market transparency. The regulations are in place, but market efficiency and substantial savings as a result of open competition are still some ways off.

The *Cecchini Report* calculated the prices of 16 financial products and then evaluated potential cost reductions due to the creation of a unified market (Table 12). The study took into account that the market will not be totally integrated and that competition is never perfect. A single price would be unlikely to prevail except for services such as foreign exchange. The implied price falls have been halved to compensate for special situations given potential price reduction. The study conceded a 5 per cent margin of error.

In banking, Spain has the highest prices and would thus see the sharpest decline. France and Italy would be moderately affected, while the least impact would be felt in the Benelux countries.

Table 12 shows the large price differences among countries and among the various types of services. As a general rule, prices of products and services for individual customers vary widely compared to those directed to large corporation; products and services directed to the latter are more international and highly competitive. The exceptions usually occur in very protected and regulated markets, such as Spain and Italy, and create inefficiencies and high costs. Market unification is starting to change this.

In the securities sector, the lowest prices are found in the Federal Republic of Germany and the Netherlands. The very low cost of large transactions in London is due to the "Big Bang," the deregulation process and free access to the London market of 1987 and reflects the huge volume of wholesale transactions. Belgium and Italy are heavily dependent on Treasury bonds to finance public debt and are subject to specific regulations. In Spain, the high price of transactions is due to a narrow market.

In the insurance sector, large differences are the consequence of specific regulations. Traditionally, northern Europe has been more open to international competition in financial products, as can be observed in the U.K. and in the Netherlands. In France, insurance products are heavily taxed.

2.5 Insurance

The Commission's objective is for a single insurance licence to enable companies legally established in one Member State to offer the full range of their products in another Member State, just as will be the case with banking.

Freedom to offer services has increased through the Second Non-Life Insurance Directive, covering large industrial and commercial risks, and the Second Life Insurance Directive, covering individuals shopping abroad for the best prices and coverage. Supervision is left to the insurer's country of establishment and control is given to us (home country) on the grounds that consumers are making informed choices and do not need special protection.

The freedom to go abroad for non-life, life insurance and private pension funds will apply to people who buy insurance, not to those who sell it. That leaves out a large part of the insurance industry's distribution system, which sells products directly but also through brokers and other intermediaries. Insurance contracts are more often signed through an active sale by a company agent or broker than through a direct client demand.

Insurance companies have been adapting to market integration by building up European groups large enough to resist competition from major American and Japanese companies, and by creating networks of national companies covering a large perimeter.