

Cover Note to Bank of England Response to European Commission Call for Evidence on the EU Regulatory Framework for Financial Services, January 2016

The global financial crisis exposed serious flaws in the regulatory framework worldwide and in the European Union. Over the past eight years, the EU has delivered a major legislative regulatory reform programme, implementing and often exceeding the post-crisis agenda agreed by G20 leaders. Around 41 legislative proposals have been agreed including new supervisory arrangements, reforms to bank regulation, new resolution regimes and steps to make derivatives markets safer. Overall, the reform programme, and the international standards on which it is grounded has made the European financial sector and economy considerably more resilient to future crises.

The Bank strongly supports a regulatory framework that will deliver a high degree of resilience and that protects financial stability. Financial stability is a necessary precondition for a dynamic financial sector that supports sustainable economic growth. The main elements of the reformed regulatory framework in the EU – and the international standards that underpin it – are now agreed. Implementation is well under way in many areas, though work remains in some others. We believe the Commission Call for Evidence represents a good opportunity for the EU to take stock of the reform programme. Given the urgency of reform following the crisis, the scale and scope of the reforms and their interlinked nature, it is to be expected that there will be places where adjustment is needed, where reforms are not working as intended or where there are conflicts between different elements of the framework. We therefore welcome this initiative to carry out a stocktake in advance of the reviews of individual components of the programme that are provided for in the various legislative instruments

We share Lord Hill's view that the stocktake should not lead to a weakening of the overall legislative framework. The costs of the crisis remain painfully clear across the European Union and underline the importance of a regulatory framework for the financial sector that builds in a high degree of resilience to stress. The review should be robust and evidence based and where sensible adjustments can be made, as for example is already happening on securitisation, the Bank of England will support them.