ANSWERS TO THE EUROPEAN PARLIAMENT

QUESTIONNAIRE TO THE COMMISSIONER-DESIGNATE

Mairead McGUINNESS

Commissioner for Financial Stability, Financial Services and Capital Markets Union

1. General competence, European commitment and personal independence

What aspects of your personal qualifications and experience are particularly relevant for becoming Commissioner and promoting the European general interest, particularly in the area you would be responsible for? What motivates you? How will you contribute to putting forward the strategic agenda of the Commission? How will you implement gender mainstreaming and integrate a gender perspective into all policy areas of your portfolio? What guarantees of independence are you able to give the European Parliament, and how would you make sure that any past, current or future activities you carry out could not cast doubt on the performance of your duties within the Commission?

My 16 years' experience in the European Parliament, on a range of committees and different policy areas, has given me a depth of experience in shaping EU policy. I have been a Vice-President of the European Parliament since 2014, and in 2017, I was elected First Vice-President of the European Parliament by fellow Members of the European Parliament to represent their interests in the functioning of the institution and in its relations with other institutions (such as my role on relations with national Parliaments). Here I have promoted the role of the Parliament as the directly elected institution representing European citizens. My experience in the Parliament means that I listen to many perspectives, which makes me a good negotiator and bridge builder between sometimes very different views.

My first big policy challenge as an MEP was to chair the Committee of Inquiry into the Equitable Life Assurance Society. The European Parliament listened and responded to the pleas of policyholders who were left out of pocket. Our work resulted in compensation being paid to policyholders by the British Government. The recommendations of the Committee resulted in policy changes via the Solvency II regulation.

I am strongly motivated, whatever my role, to do the best possible job because I have a strong sense of duty. Prior to being elected in 2004, my work in journalism was based on that principle. In public life, I am acutely aware of my responsibility to my constituents and their concerns – listening and supporting, and bringing their perspectives into European policy-making. I believe in keeping close to citizens and I regularly engage with businesses, schools, workers, farmers – working to make the EU real for them and always making the connections between my work and their livelihoods.

Through this work, I have a deep understanding of the importance of financial stability and financial services for business, society and citizens. The financial stability, financial services and Capital Markets Union portfolio impacts directly and daily on our citizens, particularly during times of economic crisis. Measures to assist the economy and households have been put forward by the Commission, addressing the specific and unprecedented challenge which the pandemic has given rise to.

The Political Guidelines of President von der Leyen are about strengthening the EU internally and externally. It is important that we communicate that message to our grassroots, to communities across the Member States. My work as a Member of the European Parliament has always been about making that connection, explaining and answering the concerns of citizens.

I am committed to the tasks that President von der Leyen has assigned to me. In terms of ensuring an economy that works for people, I am committed to completing Banking Union: its current incomplete state undermines financial stability. I want to continue the work on creating a Capital Markets Union to allow money to flow more freely in the Union, supporting businesses especially SMEs, investors and citizens.

Within the financial services portfolio I know I can make a key contribution to a carbon-neutral Europe by 2050 with the sustainable finance agenda, as well as a Europe fit for a digital age via a new FinTech strategy and a common approach to crypto-currencies.

I welcome the strong support of this Parliament for gender mainstreaming. I welcome the work of the European Parliament Committee on Economic and Monetary Affairs on this, particularly pressing Member States to address gender mainstreaming in their nomination process for the European Supervisory Authorities. I am keenly aware of the need to do more, to address the imbalance in the roles and status of women in many areas of the economy. In the financial services sector, especially at board level and management level, there are very few women. More broadly, I am passionate about the social dimension in the financial stability, financial services and Capital Markets Union portfolio, which includes ensuring that women have equal access to capital and financial services.

I strongly believe in the value of the European Union and the values of the EU. Now more than ever, we need to remind ourselves and our citizens that those values can be eroded. This is why in the past and for the future, my focus will be on working to strengthen our EU in everything I do. I take the responsibility of joining the Commission with the utmost seriousness and realise the enormity of that responsibility. As an MEP as well as a Vice-President of the Parliament, I have fully respected the EU Treaties and the obligation to act in the European interest, and will continue this commitment if I am confirmed as Commissioner. I will follow the spirit and the letter of the Code of Conduct for Commissioners, including updating my Declaration of Interests should there be changes to it. I will avoid any situation that could put in question my independence or impartiality and will inform the Commission President of any situation that might lead to a conflict of interests.

2. Management of the portfolio and cooperation with the European Parliament

How would you assess your role as a Member of the College of Commissioners? In what respect would you consider yourself responsible and accountable to the Parliament for your actions and for those of your departments? What specific commitments are you prepared to make in terms of enhanced transparency, increased cooperation and effective follow-up to Parliament's positions and requests for legislative initiatives? In

relation to planned initiatives or ongoing procedures, are you ready to provide Parliament with information and documents on an equal footing with the Council?

I would be privileged and honoured to join the College of Commissioners and to join a gender-balanced College.

My role as a Member of the College would be to support our policy agenda, specifically in my case on financial stability and financial services issues, which can and do impact on every sector of the economy and on citizens.

In this role I would work particularly closely with Executive Vice-President Dombrovskis, who leads the Commissioners' Group of 'An Economy that Works for People', as well as Commissioners Gentiloni, Schmit and Ferreira who are in the same Group.

My role in these times of pandemic would be especially significant and I would work with my fellow Commissioners to support the Union and the Member States through these difficult times.

To that end, completing Banking Union as well as Capital Markets Union will provide for greater financial stability as well as a stronger financial services sector in Europe, helping to underpin the long-term economic recovery, and will focus in particular on the role of SMEs.

At the same time, I am keenly aware of the need for significant transformation of our economies and society towards a greener and digital future, including a common response to crypto-currencies. I also believe in a fairer financial system that tackles money laundering. And, I can play a key role in a geopolitical Commission via helping Europe to become more resilient to extraterritorial sanctions and to strengthen our sanctions policy.

I take the European Parliament's role in confirming my nomination very seriously and note that I and those who work for me will continue to be accountable to the European Parliament if I am confirmed.

Having served in the European Parliament, I have full respect for the work of fellow MEPs and the European Parliament collectively. I know the importance of transparency to the European Parliament. I will take this experience to the Commission with me and I believe I can assist in the communications between the Commission and the European Parliament, as well as communication and transparency on the side of the Commission towards citizens. We need to strengthen the links between our institutions in order to serve our citizens effectively. I will listen closely to the concerns of the European Parliament and work with the College of Commissioners to respond to the requests of the House, in full respect of the fact that this Parliament is directly elected by the citizens of the 27 Member States. In particular, I will work closely with the European Parliament Committee on Economic and Monetary Affairs as the main responsible committee for the Directorate-General for Financial Stability, Financial Services and Capital Markets Union issues and regularly brief its members. I will of course work with other relevant committees depending on the Parliament's decision on responsible committees, as well as relevant plenary sessions.

In relation to sharing information and documents, I believe that in order to make good legislation, the institutions must have good working relationships, respect each other's respective roles and work together to make progress. I have negotiated in trilogues for the European Parliament and will be committed from the Commission side to effective negotiations. I am committed to the full implementation of the Inter-Institutional Agreement on Better Law-Making and the Framework Agreement. The European Parliament and the Council are co-legislators under the EU Treaties and I will respect the principle of equal treatment for both institutions. I support President von der Leyen's commitment to strengthen the European Parliament's right of initiative and the Commission's commitment to follow up to parliamentary resolutions within three months.

Questions from the Committee on Economic and Monetary Affairs

Question 1. Covid / STABILITY / RECOVERY

What is your assessment of the threat to financial stability from the current pandemic crisis? What are your views on the five priority areas identified by the ESRB (Implications for the financial system of guarantee schemes and other fiscal measures to protect the real economy/ Market illiquidity and implications for asset managers and insurers/ Impact of large scale downgrades of corporate bonds on markets and entities across the financial system/ System-wide restraints on dividend payments, share buybacks and other pay-outs/ Liquidity risks arising from margin calls)? Are the measures taken or proposed to support the recovery adequate and how will you make sure they are actually reaching consumers, borrowers and those in need and not just being soaked up by financial institutions? What is the role of financial markets and how can public institutions play a role alongside private investors to drive the recovery, especially in the context of the Recovery Plan? Given the poor track record of deregulatory approaches in the past, what gives you confidence that the Capital Markets Recovery Package might have any significant impact on the financing conditions of European companies?

The socio-economic impact of the pandemic is unprecedented, for citizens, businesses and in particular for the vulnerable in society. The EU has delivered a powerful collective response to cushion the economic blow of the pandemic and to set the foundations for a resilient recovery. We have responded resolutely to the challenge, mobilising all tools and resources at our disposal. Everyone, the European Parliament, the Council, the European Commission, the European Central Bank and the other EU institutions as well as the Member States, have made enormous efforts to preserve the stability and integrity of our economies. Financial institutions entered this crisis in a stronger position compared to the past, thanks to the reforms undertaken over the last decade. This means that this time round, we can ask financial institutions to be part of the solution, and the increase in bank lending to businesses at the start of the crisis is an encouraging indicator. However, as we struggle to understand fully the progression of the virus, we must be attentive to the medium to long-term. It is crucial that we continue to ensure adequate surveillance of the financial system, managing any potential problems that may arise, and that we are ready to take decisive and coordinated action in response.

The European Systemic Risk Board has an important role to play in this respect, based on a macroprudential mandate. The five priority areas identified by the European Systemic Risk Board are highly relevant, and the work that it has done leaves us better prepared to deal with possible liquidity and solvency shocks. The guarantee schemes and the other fiscal measures introduced by Member States have reduced significantly risks for the financial sector in the short term, and have contributed to continued and, recently, even increased lending. However, the challenge will lie in exiting from these measures, as rising default rates are expected to translate into losses or reduced profits across the financial sector, an abrupt re-pricing of riskier asset classes such as high-yield corporate bonds and leveraged loans, and a resurgence of non-performing loans on banks' balance sheets. We may also witness more episodes of generalised volatility in financial markets, depending on the evolution of the pandemic and its impact on economic activity. Second, in the early weeks of the Covid-19 crisis, many asset managers experienced liquidity strains amid high demand for withdrawals from their funds. This risk receded following interventions by central banks, but continued vigilance and strengthened oversight of the asset management industry are key going forward. Third, largely due to the measures taken by governments and by central banks, a wave of corporate defaults has been averted in the short term, and we have not observed widespread credit downgrades by credit rating agencies. However, we must remain alert to the possible pro-cyclical effects of simultaneous credit downgrades if the post-Covid-19 recovery is weaker than expected. With regard to the fourth priority area, the Single Supervisory Mechanism has urged restraint in dividend pay-outs and in other forms of pay out, to ensure that banks use all available capital to support lending to the real economy. I fully support the action of the supervisor. With respect to the final priority area, liquidity risks related to margin calls have eased, again largely due to intervention by central banks. However, the episode is a reminder of the systemic importance of properly functioning arrangements for clearing and settlement. In this field also, it is important to stress the need for continued vigilance as well as bold and timely responses if and when needed. I look forward to the results of the European Systemic Risk Board's work in these various priority areas and some of this work, for example regarding liquidity risk for asset managers or insurers, might usefully feed into the future reviews of the EU regulatory framework.

The various measures taken to support the post-Covid-19 economic recovery must be felt on the ground. The Commission, together with the Council and the European Parliament, will continue to work to ensure that current and future measures reach those consumers, borrowers and businesses in need. In this respect, if I am confirmed as Commissioner, I will continue to prioritise an ambitious recovery strategy. Cooperation with the European Parliament and Council has been fruitful, as shown for example by the swift agreement on the Capital Requirements Regulation 'quick fix'. I will ensure that we continue on this path so that banks can fully support citizens and companies during this pandemic. In April, the Commission adopted a banking package to help facilitate bank lending to households and businesses throughout the European Union, including an Interpretative Communication on the EU's accounting and prudential frameworks, as well as targeted 'quick fix' amendments to EU banking rules. The Interpretative Communication for the banking sector clarified how EU rules should be applied by banks and supervisors in a flexible but responsible manner, so that they can continue to lend to businesses and households. The capital markets recovery package will help to encourage investment in the economy, allow for the rapid re-capitalisation of companies and increase banks' capacity to finance the recovery. This will help the financial sector to continue to be part of the solution to the Covid-19 crisis. The Commission, the European Central Bank and the European Supervisory Authorities have also urged banks to exercise restraint as regards distribution of dividends, share buy-backs and payments of variable remuneration (bonuses). This will ensure that the support measures are effective and support businesses and households to the greatest extent.

Member States have also put in place a range of support measures to keep businesses afloat and secure jobs. Significant public guarantee and subsidy schemes are in place, as well as payment moratoria. Supervisors have provided capital relief for banks to facilitate loss absorption or encourage lending. These measures should make it easier for banks to support the real economy. However, the take-up of the various support measures varies significantly among Member States, for reasons including low demand, administrative hurdles, costs and limited knowledge of the schemes. To ensure consistency among the measures taken at Member State level, the Commission is engaging with stakeholders to produce a set of best practices. I will maintain this close engagement with stakeholders, if I am confirmed as Commissioner. While Member States and EU institutions have also taken measures to underpin the economic recovery after the Covid-19 crisis, there remains a high degree of uncertainty about the future course of the EU economy. While recovery programmes, including Next Generation EU, have yet to be implemented, some of the immediate relief measures in Member States may be phased out. Such phasing out should be done in a gradual and organised manner. In particular, smaller businesses need to have strong support to ensure they have continued access to funding. I will push for further work to ensure that public-sector financial institutions, national development banks and the European Investment Bank complement the role that the private financial sector is playing to support the economic recovery.

In the recovery phase, businesses will already be highly indebted and so will need increased access to equity markets for their funding. This is why the Commission has proposed the Capital Markets Recovery Package, aiming to facilitate investment, especially equity investment, in businesses and notably SMEs. In the recovery phase, it is even more important to avoid unnecessary red tape. The proposal aims among other to reduce burdensome reporting requirements that have limited added-value, to simplify disclosure requirements with the EU recovery prospectus and to amend the securitization framework so that banks can safely free up capital to support SMEs and households who need it the most. I am confident that a consensus at European level can be reached quickly. I do not see the Capital Markets Recovery Package as a deregulation effort. It is about better regulation. The proposal makes no concessions which might diminish the high level of consumer protection that the Markets in Financial Instruments Directive (MiFID II), among other legislation, aims to achieve. I do not intend to rollback from these standards. These proposals will not solve the crisis, but they can make a real difference for issuers and investors, with no concessions on the principles underpinning investor protection.

Finally, I see Next Generation EU as a crucial opportunity to move ahead with the green and digital transformations, which can underpin the recovery. We must also repair the damage from the crisis in a way that also invests in our future. We will advance our economies towards greater sustainability, including with respect to environmental protection and climate change, and greater overall resilience. In this respect, Next Generation EU will equip the EU with a powerful tool to get the economy back on its feet and build for the future. Public funding alone is not enough: we also need massive investment from private actors, and this is why the Capital Markets Union action plan, the digital finance strategy and the upcoming strategy for sustainable finance constitute key components of the Commission’s response to the crisis.

Question 2. BANKING UNION

How will you promote the completion of the Banking Union? What complementary measures would you take to reduce market fragmentation, reduce regulatory and supervisory arbitrage opportunities (especially in the areas of business conduct and consumer protection), maintain a level playing field and tackle ring-fencing most notably in banking sector? Do you think that the EU resolution framework adequately delivers on its mandate? What specific steps would you take to close existing loopholes and reduce supervisory forbearance by further incentivising convergence, monitoring and supervision at the EU level? Given that European banks are still frequently rescued

using taxpayers' money, which steps will you take to close the existing loopholes in the state aid and resolution rules for banks? Last year your predecessor said that '[t]he EU is committed to carrying through the final Basel III reforms faithfully'. Will you deliver on this commitment? How will the implementation progress on the final Basel III rules in other jurisdictions impact the EU timeline? How will the impact of the pandemic affect the Commission's implementation approach? How will you take into account the specificities of the European banking system and safeguard the principle of proportionality? In light of the recent pandemic what is your view on the issue of NPLs and how fit for purpose are the outstanding legislative proposals on dealing with NPLs? In the banking sector, where do you see the balance between global competitiveness and prudential resilience? What is your strategy vis-à-vis the future of the European banking sector in terms of mergers and acquisitions, consolidation and 'national champions'?

Completing the Banking Union is a key priority for the Commission. Much progress has already been achieved in building the Banking Union and the benefits of these efforts have been evident during the Covid-19 crisis. However, we are missing some crucial elements of the architecture. This is particularly true in the case of the 'third pillar' – a European deposit insurance scheme – and the early introduction of the common backstop to the Single Resolution Fund. We have to work with urgency on delivering the European deposit insurance scheme, addressing home-host issues, improving the crisis management framework and mitigating the sovereign-bank nexus. If I am confirmed as Commissioner, I will work to unblock progress towards completing the Banking Union, seeking to address the various concerns of Member States and the European Parliament.

The level of market integration in the Banking Union remains suboptimal, inferior to the situation prior to the 2008-2009 global financial crisis. Market fragmentation limits the ability of banks to benefit from a more efficient management of capital and liquidity and to pass on efficiencies to the real economy and consumers. The current fragmentation reflects a lack of mutual trust between the authorities responsible for parent companies ('home' Member States) and those responsible for subsidiaries ('host' Member States). Addressing this lack of trust is key to reducing market fragmentation in the Banking Union and making our industry more competitive internationally. Introducing measures to enable a more centralised and efficient management of capital and liquidity at group level should be accompanied with credible and enforceable mechanisms to ensure availability of support from the parent company to its subsidiaries in times of crisis. Agreement on a European deposit insurance scheme will also be key to strengthening the confidence of host Member States with regard to additional safety nets and the proper alignment of governance and financial responsibilities, as well as the overall functioning of the Banking Union.

The Banking Union depends on an effective and workable crisis management framework. The intention is to ensure that bank failures can be managed without using taxpayers' money, while still preserving financial stability and protecting depositors. That is the rationale behind the framework and why it was created, together with specific industry-financed funding sources for use in resolution (the resolution fund and deposit guarantee schemes). I believe that the current crisis management framework has sufficient in-built flexibility to deal with problems that may arise in the short term. However, based on experience of its first years of existence, I think we have to consider what measures are needed to optimise the functioning of the resolution system in the medium term. We will need to ensure that the public interest assessment functions correctly and that resolution is sufficiently applied. We will also need to ensure that when resolution is undertaken, the resolution fund and the deposit guarantee scheme are used effectively. The conditions to access these sources of funding should be neutral to the business model. As we have a very diverse banking sector in the EU and in the Banking Union, we need an effective and credible solution that works for all banks. We will need to look at the entire crisis management framework (resolution, insolvency and deposit protection rules) and try to ensure that, whatever solution is chosen, it can work in a consistent manner and preserve a level playing field. This will also require coherence with the state aid framework, and if confirmed as Commissioner, I will work closely with Executive Vice-President Vestager on those issues.

In the banking sector, the quality of supervision has been improved through the creation of the Single Supervisory Mechanism and a good level of convergence has been reached due to efforts of both the Single Supervisory Mechanism and the European Banking Authority. The effectiveness of the prudential framework is reviewed regularly, and ways to address remaining shortcomings are being explored, including in the context of the next banking package.

As regard the implementation of Basel III, the impact of Covid-19 on banks' financial situation must be taken into account. First, the impact of the economic shock caused by the pandemic needs to be assessed. Second, the lessons we can learn from the current crisis should equally inform our policy decisions. If the analysis shows that certain aspects need to be accommodated, I would not shy away from using the room that we have to do so, while preserving the integrity of the overall framework. However, the Covid-19 crisis has also demonstrated the importance of international regulatory cooperation and of a robust prudential framework to ensure banks are well capitalised and able to finance the recovery. The final Basel III reforms will tackle outstanding shortcomings of the prudential framework. If confirmed, my approach will be to implement those reforms faithfully, taking into account the specificities of the EU economy and the objective stated by the European Parliament and Council for the reforms – not to result in a significant increase in the overall level of capital requirements.

The implementation deadline agreed by the Basel Committee should ensure that all member jurisdictions transpose the standards according to the common timeline. I am committed to timely implementation of the final Basel III reforms and would take all necessary steps to this end – only then can we expect our international partners to do the same. International standards ensure that global competitiveness does not come at the expense of prudential resilience. Similarly, high-level prudential standards implemented in all major jurisdictions avoid harmful competition based on a regulatory race to the bottom. This approach requires international standards to be implemented faithfully and in a timely manner by all participating jurisdictions. Obviously, in our regular exchanges with our main partners, we will ensure that it is the case.

In the EU, we implement international standards for all banks, which requires making use of the flexibility embedded in those standards to accommodate different business models, preserve the diversity of the EU banking sector and the specific ways in which our economy is financed. Structural features of the EU economy, such as the important contribution of SMEs, which are usually not rated, must be taken into account and the ability of banks to finance strategic industries and infrastructure must be preserved. A proportionate approach implies providing for simple but conservative alternatives for the new complex standards that are introduced, and aiming to further reduce compliance costs.

In light of the Covid-19 pandemic, we also need to consider how to address the issue of non-performing loans. Non-performing loans have not yet materialised on banks' balance sheets, but a generalised increase in non-performing loans seems almost inevitable. So, I see a window of opportunity now to make sure that we are prepared for a possible increase in non-performing loans. Addressing this issue is a necessary pre-condition for a sustainable recovery. We will need to ensure that any renewed accumulation of non-performing loans on banks' balance sheets will not constrain lending to the real economy. This means that banks will need to have the tools to address rising non-performing loans. Executive Vice-President Dombrovskis has already announced that the Commission will bring forward a new non-performing loans strategy in the coming months. This non-performing loans strategy will need to focus on two areas: developing secondary markets for distressed assets; and achieving a successful reform of the fragmented insolvency regime by ensuring an effective collateral enforcement mechanism and continuous improvements in the efficiency of the court system. The current Commission proposal for a Directive on credit servicers, credit purchasers and the recovery of collateral should help and be a basis upon which we could build and take further targeted initiatives, as appropriate.

Finally, it is important to emphasise that completing the Banking Union and accelerating the Capital Markets Union can facilitate cross-border mergers and further integrate the EU banking market. Commercially justifiable and prudentially sound consolidation in the banking sector could help address the low profitability of the sector, and thereby enable banks and their customers to reap the benefits of economies of scale in the single market.

Question 3. CAPITAL MARKETS UNION

Is the creation of the CMU advancing sufficiently quickly? What is your assessment of the recently updated CMU action plan? What is your view on the current supervisory architecture and the possible path towards fostering supervisory convergence at European level and moving towards more integrated supervision at European level, and building up a European single regulator for capital markets and a single rulebook for significant or cross-border capital markets activities? Are you planning to submit proposals in the area of insolvency, civil proceedings, and contract and tax law, as part of the CMU? How can SME's gain better access to long term funding via capital markets? What are your views on a future revision of EU AML legislation in particular in relation to supervision, enforcement architecture and the potential transformation of AML legislation from a directive into a regulation? How will you tackle possible pressure from the financial industry to reduce the strength of current regulatory standards and measures to ensure resilience of financial markets? Will you prioritise infringement proceedings on the lack of effective implementation of EU money laundering legislation? Will financial transparency remain a Commission's priority and public country by country reporting in particular? If yes, how does the Commission intends to ensure that the Commission's proposals on that matter are advanced at Council level?

Since the first action plan in 2015 and the mid-term review in 2017, much work has been done to create a Capital Markets Union. Many of the measures agreed at legislative level are not yet implemented and financial market participants will need time to make full use of the new opportunities. So, the full impact of measures already taken have yet to be fully felt.

Nevertheless, despite the progress made, the Capital Markets Union is far from complete and we must go further still. It is now very clear, in light of the Covid-19 pandemic, that the EU needs well-functioning, deep and integrated capital markets to support our economic recovery, finance the green and digital transitions, provide extra income for citizens, especially for older generations, and to support a competitive, open and strategically autonomous Europe in an increasingly complex global environment. The Capital Markets Union action plan, just adopted by the Commission on 24 September, is a necessary and well-timed step. The action plan is a balanced proposal that is both ambitious and targeted. Some of the proposed actions are ambitious, especially in the areas of taxation, insolvency law and pensions. However, progress on these actions is needed if we want to achieve truly integrated capital markets. If confirmed as Commissioner, I will be fully committed to the implementation of this action plan.

Developing the supervisory framework for increasingly integrated capital markets will require careful consideration. Convergent supervision is absolutely necessary if we want to have a genuine level playing field for all market players. This will be particularly true in a post-Brexit world, with multiple financial centres operating across the EU.

In a single market, the impact of an individual failure can extend beyond national borders, as can be seen with the recent Wirecard scandal. Therefore, consumers and investors across the Single Market should be confident that market participants are appropriately supervised wherever they are authorised. The same standards should be applied and enforced with the same rigour everywhere in the Union. An enhanced single rulebook will help better align supervisory practices and can underpin progress towards more European supervision, and we will need to assess whether it makes sense to strengthen European Supervisory Authorities' powers in some areas.

The Capital Markets Union action plan also proposes further convergence to make insolvency regimes and taxation procedures more efficient. Long judicial procedures are in the interest neither of those who borrow nor of those who lend. Similarly, tax refund procedures for cross border investors are lengthy and fraud-prone, Tackling disadvantages faced by cross-border investors is crucial for a well-functioning Capital Markets Union.

The updated Commission action plan does not cover contract law, nor civil procedure. However, in 2018 the Commission proposed rules for the accelerated extrajudicial enforcement of collateral under the Capital Markets Union umbrella. This proposal remains important and progress by the European Parliament and Council is desirable.

SMEs should be at the core of the strategy for deepening the Capital Markets Union. As is the case with other companies in the EU, SMEs traditionally heavily rely on loans from banks to finance their activity. However, capital markets offer alternative solutions to finance growth. The Capital Markets Union should make it easier for small companies and start-ups to obtain finance by simplifying access to stock exchanges, disseminating financial information, and by supporting the role of long-term investors. European long-term investment funds also have a strong potential to increase long-term financing for European SMEs.

The ultimate beneficiaries of the Capital Markets Union should be European citizens and European businesses. That is why I will strive, if confirmed, when developing legislative proposals, to find the right balance between legislation that allows financial market participants to offer their services in an efficient manner and at a competitive price for their customers on the one hand, and that ensures investor protection and financial stability on the other hand. The Capital Markets Union action plan is therefore an opportunity not only to deepen capital markets in Europe for the benefit of businesses and investors, but also to build a more inclusive system that benefits smaller companies and start-ups, and that meets the expectations of EU citizens and allows them to invest in the future.

If confirmed, I would address in 2021 the gaps in our anti-money laundering legislation. The anti-money laundering rules on customer due diligence, the beneficial ownership transparency regime and the list of entities made subject to anti-money laundering obligations need reform. Some of these elements would, in my view, require full harmonisation through a regulation. We need to ensure that anti-money laundering supervision is effective via a new EU-level supervisor, fully independent and with the necessary resources, capable of working directly with national supervisors to make sure scandals such as those we have seen recently do not happen again.

In this area, strict enforcement of rules to detect money laundering is vital. If confirmed, I intend to follow through with the infringement proceedings already open and will not shy away from opening new ones where necessary. A study by the Council of Europe, which has extensive experience in this area, will also feed into the report on the implementation of the Anti Money Laundering Directive that the Commission is required to submit by 2022.

Corporate transparency is a high priority for me. There is widespread public demand for better information on corporate activities and on their economic and broader societal impacts. The country-by-country reporting remains an important milestone in that regard, and I am committed to working relentlessly with the Parliament and the Council to unblock the current stalemate.

Question 4. SUSTAINABLE / DIGITAL / CONSUMER FINANCE

What are the key priority areas to strengthen consumer protection in banking and financial services in order to ensure effective and consistent rules and standards across the EU? How can we ensure that customer protection fits into the new financial technology, digital currencies and payment methods, in particular when customers are moving, investing or shopping across borders? How do you intend to balance the objectives of encouraging innovation, safeguarding financial stability and protecting investors? How would you improve the financial system and its regulatory framework in order to encourage long-term investment, integrate ESG criteria and to channel capital towards sustainable investments? What can the EP expect under the renewed sustainable finance strategy? What specific measures will you undertake to develop an EU Green Bond Standard? How will you move forward in order to fulfil the legislative mandate to develop further the EU Taxonomy for sustainable activities by the end of 2021, so as to include in the scope social objectives ensuring that the EU taxonomy continues to be the reference for sustainable activities for EU policies in area of financial services? Are you planning to take further steps to promote the integration of sustainability preference in retail investment and in the rating agencies framework?

If I am confirmed as Commissioner, my overall aim is to make sure that we have in place a financial system that works for people and for society.

We need a clear legal framework that enables competitive and high-quality services, that provides a high level of consumer protection as well as transparency, and empowers (retail) investors to make informed decisions.

A financial system that works for people also means ensuring financial inclusion. An inclusive financial system leaves no one behind. We are not there yet and more can be done. I believe that consumers should be placed at the centre of our rule-making. More specifically, if confirmed, I will assess and address any shortcomings with respect to retail investment, looking to promote greater participation so that consumers are able to save more efficiently for their retirement. Needless to say, greater participation of retail investors will require commensurate levels of protection for those retail investors.

Any assessment of possible shortcomings in our regulatory framework must include, among others, a review of disclosure rules and inducements, as well as measures to enhance financial literacy. I will also review other consumer protection legislation in the financial services area (including the Mortgage Credit Directive), assess whether any regulatory change is needed against the background of the Covid-19 crisis, and whether the current rules are fit to accommodate the progressive digitalisation of financial services, particularly for retail customers. I believe it is also important to address any short-comings identified when the Payment Accounts Directive is up for review.

Fintech, digital currencies and other innovative payment methods (e.g. contactless payments) can bring real benefits to consumers across the EU, but there may also be new risks, particularly in terms of security, data protection, inclusive access and consumer protection. If confirmed, I will be looking to follow a multi-faceted approach. In terms of the legal framework, existing rules will need to be adapted to the digital world whenever necessary, and in ways that ensure consumers are properly protected. In this vein, the Commission recently adopted two proposals on crypto-assets and operational resilience. From the supervisory angle, I want to look at how we can support and coordinate the work carried out in innovation hubs and sandboxes and ensure that our supervisors have the right skills, that they are fully on top of developments in digital finance and understand how innovative new digital finance products and services affect consumers.

In terms of education, we must support and coordinate financial literacy programmes implemented at national level, in particular those focusing on digital financial services, to ensure that consumers understand the benefits but also the risks of new products and services.

There are a number of ways we can achieve a framework that, while encouraging innovation, also balances stability and consumer protection objectives. For example, the Covid-19 pandemic has illustrated just how important it is for consumers and businesses to be able to access and manage their finances fully remotely across the EU, including across borders. We also need new measures to ensure a high level of security for all these on-line transactions. Where necessary, our consumer protection rules will need to be adapted to the digital world. I also note that large technology providers are becoming increasingly active in finance. They can contribute to offering innovative, convenient, and cheaper financial services, but we must ensure that our prudential and conduct rules, which guarantee financial stability, market integrity, consumer protection and fair competition, are applied, as appropriate, to this fast-changing ecosystem.

I also intend to pursue an ambitious renewed sustainable finance strategy, as announced in the European Green Deal. I will seek to further hard-wire sustainability into the financial system and ensure that growing the economy and greening the economy go hand-in-hand. The strategy will consist of several mutually reinforcing initiatives, mainstreaming sustainability in corporate decision-making and disclosures, thus enabling investors to seize new opportunities in sustainable investment (covering the entire environmental, social and governance field). Fully integrating climate and environmental risks into the financial system is a must.

There is currently work ongoing to develop the EU green bond standard, and the Commission is conducting a targeted consultation to seek feedback from stakeholders. If confirmed, I will be looking at how to take things forward, taking into account the outcome of the consultation, and I will consider whether a legislative initiative for an EU Green Bond Standard, based on the EU taxonomy, is needed. We will set out the intended way forward for the EU green bond standard in the renewed sustainable finance strategy.

The green transition must be inclusive: the post-Covid-19 recovery presents an opportunity to tackle long-standing social issues. Sustainable is not just green but social too. We will assess, as part of the work of the new platform on sustainable finance, whether and how a social taxonomy could address some of the challenges related to the achievement of social objectives.

I am keenly aware of the growing importance of integrating sustainability preferences in retail investment and in the rating agencies framework. The renewed sustainable finance strategy will look into the merits of providing further detailed guidelines on how financial advisors should assess and consider clients' sustainability preferences. The Commission is currently assessing the potential shortcomings of sustainability ratings, such as the lack of transparency of methodologies, potential conflicts of interest or the lack of comparability of data and ratings. On the basis of this assessment, I will consider further action in this area.

Question 5. BREXIT

Have the risks to financial stability from Brexit increased in recent weeks? Is the EU financial system sufficiently robust to cope with a 'no deal'? Which are the spill-over impacts and consequences of Brexit for the EU financial services sector and financial centres, in particular as regards clearing and settlement? Do you think the equivalence system is the best way to organise the relationship between EU and UK in the absence of an agreement for the future EU-UK relationship? How do you intend to ensure that regulatory regimes do not drift apart once equivalence has been granted? Will the new financial services landscape after Brexit require an updating of current legislation? If yes, which pieces of legislation would need to be reviewed? What specific actions will you undertake to strengthen the EU's strategic autonomy in financial services, notably in relation to relevant third-country jurisdictions, such as the UK, the US, Japan and China?

Efforts continue to reach an agreement between the EU and the UK, led very ably on the EU side by Michel Barnier. I have followed the lengthy and difficult Brexit process very closely, as I represent a constituency along the invisible border with Northern Ireland. Trust is key to the future. Change is inevitable regardless of the outcome of negotiations.

Before the departure of the UK, the City of London was the EU's main financial centre. That situation is about to change as the UK will soon begin to operate fully outside the EU framework of rules, supervision and coordination in financial services. I am sensitive to how we manage that process of change, particularly in respect of safeguarding financial stability. As tensions in the overall EU-UK negotiations have increased, we continue to prepare for all possible scenarios, including a no further equivalences scenario.

I do not believe that risks to financial stability have increased in recent weeks. Based on analysis conducted with the European Central Bank, the Single Resolution Board and the European Supervisory Authorities, the Commission has concluded that the main source of financial stability risk would be a disruption in the central clearing of derivatives through central counterparties established in the United Kingdom. This was identified as the only area where there are financial stability risks in the short term in the case of no equivalence decision. On 21 September, the Commission adopted a time-limited decision on equivalence of central counterparties established in the UK so as to protect financial stability in the EU. The European Securities and Markets Authority will now implement the European Market Infrastructure Regulation (EMIR 2) and has already recognised three UK central counterparties. This temporary equivalence decision aims to protect financial stability in the EU. Looking forward, it is clear that the EU is heavily reliant on UK central counterparties and it will be important to reduce EU clearing members' exposures to UK central counterparties, in particular over-the-counter derivative exposures that are denominated in euro and other EU currencies. The time-limited equivalence decision allows for the further development of the capacity of central counterparties authorised in the EU to provide such services.

In relation to central security depositories, the Commission is working in close cooperation with the relevant authorities, and monitors the market preparedness in this very technical, but important area. Market participants are urged to take all necessary steps by the end of 2020 to prepare for all possible outcomes.

The Commission has concluded that, irrespective of the outcome of the ongoing negotiations and of assessments of equivalence, there should be no risk to financial stability at the end of 2020, other than with regard to central counterparties as described above. Firms have been urged to complete their readiness measures by the end of 2020; they should be ready for all possible scenarios, including no equivalence, as they have had over 4 years to prepare since the referendum. The Commission Communication on readiness, which was adopted on 9 July 2020, and specific sectoral notices for financial services during the summer repeated this message.

The end of the transition period on 31 December 2020 will lead to significant changes in the relationship between the United Kingdom and the EU in the field of financial services. These changes will come irrespective of the outcome of the negotiations on the Free Trade Agreement and the Commission's unilateral assessment of financial services equivalence. It will not be business as usual as, in any case, UK financial services firms will lose the benefit of the financial services passport. There will be a very different relationship compared to the current situation in terms of market access, the regulatory framework and supervisory oversight. I am convinced that the systematic and diligent work carried out by the Commission and the European supervisors to date will underpin the robustness of the EU financial system to cope with all scenarios.

Typically, financial regulation is managed largely outside any Free Trade Agreement on the basis of regulatory dialogue and unilateral equivalence decisions. This will also be the case for the UK. The EU may, in due course, decide to grant equivalence in some or none of the equivalence areas. Any decision to grant equivalence will be based on the best interests of the EU. Equivalence is a process rooted in trust and the EU needs to be able to trust that the third country in question will remain on a path of convergence with the EU framework and will ensure similar outcomes.

The Commission is currently undertaking an unprecedented exercise of parallel assessments of many equivalence areas with respect to the UK. This approach has been based on standard practice with other third countries, with some targeted questions to take into account the specific UK situation. While equivalence is normally the end of a process of convergence, the situation of the UK is very different. The UK begins from a position of close convergence but has clearly stated its general intention to diverge from EU rules. In addition, the new UK regime will give a lot of discretion to UK supervisory authorities. While the UK is of course entitled to diverge after transition, this increased uncertainty will naturally have consequences for the EU's equivalence assessments.

A further dimension in bilateral financial services relations is regulatory cooperation. As Commissioner for financial services, I would stand ready to engage with the UK on a self-standing, voluntary, structured and flexible framework for regulatory cooperation. The objective of such cooperation is to provide a forum for dialogue to explain regulatory developments and prospects and anticipate possible issues relating to any equivalence decisions in place. Such regulatory cooperation should be based on trust and would preserve each side's regulatory autonomy.

The Commission is particularly mindful of the risks for the EU in terms of financial stability, market transparency, market integrity, investor protection and unfair competition when assessing equivalence, given the interconnectedness between the EU and the UK markets. In addition, the UK government's stated intention to diverge from the EU's regulatory and supervisory frameworks in the area of financial services after the transition period requires the

Commission to assess UK equivalence in each area on a forward-looking basis as well as to thoroughly assess the UK temporary regimes.

Should equivalence be granted in a particular area, it will need to be accompanied by robust commitments from the UK to ensure equivalent outcomes, as well as commitments not to deviate from the EU framework for the period covered by the equivalence decision. For those areas, the Commission and the European Supervisory Authorities should also put in place robust equivalence monitoring arrangements to follow developments in the UK, in line with the general equivalence policy set out in July 2019.

I support the Commission's approach to future EU-UK relations in the financial services field.

The Commission, and in particular the Directorate-General for Financial Stability, Financial Services and Capital Markets Union continues to review the existing legislation both in the context of Brexit and more generally. Under the guidance of President von der Leyen, there is a wide range of policy analysis and development ongoing across many different areas from Capital Markets Union to sustainable finance to digital to retail, to mention just a few. As Commissioner, I would ensure the continuation of priority files and consider, as appropriate, additional areas for new legislative proposals or amendments to existing legislation. Obviously, now that the UK is no longer a Member State, future evolutions of the EU legislative and supervisory framework will need to factor in the specific implications for financial stability, market integrity, investor protection and the level playing field, of having an off-shore financial centre so close to the EU's single market. Notwithstanding the significant readiness work already undertaken, as the situation evolves, I will ensure that any necessary measures will be taken swiftly and in the best interests of the EU.

Our financial system in the EU is open and benefits from good cooperation with other third countries. A good dialogue with supervisory and regulatory authorities is the best way to properly manage cross-border risks. I will continue to develop supervisory and regulatory dialogue with all relevant jurisdictions. In that regard, the UK is no different.

As with all third countries, cooperation must be based on trust. Experience with various third countries shows that when trust is present, voluntary and flexible forums often lead to a more dynamic cooperation than formal structures.

More broadly, geopolitical developments over past years have increasingly underscored the need for the EU to position itself on the global stage. Europe will continue to champion open trade and rules-based multilateral cooperation. However, the EU should not be naïve about defending its own interests and should fight against unfair competition both in the single market and globally.

I believe that Europe must develop the tools to protect our economy, defend our geopolitical interests, and affirm our open strategic autonomy – this means reaping the benefits of openness for our businesses and citizens, while protecting them from damaging actions by third countries, including the extraterritorial effects of their sanctions, and building up our resilience to be better equipped for future challenges.

To address these challenges, we need to deploy a broad set of policies. I support the development of a strategy based on three mutually reinforcing elements: strengthening the Economic and Monetary Union, with the completion of the Banking Union and the Capital Markets Union as key elements; enhancing the international role of the euro which has the potential to reinforce the EU's economic and financial sovereignty; and developing a more effective sanctions policy.