

PO-CH/NL/0334

PART A

Part. A.

RESTRICTED

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notify REGISTRY of movement)

Begins: 24/5/89.
Ends: 20/6/89.



PO -CH /NL/0334



PART A

Chancellor's (Lawson) Papers:

EUROPEAN COMMUNITY
INSIDER DEALING
DIRECTIVE

PO -CH /NL/0334

PART A

DD's: 25 Years

8/11/95.

NEWS RELEASE

THE INTERNATIONAL STOCK EXCHANGE LONDON

49/89
24th May 1989

MG @ L

DRAFT EC INSIDER DEALING DIRECTIVE:
"AN INADEQUATE AND POTENTIALLY UNWORKABLE TEXT" STOCK EXCHANGE
CHAIRMAN TELLS GOVERNMENT

The Chairman of the International Stock Exchange, Andrew Hugh Smith, has written to the Hon. Francis Maude, Under Secretary of State for Corporate Affairs, about the Exchange's concerns regarding the draft Insider Dealing Directive.

He wrote as follows:

"I am writing as a matter of urgency to express my considerable concern at the way in which the Insider Dealing Directive is being negotiated to a tight deadline set by the Spanish presidency in Brussels.

"My concern does not reflect a lack of support for the principle behind the directive that insider dealing should be tackled on an EC basis: on the contrary this seems a highly desirable objective. But the way in which the directive is being drawn up looks set to lead to an inadequate and potentially unworkable text which will hinder the effective enforcement of insider dealing legislation in the UK.

"The subject of insider dealing - as the evolution of our own law demonstrates - is highly complex with many legal ramifications. Negotiations under considerable time pressure are not the best way to resolve these complexities. Several important difficulties have been identified with the revised version which the Presidency is proposing. Indeed there are still some nonsenses in the text which cannot be intentional and which are indicative of the problems of producing texts at such high speed. It is quite likely that there are other problems of detail which are not yet identified or which will emerge from the compromise tests which are being put forward with great rapidity in the attempt to come to a common position. Progress in some areas may well be counter-balanced by new problems arising out of the revised texts.

"I would urge the UK to use its influence to delay adoption of the Directive until a coherent text has been produced and fully discussed. I do not really see an alternative option; whatever changes are negotiated to the present text - and I understand that there is growing resistance from the Presidency to the making of substantial changes - the final version cannot be expected to be a practicable basis from which to enforce insider dealing legislation.



X) "Staff here are of course ready to support your Department in arguing our case for delay and further discussion of the draft text. We are doing our best to rally support for our views from our EC opposite numbers."

The Exchange has been in touch with a number of other interested bodies in the City who share the concerns expressed by Mr Hugh Smith. Its officials are in close touch with officials of the DTI over latest negotiating developments.

A detailed note covering the specific concerns of the Exchange in respect of the Insider Dealing Directive is attached.

[Handwritten scribble]
Re X: how what success?

CONCERNS REGARDING THE PROPOSAL FOR A DIRECTIVE COORDINATING REGULATIONS ON INSIDER TRADING

1. Summary

The Spanish Presidency are pushing very hard to have the proposal for a directive on Insider Dealing to be adopted before the end of their Presidency. Several very fundamental problems remain which the Stock Exchange does not believe can be satisfactorily resolved in the time available.

2. Objective

To ensure that sufficient time is given to consider the issues involved, and properly to study the consequences of any conclusions reached. This is likely to mean not adopting the directive during the course of the Spanish Presidency.

3. Timing

Immediate action is required: frequent meetings are taking place in Brussels at the moment, and the Spanish want a final decision to be made in the middle of June.

4. Background

- a. The Commission have been pushing for some considerable length of time for a Community Directive on Insider Dealing. The Commission's first proposal was made in 1987, revised in 1988 after receipt of the Parliament's Opinion.
- b. The principle of having a Community directive covering insider dealing appears now to be generally accepted throughout the Community. The difficulty is that in the haste to come to agreement the technical issues and consequences of various courses of action may not be taken fully into account. The Stock Exchange is in agreement that there should be a Community Directive in this area, but wishes to ensure that it is workable and neither makes criminals out of honest men nor allows genuine insider dealers to escape the consequences of their actions: the present draft threatens to do both these things.
- c. The drafting of the UK legislation in this area involved much detailed consideration, and the UK has built up considerable experience of dealing with insider information. It wishes to bring the advantage of that experience to the benefit of the whole Community. The worry is that Member States are being pushed into reaching agreement for political reasons, without taking proper account of the technical realities. The UK is worried that with qualified majority voting, it may not be able to achieve a blocking minority with the directive still in a very unsatisfactory state.

5. The concerns

a. The definition of an insider

It is necessary to define an insider with considerable precision to be sure that the right people are caught. The present draft is too widely drawn. It would include those who have legitimate reasons for dealing, including stockbrokers and market makers, analysts who have used public information to draw conclusions about a company, and those who have general economic information which might affect the price of more than one company. The Spanish Presidency appear to have tried to move some way to allay these concerns, but not far enough. They are proposing to include certain examples of those who might legitimately deal, even though in possession of inside information but the list cannot be expected to be exhaustive. It would be more appropriate to allow Member States to define types of business which could legitimately be done by those who would otherwise fall into the definition of an insider. Regarding general economic information, it is the UK experience that it would be almost impossible to enforce a law and prove that someone in possession of general economic information dealt in the shares of a particular company in order to take advantage of a change in price: it is more appropriate to refer to information specific to a company which would affect the price of its shares. It is necessary to bear in mind that Member States may go beyond the minimum requirements of the directive if they have markets where a change in the price of one company might have a significant affect on the price of shares in other companies.

b. Definition of secondary insider

It needs to be made clear that a secondary knows that it is inside information on which he is dealing and that it has come directly or indirectly from a primary insider. Otherwise, the situation would be created where anyone who dealt on the basis of an overheard conversation where he did not realise the information was insider information or a rumour which proved to be right could be convicted of insider dealing.

c. Disclosure of information by an insider

The present draft would prevent anyone who was defined as an insider from passing that information to anyone. This would prevent someone who found irregularities within his company from disclosing that fact to the relevant authorities or anyone assisting in an insider dealing investigation from cooperating with the investigating authorities. The reference should be to a prohibition on passing information where the informant has reason to believe that the person being informed will make use of the information to buy or sell securities to his advantage.

d. Changes to the directive on Admission of Securities to listing

The proposal at present introduces a change to the directive on the coordination of the conditions for admission of securities to official stock exchange listing (the Admissions Directive) and requires companies to disclose information about "any new circumstance, or important decision" which might have a significant effect on the price of the companies' securities. The Admissions Directive is narrower in that it relates to "any major new developments" which might have an affect on the assessment of a company's assets, liabilities, financial position or general course of its business. The requirement to reveal any new circumstance without the "major" qualification and any important decision is misconceived: companies have legitimate needs to maintain commercial secrecy and it often happens that a premature announcement of a decision to undertake a particular deal will lead to the deal being unable to completed. Similarly, companies should not be required to make announcements which will lead to unjustified speculation in their shares.

Some provision is made for a dispensation to be granted by the competent authority: we do not believe this to be practicable. The competent authority could potentially have several hundred current derogations at one time and it is neither sensible nor desirable to put it into the position where it is bound to take decisions which should properly be those of issuers and widens even further the number of people in possession of inside information. We do not believe that this is the place in which to undertake re-drafting of the Admission Directive.



FROM: J M G TAYLOR

DATE: 26 May 1989

A handwritten signature in black ink, appearing to be 'J.M.G. Taylor', written in a cursive style.

MR ILLITT

cc PS/Economic Secretary
Mr Scholar
Mr Odling-Smee
Mrs M E Brown

Handwritten initials 'J.M.G.' followed by the date '2/6' in a large, stylized font.

EC INSIDER DEALING DIRECTIVE

The Chancellor has seen the enclosed ISE News Release. He has noted that Mr Hugh Smith says that the Exchange is seeking to rally support for its views from its EC opposite numbers. He wonders how much success they are having - I would be grateful for advice.

A small handwritten mark or signature, possibly a checkmark or initials, located below the main text.

J M G TAYLOR

NEWS RELEASE

THE INTERNATIONAL STOCK EXCHANGE LONDON

49/89
24th May 1989

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"The subject of insider dealing - as the evolution of our own law demonstrates - is highly complex with many legal ramifications. Negotiations under considerable time pressure are not the best way to resolve these complexities. Several important difficulties have been identified with the revised version which the Presidency is proposing. Indeed there are still some nonsenses in the text which cannot be intentional and which are indicative of the problems of producing texts at such high speed. It is quite likely that there are other problems of detail which are not yet identified or which will emerge from the compromise texts which are being put forward with great rapidity in the attempt to come to a common position. Progress in some areas may well be counter-balanced by new problems arising out of the revised texts.

"I would urge the UK to use its influence to delay adoption of the Directive until a coherent text has been produced and fully discussed. I do not really see an alternative option; whatever changes are negotiated to the present text - and I understand that there is growing resistance from the Presidency to the making of substantial changes - the final version cannot be expected to be a practicable basis from which to enforce insider dealing legislation.



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- c. The drafting of the UK legislation in this area involved much detailed consideration, and the UK has built up considerable experience of dealing with insider information. It wishes to bring the advantage of that experience to the benefit of the whole Community. The worry is that Member States are being pushed into reaching agreement for political reasons, without taking proper account of the technical realities. The UK is worried that with qualified majority voting, it may not be able to achieve a blocking minority with the directive still in a very unsatisfactory state.

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FROM: N J ILETT (FIM2)

DATE: 1 JUNE 1989

EXT: 5549

PS/CHANCELLOR —

*Thanks.
I am glad to
write X.*

cc: PS/Economic Secretary
Mr Wicks
Mr Scholar
Mr Odling-Smee
Mrs M E Brown
Mr Sharples o/r

EC INSIDER DEALING DIRECTIVE

You asked for a note on the International Stock Exchange press release of 24 May, in which Mr Hugh Smith publicises his letter to Mr Francis Maude complaining about the detail of the draft Insider Dealing Directive. The Chancellor asked what success the ISE is having in rallying support for its views from its EC opposite numbers.

2. Martin Hall (ISE), who is behind the ISE's public campaign on this issue, admits that success has been limited. It is difficult to work up market representatives in other countries to make effective representations to the Commission or their own Governments; this is a problem we have noticed in other contexts. In particular, the hold of the French establishment over the relevant French bodies is such that they almost always sing the Tresor's tune. (We are of course not above using such tactics ourselves - most recently on the withholding tax, where we used ex-Treasury and ex-Bank contacts in the ISE, British Bankers' Association and National Association of Pension Funds, but the French are in a class of their own in this respect.)

X | 3. That said, DTI advise that the major difficulties with the Insider Trading Directive have been more or less fixed in COREPER. Lobbying by the ISE and by the BBA may have helped a little. The BBA do claim to have had some effect with their opposite numbers, though I do not put much weight on my source for that particular piece of information. A more realistic explanation of the

break-through in negotiations has been that senior people in ^{Brussels} ~~capitals~~ and some national capitals have come to realise the defects of the draft as it emerged from a hurried and narrow-minded working group. The Treasury's lobbying of some of our opposite numbers, at the DTI's request, has probably contributed to this.

M.

N J ILETT



FROM: D I SPARKES

DATE: 5 June 1989

MR N J ILETT (FIM2)

cc PS/Economic Secretary
Mr Wicks
Mr Scholar
Mr Odling-Smee
Mrs M Brown
Mr Sharples

imp

EC INSIDER DEALING DIRECTIVE

The Chancellor was grateful for your minute of 1 June commenting on the International Stock Exchange press release on the draft Insider Dealing Directive. He was glad to read that DTI advise that the major difficulties with the Directive have been more or less fixed in COREPER.

A handwritten signature in dark ink, appearing to be 'D. Sparkes'.

DUNCAN SPARKES

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TO IMMEDIATE FCO

TELNO 245

OF 200604Z JUNE 89

AND TO IMMEDIATE UKREP BRUSSELS

INFO ROUTINE OTHER EUROPEAN COMMUNITY POSTS

FROM UKREP BRUSSELS

FRAME ECONOMIC

ECOFIN COUNCIL 19 JUNE 1989

INSIDER DEALING

UKREP TELNO 2037

SUMMARY

1. COMMON POSITION REACHED BY UNANIMITY WITH NETHERLANDS AND GERMANY INSERTING UNILATERAL STATEMENTS TO CONFIRM, RESPECTIVELY THAT GENERAL INFORMATION IS NOT CAUGHT BY THIS DIRECTIVE AND THAT THE USE OF OTHER THAN ADMINISTRATIVE AUTHORITIES FOR CHECKING INSIDER DEALING OFFENCES IS POSSIBLE.

DETAIL

2. MINISTERS TODAY QUICKLY AND UNANIMOUSLY REACHED A COMMON POSITION ON THIS DRAFT DIRECTIVE, THUS CONFIRMING THE AGREEMENT IN PRINCIPLE REACHED AT COREPER ON 14 JUNE (SEE TUR). THIS MINIMUM STANDARDS PROPOSAL, WHICH MUST BE IMPLEMENTED BY 1 JUNE 1992, WILL REQUIRE MEMBER STATES TO MAKE INSIDER DEALING UNLAWFUL AND COOPERATE IN OBTAINING AND EXCHANGING INFORMATION ABOUT IT. INSIDE INFORMATION IS DEFINED AS NOT HAVING BEEN MADE PUBLIC, BEING OF A PRECISE NATURE AND RELATED TO ONE OR SEVERAL ISSUES OR ISSUERS OF TRANSFERABLE SECURITIES: AND LIKELY, IF MADE PUBLIC, TO HAVE A SIGNIFICANT EFFECT ON THE PRICE OF THE SECURITIES IN QUESTION. THE PROPOSAL THEN PROHIBITS 4 TYPES OF ACTIVITIES:-

(I) A PRIMARY INSIDER, DEFINED AS HAVING A CLOSE RELATIONSHIP WITH THE COMPANY TO WHICH THE INSIDE INFORMATION RELATES, MUST NOT TAKE ADVANTAGE OF THAT INFORMATION "WITH FULL KNOWLEDGE OF THE FACTS" BY BUYING OR SELLING TRANSFERABLE SECURITIES FOR HIS OWN ACCOUNT OR FOR A THIRD PARTY.

(II) A PRIMARY INSIDER MUST NOT DISCLOSE INSIDE INFORMATION TO ANY OTHER PERSON, SAVE IN THE NORMAL COURSE OF HIS EMPLOYMENT, PROFESSION OR DUTIES (THOUGH AN EXCEPTION IS MADE FOR "WHISTLE BLOWING" TO COMPETENT AUTHORITIES, THE POLICE ETC).

(III) A PRIMARY INSIDER MUST NOT RECOMMEND OR PROCURE ANY OTHER PERSON TO DEAL IN TRANSFERABLE SECURITIES.

(IV) A SECONDARY INSIDER, DEFINED AS ONE WHO MUST ULTIMATELY HAVE

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245

RECEIVED INSIDE INFORMATION FROM A PRIMARY INSIDER, MUST NOT TAKE ADVANTAGE OF THAT INFORMATION - AGAIN WITH FULL KNOWLEDGE OF THE FACTS - IN BUYING OR SELLING TRANSFERABLE SECURITIES.

4. ELSEWHERE IT IS CLARIFIED (IN THE RECITALS) THAT MARKET MAKERS (INCLUDING LEAD MANAGERS IN STABILISATION OPERATIONS), RESEARCHERS AND ANALYSTS AND INTENDING TAKEOVER BIDDERS ARE EXCLUDED: AND (IN THE TEXT AND A DECLARATION) THAT TRANSACTIONS WHICH ARE PART OF MONETARY, EXCHANGE RATE AND NATIONAL DEBT MANAGEMENT (INCLUDING MANAGEMENT OF THE RESERVES) ARE ALSO EXEMPTED.

5. FINALLY THE TERRITORIAL SCOPE OF INSIDER DEALING IS SPECIFIED AS "THE LOCATION OF THE TRANSACTION" AND THERE ARE ACCOMPANYING PROVISIONS FOR INCREASED COOPERATION BETWEEN MEMBER STATES' COMPETENT AUTHORITIES TO ASSIST IN THE PURSUIT OF INSIDER DEALING OFFENCES IN THE COMMUNITY.

6. IN THE BRIEF DISCUSSION TODAY, BASED ON A PRESIDENCY REPORT (7445/89) AND THE LATEST TEXT (7446/89) ALL OUTSTANDING RESERVES WERE LIFTED. HOWEVER RUDING (NETHERLANDS) GAVE NOTICE THAT HE WOULD BE INSERTING A UNILATERAL DECLARATION IN CONNECTION WITH THE DEFINITION OF INSIDER INFORMATION IN ARTICLE 1.1, ALONG THE FOLLOWING LINES:

"THE NETHERLANDS DELEGATION IS OF THE OPINION THAT GENERAL INFORMATION DOES NOT COME WITHIN THE SCOPE OF THIS DIRECTIVE". TIETMEYER (GERMANY) ALSO WISHED TO INSERT A UNILATERAL DECLARATION ON THE POWERS OF COMPETENT AUTHORITIES IN ARTICLE 7 ROUGHLY AS FOLLOWS:

"THE FEDERAL REPUBLIC OF GERMANY ASSUMES THAT UNDER ARTICLE 7 IT IS STILL POSSIBLE TO USE OTHER THAN ADMINISTRATIVE AUTHORITIES TO CARRY OUT THE CHECKING OF INSIDER DEALING AS UNDER THE CURRENT GERMAN SYSTEM".

7. SOLCHAGA (PRESIDENCY) ACCEPTED BOTH STATEMENTS AND CONCLUDED THAT A COMMON POSITION HAD BEEN REACHED UNANIMOUSLY. SIR L BRITTAN (COMMISSION) WELCOMED THIS AGREEMENT AS AN ESSENTIAL STEP TOWARDS THE CREATION OF THE SINGLE MARKET.

8. AFTER TIDYING UP IN JURISTS/LINGUISTS, THE DRAFT DIRECTIVE WILL NOW RETURN TO THE EUROPEAN PARLIAMENT FOR ITS SECOND READING UNDER THE COOPERATION PROCEDURE.

CAMPBELL

YYYY

ADVANCE 16

TURNER FCO 1

KEEFE FCO 1

HAWKINS ERD FCO 1

ALTY CAB 1

STOW DTI 1

MOUNTFIELD DTI 1

WILLOTT DTI 1

PS/MR MAUDE DTI 1

CARTER DTI 1

DUNSTAN DTI SOLS 1

BOVEY DTI 1

SYMES TSY 1

RYDING TSY 1

D' MARR TSY 1
A CLARK BANK 1
N CARTER BANK 1
MAIN 0
HOME ECONOMIC 1
IRREP DIST: THOMSON BOSTOCK ECON

LMLNAN 5373

Ch. Mr Odling-Smee assigns me that it is so, that we may get some grumbles from time to time (The enclosed letter from Mr Hugh Smith is a good example of this - it arrived too late for anything to be done, + the Stock Exchange have since told Mr O-S that they did not expect anything in response anyway).

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OF 200600Z JUNE 89

AND TO IMMEDIATE UKREP BRUSSELS

INFO PRIORITY WASHINGTON, UKMIS GENEVA, TOKYO, GIBRALTAR, UKDEL OECD

INFO ROUTINE OTHER EUROPEAN COMMUNITY POSTS

FROM UKREP BRUSSELS

FRAME ECONOMIC

ECOFIN COUNCIL 19 JUNE 1989

SUMMARY TELEGRAM

21/6

1 trans positive feedback which all the members will be advised that

TEL NO 241

1. THIS COUNCIL WAS MARKED BY 3 CONSIDERABLE SUCCESSES FOR THE SPANISH PRESIDENCY: AGREEMENT ON THE INSIDER DEALING DIRECTIVE, THE SECOND BANKING COORDINATION DIRECTIVE AND THE SOLVENCY RATIOS DIRECTIVE (IN THE 2 LATTER CASES WITH SOME COMITOLOGICAL LOOSE ENDS TO BE TIED UP BY COREPER). THE INSIDER DEALING DIRECTIVE WILL ESTABLISH MINIMUM REQUIREMENTS FOR LEGISLATION AGAINST INSIDER DEALING. THE SECOND BANKING DIRECTIVE PROVIDES THE 'SINGLE LICENCE' UNDER WHICH A BANK AUTHORISED IN ONE MEMBER STATE CAN CARRY OUT BUSINESS IN ALL OTHER MEMBER STATES. THE SOLVENCY RATIOS DIRECTIVE ESTABLISHES MINIMUM STANDARDS OF CAPITAL ADEQUACY WITH WHICH BANKS MUST CONFORM - LEVELLING THE PLAYING FIELD FOR COMPETITION IN THE UNIFIED COMMUNITY BANKING MARKET. WHEN THESE 2 BANKING DIRECTIVES COME INTO FORCE (AND THEY HAVE FIRST TO GO THROUGH A SECOND READING IN THE EP) THE COMMUNITY WILL HAVE A BANKING MARKET WHICH IS IN PRINCIPLE MORE UNIFIED THAN THAT OF THE UNITED STATES.

2. ALL 3 DIRECTIVES WERE AGREED ON A BASIS ACCEPTABLE TO THE UNITED KINGDOM, WITH A NUMBER OF DETAILED POINTS GAINED TODAY ON THE PROTECTION OF THE DISCOUNT HOUSES AND OTHER SIMILAR INSTITUTIONS AND THE IMPLICATIONS OF THE BANKING DIRECTIVE FOR OUR 'FUNCTIONAL' ARRANGEMENTS FOR PRUDENTIAL SUPERVISION OF FINANCIAL INSTITUTIONS.

3. THE AGREEMENT REACHED TODAY REFLECTED SUSTAINED AND DETERMINED EFFORTS BY THE SPANISH CHAIRMEN OF COREPER AND WORKING GROUPS OVER THE LAST FEW WEEKS AND CHAIRMANSHIP BY SOLCHAGA OF HIGH QUALITY TODAY.

4. THE COUNCIL ALSO APPROVED THE REWEIGHTING OF THE ECU, A COMMON POSITION ON THE REVISION OF THE FINANCIAL REGULATION, CONCLUSIONS BROADLY ENDORSING THE COMMISSION'S NEW COMMUNICATION ON THE ABOLITION OF FISCAL FRONTIERS AS A BASIS FOR FURTHER WORK, AND THE 18TH VAT DIRECTIVE: AND GAVE ITS APPROVAL TO AN AMBITIOUS COMMISSION WORK PROGRAMME FOR COMBATTING FRAUD AGAINST THE COMMUNITY BUDGET. ONLY ON THE PACKAGE OF 3 CROSS FRONTIER TAX MEASURES DID THE COUNCIL (PREDICTABLY) MAKE NO PROGRESS.

5. THE ECONOMIC SECRETARY, MR LILLEY REPRESENTED THE UNITED KINGDOM.

6. SUMMARY OF POINTS AGREED BELOW. ITEMS NOT RECORDED SEPARATELY MARKED (X).

A POINTS (X)

7. ALL AGREED AS IN DOC 7438/89, INCLUDING FINAL ADOPTION OF RESOLUTION ON IMPLEMENTATION OF EC STATISTICAL PROGRAMME 1989-92 AND DECISION ESTABLISHING A STATISTICAL PROGRAMME COMMITTEE.

REWEIGHTING OF ECU AND SPANISH MEMBERSHIP OF ERM

8. REWEIGHTING OF ECU FORMALLY AGREED. SOLCHAGA ANNOUNCES INCLUSION OF PESETA IN EMS EXCHANGE RATE MECHANISM.

SECONDING BANKING COORDINATION DIRECTIVE

9. COMMON POSITION REACHED BY QUALIFIED MAJORITY WITH GERMANY ALONE OPPOSING FOR TACTICAL REASONS ON COMITOLGY. ALL UK POINTS SUCCESSFULLY COVERED INCLUDING CLARIFICATORY STATEMENT OF COMPETENT AUTHORITIES COVERING ALSO THE SIB, SROS ETC, INCREASED 'GATEWAYS' IN THE PROFESSIONAL SECRECY PROVISIONS AND AMENDMENTS TO ENSURE THE MINIMUM OF REGULATORY GAP AS REGARDS NON-BANKS' SUBSIDIARIES OF BANKS BENEFITTING FROM THE 'SINGLE PASSPORT' AUTHORISATION OF THEIR PARENT. SATISFACTORY SOLUTIONS ON RECIPROCITY: OTHER COMITOLGY POINTS REMITTED TO COREPER.

SOLVENCY RATIOS

10. COMMON POSITION REACHED ON PRESIDENCY COMPROMISE WITH SATISFACTORY EXEMPTION FOR DISCOUNT HOUSES AND 10 PERCENT WEIGHTING ON LENDING TO DISCOUNT HOUSES. GEMMS AND SEMBS BUT WITH THE TIME LIMITS ON CONCESSIONARY RISK WEIGHTING ON FRENCH CREDITS BAIL AND LENDING BACKED BY MORTGAGES ON OTHER THAN RESIDENTIAL PROPERTY.

INSIDER TRADING

11. COMMON POSITION REACHED BY UNANIMITY WITH NETHERLANDS AND

GERMANY INSERTING UNILATERAL STATEMENTS TO CONFIRM, RESPECTIVELY THAT GENERAL INFORMATION IS NOT CAUGHT BY THIS DIRECTIVE AND THAT USE OF OTHER THAN ADMINISTRATIVE AUTHORITIES FOR CHECKING INSIDER DEALING OFFENCES IS POSSIBLE.

ABOLITION OF FISCAL FRONTIERS

12. PROCEDURAL RECOMMENDATIONS AGREED: AD HOC GROUP TO BEGIN WORK ON COMMISSION'S COMMUNICATION AND ALTERNATIVE APPROACHES IN JULY, REPORTING TO COREPER IN TIME FOR 9 OCTOBER ECOFIN.

DIRECT TAX MEASURES TO ENCOURAGE CROSS BORDER COOPERATION

13. GERMANY AND THE NETHERLANDS REMAIN UNABLE TO RECONCILE THEIR DIFFERENCES OVER WITHHOLDING TAX ON DISTRIBUTED PROFITS.

18TH VAT DIRECTIVE

14. COMMON POSITION AGREED.

FRAUD

15. SHORT STATEMENT BY SCHMIDHUBER SUMMARISING PROGRESS MADE BY COMMISSION SINCE MARCH ECOFIN. ALL DELEGATIONS THAT SPOKE EXPRESSED SUPPORT FOR COMMISSION'S WORK. PRESIDENCY TABLED CONCLUSIONS COVERING ALL KEY POINTS. BRIEF DISCUSSION OF HANDLING OF FRAUD AT EUROPEAN COUNCIL, BUT PRESIDENCY MADE CLEAR INFORMALLY THAT THEY COULD ACCEPT REFERENCE TO FRAUD IN EUROPEAN COUNCIL CONCLUSIONS.

FINANCIAL REGULATION

17. COMMON POSITION ON NEW FINANCIAL REGULATION ADOPTED, WITH NO CHANGES FROM PRESIDENCY COMPROMISE TEXT.

LUNCHTIME DISCUSSION: DEBT, TAXATION OF SAVINGS, MONEY LAUNDERING

18. NO SUPPORT FOR SPANISH IDEAS ON DEBT, BUT PAPER PROMISED FOR EUROPEAN COUNCIL. NO INDICATION AS TO HOW FRENCH PRESIDENCY WILL DEAL WITH TAX ON SAVINGS. INCONSEQUENTIAL EXCHANGE ON MONEY LAUNDERING.

19. FOR DETAILS SEE MY 11 IFTS.

CAMPBELL

YYYY

Some not yet sent / received.

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