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Promoting the norms of the European Union

- Député européen (Verts, France) - Économie - Marchés financiers et harmonisation fiscale -



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The European Union has taken up the challenge of providing for appropriate rules which allow financial markets to develop. It has done so by adopting the Financial Service Action Plan in 1999, of which the proposal of directive on financial conglomerate was an important element.

This directive was aiming at introducing supplementary capital requirement and supervision for financial groups and conglomerates, combining insurance companies, banks and investment firms. It is based on the recommendation of the G 10 Joint Forum on Financial Conglomerates, i.e. its general approach has been agreed at international level. The need for such initiative has been underlined by the Economic and Finance Committee in its report on Financial Stability (Brouwer report) endorsed by the ECOFIN Council in May 2000.

The directive proposal provides that where credit institutions, insurance undertakings and investment firms, having their head office in the EU, are part of a financial conglomerate, they are submitted to supplementary prudential supervision.

The introduction of the Euro and the globalisation of financial markets had highlighted the need for modernising financial services markets in Europe in order to ensure their international competitiveness, based on their safety vis-à-vis systemic risks.

Banks and insurance are risks industries. The crack of the e-economy bubble, particularly of the contingent value of UMTS licences (investment industries), the attacks of the 11th of September, the explosion of the AZF factory in Toulouse (insurance industries) and natural disasters (like the French storms in 1999 known as being reproducible with increasing greenhouse effects and that are still to be paid) have reminded us of these risks. And the groups made of banks, insurance and investment firms bank-insurance are even more risky. Lastly, the bankruptcy of Enron showed the risks of accountancy manipulations. In order to avoid seeing financial groups swallowing up the investors' life insurance economies in risky investments, it was urgent to take prudential rules and fix surveillance modes for financial conglomerates : "bank-insurance".

From the June 2001, I as a member of the GREEN/EFA group, have grasped the importance of quickly imposing prudential and transparency rules. The reluctance of the most liberals and conservative MEPs have been swiped away by the collapse of the conglomerate Enron. Certain hesitations of the professionals were removed by amendments of good sense. Moreover, I worked closely with the Commission and the Council in order to anticipate a general agreement. As a result, the Parliament adopted at first reading amendments to the directive, as soon as February 2002, before the Council ! The report on the directive as amended by the Council for the second reading was adopted without amendments by the Parliament, the directive's quick adoption being at stake. These votes have made Europe the less risky financial zone, the first continent Enron proof !

On the actual content of the directive, the Council has taken into account a series of amendments that I had put, for instance, the ones put in order to have a clearer procedure to designate the co-ordinator. The Parliament and the Council followed my proposal of an "a priori" designation according to the criteria defined by the Commission, even if it means asking for a derogation afterwards. I have also obtained satisfaction on the lowering of the threshold - to forty of the total balance sheet- deciding the financial character of the conglomerate. Lastly, in the case of non-conglomerate groups, the Parliament has fixed to only 20% the threshold of participation to other sectors, under which they are excluded from the directive.

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The main problems concerning the surveillance of conglomerates are partly covered by the directive. However, it appears that we do not know yet how to deal with all the main difficulties, in particular the doctrine to follow in matter of concentration of risks and intragroups transactions. However, there was an urgency to adopt this directive not only to protect oneself against the Enron type risks but also to influence the international negotiations. Indeed, Europe is "ahead" of the United States as regards the "bankinsurance". The occasion could not be missed to impose the Union norms within the Basel Committee. This is also the reason why I wanted a legislation rapidly. Besides, there is still a time of eighteen months left to incorporate the directive in the legislation of member states of the European Union.

PS:

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