



## **Paris EUROPLACE/ City of London**

**The 2008 European Agenda  
Toward a more competitive European financial market**

**Paris EUROPLACE meets high-level delegation from the City of London**

### **PRESS RELEASE**

**Paris, May 16, 2008. In the context of the French Presidency of the European Union beginning of July 2008, Paris EUROPLACE and the City of London have met to discuss and define their common vision and priorities.**

A joint committee was co-chaired by Michel PEBEREAU, Chairman of BNP Paribas and André VILLENEUVE, Chairman of City of London EU Advisory Group, and was joined by City of London Lord Mayor David LEWIS and the City of London Corporation's Policy Chairman Stuart FRASER, during their official visit to France prior to the EU Presidency.

**A consensus was reached on the way ahead for European financial integration and on the framework of priorities to be delivered in order to lead the global competition.**

Overall it was deemed necessary to improve the conditions of the European integration whilst respecting global best practices and avoiding overregulation and bureaucratic processes: **there are a number of important areas (insurance, asset management, post-market activities, enhancement of the Lamfalussy process...) that require both new measures combined with the need of a convergent implementation of texts and practices** born from the completion of the 2000-2005 program (FSAP).

Lord Mayor David LEWIS, who is the global ambassador for the UK-based financial services industry, said "Despite current world turmoil, financial markets are still the key to economic growth and there is no way to avoid the fact that in a globalised world our financial services must be competitive on a global basis".

Policy chairman Stuart FRASER, whose elected role to the City centres on issues such as working with Europe, said: "the key priority is: finalising Europe's integration, in order to take advantage as soon as possible of the domestic market of 500 millions citizens and in turn strengthening the global efficiency of the key structures and actors".

Furthermore, Michel PEBEREAU adds that "in order to increase European financial services' global competitiveness, the most important priority is to secure a closer supervisory coordination. Other targeted harmonisation initiatives should be launched on following topics: asset management, insurance, retail banking and post trade".

Two important areas of concerns has been highlighted:

**First, in order to ensure financial stability, the EU regulatory framework must secure closer supervisory coordination.** The Lamfalussy process must be improved following the "better regulation" principle. Member States should urge their national regulators to integrate the EU dimension in their mandate and increase their convergence of practices and their level of information sharing, including the "comply or explain" principle. Even if the implementation of this process is globally a success, the three Level Three committees should be gradually reinforced with regards to resources, decision making rules and visibility. Especially in the view of a more efficient prudential supervision of pan European groups, the priority shall be given to the functioning of the college of supervisors and to a lead home supervisor concept. CEBS should be given the task to monitor coherence between those colleges.

**As far as the global dimension is concerned, mutual recognition is a good approach.** It should be pragmatically applied, on selected topics and on condition that common principles maintain a level playing field between defined areas. This process should be driven according to a European framework and on the basis of compatible local regulatory practices. In any case, Paris EUROPLACE and the City of London support the multilateral dialog approach, which involves a step toward the mutual recognition.

**Secondly Paris EUROPLACE and the City of London have identified 6 business priorities for 2008:**

- **Asset management: UCITS IV Directive is a major priority in order to finalise the global competitiveness of the European fund industry.** Three areas should be improved: enhancement of the "product" passport (faster and simplified procedures), including cross-border master-feeders and transnational UCITS mergers, a coherent and simplified prospectus, and most importantly the implementation of a full passport for fund management companies. It's essential to ensure that the UCITS framework fosters financial innovation.

- **Insurance: The reform of the prudential framework with the Solvency II Directive is a major step forward and a top priority.** It will modernize the measurement of insurance risks in order to ensure highly harmonized protection of consumers and the competitiveness of European financial actors. It should be based on economic prudential requirements, allowing better capital allocation, including at group level, and it should bring improvements of risk assessment and management by insurance companies. It should be based on economic prudential requirements, allowing better capital allocation, including at group level, and it should bring improvements of risk assessment and management by insurance companies.

In this respect, crucial choices will have to be done to ensure that the new reform will effectively really modernize the insurance supervision and take into account risks appropriately:

- The minimum capital requirements (MCR) calculation must use a risk sensitive methodology in line with the Solvency Capital Requirement (SCR).
- The economic assessment of the risks and requirements concerning groups must be carried out at the consolidated level. The respective powers of the supervisor of the parent company and the supervisors of local subsidiaries will have to be organized consequently in a rational manner.
- The principle of risk assessment on a one-year view proposed by the European Commission must be implemented appropriately to companies over long term risks in order to avoid detrimental effects for the consumers

