European Supervisory Authorities: powers, governance and funding

2017/0230(COD) - 14/01/2019 - Committee report tabled for plenary, 1st reading/single reading

The Committee on Economic and Monetary Affairs adopted the report by Othmar KARAS (EPP, AT) and Pervenche BERES (S&D, FR) on the proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) No 1093/2010 establishing a European Supervisory Authority (European Banking Authority); Regulation (EU) No 1094/2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority); Regulation (EU) No 1095/2010 establishing a European Supervisory Authority (European Securities and Markets Authority); Regulation (EU) No 345/2013 on European venture capital funds; Regulation (EU) No 346/2013 on European social entrepreneurship funds; Regulation (EU) No 600/2014 on markets in financial instruments; Regulation (EU) 2015/760 on European long-term investment funds; Regulation (EU) 2016/1011 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds; Regulation (EU) 2017/1129 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market; and (EU) Directive 2015/849 on the prevention of the use of the financial system for the purposes of money-laundering or terrorist financing.

As a reminder, the proposal aims to strengthen the mandates, governance and financing of the European Supervisory Authorities (ESAs) by giving them greater responsibility for ensuring the convergence of financial market supervision.

The committee responsible recommended that the European Parliament's position adopted at first reading under the ordinary legislative procedure should amend the Commission's proposal as follows:

Combating money laundering and terrorist financing

In view of the consequences for financial stability of the misuse of the financial sector for money laundering or terrorist financing, the European Banking Authority (EBA) would have, in addition to its current powers, the authority to prevent the use of the financial system for money laundering and terrorist financing purposes.

The measures it adopts should not go beyond what is necessary to achieve the objectives of the regulation and should take into account the nature, scale and complexity of risks, economic practices, business models and the size of financial sector operators and markets.

In particular, the EBA should:

- collect and analyse information from the competent national authorities on weaknesses identified in their efforts to prevent or combat money laundering and terrorist financing. The EBA would have the power to carry out analysis of the information collected and, if necessary, pursue investigations on allegations brought to its attention concerning breaches of EU law. In the event it has evidence or significant indications of material breaches, it could request the competent authorities to investigate possible breaches of the rules and to consider taking decisions and imposing sanctions on financial institutions to oblige them to comply with their legal obligations;

- provide assistance to competent authorities in response to their requests, and share information with competent authorities, including the European Central Bank, as well as with financial intelligence units (FIUs);

- develop common guidance and standards for preventing and combating money laundering and terrorist financing in the financial sector and promoting their consistent implementation;

- monitor market developments and assess vulnerabilities and risks to money laundering, terrorist financing and, where applicable, tax good governance in the financial sector;

- carry out reviews of the competent authorities, as well as risk assessment exercises relating to money laundering and terrorist financing. The EBA should initiate proceedings to correct these weaknesses and propose new regulatory technical standards, if necessary;

- facilitate cooperation with third countries in cross-border cases.

Specific organ within the EBA

The EBA's Joint Committee should serve as a forum in which the EBA should cooperate regularly and closely to ensure cross-sectoral consistency, while taking full account of sectoral specificities, with the European Supervisory Authority (European Insurance and Occupational Pensions Authority) and the European Supervisory Authority (European Securities and Markets Authority), in particular, where required by Union law, regarding: (i) financial conglomerates and cross-border consolidation; (ii) accounting and auditing; (iii) cybersecurity; (iv) retail financial services and consumer protection issues.

Reporting channels

The EBA should have in place dedicated reporting channels for receiving and handlinginformation provided by a reporting person on actual or potential breaches of Union acts or abuse of law or cases of maladministration.The EBA should ensure that information may be submitted anonymously and safely. Where it deems that the submitted information contains evidence or significant indications of material breaches, EBA should provide feedback to the reporting person.

Headquarters

The EBA would have its headquarters in Paris, France.

The location of the EBA's seat should not affect the execution of its tasks and powers, the organisation of its governance structure, the operation of its main organisation, or the main financing of its activities, while allowing, where applicable, for the sharing with EU agencies of administrative support services and facility management services which are not related to the core activities.

No later than the date of application of this amending Regulation and every 12 months thereafter, the Commission should report to the European Parliament and the Council on the compliance of the European Supervisory Authorities with that requirement.

Accountability of the European System of Financial Supervision

At the request of the European Parliament, the President of the Authority should participate in a hearing before the European Parliament on the Authority's performance. A hearing would be held at least once a year. The President should make a statement to the European Parliament and answer all questions put by its members when invited.