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REPORT

on the Commission communication on implementing the framework for financial markets: Action Plan
(COM(1999) 232 - C5-0114/1999 – 1999/2117(COS))

Committee on Economic and Monetary Affairs

Rapporteur: José Manuel García-Margallo y Marfil

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By letter of 17 May 1999 the Commission forwarded to Parliament its communication on implementing the framework for financial markets: Action Plan (COM(1999) 232 – 1999/2117(COS)).

At the sitting of 13 September 1999 the President of Parliament announced that she had referred the communication to the Committee on Economic and Monetary Affairs as the committee responsible and to the Committee on Legal Affairs and the Internal Market, the Committee on Industry, External Trade, Research and Energy, and the Committee on the Environment, Public Health and Consumer Policy for their opinions (C5-0114/1999).

At its meeting of 27 July 1999 the Committee on Economic and Monetary Affairs had appointed José Manuel García-Margallo y Marfil rapporteur.

It considered the draft report at its meetings of 10 January 2000, 21 February 2000 and 29 February 2000.

At the last meeting it adopted the motion for a resolution by 27 votes with 5 abstentions.

The following were present for the vote: Christa Randzio-Plath, chairman; José Manuel García-Margallo y Marfil, rapporteur and vice-chairman; Pedro Aparicio Sánchez (for Simon Francis Murphy), Richard A. Balfe, Hans Blokland, Hans Udo Bullmann, Carles-Alfred Gasòliba i Böhm, Robert Goebbels, Ian Stewart Hudghton (for Pierre Jonckheer), Christopher Huhne, Juan de Dios Izquierdo Collado (for Fernando Pérez Royo), Giorgos Katiforis, Piia-Noora Kauppi, Robert Goebbels, Gorka Knörr Borràs, Werner Langen (for Christoph Werner Konrad), Astrid Lulling, Jules Maaten (for Karin Riis-Jørgensen), Thomas Mann (for Karl von Wogau), Ioannis Marinos, Naranjo Escobar (for Alejandro Agag Longo), José Javier Pomés Ruiz, John Purvis (for Staffan Burenstam Linder), Alexander Radwan, Bernhard Rapkay, Olle Schmidt, Charles Tannock, Marianne L.P. Thyssen, Helena Torres Marques, Bruno Trentin, Ieke van den Burg (for Luis Berenguer Fuster), Theresa Villiers.

The opinions of the Committee on Legal Affairs and the Internal Market, of the Committee on Industry, External Trade, Research and Energy, of the Committee on the Environment, Public Health and Consumer Policy are attached.

The report was tabled on 1 March 2000.

The deadline for tabling amendments will be indicated in the draft agenda for the relevant part-session.

MOTION FOR A RESOLUTION

European Parliament resolution on the Commission communication on implementing the framework for financial markets: Action Plan (COM(1999) 232 - C5-0114/1999 - 1999/2117(COS))

The European Parliament,

- having regard to the Commission communication on implementing the framework for financial markets: Action Plan (COM(1999) 232 - C5-0114/1999),
 - having regard to its resolution of 4 May 1999 on an earlier Commission communication on Financial Services: Building a Framework for Action (COM(1998) 625 - C4-0688/1998)¹,
 - having regard to article 47 (1) of its Rules of Procedure,
 - having regard to the report of the Committee on Economic and Monetary Affairs and the opinions of the Committee on Legal Affairs and the Internal Market, the Committee on Industry, External Trade, Research and Energy and the Committee on the Environment, Public Health and Consumer Policy (A5-0059/2000),
- A. whereas the Commission communication entitled 'Implementing the framework for financial markets: Action Plan' is the basis for a future working programme in this field, which will take the form of 43 concrete measures, to be adopted over a five-year period with a view to deriving maximum benefit from the introduction of the euro and guaranteeing the stability and competitiveness of the Union's financial markets,
- B. whereas the strategic objectives set out in the Action Plan (a single EU wholesale market, open and secure retail markets, state-of-the-art prudential rules and supervision and wider conditions for an optimal single financial market) may be summarised under two headings, namely to further develop the internal market in technical services (liberalisation of the sector) and to improve a number of technical aspects (reduction of systemic risk and/or improvement of the forecasting system for those risks while also facilitating the conclusion of transactions),
- C. whereas much progress needs to be made before a genuine single market in retail financial services exists in the EU; whereas numerous impediments to competition exist through, inter alia, failure to implement and enforce existing legislation and differing national interpretations of existing directives,

¹ OJ C 270, 24.9.1999, p.7

- D. whereas, while it is universally agreed that consolidating the single market in financial services means removing the barriers to its smooth operation, a number of major discrepancies still exist as regards listing those barriers, inter alia because the Commission has never spelt them out in detail,
- E. whereas the Commission believes that the Union should strive to maintain the highest standards of prudential financial market regulation, which must be kept up-to-date with market developments, and has declared itself willing to engage in an open discussion on the structures that will be needed to ensure the appropriate regulation,
- F. whereas, however, many consider that it is scarcely acceptable that an investor (or at least a non-professional investor) should contract financial products without knowing what legal regulations they are subject to, or should, in case of conflict, have to bring a complaint before a jurisdiction and under a procedure which are completely unfamiliar to him,
- G. whereas the smooth operation of a financial services market requires the establishment of a fiscal framework to facilitate cross-border transactions involving movable assets and reduce the opportunities for tax evasion or deception, but without encouraging the risky relocation of savings and investments within the territory of the Union,
- H. whereas the Treaty on European Union makes almost no reference to financial supervision, confining itself to mentioning the possibility of the ECB taking on 'specific tasks concerning policies relating to the prudential supervision of credit institutions and other financial institutions with the exception of insurance undertakings' (Article 105(6)),
- I. whereas cooperation mechanisms must be established with the authorities of third countries, since sound and coherent regulations, guaranteeing a level worldwide playing field, will become increasingly important as international liberalisation gathers pace,
- J. whereas the Commission considers that if the Action Plan is to be developed the formal legislative procedure must be speeded up on a fast-track basis and that the Commission itself must be allowed broad powers of interpretation concerning sensitive aspects and aspects in need of improvement; whereas this position raises considerable doubts as to the role of Parliament and the delegatisation of the rules foreseen in the Action Plan,
- K. whereas the resolution of the European Parliament of 4 May 1999 requested the Commission to undertake specific measures:
- to submit a proposal for a formalised cooperation procedure of national stock markets (about 33 different stock exchanges exist in the EU) and the setting-up of a pan-European equity listing replacing national listing requirements, thus updating the 1980 listing directive;
 - to draw up a communication on a European certification system for best practice in the field of investment fund management;
 - to submit to Parliament a 'model' of fast-track legislation, laying down principles, scope and other essential features that would keep legislation up-to-date,

- L. whereas the pace of market developments, due to communications technology and capital liberalisation, the work of the Basle Committee and the emergence of new market actors such as financial conglomerates, may call for changes in priorities and for new measures not foreseen in the Action Plan,
1. Welcomes the objectives and the principles of the Action Plan for financial services, as its proposals should underpin the competitive position of the EU's financial services industry, while safeguarding the interests of the consumer; notes, however, that very few of the measures foreseen are completely new, yet if taken as a whole the Action Plan could be thought of as a comprehensive overview of the state of the Union in financial services, pointing to the measures needed to reap the benefits of the euro and integrated financial markets;
 2. Believes that the introduction of the euro gives a new impetus to the creation of competitive financial markets within the Union and that the stability of these markets would be enhanced if all Member States joined the EMU;
 3. Agrees with the strategic objectives of the Action Plan; points out, however, that these objectives may not be attained unless the existing institutional arrangements are completely reformed; urges the Commission, accordingly, to provide a list of the administrative practices and provisions which prevent financial service providers and investors from benefiting from the opportunities offered by a single financial market;
 4. Believes that the Commission should promptly table proposals for legislative harmonisation to eliminate the current legal and administrative obstacles in the various Member States to the development of integrated securities dealing systems and to the exploitation of the benefits deriving from access to certain Community-scale capital markets; subsequently, the necessary guarantees must be laid down to protect investors against the potential risks of fraud and maladministration resulting from the opening-up of financial markets; a thorough assessment of legal and fiscal barriers that prevent SMEs and corporate entities from reaping the full benefits of the single currency, for example by not being able to use cross-border cash management techniques, is needed;

The measures concerning wholesale markets

5. Supports the measures on enabling corporate issuers to raise capital on an EU-wide basis (the 1989 Directive on prospectuses and the 1982 Directive on regular reporting) for reasons other than the ones stipulated in the Action Plan; the first needs major revision because the definition of 'EU securities' is so broad that anything could be called 'EU securities' and because the availability of simplified prospectuses in the language of the investor in the Member State where the securities are marketed is an essential marketing tool; the second needs revision because the disclosure requirements of a single market are different today;
6. Calls upon the Commission to prepare, as soon as possible (priority 1), legal proposals on the 'distinction between sophisticated investors and retail investors', drawing on the work of the Forum of European Securities Commission, on 'market manipulation', and on revising the 1993 Directive on investment services in the securities field;

7. Is of the view that the proposed measures related to the corporate sector should be seen in a broader global context, not purely as a consequence of the single market; urges the Commission, therefore, to explain the reasons justifying the revision of the existing rules, and to submit a communication describing best practice in the field of enterprise management (benchmarking), before proposing mandatory rules or voluntary recommendations in this area;
8. Stresses that, account being taken of the current extent of restructuring processes in the financial sector, the Commission should table legislative proposals on cross-border concentrations of limited-liability companies and on the relocation of company headquarters, involving amendment of the Tenth and Fourteenth Company Law Directives;
9. Considers that, as a matter of urgency, the existing accounting directives must be updated, since as things stand they make it possible to register the same operation in different forms, depending on the jurisdiction chosen, while they cannot compete in quality terms with the accounting legislation of the US;
10. Stresses the lack of attention paid to the problems faced by banks' wholesale clients ranging from small and medium-sized enterprises to corporate clients, for whom the regulatory and logistical costs of transacting business are still very high in the Eurozone, compared to the domestic market;
11. Is of the opinion that the 1976 Directive on insurance intermediaries must be brought up to date by bolstering consumer protection and by laying down common requirements for, inter alia, registration, financial security and information disclosure to consumers; the solvency margin requirements under the insurance Directives should also be amended; bearing this in mind, calls for the proposal to amend the directive on insurance intermediaries to be made a priority 1 action rather than the priority 2 action provided for in the Action Plan;
12. Agrees with the view expressed by the ECB that the Council has unduly delayed adoption of the directives on take-over bids, on the European Company statute and on the winding up and liquidation of banks and hence recalls its resolution of 4 May 1999, which regretted the lack of progress on the adoption of these essential directives, despite the Member States' strong support for these initiatives;
13. Reiterates its position of 4 May 1999 on supporting efforts by individual stock markets to increase rationalisation of systems, but is of the opinion that adoption of new procedures geared to electronic means would lead to consolidation and greater efficiency and access by small and medium-sized enterprises to risk and venture capital;

The measures on retail markets

14. Points to the fact that the measures mentioned in the Action Plan, seeking to establish 'open and secure retail markets', are not the measures requested by Parliament; requests the Commission, therefore, to inform Parliament of its position on codifying information for purchasers, on best practice on mortgage credit, on the general good in insurance, and on a single market for payments;

15. Notes that different national regulations predominate in the area of retail financial services and that consumers are thus denied access to a wider range of choice and cheaper services; therefore welcomes the variety of proposals put forward by the Commission to equip the consumers with the instruments necessary to actively participate in the single financial market;
16. Commends the Commission on its decision to conduct an in-depth analysis of consumer protection rules in the financial services sector and emphasises that it is absolutely essential to strike a harmonious balance between the principles of market liberalisation and consumer protection if the system is to achieve the required degree of effectiveness; stresses that the common level of protection must be defined on the basis of the highest standards;
17. Reiterates its earlier position as stated in its resolution of 4 May 1999 that 'open and secure retail markets' presuppose a high level of consumer protection, meaning appropriate instruments (information disclosure), the harmonisation of rules of conduct on the best practices that companies should apply (such as those related to adequate identification of clients and completion of contract transactions) and effective safeguards (dispute settlement and compensation schemes); is, therefore, not persuaded by the Commission's intention simply to develop a 'Union-wide complaints network (including the use of an ombudsman for financial services)';
18. Requests the Commission to submit a communication to Parliament on whether the existing regulatory apparatus for electronic commerce in the EU, if compared to the US legal framework, provides a fair and secure framework for companies and citizens, whether the question of liability is resolved by the present legislation and whether internet service providers offering a global service should be regulated by EU legislation or at global level;
19. Requests the Commission to study the possibility of a EU directive on 'consumer protection in the field of financial services', based on the appropriate elements of existing EU legislation, e.g. by developing the directive on investment services (especially its Article 11 on the codes of conduct applicable to service provision), cross-border credit transfers (97/5/EC), the Commission recommendation on out-of-court settlements of consumer disputes (98/257) and investor compensation schemes (97/9/EC);
20. Believes that cross-border payments should be made easier and cheaper in the interests of consumers; the Commission should adopt the necessary measures as soon as possible to reduce costs for consumers since the introduction of the euro in 11 Member States;
21. Fully endorses the Commission's decision to foster direct dialogue between service providers and consumers during the formulation of common rules governing the information to be made available to consumers; calls, however, on the Commission closely to monitor the process as a whole, so as to be able to take swift action, inter alia in the legislative sphere wherever necessary, and to take particular account of any differences in the two parties' understanding of the subject matter;
22. Calls for the development of a modern payments infrastructure which is capable of supporting efficient, secure and low-cost cross-border (card) payments and stresses that the current situation, where cross-border (card) payments incur charges which far exceed

domestic transfer charges, is intolerable;

23. Notes the huge potential for provision of consumer financial services via the internet since such services are particularly well suited to sale via e-commerce; further notes that the information revolution has great potential to open up cross-border trade in consumer financial services, leading to increased competition within the Union, yielding benefits to consumers of reduced prices and increased choice; consequently urges the Commission rapidly to implement an effective legal framework for e-commerce and regrets the slow pace of progress to date; in particular, calls on the Commission to resolve the current dispute over civil legal jurisdiction measures to replace the Brussels and Rome Conventions;
24. Draws the attention of the Commission on the necessity to implement special measures concerning fraud and counterfeiting in payment systems and in electronic commerce;
25. Insists on the importance of the application of the principle of mutual recognition within the EU to essential requirements for supplying cross-border financial services, including dispute settlement procedures ; stresses the need of efficient dispute settlement with third countries;

The measures on prudential rules and supervision

26. Expresses guarded satisfaction with regard to the measures mentioned in the Action Plan because they do not address three important aspects of the future supervisory and regulatory regime in the EU:
 - whether the fact that the lender of the last resort when monetary policy is concentrated on one institution while supervision rests with another 15 national institutions, and when the generalised liquidity effect created by taxpayers' funds or by private money provided by banks or other market participants, would have implications for the conduct of monetary policy;
 - whether greater formal centralisation of supervision of all credit institutions through the ECB as provided for in the Treaty (Article 105) should be pursued and if not, how and by whom centralised action should be implemented, if such a need arise because of technological change and new competitive dynamics, which are both pervasive factors;
 - whether the 'stateless' financial groups in Europe, the result of internationalisation, disintermediation and advance communication networks, call into question the traditional structure within which such supervision is effected;

27. Welcomes the Commission's consultation document on equity capitalisation in the context of the Basle Convention on banking supervision in the G-10 that justifies in-depth analysis of the alternative approach to regulatory capital if based on an 'internal ratings-based approach', because major issues need clarification, i.e. the recognition of rating agencies and the competitiveness of the European financial industry; calls on the Commission to submit a Green Paper on the list of directives needing amendment;
28. Calls on the Commission to submit a Green Paper on the creation of a EU Securities and Exchange Commission (Euro-Sec) along the lines of the US-SEC; the Green Paper should concentrate on the identification of asymmetries embodied in the regulatory or supervisory rules and practices of the fifteen European authorities, on the problems securitisation and disintermediation would create for effective supervision and the harmonisation of national structures of regulation/supervision;
29. Requests the Commission to submit a Green paper on whether there is a need to create a single Advisory Forum for financial stability in Europe in order to enhance cooperation and coordination among European supervisors (banking, capital markets and insurance), extending beyond sectorial disciplines to cover all types of financial services;
30. Stresses the fact that because of the development of distance trading and distance selling, rules on prudential regimes and reporting must be strengthened throughout Union, with a view to protecting consumers, it being advisable that a directive be adopted on the distance selling of financial services;

Supplementary measures for an optimal market

31. Reiterates its position of 4 May 1999 on the fast-track legislative procedures and the conditions attached to them; requests the Commission, therefore, to submit to Parliament a 'model' of fast-track legislation, laying down principles, scope and other essential features that would keep legislation up to date;
32. Believes that the codecision procedure provided for in Article 251 of the EC Treaty must be applied as soon as possible to the financial markets area, account being taken of the internal market provisions under Article 95 of the EC Treaty;
33. Is of the view that the creation of a Securities Committee should fall under priority 1 and that the main responsibilities of the Securities Committee could be listing rules, prospectuses, insider trading and take-over bids and rules of conduct relating to the provision of investment services; repeats its position that such committees should not be regulatory or management committees under the committeeology procedure;

34. Believes that the Action Plan is not, from the outset, linked to the efforts being made to advance tax harmonisation; admits, however, that minimum standards in the field of taxation would contribute to an optimal market for financial services; recommends that rapid progress be made in removing the disparities in the tax treatment of transferable securities in order to reduce the risks of distortion of competition inside the EU territory and prevent capital flight to the benefit of tax havens located in dependent or associated territories where Member States have particular responsibilities and of third countries with considerable potential for attracting capital from the Union;
35. Stresses the fact that the creation of a single market for supplementary pension funds requires, inter alia, a level playing field to be created at Community level, addressing the tax treatment of cross-border contributions of migrant workers, the removal of tax disincentives to cross-border investments as well as the tax exemption of contributions and the subsequent taxation of pension payments in the beneficiary's country of residence;
36. Requests the Commission to submit to Parliament a progress report by the year 2002, appraising the progress made on the measures proposed in the Action Plan and in this resolution;
37. Instructs its President to forward this resolution to the Council, the Commission and the Governments of the Member States.

EXPLANATORY STATEMENT

Financial markets in the EU: a forecasting exercise

Market globalisation, the massive employment of distance communication media such as the Internet, and the introduction of the euro are all factors making for profound changes in the EU's financial sector (banks, financial institutions, investment service undertakings and insurance companies). This process includes the following dimensions:

- greater development of the capital markets, especially as regards private-sector share issues and fixed-yield private securities (this is a consequence of the Stability Pact and its limits on public debt issues);
- the absolute supremacy of institutional savings vehicles (collective investment institutions and pension funds), vis-à-vis the alternative of individual investment by savers;
- the enlargement of the traditional field of activities of the banks (company or consumer lending), to encompass property management for third parties and property investment fund management;
- a degree of specialisation in the national financial systems (the German bond is now the reference point for the public debt, while the 'Pfandbrief' bonds are taking on that status for private debt), accompanied by the emergence of other short-term security markets (offering higher profits but less security) - phenomena which point to the possible appearance of a distinctive profitability/risk duality.

Comparison of the Euro-11 financial markets with the US, Japanese and UK markets (see annexed table) confirms the existence of these trends. A number of differences, however, also emerge:

- The Euro-11 market is visibly smaller than its US counterpart, both in absolute figures and in GDP percentage terms. This is particularly the case with the stock exchanges, but also applies to private and public bonds. By contrast, the volume of banking assets (mostly credits) in the Euro-11 area greatly exceeds that in the US; this is proof that Euro-11 financial undertakings are far more dependent on the financing of the banks than are their US counterparts;
- The ratio of financial assets to GDP is very similar in the US, Japan and the Euro-11 area; it is, however, higher in the UK.
- The US, Japanese and British stock markets are all larger than that of the Euro-11 area, whose combined stock markets are only one-third of the size of the US stock market. There are major internal variations within the Euro-11 area: only the stock market of the Netherlands is similar in size to that of the US, while the stock markets of Germany, Italy, Portugal and Austria are smaller than those of France, Spain and Belgium.

- In the case of the debt markets, there is much less variation, although here too the US market is 50% larger than the Euro-11 market. The smallest market in relative terms is that of the UK, a circumstance which points to the low size of the British public debt in GDP terms and the preference of British firms for financing via shares, whereas in the Euro-11 zone the usual pattern is a mixed approach.

Creation of a framework for financial markets: the Action Plan

The Action Plan implementing a framework for financial markets (COM(1999) 232) which is the subject of this report is intended as a means of tackling the challenges with which the financial markets will be faced in the future, the stated aim being to endow the Union with a modern financial system in which the costs of capital and financial intermediaries are kept to a minimum.

To achieve this objective, the Action Plan aims to further develop the internal market in financial services (liberalisation of the sector) and to improve certain of its technical and legal aspects (reduction of systemic risk and/or improvement of the forecasting systems for such risks; facilitation of the conclusion of transactions). Consequently, it affects the entire financial industry (lending, banking, assets, investment, insurance), the declared intention being to offer investors greater and more profitable opportunities in the placement of their savings.

In operational terms, the Action Plan sets out three strategic objectives: the consolidation of a wholesale market in the EU; the creation of open and secure retail markets; and the adaptation of the existing prudential rules and supervisory arrangements to the new and changing structures of the financial markets. The Plan is intended to attain these three strategic objectives on the basis of respect for two (potentially contradictory) guiding principles: liberalisation of the financial services sector and consumer protection.

The Commission document stresses that the existing financial legislation suffers from two crucial defects. The first is slowness: blockages frequently occur where Member States' interests diverge. The second is difficulty in implementation: while the country-of-origin principle governs prudential supervision (as regards the issuing of licences and the monitoring of solvency), in the field of relations with clients the code of conduct of the investor country applies.

There is a consensus among political parties and experts and within the industry in favour of these objectives, but a number of disagreements remain as to the decisions and actions to be taken in order to reach them, namely:

- All agree that the consolidation of the internal market in financial services requires the removal of the internal barriers to its operation, but there is no unanimity as to the identification of these barriers: the Commission has never described them in detail (cf. the white paper on the internal market submitted by the Commission on 14 June 1985 and adopted by the Milan European Council two weeks later).

- The Commission is trying to establish a formal distinction between professional and non-professional investors, on the basis that while the latter should be protected by the code of conduct of their Member State of residence (host Member State), the former should not qualify for this protection and should be governed by the rules of the Member State from which they are providing the service (Member State of origin).

However, this formula gives rise to substantial reservations. It may seem anomalous that financial undertakings should be subject to fifteen different national legislations, but it is equally anomalous that an investor might contract services governed by a legal framework which is alien to him and have to deal with undertakings whose solvency is unknown to him, thus being obliged, in case of conflict, to take out legal proceedings in a country where he is totally unfamiliar with the system.

No-one disputes, equally, that the existing legislative procedure is remarkably slow. However, the proposal to introduce a fast-track legislative procedure, while also conferring wide interpretative powers on the Commission, must be viewed with considerable reservations: this could lead to a watering-down of the democratic role of the European Parliament within the Union's institutional structure.

The Action Plan also lays particular stress on a new problem, namely that of financial supervision in an ever more globalised world characterised by international competition and the free flow of capital. This will not be an easy problem to resolve, since certain factors apply in the Euro-11 area which tend to work against any short-term progress here, namely:

- The existing supervision models are extremely diverse. Firstly, while most of the Member States have opted for a functional supervision model based on specialisation (following the example of the US), a minority (see the cases of the UK and Finland) have chosen a consolidated supervision model, with a view to deriving maximum benefit from synergies in a single-supervisor system, or else have adopted intermediate solutions, creating bodies to coordinate the various supervisors. Secondly, the distribution of supervisory powers between the markets and the public authorities varies from one Member State to another.

- The creation of a pan-European supervisory body with executive powers does not appear to be viable in the short term. Although FESCO (the Forum of European Securities Commissions) is playing an increasingly important role, it remains an informal body which is not bound by Community law and has no executive powers. It is, therefore, a useful forum for dialogue and cooperation, but it cannot, on its own, resolve the problems of supervision in the Euro-11 area.

MARKET SIZE INDICATORS FOR THE US, JAPAN, THE EURO-11 AREA AND THE UK

	Population (in m)	GDP	Stock market capitalisation		Bonds						Bank assets		Total financial assets	Securitisatio n assets
			Volume	% GDP	Public		Private		Total		Volume	% GDP	% GDP	% GDP
						% GDP	Volume	-%- GDP	Volume	% GDP				
US	263,3	7.254	6.858	94,5	6.712,4	92,5	4.295,1	59,2	11.007,5	151,7	5.000	69	315,2	9,03
JAPAN	125,2	5.114	3.667,3	71,7	3.450,3	67,4	1.875,5	36,6	5.326	104	7.382,2	144,3	320	0,07
EURO-11	286,1	6.804	2.119,4	31,14	3.909,7	57,4	3.083,5	45,3	6.993,2	102,7	11.971,6	176	309,7	-----
- Austria	8,1	233,3	32,5	14	106	45,4	105,4	45,1	211,3	90,5	457,7	196	300,5	-----
- Belgium	10	269,2	105	39	305,1	113,3	165,3	61,4	470,4	174,7	734,2	272,7	486,4	0,62
- Finland	5,1	125	44,1	35,2	94	75,2	50,2	40	144,2	115,2	143,5	115	265,2	-----
- France	57,5	1.538	522,1	34	682	44,3	803,6	52,2	1.485,5	96,5	2.923	190	320,5	0,82
- Germany	81,7	2.412,5	577,4	24	893,6	37	1.286	53,3	2.179,6	90,3	3.752,4	155,5	269,8	0,01
- Ireland	3,6	62	26	42	38,5	62	7,4	12	46	74	82,3	132,7	248,7	-----
- Italy	56,3	1.087,2	209,5	19,2	1.222	112,4	396,2	36,4	1.618,2	149	1.513,5	139,2	307,2	0,08
- Luxembourg	0,4	19,3	30,4	157,5	1	5,1	16	82	16,8	87	555	2875,6	3120	-----
- Netherlands	15,5	396	356,5	90	210,4	53,1	177,3	44,7	388	98	808	.204	391,8	1,87
- Portugal	9,3	103	18,4	18	56	54,3	16	15,5	72	70	162	157,2	244,8	-----
- Spain	38,7	559,2	198	35,4	301,3	54	60,5	11	362	64,6	840,2	150,2	250,2	0,15
UK	58,5	1.106,3	1.408	127,2	430	39	396	36	825,7	74,6	2.424,4	219	420,8	1,86

Sources: Alessandro Prati and Garry J. Schinasi (1998)

BIS, Morgan Stanley, OCIDE (International Securitisation Report and Main Economic Indicators for the GDP datum), F. Restoy (1998).

Note: Figures are in US\$ bn.

OPINION BY COMMITTEE ON LEGAL AFFAIRS AND THE INTERNAL MARKET

(Rule 162)

for the Committee on Economic and Monetary Affairs

on the Commission communication on financial services 'Implementing the framework for financial markets: action plan' COM(1999) 232 - C5-0114/1999 – 1999/2117(COS))

Draftsman: Manuel Medina Ortega

PROCEDURE

At its meeting of 23 September 1999 the Committee on Legal Affairs and the Internal Market appointed Manuel Medina Ortega draftsman.

It considered the draft opinion at its meetings of 12 January and 1 February 2000.

At the last meeting it adopted the following conclusions unanimously.

The following were present for the vote: Ana Palacio Vallelersundi, chairman; Willy Rothley, vice-chairman; Manuel Medina Ortega, draftsman; Maria Berger, Charlotte Cederschiöld, Carlos Candal, Raina A. Mercedes Echerer, Enrico Ferri, Janelly Fourtou, Evelyne Gebhardt, Heidi Anneli Hautala, Malcolm Harbour, Klaus-Heiner Lehne, Donald Neil MacCormick, Toine Manders, Bill Miller, Stefano Zappalà, Diana Wallis and Joachim Wuermeling.

GENERAL COMMENTS

This Commission communication seeks to give tangible expression to the framework for action approved by the Vienna European Council in December 1998. The action plan examines whether the legislation currently governing financial services contains inconsistencies or shortcomings, whether certain legal instruments and provisions need to be adapted or simplified and whether new legislative initiatives should be taken. The action plan comes in response to the move made by the European

Parliament in its resolution of 4 May 1999². The very definition of financial services is not precisely delimited.³

The financial services sector is characterised by a high degree of complexity as a result of market fragmentation (wholesale and retail markets), compartmentalisation into specialised areas and specific regulations (banks, insurance, stock exchanges) plus the fact that the Union's national markets are insufficiently open. We should consider what the legal framework for financial services policy is, restate the broad thrust of the established corpus of rules and regulations and point up their shortcomings, in particular as regards the legal protection of consumers.

1. Primary law: legal framework for legislative action in the financial services sector

The Treaty guarantees the right to engage freely in capital movements and to make payments between States (Article 56 of the EC Treaty⁴). Such rights would be of academic interest only, however, if individuals and firms did not have secure, efficient and fast-operating facilities at their disposal for making transfers, cross-border or otherwise, which accounts for the importance of secondary legislation.

With regard to the internal market and harmonisation, Article 95 of the EC Treaty applies. With regard to financial services, other EC Treaty provisions may be cited: Article 57(2) (free movement of capital) and Article 153 (consumer protection). The procedure applicable to these three legal bases is that laid down in Article 251 of the EC Treaty (codecision).

Tax harmonisation requires unanimity (Article 93 of the EC Treaty), as does the European company statute (Article 308 of the EC Treaty).

2. The 'acquis communautaire' concerning financial services

Banking services in general were liberalised in 1993. The insurance services market has only been operational since July 1994; and the liberalisation of investment services, dating from January 1996, is even more recent.

The Community has repeatedly acted to legislate in the various sectors of financial services. Reference should be made in particular to the two banking Directives, the life assurance and non-

² A4-0175/99, para. 29

³ The annex to the proposal for a Directive of the European Parliament and of the Council concerning the distance marketing of consumer financial services, and amending Council Directive 90/619/EEC and Directives 97/7/EC and 98/27/EC contains an 'indicative list': acceptance of deposits and other repayable funds, lending (in particular consumer credit and mortgage loans), financial leasing, money transfers, issuing and administering means of payment, foreign exchange services, guarantees and commitments, reception, transmission and execution of orders related to, and services related to, the following financial products: money market instruments, transferable securities, UCITS and other collective investment schemes, financial futures and options, exchange and interest rate instruments); portfolio management and investment advice concerning any of the instruments listed above, safekeeping and administration of securities, safe custody services, non-life insurance, life assurance linked to investment funds, permanent health insurance, capital redemption operations and individual pension schemes.

⁴ Council Directive 83/361/EEC of 24 June 1988 for the implementation of Article 67 of the Treaty (OJ L178, 8.7.1988, p. 1

life insurance Directives and the investment services Directives. This legislation remains sufficient, and there are still a number of obstacles to the development of pan-European products which are restricting cross-border marketing: the principle of the country of origin, the failure to implement key Directives (such as the investment services Directive) in the area of transferable securities, and the fact that some Directives contain ambiguities allowing national interpretations.

The Community has also acted to regulate certain types of activity, e.g. Directive 91/308/EEC on money laundering or 97/5/EC on cross-border transfers.

3. Legal protection of consumers

In its resolution of 4 May 1995, Parliament stressed the need for 'a pragmatic approach to financial services, equidistant from unfettered liberalisation and obsessive regulation'. Industry self-regulation is insufficient. It could be said to take place at the expense of consumers' rights. Such protection is needed above all for retail markets⁵. Securities services are an area where the scope for fraud is vast.

The industry has everything to gain from the development of a climate of public confidence, which is the only way, in an integrated market, in which new products can be developed.

One way of protecting consumers is to ensure an environment of legal certainty likely to instil confidence⁶. The reliability of framework legislation which lays down principles only, with the details being specified in non-binding texts (soft law), is therefore open to question. In addition, action should be taken to ensure that consumers are properly informed before the event and that, after the event, there are means of redress to enforce their rights in court or out of court. In particular, the Commission should consider the possibility of tabling legislative proposals to achieve this. Given the high cost of, and difficulties involved in, bringing cross-border legal actions, the Commission should enlarge upon its Recommendation No 98/257 of 30 March 1998 on the out-of-court settlement of consumer disputes by fostering co-operation between out-of-court bodies and making it easier for consumer organisations to act within and outside the courts system in a Community context. In this connection, the Commission should table proposals for achieving a high level of protection for consumers in all Member States.

Two new legislative initiatives of prime importance in terms of consumer protection are to be welcomed. The first is the proposal for a directive on the distance marketing of consumer financial services⁷. Financial services were excluded from the scope of the distance contracts Directive; and the Directives applicable to financial services did not cover certain characteristic aspects of distance services, in particular as regards the existence of a right of withdrawal and a ban on certain selling practices. The second initiative is the proposal for a directive on motor vehicle insurance in connection with travel abroad⁸, which seeks to protect residents of a Member State who have suffered material damage or personal injury in accidents caused by a vehicle registered and insured

⁵ Wholesale markets may also pose a threat: a financial crisis would inevitably impact on consumers' interests.

⁶ Commission communication 'Financial services: Enhancing consumer confidence', COM(1999) 309 of 29 June 1997.

⁷ Commission proposal, OJ C 385, 11.12.1998; amended proposal, COM(1999) 385 final

⁸ Commission proposal, OJ C 343, 13.11.1997; amended proposal, OJ C 171, 18.6.1999

in a Member State other than their country of residence. These two directives should be urgently adopted, as should those on UCITS and electronic money⁹.

The investment services Directive must be improved upon, by drawing a distinction between protection for expert investors and protection for non-expert investors, to make it possible to transcend the narrow confines of national regulatory frameworks and replace them by a Community framework.

The allocation of authorising and supervisory responsibilities calls for a prior legal definition of the notions of market and stock exchange, the conditions for operating as dealers and brokers on all regulated markets and common rules for authorising and supervising 'alternative trading systems'.

Specific legislative proposals will be needed to prevent market-rigging, probably in the form a directive including an amendment to the money laundering Directive.

Uniform Community rules based on international accounting and auditing standards are needed to ensure Community-level and international comparability of financial information in line with international best practise. In particular, national rules transposing the Fourth and Seventh Community Directives on company accounts need to be revised, i.e. amended to ensure greater uniformity within the European Union and brought into line, as far as possible, with the international standards referred to. A new Community directive on auditing will also be essential.

It is imperative that a directive be adopted on the prudential supervision of pension funds which allows harmonisation of national rules on authorisation, reporting, fit and proper criteria and rules concerning liabilities and investments, including co-ordination of tax arrangements governing supplementary pensions plus the removal of obstacles to labour mobility¹⁰.

The Commission must be extremely careful to make sure that the settlement finality Directive for collateral pledged to payments and securities dealing systems is applied across the board and consistently, so as to achieve mutual acceptance and enforceability of cross-border collateral and an effective and integrated securities settlement structure.

Until such time as the European company statute is approved, the Commission must table initiatives designed to harmonise national legislation in the field of corporate governance.

The governments of the Member State will have to make headway in co-ordinating and harmonising their tax systems, with a view to enabling an integrated financial services market to function.

In terms of law-making techniques, and in general, it is regrettable that the Commission does not take a sufficiently integrated consumer protection approach in legislation on financial services. Accordingly, the Commission has submitted a proposal for a directive largely confined to

⁹ Commission proposal, OJ C 313, 15.10.1998

¹⁰ See the Commission's Green Paper (COM(97) 283) and the European Parliament resolution of 3 December 1998 (A4-0400/98). The Commission has organised a hearing on this topic, the results of which have been published in COM(99) 134.

prudential aspects, while giving advance notice of a subsequent proposal on rules for contractual relations.

CONCLUSIONS

The Committee on Legal Affairs and the Internal Market endorses the financial markets action plan and calls on the Committee on Economic and Monetary Affairs, as the committee responsible, to incorporate the following conclusions in its report:

1. The Council is called on to break the deadlock as soon as possible on the two proposals for directives on the restructuring and winding-up of credit institutions and insurance companies, the proposals for a directive and a regulation on the European company statute and the proposal for a thirteenth company law directive on take-over bids.
2. The Commission should promptly table proposals for legislative harmonisation to eliminate the current legal and administrative obstacles in the various Member States to the development of integrated securities dealing systems and to the exploitation of the benefits deriving from access to certain Community-scale capital markets. Subsequently, the necessary guarantees must be laid down to protect investors against the potential risks of fraud and maladministration resulting from the opening-up of financial markets. A thorough assessment of legal and fiscal barriers that prevent SMEs and corporate entities from reaping the full benefits of the single currency, for example by not being able to use cross-border cash management techniques, is needed.
3. The 1989 Directive on stock exchange admission and listing and prospectuses must be amended to ensure that, by exhaustively and exclusively regulating the information to be contained therein, national authorities are prevented from imposing additional requirements and genuine mutual recognition of prospectuses is possible.
4. Account being taken of the current extent of restructuring processes in the financial sector, the Commission should table legislative proposals on cross-border concentrations of limited-liability companies and on the relocation of company headquarters, involving amendment of the Tenth and Fourteenth Company Law Directives.
5. Because of the development of distance trading and distance selling, rules on prudential regimes and reporting must be strengthened throughout Union, with a view to protecting consumers, it being advisable that a directive be adopted on the distance selling of financial services.
6. The 1976 Directive on insurance intermediaries must be brought up to date by bolstering consumer protection and laying down common requirements for, inter alia, registration, financial security and information disclosure to consumers. The solvency margin requirements under the insurance Directives should also be amended.

7. Cross-border payments should be made easier and cheaper in the interests of consumers. The Commission should adopt the necessary measures as soon as possible to reduce costs for consumers since the introduction of the euro in 11 Member States.
8. The development of an integrated Community market in financial services requires establishment of Community authorities to supervise financial organisations and securities markets, without prejudice to the duties already taken on by the European Central Bank. The Commission should table proposals in this connection as soon as possible, including amendments to the Directives on bank and investment company capital.
9. The codecision procedure provided for in Article 251 of the EC Treaty must be applied as soon as possible to the financial markets area, account being taken of the internal market provisions under Article 95 of the EC Treaty.

OPINION BY THE COMMITTEE ON INDUSTRY, EXTERNAL TRADE, RESEARCH AND ENERGY

(Rule 162)

for the Committee on Economic and Monetary Affairs

on the communication from the Commission "Implementing the framework for financial markets:
Action plan" (COM(1999) 232 - C5-0114/1999 – 1999/2117(COS))

Committee on Industry, External Trade, Research and Energy

Draftsman: Elly Plooij-van Gorsel

PROCEDURE

At its meeting of 4 October 1999 the Committee on Industry, External Trade, Research and Energy appointed Elly Plooij-van Gorsel draftsman.

It considered the draft opinion at its meeting of 6 December 1999 and 27 January 2000 .

At the latter it adopted the following conclusions by 44 votes to with 7 abstentions.

The following were present for the vote: Carlos Westendorp y Cabeza, chairman; Renato Brunetta, vice-chairman; Elly Plooij-van Gorsel, draftsman; Konstantinos Alyssandrakis, María del Pilar Ayuso Gonzalez (for Marjo Tuulevi Matikainen-Kallström), Alexandros Baltas, Eduard Beysen (for Willy C.E.H. De Clercq), David Robert Bowe (for Glyn Ford), Massimo Carraro, Giles Bryan Chichester, Nicholas Clegg, Dorette Corbey (for Mechtild Rothe), Claude J.-M.J. Desama, Harlem Désir, Concepció Ferrer, Francesco Fiori (for Anders Wijkman), Christos Folias, Norbert Glante, Michel Hansenne, Malcolm Harbour, Wolfgang Kreissl-Dörfler (for Nuala Ahern), Helmut Kuhne (for Erika Mann), Bernd Lange (for François Zimeray), Werner Langen, Peter Liese (for Konrad K. Schwaiger), Rolf Linkohr, Caroline Lucas, Albert Jan Maat (substitute), Linda McAvan, Eryl Margaret McNally, Nelly Maes, Bill Miller (for Simon Francis Murphy), Elizabeth Montfort, Luisa Morgantini, Angelika Niebler, Reino Paasilinna, Samuli Pohjamo (for Astrid Thors), John Purvis, Godelieve Quisthoudt-Rowohl, Alexander Radwan (for Peter Michael Mombaur), Imelda Mary Read, Christian Foldberg Røvsing, Paul Rübig, Jacques Santer (for Guido Bodrato), Umberto Scapagnini, Ilka Schröder, Esko Olavi Seppänen, Antonios Trakatellis (for Alain Lamassoure), Claude Turmes (for Yves Piétrasanta), Valdivielso de Cué et W.G. van Velzen.

BACKGROUND/GENERAL COMMENTS

Financial services represent about 6 % of EU GDP and 2,45 % of employment. According to the Commission's Employment Rates Reports (COM(98) 572) they are one of the sectors where Europe has the greatest potential for employment expansion. The integration of financial markets will offer new business opportunities in the financial services sector while allowing consumers to get more value for money. They will be offered a wider choice of financial services and products such as mortgages, pensions and insurance, at more convenient prices.

Efficient and transparent financial markets also help to optimise the allocation of capital. By facilitating the access to equity financing and risk capital, they allow SMEs and start-up companies to fully exploit their growth and job creation potential.

However, compared to the situation in other industrialised countries, the EU financial services sector is still lagging behind.

Though substantial progress has been made, Europe is still a long way from achieving the potential benefits of the Single Market in financial services. The introduction of the Euro, by removing one major source of market segmentation – different currencies – increases the potential benefits of a single financial services market. It is also a major catalyst for change. But costs of transactions for all customers are still too high and not transparent.

As for retail financial markets, despite the progress that has been made in the completion of a single financial market, cross-border sales of traditional financial products to individual consumers remain the exception. In particular, insufficient tax harmonisation, administrative requirements and limited lack of transparency constitute important barriers to the completion of the Single Market and help to explain a certain lack of consumer confidence in cross-border transactions.

Amongst the most significant barriers to the single market is the consumers' lack of certainty about the possibilities of redress in the eventuality of cross border dispute. Efficient and effective judicial and extra-judicial settlement of disputes to provide the necessary confidence in cross-border activity is important. In its action plan, the Commission suggests the development of a Union-wide complaints network, including the use of an ombudsman for financial services. Your rapporteur agrees with this suggestion on the condition that there will be no extra bureaucratic level created. A new organisation should mean that the 15 existing ones are integrated.

While the necessary measures are outlined for the professional Wholesale Financial market and Retail clients in the Action Plan, there seems to be little attention paid to the problems faced by banks' wholesale clients, ranging from small and medium sized enterprises to larger corporate clients. For these customer segments the regulatory and logistical costs of transacting business are still very high in the Eurozone, compared to the domestic market.

A thorough assessment of legal and fiscal barriers that prevent SME's and corporate entities from reaping the full benefits of the single currency, for example by not being able to use cross-border cash management techniques, is needed.

Electronic commerce offers a lot of new possibilities to financial service providers by revolutionising retailing and distribution of many financial services. Suppliers – EU and non-EU
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– will be able to make contact with potential users across national boundaries at minimal distribution cost. Users will benefit from a wider range of innovative products. However, the success of financial on-line service providing depends entirely on the establishment of a coherent legal framework for E-commerce. In this light the adoption of the country-of-origin principle for business-to-business services of the draft directive on certain legal aspects of e-commerce in the internal market is very important.

There is a need to find pragmatic ways of reconciling the aim of enhancing business and consumer confidence by promoting full financial market integration, facilitating crossborder transfers and transacting business for all customer segments while ensuring high levels of consumer protection:

- the EU should be endowed with a legislative apparatus capable of responding to new regulatory challenges;
- any remaining capital market fragmentation should be eliminated, thereby reducing the cost of capital raised on EU markets;
- users and suppliers of financial services should be able to exploit freely the commercial opportunities offered by a single financial market, while benefiting from a high level of consumer protection.
- closer co-ordination of supervisory authorities should be encouraged; and
- an integrated EU infrastructure should be developed to underpin retail and wholesale financial transactions, especially for SME's and corporate entities in the Eurozone.

All that implies a number of technical and complementary measures in order to fulfil the following strategic objectives:

- creation of deep and liquid wholesale markets
- establishment of service retail markets encompassing new commercial opportunities and consumer protection
- maintenance of sound, transparent prudential and regulatory rules with a high level of harmonisation as far as consumer information is concerned
- creation of wider conditions for an optimal single financial market.
- Application of the principle of mutual recognition to essential requirements for supplying cross-border financial services, including dispute settlement procedures

In fact the Action Plan mentions forty three legislative and non-legislative actions which may be considered as constituting the EU financial services policy for the next five years. And the parliament should be consulted on most of these actions, separately.

Nobody will contest the principles and the priorities exposed in the Action Plan. It appears more and more necessary to progress towards a single financial market at full speed. Costs of non-integration are too high. But it seems useful in this opinion to insist on some constraints.

CONCLUSIONS

The Committee on Industry, External Trade, Research and Energy:

1. welcomes the objectives and the principles of the Action Plan for financial services;
2. stresses the fact that the Parliament will have to be consulted on the various proposals included in the Action Plan;
3. supports the proposal of the Committee on Economic and Monetary Affairs calling upon the Commission to submit a Greenpaper on the creation of a EU Securities and Exchange Commission and concentrating on the efficiency/inefficiency of the current state of supervision of securities markets in Europe;
4. insists on the necessity of a coherent approach of the Financial Services which should include both an effective consumer protection within an increasingly open and competitive market and an adapted institutional policy framework;
5. calls for the development of a modern payments infrastructure which is capable of supporting efficient, secure and low-cost cross-border (card) payments and stresses that the current situation, where cross-border (card) payments incur charges which far exceed domestic transfer charges, is intolerable.
6. draws the attention of the Commission on the necessity to implement special measures concerning fraud and counterfeiting in payment systems and in electronic commerce;
7. insists on the importance of the application of the principle of mutual recognition within the EU to essential requirements for supplying cross-border financial services, including dispute settlement procedures ; stresses the need of efficient dispute settlement with third countries;
8. reminds that the success of financial on-line service providing depends entirely on the establishment of a coherent legal framework for electronic commerce; calls on the Council of Ministers and the Parliament to adopt the country-of-origin principle for business-to-business services as proposed in the draft directive on certain legal aspects of e-commerce in the internal market
9. stresses the lack of attention paid to the problems faced by banks' wholesale clients ranging from small and medium-sized enterprises to corporate clients, for whom the regulatory and logistical costs of transacting business are still very high in the Eurozone, compared to the domestic market.
10. calls for a forum group of experts to be installed to do a market analysis of legal and fiscal barriers for SME's and corporate entities in the financing of their cross-border business in the Eurozone.
11. stresses that the creation of a single market for supplementary pensions funds requires special measures concerning the tax-treatment of cross-border workers and of cross-border investments.

OPINION OF THE COMMITTEE ON THE ENVIRONMENT, PUBLIC HEALTH AND CONSUMER POLICY

for the Committee on Economic and Monetary Affairs

on the Commission communication on implementing the framework for financial markets: action plan

(COM(1999) 232 – C5-0114/1999 – 1999/2117(COS))

Draftsman: Guido Sacconi

PROCEDURE

At its meeting of 22 September 1999 the Committee on the Environment, Public Health and Consumer Policy appointed Guido Sacconi draftsman.

It considered the draft opinion at its meetings of 10 and 26 January 2000.

At the last meeting it adopted the following conclusions by 50 votes to 1.

The following were present for the vote: Caroline Jackson, chairman, Alexander de Roo, vice-chairman, Carlos Lage, vice-chairman, Ria G.H.C. Oomen-Ruijten, vice-chairman, Guido Sacconi, draftsman, Per-Arne Arvidsson, Maria del Pilar Ayuso González, Hans Blokland, David Bowie, John Bowis, Philip Rodway Bushill-Matthews (for Marielle de Sarnez), Dorette Corbey, Chris Davies, Avril Doyle, Carlo Fatuzzo (for Marialiese Flemming), Cristina García Orcoyen Tormo, Laura González Álvarez, Robert Goodwill, Koldo Gorostiaga Atxalandabaso (for Hans Kronberger), Françoise D. Grossetête, Cristina Gutiérrez Cortines, Catherine Guy-Quint (for Marie-Noëlle Lienemann), Roger Helmer, Anneli Hulthén, Marie Anne Isler Béguin, Eija-Riitta Anneli Korhola, Bernd Lange, Paul A.A.J.G. Lannoye (for Hiltrud Breyer), Peter Liese, Torben Lund, Jules Maaten, Minerva Melpomeni Malliori, Jorge Moreira Da Silva, Rosemarie Müller, Riitta Myller, Giuseppe Nisticò, Karl Erik Olsson, Béatrice Patrie, Marit Paulsen, Encarnación Redondo Jiménez (for Karl-Heinz Florenz), Frédérique Ries, Dagmar Roth-Behrendt, Jean Saint-Josse, Karin Scheele, Ursula Schleicher (for Christa Kläß), Horst Schnellhardt, Inger Schörling, Jonas Sjöstedt, Antonios Trakatellis, Kathleen van Brempt (for Emilia Franziska Müller) and Phillip Whitehead.

SHORT JUSTIFICATION

GENERAL COMMENTS ON THE COMMUNICATION

The introduction of the euro provides a unique opportunity to complete the establishment of an integrated financial services market and to help European consumers draw the maximum benefit from such a market. At the same time, the explosion in the use of the Internet is having a profound impact on the behaviour of consumers, making them more willing and able to make use of the services provided over the Internet.

The web has become an all-important means of gaining access to an extensive range of services and information, and Parliament considers it particularly important to ensure that an ever-larger number of people – particularly young people – are able to do so.

Given the speed at which such changes are taking place, no time must be lost in ensuring that consumers are properly protected by means of a clear, understandable and long-lasting legislative framework. The purpose of such legislation is to enable savers and investors to choose, freely and in full knowledge of the facts, on which financial market to invest their capital, without having continually to overcome legal or administrative obstacles.

In its communication on the framework action plan for financial markets, the Commission puts forward a consumer protection system based on a harmonious balance between two principles which have been applied separately up to now, namely: the liberalisation of supply on the single European market; and the formulation of common protection standards.

More specifically, in the section dealing with retail markets the Commission undertakes to adopt at the earliest opportunity the legislative measures necessary in order to achieve such an objective, without neglecting to conduct wide-ranging consultations with the interested parties. Parliament fully endorses the Commission's view that ongoing dialogue and consultations with those concerned must form an essential part of the regulatory process.

Not least in view of the breakneck speed of change in this sector, the establishment of a legislative framework to underpin the setting-up of an integrated financial services system is an ambitious goal. With this in mind, and with a view to encouraging European consumers to invest significant amounts of their savings in other countries, minimum criteria for the provision of information on the various products must be established, as must minimum guarantees for consumers and reliable and readily available means of both judicial and extra-judicial redress.

Lastly, Parliament welcomes the progress made with legislation on financial services, but feels obliged to draw attention to the persistence of major delays in the implementation of such legislation (for example, the directive on cross-border payments¹¹) at national level.

¹¹ Directive 97/5/EC of the European Parliament and of the Council of 27 January 1997 on cross-border credit transactions, OJ L 43, 14.2.1997, p. 25.

CONCLUSIONS

The Committee on the Environment, Public Health and Consumer Policy calls on the Committee on Economic and Monetary Affairs, as the committee responsible, to incorporate the following conclusions in its report:

1. Information and transparency

Fully endorses the Commission's decision to foster direct dialogue between service providers and consumers during the formulation of common rules governing the information to be made available to consumers. Calls however on the Commission closely to monitor the process as a whole, so as to be able to take swift action, inter alia in the legislative sphere wherever necessary, and to take particular account of any differences in the two parties' understanding of the subject matter.

2. Redress procedures

Stresses the importance of setting up an efficient and effective system for the settlement of cross-border disputes over the application of contracts, both within and outside the courts. Draws the Commission's and Council's attention once again to the proposal that a European ombudsman be appointed for retail financial services.

Welcomes the Commission's decision to set up a network for cooperation between the national bodies responsible for the settlement of disputes, since such a network would play a fundamental role in making it easier for members of the public to gain access to means of redress.

3. A balanced application of consumer protection rules

Commends the Commission on its decision to conduct an in-depth analysis of consumer protection rules in the financial services sector and emphasises that it is absolutely essential to strike a harmonious balance between the principles of market liberalisation and consumer protection if the system is to achieve the required degree of effectiveness. Stresses that the common level of protection must be defined on the basis of the highest standards.

4. Paving the way for e-commerce-based retail financial business

Emphasises e-commerce's importance as a means of facilitating the integration of the market for the various financial services. Draws the Commission's attention, nonetheless, to the need to establish at the earliest opportunity a common framework of both legally-binding and voluntary rules. Welcomes, in this connection, the planned publication of a Green Paper on the subject, while stressing the need for a proposal to be submitted without unnecessary delay.

5. *Insurance intermediaries*

Considers that current legislation on insurance intermediaries is no longer adequate; calls therefore on the Commission to submit as soon as possible a proposal for a new directive establishing a clear legislative framework at Community level. That framework should, in particular, ensure that consumers are afforded adequate protection in a single market in insurance and services provided by insurance intermediaries. With this in mind, calls for the proposal to amend the directive on insurance intermediaries to be made a priority 1 action rather than the priority 2 action provided for in the action plan.

6. *Cross-border retail payments*

Endorses the view that the setting-up of a technically secure and operational integrated retail payments system is a priority in the financial services sector. Any delays in this sector will undermine consumer confidence not just in the benefits brought by the euro's introduction but also in the enormous potential of e-commerce. Given the exponential growth in sales on the Internet, the two existing recommendations on electronic payments¹² and bank cards¹³ should be converted into binding legislation, with a view to boosting consumer confidence.

¹² Commission Recommendation 87/598/EEC of 8 December 1987 on a European Code of Conduct relating to electronic payment (Relations between financial institutions, traders and service establishments, and consumers), OJ L 365, 24.12.1987, p. 72.

¹³ Commission Recommendation 88/590/EEC of 17 November 1988 concerning payment systems, and in particular the relationship between cardholder and card issuer, OJ L 317, 24.11.1988, p. 55.