

Eurofi Preliminary Report on an integrated European financial market

Press release – 26th November 2002

The achievement of a genuine integrated and fully efficient European financial market constitutes an essential stake for all market players. This single market in banking and financial services is urgently needed to respond to the legitimate expectations of businessmen, consumers and savers, who are increasingly keen to operate in the euro area as though it were a real domestic market, without time-consuming and costly technical or regulatory barriers.

Establishing a large and integrated financial market, which would guarantee transparency, effectiveness and liquidity, remains a prerequisite for the European economic growth. Such integration would provide many advantages, like improving the allocation of savings, widening consumer investment choice, reducing costs of intermediation, and strengthening the euro and its international role.

Implementing such an integrated market is an evolutionary process. This requires determination, pragmatism and initiatives that respond to market players needs and do not yield to institutional dogmatism.

Eurofi Association surveyed 180 European institutions and companies (comprising issuers, banking and financial institutions, stock-exchanges, middle and back-office service providers, financial regulators and supervisors) to reflect the expectations of market players on EU financial integration. This written consultation, carried out in partnership with the Euro 50 Group and with the collaboration of management consultants Atos Odyssee, was also accompanied by interviews.

A Steering Committee, co-chaired by Jacques de Larosière and Daniel Lebègue, was set up (see Appendix 1) to analyse the survey results and to reflect them in a report, developed for the attention of the European institutions. This document should be seen as a preliminary report, as it will be subject to change after further consultations. The final report is due to be presented by June 2003. The present document proposes in particular ways to identify priorities relating to financial integration and sets out ideas for relevant articles that would be included in the future EU Treaty.

European market users need clear, straightforward and understandable rules and standards, able to offer equivalent guarantees to all of them. Indeed, in a market in the way to integration, the dissipation of regulation penalises companies, which confronted with multiple regulators and rules. This situation makes more difficult cross-border investments in Europe and increases financing costs.

Establishing a European Regulatory and Supervisory Framework is already underway with the Lamfalussy process. Extended to banking and insurance, this process will be decisive for reaching a European approach of financial regulation and supervision.

Its operational implementation requires great efforts from National and Community authorities, which have to operate in straight collaboration with professionals. This is really essential, notably in the perspective of the EU enlargement, that each national regulator and supervisor have the same competencies, instruments, statutes, enforcement capability and methodologies, so that effective application of the mutual recognition principle is guaranteed.

In the long term, the development of cross-border and trans-sectorial institutions, as well as the Lamfalussy process would progressively lead, according to a number of answers to the Eurofi survey and interviews, to a European Financial Regulation and Supervision System.

Such a framework should not be understood as leading to the creation of a new centralised bureaucracy. Based on Democratic legitimacy and principles of transparency, free competition, investor protection and micro and macro prudential stability, it would respect the subsidiarity principle as far as the core rules are common and guarantee equality of treatment for all market players. Professionals would be closely consulted.

Investors and companies would continue to keep a link with the national regulator, which know their local environment.

The future Treaty-Constitution could provide for such mechanisms implemented in the light of market users expectations. The Convention on the Future of Europe, chaired by Valery Giscard d'Estaing, constitutes, in this perspective, a real opportunity.

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