Basic information

2002/2061(INI) INI - Own-initiative procedure	Procedure completed
Prudential supervision rules in the European Union **Subject** 2.50.10 Financial supervision 5.10 Economic union	

Key players

	Committee responsible	Rapporteur	Appointed
European Parliament	ECON Economic and Monetary Affairs	VAN DEN BURG Ieke (PSE)	15/04/2002

Key events

Date	Event	Reference	Summary
16/05/2002	Committee referral announced in Parliament		
05/11/2002	Vote in committee		Summary
05/11/2002	Committee report tabled for plenary	A5-0370/2002	
20/11/2002	Debate in Parliament		
21/11/2002	Decision by Parliament	T5-0568/2002	Summary
21/11/2002	End of procedure in Parliament		
29/01/2004	Final act published in Official Journal		

Technical information

Procedure reference	2002/2061(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Initiative
Legal basis	Rules of Procedure EP 55
Stage reached in procedure	Procedure completed
Committee dossier	ECON/5/16210

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee report tabled for plenary, single reading		A5-0370/2002	05/11/2002	
Text adopted by Parliament, single reading		T5-0568/2002 OJ C 025 29.01.2004, p. 0224-0394 E	21/11/2002	Summary

Prudential supervision rules in the European Union

2002/2061(INI) - 21/11/2002 - Text adopted by Parliament, single reading

The European Parliament adopted its own-initiative report drafted by Ieke VAN DEN BURG (PES, NL) on prudential supervision rules. (Please refer to the document dated 5/11/02.) It felt that insurance and pension fund supervision ought to be brought under one roof without prejudice to their specific characteristics. Cooperation between existing insurance and banking supervisors should be stepped up, especially where the supervision of financial conglomerates is concerned. Parliament made several recommendations on supervision for different sectors but stressed that the need for adequate financial resources for the national supervisors is currently more important than the format of national financial architecture. The resource issue is a strategic priority which would enable supervisors to carry out their tasks adequately. A single financial market needs skilled regulatory and supervisory authorities in all Member States, in order to ensure a level playing field and avoid regulatory and supervisory arbitrage. As well as independent supervisory examiners on site, Parliament commented that increased disclosure to shareholders by financial institutions could constitute another line of defence against excessive exposure to risk and lower the risk of financial instability. It welcomed the inclusion of such an approach in the draft Basle II Accord. Parliament went on to note that hedge funds are booming and called on the Commission and national supervisors, in close cooperation with the American authorities, to carry out a census of these unregulated funds. Parliament would be ready to examine proposals for a regulation defining minimum prudential rules applicable to hedge funds, in particular rules governing leverage and short selling. It also noted that the current crisis highlights the part played by accounting practices and standards in the volatility of the financial markets. Some IAS accounting standards which the European Union is required to adopt such defects and threaten to exacerbate banking instability. Parliament drew particular attention to the IAS 39 standard. Parliament noted the reluctance of national authorities to cooperate with eachother in the fight against white-collar crime and called on national supervisors to develop an active policy of exchanging personnel with each other. This secondment policy should be extended to the United States and to any country which hosts major financial markets. Parliament went on to make several recommendations for a more active Commission in this area and for enhanced parliamentary oversight in banking and financial regulation and supervision. It would support the establishment of an EU-wide forum of financial authorities at the highest level, with the participation of the ESCB and the ECB, the latter of which should be responsible for upstream analysis and warnings, in order to deal with changes in systematic weaknesses and risks. This could permit the establishment of links between banking, insurance and securities supervision, particularly as regards macro-prudential supervision. Finally, Parliament expressed its concern about attempts by Ecofin to control the functioning of the whole Lamfalussy procedure by having a strong grip on the FSPG and made several recommendations in this regard.