18 July 2011

Commissioner Michel Barnier
Commissioner for the Internal Market and Services
European Commission
Rue de la Loi 200
B-1049 Brussels

Dear Commissioner Barnier

The Association of Financial Markets in Europe (AFME) represents a wide range of participants in Europe's wholesale financial markets. Its objectives are to promote stable, competitive and sustainable wholesale financial markets supporting economic growth, employment and investment. Our members are committed to high quality reform of European financial markets.

I am writing now in the context of the forthcoming legislative proposals on prudential requirements for banks and investment forms – the CRD4 package. AFME wishes to make clear our support for what we understand to be the Commission's desire for a legislative format designed to enhance the level playing field for financial services in Europe.

We hold the view that the EU single market in financial services has reached the stage where central components of the prudential framework should be founded to a significant extent on regulation underpinning a European Single Rulebook, something which we have long supported. This is desirable to deepen integration, reinforce financial stability, and support sustainable economic growth. And it is necessary to forestall divergences in implementation which can contribute to fragmentation; as well as supporting a more effective crisis management and resolution framework.

We consider that a Single Rulebook will contribute to enhanced consistency of supervision across Member States. We note however that achieving such consistency depends upon enhanced efforts in respect of supervisory practices themselves, including an effective peer review system and strong, well-resourced progress by the European Banking Authority (EBA) on the issue.

The EBA will also have a central role in drawing up the technical standards for the effective implementation and consistent application of the legislation. AFME stands ready to contribute to this process and looks forward to making available the insight and expertise of its broad European membership to assist in this process.
It is important to significantly reduce the role of national discretions unrelated to the real risks and to eliminate the distortions that arise from goldplating. This is not inconsistent with the retention of an important role for judgement in certain areas – in particular of course in the areas of supervision and macroprudential oversight. However, an important question to be addressed, in order to maintain an efficiently functioning market, will be how to ensure that supervisors’ interpretative guidance on institutions’ activities and transactions will continue to be available in the context of a Single Rulebook.

We consider that the advantages associated with the deepened integration and enhanced harmonisation that would derive from such a legislative approach are numerous and substantial. Not only will it represent a significant step forward in the achievement of a European level playing field, strengthening competition and reducing the risk of arbitrage across Member States, it will also make an important contribution to ensuring sound and stable financial services supporting enhanced European competitiveness in the global economy.

Yours sincerely

Simon Lewis
Chief Executive
AFME

Cc: President José Manuel Barroso, European Commission
Commissioner Olli Rehn, Commissioner for Economic and Monetary Affairs, European Commission
Jonathan Faull, Director General, DG Internal Market and Services, European Commission
Nadia Calviño, Deputy Director General, DG Internal Market and Services, European Commission