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Priorities in the Internal Market

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

British-American Business Inc.
and European-American Business Council

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Ladies and Gentlemen,

Thank you for this invitation.

I have been asked to share with you my views on the current priorities for the Internal Market. The Commission is currently carrying out an overarching review of the Single Market, which will set out the main priorities for the years to come. Our objective is to strengthen and adapt the Single Market we have created so far, so that we are able to meet the challenges of the 21st century. Globalisation is the key challenge. It has intensified the competitive pressure faced by European business, and increasingly blurs the distinction between the internal and external markets. Structural change is another challenge, including the rise of the knowledge economy, the growing role of services in the economy and an ageing population to name but a few. Finally we must adapt the Single Market to a larger, more diverse EU, which has grown from a Community of 12 to a Union of now 27.

It is clear that the focus of the Single Market should shift from its initial emphasis on removing barriers to trade to one of making sure that markets function better and benefit consumers and businesses. To achieve this, we need to modernise our approach to make Single Market policy more economic impact-driven. To address those markets where there are concrete problems and where it will have maximum impact. To ensure that it is effective, we will need to use a more flexible mix of regulatory and non-legislative tools, with better enforcement and implementation across Europe. This is the same approach we apply for financial services legislation.

As we strive to build the best regulatory framework in the world for financial services we must at the same time fill in the remaining gaps – the creation of a modern and innovative regime for the prudential supervision of insurance companies with our "Solvency II" proposal, investments funds, retail financial services, and in particular payments. An ambitious agenda over the next few years. But I am convinced that the efforts to integrate European financial markets are paying off. Markets in every segment of European financial services are strong and growing faster than the US according to recent reports. This is feeding through to the real economy in the EU.

Last, but not least. The Single Market cannot develop in isolation but its policies need to be more responsive in a global context. Here we can benefit from our regulatory dialogues, in particular the dialogue we have with the US. The guiding principles of this dialogue are informality, flexibility and ex-ante regulatory discussion. Upstream dialogue instead of costly downstream repair. The tangible results achieved by the EU-US Financial Markets Regulatory Dialogue show that this approach works.

I am pleased to see a growing political consensus behind the need to build strong transatlantic relationships. German Chancellor Merkel is leading an initiative to give fresh impulse to the integration of the transatlantic economy. I wholeheartedly support this initiative, and believe that there is certainly scope to do more to strengthen EU-US ties, not only on strategic financial markets issues but also in other areas such as intellectual property and government procurement. It was good to see during my recent trip to the US that the US side is also positively engaged.

Accounting

Accounting is a prime example of how close cooperation with our US partner is bearing fruit. The EU and the US are advancing on a roadmap for removal of reconciliation requirements based on the principle of equivalence. The Commission is working together with the US SEC towards removing the costly and unnecessary reconciliation requirements for IFRS and US GAAP. Earlier this month I met SEC Commissioner Christopher Cox and we took stock on the progress of the roadmap. I am pleased to confirm that we are well on track. We are both committed to further improving our regulatory cooperation.

Auditing

Building the framework of a more open transatlantic market also calls for the EU and the US to work on cooperation in the audit field. Both sides have their own set of rules: the 2006 Statutory Audit Directive in the EU and the 2002 Sarbanes-Oxley Act in the US. Both sides want to ensure sound investor protection, balanced with giving our markets freedom to act. One key measure to achieve this objective is the role of independent watchdogs for the audit profession, what we call the public oversight systems. What we need now is to find ways to rely on each other in accomplishing our shared objective, so as to avoid costly and inefficient duplication of work. A system based on mutual trust would therefore exempt both sides from the burden of sending inspectors abroad.

Earlier this month PCAOB chairman Mark Olson and I agreed in Washington to launch roadmap discussions on equivalence of our respective auditing systems, in the same spirit as in accounting.

This does not require systems and standards to be identical but robust enough to ensure investor confidence. Robust enough for each of us to have confidence in each other.

SEPA and e-invoicing

The Financial Services Action Plan has been a driver for the integration of financial wholesale markets. The first tangible results are emerging. But whereas significant progress has been made on the wholesale side, retail financial services integration has not yet fulfilled its potential. Competition in some markets remains insufficient. Payments are a prime example.

The creation of the Single Euro Payment Area will remove not only legal barriers and divergent supervisory standards, it will also harmonise commercial practices and technical standards in the EU. The European payments market will be based from the outset on global ISO and UN standards, which will also open the European market to foreign providers. This initiative will enhance EU competitiveness and benefit the transatlantic market by removing trade, investment and regulatory barriers.

We are very close now to completing this project (by 2008). But our ambitions go beyond payments and we are looking at the wider value-chain of procurement, payment and reconciliation.

Standardised payments will provide an important platform for companies to run the wider business process fully electronically. Electronic invoicing and fully automated payment is the next logical step to further boost competitiveness.

I call on companies, banks and public procurement bodies to join forces and promote a common approach to e-Invoicing across Europe.

A prerequisite to this ambitious objective is an early adoption of the Payment Services Directive.

On Tuesday next week, I will be participating in the ECOFIN Council with a view to reach an agreement on this Directive. It aims at establishing a modern and harmonised legal framework applicable to all payment services in the European Union: the removal of legal obstacles is necessary for the creation of a Single Payment Area in which payments will be made more quickly and easily throughout the whole EU.

It has been a busy time for all stakeholders involved in the negotiations, working day and night to try and reach an agreement. Some present today have been particularly active, and I would like to warmly thank them for that!

One of the key objectives of the proposal is to increase transparency, allowing users to receive all the information required on payment services, so they can compare products and shop around for the best offer. In this regard I share the need to ensure a high level of consumer protection, and who wouldn't?

But without competition from newcomers to the payment markets, there will be less consumer choice. Quantitative prudential requirements in the form of capital charges should reflect the lower risk that payment institutions present compared to credit institutions. Otherwise, the main aims of the Commission proposal - more competition, more choice, better and cheaper conditions for payment users - won't be reached. I am not prepared to accept compromise, at any price.

Conclusions

During my recent visit to the US I suggested a few principles for consideration - for the regulators a "do no harm" rule, encouraging them to stay out of the line of play as much as possible and to step in only when needed; for the decision-makers that they should coordinate in a multilateral manner and avoid regulatory duplication. Our aim is to ensure the best regulatory framework for companies which are active on both sides of the Atlantic and therefore affected by US and EU rules. And to set standards at a global level, which could be followed in other parts of the world.

The Commission is committed to cooperate with the US through informal, flexible and upstream dialogue. To build more confidence in each other. The more we can do to move forward together, bring our rules closer and achieve more convergence – the better the market will become, and the more businesses, consumers and investors, both in the EU and in the US, alike will benefit.

I very much hope I can count on your support and involvement in this process.