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## **The EU role in the framework of international financial, monetary and regulatory institutions and bodies**

**European Parliament resolution of 12 April 2016 on the EU role in the framework of international financial, monetary and regulatory institutions and bodies (2015/2060(INI))**

(2018/C 058/08)

*The European Parliament,*

- having regard to the principle of sincere cooperation between the Union and the Member States, referred to in Article 4 (3) of the Treaty on European Union (TEU),
  - having regard to Articles 121 and 138 of the Treaty on the Functioning of the European Union (TFEU),
  - having regard to Protocol 14 to the TFEU on the Euro Group,
  - having regard to its resolution of 20 October 2010 with recommendations to the Commission on improving the economic governance and stability framework of the Union, especially in the euro area <sup>(1)</sup>,
  - having regard to its resolution of 11 May 2011 on ‘The EU as a global actor: its role in multilateral organisations’ <sup>(2)</sup>,
  - having regard to its resolution of 25 October 2011 on global economic governance <sup>(3)</sup>,
  - having regard to its resolution of 24 June 2015 on ‘The review of the economic governance framework: stocktaking and challenges’ <sup>(4)</sup>,
  - having regard to its resolution of 9 July 2015 on ‘Building a Capital Markets Union’ <sup>(5)</sup>,
  - having regard to the report of 25 February 2009 by the High-Level Group on Financial Supervision in the EU (the de Larosière report),
  - having regard to the Five Presidents’ report of June 2015 calling for the consolidation of the external representation of the euro,
  - having regard to Rule 52 of its Rules of Procedure,
  - having regard to the report of the Committee on Economic and Monetary Affairs and the opinion of the Committee on Constitutional Affairs (A8-0027/2016),
- A. whereas the stability of the financial system, which is essential for the effective allocation of resources for growth and jobs, is a global public good;
- B. whereas the growing interdependence among economies across the world makes it necessary to move towards increasingly global forms of governance;

<sup>(1)</sup> OJ C 70 E, 8.3.2012, p. 41.

<sup>(2)</sup> OJ C 377 E, 7.12.2012, p. 66.

<sup>(3)</sup> OJ C 131 E, 8.5.2013, p. 51.

<sup>(4)</sup> Texts adopted, P8\_TA(2015)0238.

<sup>(5)</sup> Texts adopted, P8\_TA(2015)0268.

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- C. whereas if the EU is not able to speak with one voice in international institutions/bodies, all European voices should be coordinated to shape global governance towards the objectives and values of the EU treaties;
- D. whereas the EU should contribute to the creation of a democratic framework in order to cope with global challenges;
- E. whereas global cooperation can lead to a dilution of responsibilities and lack of accountability at the expense of democracy; whereas national parliaments and the European Parliament should not be reduced to a role of mere rubberstamping but must be incorporated, actively and comprehensively, into the whole decision-making process;
- F. whereas the existing international institutions/bodies with their own distinct governance structures and remits of action have been created across history as a response to each specific situation; whereas this has led to complexity, and sometimes duplication of tasks, and to a system which may be opaque and lack overall coordination;
- G. whereas Article 42 of the Charter of Fundamental Rights and Regulation (EC) No 1049/2001<sup>(1)</sup>, under which Union citizens have the right of access to documents, should apply to institutions and agencies of the Union participating in international organisations/bodies;
- H. whereas the Treaties provide that any citizen of the Union and any natural or legal person residing or incorporated in a Member State has a right of access to documents of the institutions, bodies, offices and agencies of the Union, whatever their medium (Article 42 of the Charter of Fundamental Rights); whereas the same degree of transparency should apply to institutions and agencies of the Union participating in international organisations and fora, especially when setting rules affecting EU citizens;
- I. whereas the diversity of the legal structures and financial and operating procedures of international economic organisations/bodies<sup>(2)</sup> makes it difficult to undertake an overall monitoring, although consistency in financial and operating procedures is fundamental in ensuring an international level playing field; whereas the International Monetary Fund (IMF) and the Organisation for Economic Cooperation and Development (OECD) are genuine international organisations, set up through conventions, with broad remits and composition, while the G20, the Financial Stability Board (FSB) and the Basel Committee, for example, are among the informal public bodies with limited membership, some of which have enjoyed a new impetus following the crisis, and the International Organisation of Securities Commissions (IOSCO), the International Association of Insurance Supervisors (IAIS), the International Organisation of Pension Supervisors (IOPs) and the International Accounting Standards Board (IASB) are private specialist associations of a sectoral nature with a greater or lesser degree of involvement on the part of the sectors concerned;
- J. whereas a number of informal exchanges are already taking place, albeit not on a systematic basis, between the European Parliament and certain of these organisations/bodies;
- K. whereas transparency is important for democracy, while the protection of market-sensitive information has to be properly taken into account;

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<sup>(1)</sup> Regulation (EC) No 1049/2001 of the European Parliament and of the Council of 30 May 2001 regarding public access to European Parliament, Council and Commission documents (OJ L 145, 31.5.2001, p. 43).

<sup>(2)</sup> The Bank for International Settlements, the Financial Action Task Force (FATF) and the World Trade Organization (WTO) also have a rule-making function; the United Nations Conference on Trade and Development (UNCTAD) plays a significant role in global economic governance; the African Development Bank (ADB), the Asian Development Bank (ADB), the Caribbean Development Bank (CDB), the West African Development Bank (WADB), the Inter-American Development Bank (IDB), the Inter-American Investment Corporation (IIC), the European Bank for Reconstruction and Development (EBRD), the Council of Europe Development Bank (CEB), the World Bank Group, the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA) support the financing of development cooperation.

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- L. whereas the crisis has prompted the G20 to establish a global agenda focusing on an effective set of specific reforms, while in the longer term a genuine multilateral and democratic framework is essential for its legitimacy;
- M. whereas the respective roles of banks and markets in financing the economy vary from one country to another;
- N. whereas the economic and financial crisis which began in 2008 has highlighted a striking lack of economic and financial governance in the world; whereas numerous macroeconomic matters require greater coordination, particularly in relation to tax matters; whereas, therefore, the common goal of all stakeholders should be to design a comprehensive framework providing financial stability and to ensure consistency between the global and local levels;
- O. whereas the creation of new EU supervisory bodies should not automatically imply an increase in the number of EU representatives, which may have undemocratic effects, such as a greater likelihood of blocking minorities and unease among the EU's partners;
- P. whereas the IMF has decided to include the Renminbi in the basket of currencies which make up the IMF's Special Drawing Right; whereas this has resulted in a reduction of the weight of both the euro and the pound, but no change in the weight of the US dollar; whereas this stresses the need for a stronger European voice;
1. Stresses the need for enhanced international regulatory cooperation, with strong EP involvement;
  2. Expresses concern at the lack of coherence caused by the fragmentation and diversity of the various organisations/bodies and at the implementation delays regarding rules and orientations agreed at international level;
  3. Calls for clarification as to the remit of each organisation/body and the ways in which they operate and are financed, including voluntary contributions, gifts and donations, in order to ensure absence of vested interests and legality of decisions;
  4. Calls for better policy coherence and coordination among the global institutions through the introduction of comprehensive standards of democratic legitimacy, transparency, accountability and integrity; considers that this should, *inter alia*, concern:
    - relations with the public (for example public access to documents, open dialogue with diverse stakeholders, the establishment of mandatory transparency registers and rules on transparency of lobby meeting);
    - internal rules (for example human resources based on skills, sound financial management, prevention of conflict of interests);
  5. Considers that the under-representation of least developed countries in most international financial, monetary and regulatory institutions and bodies is creating an imbalance and that as a consequence issues relating to inequalities or financing for the poorest countries face the risk of not being properly addressed;
  6. Considers that, as well as geographical disparity in representation, there are also certain sectors — notably civil society, SMEs, consumer representatives and employee representatives — whose involvement in the consultation process could be improved in international discussions regarding financial, monetary and regulatory bodies; considers it the duty of those bodies and sectors to work on improving the situation;

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7. Takes the view that the EU should streamline and codify its representation in multilateral organisations/bodies with a view to increasing the transparency, integrity and accountability of the Union's involvement in these bodies, its influence and the promotion of the legislation it has adopted through a democratic process; additionally, considers that the EU should become a more proactive global actor in ensuring the future G20 commitments, such as transforming shadow banking, implementing over-the-counter (OTC) derivatives reforms, addressing systemic risks and ensuring that emerging risks to the global economy are taken up on the agenda of the relevant global institution;
8. Calls on the European actors to include a stronger focus on the global competitiveness of the EU's financial sectors when making policy at European and international level;
9. Recalls that the EU should seek full membership of international economic and financial institutions where this has not yet been granted and is appropriate (e.g. in the cases of the OECD and the IMF); calls for the relevant international economic and financial institutions to make all the necessary statutory changes to allow the EU's full participation;
10. Regards as detrimental to the Union situations in which representatives of a Member State or national authority assume positions in international organisations/bodies that are contrary to European legislative or regulatory decisions democratically adopted by majority vote; calls accordingly for the coordination between these representatives to be enhanced and made more effective, for instance through more binding mechanisms;
11. Stresses the need for the Commission, representing the whole Union in an international body or organisation or monitoring a private specialist body, to be held more directly accountable to citizens; stresses the importance of the role of Parliament in this process;
12. Considers that the priorities of organisations and related working groups should be clarified and formally set out; takes the view that systematic recourse to consensus risks not only slowing down deliberations but also diluting the substance of the recommendations, and that the composition of the organisations must reflect their diversity, in financial, economic and supervisory terms;
13. Stresses the need to carry out ex ante evaluations when developing regulatory, supervisory and other financial sector policies at global level; considers that such evaluations are without prejudice to the political prerogatives of the co-legislators;
14. Takes the view that the implementation of recommendations on the part of the various countries involved is still insufficient to contribute to the creation of a global level playing field;
15. Notes that the FSB is now engaging in developing standards in the insurance sector; recognises that the IAIS is playing an important role in global insurance policy, but stresses that involving the European Insurance and Occupational Pensions Authority (EIOPA) would bring the benefit of strengthening the contribution of European insurance-specific expertise and would ensure that the standards developed at global level do not go against the logic the EU has been the first to develop;
16. Welcomes the work done by the OECD on tax issues, especially the OECD/G20 Base Erosion and Profit Shifting (BEPS) project; considers that monitoring implementation is the new challenge ahead; stresses that the coordination between the Commission and the Member States which are members of the Financial Action Task Force (FATF) should be improved in order for the EU to make its voice heard;
17. Views favourably the willingness of the ECB President to further cooperate with Parliament regarding the ECB's role in banking matters, in particular in the framework of global standards-setting bodies such as the FSB;
18. Welcomes the organisational arrangements agreed by the euro area countries which are members of the Asian Infrastructure Investment Bank, taking the form of a single seat on the Board of Governors representing those euro area members;

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19. Accordingly makes the following proposals:

- Calls on the Commission to draw on existing best practices at European and national levels in order to draft a European code of conduct on transparency, integrity and accountability, designed to guide the actions of EU representatives in international organisations/bodies; calls for Parliament to be closely associated in the drafting process;
- Stresses in particular its concerns regarding the statute, financing and operation of those organisations/bodies, their interaction with authorities, stakeholders and the public, their communication and access to their documents; stresses the need to ensure a fair balance of interests, including NGOs with adequate technical expertise and financial means, in order to strengthen the voice of civil society;
- Calls on the European institutions and agencies, as well as the Member States, to promote the accountability of each and every European representative to democratically elected bodies;
- Calls for the adoption of an interinstitutional agreement with the aim of formalising a 'financial dialogue', to be organised with the European Parliament for the purpose of establishing guidelines regarding the adoption and the coherence of European positions in the run-up to major international negotiations, making sure that these positions are discussed and known ex ante and ensuring a follow-up, with the Commission reporting back regularly on the application of these guidelines and scrutiny; proposes that the European institutions, the Member States and, where appropriate, the heads of the international organisations concerned be invited to attend; considers that the nature (public or in camera) and frequency of this dialogue would depend on practical requirements; is of the opinion that active involvement of national parliaments at their respective levels, by controlling the positions taken by the representatives of the member states concerned, is also necessary;
- Considers that these more detailed guidelines could be complemented by proactive 'guidance' resolutions, to be adopted by Parliament with an appropriate frequency, which would spell out its view on general policy orientation;
- Observes that, in areas where the European Parliament is co-legislator with the Council, the dialogue would serve to define their negotiating remit, unifying European positions around legislation adopted by majority vote or avoiding inconsistencies with legislation pending adoption;
- Calls on the European representatives to pay particular attention in international negotiations to coherence and consistency between international requirements/standards and binding adopted EU legislation, and to compliance in order to create a level playing field at international level;
- Calls for enhancing the accountability of the Commission to the European Parliament by streamlining the process for the definition of EU positions at the meetings of the G20 in policy fields related to employment, energy, trade, development and anti-corruption;
- Urges the Member States to comply without delay with the sincere cooperation provisions;
- Calls on the Member States to accept the representation of the Banking Union in the Basel Committee on Banking Supervision through the Single Supervisory Mechanism;
- Calls on the Commission to include in its work programme the external dimension of economic and financial regulation, that is, the work anticipated to take place in international financial institutions, and, in order to enhance internal policy coherence, to set up a working group on global economic governance and financial institutions;

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- Takes note of the initiative of the Commission to progress towards a single representation of the euro area within the IMF; considers that this needs to be done without prejudice to a single European Union constituency in the long term;
  - Points out that, under Protocol N° 14 to the Treaty, closer coordination between euro area Member States is the responsibility of the Euro Group, whose nature is temporary and informal pending the euro becoming the currency of all Member States of the Union; considers that the transparency and accountability of the Euro Group could be improved; advocates that, along the lines of the European Parliament resolution of 20 November 2012<sup>(1)</sup>, which formulates incremental recommendations for the banking, economic, fiscal and political unions, a more formal and perennial solution should be found; recalls that the independence of the role of the Commissioner for Economic and Monetary Affairs needs to be reinforced and to be accompanied by strong accountability mechanisms vis-à-vis both Parliament and the Council;
  - Considers that, beyond the sole case of the IMF, progressive streamlining of the EU representation should be implemented over the next years, first through enhanced coordination and then, after an assessment, through the unification of seats; believes that membership of these organisations and bodies should be allocated in accordance with the respective competences of the EU institutions and the European Supervisory Authorities (ESAs), the Council/Eurogroup, and the national authorities; is of the opinion that in parallel the EU should work on the functioning of those organisations and bodies with a view to moving away from consensus to a weighted majority voting system;
  - Underlines that it is the duty of the Commission, the Council, or where appropriate the Euro Group, to strengthen coordination through preparatory meetings; considers that if necessary new ad hoc Council working groups should be set up on the lines of the Economic and Financial Committee (EFC), the Working Group on IMF matters (SCIMF), the Eurogroup Working Group (EWG) and the Economic Policy Committee (EPC);
  - Calls for a thorough assessment of the two separate seats currently allocated to the European Council and Commission presidencies at G20 meetings, in order to determine to what extent this arrangement detracts from the EU's external credibility, particularly in view of the existence of a single market in financial services; considers that with a view to encouraging the convergence of Member States represented individually various improvements are possible, which should help to achieve an effective coordination ahead of the meetings and foster a strong European voice at the meetings;
  - Calls on the EU institutions and the Member States to promote the establishment of a roadmap towards the creation of a global treaty-based financial organisation, following the lines suggested by the de Larosière report, with wide-ranging powers of recommendation, negotiation of minimum binding standards, multilateral dispute settlement mechanisms and, where appropriate, sanctions; believes that the experience gained, notably in the trade sector through the WTO, could be used to set up the above-mentioned multilateral dispute settlement mechanisms; stresses that the proposed organisation should be subject to the highest standards of transparency and accountability;
  - Is of the opinion that the Commission should be provided with an explicit mandate to foster a new impetus for the promotion of multilateralism regarding financial, monetary and regulatory international cooperation;
  - Calls on the Commission to ensure that any EU financial legislative proposals are complementary to actions at the global level;
20. Instructs its President to forward this resolution to the Council and Commission.

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<sup>(1)</sup> European Parliament resolution of 20 November 2012 with recommendations to the Commission on the report of the Presidents of the European Council, the European Commission, the European Central Bank and the Eurogroup 'Towards a genuine Economic and Monetary Union' (OJ C 419, 16.12.2015, p. 48).