



Procedure file

Basic information	
INI - Own-initiative procedure	2006/2081(INI)
Towards further consolidation in the European financial services industry	
Subject 2.50.03 Securities and financial markets, stock exchange, CIUTS, investments 2.50.04 Banks and credit	
Procedure completed	

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	ECON Economic and Monetary Affairs	PSE MUSCAT Joseph	04/07/2005
Council of the European Union	Council configuration	Meeting	Date
	Economic and Financial Affairs ECOFIN	2726	05/05/2006

Key events			
06/04/2006	Committee referral announced in Parliament		
25/04/2006	Vote in committee		Summary
05/05/2006	Resolution/conclusions adopted by Council		Summary
08/05/2006	Committee report tabled for plenary	A6-0170/2006	
03/07/2006	Debate in Parliament		
04/07/2006	Results of vote in Parliament		
04/07/2006	Decision by Parliament	T6-0294/2006	Summary
04/07/2006	End of procedure in Parliament		

Technical information	
Procedure reference	2006/2081(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Initiative
Legal basis	Rules of Procedure EP 54

Stage reached in procedure	Procedure completed
Committee dossier	ECON/6/29598

Documentation gateway

Committee draft report	PE370.208	10/03/2006	EP	
Amendments tabled in committee	PE371.885	30/03/2006	EP	
Committee report tabled for plenary, single reading	A6-0170/2006	08/05/2006	EP	
Text adopted by Parliament, single reading	T6-0294/2006	04/07/2006	EP	Summary
Commission response to text adopted in plenary	SP(2006)3801	28/08/2006	EC	
Commission response to text adopted in plenary	SP(2006)3874	29/09/2006	EC	

Towards further consolidation in the European financial services industry

The committee adopted the own-initiative report by Joseph MUSCAT (PES, MT) on further consolidation in the financial services industry. The report looked at the general perspectives before examining the barriers to cross-border consolidation and commenting on the regulatory and supervisory system.

The committee noted that consolidation was one way, although not the only one, for the financial services sector to respond to growing competition at EU and global level. The aim should not be to reach a particular number of firms, and consolidation must be proportionate to competition. While it was likely to have a positive effect on competitiveness, merger activity often brought with it a fear of job losses, and MEPs called for companies involved to take account of their social obligations.

The report stressed that consolidation should not be a political objective as such, but should bring clear benefits to the economy by stimulating growth, encouraging innovation, ensuring competition, improving access to funding, allowing financial institutions to exploit synergies and cost efficiencies and by giving consumers a greater choice and better quality, while ensuring an adequate level of consumer protection. It said that these potential benefits should not be hampered by unjustifiable obstacles, such as those created by tax barriers and differing supervisory regimes.

Pointing out that different supervisory practices and standards and reporting requirements can be costly and time consuming for companies trading across borders, MEPs welcomed the progress made so far by the committees of national regulatory bodies (the ?Level 3 committees?) and encouraged them to go further in convergence of different approaches.

Among tax obstacles, the committee highlighted issues regarding inter-group VAT and a lack of legal certainty regarding the VAT treatment of financial services. It also noted that tax systems often favour domestic rather than EU dividends.

As far as supervision was concerned, the report said that increasing consolidation of the industry meant that the supervisory framework would also have to evolve, with a clear definition of responsibilities between host and home country supervisors. In the event of a crisis, cooperation and mutual trust would be crucial, so MEPs encouraged the Commission and national authorities to develop joint proposals for effective crisis management. Lastly, the committee called for a committee of "wise men" to be set up to analyse in detail the issue of supervision of EU financial markets as consolidation progresses, to report back by the end of 2006.

Towards further consolidation in the European financial services industry

The Council adopted the following conclusions on the cross-border consolidation in the financial sector:

The Council:

- underlines that unnecessary and unwarranted obstacles to cross-border consolidation in the financial sector should therefore be tackled in order to reap the economic benefits of integration and strengthen the global competitiveness of the EU financial industry;
- stresses the importance of sound, fair and non-discriminatory national supervisory practices to achieve a level playing field within the EU paying due attention to the appropriate balance of home/host country responsibilities; and the need for an adequate and independent financial supervision to ensure financial stability;
- invites the Committee of European Securities Regulators (CESR), Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS) and Committee on European Banking Supervisors (CEBS) to take into account the obstacles identified, and the FSC report on supervisory convergence, in their efforts directed at convergence of rules and practices and in particular to work on common formats for financial institutions reporting to supervisors in order to avoid duplication of costs;
- supports the Commission in its intention to make use of the powers granted to it under the Treaty to ensure the application of basic Treaty freedoms, including application of the existing provisions on competition and state aid;
- reiterates its commitment to an open and integrated EU financial market based on fair and healthy competition among financial institutions

and calls for vigilance on discriminatory practices.

Towards further consolidation in the European financial services industry

The European Parliament adopted a resolution based on the own-initiative report drafted by Joseph MUSCAT (PES, MT) on further consolidation in the financial services industry. (Please refer to the summary of 25/04/2006.)