

COUNCIL OF THE EUROPEAN COMMUNITIES  
GENERAL SECRETARIAT

PRESS RELEASE

7460/92 (Presse 132)

1595th Council meeting

**- ECONOMIC AND FINANCIAL QUESTIONS -**

Luxembourg, 29 June 1992

**President: Mr Jorge BRAGA DE MACEDO**

**Minister for Finance  
of the Portuguese Republic**



29.VI.92

ell/MI/yml

The Governments of the Member States and the Commission of the European Communities were represented as follows:

Belgium:

Mr Philippe MAYSTADT Minister for Finance

Denmark:

Mr Jens THOMSON State Secretary for Economic Affairs

Germany:

Mr Franz-Christoph ZEITLER State Secretary, Federal Ministry of Finance

Greece:

Mr Ionnis PALAIOKRASSAS Minister for Finance

Spain:

Mr Pedro PEREZ State Secretary for Economic Affairs

Mr Antonio ZABALZA MARTI State Secretary for Finance

France:

Mr Michel CHARASSE Minister responsible for the Budget

Ireland:

Mr Bertie AHERN Minister for Finance

29.VI.92

ell/MI/yml

Italy:

Mr Federico DI ROBERTO

Ambassador, Permanent  
Representative

Luxembourg:

Mr Jean-Jacques KASEL

Ambassador, Permanent  
Representative

Netherlands:

Mr Marius van AMELSVOORT

State Secretary for Finance

Portugal:

Mr Jorge BRAGA DE MACEDO

Minister for Finance

Mr José BRAZ

State Secretary, Treasury

United Kingdom:

Mr Norman LAMONT

Chancellor of the Exchequer

o

o

o

Commission:

Sir Leon BRITTAN

Vice-President

Mrs Christiane SCRIVENER

Member

29.VI.92

ell/MI/yml

FINANCIAL DIRECTIVES

- CAPITAL ADEQUACY OF INVESTMENT FIRMS AND CREDIT INSTITUTIONS

The Council has just made a decisive breakthrough in setting up the market in financial services through a political agreement by qualified majority on all outstanding problems concerning the finalization of the proposal for a Directive on the capital adequacy of investment firms and credit institutions. Once the texts have been finalized in the official languages of the Communities, the Council will be able formally to adopt its common position and forward it to the European Parliament for a second reading.

The Council had already taken an important step forward on 9 June 1992 by reaching a compromise on the basis of a Presidency proposal on a package of matters regarded as pre-requisites for any progress on the remaining points still under discussion. The Council today brought the matter to a conclusion by taking a decision on the last point of great importance: the amounts of capital which firms must possess in order to start their activity. It also approved the final version of the points on which agreement had been reached on 9 June and found solutions to certain other problems, in particular that of the Committee which will assist the Commission in implementing the Directive.

This Directive is the necessary complement to the Directive on investment services which is designed to liberalize the right of establishment and freedom to provide services for activities in the securities field; the latter Directive is mentioned elsewhere in this press release.

The terms of this liberalization have been aligned on those

29.VI.92

ell/MI/yml

introduced in 1989 for credit institutions by the adoption of the second banking Directive, the own-funds Directive, the solvency-ratio Directive and, since then, the two Directives extending supervision on a consolidated basis and limiting the large exposures to be borne by a credit institution. This exercise involved highly complex discussions because of the need to re-examine all the previous standards drawn up to ensure solvency of the financial system, with a view to transposing them into rules which would guarantee the liquidity of transactions in the trading book.

The finalized Directive fulfils several aims simultaneously: it places an important element of financial services firmly on integrated bases that ensure equivalent treatment throughout the Community, guarantees equal protection for investors, brings about equivalent terms of competition between banks and securities houses and, lastly, increases Europe's attraction as a world financial centre.

The essential details of today's agreement are as follows:

Capital requirements imposed on investment firms:

While the second banking Directive laid down the amounts of initial capital required by credit institutions, the present Directive lays down three levels of initial capital which investment firms must possess when starting up, depending on the nature of the activities they are authorized to engage in:

- firms which neither hold their client's money nor are authorized to deal on own account: ECU 50 000;

- firms dealing on investors' orders: ECU 125 000;
- other firms: ECU 730 000.

These amounts are lower than those required of credit institutions because the activities of investment firms are concentrated on the trading book; investment firms are obliged to hold basic capital equivalent to three months' overhead expenses.

A temporary derogation is provided for firms in existence on the date of the Directive's entry into force to enable them to adjust their funds. A transitional solution has also been found for changes in partnerships in which one of the initial partners remains in the partnership and for transfers by inheritance.

As regards the setting up of the Committee to assist the Commission, the Council agreed to postpone taking a decision. There are still numerous problems concerning the setting up of this Committee, in particular the definition of its tasks, the relationship between these and the powers of the other existing committees (e.g. the Banking Advisory Committee set up in 1977 by the first banking Directive), the composition of its members and the complexity of the subject matter, which involves both banking and securities houses. A solution should be found during the next half-year.

Under the review clause it will be possible in a short time (within three years of entry into force) to take account of structural changes in the markets, in particular international markets.

29.VI.92

ell/MI/yml

- INVESTMENT SERVICES

Further to the conclusions of the European Council in Lisbon, the Council reached agreement in principle on the fundamental issues concerning the proposal for a Directive on investment services in the securities field, thus opening up the possibility of reaching a common position on this Directive once the outstanding technical matters have been resolved.

The Directive on investment services, together with the second banking Directive and the Directive on the capital adequacy of own funds, is one of the key elements in the establishment of the European financial area.

Once adopted, the Directive will enable investment firms of any Member State to engage in their activities throughout the Community after obtaining a single banking licence (the "European passport").

The main points on which the Council reached agreement in principle are:

- definition of a regulated market;
- rules governing the possibility for Member States to maintain the obligation to confine transactions to regulated markets;
- the minimum transparency rules to be complied with on regulated markets so as to guarantee investors an adequate level of protection;



- minimum obligations to be met by firms as regards the reporting of transactions;
- terms of access of natural persons to investment services;
- direct access by the banks to stock exchanges.

Following its discussions, the Council instructed the Permanent Representatives Committee to finalize the text with a view to the early adoption of its common position.

#### ABOLITION OF FISCAL FRONTIERS

On the basis of new compromise proposals from the Presidency, the Council re-examined the issues outstanding in the various sectors involved in the abolition of fiscal frontiers (VAT rates, excise duties on tobacco, mineral oils and alcoholic beverages, the VAT arrangements applicable to second-hand goods, works of art, collector's items and antiques, etc.). Despite the progress made, agreement could not be reached on all these matters.

The Council instructed the Permanent Representatives Committee to continue to seek an overall solution.

29.VI.92

ell/MI/yml

TAXATION OF ROAD TRANSPORT

After taking note of the Presidency report on progress in the matter, the Council confirmed its remit to the ad hoc Working Party, namely to pursue its discussions actively so that the Council could take a decision as soon as possible on the harmonization of taxation on vehicles.

The Council asked the Commission to submit as soon as possible, and in any case before the end of the year, a new proposal based on the new Commission approach, with particular reference to tolls and other levies and taking account of the work done so far by the ad hoc Working Party.

WITHHOLDING TAX ON INTEREST AND ROYALTIES

The Presidency informed the Council of progress on this proposal for a Directive.

The Council also heard an urgent plea from Mrs Scrivener, Member of the Commission, that the ad hoc Working Party on Company Taxation should continue its discussions on withholding tax on interest and royalties and on losses of permanent establishments and subsidiaries to enable the Directives in question to be adopted by the end of the year.

## MISCELLANEOUS DECISIONS

### New Mediterranean policy

The Council adopted all the Regulations, Decisions and provisions necessary for the implementation of the new Mediterranean policy, thereby rendering it fully operational.

### Austria: quality wines

Following the exchange of letters approved by the Council on 1 June 1992 extending from 1 July 1992 to 30 June 1993 the EEC-Austria Agreement of 12 December 1988, the Council adopted the Regulation opening and providing for the administration of Community tariff quotas, for this further period, for certain quality wines and sparkling wines originating in Austria. The Regulation makes particular provision for the opening of two quotas of 85 000 hl (quality wines) and 2 000 hl (sparkling wines) respectively.

### Relations with the countries of Central and Eastern Europe

The Council decided to proceed with the signing, subject to subsequent conclusion, of the exchanges of letters which the Commission has negotiated with Czechoslovakia and Hungary following the decision of these two countries to raise transit fees after the signing of the Europe Agreements and the Interim Agreements.

The new exchanges of letters amend the exchanges of letters signed on 16 December 1991 and make provision for a mutually acceptable cut in the price of transit authorizations; they also reaffirm more

29.VI.92

ell/MI/yml

clearly the Community's undertaking to seek, together with Hungary and Czechoslovakia, ways of financing improvements in the surface transport infrastructure of those countries.

### Anti-dumping

The Council adopted the Regulation amending Regulation (EEC) No 1768/89 with regard to definitive anti-dumping duty on certain imports of video cassettes originating in Hong Kong. The purpose of the Regulation is to exempt a Hong Kong firm from definitive anti-dumping duty by replacing it with a variable duty for models intended for export to the Community.

### Conclusion of a Euratom/United Kingdom/IAEA Safeguards Agreement pursuant to Additional Protocol No 1 to the Treaty of Tlatelolco

The Council adopted a Decision approving the conclusion of a Euratom/United Kingdom/IAEA (1) Safeguards Agreement pursuant to Additional Protocol No 1 to the Treaty of Tlatelolco, which provides for the creation of a nuclear-weapon-free zone in Latin America.

The purpose of the Decision is to define, for territories located in the geographical zone referred to in the Treaty of Tlatelolco, for which the United Kingdom assumes international responsibility and to which the Euratom Treaty applies, safety monitoring arrangements and their application to all source and special fissionable material in the context of all peaceful nuclear activities.

---

(1) International Atomic Energy Agency.

29.VI.92

ell/MI/yml

This Decision follows directly from the various Agreements concluded between EURATOM, the Member States and the IAEA in this area and the provisions contained in it will be implemented, in the main, in the event of such material being introduced into those territories as part of peaceful nuclear activities.

Monitoring and control of large exposures of credit institutions

The Council formally adopted its common position on the above Directive. The common position will be forwarded to the European Parliament for a second reading under the co-operation procedure.

The spreading of risks is a rule of financial activity designed to prevent default by one client from jeopardizing the existence of a credit institution and having repercussions on the system in general, given the extensive interdependence of the financial markets. It is an important monitoring rule which requires a considerable degree of harmonization so as to obviate any source of disparity of treatment.

The limit has initially been fixed at 40% of own funds; following a transitional period, it will be reduced to 25% for the final period.

However, large exposures must be reported to the authorities as soon as they reach 10% of own funds. The reporting frequency (2 or 4 times a year) has been laid down according to precise criteria.

The total of large exposures may not exceed 800% of the own funds of the credit institution concerned.

29.VI.92

ell/MI/yml

The Directive lays down a very precise series of exemptions based on criteria the relevance of which has been thoroughly analysed.

It introduces a conciliation procedure designed to ensure smooth application of the rules once they have been transposed into domestic legislation and to provide for the technical adjustments needed to take account both of changes in the markets and commitments at international level.

### Direct life assurance

Following the Opinion delivered at first reading by the European Parliament on 10 June 1992, the Council drew up its common position with a view to the adoption of the Directive on the co-ordination of laws, regulations and administrative provisions relating to direct life assurance and amending Directives 79/267/EEC and 90/619/EEC (third life assurance Directive).

The purpose of the Directive is to supplement the two Directives on life assurance already adopted and, in parallel with the third non-life Directive, to introduce the following principles:

- co-ordination of the fundamental rules governing prudential and financial controls;
- mutual recognition of authorizations concerning insurance undertakings and prudential control systems in force in the various Member States;
- the grant of a single authorization valid throughout the Community and supervision of all the activities of an undertaking by the Member State of origin.

Completion of the internal market for commercial policy in the textile and clothing sector

The Council agreed in principle to the guidelines laid down in the Commission communication to the Council on the implications of completion of the internal market for commercial policy in the textile and clothing sector. This communication represents a significant step towards completion of the single market.

The purpose of the communication is to indicate the various factors to be taken into account in commercial policy on textiles by reason of the completion of the internal market. It states the line which will be followed by the Commission in order to achieve the aim of ending discrepancies in import arrangements irrespective of the Member State where imports enter the Community.

Regarding the main points raised in this communication, the Commission considers that:

- the regional allocation of Community quotas should be abolished by 1 January 1993;
- the regional limits introduced in respect of one or more Member States should disappear in the absence of a Community quota; a decision on the latter should be taken case-by-case according to standard Community procedures;
- regional OPT quotas should be replaced by a system of Community quotas which would not be allocated between Member States and the rules for implementing Regulation No 636/82 should be harmonized;

29.VI.92

ell/MI/yml

- monitoring of Community quotas requires the various offices responsible for managing them in the Member States to set up a computerized network to guarantee the information needed on all operations everywhere at all times. The Commission has already begun work on setting up this network.

The operational measures needed to put these guidelines into practice will be proposed by the Council and discussed either during preparations for the renewal of the bilateral agreements or as and when the various deadlines become clearer.



Brussels, 1 July 1992

433

**NOTE BIO (92) 171 AUX BUREAUX NATIONAUX  
CC.: AUX MEMBRES DU SERVICE DU PORTE PAROLE**

---

**Council of Agricultural Ministers, Luxembourg, 30 June 1992  
(G. Kiely)**

---

**CAP Reform**

---

Prior to the Council meeting commencing a number of bilaterals took place at which the Commission clarified a number of aspects of the reform proposals which were causing concern to some Ministers.

When the meeting officially convened, Mr Mac Sharry introduced ten declarations on different matters relating to reform. Given these Commission declarations, Ministers were in a position to adopt the legal texts of reform and the outstanding regulation on price fixing - unanimously at midnight. Reacting, Mr Mac Sharry described the Council's decision as a milestone in the history of the CAP and said it was symbolic that it should be ratified some seconds before the 25th anniversary of the introduction of the cereals regime of the CAP, the first sector for which a common market organisation was introduced. He congratulated Mr Cunha and all of the Ministers for their responsible and pragmatic approach and said that the Council's decision would put European agriculture on a safe, competitive footing for the future together with safeguarding farmers' incomes.

**Food Quality:**

Following some discussion as to whether the food quality proposals formed part of reform or not it was agreed that the proposals were not ready for adoption, but needed some further technical work which should be carried out by the special agricultural Committee. It was agreed that the matter would be discussed at the next Council.

**Italian Milk Quota:**

Mr Mac Sharry said that he would put forward a proposal soon and probably at the next Council aimed at resolving this problem as requested by the Summit in Lisbon.

**A.O.B.**

**Ewe Premium (FRC)**

The Irish Ministers raised the matter of the 1992 ewe premium which on the basis of the advance payment made recently will according to him not compensate Irish farmers for the fall in prices in Ireland. (1992 is the first year in which a single Community market price is taken for the purpose of calculating the ewe premium.)

Responding Mr Mac Sharry pointed out that the ewe-premium advance is based on a forecast of prices for the year, which at the moment indicate an increase of 3.6% over 1991. The forecast will be updated before the second advance in the premium is paid. Mr Mac Sharry also pointed out that in addition to the first advance on the premium the Commission is also fixing the rural world premium, which was increased to 5.5 ECU for 1992 (4 ECU in 1991) which when added to the advance results in a payment to farmers in less favoured areas in Ireland, where most sheep are located, which is only marginally lower than that made during the corresponding stage in 1991. The Commission will keep the situation under review and if necessary make proposals.

**Drought:**

Germany, Denmark and Greece raised the difficulties farmers were experiencing due to the absence of rainfall for a number of weeks and requested assistance, including some modifications of regulations which would allow crop cover on set-aside land to be used for feed (DE), the transfer of intervention stocks (Greece) and that farmers could harvest withering grain under the dried fodder regime (DK).

Mr Mac Sharry doubted whether all of the demands put forward could be met, but agreed to examine what assistance might be given.

**Processed Peaches (Gk)**

A request was made for some form of assistance to help peach producers who are encountering serious difficulties due to a carryover of stocks together with an increase in production and stronger competition on the world market due to the US introduction of export refunds.

Mr Mac Sharry agreed to examine the situation.

**Chicory (B)**

The Belgian Minister requested support for the promotion of chicory. However since there was no support for chicory, Mr Mac Sharry doubted that the Community would get involved in this and furthermore feared that it could set a precedent.

Regards,

  
B. DETHOMAS