

Make Europe Strong (Again): better regulation, improved supervision and a European mindset

In these turbulent times, Europe needs to step up and fulfill the promise of the internal market. To make it happen, we need better regulation, improved supervision and a true European mindset, argues Laura van Geest, Chair of the Executive Board of the Dutch Authority for the Financial Markets.

Politicians nowadays like to make grand gestures. But the grandest gesture Europe could make now is to fulfill its core promise: a real internal market, that serves as Europe's backbone in a world dominated by (geo)political unrest. The creation of this internal market has been in the works for decades. If we want to make it happen, this is the moment to stand up. It requires a lot of work, but we don't have to start from scratch. The Commission is already acting upon the urgency voiced in the Draghi report as well as those from Letta and Noyer. But there's much more work to do. Three essential steps will help us create a fit and streamlined European economy, with a better functioning internal market for capital, savings and investments.

Better Regulation

First, we need to improve EU laws and regulations. The Commission's competitiveness compass is an interesting start, but we need more simplicity, unity and burden reduction across the board. Better regulation does not always mean less regulation. So what makes regulation better? Improving the quality of impact assessments does, so we can see the impact of laws more clearly and can assess ex-ante whether legislation will add to the policy objective. Execution checks on practical feasibility improves regulation help as well. We need to know clearly if - and how - legislation is feasible. A third factor is that we should also take much more advantage of behavioral insights when drafting new legislation. The 'homo economicus' does not exist. People often follow the path of *least resistance* in their choices. So let us help professionals and consumers with clear default options, that should lead to the best and most appropriate outcomes. Maximum harmonization of rules is another important factor. This can be done by replacing directives with regulations where possible. And by solving political 'hot potatoes' in Level 1 regulations instead of kicking the can down the road and solving it in more technical levels. Yes, negotiations on regulations often take longer. But we will reap the rewards of this small investment in the longer term. And finally: data. Central delivery, storage and processing of data helps us all by creating a one-stop-data-shop for market parties and regulators.

Improved Supervision

Second, a truly internal market means more unity in supervision too. This raises practical questions: how to organise centralized supervision? How to deal with existing structures? What activities should be subject to central supervision? The central question here is: what form of centralisation makes for greater efficiency and effectiveness in capital markets?

Since there are many options, I'd like to propose three crucial preconditions: governance, funding and culture.

As far as governance is concerned, a central European supervisor should keep to key principles, like independence from national and sectoral interests, a fast and proactive work process and – particularly at the start - the use of existing national supervisory expertise. At the same time, a European supervisor must also be able to make clear decisions. And it must lead to simplification: no extra layers, no duplication of the work. A European supervisor must also be funded predictably and sustainably. This guarantees that work is done effectively and proportionately, with a long term focus. It should also be based on the real costs of supervision. Consider funding that is partly based on specific regulatory results - or funding that takes into account the risk profiles of market parties. And a European supervisor should follow a clear supervisory culture. As AFM, we would like to see a risk based supervisor: focusing on the bigger problems and risks. Supervision requires a levelheaded assessment of harm and illegality.

A European mindset

The third and final step is the most important. We need a truly European mindset to fulfill the promise of the internal market. But fostering and acting upon this mindset might also be our biggest struggle. Europe is - in part - the result of negotiations, solid lobbying and the accommodation of national, local and sectoral interests. We are human after all. But even after all this, Europe still is the de facto largest market in the world. So let us now act accordingly. Let us think in European terms first, instead of national or sectoral terms. Let us think more in terms of best practices and less in terms of maintaining the status quo. Let us think more about the intrinsic goal that drives supervision and not about ways to evade it. We can - and should - do all this. Because a European single market is not an end in itself. It ensures more European unity when it comes to money and wealth and a better life for consumers and entrepreneurs in Europe. It is the grandest gesture we as Europeans now can make. It requires hard work, strong cooperation and the occasional breakthrough. So let us also use these uncertain times for that breakthrough, making Europe Strong (Again).

Laura van Geest serves as Chair of the Executive Board of the Dutch Authority for the Financial Markets. This is an abbreviated version of her keynote address at AFME's 5th Annual European Financial Integration Conference in Frankfurt on Tuesday 20 May 2025