

# Brussels probes German regulator over Wirecard scandal

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Did German regulators do their job?

The European Commission has asked the EU financial authority to probe whether German regulators were at fault in the build-up to the spectacular collapse of payments provider Wirecard.

According to a letter seen by AFP on Friday, the Commission wants the European Securities and Markets Authority (ESMA) to carry out "a fact-finding analysis" and report back before July 15.

The study will examine whether Germany's regulatory responses to early signs that Wirecard was in trouble "were adequate to protect investor confidence in EU securities markets".

It will also look for "any evidence of administrative or legal obstacles that impeded the effective enforcement of applicable financial reporting requirements or, if relevant, the effective sanctioning of any breaches of such requirements".

Wirecard filed for insolvency on Thursday after admitting that 1.9 billion euros (\$2.1 billion) missing from its accounts likely does not exist.

German Finance Minister Olaf Scholz called it an "unparalleled scandal".

German Economy Minister Peter Altmaier has called for a full investigation and banking supervision chief Felix Hufeld has admitted that his watchdog—BaFin—"had not been effective enough to prevent something like this from happening".

Now, the head of the European Commission's directorate general for [financial stability](#), John Berrigan, has tasked Steven Maijor, head of the Paris-based ESMA, with conducting a parallel European probe.

"At this stage, this preliminary analysis should seek to establish a comprehensive description and assessment of the events, including the adequacy of the supervisory response to these events, leading to the collapse of Wirecard AG," the letter says.

"In my view it is essential that ESMA looks at the issue to ensure that EU investors are fully protected when investing in companies listed in a regulated market in the EU. This is also important to identify what next steps may be warranted."

In an interview with the Financial Times that appeared Friday, EU vice-president for financial services Valdis Dombrovskis said that, after ESMA reports back, Brussels could seek a legal investigation that could lead to a report demanding BaFin reform its practices.

The British financial watchdog FCA said Friday that it has frozen Wirecard's operations there to protect its users' funds.

A Financial Conduct Authority statement said it had "imposed a number of requirements on Wirecard", in particular forbidding it to "dispose of any assets or funds".

In addition, Wirecard "must not carry on any regulated activities" and must inform its clients via the web and other methods of that ban.

Wirecard's British unit sold prepaid e-money cards and provided other payment services.

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