Opening remarks by Vice-President Dombrovskis on the review of prudential rules for investment firms

The European Commission has today taken another step in our efforts to build deeper and more integrated capital markets, as part of our Capital Markets Union. As you know, this is important for completing Europe's Economic and Monetary Union.

Today's proposal aims to make sure that capital requirements for investment firms are more proportionate and in line with the risk they face. This follows our Call for Evidence, which we launched to ensure that post-crisis financial regulation is fit for purpose.

Around 6000 investment firms operate in the EU today. Alongside banks, these firms provide a range of services that are important for channelling capital and savings towards productive uses across the EU. These services include investment advice, helping companies tap capital markets, managing assets, and providing market liquidity, to name a few.

Under the current rules, investment firms are subject to the same prudential regulation as banks. But unlike banks, investment firms do not take deposits or make loans on a large scale, so the risks they face are often different. In addition, the existing rules are often ill-suited to the business models of investment firms and the risks they present to customers and markets. The result is a prudential regime that can be at the same time too strict in some cases, and too lax in others.

That is why we are today proposing more risk-sensitive and less burdensome regulations for investment firms, based on advice by the European Banking Authority. This would smoothen the functioning of European capital markets, without endangering financial stability.

More specifically, today's proposal includes three elements:

First, we are making sure that capital requirements are more proportionate and responsive to the diverse risks faced by the EU's investment firms. Smaller investment firms should benefit from simpler requirements. This will lead to considerable reductions in administrative burdens and compliance costs.

Second, we will treat large and systemic investment firms as banks in all respects. They provide "bank-like" services and underwrite risks on a significant scale across the single market. Our regulatory and supervisory structure should also accommodate large stand-alone investment firms. In practice, this means that systemic investment firms located in the euro area would be supervised by the single supervisory mechanism in the European Central Bank, just like systemic banks are supervised today. So we are bringing large systemic investment firms under the bank supervision system.

Third, under the new Mifid rules coming into force on 3 January, the Commission can decide to grant access to the EU to wholesale investment firms located in third countries through equivalence. We are proposing to update this equivalence test with a reference to the rules we are presenting today. We are also making the test itself more proportionate and risk-sensitive. This means that when the amount of investment services provided by a third country's firms makes it of systemic importance for the EU, we are explicitly clarifying that our equivalence assessment will be more detailed and granular.

This is a clear signal to our international partners: the EU supports globally integrated capital markets based on the principle of equivalence. But it is also a clear signal for those third countries that are potentially important for us when it comes to provision of financial services: by keeping their rules and supervision closely aligned to ours, it will be easier for the EU to consider granting them equivalence.

Thank you very much.