Ladies and gentlemen,

Good afternoon and thank you for the kind invitation to deliver a keynote speech at the 5th Annual EU Financial Regulation Conference.

Last year my colleague Sean Berrigan spoke to you one day after the launch of the "Call for Evidence". He encouraged interested stakeholders to submit feedback on our financial services rules. I was very pleased to see that so many of you did. We received more than 300 responses.

Our analysis is now drawing to a close. Next week the Commission will publish a range of targeted follow-up measures. Today, I will already share with you some of the most important findings.

But before doing so, let me remind you why this exercise is so important for the Commission and, most notably, for the EU as a whole.

**Raison d'etre**

After the financial crisis, we adopted more than 40 new pieces of EU legislation to stabilise markets, to recapitalise our banks, and to restore trust in the financial system. As a result, our financial system today is more stable and resilient.

But we had to legislate in great haste. This made it difficult to get everything completely right. And it was hard to predict how different rules would interact, and what the cumulative impact would be. That is why we decided last year to launch a comprehensive assessment of the post-crisis regulatory framework.

The Call for Evidence is a fundamental piece of the broader Commission agenda for Better Regulation. The Commission is committed to **legislating less and legislating better**. This means working with business, supervisors
and consumers to develop rules that achieve evidence-based objectives with the least possible burden.

It also means having the confidence to check that our existing rules are working as intended. And to be prepared to change them if they are not.

This approach is fully supported by the European Parliament, who asked the Commission to provide a holistic view of EU financial legislation.

The Call for Evidence is the first international example of such a holistic and comprehensive exercise. But it won’t be the last. Global standard-setters, including the FSB and BCBS, are following our example and are starting to assess the overall coherence of global financial reforms.

**Results**

Now, let me say a few words about the stakeholders' feedback. The responses show great support for the reforms. They made the system safer and more stable. At the same time, stakeholders welcomed this exercise as an important step in further improving and fine-tuning the existing regulatory framework.

Based on these responses and the discussions during the public hearing here in Brussels before the summer, we concluded that, overall, the regulatory framework for financial services is sound.

But it is also clear that some targeted changes can make it even more effective in achieving its objectives. We are, therefore, committed to addressing the unintended consequences and interactions that were brought to our attention.

We are proposing concrete action in those areas where our analysis was able to collect sufficient evidence. Other interesting claims were put forward in areas where we think it's too early to act at this stage. But we will continue monitoring developments.

We identified four key areas where the Commission will take action.

1) First, we need to continue to ensure that our rules do not impede the flow of finance to the economy. Often prudential objectives can be
achieved in several different ways. We need to select those that are most growth friendly.

Next week the Commission will present important risk reduction proposals for banks. These measures will implement some of the remaining global reforms, while at the same time safeguarding banks’ capacity to finance the EU economy. Vice-President Dombrovskis will discuss the European banking sector in more detail tonight during his speech at Bruegel.

Our measures also aim to improve funding opportunities for SMEs, the largest contributor to jobs and growth in Europe. We will, among other things, propose -in next week's CRR2 package- to extend the 'SME supporting factor' to all SME loans, including those larger than EUR 1.5 million.

We will also make sure that both banks and insurers have the right incentives to invest in long-term projects, such as infrastructure. The Commission has already adopted lower risk charges for insurers under Solvency II, for qualifying infrastructure projects. But we intend to go further and propose lower risk charges also for infrastructure corporates.

In response to concerns that regulation may have contributed to declining market liquidity, we have launched a comprehensive review of liquidity in corporate bond markets. The first meeting of our newly established Expert Group was held yesterday.

2) Second, we need to look at the proportionality of the regulatory framework. We should take greater account of companies' size, business models and risk profiles.

Proportionate rules help promote competition by lowering barriers to entry. They also enhance the resilience of the financial system by safeguarding its diversity and dynamism. Proportionality is already a key part of our regulatory framework. But we can do more:

We will review whether different prudential rules should apply to smaller investment firms that pose no systemic threat. And we will explore
whether the Solvency II rules and EMIR requirements can be made less burdensome for smaller firms.

We will also look at proportionality for asset managers under UCITS and AIFMD, by assessing for instance whether we can align remuneration regimes.

3) Third, we need to work on removing **unnecessary regulatory burdens**. Reporting and disclosure requirements are a particular concern, for instance through duplications across pieces of legislation. The Commission is committed to fixing this. But we also need to ensure that supervisors have the information they need to do their jobs.

This requires a comprehensive and holistic review of reporting requirements, which the Commission will perform next year. The financial data standardisation project aims to develop a "common language" on financial data through consolidating and streamlining data fields and reporting channels as much as possible.

Some undue compliance costs don't find their source in EU legislation, but are instead caused by incorrect implementation or additional requirements at the national level. We are carrying out a mapping exercise of national transposition measures and we are preparing a joint roadmap with Member States for actions that will help remove national barriers to the cross-border movement of capital.

4) Finally, we need to look at ways we can make the overall regulatory framework more **consistent**.

Let me give you an example. We learned from the Call for Evidence that the leverage ratio, a proposed prudential banking rule, could interact with the clearing rules under EMIR. We have therefore made sure that the leverage ratio would be implemented in a way that does not impact banks' ability to provide clearing services. But –at the same time- it continues to provide an effective back-stop against excessive leverage.

None of this work will reduce our focus on strengthening consumer protection and addressing the remaining risks in the financial system. For
instance, we will assess whether we should expand the macro-prudential framework beyond banking and whether we need to improve protection under the Investor Compensation Scheme.

We also need to keep our regulation up-to-date with rapid technological change, and ensure that our rules are flexible enough to foster technological development, rather than impairing it.

Conclusion

Let me conclude. The Call for Evidence has underlined the value of evidence-based rule making. And it showed the importance of assessing the combined impact of legislation. This allowed us to identify, and address, a great deal of unintended interactions in our rules.

We need to ensure that we provide as much regulatory certainty as possible. The introduction of new rules, or changes to existing ones, should follow a robust process during which we assess the impacts and consult relevant stakeholders.

The findings of the Call for Evidence are therefore a key input in the many ongoing and forthcoming reviews, for instance those on the EMIR, AIFDM, UCITS and Solvency II. They also fed into the fine-tuning of measures that form part of existing work streams, for instance the CMU Action Plan. And we use them to calibrate upcoming Level 2 measures.

The Call for Evidence also informed our input in global fora, such as the BCBS and the Financial Stability Board. It is encouraging to see that they have followed the EU's example by launching their own assessment on the overall coherence of global financial reforms. I strongly believe that Better Regulation principles should be promoted at the global level too and the Commission intends to play a leading role in that process.

The Call for Evidence is not a one off exercise. The principles of Better Regulation will continue to be applied rigorously by the Commission, whether we develop new rules or review existing ones. We will continue to focus on assessing the combined impact of our legislation, minimising compliance costs and ensuring proportionality.
But we can't do that alone. We will not stop engaging with stakeholders and we welcome any further evidence and feedback on how our rules and proposals are working.

As President Juncker emphasised in this year's State of the Union address, European legislation needs to deliver real added value and results. I am very pleased that with the Call for Evidence we have been able to run a first comprehensive check-up in the area of financial services thanks to your valuable input.

I wish all of you an interesting and fruitful debate.

Thank you for your attention.

Olivier GUERSENT