Press release

**AFME recommends further improvements to the EU equivalence framework**

14 January 2020

AFME has today published a paper assessing the EU equivalence framework for financial services and providing recommendations to further enhance its functioning.

The paper considers last year’s [European Commission Communication](https://ec.europa.eu/info/publications/190729-equivalence-decisions_en) and recent developments in the EU equivalence framework. The EU’s equivalence system is one of the most widely used cross-border regimes for financial services and plays an important role by effectively regulating market access and international relationships.

In the paper, AFME proposes key objectives for the EU’s relationship with third countries and core principles which should underpin equivalence. It also makes a number of recommendations to further improve the functioning of the regime and strengthen relationships with third countries to ensure continued connectivity with international financial markets while effectively managing risks to financial stability, market integrity and investor protection. The paper addresses the EU’s relationship with third countries generally as opposed to the specific future relationship with the UK post Brexit.

**Oliver Moullin, Managing Director at AFME**, said: “*It is important to ensure* c*ontinued close connectivity between the EU and international capital markets. Relationships with third countries should be further strengthened including through improving the transparency and certainty of the equivalence process and further enhancing regulatory and supervisory cooperation with third country authorities.*

*“This will support continued connectivity with international financial markets, minimise unnecessary fragmentation and maximise benefits for consumers of financial services across Europe. It will also allow the EU to effectively manage risks to financial stability, market integrity and investor protection.”*

The paper advocates that for EU capital markets to thrive, alongside developing the EU financial ecosystem, it is important to maintain and continue to develop open capital markets that are able to provide investors and businesses with access to international capital, investment and funding opportunities while preserving market integrity and fairness of competition between EU firms and third country entities.

AFME believes that the following objectives should underpin the EU’s relationships with third countries with respect to financial services:

1. promoting open, competitive capital markets and minimising barriers to cross-border business, and maintaining market integrity, financial stability, fair competition and investor protection in the EU;
2. preserving choice for investors;
3. creating a stable and transparent framework to provide certainty; and
4. developing arrangements for close supervisory and regulatory cooperation.

AFME proposes four key principles which should be considered in the context of equivalence determinations:

1. decisions should be proportionate and risk-sensitive, based on sound regulatory and supervisory arrangements;
2. the equivalence assessment should be focused on alignment of regulatory and supervisory outcomes in the area under consideration;
3. there should be transparency in the decision-making process; and
4. decisions should be made in a timely manner and provide certainty and stability for market participants.

The paper can be downloaded from the **AFME website**.

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**About AFME:**

AFME (Association for Financial Markets in Europe) advocates for deep and integrated European capital markets which serve the needs of companies and investors, supporting economic growth and benefiting society. AFME is the voice of all Europe’s wholesale financial markets, providing expertise across a broad range of regulatory and capital markets issues. AFME aims to act as a bridge between market participants and policy makers across Europe, drawing on its strong and long-standing relationships, its technical knowledge and fact-based work. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. AFME participates in a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) through the GFMA (Global Financial Markets Association). For more information please visit the AFME website: [www.afme.eu](http://www.afme.eu).

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