European Commission - Press release

Capital Markets Union: Agreement simplifies rules for investment firms to support open and vibrant capital markets

Brussels, 26 February 2019

The Commission welcomes the political agreement reached today by the European Parliament and Member States on more proportionate and effective prudential rules for investment firms (IFR). This will help to improve investment flows across the EU and delivering better protection for investors.

A key element of the EU's Capital Markets Union (CMU), the revised legislation will ensure more proportionate rules and better supervision for all investment firms on capital, liquidity and other risk management requirements. It should also ensure a level-playing field between large and systemic financial institutions: investment firms which carry out bank-like activities and pose similar risks as banks will be subject to the same rules and supervision as banks. On the other hand, simpler and less risky firms will benefit from a fully revised rulebook more tailored to their business models. As part of the new framework, equivalence rules for the provision of investment services by third country firms will also be strengthened and clarified.

Commission Vice-President **Valdis Dombrovskis**, responsible for the Euro and Social Dialogue, also in charge of Financial Stability, Financial Services and Capital Markets Union, said: *"Today's agreement will help investment firms facilitate capital flows across the EU, while giving EU investors access to more choice and improved services. The EU is delivering a Capital Markets Union Agenda that puts proportionality at its heart, while never compromising on stability".*

Vice-President Jyrki **Katainen**, responsible for Jobs, Growth, Investment and Competitiveness, said: "*This agreement is an important step in our strategy to build strong capital markets in the EU (the Capital Markets Union). It levels the playing field between the largest investment firms and the largest banks; they will follow the same rules, and puts in place a more proportionate prudential regime for the smaller ones. This is a major achievement which will deliver a suitable rulebook for EU investment firms and for the provision of services to EU clients by firms which are outside the Union".*

The investment firms review divides investment firms into three categories:

- large firms will remain under the scope of the existing prudential rules, and the most systemic ones will now be brought under the same supervisory regime as significant credit institutions;
- all other firms will be placed in two groups in a revised rulebook, taking their specific risks into account. The smallest firms will benefit from simpler and more streamlined requirements.
- Targeted changes are also introduced under which providers based in non-EU countries can offer their services to EU companies and clients.The revised legislation will simplify compliance for Europe's investment firms, supporting them in mediating investment flows between savers and economic actors. This should help channel savings towards capital markets and benefit investment and growth in the EU. The rules will also help European supervisors carry out oversight of the activities and risks posed by investment firms. Finally, it will ensure that EU clients can continue to benefit from the investment options and services provided by firms based in countries outside the EU, with suitable safeguards to protect investors and financial stability within the Union.

Next Steps

Further technical work will follow this political agreement so that the European Parliament and the Council can formally adopt the final texts under this legislature.

Background

Investment firms and the services they provide are vital to a well-functioning Capital Markets Union (CMU). Alongside banks, EU capital markets rely on several thousands of small and large investment firms, which give advice to clients, help companies to tap capital markets, manage assets, and provide market liquidity, thereby facilitating investments across the EU. The EU needs stronger capital markets in order to promote investment, unlock new sources of financing for companies, offer households better opportunities and strengthen the Economic and Monetary Union.

The December 2017 Commission proposal on IFR is part of the Commission's Action Plan to strengthen the Capital Markets Union (CMU) of September 2015. The IFR supports the goal of the CMU to further promote the activities of firms helping investments flow from Europe's savers to Europe's businesses, with due regard for their risks.

More information

Review of the prudential framework for investment firms

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