



EUROPEAN PARLIAMENT

DIRECTORATE-GENERAL FOR RESEARCH
DIRECTORATE A
DIVISION FOR INTERNATIONAL AND CONSTITUTIONAL AFFAIRS

FACTSHEET

HUNGARY

Chapter 3 - Freedom to provide services

1. The acquis ¹

The acquis in this chapter relates to Article 43 EC on freedom of establishment and Article 49 EC on the freedom to provide services.

- Financial services: Banking, Insurance, investment services and securities markets. The acquis lays down minimum requirements for the different types of institutions in order to create a uniform minimum standard based on the principles of minimal harmonisation of authorisation conditions and the prudential rules, home country control and single licence, mutual recognition of national supervisory standards.
- A directive on the protection of personal data and the free movement of such data.
- Directives on the freedom of establishment and freedom to provide services for craftsmen, traders and farmers.
- A directive on self-employed commercial agents.
- Information society directives on the provision of information in the field of technical standards and regulations and of rules, and on the legal protection of services on conditional access.

This chapter is closely linked to others, particularly free movement of capital and of persons. In addition to alignment, the establishment of an effective regulatory infrastructure is particularly important in order to implement the acquis and ensure an efficient and well-supervised financial sector. There is close monitoring by the Commission in cooperation with the Member States.

Most candidates began transposing the acquis some time ago, also in the framework of the Europe Agreements. However, a significant amount remains to be done, both in financial services and the primary treaty provisions on right of establishment and to provide services, those countries which made an early start on economic and financial reform and harmonisation being furthest advanced.

¹ Information largely drawn from the European Commission, DG Enlargement
<http://europa.eu.int/comm/enlargement/negotiations/index.htm>

2. The negotiations

The chapter has been closed with ten countries and provisionally closed with Bulgaria, while it remains open with Romania. For several countries, transition periods of up to 5 years have been agreed, and some have been accorded exemption from the banking *acquis* for very small institutions such as credit unions.

Chapter opened July 1999

Status Closed December 2002 (provisionally closed in February 2001)

Transitional arrangements

- Exclusion of two specialised banks; lower level of investor compensation until end 2007.

3. Latest Assessment of the European Commission ¹

In its 1997 Opinion, the Commission concluded that the *acquis* in this sector had already been largely transposed and that important progress had been achieved. Considerable progress had been made in adopting the *acquis* relating to financial services (banks). Regarding the financial market, the legislative framework was said to be largely in compliance with EC criteria on many points. The Commission indicated however that full free establishment in the areas of banking and insurance had still to be adequately introduced in the sectors' legislative frameworks and duly implemented.

Since the Opinion, Hungary has made steady progress in most areas of the chapter, both in terms of legislation and in bolstering the administrative and regulatory infrastructure required to supervise the financial services sector. Hungary's alignment process is now well advanced, but further legislative alignment is still needed with regard to some aspects of the *acquis*.

Negotiations on this chapter have been provisionally closed. Hungary has been granted a transitional period (until 31 December 2007) to ensure its legislation on investor compensation schemes fully complies with the *acquis*. Hungary has been granted exclusion of two specialised institutions from the scope of application of the banking directives. Hungary is generally meeting the commitments it has made in the accession negotiations in this field.

In order to complete preparations for membership, Hungary's efforts now need to focus on completing alignment with regard to securities and data protection, strengthening the existing supervisory institutions and facilitating rules on effective establishment and the provision of cross-border services.

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¹ European Commission, Regular Report on Hungary 2002, p.59:
http://www.europa.eu.int/comm/enlargement/report2002/hu_en.pdf