

## **Speech by Frits Bolkestein**

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# **Building a Single EU Financial Market**

*Check Against Delivery*  
*Seul le texte prononcé fait foi*  
*Es gilt das gesprochene Wort*

Address to EU Parliamentary Financial Services Forum

**European Parliament, Brussels, 8<sup>th</sup> July 2003**

Chairman, Ladies and Gentlemen, thank you for inviting me here today. I will address notably two main issues: latest progress in the Financial Services Action Plan, and the recent success achieved on the Prospectuses Directive.

### **Benefits of integration of EU Financial Markets**

Let me first take a step back and consider the question: 'Why are we doing all this work in the area of financial services?' The answer is straightforward: because it is in the fundamental interest of Europe.

Reports we have commissioned show that integrated EU financial markets will entail significant long-term economic gains. Benefits in terms of greater market liquidity, more rational allocation of capital, and greater choice for investors and consumers.

Integration is essential to ensure that Europe is capable of ensuring the highest levels of growth, investment and employment over the medium to long-term.

An integrated Europe is also the best starting position to work towards more Trans-Atlantic integration of financial markets. For this to happen, we must be strong internally and pro-active. Talks with the Americans are never easy but I think we are making some progress.

### **Financial Services Action Plan**

We have travelled a significant distance since the adoption of the Financial Services Action Plan in 1999. Eighty per cent has already been delivered. The overall economic outlook – which is far from rosy – strengthens the case for completing the Action Plan on time. A final effort is needed to implement it effectively by 2005.

Only six measures are pending, of which three important legislative proposals are still under negotiation:

On the proposed Takeover Bids Directive, present discussions have triggered voices saying that narrow-minded reasoning might win over long-term economic necessities. Such kinds of victories always turn out to be temporary, and come with a high price. The establishment of a coherent European framework for takeovers is crucial for the competitiveness of our industry. Defending vested national interests clearly is not the right way forward. Therefore, I sincerely hope common sense will prevail.

Both the Investment Services and the Transparency proposals contain requirements to provide price sensitive information to investors. These are important tools to restore confidence and to strengthen market integrity.

On the Prospectuses Directive, I am delighted that last week the Parliament approved this important proposal. This Directive will be good for issuers and for investors. It will make it easier to raise capital on an EU-wide basis and boost the competitiveness of the European economy. It will also increase confidence in the markets and in corporate information. It is a key element of the Financial Services Action Plan.

It is thanks in large part to the European Parliament that the proposal could be adopted without recourse to conciliation.

The Parliament made important modifications to the substance of the proposal and took a very constructive attitude in finding a balanced compromise. I am very grateful to the Parliament for this and I consider it to be an excellent example of how the Parliament, the Council and the Commission can work together to produce legislation which will bring significant benefits to Europe's citizens and investors.

## **Indicators to track financial integration**

The Action Plan is not the end of the story. To test the effectiveness of our policy, we will use economic indicators to measure progress in financial integration.

This will also help us in setting our future priorities right. The economic indicators will allow us to monitor progress, estimate potential regulatory benefits and prioritise our actions. It will also identify changes in the risk features of the financial system.

## **Present economic outlook**

World and European financial markets are going through a difficult time. Present difficulties are so severe because some checks and balances we have relied on have been found wanting. We have had to face audit failures, lack of compliance with crucial corporate governance standards and widespread greed. Essential responsibilities and basic principles of good governance have been neglected.

Legislation is not about restricting market players, on the contrary. It is about putting the right framework and incentives in place for an effective functioning of the market, whatever the surrounding conditions.

The present framework can be further improved. We need to reinforce the safeguards for financial stability and market integrity, and to ensure the disclosure of objective, accurate and comparable financial information throughout Europe.

The European response to concerns regarding corporate governance and statutory audit were published on 21<sup>st</sup> May. It includes an Action Plan that is flexible in application, but firm on the principles. It ensures that subsidiarity and proportionality are respected.

It covers key issues such as the disclosure by companies of their governance structures and practices; the reinforcement of shareholder rights; the role of non-executives or supervisory directors; the quality of corporate reporting; and the co-ordination of Member States' efforts in the area of corporate governance. After consultation, the Commission may be in a position to launch some of the initiatives already by late 2003.

Important short-term priorities on statutory audit will be the incorporation of the principles on auditor independence in a Directive, and the strengthening of public oversight of the audit profession through European co-ordination.

## **Conclusion**

Chairman, ladies and gentlemen, let me conclude.

The case for an integrated European capital market remains as strong as ever. Now that we are in the sight of the finishing line, a final sustained effort is required to close the outstanding political discussions: to adopt the six remaining measures as soon as possible and to create a modernised, more efficient regulatory structure.

The Commission will maintain its approach of full transparency and thorough consultation. Your voice and commitment are crucial for Europe's success. I hope that all of you can support us in this final sustained effort and make the Financial Services Action Plan and an integrated EU capital market a success.

Thank you for your attention.