



**EUROPEAN COMMISSION**

**PRESS RELEASE**

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## **Financial regulation: European Commission presents a first comprehensive review of the EU's reform agenda**

With most financial reform measures now adopted, the European Commission has today published a first comprehensive review of the financial regulation agenda as a whole. This economic review sets out how the reforms will deliver a safer and more responsible financial system by enhancing financial stability, deepening the single market for financial services and improving its efficiency whilst improving market integrity and confidence. Evidence suggests that the total expected benefits of the financial regulation agenda will outweigh the expected costs, both on a rule-by-rule basis and when considering the reforms as a whole. Many rules create considerable positive synergies, e.g. between the capital requirements package in banking and the reform of derivatives markets. The financial system is already changing and improving. This change will continue as the reforms take effect.

President José Manuel Barroso said: "The financial services industry is one of Europe's greatest assets, and we want it to prosper so that it can lend to citizens and businesses and so help the recovery in the wider economy. But European taxpayers have forked out huge amounts to prevent a financial collapse, and they rightly ask two things in return: that the sector plays its role fairly, and that future banking crises never again become sovereign crises. This is about fairness. That is why the Commission took immediate action in 2008 to create a more responsible financial sector. Since then we have presented over 40 laws to curb bankers' bonuses, boost the amount of cash banks hold in reserve, cast more light on hedge funds, ratings agencies, central counterparties and complex trading and improve consumer protection. We have introduced common rules to ensure that shareholders and other investors – not taxpayers – are first to pay the bill when a bank fails. We have proposed a financial transactions tax to ensure that financial operators pay their fair share into the public purse. And we have created a Banking Union – a single supervisor and a common fund, paid for by banks – for the euro area and other countries that want to join. Thanks to our proposals being adopted into law in record time, European financial markets are now safer, more transparent, and banks are managing their risks more responsibly."

Internal Market and Services Commissioner Michel Barnier said: "The European Commission has worked tirelessly for more than four years with the European Parliament and the Council of Ministers to implement our roadmap for a fundamental overhaul of the financial sector, based largely on G20 commitments. We always tried to find solutions that reduce risks to financial stability and consumers while, at the same time, allowing the financial sector to ensure a sustainable flow of finance to the economy in order to support growth and investment. Most rules are now adopted, so it is time to do a first assessment of their overall impact, their costs and benefits, and how they interact. It shows that there are many positive synergies between rules which complement and reinforce each other. Benefits also outweigh the costs for every individual measure. Taken as a whole, this review demonstrates that we have delivered what we set out to do: the financial regulation agenda is making the financial system more stable and responsible, working for the benefit of the economy and citizens across the EU."

Today's package includes a Commission Communication "A reformed financial sector for Europe" accompanied by a detailed economic review explaining how the reforms reshape the financial sector and the resulting benefits. The Communication recalls the objectives that guided the Commission, presents an overview of the reforms it proposed, and takes stock of the key effects that can already be observed today.

The EU financial regulation agenda is a gradual process. Many legislative measures have only recently been adopted, and some have yet to enter into force. A final assessment would therefore be premature. Accordingly, this economic review is mostly qualitative in nature and should be understood as the beginning of a longer process of systematic review and evaluation of the reforms.

Today's review notes that the reforms enable supervisors to oversee markets that had been beyond their reach and provide transparency for all market participants. They establish ambitious new standards to limit excessive risk-taking and make financial institutions more resilient. When there is risk-taking, the burden is shifted away from taxpayers to those who stand to gain financially from the risky activities. The reforms make financial markets work more effectively in the interests of consumers, small and medium-sized enterprises and the economy as a whole.

The reform measures also deepen the single market in financial services, notably through the actions of the European Supervisory Authorities (ESAs) as part of the European System of Financial Supervision (ESFS) that has been in force since 2011 ([MEMO/10/434](#)). Furthermore, the banking union constitutes a milestone for European integration and is not only essential for the euro area but for the EU as a whole.

The review also looks into the costs of the reforms and clearly, the transition process to a more stable and responsible financial system does result in such costs. However, these have been minimised by allowing longer phasing-in and observation periods and adjusting rules to reduce anticipated costs.

## **Background**

Between 2008 and 2012, a total of €1.5 trillion of state aid (i.e. more than 12% of EU GDP) was used to prevent the collapse of the financial system. The financial crisis triggered a deep recession and led to large losses in output. Unemployment rose sharply, and many EU households experienced significant losses in income and wealth. Trust in the financial system was seriously shaken.

In response to the crisis, the EU Commission committed itself to a fundamental overhaul of the regulatory and supervisory framework of the financial sector. Building on the [recommendations](#) of a group of high-level experts, chaired by Jacques de Larosière, the Commission set out a roadmap for improving the regulation and supervision of EU financial markets and institutions, including the establishment of the European System of Financial Supervision, in its Communication "Driving European recovery" of March 2009. The subsequent Communication "Regulating financial services for sustainable growth" of June 2010 presented a package of legislative measures for the financial services sector to be brought forward by the Commission and adopted by the Council and Parliament. The measures were intended to create a safe and responsible financial sector, which is conducive to economic growth and delivers enhanced transparency, effective supervision, greater resilience and stability and enhanced consumer and investor protection.

Recognising the global nature of the financial system, the reforms were coordinated globally at the level of the G20 and the Financial Stability Board (FSB). A significant part of the EU reform agenda has therefore been about implementing the G20 commitments. Additional measures needed to be taken at European level to address institutional deficiencies and strengthen the single market in financial services.

More than [40 measures](#) have now been proposed and most adopted. This Communication and the accompanying staff working document present the individual and overall impact of these measures, including interactions between different reforms.

See also [MEMO/14/352](#)

## For more information

Communication 'A reformed financial sector for Europe' and 'Economic Review of the Financial Regulation Agenda'

[http://ec.europa.eu/internal\\_market/finances/policy/index\\_en.htm#140515](http://ec.europa.eu/internal_market/finances/policy/index_en.htm#140515)

2009 Communication:

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2009:0114:FIN:EN:PDF>

2010 Communication:

[http://ec.europa.eu/internal\\_market/finances/docs/general/com2010\\_en.pdf](http://ec.europa.eu/internal_market/finances/docs/general/com2010_en.pdf)

Communication on Banking Union:

<http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52012DC0510&from=EN>

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