

Circulation: Associates
Executive Committee

Subject: 28th EBF Associates Meeting
- Monaco, 18 June 2009 -

ITEM 6: THE FUTURE EU SUPERVISORY ARCHITECTURE

Background

In consequence of the severe global financial and economic crisis, Commission President Barroso in October mandated an expert group chaired by former IMF Managing Director Jacques de Larosière to make recommendations on the future of European regulation and supervision.

The **EBF also set up its own expert group** to prepare a list of concrete proposals to the de Larosière Group. These included:

- the creation of a European Financial Stability Forum to identify and assess vulnerabilities in macro-economic developments in the whole financial system;
- working towards achieving a pan-European financial supervisory framework to support a single financial market;
- reinforcing the Lamfalussy Level 3 Committees (CEBS, CEIOPS and CESR) to support the efficiency of colleges of supervisors in reducing regulatory duplication and inconsistencies;
- achieving convergence in approaches to supervising cross-border financial groups;

In February, the de **Larosière Group delivered its Report** containing 30 recommendations¹. It notably envisages the creation of:

- a European Systemic Risk Council (ESRC) for macro financial stability oversight which would collect and analyse information from national supervisory authorities and provide early warnings where relevant, along with
- a European System of Financial Supervision (EFSF), which would transform the existing Level 3 Committees giving them legally binding powers while maintaining the responsibility for the supervision of financial institutions with national authorities;
- a single rulebook for the financial sector.

a.i.s.b.l. ¹ De Larosière report published on 25 February 2009, can be found here:
http://ec.europa.eu/internal_market/finances/docs/de_larosiere_report_en.pdf
10 rue Montoyer, B-1000 Brussels
+32 (0)2 508 37 11 phone
+32 (0)2 511 23 28 fax
<http://www.ebf-fbe.eu>

European Commission's Communication

In May, following the publication of the de Larosière report, the Commission released a Communication on European Financial Supervision², outlining its proposals for the new supervisory architecture in the EU, and comprising two pillars:

- **a European Systemic Risk Council (ESRC)** to monitor and assess potential threats to financial stability that arise from macro-economic developments within the financial system as a whole ("macro-prudential supervision"). The ESRC would provide an early warning of system-wide risks that may be building up and, where necessary, issue recommendations for action to deal with these risks. The creation of the ESRC will address one of the fundamental weaknesses highlighted by the crisis, which is the vulnerability of the financial system to interconnected, complex, sectoral and cross-sectoral systemic risks; and
- **a European System of Financial Supervisors (ESFS)** which will consist of a robust network of national financial supervisors working in tandem with new European Supervisory Authorities to safeguard financial soundness at the level of individual financial firms and protect consumers of financial services ("micro-prudential supervision"). The new European network will be built on shared and mutually reinforcing responsibilities, combining nationally based supervision of firms with centralisation of specific tasks at the European level so as to foster harmonised rules as well as coherent supervisory practices and enforcement. This network should be based on the principles of partnership, flexibility and subsidiarity. It would aim to enhance trust between national supervisors by ensuring, inter alia, that host supervisors have an appropriate say in setting policies relating to financial stability and consumer protection, thereby allowing cross-border risks to be addressed more effectively.

The Commission highlighted the fact that the proposed framework for EU supervision can only work if the ESRC and ESFS cooperate efficiently.

The EBF position

The EBF globally supports the proposed role and composition of the European Systemic Risk Council. However, it is necessary to ensure a smooth and efficient functioning of the European Systemic Risk Council.

The EBF also supports the creation of the three European Supervisory Authorities; it stresses that developing a single set of core rules, ensuring efficient supervisory decisions are made, and coordinating information collection and exchange, both in normal and crisis situations, must be critical functions of the new Authorities.

² The EC Communication COM(2009) 252 final from 27.5.2009 can be accessed here:
http://ec.europa.eu/internal_market/finances/docs/committees/supervision/communication_may2009/C-2009_715_en.pdf

The EBF supports the fact that the relevant European Supervisory Authority will be present at the meeting of colleges of supervisors to ensure consistent supervisory practices across colleges and Member States. However, the Federation is disappointed that the involvement of the industry does not appear to have been given much consideration in the new framework, at either the macro or the micro level.

The Commission Communication does not address the issue of burden sharing agreements. The EBF underlines that this should however not serve as an excuse to prevent tangible progress in the area of supervisory arrangements in ordinary times.

Member States should set in motion the reform machinery and provide the EU with a supervisory system in line with the European single market for financial services and its objective of ensuring financial stability.

* * *

Circulation: Associates
Executive Committee

Subject: 28th ASSOCIATES MEETING
- Monaco, 18 June 2009 -

ITEM 7: STATE AID IN THE EU COUNTRIES

INTRODUCTION

In consequence of severe impact of the financial on the national economies, the EU governments have extended financial aid to their economies. These measures are subject to the EU regulation on State Aid, and therefore must be scrutinised for such issues as level-playing field across the institutions that received vs. those that did not receive state aid, as well as the state withdrawal strategies. So far, there are 49 States Aid measures have been granted by the Commission to financial institutions.

BACKGROUND

EU State Aid & the Banking Crisis

The objective of State aid control is, as laid down in the founding Treaties of the European Communities (Article 87 of the Treaty), to ensure that government interventions do not distort competition and intra-community trade. In this respect, State aid is defined as an advantage in any form whatsoever conferred on a selective basis to undertakings by national public authorities. Therefore, subsidies granted to individuals or general measures open to all enterprises are not covered by Article 87 of the EC Treaty and do not constitute State aid.

The EC Treaty pronounces the general prohibition of State aid. The founders, however, saw of course that in some circumstances, government interventions are necessary for a well-functioning and equitable economy. Therefore, the Treaty leaves room for a number of policy objectives for which State aid can be considered compatible.

1- State Aid Rules & Exceptions

Through a state aid, a company receives government support and consequently obtains an advantage over its competitors. Therefore, the EC Treaty generally prohibits State aid (Article 87 section 1) unless it is justified by reasons of general economic development (Article 87 section 2&3). While section 2 mentions permanent exemption categories, section 3 provides categories where state aid legality shall be considered on a case by case

basis. To ensure that the prohibition is respected and exemptions are applied equally across the European Union, the European Commission is in charge of watching over the compliance of State aid with EU rules.

As a first step, the Commission has to determine whether a company has received State aid. It will then assess whether the state aid would give rise to a distortion of competition that is disproportionate to the objective of the aid and consequently approve or disapprove the aid.

2- Rescuing and restructuring firms in difficulty

In 2004, the European Commission adopted a communication regarding guidelines on State aid for rescuing and restructuring firms in difficulty.

Rescue aid is by nature temporary and reversible assistance: it offers a short respite, not exceeding six months, to a firm in difficulty. It must consist of reversible liquidity support in the form of loan guarantees or loans, with an interest rate at least comparable to those observed for loans to healthy firms and in particular the reference rates adopted by the Commission. Structural measures which do not require immediate action, such as, the irremediable and automatic participation of the State in the own funds of the firm, cannot be financed through rescue aid.

Once a restructuring or liquidation plan for which aid has been requested has been established and is being implemented, all further aid will be considered as restructuring aid. Rescue aid cannot normally be granted for financial restructuring.

Restructuring usually involves one or more of the following elements: the reorganization and rationalization of the firm's activities on to a more efficient basis.

The advantage of a rescue plan is that it could be implemented without prior notification of the Commission which is not possible for a restructuring plan. Practice shows, however, that rescue plans are often notified to the Commission.

Following the financial crisis, Member states have adopted several national measures to rescue and/or restructure the banking industry or certain institutions invoking the exception provided in Article 87(3) (b) “remedy a serious disturbance in the economy of a Member state”. The Commission in line with case law and its guidelines on State aid for rescuing and restructuring firms in difficulty has always interpreted this notion very restrictively.

3- Interpretation of State Aid rules following the crisis

On 13 October 2008, following numerous rescue measures put in place by EU Member states to support the banking industry, the European Commission issued a communication to clarify the types of measures which it considers will be compatible with state aid rules (http://ec.europa.eu/competition/state_aid/legislation/horizontal.html).

The communication focuses on guarantee schemes, recapitalisation schemes and complementary forms of liquidity support.

The Commission specifies that in view of the seriousness of the situation, Member states may ground the provision of state aid to financial institutions on Article 87(3) (b) of the EC Treaty. This provision allows ‘aid to remedy a serious disturbance in the economy of a Member state’. The Commission has put in place a fast track procedure for state aids which comply with the guidance set out in the communication. It aims to approve such measures within 24 hours.

The Commission communication is inspired by previous guidelines adopted for rescue and restructuring aids (the R&R guidelines). However, the communication has a broader scope and applies more flexible criteria. It acknowledges that Member states may adopt general measures aimed at remedying the problems of the whole financial sector as opposed to limiting themselves to individual aid for certain institutions, which was the focus of the previous R&R guidelines.

As regards duration, in contrast to the R&R guidelines, the Commission is prepared to authorize certain rescue measures, including some guarantee schemes, for up to two years (as opposed to 6 months under the R&R guidelines).

However, state aid schemes adopted by Member states in application of the communication must meet the same criteria as those previously applied by the Commission in enforcement of EC state aid rules. In particular, guarantee and recapitalization schemes must be temporary and, as such, subject to regular review by the relevant Member state authorities.

They must also be proportionate — in other words, limited in time and scope to what is strictly necessary to achieve the legitimate purpose. For example, the Commission considers that guarantee schemes for retail deposits, certain types of wholesale deposits and even short and medium term debt instruments may be necessary. However, it says that extension of a guarantee scheme to other types of debt would require close scrutiny. Further, guarantee schemes must ensure a significant contribution from the beneficiary and/or the sector (for example, through an association of private banks). This contribution may be in the form of fees paid for the provision of the guarantee, or claw-back provisions clauses allowing the Member state to receive compensation for the guarantee at a later date.

In the case of recapitalization schemes, the Commission considers that the Member state should receive shares in the institution whose value corresponds to the contribution to recapitalization, or should provide for claw-back provisions.

There is also a requirement that guarantee and recapitalization schemes be non-discriminatory. For example, guarantee schemes must be available to all institutions incorporated in the Member state concerned with significant activities in that jurisdiction. Finally, guarantee and recapitalization schemes must be followed by restructuring plans, either in the form of general adjustment measures for the sector as a whole, or individual restructuring plans where, for example, a bank has drawn on the guarantee or has benefited from recapitalization. These individual restructuring plans will be investigated by the Commission to ensure compliance with state aids rules. The Commission specifies that restructuring plans for institutions that are in difficulty because of their particular business model or practice will undergo increased scrutiny.

The communication confirms the Commission's intention to continue to apply EC state aid rules during the economic crisis. However, it also indicates the Commission is prepared to take a flexible approach, while setting some parameters to avoid discrimination and undue distortions of competition. Further, the Commission makes it clear that it will have a continuing role in overseeing state aid schemes and that it will expect Member states to implement further measures to put the sector on a sounder footing.

In addition, individual institutions which have to draw on the general state guarantee or which receive an injection of capital from the state — or are otherwise supported by state aids — will need to undergo restructuring. The Commission can be expected to closely scrutinize such restructuring plans, which Member states will need Commission approval on — particularly where the Commission considers that the individual institution required rescue because of the way they conducted their business rather than as a result of the current difficulties with access to liquidity.

EBF POSITION

1. In the absence of a comprehensive pan-European supervisory, regulatory and legal framework for the European financial sector and against the background of the severe ongoing financial crisis, the initiatives taken by national governments (i.e. provision of guarantees, recapitalisation measures, asset relief programmes – also referred to as “bad banks”) to avert the risk of a systemic financial crisis have been of paramount importance. When the financial system is at risk and there is urgency, the **EBF accepts the temporary hierarchy of stabilisation of the financial system before competition concerns** albeit this may put the EU's internal market at risk in the short-term.
2. The **EBF acknowledges that swift action by national governments has benefited from a degree of coordination by the European Commission** (“the Commission”), in cooperation with the European Central Bank. The EBF notes, however, that from an European perspective, the initiatives taken by Member States have been taken in haste and lack a full synchronization, which has given rise to concerns over the integrity of the EU's internal market and the existence of a level playing field for financial institutions operating in that market.
3. The **EBF welcomes the “evolutionary” approach employed by the Commission to tackle the various phases of the financial crisis** (ranging initially from problems at individual banks with a particular risk or funding profile to a general erosion of confidence within the banking sector). The EBF is also broadly supportive of the three recent Commission' Communications issued to coordinate Member States' support to financial institutions (in addition to the existing “Community Guidelines on State aid for rescuing and restructuring firms in difficulty” and relevant jurisprudence) and of the Commission's swift approval process of the aid measures filed in connection with those Communications.
4. **The EBF thinks that there is an essential need for transparency around the conditions placed on the granting of State support (scheme for refinancing credit institutions, recapitalisation, impaired assets scheme...).** One example is the distinction between fundamentally sound, well-performing banks on the one hand and distressed, lesser-performing banks on the other. On the basis of that distinction, the

Commission determines *inter alia* the remuneration of State support and the imposition of the necessary competition safeguards. The **EBF regrets that the process whereby public authorities determine the soundness of any given financial institution is characterised by a lack of transparency.** More transparency is also needed for example as to (i) what are the objectives pursued by each aid measure and whether those objectives are consistent with the general framework of State aid; (ii) on the basis of what concrete objective parameters State remuneration is fixed; (iii) and what are the behavioural conditions (i.e. safeguards) imposed on the supported institution to prevent distortions to the level playing field and what is the rationale behind them. Transparency around these issues would allow the market to understand the degree of distortion on the competitive conditions. The **EBF believes that the European Commission (DG COMP) must publish more details on individual measures granting State support and that it should also push the limits of confidentiality commensurately to stabilisation concerns, overriding competition prerogatives.**

5. The EBF acknowledges that, despite the well-intentioned efforts by the Commission, the conditions attached to the provision of State support differ within Member States (i.e. between banking institutions) but also across borders within the EU. The **resulting competitive distortions must be reduced as much as possible and - in the longer run - the free market must prevail and further integration of financial markets should be resumed.** Concerns over competitive distortions are further fuelled by the side effects to third countries resulting from the imposition of certain competition safeguards at national level (e.g. imposing certain lending volumes in country A may lead to the withdrawal of the supported bank from country B). The EBF thinks that those side effects must carefully be taken into account in the medium term as they may lead to a withdrawal from foreign markets which will ultimately lead to reduced competition to the detriment of consumers.
6. The EBF notes and supports that the Commission is conditioning appropriate restructuring to the individual situation of each beneficiary institution and taking into account the total amount of aid received, be it through recapitalisation, guarantees or asset relief measures¹. Some **EBF members highlight, however, that there is still uncertainty as to which are the criteria that trigger the request for restructuring.** In this regard, these members have expressed a desire for a clear rule. The EBF further notes that imposing a restructuring exercise in each case may even adversely effect the viability of the respective bank if corporate imbalances are to be explained by non-endogenous (i.e. general market conditions) developments. In the same vein it, the EBF would like to point out that **restructuring should not mean the same in each individual case** (i.e. the current weaknesses but also strengths of each specific business model need to be taken into account).
7. For the reasons explained in §5 and §6 the EBF believes that, as the financial crisis evolves and the Commission treads further into “unchartered territory”, the Commission’s **decision to broadly subject measures granting State support to periodic review (i.e. every 6 months) is sensible.** These reviews should produce a wealth of experience on this particular issue that would also permit as a result that the

¹ Special edition of DG COMP’s Scoreboard on State aid and interventions in the current financial and economic crisis. Page 13. See at:
http://ec.europa.eu/competition/state_aid/studies_reports/2009_spring_en.pdf

Commission formally brings the unintended negative effects of the measures on the EU's internal market or the level playing field in EU financial markets to an end. For the sake of legal certainty, however, the EBF reminds that the Commission's approval of a recapitalisation or other support measure effectively sets the framework for the institution's market behaviour. Once conditions for State support for an institution have been agreed, they should not be subject to further bargaining or to come under pressure by third parties with no competence in this area. It is a paramount task in this regard for the Commission to allow profitability to return to rescued banks by supporting this approach.

8. Finally, and with regard to recapitalisation measures, the EBF would like to reiterate that it is confident that the institutions that have received State support can be put on a firmer footing again and return to viable business modes. In those circumstances, the presence of the State would be rendered unnecessary. For that reason, the EBF would like to request to the relevant public authorities (i.e. national governments and the Commission) that the **approval of support measures is closely linked to the existence of a sufficiently clear path and incentives towards exit from reliance on State support**. The EBF notes that the pricing mechanism needs to carry a powerful incentive to keep the duration of State involvement to a minimum. In this regard the EBF welcomes the work that International Monetary Fund (IMF), in collaboration with the Financial Stability and the Organisation of Economic Cooperation and Development (OECD) are carrying out to analyse how exit strategies can be coordinated to minimise market uncertainty, competitive inequality and arbitrage opportunities.

* * *

VP
EBF Ref.: 0970-C-2009

MemberNet

Brussels, 09 June 2009

Circulation: Associates
Executive Committee

28th MEETING OF THE ASSOCIATES
- Monaco, 18 June 2009 -

ITEM 8: LATEST DEVELOPMENTS IN THE EU LEGISLATION IN FINANCIAL SERVICES

At the meeting, Ms. Viktorija Proskurovska, EBF Adviser, will brief the participants on the following developments in the EU legislation:

Financial Services and Retail Banking (19)

Deposit Guarantee Schemes:

- Commission launches consultation on the review of the Directive on Deposit Guarantee Schemes (29.05.2009);

Financial supervision:

- Commission proposes stronger financial supervision in Europe (27.05.2009)
- High Level Conference "Towards a new supervisory architecture in Europe" – 7 May 2009 – Brussels (06.05.2009);
- Commission launches consultation of interested parties on financial market supervision (10.03.2009);
- Commission publishes the de Larosière Report on EU financial supervision (26.02.2009);
- Commission calls on EU leaders to stay united against the crisis, move fast on financial market reform and show global leadership at G20 (04.03.2009);

Investment funds:

- Commission proposes EU framework for managers of alternative investment funds (29.04.2009);
- Commission publishes Results of the public consultation on Hedge Funds (12.03.2009);
- Commission launches public consultation on hedge funds (18.12.2008);
- Commission launches call for evidence on review of Investor Compensation Schemes Directive (09.02.2009);
- Commission initiates clarification of UCITS regulations regime (28.05.2009);

a.i.s.b.l.

Payments:

- Commission welcomes the European Parliament's adoption of two proposals: on e-money and cross-border payments (24.04.2009);
- Commission sets up Payment Systems Market Expert Group (20.04.2009);
- Commission Expert Group calls for removing barriers to electronic invoicing (05.02.2009);

Retail Market Monitoring:

- Commission launched a Questionnaire to Member States and stakeholders in the framework of the Retail Market Monitoring exercise (08.04.2009)

Financial inclusion:

- Commission launches public consultation on ensuring access to a basic bank account (06.02.2009);

Dispute resolution:

- Commission launches consultation on Alternative Dispute Resolution (ADR) in the area of financial services (11.12.2008);

Mortgage markets:

- Commission study shows varying national approach to regulation of 'non-credit' institutions (02.12.2008);

Account switching:

- Commission welcomes new industry rules on account switching (01.12.2008).

Financial Markets (14)

Financial Integration and Stability:

- Seminar on "Financial Integration and Stability – Challenges and policy lessons", Brussels, 30 April 2009

Retail Investment Products:

- Commission proposes better investor protection measures for packaged retail investment products (29.04.2009);

Company Law:

- Commission sets out principles on remuneration of risk-taking staff in financial institutions (29.04.2009);
- Commission consults on a possible European Foundation Statute (16.02.2009);

Remuneration:

- Commission sets out further guidance on structure and determination of directors' remuneration (29.04.2009);
- European Forum sets out best practices for directors' pay (02.04.2009)

Rating agencies:

- Commission approves new Regulation for issuance of credit ratings used in the Community (23.04.2009);

Market Abuse:

- Commission launches call for evidence on review of Market Abuse Directive (20.04.2009);

Securities:

- Commission launches consultation on new legal framework for intermediated securities (20.04.2009);
- Commission launches Public consultation on the Harmonisation of Securities Law (16.04.2009)

State Aid:

- Commission provides guidance for the treatment of impaired assets in the EU banking sector (26.02.2009);

Credit Default Swaps:

- Commission welcomes Industry Commitment to EU Central Counterparty for Credit Default Swaps (19.02.2009);

Post-Trading:

- Commission expert group takes stock of progress on harmonised solutions to cross-border barriers (09.12.2008)

Provision of cross-border public services:

- Commission adopted the Action Plan on e-signatures and e-identification to facilitate the provision of cross-border public services in the Single Market (02.12.2008).

Auditing & Accounting (8)

Monitoring Group:

- The Monitoring Group adopts a Charter confirming its goal (19.05.2009);

Standards Advice Review Group:

- Commission appoints three new members of the Standards Advice Review Group (19.05.2009);

Financial Reporting:

- Conference on Financial Reporting in a Changing World, Brussels, 7-8 May 2009
- Commission proposes major burden reduction for micro entities (26.02.2009);

Accounting rules for SMEs:

- Consultation on the Review of the Fourth and Seventh Company Law Directives (26.02.2009);

Audit:

- Statement by Charlie McCreevy, Commissioner for the Internal Market and Services on the Audit Working papers (19.02.2009);
- Commission organised an International Auditing Conference with third countries on 10.12.2008 in Brussels;

Third country GAAPs:

- European Commission grants equivalence in relation to third country GAAPs (12.12.2008).

Circulation: Associates
Executive Committee

Subject: 28th ASSOCIATES MEETING
- Monaco, 18 June 2009 -

ITEM 9: EU INITIATIVES AIMED AT SUPPORTING THE EU NEIGHBOURING COUNTRIES

Background

European Commission's DG External Relations (DG RELEX)¹ and DG Enlargement (DG ENLARGEMENT)² are concerned with the EU neighbouring and (potential) EU Candidate countries. The activity of both of these European Commission services is relevant to the EBF Associates, because both DG RELEX and DG ENLARGEMENT develop important policy initiatives and frameworks for cooperation.

This document focuses on providing a brief overview of the recent EU initiatives (however, not on the EU accession negotiations) aimed to supporting relevant EBF Associate countries.

Recent EU Initiatives Relevant to the EBF Associates

- **European Neighbourhood Policy³**

EBF Associates concerned: Armenia; Azerbaijan; Moldova; Ukraine.

ENP was developed in 2004, with the objective of avoiding the emergence of new dividing lines between the enlarged EU and its neighbours and aim of strengthening the prosperity, stability and security of all concerned.

The European Neighbourhood Policy builds upon existing agreements between the EU and the partner in question⁴ and its central element is the bilateral ENP Action Plans⁵ agreed between the EU and each partner.

This year, the European Commission issued a Communication to the European Parliament and the European Council on *Implementation of the European Neighbourhood Policy in 2008* [COM (2009) 188] that is in its preparatory phase at the European Parliament⁶.

¹ http://ec.europa.eu/external_relations/we/index_en.htm

² http://ec.europa.eu/enlargement/the-policy/index_en.htm

³ http://ec.europa.eu/external_relations/enp/index_en.htm

⁴ Partnership and Cooperation Agreements, or Association Agreements in the framework of the EuroMediterranean Partnership

⁵ http://ec.europa.eu/world/enp/documents_en.htm

⁶ <http://www.europarl.europa.eu/oeil/file.jsp?id=9762593> / http://ec.europa.eu/external_relations/enp/index_en.htm

- Eastern Partnership⁷

EBF Associates concerned: Armenia; Azerbaijan; Moldova; Ukraine.

A new and important initiative under the ENP is the Eastern Partnership (EaP). On December 3, 2008 the European Commission has published a Communication to the European Parliament and the Council (COM(2008) 823)⁸, which *inter alia* concludes that the European Union has a vital interest in promoting better governance and economic development through a determined engagement in its neighbourhood. Henceforth, deepening the EU relations with the partners through the EaP is thus both a strategic imperative and a political investment for the EU, which will pay dividends to Europe's citizens.

The EaP will contribute to energising reforms, integrating markets and societies, projecting stability and counteracting the risk of the emergence of new borderlines across our continent. The EaP looks at the following areas: Democracy, good governance and stability, Economic integration and convergence with EU policies, Energy security, and Contacts between people.

- **Western Balkans⁹**

EBF Associates concerned: Albania, Bosnia and Herzegovina, Croatia, Montenegro and Serbia.

The final Communication from the European Commission to the European Parliament and the Council [COMM (2008) 127 Final]¹⁰ postulates that “the future of the Western Balkans lies in the EU”.

Part of the policies around the Western Balkans is the so-called *Western Balkan Investment Framework*. The EBF has established a contact with DG RELEX with the aim to include the SPI Platform as one of the tools to improve and modernise the banking systems of the region.

- **EU-Russia strategic partnership¹¹**

Russia is the EU's third biggest trade partner, with Russian supplies of oil and gas making up a large percentage of Russia's exports to Europe. The ongoing cooperation is based on 4 specific policy areas. These “[common spaces](#)” cover Economic issues & the environment; Freedom, Security & Justice; External Security; and Research & Education, including cultural aspects.

⁷ http://ec.europa.eu/external_relations/eastern/index_en.htm

⁸ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52008DC0823:EN:NOT>

⁹ http://ec.europa.eu/enlargement/pdf/key_documents/highlight/eu_regional_wester_balkans_2008-2009_en.pdf,

http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/ecofin/100327.pdf and

http://ec.europa.eu/enlargement/pdf/balkans_communication/western_balkans_communication_050308_en.pdf

¹⁰ http://ec.europa.eu/enlargement/balkans_communication/index_en.htm

¹¹ http://ec.europa.eu/external_relations/russia/index_en.htm

Since July 1997, DG ENTERPRISE has been playing a facilitator's role to the EU-Russia Industrialists' Round Table¹² in the framework of the Common Economic Space. IRT has six Task Forces, one of which is on the Financial Services (Financial Industry Task Force, FITF) co-chaired by the EBF and the Association of Russian Banks.

The FITF has elaborated Terms of Reference for a project aimed at bridging the gap in the EU and Russia's legislation in financial services. The project has recently been accepted for co-funding by the European Commission.

- **The EU Operational Programme France-Spain-Andorra 2007-2013¹³**

In May 2008, the European Commission approved a cross-border Cooperation Operational Programme between France, Spain and Andorra for the period 2007-2013. The Programme involves providing Community support as part of the European Regional Development Fund (ERDF) for specific French, Spanish regions that lie along their common border and Andorra. The Programme involves Community support for the 10 NUTS III border areas of both countries, plus 11 NUTS III adjacent areas.

The adopted Programme is a continuation of three generations of cross-border cooperation programmes between these countries in the framework of the INTERREG Community Initiative. The general objective of the cross border cooperation between France, Spain and Andorra for the 2007-2013 period is to strengthen economic and social integration of the cross-border area through cooperation.

The new Programme is directed towards competitiveness improvements, employment promotion and socio-economic enhancement and institutional integration in the border regions. The objective of the Programme reflects overall continuity of cooperation programmes while incorporating a new strategic approach. Focus will be placed on achieving real impact with the financed operations taking into account experiences previously gained.

¹² http://ec.europa.eu/enterprise/policies/international/listening-stakeholders/round-tables/index_en.htm#h2-eu-russia-industrialists%27-round-table

¹³ http://ec.europa.eu/external_relations/andorra/index_en.htm