Mechanism (ESM) would provide this common backstop, with detail added in [June 2019](#). In [December 2019](#), the euro-area leaders took stock of progress and tasked the Eurogroup with continuing work on the ESM reforms.

As part of the Commission's ongoing work to **reduce risks in the banking sector**, [a set of proposals](#) building on existing EU banking rules were [adopted](#) in 2019. The legislative package amends the [prudential requirements](#) for banks and investment firms, and the rules on [recovery and resolution](#) of failing institutions including some features of the single resolution mechanism. To tackle the issue of high volumes of **non-performing loans** (NPLs) accumulated on banks' balance-sheets as a result of the financial crisis, the Commission adopted a comprehensive package of measures in March 2018. The [proposal for a regulation](#) introducing common minimum loss-coverage levels for NPLs was finally [adopted](#) by the co-legislators in April 2019, while the [proposal for a directive](#) aimed at fostering NPL secondary markets and easing the recovery of collateral from secured loans is currently under discussion. In response to the exceptional situation caused by the coronavirus

pandemic, [amendments](#) were introduced to some of these rules, so that they can now be applied more flexibly, allowing banks to focus on lending to households and businesses.

In September 2015, the Commission published an [action plan](#) on building a **Capital Markets Union** (CMU), with over 30 actions and related legislative and non-legislative measures to be taken by 2019. In its June 2017 [mid-term review of the action plan](#), the Commission updated and added complementary measures in response to new challenges, such as the expected withdrawal of the UK from the EU. [A new CMU action plan](#) followed in September 2020, which also encompasses measures aimed at fostering a green, inclusive and resilient economic recovery after the coronavirus crisis. An [action plan on financial technology](#) (fintech) was adopted in March 2018, and an overall [digital finance strategy](#) adopted in September 2020, setting out general lines on how Europe can support the digital transformation of finance in the coming years, while regulating its risks. It also includes a [strategy on an integrated EU payments market](#).

The Commission published an [action plan on financing sustainable growth](#) in March 2018, with the aim of boosting the role of finance in achieving the EU goal of a more sustainable economy. The action plan is a key step towards implementing the Paris Agreement and the EU agenda for sustainable development. To implement the plan, [three legislative acts](#) were adopted, one of which establishes an [EU taxonomy](#) to establish which economic activities qualify as 'sustainable'.

In the context of the CMU mid-term review, the co-legislators [agreed](#) on a [comprehensive package](#) aimed at reviewing the ESFS by strengthening the powers, governance and funding of the European Supervisory Authorities (ESAs), and introducing targeted amendments to the European Systemic Risk Board Regulation. This initiative followed a recently adopted [proposal for a regulation](#) introducing a more pan-European approach to the supervision of EU central counterparties (CCPs).

In 2015, the EU adopted a modernised regulatory framework to prevent **financial crime**, such as money laundering and terrorist financing, taking into account the 2012 [recommendations](#) of the Financial Action Task Force. This framework was further strengthened with the adoption of the [fifth Anti-Money-Laundering Directive](#) in 2018 and the [anti-money-laundering action plan](#) in May 2020.

Priorities and challenges

The completion of Banking Union remains a key priority. In her political guidelines for the current Commission, President von der Leyen restated the need for an EDIS and announced that new elements could be put on the table to facilitate discussions on this.

Achieving greater supervisory convergence at international level and preserving a level playing field with other jurisdictions (notably in view of the UK's withdrawal from the EU) remains of utmost importance. According to the Commission's 2020 work programme (CWP), the institution is to adopt proposals (delayed due to the pandemic) to review the prudential framework for banks, so as to implement the [final Basel III standards](#).

The scheduled review of the legislation adopted in recent years will offer an opportunity for further acceleration in the integration of EU capital markets. The potential of the CMU to facilitate SME access to capital will be raised by a private-public fund specialising in initial public offerings of SMEs. Further action in this field was also recommended by a high-level forum in a 2020 [interim report](#).

The EU has already started emerging as a global leader in the area of sustainable finance. While implementing the action plan will be a challenge in the coming years, it will also be instrumental in the Commission's strategy for green financing and the Sustainable Europe Investment Plan.

In the EU, attention is being paid to the contribution that fintech could make to increasing efficiency, strengthening financial integration and enhancing the EU's role in financial services. [Legislative proposals](#) regulating crypto-assets and cross-sectoral financial services issues related to operational and cyber resilience - adopted under the digital finance strategy - will be discussed in the coming months. Furthermore, potential applications of artificial intelligence in financial services require consideration.

European Parliament

Treaty base and EP competence

Articles 49, 51, 53, 56, 59, 63, 64 and 65 of Title IV of the Treaty on the Functioning of the European Union (TFEU) relate to the right of establishment and free movement of services and capital; Article 75 TFEU concerns measures to control capital movements to combat terrorism; Articles 113, 114 and 115 TFEU address the approximation of laws; and Article 127(6) TFEU allows the European Central Bank to be entrusted with supervisory tasks for financial institutions. The Parliament acts under the ordinary legislative procedure (formerly 'co-decision') with the Council.

As co-legislator, the European Parliament has contributed significantly to setting risk-reducing rules for the EU banking sector while preserving its ability to support the real economy. In its [resolution](#) adopted in view of the finalisation of the Basel III framework, the Parliament stressed that changes should not lead to a significant increase in banks' capital requirements nor harm their ability to finance the real economy, in particular SMEs. In addition, in its annual resolutions on the banking union for [2016](#) and [2017](#), the Parliament called on the Commission to take the proportionality principle into account. The [2019](#) resolution also restates the need to complete Banking Union by establishing a fiscal backstop and an EDIS, and for greater active involvement of the Parliament.

In a [resolution](#) of May 2016, the Parliament addressed the potential and risks of virtual currencies and blockchain stressing that they need to be addressed with a proportionate regulatory approach at EU level. It also called on the Commission to promote shared and inclusive governance of distributed ledger technology. In May 2017, the Parliament adopted a [resolution](#) on the influence of fintech on the future of the financial sector. Similar positions were re-stated in a September 2020 [proposal for a resolution](#) addressing recommendations on digital finance to the Commission.

The Parliament also engaged in shaping the ESFS review undertaken by the Commission in 2017. In fact, in response to a March 2014 European Parliament [legislative initiative](#) aiming to strengthen the ESAs, the then outgoing Barroso Commission [identified](#) some areas where further improvements were required in order to allow the ESAs to fully exploit their mandate. Moreover, in a [resolution](#) of 9 July 2015, the Parliament underlined that a strong CMU needs to be accompanied by robust EU-wide and national supervision, including adequate macro-prudential instruments. It indicated that a stronger role could be attributed to the European Securities and Markets Authority (ESMA).

FURTHER READING

[Banking and finance](#), European Commission (website).

[Financial services policy](#), Fact Sheets on the European Union, European Parliament, 2019.

[Unlocking the potential of the EU Treaties: An article-by-article analysis of the scope for action](#), EPRS, European Parliament, January 2019.

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