



Fédération Bancaire Européenne
European Banking Federation

The President

TW
Letter n°0079

Charlie McCREEVY
European Commissioner for Internal Market and Services
European Commission
B - 1049 Brussels

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BY E-MAIL

Paris, 31 January 2006

Dear Commissioner McCREEVY,

Please find attached

As far as bank accounts are concerned, we welcome the Commission's initiative to set up an Expert Group to identify existing problems associated with user mobility and we would like to be adequately represented thereon. We reiterate our position against any legislative action on the portability of accounts as the costs of any such action would far outweigh its benefits.

On banking supervision, we regret a perceived lack of ambition from the Commission as regards the achievement of the objective of consolidated supervision. The FBE had expected more concrete proposals being set out in the White Paper in that respect. While we understand that some of the issues involved are highly political and sensitive ones, we would argue that the Commission should not shy away from taking the necessary steps to bring about real progress in better aligning the European supervisory framework with the ever more centralized way cross-border financial services firms manage their risks.

Finally, though we fully support the Commission's approach to regulatory dialogues with key third countries, we believe that dialogues with mature markets (e.g. USA, Switzerland, Canada, and Japan) should essentially aim at equivalence recognition and market opening and not at additional regulation.

I would appreciate having the opportunity to meet with you in the near future to discuss the FBE views on the White Paper.

Yours sincerely,

Michel PEBEREAU

Encl: 1

FBE COMMENTS ON THE EUROPEAN COMMISSION'S WHITE PAPER ON FINANCIAL SERVICES POLICY 2005-2010

INTRODUCTION

Following the adoption of the FSAP measures, a financial services policy needed to be established for the coming years.

The recent publication of the European Commission's Financial Services Policy 2005-2010 is therefore welcomed.

The successful adoption of the FSAP measures was due to a great extent to the Commission's ability to keep the momentum going during the adoption process and to maintain the commitment of the Heads of State and Government and of the European Parliament to the importance of the FSAP.

Going forward it will be essential to keep that momentum. The successful implementation of the 2005-2010 financial services policy will require the active support of all the EU institutions, the Member States, the level 3 Lamfalussy Committees, the industry and the consumer groups. There is little the Commission will be able to achieve alone. The FBE is committed to keep working towards the creation of an efficient and competitive European Single Market for financial services. With that in mind it wishes to make the following comments on the Commission's 2005-2010 policy.

GENERAL REMARKS

The FBE agrees with the objectives of the Commission's financial services policy over the next five years.

The FBE believes however that the Commission should have emphasised that the creation of a European Single market for financial services is not an end in itself but rather a means to increasing the international competitiveness of the EU market place. The EU's competitiveness should be the benchmark against which to assess each and every initiative.

We commend DG Internal Market & Services for the open, transparent and indeed exemplary way it has consulted the stakeholders on the post-FSAP strategy and for its strong commitment to 'better regulation'. We hope that the same standards and approach will be applied by the other Directorates General. In that context we urge the Commission to adopt a more collegial approach so as to ensure a real convergence of its policies and a better coordination between Directorate Generals. There are still too many examples of lack of proper coordination leading to sub-optimal legislative proposals.

The Commission is right to say that further action is needed to open up the fragmented retail financial services markets. The FBE supports the Commission's targeted and consultative approach in that field and it stands ready to contribute to the various work streams that will be established as a result thereof. The FBE regrets the absence in the White Paper of any reference to the benefits of 'targeted full harmonisation'.

The FBE notes with great satisfaction that the VAT treatment of financial services has finally been recognized as a major obstacle to financial services integration and that action will be taken to remove such an obstacle.

The FBE is disappointed by a perceived lack of ambition from the Commission as regards the achievement of the objective of consolidated supervision. The FBE had expected more concrete proposals being set out in the White Paper in that respect.

More detailed comments on these and other points are provided below.

DETAILED REMARKS

Dynamic consolidation of financial services

The FBE supports the dynamic consolidation approach adopted by the Commission. Proper transposition, implementation and enforcement of the FSAP measures is an overriding priority for the coming years. More resources need now to be devoted to the services of the Commission in charge of enforcing EU legislation.

The creation of a truly European market for financial services will ultimately depend on (i) the correct and timely implementation of the FSAP measures at Member State level, (ii) convergence of national supervisory practices and (iii) proper enforcement. These developments will depend to a large extent on the success of the Lamfalussy process and in particular on the Levels 3 and 4 which will be key factors for the delivery of the FSAP's objectives. In that context we welcome the renewed and extended mandate of the Inter-Institutional Monitoring Group.

In addition we urge the EU institutions to come to an agreement on the role of the European Parliament at level 2. This matter should be treated as a matter of priority.

Better regulation

The FBE welcomes the Commission's commitment to 'better regulation'. We stress in particular the need, identified by the Commission, to reinforce the interaction with other policy areas. This is essential.

To give just one example, it would have been useful to hear the views of representatives of DG SANCO, TAXUD, COMP. and TRADE at the 'Exchange of views on Financial Services Policy 2005 - 2010' that the Commission organized on 18 July 2005 in Brussels. Unfortunately none of them sat on any of the panels. This is unfortunate given that:

- carefully targeted legislation is needed in the retail banking field (SANCO);
- the current VAT treatment of financial services is an obstacle to further European financial services integration (TAXUD);
- competition policy is central to the integration process (COMP);
- further market opening is needed at global level (TRADE).

Without proper coordination, all efforts will be in vain and time will be lost. The EU cannot afford this.

Ensuring the right EC regulatory and supervisory structures

The FBE had expected more concrete proposals being set out in the White Paper as regards the achievement of the objective of consolidated supervision. While we understand that some of the issues involved are highly political and sensitive ones, we would argue that the Commission should not shy away from taking the necessary steps to bring about real progress in better aligning the European supervisory framework with the ever more centralized way cross-border financial services firms manage their risks.

While the FBE welcomes the Commission's proposal to use an evolutionary approach, it does not believe that CEBS can reach its full potential until it is clear what direction banking supervision will take in the EU. There must be momentum in the process. In the absence of a critical path analysis, or roadmap, there will be too little and too slow progress towards truly consolidated supervision.

Looking at the guidelines on COREP recently published by CEBS we believe that a unique opportunity has been missed to promote, in a meaningful manner, harmonization and efficiency. The level of (national supervisory) flexibility provided for in the framework goes against the primary objective of convergence and streamlining. In these circumstances we fail to understand how the Commission can reasonably think that 'from 2009 all EU banks (...) will be able to fulfil their reporting requirements by sending only one complete reporting package to the competent supervisor at consolidated level'. For this issue, as for the other issues related thereto, a well-defined roadmap would undoubtedly be of great value.

Ongoing and future legislative activities (2005-2010)

We note with great satisfaction that the VAT treatment of financial services is now recognized as a major obstacle to financial services integration. We hope that decisive progress can quickly be made in that area and urge the relevant Directorate Generals to coordinate their actions to that effect. The Commission's announced legislative action in that area should have been listed under the 'future legislative activities' heading of the White Paper.

We agree with the Commission that further action is needed to open up the fragmented retail financial services markets.

Like the Commission we would welcome greater involvement of consumer groups in the decision-forming process. Consumer confidence is a prerequisite for further cross-border retail banking integration. An appropriate level of consumer protection, based on adequate information, should therefore be promoted. However excessively restrictive regulation and bureaucratic prescriptions should be avoided as this would be detrimental to providers and consumers alike and negatively impact the competitiveness of the EU as a business location.

Minimum harmonisation has resulted in divergent regulations and therefore proved to be a barrier to the provision of cross-border retail banking services. Full harmonisation of key retail banking elements (i.e. 'targeted full harmonisation') should be preferred. This position is explicitly supported by an overwhelming majority of the banking industry. It is therefore particularly disappointing that the Commission does not recognize the benefits of such a 'targeted full harmonisation' approach in the consumer protection field.

We share the Commission's view that a business case is still to be made for the use of the 26th regime.

As far as bank accounts are concerned, we welcome the Commission's initiative to set up an Expert Group to identify existing problems associated with user mobility and we would like to be adequately represented thereon. We reiterate our position against any legislative action on the portability of accounts as the costs of any such action would far outweigh its benefits.

The external dimension

The FBE welcomes the Commission's assertion of the importance of the global dimension in its financial services priorities for the next five years.

We fully support the Commission's approach to regulatory dialogues with key third countries and find it of vital importance that the industry be allowed to provide input into these dialogues to give a sense of priorities from the perspective of European banks.

We believe that dialogues with mature markets (e.g. USA, Switzerland, Canada, and Japan) should essentially aim at equivalence recognition and market opening and not at additional regulation. We note in that respect that market access (openness) is one of the most important factors for improving a region's competitiveness. Open markets foster competition, thereby increasing quality and reducing prices for consumers while at the same time giving firms incentives to innovate.

As regards emerging markets we emphasize the important role that the EU's common trade policy can play in bringing about further market openings.

Monitoring process

We welcome the Commission's plan to publish annual progress reports on the implementation of its 2005-2010 financial services policy. This should help maintaining the necessary momentum.