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Financial Services Action Plan - First Progress Report

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The Commission submitted its first progress report on the Financial Services Action Plan to the ECOFIN Council, meeting on 29th November. Only 5 months after adoption of the Action Plan, the Commission notes that, in general, satisfactory progress is being made ? even if there is a need for a greater effort in some areas.

To achieve the various actions, the Commission has put in place the Financial Services Policy Group (FSPG), comprising personal representatives of economic and finance ministers and chaired by Commissioner Frits Bolkestein. It has resumed its tasks as a forum to forge consensus between national ministries involved in financial services regulation. The FSPG discussed the progress report at its meeting on 19 October. Initial informal discussions have taken place with representatives of the European Parliament with a view to finding arrangements to discuss major policy orientations with parliamentarians at an early stage. EU representative bodies have assisted the Commission in setting ?Forum Groups?, composed of market experts, to consider the technical implications of certain actions in the Action Plan.

▲ Some progress

The first months have seen welcome progress. Already the Commission has issued its Communication on Pension Funds and is actively preparing a draft directive. It has also adopted a proposal for a Directive to amend the Money Laundering Directive. With regard to wholesale markets work is well underway within the Forum of European Securities Commissions (FESCO) and the Accounting Contact Committee. The Commission also recently adopted its Communication on the implementation of the Risk Capital Action Plan. The Commission will increase its efforts in the field of accounting policy and will present proposals to enhance regulatory co-operation between securities supervisors. Progress to achieve open and secure retail markets is also satisfactory.

Discussions in the Council and the European Parliament on the distance selling proposal for financial services are continuing. The preparation of a legislative

proposal for insurance intermediaries is on track as is the work on a number of Communications (consumer information, insurance) and a Green Paper on E-Commerce and financial services. Work on prudential rules has also advanced. The proposal for a E-Money Directive is advancing through Council and European Parliament. The review of bank capital rules in parallel with the G-10 Basel Committee on Banking Supervision, the insurance solvency requirements, and the supervision of financial conglomerates are on schedule. The adoption of a Commission Recommendation on the disclosure of financial instruments is imminent.

Finally, work on wider conditions for a Single market are continuing with a view to direct taxation. The Council deliberations on the Commission proposal on a minimum taxation of savings income are continuing at full speed and it is hoped that a political agreement can be reached before the end of the year. The same holds, mutatis mutandis, for the work of the Council group working on the implementation of the Code of Conduct on business taxation. After first fruitful discussions, inter alia in the Taxation Policy group, work on the taxation of supplementary pensions and financial services in general will be continued as a priority in 2000. A Commission proposal for supplementary pensions is already under preparation.

▲ A need for greater effort

Lack of progress is noticeable in particular in the following areas:

- Political agreement on the proposal for a Take Over Bids Directive, which would make the final adoption of this proposal possible, has still not been achieved in the Council.
- The proposed directive on the Winding-up and Liquidation of Banks was presented to the Council and European Parliament in 1985.
- There is little progress on the European Company Statute, which has had implications for two other measures in the field of company law (10th Company Law Directive and the 14th Company Law Directive).
- The preparation of a Commission Recommendation on Prior Information for Consumers will build on progress from industry in developing best practices.
- The Commission Communications on Payments in the Single Market and Fraud and Counterfeiting in Payment Systems will be presented before the end of the year.

▲ Overall assessment

The Financial Services Action Plan has injected new urgency and momentum into the task of building a single financial market. There is now a shared understanding, at the highest political level, of what is at stake – an unheralded opportunity to put modern and efficient financial markets at the service of EU enterprise, savers and investors. The second progress report will be made to the ECOFIN Council and the European parliament in mid 2000: it will contain an assessment of the progress, direction and results of the integration of the EU financial services sector and its contribution to growth and employment in the Union.



Date: 29 November 1999

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