



MARKT/2509/05-EN  
April 2005

## Newsletter

### Insurance

1. Capital Requirements Directive
2. Motor insurance
3. Solvency II
4. Reinsurance supervision
5. Guarantee schemes
6. Accounting
7. Insurance Mediation
8. Lamfalussy Extension
9. Enlargement
10. EU-US regulatory dialogue
11. Infringements

### Other financial services

12. Financial Services Action Plan follow-up

### Reports from other EU fora

13. CEIOPS
14. IAIS

### Further documentation

- 1) EBC – draft agenda of the Informal meeting of the European Banking Committee
- 2) ESC – link to summary records of & draft agenda
- 3) ARC – link to summary records (draft agenda of 30 November attached as Annex 2)

## 1. Capital Requirements Directive

This update sets out the progress of negotiations on the proposal for a Capital Requirements Directive ('CRD'), summarises the key political issues, and sets out the expected next steps.

### Council

Unanimous agreement on a general approach in ECOFIN Council at the 7 December 2004 meeting (forms the basis for negotiations with the EP).

### Key political issues

Matters identified as being of political significance in the negotiations include the implementation date of the new framework; the role of the consolidating supervisor; appropriate circumstances in which to permit modulation of the principle that the new framework should apply to every individual institution within a group; and the treatment of intra-group exposures of banking groups.

### Next steps

#### In the European Parliament

EP held public hearings on 22 November 2004 and 18 January 2005. Speakers were in general very positive towards the proposal. The rapporteur Mr. Radwan, intends to produce his initial report by April. A vote in EP's Economic and Monetary Affairs Committee ('ECON') is planned for May/June. The timing of an EP Plenary vote is unclear but may be immediately after the summer break.

## 2. Motor insurance

On 12 January 2005 the European Parliament gave its second reading on the proposed Fifth Motor Insurance Directive. As a result of an informal agreement between the three institutions (Parliament, Council and the Commission) the Parliament only proposed seven amendments to the Common Position. These amendments are acceptable to the Council as they do not affect the principles and the main objectives of the Proposal and the Common Position. The Council should confirm its agreement on the amendments as an A point at a Council meeting in the near future. The Directive will then be formally adopted and published in the Official Journal.

The new Directive will update and improve the provisions of current EU Motor Insurance Directives by making it easier for drivers to get insurance and by upgrading the protection of victims. It will improve protection for accident victims and make it easier for drivers to get and claim upon insurance, especially when buying or using vehicles outside their Member State of permanent residence, and to change insurers. The Directive will also make it easier for insurers to operate across borders.

The Directive sets a new minimum insurance amount for personal injuries of € 1.000.000 per victim, or a minimum amount of € 5.000.000 per accident. For damage to property, it sets a minimum of €1.000.000 per accident, to come into force after a transitional period of five years. The minimum insurance amounts will be revised automatically every five years according to the European Index of Consumer Prices.

The general deadline for implementation of the Directive will be two years from the date of its publication.

Furthermore, with respect to the 4<sup>th</sup> Motor Insurance Directive, the Commission is preparing the report provided for in its Article 6. This report will also examine, as an independent and separate issue, the potential problems concerning the insurance of trailers in the Community. In the negotiations with Parliament on the Fifth Motor Directive the Commission committed itself to analyse the insurance issues related to trailers. The Commission is looking upon this issue in cooperation with the CEA and the Council of Bureaux. A questionnaire on this matter has been sent to the Member States.

### 3. Solvency II

The IC Solvency Sub-committee met on 3 March 2005 to discuss three main subjects. The first concerned the roadmap and its cover note (staff document MARKT/2502/05) which gives a detailed timetable for the project for the next two years. This did not give rise to comments except to recognize its usefulness. The second subject related to CEIOPS' request that more guidance be given on major policy issues. The Commission Services, through possible amendments to the Framework for Consultation, suggested some directions, highlighted in an informal policy discussion document. The guidance was generally welcomed by the participants of the Subcommittee. Finally, The IC Solvency Sub-committee discussed the Commission staff document MARKT/2501/05, which, together with the result of public consultation, enables the Services to propose a third wave of Calls for Advice from CEIOPS to the IC on 8 April (Annex 3 to MARKT/2506/04). This third and last wave of calls contains calls for advice that complete the coverage of the first and second pillars and also deal with supervisory reporting and disclosure (pillar III). The Services are now focussing on the preparation of the Framework Directive. Effective management of the project and co-operation will be the key issue for the Services, the IC and CEIOPS.

CEIOPS is addressing comprehensively all areas of Solvency II through its working groups. On 25 February 2005, CEIOPS submitted to the European Commission its second progress report and released for a 3-month consultation period its draft answers on the first wave of Calls for Advice (see CEIOPS website [www.ceiops.org](http://www.ceiops.org)).

### 4. Reinsurance supervision

After the last meeting of the IC Reinsurance Subcommittee on 31<sup>st</sup> October 2003, the Commission presented on 21<sup>st</sup> April 2004 its proposal for a Directive of the European Parliament and of the Council on reinsurance<sup>1</sup>.

The proposal provides for a regulatory framework based on the existing regime introduced by the Third Insurance Directives. The proposal extends to reinsurance companies the system for the authorisation and financial supervision of an

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<sup>1</sup> COM (2004) 273 final; 21 April 2004. The proposal as well as an extended impact assessment are available at:  
[http://www.europa.eu.int/comm/internal\\_market/insurance/docs/reinsurance/directive/com-2004\\_273-final-en.pdf](http://www.europa.eu.int/comm/internal_market/insurance/docs/reinsurance/directive/com-2004_273-final-en.pdf).

insurance undertaking by the Member State in which it has its head office ('home country control'). It will enable reinsurance undertakings to pursue their business anywhere in the European Union, by means of branches or under the freedom to provide services. The proposal is a "fast track" solution for reinsurance pending proposals covering the insurance industry as whole under the long-term "Solvency II" project. It will now go forward, under the co-decision procedure, for discussion and adoption by the European Parliament and Council.

Council started the first reading of the proposal, within the ad hoc working group, on 7<sup>th</sup> June 2004, under the Irish Presidency. The Dutch Presidency has pursued discussions in order to focus on the major issues and find an overall agreement on the text of the proposal. Compromise texts have been prepared by the Presidency. Major issues are the requirements for solvency margins in life and non-life, investment rules, suppression of collateral or the treatment of finite reinsurance and special vehicle purposes (SPV).

On 27<sup>th</sup> October 2004, the European Economic and Social Committee (EESC) issued its opinion on the proposal for a Directive. The EESC approves the Commission's proposal and suggests aligning the solvency margin requirements for life reinsurance with the non-life requirements.

On 24<sup>th</sup> March 2005, the COREPER agreed on a Presidency compromise text. This text, respects the essential points of the Commission's proposal and contains well balanced solutions for the major problems raised during the discussion in Council. The text will serve as a basis to discuss with the European Parliament with a view to the formal adoption of the proposal.

The European Parliament (Economic Committee – ECON) has appointed Mr. Skinner (UK-SP) draftsman. A first general discussion in ECON took place on 5<sup>th</sup> October 2004. A hearing with representatives of the industry and supervisory authorities was organised by ECON on 30<sup>th</sup> October 2004. On 30<sup>th</sup> March 2005, the draft report was presented in the ECON Committee. The draftsman considers the Council text as balanced. Amendments proposed by Mr. Skinner take account of the outcome of the Council's work. The report is expected to be adopted by the ECON Committee in April.

In addition, on 30<sup>th</sup> March 2005, the Legal Affairs Committee adopted its report (Mr Gauzès) on the reinsurance proposal. This report will be transmitted to the ECON Committee in order to be joined to the report adopted by the ECON Committee. It is expected that the EP may adopt a formal decision in May-June.

## 5. Guarantee schemes

At the meeting of the working group on 4 October 2004 the discussion concentrated on the working paper Markt/2513/04-EN. The paper focussed on some of the core elements of any future harmonisation: the obligation to create a scheme, the home Member State principle (territorial scope), the tasks which should be carried out by the scheme and the claims to be covered. It included preliminary drafts of possible legal provisions in order to facilitate the discussion within the working group.

At the last meeting of the Commission Experts' Working Group on 27.01.2005 the Working Paper on Insurance Guarantee Schemes, Markt/2529/05-EN, was discussed. In this paper the Commission Services presented an up-date of the Articles which had already been presented in Markt/2513/04-EN. Furthermore, draft provisions regarding insurance claims to be covered and the transfer of portfolio were presented.

At the current stage of the discussion, there seems to be broad support on the provisions concerning the "Obligation to create a scheme", "Home Member State principle" and "Tasks of the scheme". However, the "topping up" provision was strongly criticised as such an option might not be appropriate for insurance guarantee schemes. The provisions regarding the "Coverage" and the limitation of such coverage will need to be amended in the light of the discussions and of the comments received.

The next meeting is envisaged for end May /beginning of June 2005.

## 6. Accounting

### General accounting

The Accounting Regulatory Committee held meetings on 20 December 2004 as well as 25 February 2005. Major decisions related to the endorsement of the standards IFRS 2 and IFRIC 2.

### Insurance accounting

The EFRAG Insurance Subcommittee has been re-established with slightly different members. Both CEIOPS and the Commission have observer seats. The first meeting of the reformatted group will be held on 8 April 2005. The group will concentrate on IASB phase II issues.

The prudential treatment of equalisation provisions after IFRS 4 has been discussed over the last few months. The Council compromise text for a Reinsurance Directive includes provisions that such reserves should, for solvency purposes, be treated

as liabilities, i.e. sums set aside for such purposes cannot be used to cover the solvency margin, and must furthermore be covered by quality assets.

## 7. Insurance Mediation

The deadline for the transposition of the Insurance Mediation Directive 2002/92/EC expired on 15<sup>th</sup> January 2005. To date eleven Member States (CZ, EE, DK, IE, LV, LT, HU AT, SI, UK and CY) have completed the process of implementation and have notified to the Commission their national measures which transpose the Directive. Infringement proceedings were launched on 22 March 2005 against the fourteen other Member States, which have not yet transposed the Directive.

The first meeting of the CEIOPS Insurance Intermediaries Working Group took place on 2<sup>nd</sup> and 3<sup>rd</sup> December 2004 where the preparation of a Cooperation Protocol among Supervisory Authorities of the EU/EEA Member States and the elaboration of a notification procedure on cross-border business of insurance intermediaries within the EEA were discussed. The Cooperation Protocol is also to deal with the coordination and regular exchange of information between competent authorities. A second meeting of the CEIOPS working group was held on 3<sup>rd</sup> and 4<sup>th</sup> February 2005, where the draft cooperation protocol was discussed and revised. On this occasion, the consequences of non-transposition and asymmetric transposition were stressed.

A third meeting of the CEIOPS working group has been scheduled on 28<sup>th</sup> and 29<sup>th</sup> April 2005 to finalise the Cooperation Protocol and notification procedure.

## **8. New Committee Architecture- Adoption of the package to improve regulation of banking, insurance, and investment funds.**

The Directive to establish a new organisational structure for financial services committees and to extend the Lamfalussy system inter alia to the insurance and occupational pensions sectors was finally adopted on 9 March 2005. The Directive (2005/1/EC) was published in Official Journal No 79 of 24 March 2005 and enters into force on the 20<sup>th</sup> day following its publication, i.e. on 13 April 2005. On that date the Insurance Committee will officially become the European Insurance and Occupational Pensions Committee.

## **9. Enlargement**

### **Enlargement - Paving the way for the next Accession Treaty**

The European Council of 17<sup>th</sup> December 2004 concluded that the Accession Treaty could be finalised for Romania and Bulgaria and signed in April 2005 on condition that there is an agreement by the European Parliament.

On 30<sup>th</sup> March 2005, the European Parliament (EP)'s Foreign Affairs Committee voted in favour of the accession of Romania and Bulgaria on 1st January 2007. It is planned that the EP provide its assent in plenary session on 13<sup>th</sup> April 2005, which would allow for the signing of the joint Accession Treaty for both countries on 25 April 2005. A new enhanced safeguard clause has been introduced for Bulgaria and Romania into the joint Accession Treaty, according to which the Council (based on a Commission proposal) could decide, in 2006, to postpone the accession of each of these countries by one year (until 2008) if they have not implemented all the necessary measures.

### **Bulgaria**

A Peer Review funded by TAIEX with experts from the supervisory authorities of the Member States took place from 7<sup>th</sup> to 9<sup>th</sup> February 2005 in Sofia. The Peer Review aimed at assessing progress made by the Bulgarian financial institutions and at suggesting recommendations for further improvements in the fields of banking, insurance and securities. Concerning insurance, the importance of ensuring full alignment with the acquis of the draft Bulgarian Insurance Code (currently in Parliament) was underlined. The necessity for Bulgaria to have in place an efficient supervisory authority was recalled. Bulgaria was also urged to take appropriate measures to increase the rate of insurance coverage against third party liability for the vehicles based in its territory.

The Internal Market Sub-Committee took place in Sofia on 17<sup>th</sup> March 2005. Although Bulgaria has made major efforts in filling the gaps in its legislation and administrative capacity, the Commission pressed the Bulgarian side to speed up their activities and not to allow any delays in the timetable foreseen.

### **Romania**

The Romanian law on insurance undertakings and insurance supervision was adopted at the end of 2004. The Commission is closely monitoring the progress made by Romania. In that respect, the next Peer Review is expected to take place in Bucharest before the summer holidays.

### **Croatia**

The Stabilisation and Association Agreement (SAA) entered into force on 1<sup>st</sup> February 2005. The SAA is the first comprehensive Agreement between the EU and Croatia: it covers the political dialogue, regional cooperation, four freedoms and the approximation of Croatian legislation to the Community acquis.

The "General Affairs" Council decided in mid-March 2005 that the opening of accession negotiations with Croatia will be delayed due to Croatia's failure to fully co-operate with the International Criminal Tribunal for the former Yugoslavia. This was indeed the prerequisite stated in the decision taken by the European Council on 17<sup>th</sup> December 2004 as regards the beginning of the negotiations with Croatia in March 2005. Nevertheless, DG MARKT continues to work with the Croatian authorities at a technical level to ensure that their draft legislation under preparation is gradually getting aligned with the acquis.

### **Turkey**

The European Council decided on 17<sup>th</sup> December 2004 that the negotiations with Turkey will begin on 3 October 2005, provided that Turkey signs the Protocol regarding the enlargement of the customs union to the new Member States.

### **FYROM (Former Yugoslav Republic of Macedonia)**

Following its submission of an application for EU membership, FYROM handed over on 14<sup>th</sup> February 2005 its reply to the questionnaire of the Commission. The answers to this questionnaire will be one of the sources of information that the Commission will use for the preparation of the Opinion on this application, which was requested by the Council of Ministers. The opinion is expected to be adopted in the course of autumn 2005.

The 1<sup>st</sup> Sub Committee on internal market took place in Brussels on 11<sup>th</sup> March 2005. The FYROM seems to be making a considerable effort to align its legislation with the *acquis* but this exercise is to be performed gradually and priorities are to be set with regard to the absorption capacity of its financial market.

### **Serbia-Montenegro**

A meeting took place in Belgrade on 27-28<sup>th</sup> January 2005 in the framework of the « Enhanced Permanent Dialogue ». Discussions were focused on political issues and on trade and internal market related issues. The objective of this meeting was to obtain information about the situation in Serbia and Montenegro, with a view to the preparation of a feasibility report concerning the opening of negotiations towards a Stabilisation and Association Agreement (SAA).

## **10. EU-US insurance regulatory dialogue**

An EU-US Regulatory Dialogue meeting was held in Frankfurt 3-4 February 2005 hosted by CEIOPS. The US delegation consisted of the Commissioners of Maine, Massachusetts and New Mexico, NAIC staff as well as Treasury representatives. For the first time the EU was represented jointly by CEIOPS and Commission representatives.

The meeting concentrated around the following subjects: solvency developments in the EU and the US, insurance mediation, reinsurance issues (particularly related to the EU reinsurance directive as well as the US collateral issue), international accounting standards, coordination in the IAIS as well as information exchange on insurance groups.

The next meeting is foreseen for September 2005 in the US.

## **11. Infringements**

All insurance directives in force were to be transposed by the new Member States on the day of accession on 1 May 2004. Failing communication of transposition measures, the Commission, in

December 2004, sent 55 letters of formal notice for non-communication of national transposing measures. Given that most of the Member States concerned have now communicated transposing measures, the Commission envisages closing in the near future the major part of these infringement proceedings.

Also in December 2004, a supplementary letter of formal notice was sent to **Italy** regarding Italian rules requiring all insurers licensed to provide compulsory motor insurance in Italy to offer insurance for all categories of insured in all regions of Italy. The Commission has received several complaints regarding this issue. As the Commission pointed out in its letter of formal notice to Italy in July 2004, this regime appears contrary to the freedom to commercialise insurance products, as laid down in the third Non-life Insurance Directive 92/49/EEC. In the supplementary letter of formal notice, the Commission has in addition invoked the freedom of establishment and the free provision of services.

A letter of formal notice was sent to **Ireland** regarding rules which, regardless of circumstances, exclude compensation for vehicle users in case all vehicles involved in an accident are uninsured. In the Commission's view, this appears contrary to the Second Motor Insurance Directive 84/5/EEC. With regard to **Sweden**, the Commission has decided to send a letter of formal notice concerning the lack of implementation of Articles 6 and 7 of the Legal Expenses Directive 87/344/EEC.

Moreover, the Commission has decided to send a supplementary reasoned opinion to **Luxembourg** regarding the Luxembourg compulsory system of excesses in third party motor insurance. In the Commission's view, a system whereby the maximum amounts of excesses are laid down by law for all insurance policies covering third party liability in respect of vehicles habitually used in a Member State must be considered contrary to the freedom to commercialise insurance products. Such a system has the effect of restricting free competition between insurance undertakings and of limiting the choice of products available to prospective policyholders.

On 18<sup>th</sup> November 2004, the Court of Justice delivered judgments against **France, Belgium and UK and Sweden** for non-communication of legislative measures ensuring transposition of the Winding Up Directive 2001/17/EC.

Finally, IC Members' attention is drawn to the opinion presented on 10<sup>th</sup> March 2005 by Advocate General Geelhoed in Case C-537/03 *Candolin*, which is a request for a preliminary ruling from the Finnish Supreme Court. The case concerns the possibilities under the Motor Insurance Directives to exclude or limit compensation to passengers who are victims of an accident and knew or ought to have known that the driver was driving under the influence of alcohol. According to the Advocate General, insurance undertakings may not refuse compensation to passengers on other grounds than those explicitly mentioned in Article 2 (1) of the Second Motor Insurance Directive. However, national courts may limit the right of compensation, based on an assessment of the circumstances of the particular case.

## 12. Financial Services Action Plan

The Commission services are currently finalising the post-FSAP Green Paper containing the preliminary views of the Commission for its financial services policy priorities for the next five years. This follows an extensive consultation process that started with the reports of four expert groups, followed by wide public consultation.

It is expected that the Green Paper will be published in early May along with a synthesis of the input received by the Commission in response to the consultation exercise. The Green Paper will be open for public consultation over the summer and will form the input for a Communication on the Commission's final policy programme, planned for November 2005.

The main conclusion is that we are now entering a new phase where the emphasis will be on firstly the consolidation of existing legislation, with few new initiatives, secondly on ensuring the effective transposition of EU rules into national law and more rigorous enforcement by supervisory authorities and thirdly continuous ex-post evaluation with the Commission monitoring carefully the application of these rules in practice.

Rigorous impact assessment and extensive consultation will remain standard elements in preparing new regulation. The need to demonstrate a pressing need or a convincing case of market or regulatory failure will be a prerequisite for European level action.

## 13. Work of CEIOPS

### CEIOPS (Committee of European Insurance and Occupational Pensions Supervisors)

The *Draft Answers to the European Commission on the First Wave of Calls for Advice* (Consultation Paper No. 4) were approved by the CEIOPS Members' Meeting in February and published for public consultation. Comments from third parties are welcome until 25 May 2005.

CEIOPS is currently preparing the *Draft Answers to the European Commission on the Second Wave of Calls for Advice* which are expected to be approved for public consultation by the CEIOPS Members' Meeting on 28 June 2005. In September 2005 a hearing with interested third parties and a discussion with the Consultative Panel is envisaged on this draft.

On 28 February 2005 CEIOPS has submitted its *Second Progress Report* to the European Commission.

CEIOPS has also begun to prepare the work on the expected *Third Wave of Calls for Advice*.

In the CEIOPS Members' Meeting in February the *February 2005 report on financial conditions and financial stability in the insurance sector, the occupational pension fund sector and the reinsurance sector - risk update* was approved. In the frame of answering the Call for Advice No. 13 (Quantitative impact study and data related issues) the Committee is preparing a Preparatory Field Study in order to establish and test the infrastructure for a future Quantitative Impact Study (QIS).

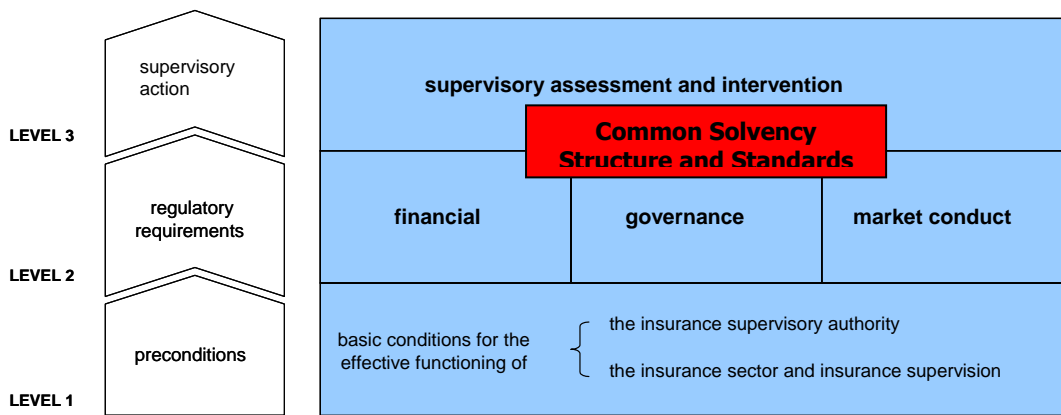
After concluding the public consultation process, in February 2005 CEIOPS issued *Guidelines for Coordination Committees in the context of supplementary supervision according to the Insurance Groups Directive*. These Guidelines aim at enhancing the effectiveness of the work of the Co-Cos established under the Protocol for cooperation of supervisory authorities in applying the supplementary supervision according to the IGD (Helsinki Protocol).

In March another consultation was opened on a *Draft Report on Possible Need for Amendments to the Insurance Groups Directive* (Consultation Paper No. 6). The report gives inputs to the Commission for any amendment of the IGD in the light of the supervisory experience. Comments to this draft are welcome until 3 June 2005.

In view of the implementation of the IORP directive a draft protocol for the cooperation of supervisory authorities (*Occupational Pensions Protocol*) has been approved for public consultation in February. Comments to this draft are welcome until 30 May 2005.

CEIOPS is also preparing a protocol organising the cooperation, coordination and regular exchange of information between competent authorities in view of the implementation of the directive 2002/92/EC (*Insurance Mediation Protocol*).

The next ordinary *CEIOPS Members' Meeting* is scheduled to take place on 28 June 2005 in London.



This project was further developed with the issuance of the *Cornerstones for the Assessment of Insurer Solvency* for public consultation in February 2005. This paper outlines a more precise view on a number of key elements or “cornerstones” for the formulation of regulatory financial requirements for insurers worldwide. By sketching the wider contours of a solvency regime for insurers that includes valuation of technical provisions, assets and regulatory requirements for dealing with the risks of an insurer, this structure can be used to enhance transparency and comparability across solvency regimes and thereby engender greater convergence of solvency regimes on an international basis. Both the framework and the cornerstones papers are planned to be adopted in 2005.

The IAIS is also deeply involved in accounting matters. To deal with the increasing set of accounting issues, the IAIS has formed a new subcommittee, the Insurance Contracts Subcommittee, which will focus on IASB’s projects on insurance contracts, financial instruments and revenue recognition, in addition to the existing Accounting Subcommittee, which will consider other developments in the field of Accounting. An important part of its work is the

## 14. Work of IAIS

The main standard setting priorities of the IAIS are currently in areas of solvency, accounting and reinsurance.

The IAIS achieved a milestone in releasing a *Framework for Insurance Supervision* for public consultation in October 2004. This document aims at enhancing the interrelationships between the solvency standards and the IAIS principles, standards and guidelines. The framework underpins the IAIS’s past and future standard setting activities and proposes the development of a common structure and cornerstones for the assessment of insurer solvency, which take a central position in the framework.

preparation of an issues paper on which methods for evaluating insurance liabilities, consistent with the likely outcome of IASB Insurance Contracts Phase II, can be acceptable for prudential supervision. The purpose of this paper, also to be finalised in 2005, is to have a more proactive approach vis-à-vis Phase II of the IASB, without any commitment to endorse IASB Phase II proposals.

In the area of reinsurance, the IAIS is working towards mutual recognition between supervisors of reinsurers, as well as on a supervisory guidance paper about finite risk reinsurance. The latter should notably stress that in cases when these finite risk reinsurance contracts are just financing vehicles, they should be accounted for as loans and not reinsurance. A draft paper is expected to be issued for consultation by the end of 2005, in view of an adoption in 2006.

The next IAIS quarterly meeting will be held in Beijing on 24-27 May 2005.

Further information on IAIS Subcommittees, documents and registration form for Beijing meeting can be found on IAIS’s website [www.iaisweb.org](http://www.iaisweb.org).

## **Annexes:**

### **EBC - European Banking Committee**

**Annex 1:** Draft agenda of meeting of the European Banking Committee (EBC) on 22 March 2005.

**ESC** – European Securities Committee, annotated agenda for the 28th meeting of the European Securities Committee on 21 March 2005. Summary records available at: [http://europa.eu.int/comm/internal\\_market/securities/esc/index\\_en.htm#meetings](http://europa.eu.int/comm/internal_market/securities/esc/index_en.htm#meetings)

**ARC** – Accounting Regulatory Committee

Summary records available at: [http://europa.eu.int/comm/internal\\_market/accounting/committees\\_en.htm#arc](http://europa.eu.int/comm/internal_market/accounting/committees_en.htm#arc)

**25 February** draft agenda enclosed.



EUROPEAN COMMISSION

Internal Market and Services DG

FINANCIAL INSTITUTIONS

EBC/001/05-EN

**DRAFT AGENDA**

*Informal meeting of the European Banking Committee (EBC), Brussels, 22 March 2005  
9:30 to 17:00*

**POLICY DISCUSSION ISSUES**

1. **Post FSAP (Green paper May 2005)**  
Special Address by Commissioner McCreevy on the banking policy and post-FSAP strategy.
2. **MORTGAGE CREDIT (Green paper Summer 2005)**  
The broad policy views of EBC members will be sought on the recommendations of the Forum Group's report "The integration of the EU Mortgage Credit Markets" (EBC/002/05).
3. **DEPOSIT GUARANTEE SCHEMES**  
Document EBC/003/05 will seek direction from the EBC on the main issues (home/host relationship, topping up, financing) before the release of a Consultation paper in May.
4. **CROSS BORDER CONSOLIDATION**  
The EBC will discuss the main issues and the link with competition rules (EBC/004/05). CEBS will inform about progress in responding to the Call for technical advice on Article 16 of the banking directive.
5. **DEFINITION OF OWN FUNDS**  
The Commission will seek the views of EBC on the guiding criteria for the classification of own funds. The EBC will be consulted on the Call for technical advice from CEBS on own funds (EBC/005/05).
6. **CAPITAL REVIEW/"BASEL2"**
  - Trading book review: policy options to integrate Basel-IOSCO progress in the EU legislative process (EBC/006/05).
  - Calibration: possible impact of the 5<sup>th</sup> Basel Quantitative Survey ("QIS 5") on the rules (EBC/007/05).

**INFORMATION ITEMS**

7. **CEBS:** Report by the Chairman of CEBS on recent activities and on cooperation with CESR and CEIOPS.
8. **ANY OTHER BUSINESS**
  - EU-US dialogue
  - Upcoming comitology: updating the list of institutions excluded from the scope of Directive 2000/12/EC (Article 2) following changes in Denmark and in Greece.

**ANNOTATED AGENDA FOR THE 28th MEETING OF THE EUROPEAN  
SECURITIES COMMITTEE (Alternates)**

**Centre Borschette, 36, rue Froissart, B-1040, Brussels  
Room 1A**

**21 March 2005, 10.00 - 17.30**

**1. ADOPTION OF THE DRAFT AGENDA**

**2. MiFID - (Working documents ESC/7/2005, ESC/8/2005 and ESC/9/2005)**

**2.1 Timetable for the adoption of level 2 legislation**

The Commission will provide an outline concerning adoption of implementing legislation; explanations will be provided on the timing of discussions within the ESC as well as on the number of possible measures envisaged; delegations will be invited to comment.

**2.2. Discussions on a working document on a first draft of implementing legislation**

This will be the first of a series of working documents that the Commission intends to prepare on the basis of the CESR technical advice; those working documents will be the basis for preparing possible level 2 legislation; delegations will be invited to comment on the overall approach and technical issues.

**3. LEVEL 4 OF THE LAMFALUSSY PROCESS**

**3.1. Transposition by Member States (Working documents ESC/42/2004-rev.4)**

Report on (ongoing) transposition of the Securities Directives (e.g. Market Abuse).

**3.2. Compliance with EU Directives (Working document ESC/2/2005)**

The Commission would like to pursue the discussion, launched in the ESC meeting of 23.2.2005, of Member States' powers to comply with the obligations of the Securities Directives.

**4. PROSPECTUS: DISCUSSION ON COMPLEMENTARY LEVEL 2 LEGISLATION (Working document ESC/3/2005)**

The Commission would like to pursue the discussion, launched in the ESC meeting of 23.2.2005, concerning disclosure requirements for historical financial information and options on the way forward (i.e. whether the level 2 Regulation needs to be modified and supplemented with additional disclosure requirements).

## **5. FINANCIAL ANALYSTS**

The Commission would like to present its ideas on the way forward; delegations will be invited to comment.

## **6. MARKET INFRASTRUCTURE**

### **6. 1. Clearing and settlement**

Update by the Commission: Report on the CESAME meeting of 7/3/05; report on the tax group.

### **6. 2. The Hague Securities Convention**

Information on latest developments by the Commission and exchange of views on the way forward.

### **6. 3. Legal Certainty Group - UNIDROIT – Convention on harmonised substantive rules regarding securities held with an intermediary**

The Commission would like to pursue the debate on coordination between the Commission and the Member States for the forthcoming negotiations.

## **7. . EU-US DIALOGUE**

Information on latest developments by the Commission.

## **8. FIRST IMPRESSIONS ON THE “HIMALAYA REPORT”/ DISCUSSIONS ON SUPERVISORY CONVERGENCE**

CESR will be asked to provide an outline of the preliminary comments received on its “Himalaya report”. The Commission will also provide some elements for discussion emerging from the debate in the Financial Services Committee Subgroup on supervisory convergence; delegations will be invited to comment.

## **9. MARKET DEVELOPMENTS IN THE MEMBER STATES (P.M)**

Reports by delegations on latest developments in their markets.

## **10.A.O.B. – WORK PROGRAM FOR THE SECOND QUARTER OF 2005 (Working documents ESC/11/2005).**

**FOURTEENTH MEETING OF THE ACCOUNTING REGULATORY COMMITTEE (ARC)  
BRUSSELS, 25 FEBRUARY 2005 (9.30 AM – 5 PM)  
ALBERT BORSCHETTE CONFERENCE CENTRE – 36 RUE FROISSART  
ROOM AB-1D**

**REVISED DRAFT ANNOTATED AGENDA**

**I – The Constitutional Review and funding of the IASCF 09:30 to 10:30**

Mr. Paul A. Volcker, chairman of the IASC Foundation will give a presentation on the IASCF Constitutional Review.

**II – The Constitutional Review of the IASCF - Discussion of the response letter 10:30 to 13:00 - Document ARC/1/2005**

The Commission invites Member States to give their comments to a draft letter to be sent as soon as possible.

**III – Approval of the minutes of the ARC meeting of 20.12.2004 14:30 to 14:35**

**IV – Date of application of new standards and interpretations 14:35 to 15:30  
Document ARC/2/2005**

The Commission will present a working paper and invite Member States to comment.

**V – Formal vote on IFRIC 2 15:30 to 16:00 - Document ARC/3/2005**

**Proposal for a Commission Regulation adopting a certain interpretation IFRIC 2 “Members’ Shares in Co-operative Entities and Similar Instruments” in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council**

*The members of the Committee are expected to give their opinion on this implementing measure in accordance with the regulatory procedure provided for in Article 6 of Regulation (EC) N° 1606/2002. A draft regulation in available languages and the Annex in English will be sent as soon as possible*

**VI – IFRIC 3 Update on the state of play 16:00 to 16:30**

EFRAG will present its draft position on IFRIC 3 “Emission Rights”

**VII – Update on the state of play on IAS 39 (full fair value option and interest rate margin hedge) 16:30 to 16:45**

The Commission will inform the Member States about the latest developments towards a solution on the fair value option and on the technical work on the interest margin hedge.

**VIII – Miscellaneous 16:45 to 17:00**

*Member States will be invited to present any additional issues which need to be discussed.*