

Regulatory News Alert

ESAs review deal reached on the new EU supervisory framework

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Context and objectives

During the review of the European financial authorities (ESMA/EBA/EIOPA & ESRB) powers called Omnibus III, the Commission introduced on 12 September 2018 a proposal on strengthening the Union framework for prudential and anti-money laundering supervision. The objective of this proposal is to amend a series of regulations and directives aiming to concentrate on **anti-money laundering** powers related to the financial sector into the European Banking Authority (EBA).

After the first key milestones at the end of 2018, on 21 March 2019, **the political agreement was reached** by the European Parliament and Member States on the **core elements of the reform of the European supervision** in the areas of EU financial markets including when it comes to anti-money laundering.

Enhanced supervisory convergence of the ESAs

In its mandate, among other measures, the Council suggests to improve the existing system for supervisory convergence by increasing the efficiency, coherence and overall transparency of the operating process. Under certain scenarios this can result in onsite inspection from the EU authorities. The Council's position introduces new tools, for example the elaboration of a strategic supervisory plan at EU level, while reinforcing existing mechanisms such as peer reviews or consultation of the stakeholders groups.

The new legislation strengthens the capacity of the ESAs to promote consistent supervision and uniform enforcement of the anti-money laundering law in the EU. The improvement will be built on:

- **Existing tools, such as peer reviews, guidelines, Q&As**
- **New tools**, for example the establishment of coordination groups at EU level

EBA's centralized powers on anti-money laundering

Regarding the supervision powers for anti-money laundering, this provisional deal finally agreed on the European Banking Authority (EBA)'s centralized power for:

- **Preventing and mitigating** risk associated to money laundering in the financial sector
- **Collecting, analyzing and further disseminating** information to enhance the quality of supervision through the development of common standards
- **Performing risk assessments and facilitating cooperation** with non-EU countries on cross-border cases

The EBA's power has been clarified and enhanced to guarantee that action can be taken immediately when anti-money laundering rules are broken at national level.

ESMA's supervision for critical benchmark

The Presidency and the Parliament also agreed to give ESMA direct supervision powers over:

- **Third country critical benchmark** administrators
- **Data reporting service providers**, with the exception of small local ones, which should be identified through a delegated act

EIOPA & ESRB for financial stability

- Both authorities have seen their own powers or structures evolve in line with both ESMA and EBA. Regarding EIOPA, for insurance, the most notable evolution is with regard to the powers on delegation/outsourcing. For ESRB it is essentially linked to the structure and organization

Next steps

Pending technical finalization of the text, the provisional agreement will be submitted for endorsement to EU Ambassadors. Parliament and Council will be called on to adopt the proposed regulation at first reading, these should occur in due time before the EU Parliament recess late April and are normally purely formal steps.

How can Deloitte help you?

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