

Sharon Bowles MEP
European Parliament
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(by email)

13 June 2013

Dear Sharon,

ECON consultation on the coherence of EU financial services legislation

The IRSG welcomes the chance to comment on the Economic and Monetary Affairs Committee's consultation on the coherence of EU financial services legislation. The International Regulatory Strategy Group (IRSG) is a practitioner-led body comprising leading UK-based figures from the financial and professional services industry. It aims to be one of the leading cross-sectoral groups in Europe for the financial and related professional services industries to discuss and act upon regulatory developments.

With financial services regulation undergoing a root and branches overhaul over the past few years, it is important to reflect on how the plethora of directives, regulations, delegated acts and technical standards are interacting given the interconnectedness of the sector and therefore the legislation that regulates it.

In addition, we believe that the Committee is well placed to look across all dossiers which affect financial services and would encourage the Committee to look at dossiers outside its immediate remit that have an impact on financial services, for example the General Data Protection Regulation.

Legislative quality

We are concerned that the volume and speed at which financial services legislation has been produced over the past 5 years has meant that there has been insufficient time to assess adequately the proposals and this has consequently led to a lower quality of legislation. While we recognise that that speed was of the essence in tackling the fallout from the crisis, in some cases this has been detrimental to the quality of the final

legislation. It will be important that when these regulations and directives come up for review, close attention is given to assessing their impact and their consistency with other legislation.

We also have concerns about delegated acts and technical standards. While in general we feel that the ESAs have produced sound technical work, the coherence between the Level 1 and Level 2 texts have been questioned in the past. We realise that in part this is down to the fact that the Level 1 texts, which are the product of a number of compromises, can be ambiguous.

Although not primarily a matter for Parliament we were very disturbed at the attitude the Commission took to ESMA's advice to AIFMD particularly as it related to delegation. Where the Commission takes a substantially different approach than that recommended by an ESA we believe they should have a further consultation.

We are also concerned about the very short timeframes given to the ESAs to prepare delegated acts and technical standards, which can run to hundreds of pages, often with sub-optimal human resources. We suggest that the Committee give more prominence to the examination of delegated acts and technical standards in its work.

Cumulative impact assessment of financial service regulation

We would urge the Committee to press the Commission to produce a cumulative impact assessment for all the legislation on financial services that has been published since the financial crisis. While we commend the Committee for its qualitative assessment undertaken last year, we believe that a thorough, quantitative cumulative impact assessment is required in order to adequately assess whether the calibration of the current legislation is appropriate.

Implementation

We are concerned that there are insufficient lead-in times for firms to implement the new rules. For example, regulations enter into force just 20 days after they are published in the Official Journal, which is clearly an insufficient period for firms to make often complex operational and systems modifications.

There continues to be disparities in the implementation of EU legislation across the Member States, ranging from partial implementation to goldplating, and we would

welcome the Committee devoting more attention to this issue given the negative impact on the Single Market.

Priorities for the next Parliament

During the current mandate, the volume and urgency of the issues the Committee and the Commission were grappling with at times gave the impression that there was little strategic vision given to the order in which dossiers were dealt with. We believe that re-establishing this strategic vision of the Committee's priorities will be important to ensure that the legislation that is produced is more coherent.

In this context, we believe that the priorities for the next Parliament should be:

1. Putting in place the remaining pillars of the Banking Union;
2. Finalising the post-crisis financial regulation that may not be agreed during this Parliamentary term (in particular RRD and MIFID, assuming that they are not finalised in this mandate);
3. Finalising the "retail agenda" (MIFID2, IMD 2 and PRIIPS if not completed in this Parliament);
4. Implementation of the actions arising from the Green paper on long-term finance;
5. Review of implementation and impacts of the new regulation.

We would be happy to meet to discuss this further with you.

Yours sincerely,



Rachel Lomax
Chair
International Regulatory Strategy Group