Opinion of the Economic and Social Committee on the 'Proposal for a European Parliament and Council Directive amending Council Directive 91/308/EEC of 10 June 1991 on prevention of the use of the financial system for the purpose of money laundering'

(2000/C 75/10)

On 5 October 1999 the Council decided to consult the Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the above-mentioned proposal.

The Section for Economic and Monetary Union and Economic and Social Cohesion, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 10 January 2000. The rapporteur was Mr Pelletier.

At its 369th plenary session (meeting of 26 January 2000), the Economic and Social Committee adopted the following opinion by 81 votes to 11, with 10 abstentions.

1. **Introduction**

1.1. In its opinion of 19 September 1990 on the First Directive on prevention of the use of the financial system for the purpose of money laundering [1], the ESC fully agreed with stepping up the repression of serious criminal activities condemned by the international community, and more particularly those connected with drug trafficking.

1.2. Several remarks made in this opinion were finally adopted.

1.3. The ESC also approved the setting-up of machinery based on the use of information resulting from compulsory transit through banking channels and financial institutions in general.

1.4. Since 1991, when the First Directive was implemented, the Council, the Commission and the European Parliament have constantly called for stiffer action against organised crime and an overall action programme to bring this about, containing concrete recommendations (see in particular the resolutions of the Dublin Council of December 1996 and the action programme of the Amsterdam Council of June 1997).

1.5. Most recently, the Tampere Council of 15 and 16 October 1999 devoted a considerable part of its recommendations to combating crime on an EU scale.

1.6. In addition to these recommendations aimed at strengthening co-operation between the authorities in the Member States, the Council has devoted a chapter to specific action to combat money laundering, recommending that the proposed amendment to the directive which is the subject of this opinion be adopted as soon as possible.

1.7. The Commission recently published a very important communication on the 2000-2004 Action Plan to combat drugs [2], which will be the subject of an ESC opinion.

2. **General comments**

2.1. The sheer scale of money laundering upsets the workings of the world financial system.

2.2. The origins of the funds concerned are very varied. Some cases are spectacular, such as the diversion of international aid from the IMF to countries such as Russia, but it is more difficult to detect when it comes from complex financial schemes set up by legal specialists having close links with offshore havens that are free from the disciplines and controls that the European Union and some of the western world have been trying to put into place over the past decade.

2.3. The strengthening of the means used since the 1991 Directive to combat money laundering is undoubtedly spectacular.

2.4. Nevertheless, it is still necessary to compare both the concrete action and declared intentions of the EU in this area with the actual impact on the volume of traffic and the estimated revenue that has resulted from it.

2.5. In the ESC opinion of 1990, available information set the amount of drug traffic at between USD 300 and 500 bn. Instead of declining, this traffic is now said to be running at 8 % of total world trade, according to UN statistics and information provided by the Financial Action Task Force on Money Laundering (FATF). Money laundering, for its part, is said to represent between 2 % and 5 % of world GDP each year, or more than USD 1 000 bn.

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[1] OJ C 332, 31.12.1990, p. 26.

[2] COM(1999) 239 final.

2.6. In targeting the laundering of money linked with drug trafficking, the action taken by the EU and the Member States has lost sight of the absolute need to combat the problem at its source, i.e. on the ground, the selling of drugs, when the whole sequence of laundering operations is based on the retail selling of drugs to the unfortunate addicts.

2.7. The fight against money laundering cannot be separated from the fight against those who collect funds, whether it be within the framework of organised crime, which implies the involvement of complex structures, or in the simpler and more diffuse form of 'dealers' collecting a multitude of small sums representing the price of drug doses sold to the unfortunate addicts, the accumulation of which is the origin of the laundering process [1].

2.8. While recognising that police and legal repression is above all a matter for the Member States and does not fall within the scope of the present proposal for a directive, the ESC regrets that the directive does not stress the obvious link between police and legal repression of trafficking and that of the laundering of the proceeds from it. This is absolutely essential. Despite their efforts, financial intermediaries cannot take the place of the entire police and legal system; that is not their role.

2.9. The European Council in Tampere in October 1999 seemed to be moving in this direction when it called for 'the establishment of a European Police Chiefs operational Task Force to exchange, in co-operation with Europol, experience, best practices and information on current trends in cross-border crime and contribute to the planning of operative actions' [2].

2.10. The ESC opinion of 1990 noted that 'it is essential that the present proposal be backed up by the harmonisation of laws and practices designed to prevent drug consumption' [3].

2.11. The ESC fully shares the Commission's concern to see the FATF's efforts embracing the largest possible number of countries in order to create a worldwide anti-money laundering network.

2.12. The FATF's work here to establish criteria to identify countries and jurisdictions that can be considered as 'non-co-operative' in the fight against money laundering is a key part of the action plan. A list of these countries is being prepared by the FATF, with a view to publication in mid-2000.

2.13. The European Council in Tampere stressed the need to conclude agreements with offshore centres in non-EU countries in order to ensure effective and transparent co-operation, in line with the FATF's recommendations.

2.14. The ESC is convinced that the fight against money laundering must be tackled on a worldwide basis and regrets that the Council and the Commission are not playing a greater part in concerted action with the United Nations and the International Monetary Fund (IMF).

2.15. At its last annual meeting in September 1999, the IMF once again reaffirmed its determination to fight organised crime, drug trafficking and money laundering. The ESC feels that there must be better consultation between the EU and the IMF, because the latter is the only institution able to take measures comparable to those of the EU and apply them on an international scale.

2.16. The ESC approves the plan to impose a very high standard of constraints on the EU, exceeding the updated 40 FATF recommendations, by involving certain professions more actively in the fight against money laundering. One must note that the financial professions concerned by the 1991 Directive are under an obligation to provide their staff with a code of good conduct and a detailed guide to the directive. There is little doubt that the new professions concerned will be just as concerned to explain things.

2.17. The ESC feels that the countries seeking EU membership must be obliged to accept the incorporation into the acquis communautaire of anti-money laundering rules. It would not be enough for the directive to be simply formally incorporated into the legislation of the candidate countries as the acquis communautaire unless concrete measures were taken to ensure it was applied (e.g. beefing up the police and judiciary, joining the FATF, Interpol and Tracfin).

2.18. The strengthening of technical assistance in this area from the Commission to the candidate countries should be an essential part of partnership agreements.

2.19. The ESC would particularly draw the Commission's attention to the sensitive period of the changeover to the euro, which may well be favourable to cash transactions resulting from money laundering. Although a limit of 15 000 euros has been fixed for declaring sums, it will be very easy to get around

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(1) See the Commission communication on a European Union Action Plan (2000-2004) to combat drugs and the ESC opinion — OJ C 51, 23.2.2000.

(2) Conclusions of the European Council of Tampere, 15 and 16 October 1999.

(3) See point 1.5 of the opinion on the Proposal for a Council Directive on prevention of the use of the financial system for the purpose of money laundering OJ C 332, 31.12.1990, p. 86.

this rule by submitting requests in several institutions for conversions below the threshold. In any case, it will be difficult to distinguish between hoarded and laundered notes.

2.20. Efficient feedback from the investigating authorities to the banks should improve the motivation of bank staff and the quality of reports. It should also enable banks to assess whether their training is adequate. And finally, efficient feedback should prevent banks from carrying out laundering transactions inadvertently. All in all, an efficient feedback system should lead to better results in the fight against money laundering.

2.21. Of course, the national authorities cannot breach the secrecy of investigation proceedings. Efficient feedback should at least include general information providing statistical data. Ideally, it should also include some specific information provided on a confidential basis to the reporting institution: for instance, an acknowledgement of receipt of the disclosure of a suspicious transaction, information on the decision taken by the competent authorities subject to compliance with the secrecy of investigation proceedings, and a copy of any judgement referring to a specific case.

3. **Implementation of the 1991 Directive**

3.1. The ESC has noted that the Commission, in its two reports to the Council and the European Parliament ([1]), believes that the 1991 Directive has been well implemented by the Member States and that the financial sector, and in particular the banks, have made a real effort to help prevent the entry of criminal money into the financial system.

3.2. Information gathered from FATF representatives and the IMF's report confirms the Commission's remark.

3.3. As controls in the banking sector have been tightened, launderers have sought other means to disguise the illegal origin of their funds; this represents a major challenge for the whole international community, and not just the EU.

4. **The Action Plan to combat organised crime**

4.1. The explanatory memorandum to the draft directive shows that the Council backs up the Commission's Action Plan to the hilt.

4.2. The prohibition of money laundering has now taken a big step forward since money laundering has been made a criminal offence in all the Member States.

([1]) COM(95) 54 final and COM(1998) 401 final.

5. **The prohibition of money laundering**

5.1. Following the recommendation of the FATF in 1996, the Council agreed on 3 December 1998 to the implementation of Article 6 of the Strasbourg Convention, which deals with laundering offences and plans to criminalise the proceeds of all serious offences carrying a maximum sentence of more than one year or a minimum sentence of more than six months. This is a big step forward in the repression of drugs-based crime.

6. **The coverage of financial sector activities**

6.1. Following the recommendations of the European Parliament, the draft directive tightens up the definition of the financial institutions concerned by including exchange offices, money remittance offices and investment firms as defined in the Investment Services Directive (ISD).

7. **The coverage of activities outside the financial sector**

7.1. The European Council of December 1996 in Dublin and the annual reports of the FATF concluded that laundering increasingly uses non-banking financial institutions and non-financial firms, because banks abide more strictly by anti-laundering measures, so the Commission is proposing, with the agreement of the European Parliament, to extend the scope of the directive to cover occupations and types of enterprise which can be considered to be involved in money laundering-related activities.

7.2. In its resolution of March 1999 the European Parliament proposed extending the scope of the directive considerably to include estate agents, art dealers, auctioneers, casinos, exchange offices, transporters of funds, solicitors, accountants, lawyers, tax advisers and auditors.

7.3. The various authorities that have had to deal with laundering practices, such as the UN Office for Drug Control and the High Level Group on Organised Crime set up by the Dublin Council, have all noted the trend towards using specialists, especially in law, to set up complex schemes involving shell companies, trust funds etc. to mask the origin and ownership of tainted funds ([2]).

([2]) Cf. 'Drug money in a changing world: Economic reform and criminal finance' — UN International drug control programme 1996 — which shows the key role of 'international business companies', especially in the Caribbean, used by criminal organisations because of the near-impossibility of unravelling the origin of the huge amount of funds they manage.

7.4. The Commission has included most of the activities mentioned by the European Parliament, though it has strong reservations about the inclusion of art dealers and auctioneers given the problem of defining the exact coverage and definition of such activities and the problems of monitoring the application of any rules, which — it should be remembered — would make it obligatory to reveal clients' names and pass on any suspicions about money laundering to the relevant authorities in the Member States.

7.5. The Commission also feels that any extension to art dealers would also raise the question of applying the same obligations to any dealer in high value items, including, for example, luxury car dealers, jewellery shops or stamp and coin dealers.

7.6. The draft directive has adopted a prudent attitude regarding lawyers, bearing in mind their professional duty of discretion and confidentiality. Lawyers would be exempted from any requirement in any situation connected with the representation or defence of a client in legal proceedings.

7.7. Outside these cases, Member States would be given the option of allowing lawyers to communicate their suspicions not to the normal anti-money laundering authorities but to their bar association or equivalent professional body. It should be noted that in some EU countries lawyers are authorised to carry out financial transactions and hold funds. Such activities complicate application of the directive to the legal profession.

7.8. Appropriate sanctions should be introduced where a report to the bar association should have been made but was not made.

7.9. The scope of the directive would only be extended to cover notaries and other independent legal professionals in respect of financial transactions or activities on behalf of companies where there was a high risk of money laundering.

8. **Identification of customers in non-face-to-face transactions**

8.1. The draft directive lays down the same recommendations for identifying customers in cases of non-face-to-face transactions. There is a grey area regarding how the directive is to apply to Internet transactions.

8.2. In its action programme on organised crime, the European Council of Amsterdam stressed that technological innovations such as the Internet and e-banking were highly efficient tools for crime, fraud and corruption. It emphasised that the means for preventing and stamping out such criminal activities 'were almost always lagging behind' ([1]).

8.3. Electronic funds transfer (by the Internet) is instantaneous and — with the help of a few simple techniques that anyone can do — easy to hide without leaving any trace. Moving funds through a non-co-operative country or using a shell company is enough to paralyse controls in the EU.

8.4. Consequently, it is the actors on the financial markets — rather than the transfers — who must be checked. The ESC stressed this need in its opinion of 27 January 1999 ([2]) on the legislation applicable to electronic money institutions, which highlighted the danger of allowing on to the market electronic money institutions who were subject to extremely lax regulations.

8.5. The ESC shares the view of the Commission that banks must have adequate procedures to identify customers in non-face-to-face financial transactions. However, it believes that the annex to the proposed directive is not the appropriate tool to achieve this purpose.

8.6. The absence of face-to-face contact between the bank and the customer indeed does not prevent a proper identification by means of supporting evidence as it is already stipulated in Article 3 of the 1991 Directive and effectively applied by banks. Among other things, this identification can be entrusted to a proxyholder or a trustworthy third party (for example, another credit or financial institution, a notary or an embassy) or can be made through registered mail.

8.7. The electronic signature should also be considered as supporting evidence, especially since the recent adoption of the Directive on a Common Framework for Electronic Signatures. In the ESC's view, the development of non-face-to-face financial transactions does not justify new rules of identification.

8.8. On the contrary, flexibility is absolutely necessary in order to encompass rapid developments in distance banking. This flexibility is guaranteed by the broad wording of 'supporting evidence'. Banks should only be required to have in place adequate supporting evidence of identification of their customers in non-face-to-face financial operations. The method of identification should be left to them. In general, the annex as such gives some good examples of possible procedures for identifying customers in non-face-to-face financial operations, but it would be quickly out-of-date as and when new ways of both distance banking and identification are developed.

8.9. Should the decision be taken to maintain the annex, the ESC urges the European authorities to make clear that the annex has a non-binding character and only serves as a guideline offering non-exhaustive solutions for the identification of customers in non-face-to-face financial transactions. Spelling out the non-binding character of the annex would allow the necessary flexibility for such procedures of identification.

([1]) Introduction to the action programme on organised crime — Amsterdam, 28 April 1997.

([2]) OJ C 101, 12.4.1999, p. 6.

9. **Exchange of information**

9.1. The Commission provides for an exchange of information concerning money laundering by proposing such an exchange in cases of illegal activities related to the European Communities' financial interests (this extension is criticised in the article-by-article assessment).

10. **Need for a regular review of the Union's action in this area**

10.1. The Commission intends to continue making regular reports on the implementation of the directive only to the Council and the European Parliament. The ESC feels that it has particular expertise on such matters and deplores the fact that it is not to be consulted on the extension of a directive submitted to it for an opinion.

11. **Comments on the individual articles in the proposed directive**

— Article 1 (replacing Article 1 in Directive 91/308)

1) The extension of the scope of the directive to cover exchange offices, transporters of funds, insurance firms (for activities covered by the directive) and investment firms does not give rise to any objection to the extent that it is a supplement to the definitions in the basic directive 77/780/EEC.

2) It is necessary to stress the importance of covering branches located in the EU of financial institutions with their registered offices inside or outside the EU.

3) The ESC feels that the directive should also apply to branches or subsidiaries of EU financial institutions located in non-EU countries, especially in countries that have not adopted equivalent supervisory and anti-laundering measures (offshore territories, tax havens, etc.).

4) Paragraph (E) — definition of 'criminal activity'

The extension of the definition to cover 'fraud, corruption or any other illegal activity damaging or likely to damage the European Communities' financial interests' may push financial institutions into declaring unreasonable suspicions going far beyond the initial aim of combating drug trafficking and organised crime. It is to be feared that the staff of such institutions may systematically declare any transaction that is simply doubtful or seems abnormal, so as not to leave themselves open to any legal liability.

5) The concept of damaging the European Communities' financial interests is likely to cover evasion of VAT or fraud relating to refunds provided for under the CAP, use of the structural funds or any of the many subsidies handed out by the EU.

6) This type of fraud is also the province of specific institutions (fiscal monitoring by the states and specialist EU bodies) [1].

7) Article 280 of the Amsterdam Treaty offers a legal basis for repressing fraud that jeopardises the financial interests of the European Union. It allows the Council, following a proposal from the Commission, to 'adopt the necessary measures ... with a view to affording effective and equivalent protection in the Member States'.

— Article 2a

1) The ESC doubts the advisability of excluding art dealers and auctioneers from the list. The goods dealt in by these middlemen may represent considerable sums, often paid in cash and without any real check on the identity of the buyer. It is virtually certain that auctions in particular are used as a discreet and easy way to launder money.

Therefore, clients should be identified when cash transactions exceed 15 000 euros.

2) The inclusion of accountants in paragraph (3) of the list is too wide-ranging, since it could concern accountants working as employees of a firm, including a bank. It would be more justifiable to adopt the term 'auditor'.

— Article 3(2), second paragraph

1) The second paragraph of Article 3(2) refers to an annex when defining the exact procedures for identifying clients in non-face-to-face financial operations.

2) Some of the obligations set out in this annex seem cumbersome or difficult to fulfil in practice, such as:

— the obligation to carry out the first payment of the operation through an account opened in the customer's name with a credit institution located in the European Union or in the European Economic Area (point v) b) or in a country covered by the directive;

[1] See the Commission's 1998-1999 work programme on the fight against fraud COM(1998) 278 final and the ESC opinion (R/CES 748/99 rev. 2) currently being prepared on the same subject.

— the various checks to be carried out when the counterpart is a credit institution located outside the European Union and the European Economic Area (point vi) b).

3) More generally, the Commission intervenes directly in the actual organisation of monitoring procedures by financial institutions, which is unnecessary and unjustified interference. Generally speaking, the text of the draft directive and its annex does not set out clearly the means to be used for identifying transactions carried out on the Internet.

— Article 7

1) The obligation to give notice of suspect transactions is the very basis of the draft directive. It should refer to objective criteria that give guidance on the range of transactions which give rise to reporting obligations although, because of the nature of the suspicious activities, this cannot be definitive.

— Article 12(2)

1) In the first sentence in this paragraph delete the words 'damaging or likely to damage the European Communities' financial interests' (see remarks concerning paragraphs 4 to 6 of the comments on Article 1).

2) It seems to follow from the new definition of a 'credit institution' (Article 1(A)) and from Recital 8 that a suspicious transaction of money laundering has only to be reported in the country in which the reporting office (head office, dependent branch or subsidiary of a credit institution) is situated. The ESC welcomes this rule, but recommends it be clarified in the core of the directive by adding a paragraph in Article 6 to lift any ambiguity.

12. **Conclusions**

12.1. Available information from the FATF in particular, but also the banking sector, shows that the 1991 Directive has achieved its objectives overall as regards neutralising the use of financial channels for money laundering purposes.

12.2. The amendments to the 1991 Directive fortunately flesh out the original machinery by bringing into the battle various actors likely to be involved in laundering.

12.3. It is understandable that the successful application of the machinery provided for in the 1991 Directive is pushing the European Parliament, the Council and the Commission to extend the area of repression to include not only non-drugs-related organised crime but also all serious offences.

12.4. As regards the area of declaration, the ESC shares the Commission's view that such an extension may go too far and 'complicate the active involvement and commitment' of the professions concerned. But the area of criminalisation is not the same as the area of declaration.

12.5. There is no definition of a 'serious offence'. Each state is free to draw up its own list. The ESC has noted with interest that the monitoring authorities (FATF, TRACFIN in France) prefer the concept of 'organised crime', which is more precise than that adopted by the Commission.

12.6. There is a real risk that the bodies responsible for preventing and combating laundering, such as TRACFIN, will be swamped — and therefore partially neutralised — by too many reports of suspicions. With experience, and provided financial institutions are given adequate feed-back on the effectiveness of their reports, the number of suspicious actions reported may decline. However, adequate resources must be provided by the appropriate authorities to ensure that follow-up actions are speedy and effective.

12.7. Action limited to the EU would be ineffective and might even lead to distortions of competition that would benefit financial institutions outside the EU, or even jeopardise the free movement of capital that is one of the building-blocks of Europe.

12.8. The ESC regrets that the draft directive — which is basically aimed at beefing up Europe's capacity to fight money laundering — does not devote enough space to necessary international co-operation.

12.9. The aim should be to extend European anti-laundering machinery as much as possible to include countries that are notorious for their involvement in such criminal activity.

12.10. International financial institutions: the United Nations, the IMF, the World Bank, the EIB and the EBRD, should draw up a charter or a code of good conduct with the European Commission including the basic recommendations of the FATF; application of these recommendations would be one of the conditions for granting any financial aid [1].

12.11. Offshore centres — which lie at the heart of the trafficking and are the weak link in any repressive action — that did not abide by the code of good conduct or opposed

[1] On 10 June 1998 the United Nations General Assembly adopted a position and an action plan against laundering that very largely met the European Union's objectives.

the openness of transactions (meaning especially the lifting of banking secrecy) should be cut off from international funds transfer systems such as SWIFT. The preparation of a list of non-co-operative countries by the FATF should enable this procedure to be applied rapidly.

12.12. As the IMF is the only body able to impose such discipline, the ESC recommends that the Council and the Commission contact the IMF with a view to incorporating into its statutes effective machinery for imposing sanctions against countries and financial institutions that do not co-operate in the fight against money laundering.

12.13. The application of sanctions should be entrusted to the international authorities responsible for regulating the financial and banking system: the BIS and the central banks.

12.14. The ESC repeats its wish to be closely involved in following up implementation of the directive.

Brussels, 26 January 2000.

The President

of the Economic and Social Committee

Beatrice RANGONI MACHIAVELLI

APPENDIX

to the Opinion of the Economic and Social Committee

(in accordance with Rules 47(3) of the Rules of Procedure)

The following amendments were rejected but received more than 25 % of the votes cast:

Paragraph 11, point 4):

Delete the present wording and insert:

'Paragraph (E) — definition of "criminal activity"

The extension of the definition to include 'fraud, corruption, or any other illegal activity damaging or likely to damage the European Communities' financial interests' is a logical step but needs to recognise that the financial institutions and other agencies making reports may not be able to go further than to identify unusual transactions which raise a prima facie suspicion. It is no part of the work of the financial institutions to act as investigating authorities. Since there is a prospect of a large number of reports, in the early stages at least, a code of practice should be agreed with the financial institutions to refine the focus of such reports. Also, the national authorities should develop a form of feed-back to the financial institutions on the outcome of their reports so that their expertise in assisting the fight against money laundering for criminal purposes can be further developed.'

Result of the vote

For: 30, against: 43, abstentions: 10.

Paragraph 12, point 16:

Add the following point:

'12.16. The Committee notes the keener emphasis in the Council Directive that money laundering is driven by drug trafficking. This fails, in so doing, to recognise that laundering activities from criminal and from terrorist related activities, and from cross border smuggling prompted by differential taxation levels, is for many regions, more impactive on their economies than drug trafficking and these features deserve increased exposure in the Directive.'

Reason

The focus on drug trafficking as the leading evil that drives this element of the black economy creates an impression that the Council document over relies on the emotive abhorrence of the destructive outcomes of drug use, and allows 'ordinary decent criminal' money laundering activities to escape lightly. The inclusion of concern for exploitation of differential taxation will increase post enlargement, when in all probably a majority of Members will be outside Euroland.

Result of the vote

For: 36, against: 49, abstentions: 10.

Opinion of the Economic and Social Committee on the 'Proposal for a Council Regulation (EC) on coordination of social security systems' [1]

(2000/C 75/11)

On 9 September 1999 the Council decided to consult the Economic and Social Committee, under Article 198 of the Treaty establishing the European Community, on the above-mentioned proposal.

The Section for Employment, Social Affairs and Citizenship, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 16 December 1999. The rapporteur was Mr Rodríguez García Caro.

At its 369th plenary session (meeting of 27 January 2000), the Economic and Social Committee adopted the following opinion by 78 votes to 5 with 20 abstentions.

1. **Introduction**

1.1. In June 1971, the European Economic Community adopted Regulation (EEC) No 1408/71 on the application of social security schemes to employed persons, to self-employed persons, and to members of their families moving within the Community.

1.2. At its 59th plenary session of January 1967, the Economic and Social Committee adopted its opinion [2] on the regulation, making a number of comments on the text submitted to it.

1.3. Since they originally came into force, both the regulation in question and Regulation (EEC) No 574/72 fixing the procedure for implementing it have been amended several times to bring them into line with changes in national legislation, bilateral agreements between Member States, and with successive EU enlargements since 1971.

1.4. In 1992 the Edinburgh European Council [3] recognized the need to carry out a general overhaul of legislation in order to simplify the coordination rules.

Point 3.1.6 of the Communication from the Commission 'An Action Plan for free movement of workers' [4], presented in 1997, contains an undertaking to submit a proposal to reform and simplify Regulation (EEC) No 1408/71, as a major and necessary part of the measures required to remove the obstacles to free movement and mobility within the European Union.

1.5. In its opinion of 28 May 1998 on the communication [5], the Committee welcomed the reform of Regulation (EEC) No 1408/71, agreeing to simplified and improved coordination of EU social security systems.

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(1) OJ C 38, 12.2.1999, p. 11.
(2) OJ C 64, 5.4.1967.
(3) Edinburgh European Council, 11 and 12.12.1992. Presidency Conclusions (SN 456/92).
(4) COM(97) 586 final.
(5) OJ C 235, 27.7.1998, p. 82.