Financial services: investor-compensation schemes

1993/0471(COD) - 14/12/1994 - Modified legislative proposal

The amended proposal took account of the opinion of Parliament which, with a view to achieving consistency, had stressed that the proposal should be considered with reference to other proposals for Community legislation in the financial services sector. As a result of this, certain measures contained in the amended proposal relating to investor-compensation schemes had been brought into line with the corresponding provisions in Directive 94/19/EC on deposit guarantee schemes. Without making any significant changes to the essential principles underlying the initial proposal, the amendments introduced by the Commission incorporated, wholly or in part, the amendments which Parliament had put forward in respect of the following points: - the definition of the "investment firm" was revised, it being stated that this concept was already defined in the Directive on investment services; - the definition of a "branch", as contained in the investment services Directive, was included in the proposal; - a definition was added for "joint investment"; - authorization was to be based on the home-country control principle; - it was no longer to be necessary for a credit institution which provided investment services to adhere to two different schemes, namely that provided by the present Directive and that established by Directive 94/19 /EC, once a single system was set up which met the conditions of both Directives; - the minimum harmonized level for compensation was fixed at ECU 20,000 per investor; - the option for branches to supplement the level of cover provided in their Member State of origin in order to attain the (higher) level of cover existing in the host Member State; - investment companies should themselves finance the compensation schemes, provided that the cost burden for the payment of compensation to investors, in the event of default of the investment companies, did not compromise the stability of firms which were in other respects financially sound.