



**HOUSE OF LORDS  
EUROPEAN UNION COMMITTEE  
EU Economic and Financial Affairs Sub-Committee  
(Sub-Committee A)**

**INQUIRY INTO THE EU FINANCIAL REGULATORY FRAMEWORK**

**CALL FOR EVIDENCE**

The House of Lords EU Sub-Committee on Economic and Financial Affairs, chaired by Lord Harrison, is conducting an inquiry into the current state of the EU financial regulatory framework. The Committee invites interested individuals and organisations to submit evidence to this inquiry.

Written evidence is sought by 30 September 2014. Public hearings will be held from July-October 2014. The Committee aims to report to the House, with recommendations, in January 2015. The report will receive a response from the Government, and may be debated in the House.

**BACKGROUND**

The pace of reform since the start of the financial crisis in 2007 has transformed the EU financial regulatory architecture. The changes that have been introduced have sought not only to improve the economic governance of EU Member States but also to strengthen the supervisory and regulatory oversight of financial markets and institutions themselves. These regulations have been based largely on the ambitious G20 commitments set by international partners in Pittsburgh in 2009.

The UK Government has made it clear that it supports improving the strength of the EU regulatory architecture and is committed to the Single Market in financial services. The Commission has stated that the majority of reforms have now been agreed, and the financial industry in Europe is now focusing on effective implementation and coordination across Member States. It is therefore an opportune moment to step back and assess the strengths and weaknesses of the new regulatory framework and how agreed and proposed regulations interact with each other.

As financial actors in the EU adapt to a fast-evolving financial landscape it is important to understand the regulatory interconnections that have been built to bolster integrity, transparency, stability and efficiency in the EU financial sector. Concerns remain that certain clusters of regulations have led to conflicting requirements or left gaps in the regulation of similar activities. Building on the work already undertaken by the Commission (in its May 2014 *Economic Review of the Financial Regulation Agenda*<sup>1</sup>) and the European Parliament (in its February 2014 report on *Enhancing the coherence of EU financial services legislation*<sup>2</sup>), this inquiry is an opportunity to:

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<sup>1</sup> [http://europa.eu/rapid/press-release\\_IP-14-564\\_en.htm](http://europa.eu/rapid/press-release_IP-14-564_en.htm): Financial regulation: European Commission presents a first comprehensive review of the EU's reform agenda

<sup>2</sup> <http://www.europarl.europa.eu/document/activities/cont/201402/20140210ATT79138/20140210ATT79138EN.pdf> : Enhancing the coherence of EU financial services legislation'

- Take stock of the progress made in reforming the financial system;
- Assess the functioning of the financial regulatory framework as a whole and its impact on financial sector actors and consumers alike;
- Acknowledge any gaps, overlaps or inconsistencies in the regulatory framework;
- Seek to ensure that adverse consequences and unnecessary complexities do not undermine the functioning of the Single Market in financial services; and
- Analyse the specific implications and challenges of the financial regulatory framework for the UK.

## **ISSUES**

The Committee seeks evidence on any aspect of this topic, and particularly on the following questions:

### **Broad assessment of the EU regulatory framework**

1. What is your overall assessment of the reforms brought forward since 2008 that have aimed to stabilise and improve the functioning of the financial sector in Europe? What is the basis for your assessment?
2. Will the new regulatory framework enable the EU to withstand further asymmetric shocks and future crises as yet unforeseen? Is there sufficient flexibility in place to enable it to do so?
3. Where do you think the biggest achievements have been made, and why? Do you believe there have been any obvious policy mistakes in the regulatory agenda? What are the relative benefits and costs of the new regulatory framework?
4. Which elements of the reforms have been most and least effective in addressing: consumer protection; market efficiency, transparency and integrity; and financial stability?
5. How would you assess the effectiveness of the legislative process over the course of the financial crisis? Which EU institutions were most or least effective? In your view, were financial regulatory proposals improved or weakened by the input of the Council and the European Parliament?
6. How do you think the 'growth agenda' and support of alternative financing sources can best be promoted by the EU with respect to regulation?

## **Interconnections, overlaps and gaps in the EU regulatory agenda**

7. Do you identify any overlaps, contradictions or inconsistencies when assessing and comparing individual pieces of the regulatory agenda? Which combination of reforms has generated the most significant costs and inefficiencies for financial actors?
8. Do areas of the regulatory agenda need immediate revision/reform? If so, how might the effectiveness of the review clauses which apply to the new measures be best ensured? How can it be ensured that there are mechanisms in place to fine-tune the regulatory system where necessary without disrupting financial stability and predictability for financial users? Should there be a period of calm before further reforms are introduced?
9. The Commission argues that the new and/ or forthcoming proposals on Bank Structural Reform, Shadow Banking, Benchmark Regulation and Non-bank Resolution further complete the financial sector reform agenda. Do you agree? If not, which policy gaps remain?
10. Have the needs of consumers of financial services and products been appropriately addressed by the reform process? Do particular risks in relation to consumer protection arise from the reforms?
11. How concerned should we be about the range of unintended consequences from such regulation – such as regulatory arbitrage and transferring risk off balance sheet?

## **The EU Single Rulebook and the consequences for the Single Market**

12. Is there now an effective balance between Member States and the EU in terms of regulation and supervision of the financial sector? If not, how can such an effective balance be struck?
13. Is the EU process for adopting rules efficient and nimble enough to adjust and calibrate the new Single Rulebook? Which single element of the new Rulebook is in most acute need of careful monitoring and review?
14. What is your assessment of the impact of the new Rulebook on third-country actor access to the EU and of the approach taken to 'equivalence'? Is there a danger of 'multiple jeopardy' arising from the multiplicity of regulatory regimes across the EU and beyond?
15. In light of the fact that some of the regulatory framework applies at EU-28 level, and other elements for the eurozone only, is there a danger of a two-speed or inconsistent approach to regulation?

## **The implications for the UK**

16. What are the challenges of the regulatory reform agenda for non-eurozone Member States? In particular, which specific challenges does the UK face? How has its approach to the regulatory reform agenda compared with that of other non-eurozone Member States such as Sweden and Denmark, as well as those such as Poland who are required to join the Single Currency in due course?

17. Overall, do you believe that the UK's interests have been compromised or enhanced by the programme of regulatory reforms? Has the UK done enough to protect its national interests?

You need not address all these questions.

## **16 July 2014**

Written evidence should be submitted online using the written submission form available at <http://www.parliament.uk/eu-financial-regulatory-framework>. This page also provides guidance on submitting evidence.

If you have difficulty submitting evidence online, please contact the Committee staff by email to [stoners@parliament.uk](mailto:stoners@parliament.uk) or by telephoning 020 7219 3616. The deadline for written evidence is 30 September 2014.

Short submissions are preferred. A submission longer than six pages should include a one-page summary.

Paragraphs should be numbered. All submissions made through the written submission form will be acknowledged automatically by email.

Evidence which is accepted by the Committee may be published online at any stage; when it is so published it becomes subject to parliamentary copyright and is protected by parliamentary privilege. Submissions which have been previously published will not be accepted as evidence. Once you have received acknowledgement that the evidence has been accepted you will receive a further email, and at this point you may publicise or publish your evidence yourself. In doing so you must indicate that it was prepared for the Committee, and you should be aware that your publication or re-publication of your evidence may not be protected by parliamentary privilege.

Personal contact details will be removed from evidence before publication, but will be retained by the Committee Office and used for specific purposes relating to the Committee's work, for instance to seek additional information.

Persons who submit written evidence, and others, may be invited to give oral evidence. Oral evidence is usually given in public at Westminster and broadcast online; transcripts are also taken and published online. Persons invited to give oral evidence will be notified separately of the procedure to be followed and the topics likely to be discussed.

Substantive communications to the Committee about the inquiry should be addressed through the clerk of the Committee, whether or not they are intended to constitute formal evidence to the Committee.

This is a public call for evidence. Please bring it to the attention of other groups and individuals who may not have received a copy direct.

You may follow the progress of the inquiry at <http://www.parliament.uk/eu-financial-regulatory-framework>.

