



CONTENTS



3	Editorial
4	EU develops policy responses to financial market turbulence
6	Financial services regulators meet at EU-China Roundtable
8	Single Market Review package unveiled
11	SPECIAL FEATURE Consumer benefits targeted in new Single Market strategy
15	New user-friendly classification system offers easier EU-wide access to public contracts
15	EU adopts Remedies Directive on unfairly awarded public contracts
16	MIFID comes into force to inject competition and efficiency into financial markets
18	New study looks for ways to increase competition in international audit market
18	Easier access to financial information on listed companies
19	Expert group propose solutions for post-trading fiscal compliance procedures
21	ECJ opposes the Volkswagen Law as a restriction on the free movement of capital
22	Infringements

Editeur responsable
Panayotis Stamatopoulos
European Commission
DG Internal Market and Services
Unit A-4
B - 1049 Brussels
Tel: (+32 2) 296 17 72
Fax: (+32 2) 295 43 51

Editor
Nigel Griffiths
Fax: +32 2 295 43 51

Subscriptions
Anita Haase
DG Internal Market and Services
SPA2 1/002
B-1049 Brussels
Fax: +32 2 295 43 51
E-mail: Markt-smn@ec.europa.eu
www.ec.europa.eu/internal_market/smn.htm

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EDITORIAL

On 20 November following eighteen months of consultation and reflection, the Commission presented to the public its vision for a Single Market for 21st Century Europe. After more than twenty years successfully building the EU's internal market, the policy focus is to change with greater attention being given to the challenges of globalisation and the needs of consumers and small businesses. Key planks of the new Single Market strategy are more choice and greater economic benefits for consumers, where proposals in the areas of retail financial services and telecommunications will be drawn up. (See page 8 and Special Feature on page 11)

The U.S. sub-prime mortgage loan crisis has had a knock-on effect in financial markets across the globe. Work on financial stability arrangements in the EU had started already well before the current market developments in a special Council working group set up to make concrete proposals for change. In October, the EU's finance ministers were able to draw on this work when they agreed on a 'roadmap' on how to deal with the current financial market turbulence. Over the next 15 months significant and substantial input will be required from DG Internal Market and Services in addressing the issues raised and the work will need to be carefully coordinated with other bodies, notably the G-7, the Financial Stability Forum and the G-10 Basel Committee on Banking Supervision. (See page 4)

The EU and China now represent two of the world's most important financial blocks. As part of the Commission's international regulatory dialogue process, senior officials from the People's Bank of China and the country's financial regulatory bodies met with EU regulators and industry players at a Roundtable session in Brussels, 18 October. It was a unique opportunity for the European regulatory and supervisory authorities and leaders from the financial services industry to meet face to face with their Chinese counterparts to explore areas of closer cooperation. (See page 6)

On 1 November 2007, the Markets in Financial Services Directive (MiFID) entered into force. This investment services legislation, which is a keystone of the Financial Services Action Plan, is already transforming the landscape for securities trading. The new measures introduce much needed competition and efficiency. Over time this should lead to a reduction in the cost of capital, with major benefits for the European economy. Investors and issuers will gain in terms of greater choice and stronger protection. (See page 16)



Jörgen Holmquist
Director General for
Internal Market and Services,
European Commission

Sub-prime crisis:

EU develops policy responses to financial market turbulence

Following the U.S. sub-prime mortgage loan crisis and its knock-on effect in global financial markets, the EU's finance ministers have agreed on a blueprint for reviewing the EU's financial rules and improving the way cross-border banking crises are handled.

Since August of this year, the situation on global financial markets has been a major cause for concern for European policy makers and the subject of intense discussions. On 9th October, the EU's finance ministers met in the Economics and Financial Affairs Council (ECOFIN) to discuss the underlying causes of the recent turbulence and endorsed a programme of further work in a number of key areas.

ECOFIN's Roadmap

Within the ECOFIN Council, there was broad consensus both about the causes of the recent turbulence, as well as on the future course of action - a 'roadmap' of fifteen areas which need to be analysed and addressed.

These areas fall into four broad categories:

- Enhancing transparency for investors, markets and regulators;

- Improving valuation standards, including of illiquid assets;
- Reinforcing the prudential framework, risk management and supervision;
- Improving market functioning, including the role of rating agencies.

Ongoing work

The Economic and Finance Committee, which prepares the work of ECOFIN, has been tasked with coordinating this work, which will be carried out over the next fifteen months.

Significant and substantial input will be required from DG Internal Market and Services and the work will need to be carefully coordinated with the initiatives being undertaken in other jurisdictions and international fora, notably the G-7, the Financial Stability Forum and the G-10 Basel Committee on Banking Supervision.

Anatomy of the turmoil

The Commission's own analysis of the current turmoil was that even before recent events, the increasing size and sophistication of financial markets was becoming a challenge for the existing framework for prudential regulation and supervision.

Work has been underway since last year in a special Commission working group set up to consider financial stability arrangements and to make concrete proposals for change.

The final report and recommendations of this group were also endorsed at the recent ECOFIN meeting. In its paper the group pointed out that the market turbulence occurred in very unusual economic and financial conditions.

After several years of price stability, ample liquidity, strong global economic growth and continued search by investors for ever better yields, there was a growing perception that credit risk in global asset markets was mispriced and that the conditions were set for a potentially disorderly correction in asset prices - should investors' appetite for risk suddenly decline.

The problems in the U.S. sub-prime mortgage loan sector proved to be the catalyst for this correction

Uncertainty about risk location

While spreading of credit risk via new and complex financial techniques and instruments may have been positive for the financial system - by reducing the likelihood of risk being concentrated on the balance sheet of one (or several) systemically relevant financial institutions - it also gave rise to uncertainties about where that risk was located.

"Work has been underway since last year in a special Commission working group set up to consider financial stability arrangements and to make concrete proposals for change."

This uncertainty affected investor confidence leading to liquidity shortfalls in financial markets. This was further compounded as banks were forced to buy back assets that they had sold to so-called 'conduits' which had been unable to find investors willing to purchase their asset-backed paper.

Some fundamental questions have consequently emerged about the banks' *originate and distribute* strategies, which involve transferring risk to the wholesale market via unregulated entities - including 'conduits' - and complex structured instruments.

The Commission pointed out however that, as long as risks were adequately managed and there was sufficient market transparency, no assumptions should be made that such strategies were fundamentally unsound.

Commission reaction

The Commission was supported by Member States in its view that it was too soon to draw definitive conclusions about the implications of recent events for regulatory and supervisory arrangements and

that precipitous reactions that might later prove inappropriate or disproportionate were to be avoided.

This has been the first serious test of these arrangements in the context of a significantly expanded market for structured finance products and significantly more integrated markets within the EU since the late 1990s.

Capital Requirements Directive

In the short term, the new Capital Requirements Directive (CRD) should - when fully implemented in EU Member States by the beginning of 2008 - go some way towards addressing a number of the shortcomings which have been identified, in particular concerning the regulatory treatment, the internal management and the public disclosure of risks, including the specific risks involved in the transfer of credit risk to the wholesale market via unregulated entities and complex structured instruments.

Liquidity management

In the medium term, important work in the field of liquidity management is already being carried out by the Committee of the European Banking Supervisors (CEBS), the European Central Bank's Banking Supervision Committee (BSC) as well as the G-10 Basel Committee.

The results of this are expected towards the end of 2008. Work is also underway in a number of other key areas of the supervisory safety net - on deposit guarantee schemes, large exposures and concentration risk, home host cooperation and prudential treatment for exposures held for trading, the winding-up and reorganisation of credit institutions and obstacles to the transferability of assets between banking groups.

The Commission is also considering enhancing the effectiveness of current pro-



cedures for co-operation and information exchange.

Supervisory and stability arrangements

In the longer term, there may be broader implications for the existing framework for prudential regulation and oversight. Attention will need to focus on the effectiveness of supervisory and stability arrangements, at both national and EU levels.

Recent events have highlighted the crucial importance of the work being undertaken on EU financial stability arrangements within the Economic and Finance Committee (EFC). It has added to the urgency of delivering practical results from this work.

Moreover, the lessons learned will also need to be taken into account in any reform of supervisory arrangements under the Lamfalussy framework.

The recent turbulence has accentuated the need for progress on these issues and should make it easier to build consensus.

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Tobias Mackie
TEL: +32 (0)2.296 16 61
FAX: +32 (0)2.295 09 92
Markt-H-I@ec.europa.eu



From left: Commissioners Charlie McCreevy and Joaquín Almunia, and chairman Fernando Teixeira Dos Santos of the Portuguese Presidency. EU finance ministers adopted a 'roadmap' of fifteen areas which need to be analysed and addressed to ensure long-term financial stability.

Financial services regulators meet at EU-China Roundtable

Senior officials from the People's Bank of China and the country's financial regulatory bodies met with EU regulators and industry players at a one-day Roundtable session in Brussels, October 18th. It was a unique opportunity for the European regulatory and supervisory authorities and leaders from the financial services industry to meet face to face with their Chinese counterparts to explore areas of closer cooperation.

The first EU-China Roundtable in 2005 in Shanghai was hailed as a success in opening up constructive dialogue between the financial regulators and stakeholders of two of the world's most important financial blocks.

The large Chinese delegation in Brussels for the second Roundtable included senior figures from the People's Bank of China - the country's Central Bank - and from China's Banking Regulatory Commission, Insurance Regulatory Commission, Securities Regulatory Commission as well as business leaders from the financial sector.

Commissioner Charlie McCreevy opened the Brussels EU-China Roundtable saying that: "The question now is not 'if' China will be the biggest economy in the world, but 'when'....But changes of this magnitude require adjustments to public policy.

"China and the EU have much to share. Much to develop together....We are prepared to help China as much as we can to establish a robust and modern regulatory framework."

Deputy Governor Liu of the People's Bank of China responded indicating that the Central Bank and the regulatory bodies are intent on pushing towards reform and the opening of the Chinese financial sector and toward integration in the world economy.

McCreevy pointed to the valuable experience gained through European integration over the past eight years and suggested that the experience gained should be shared. "The Commission is prepared to consider providing specific training for Chinese professionals from



Commissioner Charlie McCreevy with Deputy Governor Liu of the People's Bank of China: "China and the EU have much to share. Much to develop together."

the Chinese regulatory bodies and the People's Bank of China," he said.

Opening up the retail banking sector

The meeting heard that the Chinese retail banking markets are becoming increasingly open to foreign players. McCreevy pointed out that China now has a plan to implement Basel II saying: "We welcome alignments with best international practices."

The Commissioner stressed the importance of avoiding the creation of unnecessary red tape or excessive or discriminatory regulatory burdens which could impair the sound development of the market.

"Concerning securities and capital mar-

kets, I see huge potential. Let us create a 'win-win' situation. Our industry is ready to help to create a vibrant investment fund industry and to fully participate in the securities business," McCreevy said.

"The EU capital markets are open and offer diversification for Chinese investments. Let us capitalise on the regulatory cooperation that has started between us."

A number of leading players from Europe's financial services industry took part in the Roundtable. Richard Gnodde, Co-CEO of Goldman Sachs International, addressed the participants and pointed to the clear need for China to develop deep and broad capital markets to maintain the pace of its economic expansion and successfully balance the capital needs of its companies with investment alternatives for its citizens.

"There is no shortage of capital in China today. There are trillions of RMB in deposit accounts and foreign exchange reserves. The challenge for China is how to efficiently recycle and reallocate this capital to fund the needs of China's entrepreneurs, small businesses and citizens," he said.

"For both the EU and China, maintaining open investment regimes is a critical condition for the continued trade and capital flows that sustain growth."

Violeta Ciurel, General Manager European and International Affairs of the ING Group, concluded that the Roundtable had achieved its objectives: "It has been an open and honest dialogue which has proved that both parties are willing to cooperate," she said.

"We all have a better view and understanding of the regulatory issues facing China and the EU and the challenges that they put in front of the industry. It is clear from all the presentations that impressive progress in the development of the financial sector in China and financial regula-

tions has taken place.

"Even more, the commitments made by China since it became a member of the WTO have been appreciated. It is a young sector with outstanding achievements where the market is maturing at a rapid pace."

Ms Ciurel praised the efforts that have been made towards the reform and liberalisation of the financial markets.

Globalisation

Commissioner McCreevy highlighted the issue of globalisation and continuous competitive change: "Competition, technology, and financial innovation will drive the 24 hour global economy. Every country and every citizen can benefit from globalisation. And it is our duty, as policy makers, to make it successful.

"We will succeed, if, and only if, we choose openness, trust, and mutual convergence. Above all, we need to work together. China, the EU, the regulators and the market participants."

In his concluding remarks, the Chair of the Roundtable, Jörgen Holmquist, Director General of DG Internal Market and Services, stressed that the Roundtable had been a unique opportunity for EU and Chinese business leaders to address specific issues with their Chinese or European counterparts.

"Those who have participated here today will play a key role in the orientation of EU-China regulatory cooperation of the future," he said. "It is clear that the People's Bank of China and DG Internal Market will take stock of what has been discussed today and use it to guide our future cooperation activities.



McCreevy: "Above all we need to work together: China, the EU, the regulators and the market participants."

"We can already conclude that our authorities have a lot of common issues to work on. Our discussions have shown some disagreements and differences in



Deputy Governor Liu of the People's Bank of China indicated that the Central Bank and the regulatory bodies are intent on pushing towards reform and the opening of China's financial sector.

approach, and this is to some degree inevitable. The sign of a real and fruitful cooperation is not to agree on everything but to talk to each other in an open and frank way."

Following the success of the Roundtable, a third session is being planned to take place in China in 2008.

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Nathalie Chevallier
TEL: +32 (0)2 299 24 02
FAX: +32 (0)2 295 66 95
Markt-B4@ec.europa.eu

Jörgen Holmquist (second left), Director General of DG Internal Market and Services, stressed that the Roundtable had been a unique opportunity for EU and Chinese business leaders to address specific issues with their Chinese or European counterparts.

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Single Market Review package strengthens support for consumers and small business

On 20 November following eighteen months of consultation and reflection the Commission adopted its vision for a Single Market for 21st Century Europe. After more than twenty years successfully building the EU's internal market, the focus of action is to change with more attention being given to meeting the challenges of globalisation and the needs of consumers and small and medium-sized businesses (SMEs) in the domestic EU market.

The overriding objective of the Commission's new action programme is to refocus the EU's Single Market policies on the needs of the 21st Century.

The new vision and package of initiatives follows extensive public consultations and internal analysis since the launch of the Citizen's Agenda in 2006.



President of the Commission José Manuel Barroso (centre) together with Commissioners McCreevy, (left) and Špidla at the launch press conference. 'A Single Market for All' is the slogan of the new package of policy initiatives.

Announcing the Single Market initiatives, Commission President José Manuel Barroso stated that the new package marks the start of a new phase for Europe's Single Market, with consumers and small businesses about to receive more tangible benefits.

"The Single Market has been a huge success, it is widely recognised, but Europe and the world are changing and the Sin-

gle Market must change with them to become a 21st century Single Market for 21st century Europeans," Barroso, emphasised.

More targeted and impact-based policy

The new package contains measures to bring direct benefits to consumers and business in the areas of telecoms and retail financial services, as well as providing improved information and assistance facilities, better market monitoring systems, and an external strategy to spread EU standards internationally.

The programme of initiatives represents a shift towards a more targeted and impact-based policy, the Commission emphasises.

Retail financial services

Reflecting this new approach, the latest package contains a bundle of measures to ensure that retail financial markets – including bank and insurance products for consumers – work better for consumers (see Special Feature on page 11). The Commission's retail financial services strategy proposes a number of targeted initiatives designed to:

- improve customer choice and mobility, in particular for bank accounts, a financial product used by the vast majority of European citizens;



- help retail insurance markets work better, for instance by designing a 'scoreboard' for car insurance premiums in Europe;
- move towards adequate and more consistent rules for distribution of retail investment products (such as investment funds, certificates etc.);
- promote financial education, financial inclusion (access for all to a basic bank account) and adequate redress for consumers.

Commissioner for Internal Market and Services Charlie McCreevy stressed that consumers should be able shop around for the best deal in financial services.

"It should also be easier to change your account from one bank to another," he said, and he intimated that he was not ruling out fresh regulation in the banking sector if voluntary commitments do not work.

Telecoms package

One of the flagship elements of the Single Market programme is the telecoms reform package which was adopted by the Commission on 13 November.

The telecoms measures aim to enable citizens, wherever they live or travel to in the EU, to benefit from better and cheaper communication services, whether mobile phones, fast broadband Internet connections or cable TV.

The Single Market Package

Among the most important policy actions set out in the Single Market package are initiatives to:

- help consumers to exercise their contractual rights and get redress across borders;
- provide better information for consumers and small businesses;
- respond to weaknesses in sectors where the Single Market should deliver more;
- propose a Small Business Act;
- introduce a 'researcher passport';
- clarify how EU rules apply to services and social services of general interest;
- promote the quality of social services across the EU.

The overriding objective of the package is to put consumers and small businesses first. The Commission sees this as marking the start of a new phase for the Single Market.

With the lead policy document 'A Single Market for 21st Century Europe,' the package includes:

- A round-up of the Single Market's achievements;
- A paper on how better management and governance can deliver a better Single Market;
- A paper on the external dimension (how the Single Market can enhance Europe's global influence);
- A paper on improving monitoring of key markets and sectors;
- Policy documents on services of general interest including social services of general interest and a social vision for Europe.

Small Business Act

The Commission wants positive action taken to ensure that small businesses can take full advantage of the Single Market and in 2008 it plans to present a raft of measures to be known as the 'Small Business Act'. This initiative aims to cut red tape, improve access for small firms to EU funding and reduce the obstacles they face trading across borders.

One-stop advisory service

A 'one-stop shop' assistance service will also be rolled out to make it easier for

consumers, businesses and workers to take full advantage of their right to free movement, to information and to assistance. The one-stop portal will become the gateway to a number of existing information and advisory services which will be streamlined and made more accessible.

Single Market Centres

The Commission plans to step up closer liaison and interaction with senior officials at the national level to help identify the best ways to help Member States implement and enforce EU policies.

It will encourage the setting up of 'Single Market Centres' at national level, which will be the contact point and interface with the EU for business and individuals.

Review of 23 markets

There are still a large number of manufacturing and services sectors - as many as 23 - which have not realised their full potential in the Single Market.

These under-performing sectors of the EU economy account for 46.5% of EU employment and include distribution activities, financial services, post, telecoms and professional services.

In resolving the problems in these sectors, the Commission aims to use any new legislation or infringement procedures in a precisely targeted manner.

"Legislation is not the answer. The tool box we need now is much more complex," Mr Barroso said.

EU Single Market norms worldwide

Meanwhile, the Commission also announced that it plans to promote EU Single Market norms on the world stage. The EU should now become even more active in international bodies such as the World Trade Organisation in ensuring that "European norms are a reference for global standards", the Commission said.

Indeed it has already achieved success through the European GSM standard

which is now used by almost two and a half billion mobile phone users worldwide. In the areas of CO2 emissions trading, aviation safety or chemicals, the EU has established new rules, which are



Commissioner for Internal Market and Services Charlie McCreevy stressed that consumers should be able shop around for the best deal in financial services and that it should also be easier to change an account from one bank to another.

gradually being adopted across the world, the Commission points out.

Job Mobility Action Plan

The Job Mobility Action Plan presents actions to help remove barriers to worker mobility at European level and encourage the relevant authorities to deal with the obstacles.

Fifteen actions are proposed for the period up to 2010:

- improving existing legislation and administrative practices on social security coordination and on the portability of supplementary pensions;
- ensuring policy support from authorities at all levels;
- reinforcing EURES (European Employment Services) as the one-stop shop for job mobility in Europe;
- increasing awareness of the possibilities and advantages of job mobility among the wider public.

Mobility of researchers

Measures will be introduced to improve the development and dissemination of knowledge, such as the creation of a European passport for researchers to help overcome problems such as social security cover, recruitment and recognition of

qualifications, that can arise when working abroad.

Consumer protection

The Commission wants to strengthen consumer rights and improve information. For example, it will propose in December improved food labelling rules. Measures to improve market surveillance for medicines and provide information on pharmaceuticals will be brought forward.

The Commission is planning an overhaul of European consumer protection law, with a view to improving and simplifying contractual rights for consumers.

In 2008 it will propose cross-border rules to allow consumers collective redress - a group of people from across the EU would get the right to file the same complaint about a company and to pursue it.

Mr Barroso was quick to add that this would not mean copying the system of U.S.-style class action lawsuits. "We have different traditions of litigation in the EU and the U.S.," he said.

A new Consumer Scoreboard will be introduced to systematically measure delivery on these policies.

Another important area being targeted for reform is the social aspect of the Single Market, in particular career opportunities, gender equality, longer and healthier lives etc., all of which are part of the Commission's social vision for a rapidly changing 21st century Europe.

Services of General Interest

The package also includes a Communication on services of general interest (SGI) including social services of general interest. The Communication includes initia-

tives aimed at clarifying the framework applicable to SGI in this area. Mr Barroso underlined that it would not be feasible to propose a horizontal legislation regarding SGI, given the complexity of the matter and the large variety of different SGI it would need to cover. Furthermore, the Protocol agreed alongside the Treaty of Lisbon sets out the EU principles applicable to services of general interest and establishes a new, transparent and reliable framework at the level of the Treaty.

The protocol clarifies that Member States remain free to define, organise and finance their SGI.

Commission President Barroso concluded saying that: "This balanced package will mean a Single Market that does more to boost Europe's response to globalisation, create growth and jobs, ensure fair prices and contribute to social and environmental protection."

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http://ec.europa.eu/citizens_agenda/

Consumer benefits targeted in new Single Market strategy



A key plank of the new Single Market strategy announced in Brussels on 20 November is to bring about more choice and greater economic benefits for consumers and proposals in the areas of retail financial services and telecommunications have been drawn up.

sion wants to overcome this 'digital divide' by better managing radio spectrum and by making spectrum available for wireless broadband services in regions where building new fibre infrastructure is too costly.

In the area of telecommunications, significant consumer benefits have already been achieved in cutting the costs of land line phone calls and also roaming charges for mobile phones. The Commission's new Telecom Reform Package adopted on 13 November sets out to extend the benefits across the board from mobile phones, to broadband Internet and cable TV.

The switchover from analogue to digital TV will free a substantial amount of radio spectrum (the so-called 'digital dividend') that can be used for this purpose.

To achieve this, the Commission proposes strengthening consumer rights and giving consumers more choice.

A new European Telecom Market Authority will support the Commission and national telecoms regulators in ensuring that market rules and consumer regulation are applied consistently, independently and without protectionism in all 27 EU Member States. The Commission proposals are expected to become law by the end of 2009.

Retail financial services



Consumers will have the right to switch telecoms operators within 1 day; the right to transparent and comparable price information; the possibility to call freephone numbers from abroad; a more effective single European emergency number 112.

Another important area being tackled are the financial services regularly used by consumers, in particular banking and insurance.

Greater consumer choice will be achieved by stepping up the level of competition, especially by giving national telecoms regulators the new remedy of 'functional separation' for dominant telecom operators.

The Commission plans to make proposals to further integrate retail financial services markets, to improve consumers' financial literacy and to facilitate switching bank accounts without a closing fee.

The plan also involves promoting investment in new communication infrastructure by freeing up radio spectrum for use by wireless broadband services.

Building on the Commission's strategy for retail financial services outlined in the Green Paper and taking into account input from the consultations, several areas have been identified where work is needed to improve the competitiveness and efficiency of these markets.



In rural areas of the EU, only 72% of the population on average have access to broadband Internet. The Commis-

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Customer choice and mobility

Consumers regularly complain about the obstacles they face when attempting to switch from one provider to the other.

Indeed, foreign banks hesitate to penetrate a new market if local customers are not mobile. Products sold in one national market can often not be sold in others.

The Commission will therefore launch a series of initiatives aimed at improving customer choice and mobility within the Single Market.

Bank account mobility

Regarding bank accounts, the EU banking industry will be invited to develop before mid-2008 a set of common rules which benefit all customers (individuals and corporates).

Such arrangements, which in a first phase should only be applicable on a domestic basis, should facilitate switching between banks. It will ensure, for example, that within a certain deadline, all direct debit and standing orders are redirected to the new bank, that proper information is given to the customer and that there is adequate cooperation between both banks involved.

These rules will be designed on the basis of benchmarks determined by the Commission in the light of best existing practices.

Banks will also be invited to abolish existing discrimination, either based on nationality or residence, which abusively prevent individuals from opening accounts on a cross-border basis. Should the banking industry fail to set up adequate arrangements, initiating legislation would need to be considered.

Cross-border mortgage credit

The recent events that have occurred in the U.S. sub-prime mortgage loan market have underscored the importance of the mortgage credit sector in the economy as a whole. A White Paper will be published later this year unveiling several proposals to ensure greater product diversity and an adequate level of consumer protection in the field of mortgage credit.

A potentially important factor in the cross-border mort-

gage loan market is the network of intermediaries who advise on and arrange personal mortgages. The Commission will continue reviewing the credit intermediaries market with a view to assessing whether regulatory intervention is required.

Cross-border payments

In the field of payments, efforts will continue towards the development of the Single Euro Payments Area (SEPA). An efficient payments market, where payments can be made quickly, cheaply, easily and reliably, is a key component of a competitive economy.

Currently, national payment markets are fragmented with widely differing prices and performance levels. Each Member State has its own rules on payments and the annual cost of making payments between these fragmented systems is high.

Efforts will focus in particular on ensuring a smooth and timely migration to SEPA products, on enhancing competition in the payment cards market and on developing high-value services such as eInvoicing.

The practice of product 'tying' - such as linking insurance policies to mortgage loan contracts - may have the effect of binding consumers to a particular financial service provider by impeding price transparency and raising switching costs.

Product tying can also be a barrier to competition, discouraging the entry of new players, particularly those specialising in the tied product.

The Commission intends to tackle this in two stages: firstly to study current tying (and other potentially unfair) practices in all financial services areas (credit, accounts, payments, insurance) so as to measure their impact on mobility and understand the reasons why financial services providers engage in them.

Secondly, it will examine the merits of a regulatory approach to unfair commercial practices in the field of financial services and decide on the appropriate response.

Access to credit data

The access to and availability of credit data is an important factor in promoting competitive retail financial services markets. Customers seeking to take out a loan with another institution (in the domestic market or cross-border) may face higher prices or be denied access to credit

because of the lender's inability to access complete information on the consumer.

The effect of this is to reduce customer mobility and choice. The inability to access complete credit data may also impede the ability of new credit providers - be they domestic or foreign - to compete for customers.

The ultimate objective is to permit easy lender access to loan applicants' credit histories, and to ensure that the data available is accurate.

"The Commission will launch a series of initiatives aimed at improving customer choice and mobility within the Single Market."

Several aspects of credit record keeping and access have to be examined, all of which have an impact on mobility:

- cross-border access by financial services providers to credit data on a non-discriminatory basis;
- data exchange between providers;
- possibility for individuals to access their own data and to 'carry' their data with them when seeking credit abroad.

An expert group representing all relevant stakeholders will be created in 2008 to assist the Commission in the identification and analysis of adequate measures to ensure the smooth circulation of credit data. Regulatory solutions could eventually be envisaged in this area.

Product diversity

Product diversity remains patchy within the Single Market. All Member States have rules in place that prohibit the selling of certain products, even though the same products are offered under normal conditions in other Member States.

In collaboration with industry groups, the Commission will seek to identify the main restrictions that exist in this respect, with the aim of lifting the national rules that cannot be justified under EU law. It will also continue to pursue a vigorous infringement policy.

Retail insurance markets

It is essential to understand the main factors which discourage insurers from providing motor insurance on a cross-border basis and/or by branching. This requires analysing the factors which have the greatest influence on

the final price of insurance, identifying best practices as regards the reduction of the cost of claims, reviewing the innovative customised solutions applied in the process of price calculation (such as 'pay as you drive' systems).

The Commission intends to design a scoreboard for car insurance premiums similar to the one it already has on car prices.

It will be important to examine whether the national 'general good' rules currently in force in the Member States comply with the criteria set by the European Court of Justice and the Commission's *Interpretative Communication* from 2000. An inventory of national 'general good' requirements will be carried out. Cases of abusive or excessive enforcement of such rules should be challenged, after initial discussions with Member States.

Distribution of retail investment products

'Packaged investments' - offering a comparable risk/return performance - can be sold in a variety of forms: unit-linked life insurance, investment funds, and more recently, structured funds, certificates/index-linked bonds, and structured term-deposits.

EU legislation applying to the institutions which originate these products imposes different levels of product disclosure (risks, charges, rewards etc.) and foresees different rules on the way that financial intermediaries should conduct business with retail clients, and manage any conflicts of interest that might arise, depending on the legal form of the product.

The Commission has just initiated a review of the need for a coherent approach to product transparency and distribution requirements for 'competing' retail investment products by launching a call for evidence.

The main purpose of this call for evidence is to establish whether there is a real and significant - as opposed to perceived or theoretical - risk to investor protection resulting from the different levels of product disclosure or intermediary regulation embodied in EU financial legislation.

A workshop is planned for March 2008. This issue will also be discussed during a specific open hearing in June 2008. On the basis of responses to the call for evidence and other inputs, a specific Communication is planned in summer 2008 to review the situation.



Financial education and redress

A Communication on Financial Education will shortly be published by the Commission. This will discuss the reasons why financial education provision is becoming increasingly important, outlining its benefits to the individual, the economy and society, describing the current provision of financial education in the EU and giving the context for EU action in the area.

This will also set out some suggestions to assist financial education providers in delivering high quality schemes and describe some planned initiatives to give practical

assistance to those delivering financial education in the EU Member States.

The issue of financial inclusion is of particular importance in this context. In many Member States, citizens are not guaranteed access to a basic bank account. This usually prevents the people concerned from having access to other financial services and it is an important element of social exclusion. In line with the views of the European Parliament, and on the basis of a thorough assessment of the situation prevailing in all Member States, reflection should progress on how to ensure that, by a certain date, nobody is denied access to a basic bank account.

In case of litigation with a financial institution, consumers often have no other choice than to have recourse to costly and cumbersome judicial procedures. In some Member States, there are no out-of-court dispute settlement mechanisms.

In addition, the mechanisms that exist have not so far proven to be sufficiently effective on a cross-border basis. This was, for example, highlighted in the Equitable Life affair.

The Commission will examine further the possibilities of improving alternative redress mechanisms in the field of financial services. Initiatives are already under way to identify

and address the gaps in the coverage of the existing FIN-NET network. These efforts will be continued.

Single Market Assistance Service

In addition to providing direct financial benefits to consumers, the Commission is also stepping up efforts to ensure that they are fully informed about rights and opportunities in the Single Market.

It plans to set up a one-stop 'Single Market Assistance Service' for citizens and businesses. The aim is to synchronise more closely the operation of the existing information and help services that are currently available and facilitate access to them through a single portal.

The Single Market Assistance Service will

- Inform citizens, consumers or businesses about EU rights and about national procedures;
- Give individual, tailor-made advice on legal and procedural issues;
- Assist in solving problems that arise when EU rights are not respected by public authorities or by businesses;
- Report back to the relevant Commission services on frequent problems encountered by citizens and businesses in the context of cross-border activities and transactions.

Participating in the project will be:

- the Europe Direct call centre and network;
- Your Europe;
- Eures web pages and contact points;
- Other websites on Europa dealing with EU rights;
- Eurojus;
- Citizens Signpost Service;
- SOLVIT;
- European Consumer Centres;
- Euro Info Centres (will be replaced by new network with a new name in 2008).

Through a high degree of coordination and streamlining of these services, a greater degree of convergence will be accomplished with the aim of providing a high quality, seamless service to the public.

info

http://ec.europa.eu/citizens_agenda/

New user-friendly classification system for easier EU-wide access to public contracts

The Commission has adopted a Regulation that updates the EU-wide classification system for public procurement contracts known as the Common Procurement Vocabulary (CPV).

The new system will be more user-friendly and will take into account recent developments in technology, making it easier for businesses and SMEs to sell their products and services to public authorities across the EU.

Every day, public procurement business opportunities worth almost 1 billion euro are added to the Tenders Electronic Daily (TED) database (<http://ted.europa.eu>), where all calls for tender in the EU are published. The CPV helps EU businesses easily identify these contracts irrespective of the original language of the tender notice, thereby increasing competition, efficiency and transparency.

The update of the CPV is the result of an unprecedented consultation exercise with the private and the public sectors throughout the EU and an extensive comparative study on other existing business classifications.

To bring the CPV into line with the standards of the e-procurement age, a broad system of 1,000 attributes has been created to complement the 9,000 main codes.

The main elements of the specifications of contracts can now be fully described and translated by using the appropriate codes of the supplementary vocabulary, such as material, shape, mode of operation, designated use etc. For simple and common purchases this should reduce time spent on drafting and translating specifications.

info http://ec.europa.eu/internal_market/publicprocurement/e-procurement_en.htm#cpv

Many new areas are now covered in greater depth by the CPV: software packages and applications, medical appliances, equipment for airports and air traffic control, sport goods, music instruments, environmental services, Internet- and wireless-telecommunication services.

"The new and improved CPV is a modern business tool that will make life easier for companies and for the 26,000 public authorities per year that put their contracts online," said Internal Market and Services Commissioner Charlie McCreevy.

"Businesses will also have the choice to be alerted electronically about contracts in their field. Identifying contract opportunities will be simple and straightforward, no matter where in the EU you are based."

EU adopts Remedies Directive for unfairly awarded public contracts

The Council and the European Parliament have adopted a Directive that improves the national review procedures that businesses can use when they consider that a public authority has awarded a contract unfairly.

According to the Directive, contracting authorities need to wait for at least 10 days after deciding who has won the public contract before the contract can actually be signed. This 'standstill period' is designed to give bidders time to examine the decision and to assess whether it is appropriate to initiate a review procedure. If this standstill period has not been respected, the Directive requires national courts under certain conditions to set aside a signed contract, by rendering the contract 'ineffective'.

The Directive also seeks to combat illegal direct awards of public contracts, which is the most serious infringement of EU

procurement law. National courts will also be able to render these public contracts ineffective if they have been illegally awarded without transparency and prior competitive tendering. In these cases the contract will need to be tendered again, this time according to the appropriate rules.

National courts may decide that these contracts remain in force only if required by overriding reasons relating to a general interest. In those cases, alternative penalties must be applied instead. These alternative penalties must be effective, proportionate and dissuasive, and may entail the shortening of the duration of the contract or the imposition of fines on the contracting authority.

"We need effective procedures for seeking review in all EU member states in order

to make sure that public contracts ultimately go to the company which has made the best offer," commented Internal Market and Services Commissioner Charlie McCreevy. "By strengthening national review procedures in line with this Directive, businesses will have stronger incentives to bid for public contracts anywhere in the EU."

For contracts based on framework agreements and dynamic purchasing systems, where speed and efficiency may be particularly relevant, the Directive provides for a specific review mechanism. For these types of contracts, Member States may choose to replace the standstill obligation by a post-contractual review procedure.

EU Member States will then have 24 months to implement it in their national laws.

info http://ec.europa.eu/internal_market/publicprocurement/legislation_en.htm#remedies

MiFID comes into force to inject competition and efficiency into financial markets

On 1 November 2007, the Markets in Financial Services Directive (MiFID) entered into force. The investment services legislation is a keystone of the Financial Services Action Plan (FSAP), the Commission's ambitious plan to establish a single financial market in Europe. With MiFID in place, the FSAP is very largely complete.

MiFID is a ground-breaking piece of legislation which is already transforming the landscape for the trading of securities. The new measures introduce much needed competition and efficiency and over time the cost of capital should go down, with major benefits for the European economy. Investors and issuers will gain in terms of greater choice and stronger protection.

The MiFID rules will benefit investors, issuers and market participants by promoting efficient and competitive markets, notably by allowing investment firms and credit institutions to compete fairly with stock exchanges as trading venues in their own right, something which has until now not been possible in some Member States.

Stock exchanges also get an enhanced set of rights to do business freely across borders.

Greater market transparency

The uniform market transparency rules mean that for the first time the European capital markets become in effect a single capital market.

The existing 'concentration rule' which forced retail trades onto regulated markets in a number of jurisdictions has been abolished. Investment firms will be obliged to look beyond national boundaries in seeking out the best execution for their clients.

Regulated markets and trading platforms will be entitled to trade shares that are listed elsewhere in Europe. Information vendors have already been busy devising new services to offer that will provide a consolidated picture of trading across Europe.

Single Passport

A central feature of the Directive is the 'single passport' will enable authorised investment firms and credit institutions to provide their services freely across borders by harmonising national rules for investment services.

Goals of MiFID

The goals of MiFID are to build a single market for investment services and trading venues allowing for much greater competition on the basis of a uniform, higher standard of investor protection across Europe.

"..uniform market transparency rules mean that the European capital markets become, in effect, a single capital market for the first time."

MiFID will increase competition among exchanges, multilateral trading facilities (MTFs) and investment firms, giving them a 'single passport' to operate throughout the EU on the basis of authorisation in their home Member State.

Investors and issuers will not only have access to a greater number of trading venues and investment firms, but also a more robust and comprehensive

framework ensuring high levels of investor protection.

In 2002, *London Economics* estimated the impacts of a fully integrated financial market in the then EU-15 countries. It concluded that the result would be a drop in the cost of bond and equity capital of 40 and 50 basis points respectively, resulting in an increase in employment of 0.5% and of GDP of 1.1%.

Market developments

Significant market developments are already under way in response to the new, more competitive environment that MiFID facilitates.

New trading venues and information providers are springing up, including Chi-X, Markit BOAT, Project Turquoise and Equiduct.

Existing providers such as stock exchanges and financial information vendors have increased their offerings while cutting costs. Consolidation in the stock exchange sector is underway in response to the greater competitive pressures.

A modern regulatory system...

MiFID is a modern and pragmatic regulatory system whose main characteristics are:

- to help the investor and issuer, not through onerous new obligations, but by stimulating competition between providers of investment services and trading venues;
- it is principles-based (while it does introduce detailed rules in some areas) which means that the legislation sets out the objectives to be achieved and leaves it to senior management to decide how best to achieve them. Within constraints, firms have a great deal of freedom to tailor their own policies on topics such as best execution and conflicts of interest;



"Consolidation in the stock exchange sector is underway in response to the greater competitive pressures."

- the Directive severely limits 'gold-plating' i.e. adding additional rules at the national level. This will greatly enhance the ability of firms to do business throughout Europe on the basis of a single compliance approach and a single rule-book.

... with global influence

Indications are that MiFID will be influential in third countries as well. Already, Japan has introduced a stock exchange law partly modelled on MiFID.

Third countries across Asia and the Middle East are understood to be monitoring developments closely. Moreover, MiFID could provide a solid basis for a mutual recognition regime between EU Member States and third countries such as the U.S.

Such a development, which is currently being discussed in the framework of the G7, the EU-US Transatlantic Economic Council and the Financial Markets Regulatory Dialogue, would bring the market-opening benefits of MiFID to a much broader market.

Transitional arrangements

Despite the ambitious timetable in which MiFID has been brought forward, the vast majority of investment firms operating in

the EU have been able to benefit from its freedoms as of 1 November.

For those based or active in the handful of Member States where the transposition of MiFID is still underway, transitional arrangements have been made by regulators to ensure that business based on the old Investment Services Directive passport can continue.

The body vested with the monitoring of firms covered by MiFID, the Committee of European Securities Regulators (CESR), has issued detailed guidance on this issue.



Laurence White
TEL: +32 (0)2.298 03 69
FAX: +32 (0)2.295 56 06
Market-G3@ec.europa.eu

info http://ec.europa.eu/internal_market/securities/isd/mifid_en.htm

New study looks for ways to increase competition in international audit market

A wave of consolidation over the past few years in the accounting world has reduced the number of international accounting and audit firms to the 'Big Four'. Concerned about the lack of choice in the market for large international audits, the Commission requested experts to examine the ownership rules that apply to audit firms and look for ways of opening up this market.

At present, the European Statutory Audit Directive requires that auditors hold a majority of the voting rights in an audit firm and control the management board.

The study* confirms that the audit market for major listed companies is dominated by the Big Four audit firms. For smaller audit firms to be able to compete, important investments might be necessary over years to expand capability and capacity, and to enter the international audit market.

One potential solution is for audit firms to be owned by external investors, in-

stead of auditors. This might take more easily the decision to expand into the market of large audits. One of the reasons is that existing ownership structures may be estimated to increase audit firms' cost of raising capital by perhaps as much as 10%.

Nevertheless, restrictions on access to capital appear to represent only one of several potential barriers to entry.

- reputation;
- the need for international coverage;
- international management structures;
- liability risk.

The impact of liability risk on the cost of capital can be significant and may lead to capital rationing.

There may also be good reasons for audit firms to stick to their current structures: for example, to retain their human capital.

From the regulatory point of view, existing ownership structures have been justified by the necessity to protect independence of audit firms. However, the analysis of the decision-making processes in large audit firms indicates that alternative ownership structures are unlikely to impair auditor independence in practice.

Specific conflicts of interest could be dealt with through the establishment of appropriate safeguards.

Internal Market and Services Commissioner Charlie McCreevy said: "The question now is how to create opportunities for new players to enter the market. The Oxera study provides valuable input to this debate and will help us in deciding any further steps"

* Oxera Consulting Ltd. October 2007

info http://ec.europa.eu/internal_market/auditing/market/index_en.htm

Easier access to financial information on listed companies

The Commission is calling for easier public access to financial information on listed companies. It wants the transparency of such information to be made easier and simpler. Investors should have easy electronic access through a single gateway.

The Commission is encouraging Member States to create an electronic network interconnecting the national repositories which store financial information on listed companies. The implementation of this recommendation will facilitate investors' access to historical information on companies' performance and financial position as well as on changes in major shareholdings.

The Directive on transparency obligations of listed companies (2004/109/EC) requires that regulated financial information remains available to market participants at central depositories appointed nationally by Member States.

This Commission's recommendation is that this network should be electronic and its members should respect some minimum standards of security, certainty as to the information source, time recording and easy access by end users.

The recommendation foresees an important role for the Committee of European

Securities Regulators (CESR) in launching the electronic network.

CESR has also been invited to reflect, by September 2010, on the future development of this pan-European network. The long term goal would be to provide a one-stop-shop for investors (and other interested parties) for regulated financial information on listed companies.

The Commission will monitor the implementation of this recommendation and assess the need for further measures.

info http://ec.europa.eu/internal_market/securities/transparency/index_en.htm

Commission expert group presents solutions to improve EU fiscal compliance procedures for post-trading

The Commission's Fiscal Compliance expert group (FISCO) has issued a report setting out solutions to fiscal compliance barriers related to clearing and settlement of cross-border securities transactions, also known as 'post-trading'. Post-trading takes place after two parties have agreed a securities transaction, in order to allow the transfer of ownership and of the corresponding payment. The solutions proposed by FISCO are expected to lead to improved, simplified and modernised procedures adapted to the way EU financial markets operate today.

As it becomes more and more common to hold shares cross-border, EU citizens are increasingly faced with remaining fiscal compliance barriers related to post-trading.

These fiscal compliance barriers have many negative effects. They hinder the functioning of capital markets, are a burden for industry and investors alike and increase the costs of cross-border trading. They also lead to a misallocation of resources that could be used in a more efficient way.

The report from FISCO has put forward concrete proposals for improving and speeding up the way transactions are settled as regards withholding and transaction tax procedures.

Withholding tax procedures

Many of the current administrative and efficiency problems can be resolved by eliminating the need to pass on detailed information on beneficial owners through the custody chain up to the local withholding agents.

This can be best achieved by allowing any intermediary in the chain to either assume full withholding responsibilities or to take responsibility for granting pooled withholding tax relief by sending pooled withholding rate information to the upstream intermediary.

This possibility would be enhanced by the abolishing of the requirement of paper-form certification and the permission to allow intermediaries to make use of modern technology to pass on beneficial owner information to the local withholding agent in electronic format and to allow the use of pooling of assets into tax-rate pools.

An EU Tax Relief Procedure is proposed to facilitate the clearing and settlement of securities within the Member States by simplifying and harmonising the tax relief procedures. The EU Tax Relief Procedure should be built on a model allowing for the appropriate tax relief to be applied at source without excessive documentation requirements and without exposing issuers, intermediaries and investors to unnecessary risks and costs.

Transaction tax procedures

In general, any regime requiring transaction tax to be collected by settlement service providers will constitute a significant obstacle, dissuading or preventing foreign Central Securities Depositories (CSDs) from accepting securities subject to such transaction tax.

The only logical recommendation which can ultimately be made to address this

would be not to impose the tax-collection responsibilities on local settlement service providers. However, the FISCO Group could not identify another tax collection mechanism that would give comparable audit and enforcement powers to tax authorities and would ensure a level playing-field and compatibility with various business models.

Basis for discussion

The FISCO findings and proposed solutions will be used by the Commission as a basis for further discussion with Member States on future EU initiatives to simplify and modernize fiscal compliance procedures related to post-trading.

"Member States, industry, investors, tax payers and the Single Market as a whole all stand to benefit," said Commissioner for Internal Market and Services, Charlie McCreevy.

info http://europa.eu.int/comm/internal_market/financial-markets/clearing/compliance_en.htm



Wright appointed Deputy Director General



The Commission has appointed David Wright as the Deputy Director General of DG Internal Market and Services.

Wright's work in building the European financial markets framework over the past five years has been a notable achievement and greatly appreciated both within the Commission and among professional bodies and stakeholders involved in the complex process.

In his new position he will be responsible for DG Markt Directorates dealing with

- Public procurement policy (C.)
- Free movement of capital, company law and corporate governance (F),
- Financial services policy and financial markets (G) and
- Financial institutions (H.)

'Golden shares'

ECJ opposes the Volkswagen Law as a restriction on the free movement of capital



On 23 October 2007, the ECJ ruled on case C-112/05, *Commission v Germany*. By ruling that the Volkswagen law infringes the free movement of capital, Article 56 EC, the Court has once more confirmed that Member States can no longer count on special rights as a

policy tool. In landmark decisions of 2002 and 2003, diverse special rights mechanisms have been struck down by the Court (see the 2005 Commission Staff Working Paper*), which established a "golden rule" on "golden shares" and other special rights: legislation liable to deter potential direct investment restricts the Treaty freedoms of capital movement and establishment, Articles 56 and 43 EC respectively.

In legal terms, the issue at stake was whether three provisions of the 1960 law on the privatisation of Volkswagen

attribute unjustified special rights to German public authorities (the *Land* of Lower Saxony and potentially also the Federal Government): a 20% voting cap, in combination with a 20% blocking minority as well as mandatory representation of public authorities on the board.

It should be noted that VW is not a classical 'golden share' case: the *Land* is a significant shareholder with 20.4% of the voting rights - not just 0.001% as in the classical "golden share" scenario. However, the VW-law was a tailor-made state measure designed to give public authorities special rights in VW which they would not normally have under German company law.

In its decision, the Court focuses on the freedom of capital movements, Article 56 EC, and dismisses the action insofar as it was based on Article 43 EC (whilst ordering Germany to pay the totality of the costs!). In previous special rights cases, restrictions on the right of establishment had been found to be a direct consequence of the respective obstacles to the free movement of capital and the Court had seen no need for a separate examination.

* Commission Staff Working Paper "Special rights in privatised companies in the enlarged Union - a decade full of developments" http://ec.europa.eu/internal_market/capital/docs/privcompanies_en.pdf

By ruling that "the exercise of legislative power by the national authorities duly authorised to that end is a manifestation par excellence of State power", the Court clarifies what represents a restrictive state measure. The ECJ furthermore notes that "...there is a difference between a power made available to shareholders, who are free to decide whether or not they wish to use it, and a specific obligation imposed on shareholders by way of legislation, without giving them the possibility to derogate from it."

Furthermore, the Court highlights that it is, in principle, for Member States to decide on the degree of protection of overriding reasons in the general interest and on the way in which that protection is to be achieved. They may do so, however, only within the limits set by the Treaty and must, in particular, observe the principle of proportionality.

Special rights may not be threatened with extinction, but the Court has given further precise indications about their limits. It is important for Member States to realise this and adapt their legislation before being formally challenged.

Internal Market

Nationality requirements for notaries

The Commission has decided to send reasoned opinions to the Czech Republic, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia because these Member States allow only their own citizens to take up and pursue the profession of notary.

In the view of the Commission this nationality requirement is contrary to the freedom of establishment provided for in Article 43 of the EC Treaty and cannot be justified by reference to Article 45, which exempts activities involved in the exercise of official authority.

Provision of services by networks of audit firms: France

The Commission has formally requested France to amend its national independence rules relating to international networks of audit firms. The Commission considers that Articles 24 and 29 of the 2005 French Code of Ethics

for auditors unduly restrict the freedom to provide services as guaranteed by Article 49 of the Treaty. This request takes the form of a reasoned opinion.

Prohibition on purchase of UK Premium Bonds: Ireland

The Commission has decided to send an official request for information to Ireland on its rules that bar Irish residents from purchasing United Kingdom Premium Bonds, which are state-backed investment products where, instead of interest payments, investors have the chance to win tax-free prizes.

They are comparable with a similar Irish product known

as 'Prize Bonds'. Under Irish law, residents are not allowed to take part in lotteries run in other countries.

The Commission disputes the classification of UK premium bonds as a lottery, and also wishes to verify whether the measure in question is compatible with the free movement of capital (Article 56 EC Treaty) and with the free movement of services (Article 49 EC Treaty).

Public procurement

Forest protection and restoration: Greece

The Commission has decided to refer Greece to the European Court of Justice over the compatibility with Community law of the procedures for awarding contracts for

six sub-projects of the overall project entitled "protection and restoration of the forest around Thessaloniki (Seih-Sou)".



Legal database services: Germany

The Commission has decided to send a letter of formal notice to Germany concerning its public contracts for legal database services. The Commission is also closing two

cases against Germany concerning the waste disposal in the city of Braunschweig and waste water collection in the municipality of Bockhorn.

Hospital works: Austria

The Commission has decided to send a reasoned opinion to Austria concerning a contract for works at a hospital in Spittal/Drau, Carinthia. The Austrian authorities originally disputed that the Krankenhaus Spittal/Drau GmbH

is a public contracting authority. After acknowledging the breach of Community law, their efforts in the present case to ensure compliance with Community law have not been sufficient.

Free movement of services

Costs of medical treatment abroad: France

The Commission has decided to send a reasoned opinion to France in a case in which the costs of medical treatment in another Member State were not reimbursed.



Foreign boiler inspection bodies: Austria

The Commission has decided to formally request Austria under Article 228 of the EC Treaty to comply with the judgment of the European Court of Justice requiring it to modify its rules that place restrictive conditions on foreign boiler inspection bodies in Austria.

The Court ruled that the requirement that only applicants established in Austria may be approved as boiler inspection bodies was incompatible with the principle of free movement of services (Article 49 EC Treaty).

Debt recovery agencies: Italy

The Commission considers that Italy has failed to comply with the judgment of the Court of Justice of July 2007 which confirmed that certain national provisions concerning extrajudicial debt recovery agencies are incompatible with the freedom of establishment (Article 43 of the EC

Treaty) and the free movement of services (Article 49).

The Commission has therefore decided to send a letter of formal notice, which is the first stage in the procedure for non-compliance under Article 228 of the EC Treaty.

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Freedom of establishment

Large-scale distributors: Spain

The Commission has formally requested Spain to remove obstacles to freedom of establishment in the field of distribution services by amending its rules at national level and the rules of one of its autonomous communities concerning the establishment of commercial premises

which the Commission considers to have a particularly restrictive effect. This formal request takes the form of a reasoned opinion.

Non-implementation of EU laws

Proceedings against 22 Member States

The Commission has decided to pursue infringement procedures against 22 Member States for failure to implement certain Internal Market Directives in national law.

The Commission will also formally request the Czech Republic, Italy and Sweden to implement a company law Directive, and Belgium to implement the Capital Requirements Directive. These formal requests take the form of reasoned opinions.

The Commission will formally request those 22 Member States – all except Bulgaria, Finland, Lithuania, the Netherlands and Slovenia – to implement a Directive providing for technical adaptations to EU rules on professional qualifications further to the accession of Bulgaria and Romania.

Finally the Commission has decided, under Article 228 of the EC Treaty, to send a reasoned opinion to Ireland requesting execution of a European Court of Justice judgement relating to implementation of the Directive on rental and lending rights.

Closed cases: France and Germany

The Commission has decided to close two sets of infringement proceedings concerning France and Germany because obstacles have been removed as regards, respec-

tively, carrying out cereals-related commercial activities and obtaining television broadcasting licences.

More information on infringement proceedings relating to the Single Market is available at: http://ec.europa.eu/internal_market/infringements/index_en.htm

The latest information on infringement proceedings concerning all Member States is available at: http://ec.europa.eu/community_law/eulaw/index_en.htm

INFRINGEMENT PROCEDURES

If the Commission obtains or receives convincing evidence from a complainant that an infringement of EU law is taking place, it first sends the Member States concerned a letter of formal notice.

If the Member State does not reply with information allowing the case to be closed, the Commission sends a reasoned opinion, the second step of the infringement proceedings under Article 226 of the EC Treaty. If there is no satisfactory response within two months, the Commission may then decide to refer the case to the European Court of Justice in Luxembourg.

