

EC Floats Plan for Retailing of Financial Services On-line

BRUSSELS—The European Commission proposed a strategy designed to overcome differences between the national laws of European Union Member States in an effort to guarantee a harmonized and thriving market for on-line retail sales of financial services.

The new plan, outlined in a February 9, 2001 communication, is intended to ensure that conflicts between differing laws do not stifle electronic commerce in financial services when Member States implement the EC's new electronic commerce directive (2001/31/EC) via national legislation in the coming year.

The Commission's strategy calls for cross-border, on-line sales of financial services to be governed by the laws of the country in which the retailer is established. As a result, on-line financial services providers would not have to abide by different sets of laws in respective EU Member States, which the Commission says severely restrict the development of e-commerce in financial services.

Country-of-origin Approach

“The approach outlined in the Commission communication is based on the principle that the trading rules applied to the cross-border sale and purchase of financial services should be those of the Member State where the service provider is established (*i.e.*, the country of origin)”, the Commission said in a statement accompanying its communication. “This should ensure a level playing-field between on-line and more traditional modes of distance trade.”

EU Internal Market Commissioner Frits Bolkestein commented: “The steps outlined today represent a change of gear toward the establishment of an integrated European market in retail financial service... The measures announced today pave the way for consumers to access financial services from throughout the European Union with as much confidence as they have currently in their national market. This should lead to a step in the supply and demand for cross-border financial services within the Union.”

“No Significant Cross-Border Trade”

Differences between national laws in the 15 E.U. Member States and other obstacles “mean that currently there is no significant cross-border trade in retail financial services,” the Commission said in its statement. The E.U. executive added that the objective of its strategy is “to establish a policy framework that enables consumers and retail investors to access financial services available from throughout the European Union while being fully protected.”

Recognizing that national consumer and retail investor protection rules may vary significantly, the Commission said it will conduct an analysis later this year “indicating certain types of national provisions that Member States may apply to incoming services pending further convergence of national rules.” The EC stressed that restrictions on the free provision of services “must not be disproportionate with regard to the Union's objective of free movement of information society services.”

Three-Pronged Initiative

In an effort to end what it called “the current fragmentation in retail financial markets”, the Commission said it planned a three-pronged approach:

- a programme of convergence covering contractual and non-contractual rules that would pave the way for a country-of-origin approach to be applied to all financial services sectors and distance trading modes;
- enhanced co-operation between Member States’ supervisory authorities in the e-commerce environment; and
- targeted measures to build consumer confidence in cross-border redress and Internet payments, such as the Commission’s new FIN-NET system for settling cross-border disputes out of court.

The text of the Commission’s announcement of its new e-commerce/financial services strategy is available on the European Union’s Website at

http://europa.eu.int/comm/internal_market/en/finances/general/.