



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 3.6.2002
COM(2002) 267 final

**REPORT FROM THE COMMISSION TO THE COUNCIL AND THE EUROPEAN
PARLIAMENT**

Sixth Progress Report on the Financial Services Action Plan

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Financial Services

An improving climate

- but quite some way to go

Sixth Progress Report

INTRODUCTION – THE POLITICAL CLIMATE HAS CHANGED

The Financial Services Action Plan (FSAP) is now halfway through its timetable for implementation. The last progress report¹ called for real and tangible progress. This sixth report, prepared with the Financial Services Policy Group (FSPG) comprising personal representatives of the EU's finance ministers, concludes that there has been a positive response. The climate in financial services has improved; a number of agreements have been struck, but significant challenges remain to complete the Plan by 2003/5.

The Belgian and Spanish Presidencies have helped create the necessary political momentum. Progress is being made in the Council and the Parliament on many proposals. The mid-term review of progress of 22 February 2002 on the Action Plan² underlined strongly that financial integration will bring real benefits for European citizens in terms of economic growth, more jobs and sustained prosperity.

In March, the Barcelona European Council reaffirmed the objectives of the Action Plan as a key priority of the Lisbon economic reform agenda, and set clear deadlines for the adoption of eight specific measures. The informal meeting of ECOFIN ministers in Oviedo on 13 April 2002 gave further impetus to the process and recognised the need to step up its own efforts in order to complete the Action Plan on time (Box 1).

¹ Fifth Report : « Europe Must Deliver on Time » November 2001 COM(2001)712 final, available on http://europa.eu.int/comm/internal_market/en/finances/actionplan/index.htm

² Information available on DG Markt's website:
http://europa.eu.int/comm/internal_market/en/finances/actionplan/02-36.htm

BOX 1

THE BARCELONA PRIORITIES (EUROPEAN COUNCIL)

- the FSAP must be implemented by 2005, and by 2003 for the securities and risk capital markets;
- the Council and the European Parliament should approve in 2002 the Directives on market abuse, collateral, distance marketing of financial services, insurance intermediaries, prospectuses, financial conglomerates and pension funds, and the Regulation on International Accounting Standards.

THE OVIEDO AGREEMENT (INFORMAL ECOFIN)

- On financial integration the Council expressed its wish to step up efforts to complete the Financial Services Action Plan (FSAP) by 2005, including the adoption in 2002 of 8 important legal measures as stated in the Conclusions of the Barcelona European Council. Furthermore, they agreed that individual measures should meet the objectives of integration and efficiency. The Council invited the Commission to propose arrangements facilitating a consistent implementation of EU legislation (see also Objective 3 -Prudential Rules and Supervision- in the section Overall state of play of the Action Plan); called for a strict application of EU competition rules; insisted on the need for increased endeavours in favour of consumer confidence and protection.
- On policy issues related to Enron: noted that most of the regulatory issues highlighted by Enron are already being tackled in the context of the FSAP (International Accounting Standards, Regulatory Reporting) and welcomed further Commission work on auditor independence, priority for the EU auditing strategy, financial analysts and credit rating agencies. Ministers expressed their wish to extend the mandate of the High Level Group of Company Law Experts to recommend best practices in corporate governance and auditing practices.

A further significant milestone is the greater awareness and acceptance of the major benefits that financial integration can bring. A study commissioned by the European Financial Services Round Table estimated that integration could add 0,5 – 0,7 per cent annually to EU GDP³ - equivalent to 43 billion Euro on an annual basis. These potential benefits underline the urgent need for FSAP to be completed on time and need to be explained more efficiently to businesses and citizens⁴. The Commission will report later this year on further micro- and macroeconomic estimates of economic benefits.

³ Report to European Financial Services Round Table : « the Benefits of a Working European Retail Market for Financial Services, www.zew.de/erfstudyresults/

⁴ The Danish Council Presidency intends to discuss the benefits of financial integration on the basis of studies organised by the Commission. These will be reported to the Council in the next progress report.

REAL PROGRESS IS BEING MADE TO MEET EUROPEAN COUNCIL DEADLINES

After nearly a year of negotiation, a compromise on how to implement the recommendations of the Lamfalussy report on securities regulation has been struck with the Parliament.

Furthermore, and building on the successful work of the Belgian presidency, legislative agreements in line with the Barcelona conclusions are currently being sought by the Spanish presidency in respect of the following:

- final adoption in a single reading of the Regulation on International Accounting Standards⁵ from 2005. This would be a major achievement particularly after so short a period of negotiation;
- the Directives on Distance Marketing⁶, Collateral⁷ and Insurance Intermediaries⁸ are all targeted for adoption by June 2002;
- political agreement in the Council has been reached on 7 May 2002 on the proposed Directives on Market Abuse⁹ and Financial Conglomerates¹⁰, with the aim of adopting the proposals as early as possible in 2002;
- political agreement on the Directives on Supplementary Pension Funds¹¹ and Prospectuses¹² could be achieved in the Spanish presidency with final adoption by the end of the year for Supplementary Pension Funds and in 2003 for Prospectuses.

The FSPG has contributed significantly towards the progress made since the last progress report notably by identifying key political obstacles in a number of specific proposals where deadlines are under threat. But Member States must continue to demonstrate the necessary political will to compromise during the discussions themselves. The closest possible co-operation between the EU Institutions is also essential in order to obtain as many single reading agreements or accelerated second readings as possible.

⁵ COM(2001)80 – 13/02/2001
⁶ COM(1999)385 – 23/07/1999
⁷ COM(2001)168 – 27/03/2001
⁸ COM(2000)511 – 20/09/2000
⁹ COM(2001)281 – 30/05/2001
¹⁰ COM(2001)213 – 24/04/2001
¹¹ COM(2000)507 – 11/10/2000
¹² COM(2001)280 – 30/05/2001

SOME CONCERNS REMAIN

Three concerns were identified in the Fifth Progress Report: on the overall pace of delivery; on the take-over bids proposal and on pension funds.

- Concerns about the general pace of the legislative process have eased somewhat.
- Taking into account the recommendations of the High Level Group of Company Law Experts, the proposal on take over bids will address the three principal concerns of the European Parliament: the issue of the “level playing field”, a definition of an “equitable price” and the possibility for a majority shareholder to buy out a minority shareholder (“squeeze-out”). The Commission will bring forward its proposal as soon as possible following discussion with many interested parties.
- Progress on Supplementary Pension Funds remains of concern¹³. However, the Spanish presidency is pressing hard to reach an agreement in Council before mid-2002.

Concerns remain on a number of other proposals. Many important issues need to be resolved if the Prospectuses Directive is to be adopted without delay, particularly those related to the specific needs of SMEs. The Distance Marketing of Financial Services Directive has now reached a critical stage in the Parliament where it is undergoing a second reading. A vote is due during the May 2002 plenary session which could either pave the way for rapid adoption of the Directive or lead into a difficult conciliation procedure.

¹³ It has been identified as of major concern in successive progress reports: Fourth Progress Report: “Political Challenges” COM (2001)286 final, and Fifth Progress Report: “Europe Must Deliver on Time” COM(2001) 712 final. Available on:
http://europa.eu.int/comm/internal_market/en/finances/actionplan/index.htm

OVERALL STATE OF PLAY OF THE ACTION PLAN

An Annex¹⁴ to this report indicates the state of play on individual measures in the Action Plan that are still being negotiated (those measures that have been agreed no longer appear but are summarised for the last time at the beginning of the annex).

Objective 1 : A Single EU Wholesale Market.

The Action Plan's first strategic objective is to establish a common legal framework for integrated securities and derivatives markets. Financial integrity is a cornerstone of that objective. The Enron collapse has prompted the Commission to examine to what extent the Action Plan already deals with the regulatory issues arising from the case and whether new initiatives are needed. A working document of the services of the Commission¹⁵ was tabled at the informal ECOFIN meeting in Oviedo and was well received by ministers. This paper outlines a global and coherent strategy to help preventing a similar collapse in the EU. It focuses on five areas: financial reporting, statutory audit, corporate governance, transparency in the international financial system, financial analysts and credit rating agencies.

As a result of the International Accounting Standards (IAS) Regulation, listed EU companies will have to prepare their consolidated financial statements in accordance with IAS by 2005. The application of high quality accounting standards is thereby ensured. In order to enable Member States to adapt their accounting legislation so as to make it compatible with IAS, the Commission will soon come forward with its proposal for a directive to modernise the Fourth and Seventh Accounting Directives¹⁶.

Proper enforcement will be one of the main subjects of the Communication which the Commission will soon be drawing up on priorities in the field of auditing. This Communication will address issues such as the application of International Standards on Auditing, the public oversight of the auditing profession, the role of audit committees and ethics. Moreover, the Commission has recently issued a Recommendation on Auditor Independence¹⁷. This Recommendation will particularly aim at avoiding that the statutory auditor finds himself in a position which could have a negative impact on his objective assessment of the financial statements. Rather than introducing a list of interdictions, the Commission has opted for a principles based approach which puts much of the responsibility in the hands of the profession. Should this approach not work in practice, the Commission might reassess the situation and come forward with legislative proposals. The Commission will also continue its discussions with the Committee of European Securities Regulators on proper supervision of financial statements published by listed companies.

¹⁴ As in the past the Annex will be available on the internet and updated regularly Available on : http://europa.eu.int/comm/internal_market/en/finances/actionplan/index.htm

¹⁵ The paper is available on DG Markt's website : http://europa.eu.int/comm/internal_market/en/company/company/news/ecofin_2004_04_enron_en.pdf

¹⁶ Directives 78/660/EEC and 83/349/EEC

¹⁷ http://europa.eu.int/comm/internal_market/fr/company/audit/index.html Commission Recommendation 2001/6942 of 16 May 2002 on **Statutory Auditors' Independence in the EU: A Set of Fundamental Principles (C(2002)1873)**

The High Level Group of Company Law Experts came forward in January with its first Report on issues related to take over bids¹⁸. The recommendations contained in this Report should help the Commission in preparing its new proposal for a Directive on Take over bids. In its second Report, the Group will provide recommendations for modernising the EU's company law framework¹⁹. At the informal ECOFIN Council in Oviedo, the Group was asked to include in its review (which already includes corporate governance as a general theme) a number of corporate governance issues, such as the role of non-executive directors, management remuneration and the responsibility of management for the preparation of financial information. Preliminary views on these issues will be presented to ECOFIN in June. Final conclusions should be available for the ECOFIN Council in September. The Group will address other company law issues such as the creation and functioning of companies, shareholders' rights; corporate restructuring and the possible need for new corporate legal forms at EU level. The Group will present its final Report on these issues in September. In conformity with the Action Plan, the Commission will also shortly bring forward its proposal for a directive on Cross Border Mergers (10th Company Law Directive).

The Commission will also bring forward before the end of 2002, proposals for an update of the Investment Services Directive²⁰ and a proposal on Regular Reporting²¹. Responses to the Commission on a revision to the Investment Services Directive consultations underlined the need for further work on clearing and settlement. A Communication on Clearing and Settlement will be issued shortly.

¹⁸ Available on DG Markt's website:
http://europa.eu.int/comm/internal_market/en/company/company/news/02-24.htm

¹⁹ Consultation paper available on DG Markt's website :
http://europa.eu.int/comm/internal_market/en/company/company/modern/index.htm

²⁰ More information available on DG Markt's website:
http://europa.eu.int/comm/internal_market/en/finances/mobil/isd/index.htm

²¹ More information available on DG Markt's website:
http://europa.eu.int/comm/internal_market/en/finances/mobil/transparency/index.htm

Objective 2 : Open and Secure Retail Markets

The mid-term review demonstrated the need to make further efforts towards a truly integrated retail financial market for all, based on the Action Plan's original policy initiatives. Building Consumer confidence is key to progress in this field. The involvement of consumer representatives in the financial integration process is essential to create that confidence and awareness. The Retail Financial Services Road Map²² sets out key actions on which progress has to be made:

- the Communication on a single market for payments²³ will be followed up in 2003 by a proposal for a legislative framework for payments as the cornerstone of a single payments area;
- the Action Plan to combat fraud and counterfeiting in non-cash payments²⁴ is being implemented with the national authorities;
- the Commission has adopted a Recommendation²⁵ inviting all lenders to comply by 30 September 2002 with the provisions of the European Voluntary Agreement on pre-contractual information to be given to consumers by lenders offering home loans. The implementation of the code is being closely monitored by the Commission.
- the Communication on E-Commerce and Financial Services is being followed-up with the Member States to ensure a clear and coherent implementation throughout the EU;
- the existence of insurance guarantee schemes for policyholders in the case of a winding-up of an insurance undertaking are being examined in order to determine whether an EU-wide response is required (legislative or otherwise);
- the success of the FIN-NET consumer out-of-court redress initiative²⁶ will be followed up in order to ensure increased awareness and efficiency. Generally, there is a need for more structured and effective European consumer investor input into Community decision making.

²² Communication from the Commission to the Council and the EP « E-Commerce and Financial Services » COM(2001)66 final – 07/02/2001

²³ COM(2000)36 – 31/01/2000

²⁴ COM(2001)11 – 09/02/2001

²⁵ COM(2001)477 – 01/03/2001

²⁶ Information available on DG Markt's website:
http://europa.eu.int/comm/internal_market/en/finances/consumer/adr.htm

Objective 3 : Prudential Rules and Supervision

The Action Plan's third strategic objective, state-of-the-art prudential rules and supervision, will contribute to the stability of Europe's financial sector. It includes the following:

- the initial review of insurance solvency rules²⁷ has demonstrated the need for a more fundamental overhaul of the present approach ('solvency II') and a framework for reinsurance supervision;
- an important step to reinforce the EU's anti-money laundering policy was taken by the rapid adoption of the amendment to the Money Laundering Directive²⁸. Following the events of September 11, the legal framework to combat money laundering may need further strengthening by a third Money Laundering Directive in 2003;
- an ambitious timetable underpins the implementation of the revised capital framework for banks and investment firms by 2006, following discussions in the G10-Basle Committee.

The Action Plan sets as its goal to "enable the EU to assume a key role in setting high global standards for regulation and supervision", and to "contribute to the developing of EU supervisory structures which can sustain stability and confidence in an era of changing market structures and globalisation". The rapid implementation of legislation and its adaptation to market developments together with a much-needed convergence of supervisory practices are the key objectives. Concrete steps have already been taken, in particular in the securities markets sector where the implementation of the recommendations of the Lamfalussy Committee is already taking place²⁹. The first requests for technical advice on implementing measures (in the prospectus and market abuse areas) have recently been sent to the Committee of European Securities Regulators (CESR). New processes to ensure a full consultation of the market and consumers are also underway at both CESR and the Commission itself (e.g. 2nd Investment Services Directive (ISD) consultations/hearings).

In its Report to the ECOFIN Council on Financial Integration, the Economic and Financial Committee concluded that the 4-level regulatory approach for securities markets, proposed by the Lamfalussy Report and endorsed by the Council, has an important role to play in the field of supervisory convergence. The ECOFIN meeting on 7 May 2002 invited the Commission "having involved relevant supervisory authorities and Ministries of Finance and taking account of the views of the industry and consumers, to bring forward as soon as possible its report on the appropriate arrangements that are needed to facilitate the consistent implementation and enforcement of regulation including supervisory practices, in line with the recommendations of the Economic and Financial Committee's report on financial integration, to allow its use by the EFC" as a basis for EFC's own report.

²⁷ Directives 2002/12/EC and 2002/13/EC

²⁸ Directive 2001/97/EC

²⁹ Commission Decisions of 6 June 2001 establishing: the European Securities Committee COM 2001(1493) final, and the Committee of European Securities Regulators COM 2001(1501) final.

EXTERNAL DIMENSION/ GLOBALISATION/ENLARGEMENT

An integrated well-functioning home market will also improve EU financial service providers' global competitiveness and attract more foreign investors. A more efficient and larger scale EU financial sector will strengthen the international role of the euro. A common external dimension issue is the EU enlargement process. Negotiations with the first countries are expected to be finalised in 2002. The Commission will invite representatives of Finance Ministers in the candidate countries to a special meeting of the FSPG before the end of 2002 to discuss developments in the financial sector and the process of European financial integration.

Multilateral GATS (General Agreement on Trade in Services) negotiations embedded in the broader Doha Development Agenda are expected to accelerate. Further steps in the integration and liberalisation of the EU market should be matched by adequate market opening commitments by all third-countries. Technical discussions between the Commission and the US authorities are underway, including exchanges of view with the Securities and Exchange Commission (SEC) on trading screens and accounting standards. The Commission and Member States authorities have also discussed with the SEC and the Federal Reserve Board supervisory practices for financial conglomerates.

CONCLUSIONS

The Barcelona European Council, the informal ECOFIN meeting in Oviedo and the mid term review have all stressed the vital importance and benefits of integrated capital markets in achieving economic growth and job creation, for financial stability and to enable consumers and businesses alike to reap the full benefits of the euro. Recent progress in the Council and the European Parliament on a number of proposals demonstrate that the political commitment to implement the FSAP on time is beginning to be translated into firm political agreements. The agreement on the Lamfalussy process was a key development in this process.

But the rhythm of recent successes needs to be continued if the 2005 deadlines are to be met. All measures must be agreed by mid-2004 at the latest to allow adequate time for implementation by Member States. The next Progress report will be sent to the ECOFIN Council at the end of this year. The 8 Barcelona-listed agreements should have been successfully concluded by then. If so, the FSAP will be well on the way to completion. Even if not all barriers have been removed, significant and irreversible progress towards a strong integrated European financial sector by 2005 is achievable – it is a prize that is now within our grasp.

ANNEX

PROGRESS ON THE FINANCIAL SERVICES ACTION PLAN

This table provides an overview of progress on the individual actions in the Financial Services Action Plan (COM(1999) 232). It shows the present state of play and provides the Commission's assessment of the degree to which Community institutions and Member States are achieving the objectives set out in the Action Plan. Of the 42 original measures 26 have now been completed: they are listed at the beginning of this Annex.

A further five measures have also been prepared in response to wider market developments over the past three years. These measures, which are not included in the original Action Plan, are mentioned separately in the Annex under each of its four strategic objectives. They are included to provide a complete overview of the Union's present workload.

The progress reports remain available on the following web-page :

http://europa.eu.int/comm/internal_market/en/finances/actionplan/index.htm

- +** Plus sign: progress has been achieved in meeting the targets set in the Action Plan
- Minus sign: indicates no progress

COMPLETED FSAP MEASURES

(Legislative proposals in bold)

- (1) Commission Communication on the Application of Conduct of Business Rules Under Article 11 of the Investment Services Directive (ISD) (distinction between professional and retail investors). Issued on 14 November 2000, COM(2000)722
- (2) Commission Communication on upgrading the ISD. Issued on 15 November 2000, COM(2000)729
- (3) **Amendments to the 4th and 7th Company Law Directives to allow fair value accounting: Directive 2001/65/EC adopted on 31 May 2001**
- (4) Commission Communication updating the EU accounting strategy. Issued on 13 June 2000, COM(2000) 359
- (5) Recommendation on quality assurance. Issued on 21 November 2000, C(2000) 3304
- (6) **Political agreement on the European Company Statute. Directive 2001/86/EC and Regulation (EC)2157/2001 adopted on 8 October 2001**
- (7) Review of EU corporate governance practices The final report of the Comparative Study was published on 27 March 2002 (available on DG Markt's website : http://europa.eu.int/comm/internal_market/en/company/company/news/index.htm)
- (8) Commission Communication on Funded pension Schemes. Issued on 11 May 1999 Com (1999)134
- (9) **Adoption of the two Directives on UCITS. Directives 2001/107/EC and 2001/108/EC adopted on 21 January 2002.**
- (10) Commission Communication on clear and comprehensible information for purchasers. The work on the communication has been integrated in the context of the Commission Communication on an e-commerce policy for financial services (COM(2001)66 – 07/02/2001).
- (11) Recommendation to support best practice in respect of information provision (mortgage credit). Issued on 1 March 2001, COM(2001)477
- (12) Commission report on substantive differences between national arrangements relating to consumer-business transactions. Discussions with industry ('Forum Group') and consumers are concluded. Information gathered is used for further Commission initiatives in the field of retail financial services.
- (13) Interpretative Communication on the freedom to provide services and the general good in insurance. Issued on 2 February 2000, C (1999)5046
- (14) Commission Communication on a single market for payments. Issued on 31 January 2000, COM(2000)36 final
- (15) Commission Action Plan to prevent fraud and counterfeiting in payment systems. Issued on 9 February 2001, COM(2001)11
- (16) Commission Communication on an e-commerce policy for financial services. Issued on 7 February 2001, COM(2001) 66
- (17) **Adoption of the proposed Directive on the Reorganisation and Winding-up of Insurance undertakings. Directive 2001/17/EC adopted on 19 March 2001**
- (18) **Adoption of the proposed Directive on the Winding-up and Liquidation of Banks. Directive 2001/24/EC adopted on 4 April 2001**
- (19) **Adoption of the proposal for an Electronic Money directive. Directive 2000/46/EC adopted on 18 September 2000**
- (20) **Amendment to the Money Laundering Directive. Directive 2001/97/EC adopted on 4 December 2001**
- (21) Commission Recommendation on disclosure of financial instruments. Issued on 23 June 2000, C(2000) 1372
- (22) **Amendments to the solvency margin requirements in the Insurance Directives. Directives 2002/12/EC and 2002/13/EC adopted on 5 March 2002**
- (23) **Amendment of the Insurance Directives and the Investment Services Directive to permit information exchange with third countries. Directive 2000/64/EC adopted 7 November 2000**
- (24) **Creation of two Securities Committees. Decision of 6 June 2001 setting up the European Securities Committee - ESC (C(2001)1493) and Decision of 6 June 2001 setting up the Committee of European Securities Regulators - CESR (C(2001)1501)**
- (25) **Commission Recommendation 2001/6942 of 16 May 2002 on Statutory auditors' independence in the EU: A set of fundamental principles (C(2002)1873)**
- (26) Review of taxation of financial service products. This action has been taken care of in the context of the initiative on taxation on supplementary pension funds as set out below

STRATEGIC OBJECTIVE 1: A SINGLE EU WHOLESALE MARKET

Raising capital on an EU-wide basis

Action	Initial FSAP optimal Timeframe	Present Timeframe	State of Play/Follow-up	
Directive on Prospectuses	Adoption 2002	Adoption 2003	Proposal for a directive on prospectuses adopted by the Commission. COM(2001)280, 30/05/2001. The Barcelona European Council (March 2002) has asked the Council and the European Parliament to adopt the Directive as early as possible in 2002.	+
Updating the Regular Reporting Requirements	Proposal 2001 Adoption 2002	Proposal December 2002 Adoption December 2003	Work continuing in the Commission in close co-operation with parties concerned. First consultation summer 2001. Second consultation April 2002	-

Establishing a common legal framework for integrated securities and derivatives markets

Directive on Market Abuse	Adoption 2003	Adoption in 2002	Proposal for a directive on insider dealing and market manipulation (market abuse) adopted by the Commission COM(2001)281, 30/05/2001. Opinion of European Parliament adopted on 14 March 2001. Political agreement reached in Ecofin on 7 May 2002. The Barcelona European Council (March 2002) has asked the Council and the European Parliament to adopt the Directive as early as possible in 2002.	+
Directive to upgrade the Investment Services Directive		Proposal December 2002 Adoption June 2003	Follow-up to: Communication on upgrading ISD issued: COM(2000)729 final (15/11/2000). First consultation process concluded in first quarter 2001. Second consultation in April 2002.	+

Towards a single set of financial statements for listed companies

Action	Initial FSAP optimal Timeframe	Present Timeframe	State of Play/Follow-up	
Regulation on International Accounting Standards		Adoption June 2002	Follow-up to the Communication on International Accounting Standards issued by the Commission on 13 June 2000 (COM(2000) 359 final). Proposal for Regulation on IAS (COM(2001)80) adopted by the Commission on 13 February 2001. Opinion of the European Parliament on 12 March 2002 opens up for adoption in a single reading. The Barcelona European Council (March 2002) has asked the Council and the European Parliament to adopt the Directive as early as possible in 2002. Adoption foreseen at ECOFIN Council of 4 June 2002.	+
Modernisation of the accounting provisions of the 4th and 7th Company Law Directives	Proposal end 2000 Adoption 2002	Proposal May 2002 Adoption early 2003	Communication on accounting strategy (see above) adopts this action as part of its implementation program. Possible general orientation as early as October 2002.	+

Containing systemic risk in securities settlement:

Implementation Settlement Finality Directive	Commission report to Council end 2002	Commission report to Council Dec-2002	Implementation date 11 December 1999. All Member States have implemented the necessary measures. Commission report to Council end 2002.	+
Directive on financial collateral arrangements	Adoption 2003	Adoption June 2002	Adopted by the Commission on 27 March 2001 - COM(2001)168 FINAL. The Council reached a Common Position on 5 March 2002. Second reading ongoing in European Parliament. The Barcelona European Council (March 2002) has asked the Council and the European Parliament to adopt the Directive as early as possible in 2002.	+

Towards a secure and transparent environment for cross-border restructuring:

Action	Initial FSAP optimal Timeframe	Present Timeframe	State of Play/Follow-up	
Directive on Take Over Bids	Adoption 2000	New Proposal June 2002 Adoption April 2003	The European Parliament and the Council reached an agreement on a compromise text of the Directive on 6 June 2001. The EP rejected the compromise text on 4 July 2001. New proposal will consider the recommendations of the High Level Group of Company Law Experts.	–
Follow-up: Report of the High Level Group of Company Law Experts		2002/2003	Follow-up to: the Recommendations of the High Level Group of Company Law Experts on takeover bids. The second report of the Group will address such issues as cross-border voting (including use of new technologies), capital maintenance, the functioning of companies and groups of companies. The Group will also examine the conclusions of the review of EU corporate governance practices and come forward with recommendations in this respect, in particular in the light of discussion in the informal ECOFIN in Oviedo on 12-13 April 2002. Presentation of the second report in September 2002.	+
Proposal for a 10th Company Law Directive	Proposal Autumn 1999 Adoption 2002	New Proposal Sep 2002 Adoption 2003	A first proposal was tabled in 1985 but remained blocked on the issue of workers' participation. The new proposal will take account of the solutions adopted within the framework of the European Company Statute.	+
Proposal for a 14th Company Law Directive	Proposal Autumn 1999 Adoption 2002	No proposal before 2003	Reassessment is expected on the basis of the report of the new Group of High Level Company Law Experts and the awaited decisions of the European Court of Justice.	–

A Single Market which works for investors:

Directive on the Prudential Supervision of Supplementary Pension Funds	Adoption Jan/2002	Adoption December 2002	Proposal adopted on 11 October 2000 (COM (2000)507 provisional). Opinion of European Parliament adopted on 4 July 2001. The Barcelona European Council (March 2002) has asked the Council and the European Parliament to adopt the Directive as early as possible in 2002.	–
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(MEASURES IN RESPONSE TO WIDER MARKET DEVELOPMENTS SINCE THE ADOPTION OF THE ACTION PLAN, BUT NOT INCLUDED IN THE ORIGINAL PLAN)

Communication on Clearing and Settlement	Issue in May 2002	Efficient cross-border clearing and settlement in Europe is essential to realise the full benefit of an integrated financial sector. The Commission will launch a consultation which will run until the end of August 2002 with the aim of identifying what action is needed in this area and what the priorities are.	+
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STRATEGIC OBJECTIVE 2: OPEN AND SECURE RETAIL MARKETS

Action	Initial FSAP optimal Timeframe	Present Timeframe	State of Play/Follow-up	
Directive on the Distance Marketing of Financial Services	Adoption end 2000	Adoption June 2002	Amended proposal was adopted by the Commission on 23 July 1999 (COM(1999)385). Political agreement was reached at the Internal Market Council on 27 September 2001. Second reading in the European Parliament ongoing (vote on 14 th May 2002). The Barcelona European Council (March 2002) has asked the Council and the European Parliament to adopt the Directive as early as possible in 2002.	+
Directive on Insurance Intermediaries	Adoption 2002	Adoption 2002	Proposal for a Directive was adopted 20 September 2000 (COM(2000)511 final). Common Position in Council 19 March 2002. Second reading commenced in European Parliament 8 April 2002. The Barcelona European Council (March 2002) has asked the Council and the European Parliament to adopt the Directive as early as possible in 2002.	+
EU legal framework for payments in the Internal Market		Proposal 2003	Wide consultations of all interested parties has started. Evaluation of deficiencies in present legal acts is ongoing	+
Follow-up to FIN-NET	Ongoing	Permanent	Follow-up to: the Commission Communication on an E-commerce policy for financial services COM(2001) 66 final. FIN-NET was established in 2001 as an EU network of out-of-court redress bodies in the Member States for financial services. The present follow-up includes : - publication and dissemination of a brochure (1,5 million copies) in order to inform better the wider public - further widening of the geographical and sectoral coverage - further improvement of information and co-operation between schemes	+
Follow up to Commission's Action Plan to prevent fraud and counterfeiting in payment systems		Ongoing until 2003	Follow-up to: the Communication "Preventing fraud and counterfeiting of non-cash means of payment" adopted by the Commission on 9 February 2001 (COM(2001)11). The Action Plan was attached to the Communication and will run from 2001 to 2003. At the end of 2003 the Commission will prepare a report on its implementation and propose further measures, if needed.	+

(MEASURES IN RESPONSE TO WIDER MARKET DEVELOPMENTS SINCE THE ADOPTION OF THE ACTION PLAN, BUT NOT INCLUDED IN THE ORIGINAL PLAN)

Work on Insurance Guarantee Schemes	Ongoing until 2003	Technical level work started in February 2002 to study the necessity for insurance guarantee schemes similar to those existing for banks and securities.	+
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STRATEGIC OBJECTIVE 3 : STATE-OF-THE-ART PRUDENTIAL RULES AND SUPERVISION

Action	Initial FSAP optimal Timeframe	Present Timeframe	State of Play/Follow-up	
Amend the Directives Governing the Capital Framework for Banks and Investment Firms	Proposal spring 2000 Adoption 2002	Proposal 2004 Adoption 2005	The Basel Committee has extended the timetable for development and implementation of the new international Accord. There will be a further impact study carried out before the publication of the final consultative document on the proposed new framework. The Commission will publish a third consultative document in early Summer 2003. Work on draft legislative proposals in progress. Proposal for directive will be adopted by the Commission early in 2004. Implementation date for new framework: 31 December 2006. The Commission will report to the Council on the consequences of the accord in late autumn 2003.	+
Directive on Prudential Rules for Financial Conglomerates	Adoption 2002	Adoption December 2002	The Commission adopted on 24 April 2001 a proposal for a directive on the supervision of financial conglomerates, COM(2001)213 final. Opinion of the European Parliament delivered on 14 March 2002. Political Agreement ECOFIN Council reached on 7 May 2002. Second reading in European Parliament foreseen in second half of 2002. The Barcelona European Council (March 2002) has asked the Council and the European Parliament to adopt the Directive as early as possible in 2002.	+

(MEASURES IN RESPONSE TO WIDER MARKET DEVELOPMENTS SINCE THE ADOPTION OF THE ACTION PLAN, BUT NOT INCLUDED IN THE ORIGINAL PLAN)

Reinsurance supervision	Ongoing until 2003	Investigation of the possibilities to create a harmonised supervision framework for reinsurance. It has not yet been decided whether to choose a “fast-track” solution or to adopt a more comprehensive approach aligning this work to that of the Solvency II project.	+
Fundamental review of the solvency system in insurance (Insurance Solvency II)	Ongoing until 2005	Long-term project to define a new solvency framework for EU insurance companies. Work at two stages: 1. in the first phase focus on the general layout of the solvency system; an orientation debate with the Member States to place in Insurance Committee in November 2002 to decide on the general form of the system, 2. in the second phase elaboration of the technical solutions to be included in the future system.	+
Third Money Laundering Directive	Proposal End 2003	Depending on progress, Commission will prepare a report on the implementation of the 2 nd Directive and on the issues to be addressed in a third Directive.	+

OBJECTIVE: WIDER CONDITIONS FOR AN OPTIMAL SINGLE FINANCIAL MARKET

Action	Initial FSAP optimal Timeframe	Present Timeframe	State of Play/Follow-up	
Adopt a Directive on taxation of savings income in the form of interest payments	Political Agreement by Nov/1999 Adoption 2000	New Proposal Jul-01 Adoption Dec-02	Following agreements at the European Council in Feira in June 2000 and at the Ecofin Council in November 2000, the Commission on 18 July 2001 presented a new proposal for a Directive, replacing the 1998 proposal. In December 2001, the Ecofin Council approved the draft Directive for the purpose of negotiations with third countries. Following the adoption of a negotiating mandate by the Ecofin Council on 16 October 2001, the Commission entered into negotiations with the US and five key third countries to promote the introduction of equivalent measures in order to pave the way for adoption of the Directive before the end of 2002.	+
Commission initiative on taxation of cross-border occupational pensions	Proposal end 1999 Adoption 2002	Issued Apr-01	A Commission Communication on "The elimination of tax obstacles to the cross-border provision of occupational pensions" was presented on 19 April 2001 (COM(2001)214). The Communication sets out how the fundamental freedoms of the EC Treaty apply in the area of cross-border pension provision and calls upon Member States to eliminate discrimination against occupational schemes established in other Member States. Two cases are already pending in the Court of Justice (Danner, case C-136/00 and Skandia/Ramstedt, case C-422/01). The Commission will start infringement procedures where necessary. At the ECOFIN Council of October 2001 Council and Commission have undertaken to further develop the Commission's proposals on the exchange of information and the elimination of double taxation and double non-taxation, with a deadline of end 2002.	+
Implementation of the December 1997 Code of Conduct on business taxation	Ongoing examination in the Code of Conduct group	Ongoing examination in the Code of Conduct group	A report identifying the harmful tax measures was submitted to the ECOFIN Council in November 1999 and a detailed timetable for dismantling those measures was agreed on one year later. The Code of Conduct Group is continuing its work by e.g. monitoring the roll-back and the standstill processes with a view to the final agreement on the tax package.	+