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The transatlantic relationship in financial services

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

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Ladies and Gentlemen,

Thank you for inviting me to discuss the transatlantic relationship in financial services. I would like to start with a brief update on what is going on in Europe.

What is going on in Europe?

Over the past four years, the EU has been involved in a major drive to integrate European financial markets, the Financial Services Action Plan, as we call it. In financial services, there used to be 15 different markets in Europe, with 15 different sets of regulations. The Financial Services Action Plan aims to bring this situation to an end. It establishes a single market in this area, allowing banks, fund managers and insurers to operate on an EU-wide basis.

Progress in the EU is often slow. But in the area of financial services we are moving forward faster than ever before. Measures that previously would have taken a decade to adopt have been passed in little over two years. This is testament to the importance the Member States attach to this area, and to their willingness to compromise to get results.

In the last year alone for example, we have adopted:

- a major piece of legislation tackling cross-border market abuse and insider dealing;
- legislation giving pension fund managers much greater freedom to invest on a cross-border basis, thus helping us to defuse the so-called pension time bomb;
- legislation replacing 15 – and soon 25 – sets of prospectus requirements with a single set of documents valid across the EU.

At this moment, 36 of the original 42 measures have been adopted. And two further proposals are very close to adoption.

This legislative phase is now reaching its completion. But instead of resting on our laurels, we should be looking to the future. Passing legislation is one thing. Now we need to make sure our plans are effective in practice.

To this end, the Commission will launch a wide-ranging consultation with stakeholders. But three broad themes are already emerging:

Firstly, we need to focus on the efficient implementation and effective enforcement of the measures agreed. Without this, even the best legislation is useless.

Secondly, we need to react swiftly to a fast-changing environment, and to tackle remaining areas of weakness. We have done so with our Action Plan on Corporate Governance and Company Law, which we issued in May in response to recent corporate scandals – on both sides of the Atlantic. We may have chosen a different approach, but make no mistake, we are pursuing the same objectives as you are here. And I am convinced our methods will be no less effective.

Thirdly, we need to understand and handle the international dimension of our work, which brings me to the subject of EU-US relations.

Why should the US care?

Should the progress we are making in integrating our financial markets matter to the US? Yes it should, for three reasons:

Firstly, because an integrated, deep and efficient Single Market in the EU forms a major opportunity for US service providers. It offers more choice to investors, who could enhance their portfolio allocation and increase their returns. It would also be an additional source of financing for US companies, reducing their costs of borrowing and capital. In short: it is in *your* interest, as well as *ours*, that the Financial Services Action Plan succeeds.

Secondly, because it is impossible to contain all the effects of our measures to the EU. What we do inevitably spills over to other countries. This is simple economic reality in the 21st Century.

The third reason follows from the first two. If the EU stands to gain much from integrating its own 15 markets, the benefits of a *transatlantic* capital market are potentially enormous. Moreover, there are spill-over effects from our measures. And - clearly - there are also spill-over effects from what you are doing. I hardly need to mention "Sarbanes-Oxley" here.

How do we handle EU-US relations?

For these reasons, the EU as well as the US have much to gain from closer co-operation. And, while transatlantic relations have been tense of late, in my own field things are actually getting better, in no small part due to the "Financial Markets Regulatory Dialogue" over the past eighteen months between the European Commission and US authorities.

EU-US co-operation aims at two broad objectives:

- an **ex ante** discussion on forthcoming regulation or legislative initiatives to ensure that there are no adverse implications for the other side, and to promote upstream convergence; and
- an **ex post** resolution of existing problems.

So, on the one hand, we are trying to remove existing barriers. On the other, we are trying to contain spill-over effects.

On the first issue, if we are serious about integrating our markets, we have to take concrete action to remove barriers to access, for instance, with regard to the issue of trading screens, which is about the right of exchanges on one side of the Atlantic to offer remote access to investors or brokers on the other. At the moment, European exchanges wishing to install trading screens in the US can only do so if they comply with the full panoply of US regulations, in addition to the regulations that they must already comply with in their home Member State.

I understand US concerns about investor protection and a level playing field. But surely it must be possible for us to reach a workable solution that allows investors to place orders on EU and US exchanges alike in a safe framework? At the moment, the playing field might look level, but the US is forcing our exchanges to run twice the distance for a home run!

On the issue of the containment of spill-over effects, auditor registration remains a big concern for us. Exchange with the PCAOB has been intense but positive, and continues right as we speak. I welcome the attitude shown by Chairman McDonough, which has been constructive. He and I share the same objective of finding the highest standards for investor protection and market integrity, and we should be able to achieve this objective without stacking several redundant oversight controls.

Conclusion

Let me now conclude.

Realising a *transatlantic* capital market depends on one single principle: the equivalence of regulations. The breaking down of barriers between countries always requires trust. And trust is a matter of equivalence. It is matter of recognising that the way foreign companies are regulated and controlled in their home states, is as sound as your own. And it is about having good regulatory practices yourself, which inspire faith in the integrity of your companies abroad.

Equivalence is not the same as being identical. Regulations need not be the same.

Despite the many things we hold in common, there are some things Europeans and Americans just do differently. I am convinced that we can both learn from these differences. But I am also convinced that our different ways can be equally good and effective, and should not block further co-operation. I prefer to see them as different means leading to the same end, different paths leading to the same destination.

Thank you for your attention.