

COMMISSION OF THE EUROPEAN COMMUNITIES

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FINANCIAL SERVICES PRIORITIES AND PROGRESS

THIRD REPORT

(presented by the Commission)

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SUMMARY

This third report on the progress in implementing the Financial Services Action Plan (FSAP) confirms that, across the board, the situation remains satisfactory but with important qualifications. There is yet to be the quantum leap needed to achieve the 2005 deadline set by Heads of State and Government at the Lisbon European Council. The Commission cannot allow any significant slippage in bringing forward the many initiatives, legislative and non-legislative, promised in the FSAP. Progress in agreeing and implementing these proposals must be rapid, particularly in respect of those legislative proposals that have either recently been made or will come forward in the near future.

The Commission has, at the request of the Ecofin Council, reviewed the FSAP in order to refine its priorities and indicated for each the critical path that must be achieved if the 2005 deadline is to be met. The Commission suggests a set of critical priorities for the coming six months for each institution. These could be reviewed, and added to, in successive progress reports in order to maintain the momentum towards the 2005 deadline. In doing so, however, the Commission underlines the fact that all the measures in the Action Plan require parallel progress to ensure that the Union does not face a sub-optimal situation in its capital markets and financial services policies.

This report also notes the establishment of the Group of Wise men under the chairmanship of Baron Lamfalussy whose interim report will be considered at the 27 November ECOFIN Council (when the present report will also be discussed). In order to improve co-ordination between the institutions the so-called '2005 Group' has been set up. An exercise to introduce benchmarking has also been launched. The Commission believes that these developments will help in meeting the challenges of the Action Plan.

INTRODUCTION

The Lisbon European Council took an important political step in March towards an integrated financial services and capital market in the European Union. Heads of State and Government recognised the central role of efficient financial markets for long term European competitiveness and for the development of the New Economy - the strategic aim over the next decade being for the Union to become *"…the most competitive and dynamic knowledge based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion…"*. The Lisbon European Council therefore asked that the FSAP should be completed by 2005. It also emphasised priority measures relating to wholesale financial markets and the call for an acceleration of their implementation reflect the important contribution they can make to economic growth and the need to keep up with rapid market developments. The introduction of the Euro, by removing one major source of market segmentation – different currencies – has increased the potential benefits of a single financial services market. It is also a major catalyst for integration of EU financial markets.

Financial services is one of the sectors where Europe has the most potential for stimulating economic growth, improving economic productivity and job creation. The integration of financial markets will result in widespread benefits for all sectors of the economy while giving consumers more choice, better opportunities for more value for money and higher returns on their investments. Efficient and transparent financial markets also help to optimise the allocation of capital. Facilitating the access to equity financing and risk capital will allow SMEs and start-up companies to fully exploit their growth and job creation potential. Substantial progress has been made, although Europe still has some way to go to achieving the full benefits of the Single Market in financial services. The Financial Services Action Plan (FSAP)[1] details the work that has to be accomplished to reap the benefits of a fully integrated European financial services and capital market. The Council has invited the Commission to report on a regular basis on the progress made. This report, the third, is presented in a period of rapid changes to the infrastructure of EU securities markets. The establishment of the Group of Wise men under the chairmanship of Baron Lamfalussy which is examining the current conditions for implementation of the regulation of the Union's securities markets will unveil its initial report on 9 November (the final report is due mid-February).

Given the urgency of implementing the FSAP, the Commission in this report, at the request of the Ecofin Council on 27 July has reviewed and refined the priorities indicating for each the critical path that must be achieved if the 2005 deadline is to be met. The ten measures that are prioritised for an integrated wholesale market will vastly improve the climate for investing and raising capital on an EU basis and creating a transparent environment for cross-border restructuring. A priority legal framework is required to equip EU consumers with the necessary information and safeguards to allow new distribution channels and marketing technologies to be put to work on a pan-European scale. Priorities are suggested for sound prudential rules to meet the challenges of industry consolidation and financial market developments and maintain financial stability in the Union. In order to improve co-ordination between the Commission, the Council and the European Parliament a high-level group ('2005 Group') has been set up to help improve institutional co-ordination. The next few months are vital. Many regulatory texts will be carried forward from the Commission. Now is the time to find the political will to progress sufficiently.

***1** Financial Services - Implementing the Framework for financial markets: Action Plan. Commission Communication of 11.05.1999 COM(1999)232*

I PROGRESS ON IMPLEMENTING THE FINANCIAL SERVICES ACTION PLAN[2]

This third report on the progress in implementing the FSAP has again been prepared with the assistance of personal representatives of Ecofin ministers meeting in the Financial Services Policy Group. Overall the situation remains satisfactory although there are a number of serious concerns and the worry that, without more effort in next few months the FSAP will fail to maintain sufficient momentum to achieve the ambitious 2005 deadline. The Annex sets out a measure by measure analysis and assessment of progress. Seven areas have been successfully completed. For 29 of the 42 measures progress has been made to achieve the Action Plan targets. For 6 measures the Commission considers that insufficient (or no) progress has been registered.

Areas requiring urgent action

Despite successive political commitments at the most senior level, there is little progress on the *European Company Statute*. This has had implications for two other measures in the field of company law (10th Company Law Directive and the 14th Company Law Directive). The Regulation itself does not now pose any problems on substance. The Directive, on the other hand, is blocked by a refusal from one Member State to allow employees, in the case of a merger, to participate in company bodies if such participation is demanded by more than 25% of the employees. The blocking member state accepts participation of employees only if this is requested by a majority of the employees. There is also lack of progress in respect of the *Commission Communication* on *Fraud and Counterfeiting in Payment Systems*. This will be presented by the Commission before the end of the year. Three Member States (FR, IT, LUX) are late in transposing the *Settlement Finality Directive*. The Commission has instituted infringement procedures against these Member States.

Steady progress is being made

On ***consumer and retail issues*** the Commission has been accelerating its work to enhance consumer confidence in an EU market for retail financial services. The legislative proposal for *insurance intermediaries* was presented in September. Discussions in the Council and the European Parliament on the *distance marketing* proposal for financial services are continuing as a presidency priority. The Commission's Communication on an e-*commerce policy for financial services* is expected around the end of this year.

Concrete efforts between Commission and national bodies to agree procedures underpinning effective *out of court redress* on a cross-border basis throughout the EU are progressing rapidly. A network of national bodies dealing with complaints from consumers will co-operate in providing assistance in cases of cross-border problems. National bodies are currently elaborating a *Memorandum of Understanding* as a necessary basis for good co-operation between such schemes. *Cross-border payments* continue to receive the highest degree of attention after the introduction of

2 First report, see : Financial Services Action Plan - Progress Report, November 1999. Second Report, see Financial Services Action Plan – Second Progress Report, June 2000 . Available on Internet: http://europa.eu.int/comm/internal_market.

the Euro. The Commission and the ECB are strongly encouraging the banking sector to improve their cross-border payment arrangements for services in this field. Good progress has been made in standardising the necessary information to be given for cheap straight-through processing of cross-border payments. The Commission and the ECB have also suggested the abolition of *reporting requirements of banks* in respect of cross-border payments for monetary policy purposes.

As ***for wholesale markets***, reasonable progress has been made. Political agreement has been reached on 17 June on the proposal for a *Take Over Bids Directive* although the parliamentary processes are as yet not completed. A Commission Communication on the Union's future *accounting strategy* was strongly supported by the July Ecofin Council. The Commission will shortly make a legislative proposal for listed companies to report financial statements in accordance with *International Accounting Standards (IAS)*. The Commission proposed on 11 October a Directive on the Prudential Supervision of Supplementary *Pension Funds*. A Commission Communication on the *Application of Conduct of Business Rules under Article 11 of the ISD* and the Communication on the *Investment Services Directive* (ISD) will be issued in the coming months alongside proposals for directives on '*market manipulation'* and on the cross-border use of *collateral*. Political agreement was reached on the first *UCITS* proposal at the 17 October Ecofin.

On ***prudential rules***, The Council and the European Parliament have adopted the *E-Money* Directive and a Directive amending the insurance directives and the ISD to permit *information exchange with third countries*. Political agreement has been reached on the proposed directives on the *winding-up and reorganisation of credit institutions and of insurance undertakings*. Political agreement has also been reached on the proposal for amendments to the *Money Laundering* Directive. The Commission has proposed a directive for new *insurance solvency* requirements and adopted its Recommendation on the Disclosure of *Financial Instruments*. The review of *bank capital* rules (in parallel with the G-10 Basel Committee on Banking Supervision) continues. Work on the supervision of *financial conglomerates* is on schedule for a draft directive early next year. The Commission is examining the development of a possible framework for *reinsurance,* where at present there is no legislative framework.

Taxation – progress after Feira

In Feira, the European Council reached an agreement on the step-by step development towards exchange of information as the basis for *taxation of savings income* of non- residents. Work in Council is progressing steadily in order to achieve agreement on the substantial content of the Directive, possibly before the end of this year. Work in the Council group on the implementation of the Code of Conduct on business taxation is also continuing. In the Taxation Policy Group, the issue of *taxation of supplementary pensions* is continuing to be discussed as a priority subject.

The Risk Capital Action Plan (RCAP) is also making progress…..

The Lisbon European Council identified the development of a pan-European market for risk capital as a high priority. In particular the Council called for the implementation of the RCAP (Risk Capital Action Plan) by 2003. On 18 October the

Commission has adopted two Communications. The first reviews the strategy for developing the EU risk Capital market in view of the Lisbon conclusions and reports on the RCAP progress. It contains an Annex which describes a monitoring and benchmarking mechanism which will be the basis for an incoming RCAP implementation report. The second Communication is a report on the on-going review of the European Investment Bank and European Investment Fund financial instruments and on the coherence of Community financial instruments. The measures in the RCAP of financial nature were incorporated into the FSAP and therefore they should cater also for the needs of the fast-growing SMEs. Of particular importance for developing the EU risk capital market will be the timely adoption of the: (i) directive on the prudential supervision of supplementary pension funds; (ii) two directives on UCITS; (iii) amendment of the two directives on prospectuses; and (iv) legislative follow-up to the EU Accounting Strategy Communication

II GETTING OUR PRIORITIES RIGHT

The FSAP already sets indicative timetable and priorities. Ecofin Ministers, however, invited the Commission to come forward with a more refined (and limited) number of specific priorities and to provide an indicative critical path for each. This the Commission has done, but a number of important considerations remain. The FSAP must, in the view of the Commission, remain as the basis for our work in order to achieve the 2005 deadline. Highlighting a number of key dossiers (in the annex by a 🔔) should not detract from this overarching requirement. Secondly, although the priorities identified are rather numerous, the Commission has found it impossible to shorten the length of the list, lest key policies are omitted. Thirdly, the heavy responsibility that currently rests on the Commission to bring forward ten proposals, of which seven legislative, over the next six months will, of course, then shift to the Council and the Parliament. These institutions must do everything possible to minimise bottlenecks and delays.

New developments

The introduction of the *2005 Group* should help us in this respect. This informal group comprises the Chair of the Economic and Monetary Affairs Committee, representatives of the present and incoming presidencies and the Commissioner in charge of financial services. The Commission has anticipated new priorities reflecting the evolution in financial services since the FSAP was originated. In particular, the need adopt financial services legislation that can adapt adequately to the rapid changes in financial markets is a matter of key concern to the industry and the European legislator. Many calls have been made to accelerate work on the FSAP and to bring forward the date of completion to 2004. Subject to the agreement of all three institutions, on specific dossiers, efforts may be made to accelerate the date of agreement.

The *Committee of Wise Men* presided over by Baron Lamfalussy may add to this. The Committee was set up at the 17 July Ecofin, in a joint initiative of the French Presidency and the Commission. It will produce its initial report on 9 November and its final report around mid-February 2001. The Group is examining the current conditions for implementation of the regulation of securities markets in the EU, the Union's regulatory capacity to cope with developments on securities markets and

scenarios for adapting current practices in order to ensure greater convergence and co–operation in day to day implementation.

Endorsement

The Commission invites the institutions to endorse these priorities and to take every action necessary to ensure that they are accorded top priority without affecting adversely the other FSAP actions.

THE TEN COMMISSION PRIORITIES FOR THE NEXT SIX MONTHS

Single EU wholesale market:
- Upgrading the two Directives on Prospectuses
- Legislative follow-up to the EU Accounting Strategy Communication
- Directive on Cross-Border Use of Collateral
- Commission Communication on the Upgrading of the Investment Services Directive
- Commission Communication on The Application of Conduct of Business Rules Under Article 11 of the ISD
- Directive on Market Manipulation

Open, secure retail markets:
- Commission Communication on an e-commerce policy for financial services

Sound prudential rules:
- Creation of a Securities Committee
- Directive on Prudential Rules for Financial Conglomerates
- Directive Governing the Capital Framework for Banks and Investment Firms

THE COMMISSION´S TEN PROPOSED PRIORITIES FOR THE COUNCIL AND THE EUROPEAN PARLIAMENT FOR THE NEXT SIX MONTHS

Single EU wholesale market:
- Directive on the Prudential Supervision of Supplementary Pension Funds
- The two UCITS Directives
- European Company Statute (long outstanding)
- Directive on Take Over Bids (long outstanding)

Open, secure retail markets:
- Directive on Distance Marketing of Financial Services

Sound prudential rules:
- Directive on the Re-organisation and liquidation of Insurance Undertakings (long outstanding)
- Directive on the Winding-up and reorganisation of Banks (long outstanding)
- Amendments to the Money Laundering Directive

Wider conditions :
- Directive on Savings Tax
- Implementing the December 1997 Code of Conduct on business taxation *(Council)*

Major economic benefits can be achieved from an **integrated wholesale market**. The ten measures that are prioritised will vastly improve the climate for investing and raising capital on an EU basis *(directives on Prospectuses, Pension Funds, UCITS, Market Manipulation, European Company Statute, Take Over Bids Directive, a Securities Committee and the follow-up to the Accounting Communication; Comunications on upgrading and clarifying the ISD*. They would constitute a significant step towards establishing a common legal framework for securities markets and introducing a single set of financial statements for EU listed companies. At the same time, EU consumers should benefit from cross-border competition. This will only be the case if they are sufficiently protected and have confidence in the on-line and off-line EU financial marketplace.

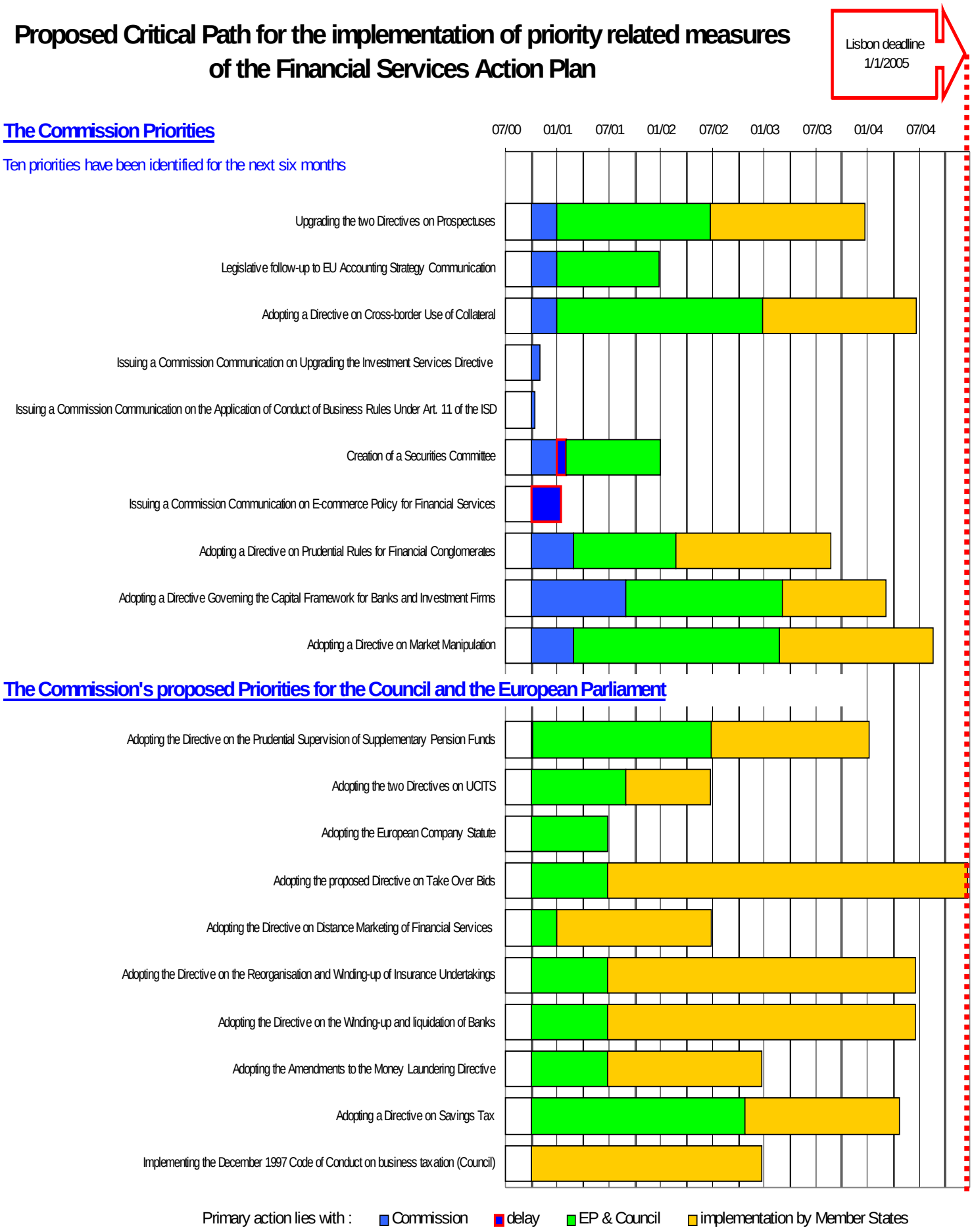
Open and secure retail markets are required to equip EU consumers with the necessary information and safeguards. A legal framework is needed which will allow new distribution channels and marketing technologies to be put to work on a pan-European scale. We need a clear and coherent policy, which takes account of existing rules and technological progress. *(Distance Marketing of Financial Services Directive, and E-commerce and Financial Services Green Paper).*

State of the art **prudential rules and supervision** to meet the challenges of consolidation in the industry and financial market developments are prerequisites to maintain financial stability in the Union. Maintaining the financial integrity is also a priority area of attention *(Directives on the Capital Framework for Banks and Investment Firms*, *Prudential Rules for Financial Conglomerates and amendments to the Money Laundering Directive)*. Finally, the protection of policyholders and depositors and orderly market exits are important cornerstones for financial stability *(Directives on the Winding-up and liquidation of Insurance Undertakings and Winding-up and reorganisation of Banks)*.

Establishing a 'critical path' to implement these priority measures

The Ecofin Council invited the Commission to set out the 'critical path' for the adoption and implementation of each of its proposed priorities. These are presented in the chart on the next page which sets out the stages and deadlines for the Commission, the European Parliament, the Council and the Member States to adopt the measures. The deadlines set for the institutions and the Member States are taken from the Action Plan itself. They reflect the joint responsibility of the three EU institutions and the Member States. Succesful implementation of the actions identified in the critical path will ensure that financial markets contribute fully to economic growth and employment creation.

Proposed Critical Path for the implementation of priority related measures of the Financial Services Action Plan



Indicators of progress

The Ecofin Council invited the Commission 'to propose possible indicators of progress in realising economic benefits' of an integrated EU financial services market. The availability of a constant stream of reliable data, and the development of reliable econometric models are key. Yet for the financial services sector, such data and models are not readily available. Work is ongoing in the Commission to define indicators of economic benefits. In the meantime, personal representatives of finance ministers in the FSPG are of the view that it is possible to monitor the key trends towards financial market integration in the EU, where appropriate compared to the US, thus providing a useful insight into the developments in key areas. The following non-exhaustive list of indicators could contribute to a monitoring process[3]:

❒ Trends in the admission and capitalisation of new companies to EU stock exchanges;

❒ Trends in foreign investment in the EU;

❒ Developments in the use of cross-border collateral in the EU financial markets;

❒ Mergers & acquisitions in the EU financial services sector and trends towards consolidation in the market;

❒ The development of funded pension schemes in EU Member States;

❒ Development in the use of IAS and US-GAAP accounting principles by EU listed companies;

❒ Comparison among Member States of financing costs (debt, equity), asset management costs (acquisition, sale of shares), and of standard financial products costs, and

❒ On-line provision, penetration and transaction costs of financial services in the EU, in particular in the retail sector.

If the Council agrees, the Commission will come forward with a set of key indicators based on data mentioned above.

III OTHER KEY ISSUES

Global issues

In an increasingly integrated global financial market, rules on supervision are of crucial importance. The EU must play its part in encouraging high standards of regulation world wide. The EU continues to play a full and active role in forging an international consensus and widespread implementation of best practice in financial regulation. Its support for the work of *the IASC* (International Accounting Standards

[3] These indicators are in addition to the series of benchmarks, related to risk capital, proposed by the Commission in the Annex to its Communication "Progress report on Risk Capital Action Plan" of 18 October 2000 addressed to the ECOFIN of 7 November 2000.

Committee*)* to secure a globally accepted set of financial reporting standards that will enhance financial transparency and facilitate the task of financial supervisors is a good example.

Core elements of existing EU bank capital requirements are now being re-examined to bring them up-to-date with supervisory practices and banking trends. This process takes place in parallel with similar discussions in the Basel Committee on Banking Supervision in which the regulators of our main banking competitors participate [4]. The EU is continuing its efforts to take a leading role in tackling issues to maintain a level playing field (taking into account the heterogeneous structure of the EU banking sector).

Enlargement

The pre-adhesion policies of the Union, especially in the perspective of its impending enlargement to Central and Eastern European Countries (CEECs), Cyprus and Malta and Turkey continue to receive attention. Precise rules on prudential supervision, in line with EU standards, should lay adequate foundations for a wider Internal Market for financial services as it will exist after enlargement. Greater emphasis is being placed on institution-building and supervisory assistance in the context of preparations for accession. The Commission, in co-operation with national experts, is making progress in preparing proposals for a "peer review" process for beginning 2001.

Trade concerns are emerging

As the EU moves towards its objective of a fully integrated financial services market, it is essential that European financial organisations have proper unfiltered access to the markets of its major competitors as they have to the EU's. However, barriers to entry remain high in many markets, including the United States. There is an increasing concern that recent approaches to screen dealing have the unintended side-effects of closing the US financial services market for EU competitors. Rules that prevent overseas investment through trading screens and for UCITS continue to distort capital flows. EU stock exchanges trading equities can not establish trading screens in the US, even though the core principles protecting investors and ensuring fairness and transparency are similar in both jurisdictions. Furthermore, even though US investment funds can be freely marketed in the EU, EU funds are required to establish 'mirror funds' in the US before they can market their products with US investors, despite the fact that EU and US regulations are broadly equivalent. Similar concerns exist for bank regulation (the Gramm-Leach Bliley Bill) which may prevent EU financial institutions from benefiting from recent changes to US banking legislation to the same extent as US firms. The Commission is pursuing bilateral discussions with US authorities to make progress on these issues. The relevant committees (BAC, IC, HLSS) are kept abreast of developments.

Longstanding concerns already exist about certain elements of the (state) regulation of US insurance markets which effectively act as barriers to entry to important parts

[4] Membership of the Basel Committee includes 8 Member States: Belgium, France, Germany, Italy, Luxembourg, the Netherlands, Sweden, and the UK. The Commission and the ECB have an observer role

of the insurance market (commercial lines insurance, trust fund requirements for reinsurance companies). Efforts are being made in the context of the Trans- Atlantic Economic Partnership (TEP) to make headway in these insurance related areas.

The EU must now co-ordinate its efforts to determine a well researched list of external trade barriers it will seek to remove in the next Trade Round.

ANNEX

PROGRESS ON THE ACTION PLAN FOR FINANCIAL SERVICES

This annex provides a third overview of progress on actions included in the Action Plan for Financial Services (COM(1999) 232). It tracks progress over the first eighteen months since the adoption of the Action Plan. The reporting date is October/November 2000. The tables summarise the current situation and provide the Commission's assessment of the degree to which Community institutions and Member States are achieving the objectives set out in the Action Plan (note that the timeframes indicated in the table may diverge in some cases from those in the FSAP. This reflects the dynamic nature of this annex and Commission decisions (often after discussion in the FSPG) to accelerate certain measures or to delay their adoption in order to permit further consideration of new developments. The optimal timeframe for their implementation remains however unchanged. Where appropriate a comment has been added in the final column, notably to indicate the next steps to be taken. The fourth progress report will be made to the Ecofin Council and the European parliament mid 2001.

★ The star indicates an action which has been successfully completed

✚ The cross indicates that progress has been achieved in meeting the targets set in the Action Plan

— The minus sign indicates no progress

🔔 The bell indicates proposed priority measures of the FSAP which represent the key regulatory areas for an integrated financial services sector and for which a critical path has been established

Mechanisms & process

The mechanisms for implementing the Action Plan are critical to its achievement. Over the past six months, and in line with the suggestions in the Action Plan, the Commission relies on the following mechanisms.

- The *Financial Services Policy Group (FSPG)*, comprising personal representatives of economic and finance ministers, continues its tasks as a forum to forge consensus between national ministries involved in financial services regulation. The FSPG has met four times since the adoption of the action plan and has assisted the Commission in monitoring progress and preparing this report.

- Informal discussions take place between representatives of the European Parliament, the present (French) and the next (Swedish) presidencies of the Council, and the European Commission. The objectives of this informal *'2005 Group'* are to align working calendars to avoid delays in FSAP measures, to exchange views on key political issues in FSAP measures, and to update on progress.

- Six 'Forum Groups', composed of market experts, have been set up to consider the practical and technical aspects of FSAP measures. A number of forum groups have now accomplished their tasks (groups focusing on market manipulation, the ISD, collateral, and market obstacles) and have been discontinued. Work continues in the Forum Groups concerned with consumer information and cross-border cash pooling.

STRATEGIC OBJECTIVE 1: A SINGLE EU WHOLESALE MARKET

Raising capital on an EU-wide basis:

Action	*Timeframe*	*State of Play*	*Assessment*	*Follow-up*
Upgrade the two Directives on Prospectuses through a possible legislative amendment	Proposal beginning 2001 Adoption 2002	Draft proposal for directive under preparation in close co-operation with FESCO.	. .✚	Adoption of FESCO position paper in the autumn.
Update the Directive on Regular Reporting	Proposal spring 2001 Adoption 2002	Work continuing in the Commission in close co-operation with parties concerned.	✚	Commission's Contact Committee meeting beginning 2001.

Establishing a common legal framework for integrated securities and derivatives markets:

Commission Communication on The Application of Conduct of Business Rules Under Article 11 of the ISD (distinction between professional and retail investors)	For issue October 2000	FESCO paper on categorisation of investors adopted March 2000.Draft in internal consultation for Commission adoption.	. . .✚	Member State and industry consultation second quarter 2000.
Directive on Market Manipulation **.**	Proposal beginning 2001 Adoption 2003	FESCO presented recommendations in July 2000. Draft proposal for directive under preparation. Work is conducted in close co-operation with FESCO.	. .✚	Industry 'Forum Group' to complete work by autumn 2000.
Commission Communication on upgrading the ISD **.**	Issue Communi-cation Novembe r 2000	Work continuing in close co-operation with securities supervisors and market practitioners.	. .✚	Preparatory discussion with FSPG, HLSS and Industry. Consultation process to be concluded in first quarter 2001.

Towards a single set of financial statements for listed companies:

Action	*Timeframe*	*State of Play*	*Assessment*	*Follow-up*
Amend the 4th and 7th Company Law Directives to allow fair value accounting	Adoption 2001	Proposal adopted by the Commission on 24 February 2000 (Com(2000)80 final).	✚	Discussion in the Council Working Party and in the European Parliament.
Commission Communication updating the EU Accounting Strategy **.** **.And** **Legislative follow-up to EU Accounting Strategy Communication** 🔔	. . . . Legislative proposal before end 2000	Communication adopted by the Commission on 13 June 2000 (Com(2000) 359 final) and backed by July 2000 Ecofin. . . Legislative proposal to implement IAS requirement.	★ . . . ✚	
Modernisation of the accounting provisions of the 4th and 7th Company Law Directives	Proposal end 2001 Adoption 2002	Communication on accounting strategy (see above) adopts this action as part of its implementation program.	✚	Discussion in the Accounting Contact Committee are continuing.
Commission Recommendation on EU auditing practices	For issue by autumn 2000 and . .Summer 2001	a) Recommendation on quality assurance. . . b) Recommendation on auditor independence scheduled summer 2001.	✚ . . ✚	a) Commission Inter-service Consultation launched; Adoption: October 2000. b) Draft: November 2000; further consultations with Committee on Auditing and Accounting Contact Committee: fourth quarter 2000 – first quarter 2001.

Containing systemic risk in securities settlement:

Action	*Timeframe*	*State of Play*	*Assessment*	*Follow-up*
Implementation of the Settlement Finality Directive	Commission report to Council end 2002	Implementation date 11 December 1999. Transposition of the Directive completed in: BE, IRL, NL, S, UK, DE, AT, PT, FI, GR, ES, DA. Infringement procedures started against, FR, IT, LUX.	. .-	Commission to continue monitoring of implementa-tion in a working Group. Spring 2001 interpretation meeting Member States´ experts.
Directive on Cross-Border Use of Collateral . . . 	Proposal before end 2000 Adoption 2003	The Commission has finalised discussions with the industry. A working document on collateral from the Commission to relevant bodies for consultation has been prepared including legislative provisions suggested for a draft Directive.	. .✚	

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

Action	*Timeframe*	*State of Play*	*Assessment*	*Follow-up*
Adoption on the proposed Directive on Take Over Bids 	Adoption 2001	Council reached common position on 19 June 2000.	✚	Second reading EP autumn 2000.
Political agreement on the European Company Statute 	Adoption 2001	No further progress.	-	Progress in Council required
Review of EU corporate governance practices	Launch review in autumn 2000	Tender procedure has been launched in spring; contract should be signed in November.	✚	Completion of study in autumn 2001.
Amend the 10th Company Law Directive	New proposal spring 2001 Adoption 2002	Awaiting political agreement on the ECS. The present proposal is obsolete and needs to be updated.	-	Reassessment if no further progress in Council on ECS before the end of 2000.
14th Company Law Directive	Proposal spring 2001 Adoption 2002	Awaiting political agreement on the ECS.	-	Reassessment if no further progress in Council on ECS before the end of 2000.

A Single Market which works for investors:

Commission Communication on funded pension schemes		Issued on 11 May 1999 Com (1999)134 final	★	
Directive on the Prudential Supervision of Supplementary Pension Funds 	Adoption 2002	Proposal adopted on 11 October Com (2000) 507 provisional).	✚	Technical discussions should start in the Council this autumn.
Adoption of the two Directives on UCITS **.** 	Political agreement on second UCITS proposal spring 2001 Adoption of both directives 2001	EP finished its first reading 17 February 2000. Commission adopted amended proposals in May 2000. Political agreement on first UCITS proposal (‘product’) at Ecofin 17 October. Political agreement on second UCITS proposal (‘service provider directive’) expected in spring 2001.	. . ✚	Technical discussions progressing in the Council with a view to achieving a common position on both directives.

STRATEGIC OBJECTIVE 2: OPEN AND SECURE RETAIL MARKETS

Action	*Timeframe*	*State of Play*	*Assessment*	*Follow-up*
Political agreement on proposal for a Directive on the Distance Marketing of Financial Services	Political agreement end 2000 Adoption end 2000	Commission has completed inventory of information requirements.	. .✚	Lisbon European Council has re-affirmed goal of adopting directive by end 2000.
Commission Communication on clear and comprehensible information for purchasers	Commu-nication 2001	Discussions with industry ('Forum Group') and consumers in progress. Further meeting planned for autumn 2000 after finalisation of information gathering exercise in the context of the Distance Marketing Directive and finalisation of Mortgage Credit Dialogue.	▪ ▪-	Information gathered will prove useful for a number of Commission initiatives, including work on e-commerce + financial services.
Recommendation to support best practice in respect of information provision (mortgage credit)	For issue beginning 2001	Dialogue in progress and encouraging.	✚	Recommendation planned on successful completion of dialogue.
Commission report on substantive differences between national arrangements relating to consumer-business transactions	Ongoing review within the Commis-sion service	Discussions with industry ('Forum Group') and consumers are being concluded.	. .✚	Information gathered will be used for further Commission initiatives in the field of retail financial services.
Interpretative Communication on the freedom to provide services and the general good in insurance		Adopted 16 February 2000 (COM (2000) 43).	★	
Proposal for amendment of Insurance Intermediaries Directive	Adoption 2002	Proposal for a Directive was adopted 20 September 2000 (COM(2000)511 final).	✚	Technical discussions to start in Council.
Commission Communication on a single market for payments		Adopted 31 January 2000 (COM(2000)36 final).	★	Round-Table on 9 November 2000. Industry is requested to implement the Recommen-dations.

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Action	*Timeframe*	*State of Play*	*Assessment*	*Follow-up*
Commission Action Plan to prevent fraud and counterfeiting in payment systems	For issue by end 2000		-	Follow-up will be done in the light of the Action Plan of the communicatio n to be adopted.
Commission Communication on an e-commerce policy for financial services	For issue beginning 2001	Draft Communication being finalised.	✚	

STRATEGIC OBJECTIVE 3 : STATE-OF-THE-ART PRUDENTIAL RULES AND SUPERVISION

Action	*Timeframe*	*State of Play*	*Assessment*	*Follow-up*
Adopt the proposed Directive on the Reorganisation and Winding-up of Insurance undertakings	Final adoption first half of 2001	Common position in Council 10 October 2000. Commission's communication ready to be adopted.	. .✚	EP´s second reading within the next months.
Adopt the proposed Directive on the Winding-up and Liquidation of Banks	Adoption 2001	Commission has sent its communication to EP.	✚	Common position July 2000 EP started second reading in September 2000.
Adopt the proposal for an Electronic Money directive		Directive adopted in autumn 2000.	★	
Amendment to the Money Laundering Directive	Adoption 2001	EP delivered first reading opinion in July. Political agreement on main issues reached in Council on 29 September.	✚	
Commission Recommendation on disclosure of		Adopted on 23 June 2000 Com (2000) 1372		

financial instruments		final	★	
Amend the Directives Governing the Capital Framework for Banks and Investment Firms . . . .🔔	Proposal for directive: 2001, pending develop-ments in Basel Adoption 2003	Results of Commission consultation directed at banks and securities has been factored into development of work. Overview of revised framework to be debated by BAC in mid October.	. .✚	Further consultation on issues where there has been most significant development will be necessary by next January, to be in parallel with second round Basel consultation. Work on draft legislative proposals to begin in Autumn.
Action	***Timeframe***	***State of Play***	***Assessment***	***Follow-up***
Amend the solvency margin requirements in the Insurance Directives	Proposal autumn 2000 Adoption 2002	First proposal adopted October 2000 (for legal reasons split into separate life and non-life proposals)	✚	
Amendment of the Insurance Directives and the ISD to permit information exchange with third countries		Adopted by Commission in autumn 2000.	★	
Adopting a Directive on Prudential Rules for Financial Conglomerates . .🔔	Proposal beginning 2001 Adoption 2002	The mixed technical group of experts will present its recommendations in November 2000 to the Commission's regulatory committees (BAC, HLSS and IC).	. .✚	Recommendati on from the technical group will be discussed in the BAC, HLSS and IC. The Commission will draw conclusions from those deliberations.
Creation of a Securities Committee . .🔔	Proposal beginning 2001 Adoption 2002	The Commission is assessing the possible role of the committee as part of its overall analysis of the needs of the European regulatory framework in this area.	✚	The Commission will define the structure and content of a proposal for a directive.

OBJECTIVE:WIDER CONDITIONS FOR AN OPTIMAL SINGLE FINANCIAL MARKET

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Action	*Timeframe*	*State of Play*	*Assess-ment*	*Follow-up*
Adopt a Directive for ensuring taxation of interest income from cross-border investment of savings . . . 🔔	Agreement at the Council level on the substantial content of the Directive by end 2000 Adoption before end 2002	An agreement has been reached at the European Council in Feira (P) for a step-by-step development towards exchange of information as the basis for taxation of savings income of non-residents. Work in Council is progressing steadily in order to achieve agreement on the substantial content of the Directive and is a priority under the French Presidency.	. . ✚	As soon as agreement has been reached by the Council on the substantial content of the Directive and before its adoption, the Presidency and the Commission will enter into discussions with the US and key third countries to promote the adoption of equivalent measures
Commission initiative on the taxation of supplementary pensions	First half of 2001	Discussions have taken place with Member States in the Taxation Policy Group and a technical sub group	✚	A draft initiative is under preparation
Review of taxation of financial service products	Discussions in Taxation Policy Group	Steps were taken insofar as discussions on supplementary pensions were broadened to cover all cross-border pension provisions	✚	The Commission aims to explore the scope for extending mutual assistance and information exchange to all financial products
Commission initiative on the taxation of supplementary pensions	First half of 2001	Discussions have taken place with Member States in the Taxation Policy Group and a technical sub group	✚	A draft initiative is under preparation