Towards a stronger financial sector to support growth

Over the last five years I have been committed to strengthening regulation and supervision of the financial sector to provide an effective response to the financial crisis and to ensure that it can play an effective part in our strategy to put the EU back on the path of smart, sustainable and inclusive growth, creating jobs and enhancing our competitiveness.

Europe has played a key role in shaping a global response to the crisis. With our international partners in the G20, we have pursued a comprehensive programme of financial reform that will be implemented throughout the world. It is an ambitious programme, but we are well on track towards completing it in 2013.

I would especially like to thank the EU's legislators in the European Parliament and the Council of Ministers for their cooperation in this task. We have worked constructively together to strike a balance between strengthening prudential requirements to ensure financial stability and allowing the financial sector to ensure a sustainable flow of credit to the economy, so as to support growth and investment.

Building on this international agenda, I have also pursued the integration of the financial services sector within Europe. We need to do more to create a genuine single rule book for all firms and markets within a real Single Market, with proper consumer protection in a more responsible financial system.

We also need to face up to the specific needs of economic and monetary union by building a banking union. This remains one of my top priorities and is central to embedding confidence and stability in the euro area.

Michel Barnier
Member of the European Commission in charge of Internal Market and Services

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More information:

- “Financial Services and Capital Markets” on the EU Single Market website — ec.europa.eu/internal_market/
- Website of Commissioner Michel Barnier — ec.europa.eu/commission_2010-2014/barnier/

European Commission

A new financial system for Europe

Financial reform at the service of growth

State of Play: 27.09.2013

Internal Market and Services

Building new rules for the global financial system

The G20 has been instrumental in establishing the core elements of a new global financial regulatory framework that will make the financial system more resilient. These include reforms to improve the stability of the banking system through stronger prudential requirements and a framework for crisis management, as well as measures to strengthen the regulation of financial markets and infrastructures, especially through the compulsory trading and clearing of derivatives on well-regulated and transparent platforms. The Commission has now proposed all the main legislation linked to the G20 commitments, including two very significant packages on prudential requirements for banks and the regulation of capital markets. The majority of these proposals will have been enacted into law by the end of this year. Additional recommendations from the G20 are also expected later in 2013 to address the risks stemming from shadow banking and financial institutions other than banks.

Apr 2009	Hedge Funds & Private Equity ("AIFMD")	Capital markets
July 2009	Remuneration & prudential requirements for banks ("CRD III")	Banks
Sep 2010	Derivatives ("EMIR")	Capital markets
July 2010	Deposit Guarantee Schemes	Banks
Nov 2008 June 2010 Nov 2011	Credit Rating Agencies	Capital markets
July 2011	Single Rule Book of prudential requirements for banks: capital, liquidity & leverage + stricter rules on remuneration and improved tax transparency ("CRD IV"/"CRR")	Banks
Oct 2011	Enhanced framework for securities markets ("MiFID/R")	Capital markets
Oct 2011	Enhanced framework to prevent market abuse ("MAD/R")	Capital markets
June 2012	Prevention, management & resolution of bank crises ("BRRD")	Banks
Sep 2013	Shadow banking, including Money Market Funds	Capital markets
2013	Prevention, management & resolution of financial institutions other than banks	Capital markets

Establishing a safe, responsible & growth-enhancing financial sector in Europe

Europe has also been working to improve the stability and efficiency of the Single Market in financial services. This is essential to ensure the financial sector supports the real economy. Key principles include the need for the financial system to be properly supervised, more stable, more responsible, more consumer-friendly and growth-enhancing. Three new European Supervisory Authorities and the European Systemic Risk Board were established in 2011 to improve cross-border cooperation, consistent enforcement of rules and systemic oversight. The Commission has also proposed legislation to establish a single rule book for all financial firms and markets to apply appropriate regulatory standards and support a level playing field across the Single Market.

July 2007	Risk-based prudential and solvency rules for insurers ("Solvency II")	Insurance
Sep 2009	Establishment of the European Supervisory Authorities (for banking, capital markets, insurance and pensions) & the European Systemic Risk Board regulations	Single Market
July 2010	Investor Compensation Schemes	Investors/Consumers
Aug 2010	Strengthened supervision of financial conglomerates	Banks/Insurance/ Capital Markets
Sep 2010	Short-Selling & Credit Default Swaps	Capital Markets
Dec 2010	Creation of the Single Euro Payments Area ("SEPA")	Single Market
Jan 2011	New European supervisory framework for insurers ("Omnibus II")	Insurance
Feb 2011	Interconnection of business registers facilitating cross-border access to information about EU companies	Single Market
Mar 2011	Responsible lending (mortgage credit)	Investors/Consumers
Oct 2011	Simplification of accounting	Capital Markets
Oct 2011	Enhanced transparency rules	Capital Markets
Nov 2011	Enhanced framework for audit sector	Capital Markets
Dec 2011	Creation of European Venture Capital Funds	Investors/Consumers
Dec 2011	Creation of European Social Entrepreneurship Funds	Investors/Consumers
Mar 2012	Central Securities Depositaries	Capital Markets
July 2012	Improved investor information for complex financial products ("PRIPS")	Investors/Consumers
July 2012	Strengthened rules on the sale of insurance products ("IMD")	Insurance
July 2012	Safer rules for retail investment funds ("UCITS")	Investors/Consumers
Feb 2013	Strengthened regime on anti-money laundering	Single Market
Mar 2013	Green Paper on the long-term financing of the European economy	Single Market
Apr 2013	Non-financial reporting for companies	Capital Markets
May 2013	Access to basic bank account / transparency of fees / switching of bank accounts	Investors/Consumers
June 2013	Creation of European long-term investment funds	Investors/Consumers
July 2013	Revised rules for innovative payment services (cards, internet & mobile payments)	Single Market
Sep 2013	Regulation of Financial Benchmarks (such as LIBOR & EURIBOR)	Capital markets
2013	Structural reform of banks	Banks
2013	Revised rules for occupational pension funds ("IORP")	Pensions

Creating a banking union to strengthen the euro

In addition to the regulatory and supervisory framework applicable in the whole EU, the shared responsibilities and cross-border links within the euro area require specific measures to sustain confidence in the single currency. In particular, a banking union is necessary to break the harmful connections between sovereign debt markets and banks. This deeper integration, compulsory for the euro area, and open to all Member States, will build on the single rule book of prudential requirements, crisis prevention, management and resolution and deposit guarantees for all banks in the EU.

Creating a banking union is an essential part of the Commission's efforts towards a deeper economic and monetary union. In addition to an integrated financial framework, the other building blocks are integrated budgetary and economic policy frameworks, and further improvements to the EU's democratic accountability.

Sep 2012	**Single Supervisory Mechanism** Responsibility for banking supervision will move from the national to the European level through a Single Supervisory Mechanism, under the European Central Bank. The structure will ensure strict and objective supervision across participating Member States and allow for efficient supervision of cross-border banking activities. The single supervisor is therefore key to breaking the link between sovereign and banking risks.
July 2013	**Single Resolution Mechanism** The Single Resolution Mechanism would complement the Single Supervisory Mechanism (SSM) and would ensure that – not withstanding stronger supervision - if a bank subject to the SSM faced serious difficulties, its resolution could be managed efficiently with minimal costs to taxpayers and the real economy. The Single Resolution Mechanism would consist of a Single Resolution Board and a Single Bank Resolution Fund.

Actions completed — Proposals presented by the Commission but not yet adopted by the co-legislator — Proposals to be presented by the Commission

Glossary

AIFMD - Alternative Investment Fund Managers Directive
BRRD - Bank Resolution and Recovery Directive
CRD / R - Capital Requirements Directive / Regulation
EMIR - European Market Infrastructure Regulation
EURIBOR - Euro Interbank Offered Rate
G20 - Group of finance ministers and central bank governors from the world's major economies
IMD - Insurance Mediation Directive
ICS - Investor Compensation Scheme
IORP - Institutions for Occupational Retirement Provision Directive
LIBOR - London Interbank Offered Rate
MiFID / R - Markets in Financial Instruments Directive / Regulation
MAD / R - Market Abuse Directive / Regulation
Omnibus II - Directive amending the powers of the European Insurance and Occupational Pensions Authority and of the European Securities and Markets Authority
PRIPS - Packaged Retail Investment Products Directive
SEPA - Single Euro Payments Area
Solvency II - Solvency II Framework Directive on the taking-up and pursuit of the business of insurance and re-insurance
UCITS - Undertakings for Collective Investment in Transferable Securities

State of Play: 27.09.2013