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EU financial regulation

Tightening of EU derivatives rules to reduce risk welcome but regulatory process must be improved

New rules aimed at tightening the provisions of EU legislation on derivatives (the EMIR regulation) were today given the go-ahead after a draft objection tabled by a group of MEPs failed to get sufficient support (1). The Greens welcomed the outcome, which will ensure the rules, aimed at reducing the risk of these opaque financial products, can be implemented. However, the group acknowledged the need to improve the regulatory procedure for adopting such rules and ensure the democratic role of the European Parliament is respected. Commenting after the vote, Green finance spokesperson **Sven Giegold** (MEP, Germany) said:

"These new rules on derivatives are essential for reducing the risk associated with these opaque products, and limiting the prospects for dangerous speculation. While the procedure for adopting the rules was certainly not optimum, rejecting these essential rules would have been throwing the baby out with the bathwater.

"The new rules - regarding the role of central counterparties and collateral for trades - will help limit risky speculation with derivatives by large corporations outside the direct financial sector (like E.On and Lufthansa). This strengthening of the existing rules is clearly necessary and in the public interest.

"While the procedure for adopting the new rules was lacking from a democratic and transparency point of view, the objection by MEPs was based on shaky legal foundations. To this end, the Greens believe it was important to ensure the proposed rules were passed.

"Future procedures for adopting these detailed rules or 'delegated acts' must be more transparent and respect the scrutiny role of the European Parliament. We welcome the declaration of EU commissioner Barnier to this end. It is crucial that the EP, as a democratic legislator, has the right to object to such rules in an efficient and transparent way in the future."

(1) The draft delegated act was tabled by the European Commission, based on the recommendation of the European Market Securities Authority, with a view to strengthening the existing European Market Infrastructure Regulation (EMIR). The European Parliament has the right to object to such acts under the 'comitology procedure'. The EP's economic and monetary affairs committee had tabled an objection but this objection failed to secure the necessary support in the plenary vote today.

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Sven Giegold

Member

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