Financial services: action plan. Progress report

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In June 2001, the Commission concluded that the overall balance sheet on progress towards financial integration was broadly positive. There were, nonetheless, a number of test cases which would shortly demonstrate whether there is a real political will to meet the European Council deadlines of 2005 (2003 for securities markets) set in the Financial Services Action Plan. Failure of timely delivery of individual measures could endanger the overall optimal timeframe. The economic context for making progress was already recognised as being difficult; any delays would increase the cost pressures for consolidation of the EU's still fragmented financial sector. Against this backdrop, this fifth progress report has been drawn-up again with the assistance of personal representatives of Ecofin ministers in the Financial Services Policy Group. It delivers three central messages to the Ecofin Council: - an integrated European financial sector remains as crucial as ever as a motor for growth and employment. Crucially it also can act as a buffer against volatility and hence a pole of stability in these turbulent economic circumstances; - there has been important progress since the last report. But there remains a concern about the pace to deliver the Action Plan in line with the agreed timeframe and political statements of successive Ecofin and European Councils; and - a broad and critical mid-term review is needed of what has been accomplished, what benefits of integration there are, and what still needs to be done. Political action must follow. There are particular concerns about the effects of the downturn in equity markets on the insurance sector, since equities represent a substantial proportion of investments (30%). The precise effect of the downturn in equities and the final estimates of claims flowing from 11 September have not yet crystallised (estimates range from $20 to $80 billion). Moreover, the Action Plan contains a number of important measures that, once implemented, will respond directly to the twin challenges of uncertainty and the less favourable economic outlook. For financial services companies, financial resilience remains paramount - strong prudential rules for banks, investment firms and insurance companies to reflect the real risks they run are needed more than ever. Adequate provisions, reserves and risk management measures are essential to meet times of strain. A new roadmap for a single retail financial market is being developed by the Commission in close co-operation with the Member States, covering three policy areas: - a programme of convergence covering contractual and non-contractual rules to provide high quality and comparable information to consumers. The final adoption of the proposal for a Directive on the Distance Marketing of Financial Services will be an important element in securing that coherence. Together with the Commission's Communication on E-Commerce and Financial Services, the Directive will be a cornerstone of the policy for retail financial services traded on the internet; - targeted steps to encourage consumer confidence in cross-border redress and internet payments to improve security and provide consumers with legal security when making payments on-line within the Union; and - enhanced supervisory co-operation between host stateauthorities and those in the country where the provider is established. To these ends, the Commission will in particular: - in order to assist Member States and service providers and to ensure compliance with the E-Commerce Directive carry out the analysis foreseen in its Communication on E-Commerce and Financial Services; and Bank charges: - propose to revise and update the Consumer Credit Directive (anticipated for the end of 2001). In conclusion, the case for integrated financial markets is stronger than ever - particularly as the economic outlook is deteriorating - as a motor for growth and employment and as a pole of financial stability for the benefit of EU citizens and businesses. Good progress on the implementation of the Action Plan has already been made during the Belgian presidency; 25 of 42 original measures have now been finalised. But there still remains a real concern about the present pace of work if we are to deliver the Action Plan in line with its agreed timeframe. Repeated and unambiguous political declarations from successive ECOFIN and European Councils must now be translated into hard agreements and matched by real political progress. Any inability to find politically and technically viable solutions within the set timeframe will result in political and economic failure for the EU. The timeframe for progress in the European Parliament and the Council is equally pressing. By the end of next year 10 legislative proposals must be adopted to meet the Action Plan deadlines. - In the Spanish presidency: directives on Distance Marketing, Prospectuses, Market

Abuse, and the IAS Regulation; and - In the Danish presidency: directives on Insurance Intermediaries, Pension Funds, Financial Conglomerates, 10th Company Law amending directive, Collateral directive, and Taxation of Savings.