

EDITORIAL

==== We in Brussels freely admit that the operation of the Single Market is in some respects very complex. Whilst in many areas the laws of 27 countries have been replaced by one Directive, it is still a daunting task for the citizen or businessman to know their rights in the Single Market and, if there's a problem to know how to enforce one's rights. As well as pursuing a programme of regulatory simplification, the Commission provides services such as the Your Europe website, the Citizen's Signpost Service and the problem-solving SOLVIT service – now celebrating its 5th anniversary - which go a long way to filling this gap in informing people of their rights and showing them how to go about resolving any problem issues. See Special Feature page 11.

==== Following extensive consultation with the international insurance industry, the Commission has proposed a ground-breaking revision of EU insurance law designed to improve consumer protection, modernise supervision, deepen market integration and increase the international competitiveness of European insurers. The new set of proposals, known as Solvency II, is intended to bring the insurance industry's solvency requirements into line with the real risks which they face. It also sets out to encourage them to improve their risk measurement and monitoring practices. The new regulatory framework will apply to roughly 5,000 insurance and reinsurance undertakings in the EU and the Commission aims to have the new system in operation in 2012. See page 4.

==== The Commission has put a lot of effort into improving the EU's corporate governance landscape and two studies which have just been published show that its efforts are beginning to have some impact. A report on directors' remuneration shows that transparency standards are now being widely followed in EU Member States. Regarding the issue of the appointment of independent non-executive directors, a further report finds that real progress is being made in improving governance standards in this field, though some of the recommended standards have not been followed in all Member States. See page 6.

==== The latest analysis shows considerable progress is now being made by Member States in implementing the Directives agreed at EU level. The 'Scoreboard' of data published in July 2007 shows that most Member States now appear to be on the right track. An area of continuing concern, however, is the failure of Member States to apply the Single Market rules correctly. Indeed only four Member States have managed to reduce the number of infringement proceedings against them. See page 8.



Jörgen Holmquist
Director-General for
Internal Market and Services,
European Commission

A handwritten signature in blue ink, which appears to read 'J. Holmquist'. The signature is written in a cursive, flowing style.

EU to take the global lead in insurance regulation

A ground-breaking revision of EU insurance law designed to improve consumer protection, modernise supervision, deepen market integration and increase the international competitiveness of European insurers has been proposed by the Commission. The new measures are intended to better match solvency requirements to the risks which insurance companies face and encourage the industry to improve the measurement and monitoring of risks. The new regulatory framework will apply to roughly 5,000 insurance and reinsurance undertakings in the EU and the Commission aims to have the new system in operation in 2012.

Under the new regulatory framework for the insurance industry, known as 'Solvency II', insurers will be required to take account of all the types of risk they are exposed to, and to manage those risks more effectively.

In addition, insurance groups will have a dedicated 'group supervisor' to enable better monitoring of the group as a whole.



These new solvency requirements will be more risk-sensitive and more sophisticated than in the past, thus enabling better coverage of the real risks.

The system proposed by the Commission introduces more sophisticated solvency requirements to guarantee that insurers have sufficient capital to withstand adverse events such as floods, storms or major car accidents. This will help to increase their financial soundness.

EU solvency requirements currently only cover insurance risks, whereas in future insurers would be required to hold capital also against market risk (e.g. a fall in the value of an insurer's investments), credit risk (e.g. when debt obligations are not met) and operational risk (e.g. malpractice or system failure).

All these risk types pose material threats to insurers' solvency but are not sufficiently covered by the current EU system.

Adequate consumer protection

Solvency rules stipulate the minimum amounts of financial resources that insurers and reinsurers must have in order to cover the risks to which they are exposed. Equally importantly, the rules also lay down the principles that should guide insurers' overall risk management so that they can better anticipate any adverse events and better handle such situations.

The rationale for EU insurance legislation is to facilitate the development of a Single Market in insurance services, whilst at the same time securing an adequate level of consumer protection. The third-generation Insurance Directives established an 'EU passport' (single licence) for insurers based on the concept of minimum harmonisation and mutual recognition. Many Member States have concluded that the current EU minimum requirements are

not sufficient and have implemented their own reforms, thereby creating a patchwork of regulatory requirements across the EU. This hampers the functioning of the Single Market.

Active risk management

Under the new system, insurers will be required to focus on the active identification, measurement and management of

"The system proposed by the Commission would introduce more sophisticated solvency requirements to guarantee that insurers have sufficient capital to withstand adverse events such as floods, storms or big car accidents."

risks, and to consider any future developments, such as new business plans or the possibility of catastrophic events, that might affect their financial standing.

These new solvency requirements will be more risk-sensitive and more sophisticated than in the past, thus enabling better coverage of the real risks run by any particular insurer. The new requirements move away from a crude 'one-model-fits-all' way of estimating capital requirements to more 'entity-specific' requirements.

Whereas the current solvency requirements are largely based on historical data, the new rules will require insurers also to think about any future developments. Insurers would need to assess their capital needs in the light of all risks by means of the 'Own Risk and Solvency Assessment', while the 'Supervisory Review Process' (SRP) will shift the focus of supervisors from compliance monitoring and capital to evaluating insurers' risk profiles and the quality of their risk management and governance systems.

Comprehensive approach

Solvency requirements will also be more comprehensive than in the past. Whereas at the moment the EU solvency requirements concentrate mainly on the liabilities side (i.e. insurance risks), Solvency II will also take account of the asset-side risks. The new regime will be a 'total balance sheet' type regime where all the risks and their interactions are considered.

In addition, the new system will enable insurance groups to be supervised more efficiently, through a 'group supervisor' in the home country that would have specific responsibilities to be exercised in close cooperation with the relevant national supervisors.

The introduction of group supervisors will ensure that group-wide risks are not overlooked and enable groups to operate more efficiently, while providing policyholders with a high level of protection.

Groups that are sufficiently diversified may also be allowed to lower their capital requirements under certain conditions.

Replacing 13 Directives

This Solvency II proposal is part of the Commission's Better Regulation strategy and its firm commitment to simplify the regulatory environment and cut red tape. It will mean replacing thirteen existing Directives with a single Directive.

The current EU solvency system is over 30 years old and financial markets have developed dramatically in recent years leading to a large discrepancy between the reality of the insurance business today and its regulation.

The Commission aims to have the new system, which is subject to approval by the European Parliament and Council, in operation in 2012.

It will replace the current patchwork of different rules, ensuring a level playing field and a uniform level of consumer protection.

"The new rules will require insurers also to think about any future developments, such as new business plans or the possibility of catastrophic events, which might affect their financial standing."

It is in line with international discussions within the International Association of Insurance Supervisors (IAIS).

The overriding aim of the new EU solvency rules is to ensure that insurance undertakings are financially sound and can withstand adverse events, in order to protect policyholders and the stability of the financial system as a whole.



The overriding aim of the new EU solvency rules is to ensure that insurance undertakings are financially sound and can withstand adverse events.

The new rules will ensure a uniform and enhanced level of policyholder protection across the EU, reducing the likelihood that policyholders lose out if insurers get into difficulties.

"We are setting a world-leading standard that requires insurers to focus on managing all the risks they face and enables them to operate much more efficiently," commented Internal Market and Services Commissioner Charlie McCreevy.

"This is an ambitious proposal that will completely overhaul the way we ensure the financial soundness of our insurers."

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Dominique Thienpont
TEL: +32 (0)2 295 45 65
FAX: +32 (0)2 299 30 75
Markt-H2@ec.europa.eu

info

http://ec.europa.eu/internal_market/insurance/solvency_en.htm

Commission reports on the impact of EU recommendations on directors' pay and independence

The Commission has published two reports on Member States' application of EU recommendations on company directors' pay and independence. The report on directors' remuneration shows that transparency standards are widely followed, but in some Member States it is still not recommended that shareholders vote on this issue. The report on the role of independent non-executive directors finds that there has been real progress in improving governance standards in this field, but some of the recommended standards have not been followed in all countries.

Remuneration is one of the main areas of potential conflicts of interest for executive directors. Excessive pay packages have also emerged as a prominent feature in many corporate fraud scandals. The Commission's 2004 Recommendation on directors' remuneration provides for high standards of disclosure on this issue and recommends greater involvement of shareholders in the decisions relating to executive pay.

In a new report on how Member States are applying the recommended standards, the Commission finds that disclosure of remuneration details is now widespread but there appears to be a certain amount of reluctance to fully involve shareholders in decisions over remuneration policy.

regarded as the most visible reflection of the ability of shareholders or the board to monitor management. Consequently, transparency on pay in itself may contribute to a move towards better control and higher efficiency.

Remuneration policy remains closed

Regrettably, the recommendation on disclosure of the remuneration policy has not been widely followed in Member States.

Furthermore, only a disappointingly low number of Member States consider it necessary to recommend that shareholders vote on the remuneration criteria of the board of management or top executives.

Although shareholders usually have a say in determining the remuneration of the (supervisory) board, only a few Member States have encouraged companies to involve shareholders more closely in the decision on the remuneration policy of the management board/executive management - even if only in an advisory capacity.

Most Member States, however, have recommended or obliged shareholder approval of share-based incentive schemes.

The Commission sees this as a very positive development as stronger shareholder

checks are likely to reduce the risks inherent in such schemes.

On the whole, the level of application of the recommended transparency requirements on remuneration policy and on the pay of individual directors appears to be relatively high, even though the Commission would have expected more progress regarding those recommendations which aim at eliminating conflicts of interests and give shareholders more power in decisions on pay policy.

It is likely that a higher level of transparency will induce investors to be more active in companies' affairs and claim greater involvement in remuneration matters.

It may also contribute to the improvement of the 'standing' of business and reinforce investors' trust in corporate leaders.

The Commission intends to closely monitor market developments before deciding whether any further measure would be necessary in this field.



A large majority of Member States have introduced high disclosure standards regarding the pay of individual executives. Indeed a significant number of Member States have made such disclosure compulsory, thus going beyond the Recommendation's standards and the Commission finds progress in this field is most welcome. Directors' pay is often

Independent non-executive directors

The Commission's 2004 Recommendation on the role of non-executive or supervisory directors and on supervisory board committees set out to improve shareholders' control over top executives by reinforcing the presence of independent directors on boards and board committees.

The Commission finds in its latest report that a majority of Member States broadly comply with the recommendations, but some weaknesses remain.

"In some Member States, managers may still be able to have a major influence on their own remuneration and control over the company's accounts may be insufficient. The costs for the company and risk of abuse may remain high."

There is evidence of a clear trend in recent years towards the improvement of corporate governance standards in the EU. Regulatory overhauls have resulted in reinforced safeguards along the lines of the Recommendation in most Member States, with most countries following its provisions fully or to a large extent. Reform is still ongoing in certain Member States.

Comply or explain

The 'comply or explain' principle, under which companies choose to either comply with, or to justify deviations from the corporate governance code, is widely applied in Member States as the cornerstone of corporate governance compliance. However, in a number of Member States disclosure on compliance or justification (the corporate governance statement) is at present still purely voluntary.

All Member States now require or recommend the presence of independent directors on (supervisory) boards, which

can be seen as major progress.

Differences in the definition of 'independence', however, make standards uneven. The requirement of independence from the majority shareholder has not been fully endorsed in all Member States.

Most Member States require or recommend the separation of the highest executive managerial and supervisory functions. However, a number of countries have chosen not to limit the possibility for former CEOs to become the supervisory board chairman, thereby allowing CEOs to oversee their own past decisions.

Furthermore, the chairman's ties to the company could prevent a truly independent approach. The Commission regrets this and considers that, at the very least, there should be an appropriate interval between active membership of the management board and appointment to the supervisory board, in order to preserve the independence of the supervisory board.

One of the most important objectives of the Recommendation is to promote the presence and role of independent non-executive or supervisory directors in the major fields of potential conflicts of interest between management and shareholders. Regrettably, the main weaknesses can be found here.

A significant number of Member States do not recommend the presence of independent directors on all board committees. It is alarming that the law or the corporate governance code in some Member States do not recommend a strong presence of independent members in remuneration and audit committees.

In some Member States, managers may still be able to have a major influence on their own remuneration, and control over the company's accounts may be in-



sufficient. The costs for the company and risk of abuse may remain high.

"The level of managers' pay may have a significant impact on whether the company can recruit and retain directors having the qualities required to run the company efficiently," explains Internal Market and Services Commissioner Charlie McCreevy. "However, remuneration is also an area of potential conflict of interest with shareholders, and therefore they could expect a greater say in this matter. Only a few Member States have recommended this.

"Where independent directors are concerned, I am pleased to see a clear move towards stronger corporate governance requirements and improved transparency. But there is still room for improvement as regards appointing former CEOs to the position of the non-executive chairman and further reinforcing independent control over executive pay and the company's accounts. Good governance is essential for our companies and our economy. I encourage those countries lagging behind to speed up."

info

Florence François-Poncet
TEL: +32 (0)2.299 38 16
FAX: +32 (0)2.299 85 34
Markt-F2@ec.europa.eu

info http://ec.europa.eu/internal_market/company/directors-remun/index_en.htm
http://ec.europa.eu/internal_market/company/independence/index_en.htm

Internal Market Scoreboard:

'Member States need to focus on correctly applying IM rules'

According to the Commission's latest Internal Market Scoreboard, on average 1.6% of Internal Market Directives have missed the deadline for being written into national law, though the general trend is going in the right direction. The incorrect transposition and application of Internal Market rules remains a problem, however, and there is an upward trend in the number of infringement cases.

The Internal Market 'Scoreboard' published in July 2007 showed that most Member States now appear to be on the right track in implementing the Directives agreed at EU level. And indeed nine Member States have already reached the new target of 1% set by the Council of Ministers earlier this year.

Though the latest figures show a slight reverse in the trend compared to the previous survey, the Commission is nevertheless hopeful that progress will be resumed and reflected in the next Scoreboard to be published in January 2008.

An area of concern, however, is the failure of Member States to apply Internal Market rules correctly. Indeed only four

Member States have managed to reduce the number of infringement proceedings against them.

Implementation of Directives

At 1.6%, the average transposition deficit – the percentage of Internal Market Directives that have not been implemented into national law in time – for the 25 Member States (i.e. not including Bulgaria and Romania) remains above the new interim target of 1%.

The new target of one percent, to be achieved by 2009, was set after Member States had reached the previous target of 1.5% at the end of 2006.

Figures for Bulgaria and Romania have not been integrated into this Scoreboard's figures, given the enormous task they faced in transposing the whole EU acquis in time for accession. If their average deficit (5.2%) were taken into account, the overall average would be higher at 1.8%.

Nine Member States – Lithuania, Latvia, Slovakia, Denmark, Germany, Estonia, Cyprus, Malta and Slovenia – have already reached the new 1% interim target.

However, only 16 out of 25 Member States have remained below the ceiling of a 1.5% transposition deficit compared to 21 in December 2006.

Lithuania shows the way

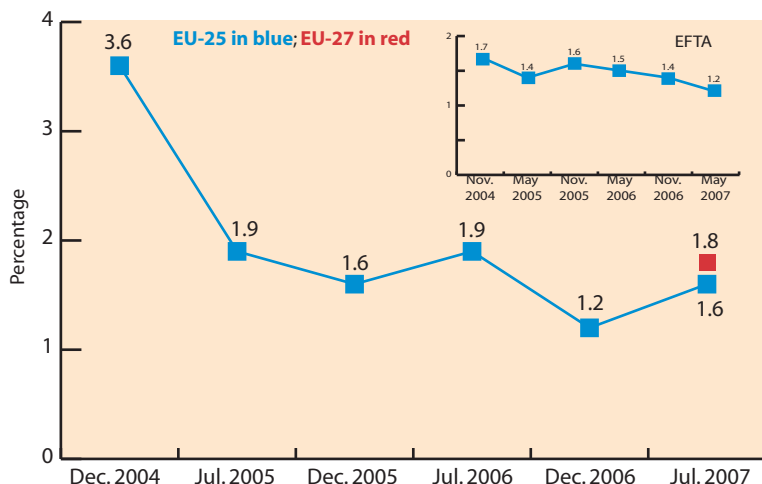
In terms of putting EU rules into national law, Lithuania is firmly in first position, followed by Latvia. Estonia and France have achieved their best results ever. Belgium has equalled its May 2002 best performance with a 1.5% deficit level, while Germany and Malta have equalled their best results from 6 months ago.

Denmark, although still close to the top of the 'league', has seen its performance slip by 0.6 percentage point, in contrast to its previous excellent performance. All other Member States that have remained below 1.5% have nevertheless seen their performance slip.

Four Member States that reached the

Average transposition deficit in July 2007

Open infringement cases as of 1 May 2007.



1.5% target in December 2006 have failed to do so this time around. These are the Netherlands, Ireland (by a small margin), Poland and Spain.

The Netherlands, however, seem to be well on track to improve on this performance in six months' time.

Portugal lags behind

Portugal's result is 3 times worse than the old EU target. Last time around, Portugal was already the worst performer, yet its deficit has increased further by a worrying 1.4%.

Luxembourg and Italy have both slipped 0.5% or more, but there are indications that this slippage will only be temporary for Luxembourg.

Poland has doubled its deficit, while the Czech Republic added 0.7% and seems ill-prepared to reach the target in the near future.

"The new target of one percent, to be achieved by 2009, was set after Member States had reached the previous target of 1.5% at the end of 2006."

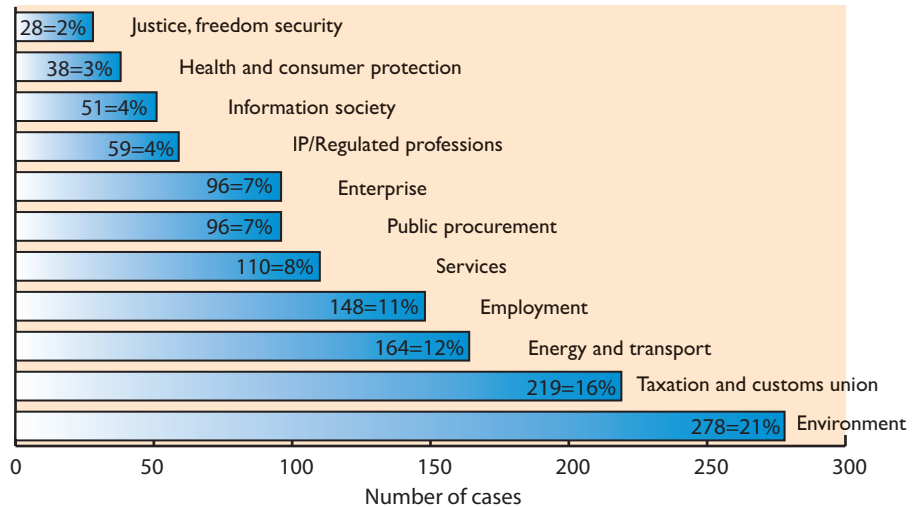
Greece's deficit, though still above the target, represents its best-ever performance.

Infringement trend is up

The incorrect transposition and application of Internal Market rules remains a problem. There is an upward trend in the number of infringement cases, and the EU-25 average is now 53 cases for each Member State, up from 50 six months ago. Malta, Poland and Ireland, in particular, have each recorded a substantial increase in the number of infringement cases over the last half year.

Breakdown of infringement proceedings per sector

- Taxation and customs union rules are the second most important source of infringements



Only four Member States - Greece, Italy, the Netherlands and Spain - managed to reduce the number of infringement proceedings.

Most infringements are found in the areas of environment, taxation and customs union, and energy and transport (see chart) - accounting for almost half of all cases.

Taxation and customs union matters have overtaken energy and transport as the second most important source of infringements over the past half year.

Progress with procurement

In the field of public procurement, good progress has been made and there has been a net decrease of 17 in the number of cases over the past 6 months, whilst the number of cases in the field of services has remained stable at around 110.

"For some Member States the results are very disappointing. But overall there are signs that we will be back on track again in six months' time," commented Internal Market and Services Commissioner Charlie McCreevy.

"Member States now need to focus on correctly applying Internal Market rules and on solving infringement cases more quickly than is the case today."

info

Marc Vereecken
TEL: +32 (0)2.295 97 18
FAX: +32 (0)2.299 21 06
Markt-B3@ec.europa.eu

info

http://ec.europa.eu/internal_market/score/index_en.htm

EU cuts red tape at record speed - small companies save time and money

Public limited liability companies will no longer have to order costly expert reports in cases of mergers and divisions, unless there is a specific request from shareholders. After a three months fast track procedure, the European Parliament has accepted a Commission proposal for removing unnecessary burdens on small businesses.

The proposal to cut red tape is one of a package of ten 'fast track actions' presented by the Commission a few months ago and now awaits agreement by the Member States.

The proposal potentially applies to more than 600,000 public limited liability companies across Europe, and in particular to those owned by a limited number of shareholders.

The obligation to inform shareholders of the draft terms of mergers or divisions is considered to be unnecessary and represents costly paperwork not required by shareholders. This is particularly the case with small- and medium-sized enterprises (SMEs) where

shareholders take an active part in the day-to-day management of the business.

It is estimated that the average cost of commissioning such an expert report amounts to roughly 3,500 EUR and many SMEs have identified the requirement as a bureaucratic burden.

However, the new proposal ensures that, if shareholders still see a need for the expert reports, they will continue receiving them.

info http://ec.europa.eu/enterprise/regulation/better_regulation/index_en.htm

EUROPEAN ECONOMY news

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Using growth today, ensuring growth tomorrow

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Knowing and enforcing your rights in Europe



Between 1986 and 1992 the EU adopted nearly 280 separate items of legislation as part of a programme to help open national markets and complete the Single Market.

In many areas, different sets of national regulations were replaced by one common European rule to vastly reduce the complication and cost of doing business across EU borders. In other areas, a simple 'mutual recognition' principle was introduced. Member States agreed to give each others' laws and technical standards the same validity as their own, and the complicated adoption of new legislation was avoided.

Basic rights

For citizens, the Single Market rules represent the right to live and work in other EU countries with access to a wide choice of quality products and services at low prices. For the business community, the Single Market provides the opportunity to trade in a domestic market of 500 million consumers, based on the rule of law, with mutual respect and trust.

"The rules and regulations relating to the Single Market are complex and voluminous. Knowing your rights in the EU can be a challenge for any citizen or businessman but various tools are now available to help you know your rights and - if need be - to enforce them."

The rules and regulations relating to the Single Market are complex and voluminous. Knowing your rights in the EU can be a challenge for any citizen or company. In addition to pursuing a programme of regulatory simplification, the European Commission has set up various information tools and as-

sistance services to help individuals or companies know their rights and - if need be - to enforce them.

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'Your Europe' – basic facts

A good starting point for finding out about your EU rights is the *Your Europe* website (<http://ec.europa.eu/youreurope/>). This Commission-run website, which was previously the *Dialogue with Citizens/Business* portal, offers general guides and country-specific fact sheets with information on citizens' rights, including rights related to free movement. It also provides advice on how to exercise these rights in practice and is available in all EU official languages.

The aim of *Your Europe* is to provide online information and interactive services with a cross-border dimension. It brings together information from Community and national sources to provide comprehensive and easily accessible information on key aspects of mobility in the Single Market. At the same time, it offers information to enterprises on business development opportunities and practices in the EU. Its primary focus is on citizens wishing to work or study in another Member State, or EU enterprises wanting to relocate to open a new branch in another EU country.

CSS – free legal advice

The *Citizens Signpost Service* (CSS) operates in conjunction with *Your Europe* and offers free and personal advice to citizens on specific problems they encounter in the Single Market.

The CSS is particularly aimed at EU citizens who encounter problems with mobility. If you are on the move in Europe and are wondering about your rights - car regis-



The successful experience of the SOLVIT initiative over that past five years has demonstrated that this informal approach can resolve problems with Single Market rights within 10 weeks. The service now needs to be given greater publicity, and more resources are required for the SOLVIT centres in Member States.

tration problems, obtaining social security coverage, etc. - this advisory service will provide guidance and some practical advice.

The CSS service is free of charge and the replies provided by multilingual legal experts are personalised, objective, and quick. Responses are given by phone or e-mail in one of the 20 official languages that can be requested. From September on, the service will be available in 23 languages with the addition of Romanian, Bulgarian and Irish.

The CSS legal experts set out to clarify the relevant rules

and if necessary direct the citizen towards the body which can best help solve the problem. They can also offer advice on how to assert citizen's rights and obtain redress. If an incorrect application of EU law is discovered, the case will be referred to the relevant service capable of dealing with it. In some cases, this will be the SOLVIT problem-solving service described below.

CSS is currently dealing with some 1,000 questions per month.

SOLVIT: problem-solving network

Your right to move, establish a company or trade in another EU country are basic EU principles. However, rules are open to interpretation. What can citizens and businessmen do when they know their EU rights are not being observed?

The Commission and Member States have recognised that there can be cases in which the rules which have been agreed in Brussels by national governments are not properly applied by other levels of the national administrations. The decision was made therefore five years ago to set up an EU-wide problem solving network that would try to resolve problems related to 'mobility' rights for businesses and citizens.

All EU countries - as well as Norway, Iceland and Liechtenstein - have established their own national SOLVIT centres. These centres are staffed with small teams of EU specialists who cooperate via an online database to rapidly and pragmatically solve problems submitted by citizens and businesses. The Commission contributes with a support team within DG Internal Market and Services which provides daily assistance to SOLVIT centres on legal, technical and procedural issues.

SOLVIT is committed to finding real solutions within a 10 week deadline and SOLVIT's 2006 performance report shows an impressive track record in resolving a raft of thorny issues even faster than in previous years.

'Your Europe - Citizens'

The Citizens section of the website provides detailed practical information on an individual's rights and opportunities in the Single Market plus and offers advice on how to exercise these rights in practice.

- European General Guides - a general overview of your EU-wide rights and opportunities and of how to make effective use of them.
- European and National practical information - more than 90 individual factsheets provide detailed practical information about exercising your rights both at EU level and in a specific EU country.
- Useful Links & Addresses

'Your Europe - Business'

The Business section provides practical information and advice to help businessmen operate in other EU countries.

It covers issues ranging from the registration of companies, public procurement, taxes, business directories, various funding opportunities to employment laws.

- European and National information - general EU-wide business information in a variety of thematic areas and languages.
- Useful Links & Addresses



In 2006, SOLVIT centres managed to solve 80% of the cases submitted to them within an average time of 60 days.

In 2006, 69% of SOLVIT cases were submitted by citizens. The major problem areas for citizens were social security (23%), taxation (16%), and recognition of professional qualifications (15%). Businesses submitted 31% of all cases, mostly related to market access for products (8%) and the provision of services and establishment (11%).

Moreover, involvement with the SOLVIT problem-solving process is encouraging a growing number of Member States to be more proactive in bringing national rules in line with EU law. Thanks to SOLVIT, they are increasingly aware of the practical problems encountered by citizens and businesses moving within Europe, making them more willing to change their legislation without formal Commission intervention.

Performance over 5 years

The SOLVIT network has been in operation for five years during which hundreds of citizens and businesses have been able to get fast and effective solutions to their problems. The 'SOLVIT in action' section (see page 15) provides a few examples of concrete problems for which SOLVIT found solutions.

During its first year of operation, SOLVIT handled around 12 cases per month. Today, SOLVIT is dealing with more than 65 cases per month, bringing the system on a par with the Commission's formal complaint procedure, which registered 1,049 complaints last year.

It is also interesting to note that the number of registered infringement cases has decreased by 36% since 2002 while SOLVIT has tripled its case volume over the same period.

SOLVIT seems therefore to be fulfilling its role as a fast and efficient alternative for many potential infringement cases. It demonstrates that even within a complex multi-cultural organisation like the European Union, it is possible to shift from a time-consuming formal procedure to an informal, pragmatic and fast-track approach.

"Over the past five years, SOLVIT has delivered real solutions to hundreds of real problems in Europe. And by



Commissioner Charlie McCreevy: "It's a great example of the EU and Member States working together."

getting all the parties together informally it delivers those solutions often within weeks, not years down the line," said Internal Market and Services Commissioner Charlie McCreevy at a press conference celebrating SOLVIT's five year anniversary.

"It's a great example of the EU and Member States working together. Over 1,800 Europeans can now do more in the Single Market thanks to SOLVIT – I hope the next five years will prove even more successful."

Scope for further development

Whilst the validity of the SOLVIT approach is recognised, SOLVIT has certainly not yet achieved its full potential.

Facts and figures

- In 2002 SOLVIT registered around 10 new cases per month; five years later this figure has increased to 60.
- Over the past five years, the average resolution rate for SOLVIT cases remained stable at 80 %.
- Of all resolved cases in since 2002, 71% were resolved within the SOLVIT deadline of ten weeks.
- Average case handling time decreased significantly from an average of 79 days in 2002 to 54 days in 2006.
- Citizens submitted two thirds of SOLVIT cases. The major problem areas for citizens were social security, taxation and recognition of professional qualifications.
- Businesses submitted one third of SOLVIT cases. Their main problem areas are taxation, market access for products, the provision of services and freedom of establishment.

Previous annual reports argued that the real potential of SOLVIT in terms of case volume was likely to be at more than 1,600 cases per year, based on the case submission level of the most active SOLVIT centres.

This volume has not been reached yet, mainly due to the lack of resources in almost half of the SOLVIT centres. The four EU countries with the largest population sizes (Germany, the United Kingdom, France and Italy) submitted proportionately low numbers of cases in 2006.



National centres, it is recognised, need to be sufficiently staffed to be able to solve the increasing volume of problems that are submitted to them. Moreover, they need to spend more time on promotional activities to make more citizens and businesses aware of how they can defend their rights in Europe.

It is worth noting that, according to a Eurobarometer published in September 2006, only 2% of the EU population is aware of the existence of SOLVIT. In France, this percentage is as low as zero. ■

The five keys to SOLVIT's success

In the past five years, SOLVIT has built up a reputation as an effective problem-solving network thanks to its:

1. Commitment to defending the EU rights of citizens and businesses
2. Emphasis on fast and pragmatic solutions with the help of an online case-handling database
3. Knowledge of EU law and access to Commission experts' advice
4. Strong network of contacts with relevant authorities at national level
5. Team spirit and friendly working relations



Small teams of EU specialists in Member States form a highly effective network for rapid and informal problem-solving regarding Single Market rights.

How to use SOLVIT

SOLVIT can help citizens with problems related to:

- residence permits, work permits and visas
- recognition of professional qualifications
- motor vehicle registration
- employment rights
- social security
- taxation
- driving licenses
- discrimination based on nationality

or any other obstacles preventing citizens from fully exercising their EU rights to free movement.

SOLVIT can help businesses with problems related to:

- market access for products
- provision of services
- establishment as self-employed
- free movement of capital
- public procurement
- taxation
- product labelling
- border controls

or any other obstacles hindering businesses in cross-border operations.

If you are faced with a cross-border problem caused by incorrect application of EU rules by a public authority at national, regional or local level, you can take it to SOLVIT either by filling out an online complaint form or contacting a national SOLVIT centre by e-mail or telephone.

info

<http://ec.europa.eu/solvit/index.htm>

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SOLVIT IN ACTION

Help for a UK company to get into the French market

A UK company manufacturing medical scales wished to expand its market in France. The company was marketing its product in the UK and a number of Member States and thus conformed to EU rules. However, French authorities refused to accept the product on its market and requested additional testing. For over a year, the company tried to

have their product accepted and finally asked SOLVIT UK for help. The UK company and SOLVIT UK worked closely together to successfully market the product in France in a matter of weeks. According to the company, SOLVIT helped them prevent a considerable loss.

SOLVIT helps Italian entrepreneur establish a company in Slovenia

An Italian entrepreneur wishing to establish a company as a self-employed person in Slovenia waited for three months with no answer to his residence permit requests from Slovenian authorities. SOLVIT Slovenia investigated the case and found out that linguistic problems were responsible for the confusion about which documents were necessary for registration. SOLVIT relayed to the Italian

entrepreneur that a proof of registration as self-employed person and a proof of health insurance would help him obtain his residence permit. With help of SOLVIT he finally sent all documents requested and got the residence permit, allowing him to register his own company. Solved within 3 weeks.

Swedish citizen helped to obtain her unemployment benefit

A Swedish citizen applied for unemployment benefits in the UK in accordance with EU rules. The UK authorities took such a long time, that when they finally granted the benefit, the Swedish citizen had already returned to Sweden in order not to lose her Swedish unemployment benefit. The UK authorities then sent cheques to her previous English address while she was already in Sweden. When she mandated a friend to cash them in England

this was refused by the post office and the cheques were blocked. Furthermore, the Swedish citizen tried in vain to have the necessary papers - which had been signed by the UK unemployment authorities - presented to the Swedish authorities. The UK SOLVIT centre contacted the authorities and the applicant received both the money and the missing form in Sweden. Solved within 8 weeks.

Portuguese citizen gets his taxes reimbursed thanks to SOLVIT

After working in Northern Ireland for over three years, a Portuguese national returned to Portugal. He was informed that he could obtain a tax reimbursement for which he filled in the necessary forms and submitted a declaration from one of his previous employers. For a second employer he could not submit such a declaration because the

company no longer existed. Nine months later he had still not received the reimbursement. After the intervention of SOLVIT UK, the Inland Revenue service sent him a cheque for £520.44 and wrote him a letter of apology explaining the cause for the delay. Solved within 7 weeks.

SOLVIT helps Dutchman collect full pension rights

A 65 year old Dutch national with extensive working experience in The Netherlands, Spain and France was confronted with a problem in collecting his pension. Spain denied him his pension for the 16 years he has worked there because he allegedly had not contributed to any EU country's social security funding for at least two years in the 15 years prior to retiring. Further investigation

revealed that Dutch authorities had not provided Spain with the proper proof of the retiree's contribution to the Dutch social security system until his last working year. SOLVIT persuaded the Dutch authorities to send the correct forms to Spain, enabling the retiree to collect his rightful pension. Solved within 3 days.



Commission consults on possible European Private Company Statute

The Commission has launched a public consultation on the obstacles companies – in particular small and medium-sized enterprises (SMEs) – face when conducting cross-border business in the EU, and on the content of a possible European Private Company Statute (EPC). Responses will be taken into account in a forthcoming impact assessment and possible legislative proposal. The deadline for responses is 31 October 2007.

In its Action Plan on Modernising Company Law and Enhancing Corporate Governance in the EU, the Commission foresaw the launch of a feasibility study to evaluate the advantages and drawbacks of a possible European legal statute for small and medium enterprises. The results of the study were presented in December 2005.

In February 2007, the European Parliament adopted a resolution requesting the Commission to draw up a statute for a uniform EPC. The results of the feasibility study have shown that the views of stakeholders are divided both on the need for the EPC and on the scope and content of the possible statute. Furthermore, the most important matters to be covered by the EPC statute, in particular those suggested by the European Parliament in its report, should be subject to a consultation.

In the light of this, the Commission has launched a specific public consultation on the EPC. It aims to explore the obstacles that companies (and SMEs in particular) face when conducting cross-border business in the EU. It also invites respondents to express their views on the content of

the possible statute. The consultation forms part of the impact assessment process which aims at verifying the cost-benefit relation of any possible future measures on the issues in question.

Internal Market and Services Commissioner Charlie McCreevy stressed that: "If we want European businesses to reap the full benefits of the Single Market, we must provide them with the most appropriate means.

"The European Private Company may be the right way forward. But first we need to have a clear picture of the obstacles companies still face in the Single Market and to find out whether a possible Statute could be a viable solution."

info

http://ec.europa.eu/internal_market/company/epc/index_en.htm

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Commission plan to simplify EU rules on company law, accounting and auditing

The Commission has put forward measures which aim to simplify the business environment for EU companies in the areas of company law, accounting and auditing. The proposed measures set out to remove or reduce a range of administrative requirements that are considered outdated or excessive. All interested parties are invited to comment on the proposals by mid-October 2007.

In the general context of Better Regulation, the Commission has decided to simplify the regulatory environment for European companies. Its overriding objective is to ensure that EU legislation in the fields of company law, accounting and auditing corresponds to today's business needs and allows European businesses to compete more effectively in the highly competitive global environment.

The initiative is linked to the on-going



review of the Single Market initiated by the Commission. It forms part of the Commission initiative aiming at reducing administrative burdens, especially for SMEs.

In this context, a first fast track proposal was tabled by the Commission on 6 March 2007 (see page 10) which aims at aligning certain rules on expert reports in the case of domestic mergers and divisions with the rules contained in the 10th Company Law Directive on cross-border mergers (Directive 2005/56/EC).

To identify the scope for simplification, the Commission adopted, on 10 July 2007, a Communication setting out proposals for possible measures to simplify the EU *acquis* in the areas of company law, accounting and auditing.

Proposed simplification measures

The key measures under consideration are:

- repealing company law Directives that deal mainly with domestic situations (e.g. domestic mergers of companies, domestic divisions, capital of public limited companies and private single-member limited-liability companies) or removing certain information obligations in the company law Directives;
- simplifying disclosure requirements for companies and for branches;
- further reducing reporting and auditing requirements for small and medium-sized enterprises.

On the basis of discussions with Member States, the European Parliament and stakeholders, the Commission will carry out full and comprehensive impact assessments, which will also take account of administrative costs.

Reducing red tape

The European Council of March 2007 underlined the importance of reducing administrative burdens for EU businesses. The Commission has outlined the way for achieving this objective by adopting a simplification programme in which European company law, accounting and auditing have been identified as priority areas

First analyses carried out by a number of Member States have shown that administrative costs caused by EU rules in these areas are particularly high.

"If we want to enable European businesses to compete in today's global market, we need to cut red tape," commented Internal Market and Services Commissioner Charlie McCreevy. "Many EU rules on company law and accounting are more than twenty years old and place unnecessary burdens on EU businesses."

Comments can be sent directly to markt-complaw@ec.europa.eu

info

Corinna Ullrich
TEL: +32 (0)2.299 48 56
FAX: +32 (0)2.299 85 34
Markt-F2@ec.europa.eu

Audit profession gives support to reform of auditor's liability rules in the EU

In January 2007, the Commission launched a public consultation on the possible reform of auditors' liability regimes in the EU.

The consultation was based on an independent study on the economic impact of current auditors' liability regimes and on insurance conditions in Member States.

Consultation results

The responses show that the audit profession considers that there is a need for a Commission initiative on auditors' liability.

Outside the audit profession, the majority of respondents from countries where limitation exists also support a Commis-

sion initiative on this issue, whereas the majority of the respondents from countries without limitation reject any Commission action.

Regarding the different approaches to limiting auditors' liability proposed in the consultation paper, the audit profession prefers limitation based on capping, whereas the other respondents who support a Commission initiative would prefer a solution based on proportionate liability.

Nevertheless, some respondents stress that if a Commission recommendation is adopted, it should give maximum flexibility to Member States in relation to the

method of limitation at national level. Many respondents underline the need to also consider the principle of subsidiarity.

Choice in the audit market is recognised as an important issue that can affect the efficiency of financial markets.

However, not all respondents agree that limiting auditors' liability would, by itself, be an appropriate way to address the issue.

The responses authorised for publication and the summary of all responses are available at the link below.

info http://ec.europa.eu/internal_market/auditing/liability/index_en.htm#consultation

Consultation shows support for action on non-EU audit firms

The Commission recently undertook a public consultation on the regulation of non-EU audit firms. Overall, respondents support Commission action within the framework of the Directive on Statutory Audit to regulate and supervise non-EU audit firms, as well as to increase co-operation with competent authorities from non-EU countries.

Respondents also welcomed the idea that the Commission should assess and decide on equivalence of non-EU countries' public supervision systems.

In particular they supported the introduction of transitional measures for the non-EU audit firms concerned to foster

the development of effective regulatory systems and to prevent market fragmentation.

Many respondents emphasised the need to develop a system of co-operation in registration procedures between the authorities of the EU Member States. Co-operation in registration would be essential in reducing the administrative burden imposed on audit entities that are subject to multiple registrations.

The European Group of Auditors Oversight Bodies (EGAOB) was considered as the appropriate forum in which to agree

on co-operation in registration procedures.

Internal Market and Services Commissioner Charlie McCreevy said: "The responses we have received will help us to decide how to deal with non-EU audit firms while avoiding disruption of capital markets. They also demonstrate that co-operation among European audit regulators is essential."

The responses authorised for publication and the summary of all responses are available at the link below.

info http://ec.europa.eu/internal_market/auditing/relations/index_en.htm

Report shows progress in convergence of accounting standards in key partner countries

A report has been published by the Commission on the work underway in Canada, Japan and the United States on convergence between their national Generally Accepted Accounting Principles (GAAPs) and the International Financial Reporting Standards (IFRS) used in the EU.

The two major systems of accounting in the world are IFRS - used in the EU - and the United States' GAAP system. Convergence between the two approaches is being promoted in the interest of economic efficiency and transparency.

Under EU accounting rules, the Commission is required to inform the European Parliament and European Securities Committee regularly about the progress on convergence and of progress on the elimination of reconciliation requirements that apply to EU issuers.

Reconciliation requirements

In its latest report, the Commission welcomes the recent announcement by the United States Securities Exchange Commission (SEC) of proposed rule changes to allow IFRS-based financial statements to be filed without any reconciliation to US GAAP.

However, the Commission recalls its general objective of removing this reconciliation requirement for European issuers using IFRS as adopted by the EU.

At the same time the Commission calls for deeper co-operation and regular meetings between the EU and US to establish staging posts and take stock of ongoing developments.

The Commission is also encouraged by the positive developments in Japan, Canada, China and India.

Common global standards

The EU is the largest jurisdiction making use of IFRS and fully supports a move towards common worldwide accounting standards.

The harmonisation of financial reporting around the world will help to raise confidence of investors generally in the information they are using to make their decisions and assess their risks.

For individual companies it should be the case that greater confidence in reliable and transparent information translates into a lower cost of capital – reduced interest costs and higher share prices.

Cost savings

For those companies with joint listings in both the United States and another country, there should be substantial savings, particularly in terms of preparation costs. Obviating the burdensome US GAAP reconciliation statement required at present would be a worthwhile prize.



Harmonisation of requirements also assists the international mobility of professionally qualified accountants themselves.

The report also contains some preliminary information on convergence work in other important jurisdictions.

"I draw encouragement from the progress made in these important partner countries. It shows that we are on the right track," commented Internal Market and Services Commissioner Charlie McCreevy. "I welcome all initiatives that pave the way for IFRS to become the global accounting standard."

Experts study bank account mobility

The 'Expert Group on Customer Mobility in relation to Bank Accounts' was established in May 2006 to identify obstacles faced by customers when switching bank accounts at national or EU level or when opening bank accounts cross-border. Its brief is to provide the Commission with recommendations on how any identified obstacles could be addressed.

It has just issued its first report which highlights four main obstacles to switching bank accounts: information asymmetry and non-transparency of prices, administrative burden, bundling and tying and closing charges.

As far as the opening of bank accounts is concerned, the Group identified consumer problems caused by legal and regulatory barriers, information barriers, uncertainty about the rules to be applied, commercial decisions by banks and closing charges.

The report also covers a number of issues that the Group considered relevant to the discussions on customer mobility, such as future developments in the payments market, consumer behaviour and bank strategies.

The Group, which consists of experts with backgrounds in banking industry, consumer affairs and academia, came up with 37 recommendations to address all the obstacles identified.

This report will assist the Commission in shaping its policy decisions in the area bank account mobility. It is also an important contribution to the Commission's current efforts to improve retail financial services for EU consumers, as set out in a recent Green Paper.

"Customer mobility is a key factor in

boosting competition in retail financial services markets. I am pleased to see that the Group's report contains a rich pool of ideas on how customer mobility in relation to bank accounts could be improved," commented Internal Market and Services Commissioner Charlie McCreevy. "The Commission considers the Group's report as a very important contribution in the preparation of its own policy decisions in the area."

The Commission welcomes comments from all interested stakeholders which should be received by 1 September 2007. The Commission will then evaluate what actions should be taken to improve customer mobility in relation to bank accounts.

The report is available at the link below.

info http://ec.europa.eu/internal_market/finservices-retail/baeg_en.htm



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FREE MOVEMENT OF CAPITAL

Special rights in various companies: Poland

The Commission has decided to send a formal request to Poland to amend its Act on Special Powers of the Treasury and their Exercise in Companies of Special Importance for Public Order or Public Security. This law, together with its implementing ordinances, grants special rights to the Polish state in currently fifteen Polish companies consid-

ered of special importance. These special rights consist of the right to veto certain key management decisions, which makes it substantially less attractive for other EU investors to acquire the company's shares. The Commission's request takes the form of a reasoned opinion.

Special rights held in energy companies: Portugal

The Commission has formally requested Portugal to abolish the special rights held by the Portuguese State in two energy companies: EDP (Energias de Portugal) and GALP Energia. The special rights were established by the privatisation decree-laws and Articles of Association of these companies. Both infringement procedures were initiated

by letters of formal notice in October 2006. Having analysed the replies to these letters from the Portuguese authorities, the Commission still considers that the special powers act as restrictions to the free movement of capital in violation of EC Treaty rules. The Commission's request takes the form of a reasoned opinion.

PROFESSIONAL QUALIFICATIONS

Nationality requirements for notaries

The Commission has decided to take Belgium, Germany, Greece, France, Luxembourg and Austria to the European Court of Justice (ECJ) on the grounds that these Member States permit only their own nationals to practise as nota-

ries. The Commission has also decided to take Portugal to the Court of Justice for its failure to transpose Directive 89/48 EEC for notaries.

Proceedings against Greece and Luxembourg

The Commission has decided to refer Greece to the ECJ under Article 228 of the EC Treaty over a previous Court judgment requiring it to allow companies to open opticians' shops. The Commission has also decided to refer Greece to the European Court of Justice under Article

226 of the EC Treaty over its legislation on recognition of doctors' qualifications. Finally, the Commission has formally requested Luxembourg to modify its legislation on recognition of lawyers' qualifications. This request takes the form of a reasoned opinion.

National implementation of Single Market rules

The Commission has decided to refer France and Luxembourg to the ECJ over their failure to communicate to the Commission their respective lists of 'Community design courts', as required by the Regulation on Community Designs.

dom to ensure correct implementation in its national law of the Directive on rental and lending rights.

The Commission has decided, under Article 228 of the EC Treaty, to send a reasoned opinion to Spain and a letter of formal notice to Ireland asking those Member States for full information on their execution of previous Court judgements relating to implementation of the Directive on rental and lending rights.

This request takes the form of a reasoned opinion. The Commission will refer France, Germany, Luxembourg, Portugal and Sweden to the ECJ over their failure to implement a Directive on the enforcement of intellectual property rights.

The Commission has formally requested the United King-

The Commission will also formally request Greece, Malta and Spain to implement the Capital Requirements Directive, and Spain to implement a Directive on public procurement. These formal requests take the form of reasoned opinions.

Markets in Financial Instruments Directive

The Commission has formally requested a total of 24 Member States – all except the United Kingdom, Ireland and Romania – to write into national law the Markets in Financial

Instruments Directive (“MiFID”) and its implementing Directive. These requests take the form of reasoned opinions.

FREE MOVEMENT OF SERVICES

Sports betting services: France, Greece and Sweden

The Commission has taken action to put an end to obstacles to the free movement of sports betting services in France, Greece and Sweden. The Commission has formally requested France and Sweden to amend their laws following consideration of their replies to letters of formal notice sent in April and October 2006. These formal

requests take the form of reasoned opinions. In relation to Greece the Commission has decided to send an official request for information on national legislation restricting the supply of sports betting services. This takes the form of a letter of formal notice.

Posting of non-EU workers: Belgium

The Commission has decided to refer Belgium to the European Court of Justice for the conditions it imposes on

EU employers providing cross-border services who want to post non-EU workers to the country.

Proceedings against Austria and Portugal

The Commission has decided to refer Austria to the ECJ over its legislation obliging doctors to open an account at a specific bank. The Commission has also decided to formally request Portugal to modify its legislation on con-

struction services and on the reimbursement of medical expenses incurred by patients in another Member State. These requests take the form of reasoned opinions.

FREEDOM OF ESTABLISHMENT

Service stations and fuel distribution: Italy

The Commission has decided to formally request Italy to amend its rules on the establishment of service stations. The Commission’s request is in the form of a reasoned opinion. The infringement proceedings relate to the rules in force at both national and regional level in the retail fuel

distribution sector which, as a result of the restrictions they contain, make it impossible or at the least extremely difficult for new competitors from other EU Member States to gain access to the Italian market.

Granting of dwelling authorisations: Ireland

The Commission has decided to send to Ireland an official request for information on certain county development plans that require specific criteria to be fulfilled before a

dwelling authorisation can be granted. This request takes the form of a letter of formal notice.

Retail services: Portugal

The Commission has formally requested Portugal to amend its legislation regulating the establishment of commercial outlets since it considers that the authorisation procedure under Portuguese legislation is discriminatory,

unnecessarily burdensome and unfair in granting incumbent operators a decisive role. This request takes the form of a reasoned opinion.