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European Commissioner for Internal Market and Services

## **My Approach, My priorities for the Internal Market**

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

Second Forum Europa Meeting

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I am very pleased to be here tonight at the “Forum Europa” event and to share with you my views as well as to discuss with you on current European issues, especially in the domain of the internal market and the area of financial services.

This week, the Barroso Commission is one year in office. I am happy to share with you where we stand today.

I believe that the Barroso Commission is now clearly on cruising speed, while concentrating on what Europe really needs now: economic growth within a stable internal and international environment. That’s the only way of improving or maintaining our living standards, that’s the key to our future prosperity!

What does this mean for me as European Commissioner? My view is that legislation has to help, not hinder the economic process. This is why I have put better regulation at the core of my agenda as Commissioner. I insist that any new legislation has a clear added value and addresses the needs of all market participants.

I ask some simple questions: Is there a case for action? Is it the EU that is best placed to act? Is a regulatory proposal the only possible solution or are there less intrusive, less costly alternatives that can achieve the same objectives? Only if I get a “yes” to all these questions will new proposals get my stamp of approval.

My approach does include the existing body of EU law. Existing internal market rules are regularly monitored. As announced at the beginning of my mandate I will not hesitate to modify or even scrap rules that do not pass the quality tests. Out they go, lock, stock and barrel.

When I started 1 year ago, I promised, especially to the financial markets a regulatory pause. No new rules, but time to breathe, reflect and implement. According to press reports marking my first year in office, I seemed to have succeeded in that.

Over the last years, the foundations for an integrated financial market in Europe have been laid. A huge and well-functioning Euro bond market has been created. International issuance in Euros is increasing exponentially – almost reaching the level of the US now. Merger and acquisition activity is high.

We don’t have policies that dissuade outside investors from investing in our capital markets. EU companies have a much larger range of financing options in the EU. Our equity markets are solid; financial market players are realizing good profit levels – and pan-European financial business is developing. Both the US and now China are strongly interested in the progress we are making. So, undeniably, we have taken big steps forward.

For the next policy framework until 2009, I want to focus on consolidating this progress and completing unfinished business. That in itself is challenging. We must aim to have not just framework rules, but the best framework rules in the world.

Based on the Green Paper of last May, I will present the White Paper on Financial Services Policy on the 5<sup>th</sup> of December, which will spell out our key priorities for the next 5 years. Although the 5<sup>th</sup> December is still some days away, let me give you a flavour of how I see things.

“Consolidation” of the financial services framework over the next years contains many elements: robust implementation, enforcement and evaluation; applying the better regulation principles; finishing the unfinished areas; developing the full potential of the Lamfalussy process and strengthening our external relations with the major capital markets of the world.

Implementation, enforcement and evaluation are crucial starting points. I am disappointed so far with the Member States commitment, although the picture is beginning to improve. To make life easier, the Commission intends in the years ahead to read across Community legislation; per sector - starting in the securities sector - and to get rid of legal inconsistencies, incoherencies and ambiguities.

Next, better regulation. Any new initiative will have to be evidence based, accompanied by wide consultation and proper impact assessments.

At the moment I see only a few new possible legislative initiatives to be taken. I will submit to the College a proposal for a directive on retail payments. I am convinced that huge efficiency gains will be made if we create an integrated and competitive payments market in the EU. I look forward to discussing this proposal with you and hope that swift progress will be made on this crucial subject in 2006.

We may also consider, at a later stage, after bottom-up assessments, fresh initiatives in the area of investment funds or parts of retail financial services. There is also clearing and settlement, on which we are reflecting carefully on the best approach.

Early November, at their request, I presented to Finance Ministers the Commission's analysis on why there has been little cross-border consolidation so far in the EU financial sector. I set out the barriers we have identified.

I emphasised the strategic importance of this issue for EU competitiveness. Without doubt there are still significant untapped efficiency gains, a situation resulting in unnecessary costs for all users – consumers and businesses alike. Financial markets are increasingly global and I repeat what I said to Ministers: we cannot afford the status quo of 25 medium-sized markets made up of second-division champions.

Let me be very frank here. Obsolete, middle age protectionism does not make sense in any market economy – and least of all in financial markets. What I observe is that the most open capital markets are by far the strongest; they are the most innovative with far higher levels of employment and growth. That is true in the EU – and it's true in the world. The purveyors of such protectionism should ask themselves what is the real cost of such policies in terms of reduced inward investment, their higher cost of capital and the image of their countries to the outside world.

But it is not just within Europe that we have to tackle barriers to integration. Europe will gain by being open and integrated in global financial markets. Particularly in the financial services area. That is why I want to further deepen our cooperation with other regulators in the US and Japan but also China and India. Overall our relations with the United States in financial services are good. I intend to keep it like this.

One of the most important issues we have is the convergence and equivalence of accounting standards – IAS and US GAAP. We must get rid of the current, costly duplicative requirements. But it is critical that we do not disrupt financial markets on the way there. I am currently looking at the question of how to go on dealing with US GAAP in the EU. A prolongation of the transitory arrangements for a few years under the Transparency and Prospectus Directives is one option that could allow us to better align the accounting technical convergence processes and timetables in the EU and the US.

Convergence is a two way street and must not destabilise the IFRS platform in Europe. Also, it should not be seen as an invitation to standard-setters to advance the theoretical frontiers of accounting. Revolutionary standards without foundation in business and economics will not be accepted.

Good for consumers and businesses, especially also SME's like the ones you are representing, will be the proposal for a Directive on a new legal framework for Payment Services, which I will present next week. I can share already now with you my objectives in this field:

The whole Internal Market should become an efficient domestic payment market, including the markets of all 25 Member States. Payments underlie the whole functioning of the economy and are crucial to competitiveness. For that reason we urgently need clear and simple rules in the EU protecting payment service users, providers and systems.

Let me conclude by saying that I do welcome the vote on the proposed Services Directive by the lead Committee in the European Parliament this week. The vote was an important milestone. The proposal is now out of committee stage and is on track to go to the plenary.

There would be more to say, as always. We could go into gambling, defence procurement or indeed taxation, which I do not believe we should touch upon at the European level.

These are all areas I am dealing with or interested in. It has been widely reported that I did not come to the Berlaymont to tiptoe around in my slippers.

I will say what I have to say and I hope you will appreciate this. Thank you, I am looking forward to your questions.