Financial services: action plan. Progress report

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PURPOSE : To present the second report on progress on financial services. CONTENT : The Lisbon European Council in March 2000 recognised the central role of efficient financial markets for long-term European competitiveness and for the development of the New Economy. It asked that the Financial Services Action Plan (FSAP) should be completed by 2005, and the Risk Capital Action Plan by 2003. These target dates are now the key reference for this and all subsequent reviews. This report examines key developments in the financial sector that are of relevance to the policies underpinning the Action Plan, provides a progress report on the implementation of the measures of the Action Plan and considers those areas that require acceleration or new policy orientation. Key developments in the financial sector - financial services represent about 6% of EU GDP and 2.5% of EU employment. It is a sector that underpins all economic activity and one where the Union has the greatest potential for expansion. Integrated European capital markets are essential for sustained growth and employment. The euro had made its mark, and has already captured about 40% of the international bond market. The stock market capitalisation of EU Member States is still only one half of the US level, but there are signs of renewed growth. Pension funds can also improve the flow of funds for private sector investment. The rapid emergence of e-commerce is beginning to change the financial services landscape. The Action Plan develops a dual approach: protecting consumers against unfair trading practices but helping them to seek the best offers on the market. EU Internet banking is growing rapidly. The interdependence between EU financial markets and institutions and their counterparts in the candidate countries of Central and Eastern Europe is growing. Progress on implementation of the FSAP - progress had been made on pension funds, wholesale markets and retail markets. Work on prudential rules has also advanced. Work is continuing on a minimum taxation of savings income. The Risk Capital Action Plan is advancing. There is, however, the need for greater effort, particularly in the area of the European Company Statute. Policy areas and measures requiring further policy consideration or refinement - two key policy areas need further consideration: facilitating access to capital markets and improving financial stability. The Lisbon Summit singled out a number of priority actions relating to the functioning of securities and wholesale markets where accelerated progress needs to be made to reach the overall 2005 deadline. These are: a "single passport" for issuers, enhancing the comparability of companies financial statements, eliminating barriers to investment by pension funds and UCITS, the improved functioning of cross-border sale and repurchase markets, and a fundamental review of the Investment Services Directive. The Commission is taking action on all these areas. It will also bring forward a number of measures on regulatory and supervisory contributions to financial stability.