



Cumulative Impact of the EU Regulatory Framework for Financial Services. November 2015.

The last six years have been a period of intensive rule making. The EU has taken essential steps as part of an international consensus to restore financial stability and public confidence in the financial system. Significant progress has been made in building a Single Rulebook for the single market and, as a result, the EU financial system is now stronger and better positioned to fund the European economy and support jobs and growth on a sound and sustainable basis.

Nevertheless, given the large amount of rules put in place and the interactions between them, there is a need to understand their combined impact and whether this gives rise to unintended consequences. On the basis of the work initiated by the European Parliament in 2013 to analyse the coherence of EU financial services legislation, this call for evidence is launched in order to gather feedback and to assess the cumulative impact and the interaction between the financial rules and provisions currently in place, in particular with respect to 4 aspects:

1. Rules affecting the ability of the economy to finance itself and grow.
2. Unnecessary regulatory burdens.
3. Interactions, inconsistencies and gaps.
4. Rules giving rise to undesired consequences (for example, to regulatory arbitration or to an increasing procyclicality).

The EU has planned, over the next 4 years, a scheduled review of many of the rules put in place during the past few years, such as the Capital Requirements Regulation or the EMIR Regulation, the review of which has already started.

Although these reviews typically concern individual rules, it is important to attain a clearer understanding of the interaction of the individual rules and the cumulative impact of the legislation as a whole. The Commission will work with the European Parliament, the Member States, international bodies such as the Financial Stability Board and the Basel Committee on Banking Supervision, which are also assessing the overall coherence of the reforms that have been undertaken globally.

The purpose of this call is to identify inconsistencies, incoherences and gaps in the financial rules, and/or unnecessary regulatory burdens that may have a negative impact on long term investment and growth, in particular:

1. Rules affecting the ability of the economy to finance itself and grow:

Albeit the current rules are essential to ensure financial stability and investor protection, it is important to ensure that the balance is right and that rules do not discourage long term investment and sustainable economic growth. Therefore, there is a need to identify: (i) the existence of unnecessary regulatory constraints on financing; (ii) the impact that the present regulatory framework has had on market liquidity; (iii) if the rules in place have had a significant impact, whether positive or negative, on consumer protection and confidence ;

(iv) if the EU rules are appropriate for integrating the diversity of EU financial institutions, new business models and new non-financial actors.

2. Unnecessary regulatory burdens:

The possibility exists that some current rules impose incommensurate burdens in relation to the policy objectives they seek, that entail excessive complexity, that give rise to duplication in reporting requirements, or that are outdated due to technological changes. In this respect, the call attempts to identify: (i) regulation areas where compliance costs are excessive or that do not meet the objectives efficiently and effectively, with particular emphasis on rules relating to financial information reporting and disclosure obligations; (ii) specific situations where the current rules require unnecessary updating of contractual and regulatory documents; (iii) outdated rules due to technological changes; (iv) identifying barriers to market entry arising from regulation and that the EU should address.

3. Interactions of individual rules, inconsistencies and gaps:

Since the rules have been passed as individual legislation items at different points over the past six years, some of them, taken together, may have unintended consequences arising from duplications, inconsistencies, regulatory gaps or loopholes, and/or lack of proper enforcement at national level. In this connection, it is necessary to identify: (i) the links existing between individual rules and the overall cumulative impact (due to the interconnections existing within the financial sector, are the rules on banking, insurance, asset management and other areas interacting as they should?); (ii) in which parts of the financial services legislation there is a need for greater clarification or consistency of definitions; (iii) in which areas of the legislation there are overlaps, duplications or inconsistencies in the requirements.

4. Rules giving rise to possible undesired consequences:

EU rules have been put in place to reduce risk in the financial system and to discourage excessive risk-taking (without unduly dampening sustained growth), and to make the financial system less procyclical and more stable through the business and credit cycles. Nevertheless, there is a need to identify: (i) if there are rules that have led to risk being shifted elsewhere within the financial system to avoid regulation or if, as a result of them, financial entities are less resilient; (ii) if there are rules that have unintentionally increased the procyclicality of the financial system.

Responses to this consultation will be assessed in relation to the following objectives:

1. promoting economic and financial stability in the EU;
2. maximising the benefits of the financial system to the economy, jobs and sustainable growth and promoting better access to finance, mainly for SMEs;
3. completing the single rulebook and promoting the single market for all 28 Member States;
4. restoring trust on the financial system following the crisis and ensuring a high level of consumer and investor protection;
5. ensuring the EU rules are as simple and clear as possible, minimising regulatory burden as much as possible;
6. promoting the competitiveness of the EU.

All interested parties, including public authorities, the financial sector, SMEs and non-financial companies, investors, academics, non-government organisations, consumer associations and individuals, are invited to provide their opinion or information with respect to the above mentioned issues.

The results of this consultation will help to create a clearer overview of the situation in the EU. In addition, and along with other works, they will serve as a basis for identifying the issues that require further attention from the Commission. The purpose is to gather not only information on the impact of the European financial legislation, but also on the impact of its implementation on a national level.

The deadline for sending responses expires on 6 January 2016. Responses are to be submitted through the online questionnaire available on the following webpage: [Call for evidence: EU regulatory framework for financial services - European Commission](#)

Links of interest:

Call for evidence: EU regulatory framework for financial services

[Press release on the Action plan on building a capital markets union](#)

Frequently Asked Questions on the Action plan on building a capital markets union

[Frequently Asked Questions on the Call for evidence](#)