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Speech by Mr Mats Odell, Minister for Local Government and Financial Markets

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- It is a great pleasure for me to be here today to give a more detailed account of the Swedish Presidency's views and priorities concerning the area of regulation of the financial markets and institutions. I also want to tell you that the Swedish Presidency intends to be a listening and cooperative partner to you in our common work to improve the important financial markets, in particular to find ways to prevent a crisis like this to hit our citizens again.
- I know that this Committee since long has a deep interest in this area and for many years has worked constructively with the Council and the Commission in order to ensure the quality of legislative initiatives and that they are adopted swiftly, often in first reading.
- As Mr Borg has pointed out, an important task for the Swedish Presidency will be to deal with the regulatory weaknesses in the financial markets that the crisis has revealed. We have therefore made improving *supervision* and *regulation of financial markets* one of our main priorities.
- Firstly, the starting point regarding *supervision*, is that we all by now are in agreement on the need to reform the current system in order to prevent future crises and once again regain consumer and investor confidence in the financial markets. We have a mandate from the June European Council in this regard and we are looking forward to the forthcoming proposals from the Commission. The work in the relevant Council Working Party will start as soon as the proposals have been tabled by the Commission on September 23rd and we envisage an ambitious meeting schedule during the coming months. Heads of State expect ECOFIN, in line with the June conclusions, to report back to the European Council in October on progress made up to then. I am confident that the European Parliament and the Council will work

together in a constructive way in order to ensure a swift adoption of these crucial legislative proposals, without compromising the quality of their content. I am very much looking forward to our future cooperation as far as this important piece of groundbreaking new regulation is concerned.

- As considers *regulation of the different sectors of the financial markets* the crisis has clearly shown that the current rules contain certain weaknesses. As you know, the EU is on the forefront here, but there is a global consensus that the current regulatory framework must be improved. We need to enhance capital requirements for banks and reduce pro-cyclicality. We need rules for institutions and products that are currently not under regulation, and we need to take a firm stand against unsound remuneration policies. I would like to go more into detail regarding some of these important legislative proposals that we will have to work on together during the autumn. Firstly, the important legislative proposals concerning changes to the regulatory framework for banks, most notably the Capital Requirements Directive. The proposal presented by the Commission in July introduces rules requiring banks and investment firms to establish and maintain sound and appropriate remuneration policies, as well as changes which aim at enhancing capital requirements for trading book activities and tackling investment in very complex products. In October, the Commission is expected to present further initiatives to address changes in the banking rules in order to remove the options and discretions in the current framework and introduce rules on “dynamic provisioning”. That is, rules which allow banks to build up counter-cyclical buffers in good economic times. We intend to give priority to these important files and here we are of course also looking forward to a constructive cooperation with you.
- Secondly, the Directive on Alternative Investment Fund Managers. The proposal is a result of one of the priorities defined by the G20, that is to extend appropriate regulation and oversight to all actors and activities that pose significant risks to the financial system. It is important that we work together to find a balanced and appropriate solution for the regulation and supervision of managers of hedge funds and other alternative investment funds.
- To conclude, the Swedish Presidency believes that it is fundamental to strike the right balance. We need to strengthen consumer protection while continuing improving the integration of the financial markets as well as safeguarding sound competition and protecting financial stability. Only in this way can we obtain well functioning regulation of financial markets and institutions with a high level of consumer protection.

- Finally, Madame Chair, I would once again like to say that I am very much looking forward to cooperating with you and your Committee to bring forward the reform of financial services in Europe that I think we all agree is necessary. Thank you for your attention.