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I

(Acts whose publication is obligatory)

COMMISSION REGULATION (EC) No 1020/1999
of 18 May 1999
establishing the standard import values for determining the entry price of certain
fruit and vegetables

THE COMMISSION OF THE EUROPEAN COMMUNITIES,
Having regard to the Treaty establishing the European Community,

Having regard to Commission Regulation (EC) No 3223/94 of 21 December 1994 on detailed rules for the application of the import arrangements for fruit and vegetables ⁽¹⁾, as last amended by Regulation (EC) No 1498/98 ⁽²⁾, and in particular Article 4 (1) thereof,

Whereas Regulation (EC) No 3223/94 lays down, pursuant to the outcome of the Uruguay Round multilateral trade negotiations, the criteria whereby the Commission fixes the standard values for imports from third countries, in respect of the products and periods stipulated in the Annex thereto;

Whereas, in compliance with the above criteria, the standard import values must be fixed at the levels set out in the Annex to this Regulation,

HAS ADOPTED THIS REGULATION:

Article 1

The standard import values referred to in Article 4 of Regulation (EC) No 3223/94 shall be fixed as indicated in the Annex hereto.

Article 2

This Regulation shall enter into force on 19 May 1999.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 18 May 1999.

For the Commission

Franz FISCHLER

Member of the Commission

⁽¹⁾ OJ L 337, 24.12.1994, p. 66.

⁽²⁾ OJ L 198, 15.7.1998, p. 4.

ANNEX

to the Commission Regulation of 18 May 1999 establishing the standard import values for determining the entry price of certain fruit and vegetables

(EUR/100 kg)

CN code	Third country code ⁽¹⁾	Standard import value
0702 00 00	052	105,2
	068	92,4
	999	98,8
0707 00 05	052	86,3
	064	41,3
	628	129,4
	999	85,7
0709 90 70	052	54,4
	999	54,4
0805 10 10, 0805 10 30, 0805 10 50	204	45,2
	212	63,8
	600	46,3
	624	48,7
	999	51,0
0805 30 10	388	113,6
	999	113,6
0808 10 20, 0808 10 50, 0808 10 90	388	80,4
	400	103,3
	508	72,8
	512	72,7
	524	77,7
	528	64,4
	804	100,9
	999	81,7

⁽¹⁾ Country nomenclature as fixed by Commission Regulation (EC) No 2317/97 (OJ L 321, 22.11.1997, p. 19). Code '999' stands for 'of other origin'.

COMMISSION REGULATION (EC) No 1021/1999
of 18 May 1999

amending Regulations (EC) No 1666/98, (EC) No 1667/98, (EC) No 1735/98, (EC) No 1759/98, (EC) No 1760/98 and (EC) No 2198/98 opening standing invitations to tender for the export of barley held by certain intervention agencies

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation (EEC) No 1766/92 of 30 June 1992 on the common organisation of the market in cereals ⁽¹⁾, as last amended by Commission Regulation (EC) No 923/96 ⁽²⁾, and in particular Article 5 thereof,

- (1) Whereas Commission Regulation (EEC) No 2131/93 ⁽³⁾, as last amended by Regulation (EC) No 39/1999 ⁽⁴⁾, lays down the procedures and conditions for the sale of cereals held by the intervention agencies;
- (2) Whereas a later date must be set for the last partial invitation to tender for the tenders opened by Commission Regulations (EC) No 1666/98 ⁽⁵⁾, as last amended by Regulation (EC) No 631/1999 ⁽⁶⁾, (EC) No 1667/98 ⁽⁷⁾, as last amended by Regulation (EC) No 468/1999 ⁽⁸⁾, (EC) No 1735/98 ⁽⁹⁾, as last amended by Regulation (EC) No 438/1999 ⁽¹⁰⁾, (EC) No 1759/98 ⁽¹¹⁾, as last amended by Regulation (EC) No 2642/98 ⁽¹²⁾, (EC) No 1760/98 ⁽¹³⁾, as last amended by Regulation (EC) No 849/1999 ⁽¹⁴⁾, and (EC) No 2198/98 ⁽¹⁵⁾, as last amended by Regulation (EC) No 2694/98 ⁽¹⁶⁾;
- (3) Whereas the invitation to tender for the export of intervention stocks is unusual in that it will also operate at the end of the marketing year, i.e. in June 1999; whereas, therefore, in the case of tenders made between 3 and 30 June 1999, deliveries will be possible only from 1 July 1999; whereas provision must accordingly be made to derogate from the first paragraph of Article 16 of Regulation (EEC) No 2131/93, which stipulates

that payments must be made no later than one month after acceptance of the tender;

- (4) Whereas the measures provided for in this Regulation are in accordance with the opinion of the Management Committee for Cereals,

HAS ADOPTED THIS REGULATION:

Article 1

The following sentence is added at the end of Article 2(1) of Regulations (EC) No 1666/98, (EC) No 1667/98, (EC) No 1735/98, (EC) No 1759/98, (EC) No 1760/98 and (EC) No 2198/98:

‘However, the customs export formalities for tenders submitted on or after 3 June 1999 shall be completed only on or after 1 July 1999.’

Article 2

Article 4(2) of Regulations (EC) No 1666/98, (EC) No 1667/98, (EC) No 1735/98, (EC) No 1759/98, (EC) No 1760/98 and (EC) No 2198/98 is replaced by the following:

‘2. Between 3 and 30 June 1999, tenders submitted under this invitation to tender shall not be admissible unless they are accompanied by a written undertaking to export only on or after 1 July 1999. The tenders may not be accompanied by applications for export licences submitted under Article 44 of Commission Regulation (EEC) No 3719/88 ^(*).

^(*) OJ L 331, 2.12.1988, p. 1.’

Article 3

Article 5(3) of Regulations (EC) No 1666/98, (EC) No 1667/98, (EC) No 1735/98, (EC) No 1759/98, (EC) No 1760/98 and (EC) No 2198/98 is replaced by the following:

‘3. The last partial invitation to tender shall expire on 30 September 1999 at 9 a.m. (Brussels time).’

⁽¹⁾ OJ L 181, 1.7.1992, p. 21.

⁽²⁾ OJ L 126, 24.5.1996, p. 37.

⁽³⁾ OJ L 191, 31.7.1993, p. 76.

⁽⁴⁾ OJ L 5, 9.1.1999, p. 64.

⁽⁵⁾ OJ L 211, 29.7.1998, p. 12.

⁽⁶⁾ OJ L 80, 25.3.1999, p. 9.

⁽⁷⁾ OJ L 211, 29.7.1998, p. 17.

⁽⁸⁾ OJ L 56, 4.3.1999, p. 24.

⁽⁹⁾ OJ L 217, 5.8.1998, p. 13.

⁽¹⁰⁾ OJ L 52, 27.2.1999, p. 31.

⁽¹¹⁾ OJ L 221, 8.8.1998, p. 8.

⁽¹²⁾ OJ L 335, 10.12.1998, p. 12.

⁽¹³⁾ OJ L 221, 8.8.1998, p. 13.

⁽¹⁴⁾ OJ L 107, 24.4.1999, p. 8.

⁽¹⁵⁾ OJ L 277, 14.10.1998, p. 9.

⁽¹⁶⁾ OJ L 338, 15.12.1998, p. 10.

Article 4

The following Article is added to Regulations (EC) No 1666/98, (EC) No 1667/98, (EC) No 1735/98, (EC) No 1759/98, (EC) No 1760/98 and (EC) No 2198/98:

‘Article 5a

In the case of tenders submitted between 3 and 30 June 1999, the following conditions shall apply:

- notwithstanding the first paragraph of Article 16 of Regulation (EEC) No 2131/93, the cereals must be paid for by 31 July 1999, at the latest,
- notwithstanding the third paragraph of Article 16 of Regulation (EEC) No 2131/93, the price to be paid for the export shall be that indicated in the tender.’

Article 5

The following Article is added to Regulations (EC) No 1666/98, (EC) No 1667/98, (EC) No 1735/98, (EC) No 1759/98, (EC) No 1760/98 and (EC) No 2198/98:

‘Article 5b

In the case of licences applied for between 3 and 30 June 1999, without prejudice to Article 17(3) of Regulation (EEC) No 2131/93, the security referred to in the second indent of Article 17(2) of that Regulation shall be released only when proof is provided that the customs export formalities were completed on or after 1 July 1999.’

Article 6

This Regulation shall enter into force on the day of its publication in the *Official Journal of the European Communities*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 18 May 1999.

For the Commission

Franz FISCHLER

Member of the Commission

COMMISSION REGULATION (EC) No 1022/1999

of 18 May 1999

amending Regulations (EC) No 1123/98 and (EC) No 1641/98 opening standing invitations to tender for the export of rye held by certain intervention agencies

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

HAS ADOPTED THIS REGULATION:

Having regard to the Treaty establishing the European Community,

Article 1

Having regard to Council Regulation (EEC) No 1766/92 of 30 June 1992 on the common organisation of the market in cereals⁽¹⁾, as last amended by Commission Regulation (EC) No 923/96⁽²⁾, and in particular Article 5 thereof,

The following sentence is added at the end of Article 2(1) of Regulations (EC) No 1123/98 and (EC) No 1641/98:

‘However, the customs export formalities for tenders submitted on or after 3 June 1999 shall be completed only on or after 1 July 1999.’

(1) Whereas Commission Regulation (EEC) No 2131/93⁽³⁾, as last amended by Regulation (EC) No 39/1999⁽⁴⁾, lays down the procedures and conditions for the sale of cereals held by the intervention agencies;

Article 2

Article 4(2) of Regulation (EC) No 1123/98 and (EC) No 1641/98 is replaced by the following:

(2) Whereas a later date must be set for the last partial invitation to tender for the tenders opened by Commission Regulations (EC) No 1123/98⁽⁵⁾, as last amended by Regulation (EC) No 2043/98⁽⁶⁾ and (EC) No 1641/98⁽⁷⁾, as last amended by Regulation (EC) No 492/1999⁽⁸⁾;

‘2. Between 3 and 30 June 1999, tenders submitted under this invitation to tender shall not be admissible unless they are accompanied by a written undertaking to export only on or after 1 July 1999. The tenders may not be accompanied by applications for export licences submitted under Article 44 of Commission Regulation (EEC) No 3719/88^(*).’

(*) OJ L 331, 2.12.1998, p. 4.’

(3) Whereas the invitation to tender for the export of intervention stocks is unusual in that it will also operate at the end of the marketing year, i.e. in June 1999; whereas, therefore, in the case of tenders made between 3 and 30 June 1999, deliveries will be possible only from 1 July 1999; whereas provision must accordingly be made to derogate from the first paragraph of Article 16 of Regulation (EEC) No 2131/93, which stipulates that payment must be made no later than one month after acceptance of the tender;

Article 3

Article 5(3) of Regulations (EC) No 1123/98 and (EC) No 1641/98 is replaced by the following:

‘3. The last partial invitation to tender shall expire on 30 September 1999 at 9 a.m. (Brussels time).’

(4) Whereas the measures provided for in this Regulation are in accordance with the opinion of the Management Committee for Cereals,

Article 4

The following Article is added to Regulations (EC) No 1123/98 and 1641/98:

‘Article 5a

In the case of tenders submitted between 3 and 30 June 1999, the following conditions shall apply:

⁽¹⁾ OJ L 181, 1.7.1992, p. 21.

⁽²⁾ OJ L 126, 24.5.1996, p. 37.

⁽³⁾ OJ L 191, 31.7.1993, p. 76.

⁽⁴⁾ OJ L 5, 9.1.1999, p. 64.

⁽⁵⁾ OJ L 157, 30.5.1998, p. 74.

⁽⁶⁾ OJ L 263, 26.9.1998, p. 15.

⁽⁷⁾ OJ L 210, 28.7.1998, p. 43.

⁽⁸⁾ OJ L 59, 6.3.1999, p. 13.

- notwithstanding the first paragraph of Article 16 of Regulation (EEC) No 2131/93, the cereals must be paid for by 31 July 1999, at the latest,
- notwithstanding the third paragraph of Article 16 of Regulation (EEC) No 2131/93, the price to be paid for the export shall be that indicated in the tender.'

Article 5

The following Article is added to Regulation (EC) No 1123/98 and (EC) No 1641/98:

'Article 5b

In the case of licences applied for between 3 and 30 June 1999, without prejudice to Article 17(3) of Regulation (EEC) No 2131/93, the security referred to in the second indent of Article 17(2) of that Regulation shall be released only when proof is provided that the customs export formalities were completed on or after 1 July 1999.'

Article 6

This Regulation shall enter into force on 19 May 1999.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 18 May 1999.

For the Commission

Franz FISCHLER

Member of the Commission

**COMMISSION REGULATION (EC) No 1023/1999
of 18 May 1999**

**on the issuing of a standing invitation to tender for the resale on the internal
market of 283 000 tonnes of maize held by the French intervention agency**

THE COMMISSION OF THE EUROPEAN COMMUNITIES,
Having regard to the Treaty establishing the European
Community,

Having regard to Council Regulation (EEC) No 1766/92
of 30 June 1992 on the common organisation of the
market in cereals ⁽¹⁾, as last amended by Commission
Regulation (EC) No 923/96 ⁽²⁾ and in particular Article 5
thereof,

- (1) Whereas Commission Regulation (EEC) No 2131/93 ⁽³⁾, as last amended by Regulation (EC) No 39/1999 ⁽⁴⁾, lays down the procedure and conditions for the disposal of cereals held by the intervention agencies;
- (2) Whereas, in the present market situation, a standing invitation to tender for the resale on the internal market of 283 000 tonnes of maize held by the French intervention agency should be issued;
- (3) Whereas the measures provided for in this Regulation are in accordance with the opinion of the Management Committee for Cereals,

HAS ADOPTED THIS REGULATION:

Article 1

The French intervention agency shall issue pursuant to Regulation (EEC) No 2131/93 a standing invitation to

tender for the resale on the internal market of 283 000 tonnes of maize held by it.

Article 2

1. The final date for the submission of tenders for the first partial invitation to tender shall be 26 May 1999.
2. The final date for the submission of tenders for the last partial invitation to tender shall expire on 30 June 1999.
3. Tenders must be lodged with the French intervention agency at the following address:
Office national interprofessionnel des céréales,
21, avenue Bosquet,
F-75341 Paris Cedex 07
(Telex: OFICE 20 04 90F/OFIDM 20 36 62F; Telefax:
(33) 144 18 20 80).

Article 3

Not later than Tuesday of the week following the final date for the submission of tenders, the French intervention agency shall notify the Commission of the quantities and average prices of the various lots sold.

Article 4

This Regulation shall enter into force on the day of its publication in the *Official Journal of the European Communities*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 18 May 1999.

For the Commission

Franz FISCHLER

Member of the Commission

⁽¹⁾ OJ L 181, 1.7.1992, p. 21.

⁽²⁾ OJ L 126, 24.5.1996, p. 37.

⁽³⁾ OJ L 191, 31.7.1993, p. 76.

⁽⁴⁾ OJ L 5, 9.1.1999, p. 64.

**COMMISSION REGULATION (EC) No 1024/1999
of 18 May 1999**

**amending Regulation (EC) No 1595/98 amending Regulation (EC) No 2603/97
laying down the detailed implementing rules for imports of rice originating in
the ACP countries or the overseas countries and territories (OCT) and laying
down specific detailed rules on the partial reimbursement of import duties levied
on rice originating in the ACP countries**

THE COMMISSION OF THE EUROPEAN COMMUNITIES,
Having regard to the Treaty establishing the European
Community,

Having regard to Council Regulation (EC) No 1706/98 of
20 July 1998 on the arrangements applicable to agricul-
tural products and goods resulting from the processing of
agricultural products originating in the African, Carib-
bean and Pacific States (ACP States) and repealing Regula-
tion (EEC) No 715/90 ⁽¹⁾, and in particular Article 30(1)
thereof,

- (1) Whereas Article 2(3) of Commission Regulation
(EC) No 1595/98 ⁽²⁾ in the second subparagraph
under point (c), provides for the presentation of the
original of an EUR 1 movement certificate as a
proof that the customs authorities of the exporting
ACP country have received payment of a comple-
mentary export charge;
- (2) Whereas this conditions has given rise to some
administrative difficulties; whereas it is therefore
necessary that the proof of payment of the comple-
mentary export charge be presented by a certified
copy of the EUR 1 movement certificate showing
the necessary entries in Box 7;
- (3) Whereas the measures provided for in this Regula-
tion are in accordance with the opinion of the
Management Committee for Cereals,

HAS ADOPTED THIS REGULATION:

Article 1

In Article 2(3) of Regulation (EC) No 1595/98, the second
subparagraph under point (c) is replaced by the following
subparagraph:

This Regulation shall be binding in its entirety and directly applicable in all Member
States.

Done at Brussels, 18 May 1999.

‘This proof shall be provided when a copy of the EUR
1 movement certificate certified by the customs
authorities of the Member State where the goods were
released for free circulation, duly completed by the
customs authorities of the exporting ACP country
with one of the following entries in Box 7, is
presented:

Amount in national currency:

- Tasa complementaria percibida a la exportación
del arroz
- Særafgift, der opkræves ved eksport af ris
- Bei der Ausfuhr von Reis erhobene ergänzende
Abgabe
- Συμπληρωματικός φόρος εισπραχθείς κατά την
εξαγωγή του ρυζιού
- Complementary charge collected on export of rice
- Taxe complémentaire perçue à l’exportation du riz
- Tassa complementare riscossa all’esportazione del
riso
- Bij uitvoer van de rijst opgelegde aanvullende
heffing
- Imposição complementar cobrada na exportação
do arroz
- Riisin viennin yhteydessä perittävä täydentävä
maksu
- Särskild avgift för risexport.

(Signature and official stamp).’

Article 2

This Regulation shall enter into force on the third day
following its publication in the *Official Journal of the
European Communities*.

For the Commission

Franz FISCHLER

Member of the Commission

⁽¹⁾ OJ L 215, 1.8.1998, p. 12.

⁽²⁾ OJ L 208, 24.7.1998, p. 21.

COMMISSION REGULATION (EC) No 1025/1999
of 18 May 1999
amending the import duties in the cereals sector

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation (EEC) No 1766/92 of 30 June 1992 on the common organization of the market in cereals⁽¹⁾, as last amended by Commission Regulation (EC) No 923/96⁽²⁾,

Having regard to Commission Regulation (EC) No 1249/96 of 28 June 1996 laying down detailed rules for the application of Council Regulation (EEC) No 1766/92 as regards import duties in the cereals sector⁽³⁾, as last amended by Regulation (EC) No 2519/98⁽⁴⁾, and in particular Article 2 (1) thereof,

Whereas the import duties in the cereals sector are fixed by Commission Regulation (EC) No 1015/1999⁽⁵⁾;

Whereas Article 2, (1) of Regulation (EC) No 1249/96 provides that if during the period of application, the average import duty calculated differs by EUR 5 per tonne from the duty fixed, a corresponding adjustment is to be made; whereas such a difference has arisen; whereas it is therefore necessary to adjust the import duties fixed in Regulation (EC) No 1015/1999,

HAS ADOPTED THIS REGULATION:

Article 1

Annexes I and II to Regulation (EC) No 1015/1999 are hereby replaced by Annexes I and II to this Regulation.

Article 2

This Regulation shall enter into force on 19 May 1999.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 18 May 1999.

For the Commission

Franz FISCHLER

Member of the Commission

⁽¹⁾ OJ L 181, 1.7.1992, p. 21.

⁽²⁾ OJ L 126, 24.5.1996, p. 37.

⁽³⁾ OJ L 161, 29.6.1996, p. 125.

⁽⁴⁾ OJ L 315, 25.11.1998, p. 7.

⁽⁵⁾ OJ L 123, 13.5.1999, p. 46.

ANNEX I

Import duties for the products covered by Article 10(2) of Regulation (EEC) No 1766/92

CN code	Description	Import duty by land inland waterway or sea from Mediterranean, the Black Sea or Baltic Sea ports (EUR/tonne)	Import duty by air or by sea from other ports ⁽²⁾ (EUR/tonne)
1001 10 00	Durum wheat high quality	46,44	36,44
	medium quality ⁽¹⁾	56,44	46,44
1001 90 91	Common wheat seed	55,15	45,15
1001 90 99	Common high quality wheat other than for sowing ⁽³⁾	55,15	45,15
	medium quality	89,44	79,44
	low quality	101,12	91,12
1002 00 00	Rye	104,21	94,21
1003 00 10	Barley, seed	104,21	94,21
1003 00 90	Barley, other ⁽³⁾	104,21	94,21
1005 10 90	Maize seed other than hybrid	104,25	94,25
1005 90 00	Maize other than seed ⁽³⁾	104,25	94,25
1007 00 90	Grain sorghum other than hybrids for sowing	104,21	94,21

⁽¹⁾ In the case of durum wheat not meeting the minimum quality requirements for durum wheat of medium quality, referred to in Annex I to Regulation (EC) No 1249/96, the duty applicable is that fixed for low-quality common wheat.

⁽²⁾ For goods arriving in the Community via the Atlantic Ocean or via the Suez Canal (Article 2(4) of Regulation (EC) No 1249/96), the importer may benefit from a reduction in the duty of:

— EUR 3 per tonne, where the port of unloading is on the Mediterranean Sea, or

— EUR 2 per tonne, where the port of unloading is in Ireland, the United Kingdom, Denmark, Sweden, Finland or the Atlantic Coasts of the Iberian Peninsula.

⁽³⁾ The importer may benefit from a flat-rate reduction of EUR 14 or 8 per tonne, where the conditions laid down in Article 2(5) of Regulation (EC) No 1249/96 are met.

ANNEX II

Factors for calculating duties

(period from 14 May to 17 May 1999)

1. Averages over the two-week period preceding the day of fixing:

Exchange quotations	Minneapolis	Kansas-City	Chicago	Chicago	Minneapolis	Minneapolis	Minneapolis
Product (% proteins at 12 % humidity)	HRS2. 14 %	HRW2. 11,5 %	SRW2	YC3	HAD2	Medium quality (*)	US barley 2
Quotation (EUR/t)	112,58	95,78	88,88	80,52	134,40 (**)	124,40 (**)	76,63 (**)
Gulf premium (EUR/t)	—	8,21	3,42	8,66	—	—	—
Great Lakes premium (EUR/t)	12,81	—	—	—	—	—	—

(*) A discount of EUR 10/t (Article 4(1) of Regulation (EC) No 1249/96).

(**) Fob Duluth.

2. Freight/cost: Gulf of Mexico — Rotterdam: EUR 12,16/t; Great Lakes — Rotterdam: EUR 25,05/t.

3. Subsidy within the meaning of the third paragraph of Article 4(2) of Regulation (EC) No 1249/96 : EUR 0,00/t (HRW2)
: EUR 0,00/t (SRW2).

II

(Acts whose publication is not obligatory)

COMMISSION

COMMISSION DECISION

of 12 April 1999

relating to a proceeding pursuant to Articles 85 and 86 of the EC Treaty and
Articles 53 and 54 of the EEA Agreement

(Cases No IV/D-1/30.373 — P & I Clubs, IGA and No IV/D-1/37.143 — P & I
Clubs, Pooling Agreement)

(notified under document number C(1999) 221)

(Only the English text is authentic)

(Text with EEA relevance)

(1999/329/EC)

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European
Community,

Having regard to the Agreement on the European
Economic Area,

Having regard to Council Regulation No 17 of 6 February
1962, first Regulation implementing Articles 85 and 86 of
the Treaty ⁽¹⁾, as last amended by the Act of Accession of
Austria, Finland and Sweden, and in particular Articles 2,
6 and 8 thereof,

Having regard to the formal notifications for negative
clearance and exemption submitted pursuant to Article 4
of Regulation No 17 of the International Group Agree-
ment on 18 June 1981 and 27 July 1984, the request of
20 February 1995 to renew the exemption granted on 16
December 1985 and the formal notifications for exemp-
tion of the International Group Pooling Agreement on 7
July 1998 and of the International Group Agreement on
21 October 1998,

Having regard to the publication pursuant to Article 19(3)
of Regulation No 17 of a notice concerning the Inter-
national Group Pooling Agreement on 14 August 1998 ⁽²⁾
and a similar notice regarding the International Group
Agreement, published on 21 October 1998 ⁽³⁾,

After having consulted the Advisory Committee for
Restrictive Practices and Dominant Positions,

Whereas:

(A) THE FACTS

1. INTRODUCTION

- (1) This case concerns the compatibility with the
competition rules of the EC Treaty and the EEA
Agreement of two arrangements concluded within
the International Group of P & I Clubs (hereinafter
referred to as 'the IG'), namely the International
Group Pooling Agreement (hereinafter 'the Pooling
Agreement') and the International Group Agree-
ment (hereinafter 'the IGA').
- (2) The IGA had originally been notified to the
Commission in 1981. The Commission granted to
it a formal exemption for 10 years. This expired in
February 1995 and the IG requested a renewal of
the exemption.
- (3) In June 1997 the Commission addressed a State-
ment of Objections to the IG, considering that
both the Pooling Agreement and the IGA were in
breach of the competition rules of the EC Treaty.

⁽¹⁾ OJ 13, 21.2.1962, p. 204/62.

⁽²⁾ OJ C 256, 14.8.1998, p. 2.

⁽³⁾ OJ C 322, 21.10.1998, p. 31.

This Statement of Objections had been preceded by a complaint against the Pooling Agreement submitted by the Greek Shipping Cooperation Committee ('GSCC'), a shipping organisation established in London, which deals with matters affecting ships ultimately owned by Greek interests.

- (4) After the adoption of the Statement of Objections, the IG decided to amend its arrangements in order to comply with EC and EEA competition rules. It notified an amended version of the Pooling Agreement in July 1998 and of the IGA in October 1998. They will enter into force in February 1999.

2. THE PARTIES

- (5) The Protection & Indemnity Clubs (P & I Clubs) are mutual non-profit-making associations that provide Protection & Indemnity (P & I) insurance to their members, the shipowners. Each of the P & I Clubs is governed by a Board that represents the members, but the day-to-day management is in the hands of professional managers appointed by the Board.
- (6) The International Group (IG) of P & I Clubs is a worldwide association of P & I Clubs. 19 P & I Clubs are members of the IG (seven from UK, four from Bermuda, three from Luxembourg, two from Norway, and one each from the United States of America, Japan and Sweden).

3. THE MARKET OF P & I INSURANCE

- (7) Direct marine insurance can be divided into two broad areas: one covers the risks of damage to the vessels (hull, machinery and suchlike) and is normally offered by commercial insurers. The other, called Protection & Indemnity (P & I) insurance, covers contractual and third-party liability and has been traditionally insured by shipowner mutual associations, the P & I Clubs.
- (8) Protection & Indemnity is a general concept which includes insurance for different types of risks: injury or death of crew, passengers and others; collision damage to vessels; other damage to third-party property (such as harbour equipment); pollu-

tion; cargo and other (such as expenses of wreck removal). Most P & I insurers provide all these types of cover under a single contract.

- (9) Around 89 % of worldwide tonnage, and almost 100 % of European (EU-EFTA) tonnage, is insured by the P & I Clubs which are members of the IG. At present, they offer cover up to around EUR 3,9 billion (USD 4,25 billion).
- (10) The worldwide market shares of the individual IG P & I Clubs range from 16,3 % (UK Mutual) to less than 1 % (American Club). A breakdown of these figures into each of the P & I Clubs for the 1998/99 policy year may be seen below ⁽¹⁾.

P&I Club	Tonnage insured (million GRT)	Market share (%)
American	5,3	0,98
Britannia	58,6	10,78
Gard	52,9	9,73
Japan Club	41,7	7,67
Liverpool & London	6,5	1,2
London	25,9	4,77
North of England	21,8	4,01
Skuld	42,5	7,82
SMP	6,9	1,27
Standard	29,5	5,43
Steamship Mutual	52,8	9,72
Swedish Club	11	2,02
UK Mutual	88,8	16,34
West of England	39,5	7,27
Total IG	483,7	89

- (11) The remaining tonnage is insured by small independent P & I mutual associations or maritime commercial insurers, or it is not insured at all against P & I liabilities. Independent P & I mutual associations normally focus on specific types of vessels, such as dry-cargo or coastal or fishing vessels and offer low levels of P & I cover. The largest of these insurers are the Ocean Marine mutual associations.
- (12) Some P & I Clubs which are members of the IG independently offer insurance for specific types of vessels. For instance, the Shipowners Mutual Protection (SMP) removed all the fishing vessels from the IG's arrangements in 1996 and now provides cover to them up to USD 500 million.

⁽¹⁾ The Chart provides aggregated data for the Standard (London, Europe and Bermuda), the Steamship Mutual (London, Europe and Bermuda), and Skuld (Norway and Bermuda).

- (13) Some commercial insurers, such as Lloyd's Syndicates, Southern Seas (Chubb Insurance), Terra Nova or HIH also provide direct P&I insurance. Their market share, at present, is insignificant.

agreed collectively by the clubs with commercial insurers. Only one or two claims per year reach this layer.

4. THE AGREEMENTS

4.1. The Pooling Agreement

- (14) The Pooling Agreement is in essence a claim-sharing agreement between mutual associations. Its purpose is to share proportionately among all the P & I Clubs the claims made on one club in excess of a certain amount. It was signed for the first time in 1899 between six P & I Clubs incorporated in the United Kingdom. Since then it has been modified several times and new clubs have adhered to it.
- (15) Only 18 P & I Clubs are parties to the Pooling Agreement. The remaining member of the IG, the SMP (from Luxembourg) indirectly participates in it by being reinsured by one of the other clubs.

- (d) The excess of any claim over the amount of the Excess Reinsurance and up to around EUR 3,9 billion (USD 4,25 billion) is again shared by the clubs under the Pooling Agreement. This is known as the 'Overspill'. So far, no claim has ever reached this layer.

- (17) The qualification 'up to around' EUR 3,9 billion (USD 4,25 billion) for the ceiling set to the overspill needs to be explained: this ceiling is not a fixed figure. If an overspill claim arises, each Member will have to contribute up to 2,5 % of the maximum liability that it would have to face according to Article 6(1)(b) of the International Convention on Limitation of Liability for Maritime Claims of 1976 (Clause 14.2 of the Pooling Agreement). The Article sets a series of maximum amounts to be faced by a ship owner for any single catastrophe based on the tonnage of the ship concerned⁽¹⁾. The EUR 3,9 billion (USD 4,25 billion) figure is arrived at by adding the 2,5 % of the maximum liability figures for each of the ships insured by P & I Clubs participating in the Pooling Agreement.

- (18) At the retention layer, as has been said, the totality of the claim is borne by the club whose Member has incurred the liability. In each of the other layers, the claims are shared between the clubs according to different rules:

4.1.1. The claim-sharing arrangement

- (16) The claim-sharing arrangement provides for different layers of insurance coverage:
- (a) The first EUR 4,57 million (USD 5 million) of any claim is borne by the club whose Member has incurred the liability. This is known as the club's 'retention'. Most of the claims faced by the clubs fall in this layer (99 % in number and 82 % in value, for the period 1985 to 1995).
- (b) The excess of any claim over EUR 4,57 million (USD 5 million) up to EUR 27,42 million (USD 30 million) is shared by the clubs under the Pooling Agreement. Around 20 claims per year have fallen in this layer between 1985 and 1995.
- (c) The excess of any claim over EUR 27,42 million (USD 30 million) up to EUR 1,8 billion (USD 2 billion) is covered by the Group General Excess Loss Reinsurance Contract,

- (a) Between EUR 4,57 million (USD 5 million) up to EUR 27,42 million (USD 30 million). The claims are shared according to the percentage of each club in claims, tonnage and total calls. Each one of these three factors accounts for one-third of the final percentage (this is why this method is called the one-third formula). There are, however, two qualifications to this formula. First, there is a loss ratio adjustment that takes into account whether in the past the club in question has been receiving more or less in contributions than it has effectively contributed to other members. Secondly, between EUR 18,3 million (USD 20 million) up to EUR 27,42 million (USD 30 million), the club incurring the claim receives a 20 % penalty (Clause 10.1 and Appendix VI of the Pooling Agreement).

⁽¹⁾ Article 6 (1)(b) establishes a table ranging from USD 50 000 for a ship of 500 gross tons up to USD 5,5 million for a ship of 170 000 gross tons.

(b) The cost of the Group General Excess Loss Reinsurance Contract is shared between clubs according to the tonnage insured by each club. However, the rate to be paid per tonne depends on the type of vessel. Vessels that in the past have produced claims reaching this level have higher rates per ton. In fact, tankers have produced around 80 % of the claims that have reached this level and, therefore, their rates per ton are much higher.

(c) An overspill claim would be apportioned among all the clubs in the proportion which the club limit of each of the clubs bears to the aggregate of all the club limits, which is calculated according to the method explained before (see recital 17).

(19) It should be noted that in any event in the case of 'Overspill' claims, each club is entitled to deduct from its contribution the amounts not 'economically recoverable' from its members (Clause 14.3 of the Pooling Agreement). A panel of experts will determine the amounts not 'economically recoverable' in case of disagreement between the Clubs (Clause 15 of the Pooling Agreement). This clause limits the exposure of the clubs to a claim, and prevents clubs from paying sums that they could never collect in full.

4.1.2. *The minimum common level of cover*

(20) As explained above (see point 16), all members of the P & I Clubs who participate in the pooling agreement are obliged to share claims up to mound EUR 3,9 billion (USD 4,25 billion).

(21) Before 20 February 1998, this figure was set at around EUR 16,5 billion (USD 18 billion) (20 % of the maximum liability according to the International Convention on Limitation of Liability for Maritime Claims of 1976). In the Statement of Objections the Commission considered that this high minimum level of cover was contrary to Article 85 because it impeded clubs from competing by offering levels of cover lower than around EUR 16.5 billion (USD 18 billion), for which substantial demand existed. It also considered this agreement on a high common level of cover as an abuse pursuant to Article 86 of the collective dominant position held by the P & I Clubs, consisting in limiting the range of insurance cover available in the market to the prejudice of consumers.

(22) In reaction to the Statement of Objections, the IG Clubs agreed to lower the minimum common level of cover from around EUR 16,5 billion (USD 18 billion) to EUR 3,9 billion (USD 4,25 billion).

(23) The IG has also notified an amendment to the Pooling Agreement which makes it clear that the P & I Clubs are free outside the Pooling Agreement to offer higher levels of cover than the minimum common level and, therefore, to compete between themselves in providing such levels (amendment to Clause 5 of Appendix III of the Pooling Agreement). They are also free outside the Pooling Agreement to offer lower levels individually.

4.1.3. *Club rules approval*

(24) The Pooling Agreement also includes some clauses that do not concern the method of sharing claims between P & I Clubs but are nevertheless directly related to it. The insurance policy conditions ('rules') of each club are subject to the approval of the other members of the Pooling Agreement (Clause 16 of the Pooling Agreement). At present, three-quarters of the P & I Clubs can decide to withhold the benefits of the Pool from any P & I Club whose rules and accounting practices are not approved by them.

4.1.4. *Re-insurance provisions*

(25) The Pooling Agreement also includes the provisions that should be followed by any club that wants to provide re-insurance to a third insurer, be it a mutual insurer or a commercial one.

(26) It originally included only objective conditions to be fulfilled by mutual insurers to which a P & I Club would provide re-insurance. No conditions were included for commercial insurers. This could have allowed the IG to discriminate between commercial insurers, by providing re-insurance to only some of them. In addition, the Pooling Agreement did not include any procedural rule to ensure that P & I clubs would comply with the objective conditions set forth for mutual insurers. Therefore, in the Statement of Objections the Commission had considered that there was a lack of objective criteria and appropriate procedures within the Pooling Agreement governing the possibility for a Club to provide re-insurance to a third insurer. This constituted an infringement of Article 86 of the Treaty.

(27) The IG has notified amendments to the relevant provisions (amendments to Appendix X of the Pooling Agreement). The amendments provide that any Club that wants to provide re-insurance to a third insurer will need to submit an application to the IG. The parties to the Pooling Agreement will have to decide whether the third insurer satisfies several conditions. Some of these conditions are general and some apply particularly to mutual or commercial insurers. As regards the general ones the insurer should be financially sound, the P & I cover offered by it should be similar to that offered by the IG Clubs, and it should make an equitable contribution to pool claims and to the Excess Loss Contract premiums. In addition to this, if the insurer is a mutual one (not favoured by laws in its country restricting freedom of choice of insurer for owners or vessels of that country), it should operate on a genuinely mutual non-profit making basis, its experience and policies with regard to claimshandling should be compatible with those of the P & I Clubs and it should abide by the terms of the IGA. If it is a commercial insurer (favoured by laws in its country restricting freedom of choice of insurer for owners or vessels of that country), the re-insuring Club will have to be responsible for claimshandling and for the rating on a mutual basis of shipowners on behalf of the insurer.

(28) As to the procedure, a subcommittee of the IG will have to make a recommendation on the application within 30 days of receipt of all the relevant information (this period may be extended by a further 30 days during the renewal period). The clubs will then vote on the basis of the recommendation. If the decision is negative, the insurer who is refused re-insurance should be given a written notice to that effect within 10 days of the vote being taken, such notice stating the reasons for the refusal. The insurer will have the right to appeal against any such refusal. The appeal will be considered by three arbitrators, who will decide whether the clubs have applied the conditions listed above in a reasonable manner. The parties will designate one arbitrator each within 14 days of the request for arbitration being submitted, and the third, to be designated by the two others within 10 days of their appointment, must be a senior lawyer experienced in commercial and insurance matters. The arbitrators will determine their own procedures and will act with due expedition. They have to give their decision in writing, stating their reasons. Their decision has a binding character.

4.2. The International Group Agreement (IGA)

(29) Originally, the IGA was a Gentlemen's Agreement reached between the clubs to establish some rules

on the methods for offering P & I cover to a shipowner who was already a member of another club. At the beginning of the 1980s it became a written agreement between all the members of the International Group. It establishes rules to be followed by the parties to the Pooling Agreement. Its main features are described in points 30 to 40.

4.2.1. *The quotation procedures*

(30) The IGA limits the freedom of the P & I Clubs to quote a rate to shipowners for vessels insured by other clubs in order to attract them. The rate is the contribution that a vessel makes to the different elements of the costs of claims borne by the P & I Club which insures it, namely cost of claims to be faced by the club under the retention level, cost of claims to be shared with other Clubs through the Pooling Agreement; cost of re-insurance and, in some cases, a specific charge for the club's administrative costs. This contribution is estimated at the beginning of the policy year and is normally paid in instalments: at the beginning of a policy year a shipowner pays for each vessel an initial share (advance call). The shipowner will have to pay further contributions (supplementary calls) at a later stage (typically; three years later) when its club's total liabilities, administrative costs and investment income for that year are known.

(31) The IGA prescribes that when quoting to insure a vessel from the following 20 February (the policy year starts on 20 February and therefore all movements from one club to another become effective on that date) no club can quote a lower rate than the one quoted by the club presently insuring the vessels in question (the 'holding club') unless an expert committee convened by the new club considers the holding club's rate unreasonably high. The committee is composed of three members: one for each club directly concerned and an independent expert appointed by the IG.

(32) A new procedure was introduced at the Commission's request in 1985: a club (the 'new club') can quote a lower rate than the one offered by the 'holding club' if it has reached a binding agreement with the shipowner before 30 September and the new club has notified the holding club within three days. If the holding club considers that the new club's rate is unreasonably low, it can appeal to an expert committee.

- (33) The Statement of Objections issued on 2 June 1997 maintained that these procedures were contrary to Article 85 of the Treaty because they prevented the P & I Clubs from competing in relation to the rates quoted and were not indispensable for the proper functioning of the Pooling Agreement. It appeared that the new procedure introduced in 1985 had not increased competition satisfactorily. Indeed, in the early years several requests for quotations for vessels were made in September. Nevertheless, in only one case was the procedure effectively used to move from one club to another. In most recent years the procedure has been completely abandoned ⁽¹⁾.
- (34) The IG has now notified an amendment to the quotation procedures which reduces their scope. From 20 February 1999, the quotation procedures for the following policy year will no longer apply to all the elements of the cost borne by a P & I Club as they do at present, but will be limited to the costs of claims and re-insurance. This means that the club's internal administrative costs will be outside the quotation procedures.
- (35) Under the amended quotation procedures, clubs will remain free either to charge specifically for their administrative costs by including them as a distinct cost element in the rate quoted at the beginning of the year, or to finance them out of their investment income. In the latter case, clubs' administrative costs will be taken into account when their supplementary calls are set. In either case the IGA quotation procedures will apply to the rate, exclusive of any element for internal administrative costs. In the first case, the amended quotation procedures will enable a new club with lower administrative costs to offer a lower rate, with an immediate effect on the level of advance call payable by the shipowner. In the second case, where the new club does not include in its rate a specific element for administrative costs, the amended quotation procedures will still be of benefit to shipowners because, by changing clubs, they will be able to benefit from any decrease in administrative costs that they expect the new club to enjoy in respect of the policy year in which they move. The IG expects that, in most cases, the latter situation will be the practical effect of the change in the quotation procedures, because most clubs will in future choose to quote a rate that does not include a specific element for administrative costs.
- (36) The amended quotation procedures will be supplemented by provisions aimed at increasing the transparency of the level of administrative costs for each P & I Club. Clubs will calculate yearly a five-year Average Expense Ratio which expresses the percentage that administrative costs represent of premium income plus investment income. This ratio will be included in the published accounts of each club and will be provided whenever a club quotes a rate on a vessel insured by another club both by the new club and the holding club.
- (37) In calculating the average expense ratio, administrative costs and investment income will be defined in accordance with applicable Community accounting Directives, in particular with Council Directive 91/674/EEC of 19 December 1991 on the annual accounts and consolidated accounts of insurance undertakings ⁽²⁾. Administrative costs means all expenditure incurred in operating a club (except expenditure incurred in dealing with claims and potential claims) and includes commissions, brokerage, other acquisition expenses and depreciation. Investment income means all capital and currency gains and losses, whether realised or not, earned during the financial year, less the related expenditure.

4.2.2. *Quotations for tankers*

- (38) The IGA includes special rules for quotations for tankers. First, the IG recommends annually a reasonable minimum provision in respect of claims from tankers to be shared under the Pooling Agreement. Secondly, the IGA prescribes explicitly that quotations for tankers shall make fair and adequate provision for all relevant elements of cost (Clause 6(2)) and sets up a procedure which enables clubs to refer to an expert committee the acceptance of insurance of a tanker by any other club. In these cases, the committee will be entitled to decide whether the club insuring the tanker has made fair and adequate provision of all the elements of cost (Clause 12(4)). This referral to the expert committee has taken place only once since 1985.
- (39) The IG has now notified an amendment to ensure the consistency of this rule with the amendments, proposed earlier, to the quotation procedures. From

⁽¹⁾ Use of the 30 September procedure: 1986: eight requests, no transfer. 1987: three requests, one transfer. 1988: no requests. 1989: no data available. 1990: 13 requests, no transfer. 1991: 34 requests, no transfer. 1992: 86 requests, no transfer. 1993: one request, no transfer. 1994: no request.

⁽²⁾ OJ L 374, 31.12.1991, p. 7.

the beginning of the next business year, the IGA will prescribe that quotations for tankers must make fair and adequate provision for all relevant elements of cost other than internal administrative costs.

4.2.3. Release calls

- (40) When a shipowner leaves his club he is obliged to cover a share of the liabilities incurred by this club during the years in which he was a member, even if, at the moment of leaving, these liabilities are still undetermined. Since 1985, the IGA has allowed the shipowner to choose between two options: to provide a bank guarantee or to pay a release call fixed by the club. If he considers this call unreasonably high, he can appeal to an expert committee, composed as explained above (see recital 31).

5. THE PROCEDURE

- (41) The IG of P & I Clubs submitted a notification of some of its arrangements to the Commission in June 1981. Only the IGA and some agreements ancillary to the Pooling Agreement, such as the re-insurance agreements (now included in Appendix X of the Pooling Agreement, see recital 25) were covered by it. The Pooling Agreement itself was not formally notified.
- (42) After a preliminary examination, the Commission concluded that the IGA contained a number of clauses that could not be exempted pursuant to Article 85(3). On February 1983 it therefore opened proceedings and sent the applicants a Statement of Objections prior to a decision pursuant to Article 15(6) of Regulation No 17 to withdraw the benefit of the exemption from fines. In December 1983, the Union of Greek Shipowners and the Greek Shipping Cooperation Committee (GSCC) entered the procedure, lodging a formal complaint against the IGA.
- (43) In July 1984 the Commission issued a Statement of Objections on the substance of the case, holding that some of the provisions of the IGA infringed Article 85(1) and did not satisfy the conditions for exemption contained in Article 85(3). After substantial modifications (for instance, the introduction of the 30 September procedure), a new

IGA was adopted, which came into force in February 1985. This new agreement was notified and an exemption for 10 years was granted by Commission Decision 85/615/EEC⁽¹⁾.

- (44) The IG of P & I Clubs requested a renewal of that exemption in February 1995. For the investigation of this case a notice was published in the *Official Journal of the European Communities* in July 1995⁽²⁾, inviting interested third parties to submit their observations. Some concerns were raised by the GSCC, which in December 1995 decided to transform its comments into a formal complaint. At a later date comments were also received from the Union of Greek Shipowners (UGS) and Ocean Marine, an independent P & I mutual.
- (45) On 2 June 1997 the Commission addressed a Statement of Objections to the IG, ruling that both the Pooling Agreement and the IGA were contrary to the Community competition rules. The IG replied on 14 September 1997 and an oral hearing was held on 27 April 1998. In addition to the IG, the GSCC, the UGS and Ocean Marine intervened.
- (46) On 7 July 1998 the IG formally notified the Pooling Agreement, amended as a result of negotiations with the Commission. On 14 August 1998 the Commission published a notice pursuant to Article 19(3) of Regulation No 17, which indicated that it intended to adopt a favourable position towards the notified Pooling Agreement.
- (47) On 24 September 1998 the IG formally advised the Commission that it intended to notify a number of amendments to be introduced into the International Group Agreement. In view of this, on 21 October 1998 the Commission published a notice pursuant to Article 19(3) of Regulation No 17 concerning the amended IGA. At that same date, the IG notified the amendments to the IGA.
- (48) It should be noted that the European Parliament has shown considerable interest in the present case. On 22 January 1996 MEP Bryan Cassidy introduced three written questions⁽³⁾. MEP Karl von Wogau asked an oral question (O-0053/96) in a session on 15 March 1996⁽⁴⁾ and finally, even a resolution was adopted on 27 March 1996⁽⁵⁾ stating that a USD 20 billion catastrophe 'would put at risk the P & I Clubs themselves' and urging the Commission 'to study various solutions to this problem which must fully respect the polluter-pays principle' as well as 'to consider the question of Article 85 exemption in the light of the conclusions of this study'. Finally, MEP Cassidy introduced another written question in January 1998 (E-0213/98)⁽⁶⁾ and an oral question (No 077) was asked in the session of 11 May 1998 by MEP Florus Wijzenbeek (H-0410/98).

⁽¹⁾ OJ L 376, 31.12.1985, p. 2.

⁽²⁾ OJ C 181, 15.7.1995, p. 16.

⁽³⁾ OJ C 122, 25.4.1996, p. 32.

⁽⁴⁾ Annex, OJ 4-478/300, 15.3.1996.

⁽⁵⁾ OJ C 117, 22.4.1996, p. 20.

⁽⁶⁾ OJ C 304, 2.10.1998, p. 54.

(B) LEGAL ASSESSMENT

1. ARTICLE 85

- (49) Under Article 85(1) of the Treaty any agreement between undertakings which has as its object or effect the restriction of competition within the common market is prohibited in so far as it may affect trade between Member States. These agreements may, nevertheless, be exempted if they satisfy several conditions set out in Article 85(3).

1.1. Agreement between undertakings

- (50) The Pooling Agreement and the IGA are agreements between the P & I Clubs. These must be considered non-profit-making undertakings performing an economic activity. In fact, they compete between themselves as well as with other mutuals and profit-making insurers in some segments of the P & I insurance business.
- (51) The Court of Justice has already held in its FEDETAB judgment⁽¹⁾ of 29 October 1980 that non-profit-making entities engaged in economic activities may be considered as undertakings within the meaning of Article 85(1) (Joined Cases 209 to 215 and 218/75 Van Landewyck v. Commission, at paragraph 88).

1.2 Market definition

- (52) Any restriction of competition within the meaning of Article 85(1) of the Treaty should be assessed in the context of a relevant market. The relevant markets for the assessment of this case, from a product as well as from a geographical point of view, are defined below.

1.2.1. *Product market**Demand side analysis*

- (53) From the demand side, direct marine insurance can be clearly divided into two different product markets: hull and P & I insurance. They cover different needs and have traditionally been considered separately by shipowners: the latter obtain hull insurance from commercial insurers but create mutual associations in order to share their P & I risks. Maritime hull insurance has already been considered a separate market by Commission Decision 93/3/EEC (Lloyd's Underwriters' Association and the Institute of London Underwriters)⁽²⁾.

- (54) P & I insurance, also seen from the demand side, could be theoretically divided into very specific segments, according to the type of vessels insured (tankers, fishing-vessels, dry-cargoes, etc.), the type of cover (property damage, pollution, crew injury, etc.) or even the level of this cover (unlimited, limited to a certain level, etc.). In fact, non-standardised insurance, like this one, is a tailor-made product adapted to the characteristics of the insured.

- (55) Direct hull and P & I insurance must be distinguished from marine re-insurance. The demand for each type of insurance is different: in the first two cases the demand comes from shipowners while in the third one comes from professional insurers. Marine re-insurance is normally provided by specialist re-insurers. In some cases, however, it can also be provided by P & I insurers. In fact, the P & I Clubs offer re-insurance to small independent P & I mutuals.

Supply-side analysis

- (56) From the supply side it should first be analysed whether the conditions on which P & I insurance is offered are similar to those for other types of insurance and whether, therefore, other insurers could start to provide P & I insurance at short notice. If this were the case, the product market should be widened to include those other types of insurer. Regulatory barriers to entering the P & I market for firms already providing non-life insurance are not significant. However, two other types of barrier are more relevant.

- (57) First, P & I insurance requires some features that other insurance companies cannot develop in a short period of time. These features basically are technical knowledge on P & I risks and large networks of representatives in the most important world harbours that may solve efficiently P & I claims and a sophisticated claims handling unit.

- (58) Secondly, and much more importantly, there are very large economies of scale in the provision of high levels of P & I insurance. In general, insurance is always a matter of scale. In order to be able to provide insurance for a specific type of risk, an insurer must cover a minimum number of units. This minimum number of units will allow it to have a spread of risks large enough to reduce the volatility of claims — that is, to ensure that claims will follow a regular pattern (which can normally be established from the observation of the past). In other words, if it insures this minimum number of units, there will be a high probability that it will not face unforeseen claims, because the frequency and intensity of the claims received will reproduce past patterns.

⁽¹⁾ [1980] ECR, p. 3125.

⁽²⁾ OJ L 4, 8.1.1993, p. 26.

Normally, the minimum dimension is relatively higher for catastrophic risks (i.e. risks which have a large intensity but a low frequency) than for normal ones.

- (59) In the field of P & I insurance, the minimum scale required to offer cover is high in relation to the whole market dimension. In other words, economies of scale represent important barriers to entry. Indeed, to reach the minimum scale any insurer would have to face important costs that could not be recovered if the entry were to fail (sunk costs). Once it had entered the market, an insurer would be obliged to satisfy all the claims derived from the policies it had underwritten. The sunk costs would equal the difference between the premiums received, which would be calculated according to past patterns, and the claims satisfied. If the minimum scale is not reached (if entry fails), this difference may be very significant because claims would be very volatile (that is, estimated patterns would not be reproduced). This general proposition about economies of scale in P & I insurance remains valid even though obviously these economies decrease when the level of cover offered diminishes.

- (60) The combination of these two barriers restrain most non-life insurance companies as well as specialist re-insurers from operating in the P & I insurance markets. Marine hull insurers, however, can probably develop their expertise and claims facilities in order to cover P & I risks more easily than other types of insurer. For lower levels of P & I cover, where economies of scale are small, they could operate in the market. In fact, as has been explained, a minority of them provide P & I insurance up to around EUR 459 million (USD 500 million).

- (61) With regard to the market of re-insurance to P & I direct insurers, economies of scale are the main barrier to entry. Regulatory or technical barriers do not play a significant role. In consequence, not only are the P & I Clubs able to provide re-insurance to other P & I insurers, but also marine re-insurers which are able to reach a minimum dimension can provide it. In practice, marine re-insurers provide re-insurance for low levels of cover to independent P & I mutuals as well as re-insurance to the P & I Clubs up to EUR 1,8 billion (USD 2 billion). Re-insurance for higher levels of cover can only be provided at present by the P & I Clubs.

1.2.2. *Geographic market*

- (62) The market for contractual and third party maritime damages insurance has a worldwide scope. Shipowners generally ensure that their fleets are placed on the best possible terms to be offered by any P & I Club, no matter where this club is located. At present, the International Group of P & I Clubs as well as most of the small P & I independent insurers cover vessels registered around the world. The market for P & I re-insurance has also a worldwide scope.

1.2.3. *Conclusion*

- (63) It can be concluded that P & I insurance represents a single worldwide product market. Its substitutability by other marine insurance products, from the demand as well as from the supply point of view, is weak. There is only a limited degree of supply side substitutability with marine hull insurers in relation to low levels of P & I insurance (up to EUR 459 million (USD 500 million)), where independent P & I mutuals or commercial insurers are also able to operate.
- (64) With regard to P & I re-insurance, a distinction must be made according to the level of cover offered. Up to around USD 2 billion, P & I re-insurance can be considered as part of the wider worldwide market of marine re-insurance. Nevertheless, for higher levels marine re-insurers do not reach at present the minimum dimension necessary to offer P & I re-insurance and, in consequence, P & I re-insurance for levels higher than around EUR 1,8 billion (USD 2 billion) should be considered a distinct market.

1.3. *Restriction of competition*

1.3.1. *The Pooling Agreement*

- (65) A claim-sharing agreement such as the Pooling Agreement entails an agreement between the parties on a number of aspects of their insurance activity. Indeed, it is inherent in any claim-sharing agreement that its members decide in common at least the policy conditions and the level of cover offered. Such agreement prevents them from offering different insurance products through the claim-sharing agreement.

- (66) Such an agreement cannot be considered anti-competitive, at least when the claim sharing is necessary to allow its members to provide a type of insurance that they could not provide alone. Indeed, there cannot be a restriction of competition when the members of the pool are not actual or potential competitors, because they are unable to insure alone the risks covered by the pool. If anything, such claim sharing indeed strengthens competition since it allows several insurers which are not able to provide such cover to put their resources in common and create a new player.
- (67) To the extent that the claim sharing does not violate Article 85(1), the restrictions imposed on the parties to the claim-sharing agreement which are indispensable to the proper functioning of that claim sharing are not covered by Article 85(1). They must be considered ancillary to, or inherent in, the claim sharing (see for instance the judgment of the Court of 15 December 1994 in Case C-250/92, *Gøttrup-Klim v. Dansk Landbrugs Grovvarereselskab* ⁽¹⁾), where the restrictions necessary for the proper functioning of a cooperative were considered not to be covered by Article 85(1)).
- (70) Normally, the minimum dimension necessary to provide a specific type of insurance can be directly estimated by analysing the market shares held by the insurers effectively providing alone this type of insurance. In the P & I insurance market, as has already been explained (see recitals 11 to 13), there are very few insurers not taking part in the IG. Moreover, these independent insurers (of whom Ocean Marine, with a market share of around 2 % of the market is the largest) provide relatively low levels of P & I cover, normally up to EUR 459 million (USD 500 million). Consequently, they do not constitute a useful element of comparison in determining the minimum dimension necessary to provide P & I cover up to around EUR 3,9 billion (USD 4,25 billion).
- (71) In cases when the minimum dimension to provide one specific level of insurance cannot be directly estimated because there are no insurers offering this insurance independently, indirect methods must be used. The minimum dimension could be indirectly estimated by analysing the availability of re-insurance to insurers holding different market shares. Indeed, the maximum level of re-insurance available to a P & I Club will normally determine the maximum level of cover that this club is able to offer independently.

1.3.1.1. *Indispensability of claim sharing within the IG of P & I Clubs*

- (68) It is analysed below whether claim sharing within the IG of P & I Clubs, which covers around 89 % of the worldwide vessel tonnage, is necessary to allow the P & I Clubs to provide P & I insurance up to EUR 3,9 billion (USD 4,25 billion), as they do at present. The conclusion will be that the IG's claim-sharing arrangements are indeed necessary to offer the present level of cover, because the minimum dimension required to offer such a cover can only be attained by insuring more than 50 % of worldwide tonnage. Therefore, there is no room for a second viable supplier of such cover.
- (69) As explained above (see recitals 58 and 59), insurance normally presents economies of scale. A minimum number of units must be insured to offer insurance for a specific type of risk. This minimum number of units can be reached either by a single insurer or by different insurers who agree to insure some type of risks in common. This is the case of co-insurance or co-reinsurance pools between commercial insurers but also of claim-sharing agreements between mutuals such as the one at issue in this case.
- (72) With regard to the maximum level of re-insurance available to independent P & I insurers, information was requested from leading London maritime brokers as well as from the main IG re-insurers. All their replies coincided in indicating that 30 % of worldwide tonnage would be enough to obtain re-insurance of up to EUR 1,38 billion (USD 1,5 billion), 45 % to EUR 1,8 billion (USD 2 billion) but that more than 50 % is required for amounts higher than EUR 2,75 billion (USD 3 billion) and thus there is only room for one market player offering such a cover. This indicates that, at present, the claim sharing among P & I Clubs is, as such, pro-competitive.
- (73) It could theoretically be argued that re-insurance should be available for higher levels of cover in relation to vessels bearing lower risks. In this connection, brokers and re-insurers were requested to determine the maximum re-insurance available to a hypothetical club not insuring tankers or passenger vessels, which are the two types of vessels which have produced larger claims in the past.

⁽¹⁾ [1994] ECR, p. I-5641.

According to the replies received, the limits of re-insurance available to such a hypothetical club are the same as those valid for clubs including all types of vessels.

- (74) In view of the evidence described in recitals 72 and 73, it must be concluded that the IG's claim-sharing arrangement is the only available alternative to provide cover up to around EUR 3,9 billion (USD 4,25 billion). It is therefore beyond all doubt that all the restrictions indispensable to the proper functioning of the claim-sharing agreement (inherent restrictions) must be considered compatible with Article 85(1) of the EC Treaty.

1.3.1.2. *Restrictions inherent in the Pooling Agreement*

1.3.1.2.1. The minimum common level of cover

- (75) Both the GSCC's complaint and the Statement of Objections considered that the clause of the previous version of the Pooling Agreement that provided for a single level of cover to be offered by all clubs (up to EUR 16,5 billion (USD 18 billion)) was not indispensable to the proper functioning of the Pooling Agreement and restrictive of competition. Indeed, it prevented Clubs from offering to shipowners different levels of cover. In other words, it prevented individual shipowners from negotiating the level of cover which they actually wanted or needed, given the nature of the risk which their fleet represented.

- (76) At present, the Pooling Agreement has been amended to clarify that the P & I Clubs are free to offer levels of cover higher than the level commonly agreed, around EUR 3,9 billion (USD 4,25 billion). The amended version of the Pooling Agreement, therefore, no longer provides for a single level of cover but merely for a minimum level of cover to be offered in common by all the parties to the agreement. Accordingly, Clubs are not impeded any longer from offering higher levels of cover. Nor are they impeded from offering lower levels of cover individually.

- (77) Actually, a claim-sharing arrangement cannot function properly without at least one level of cover to be offered being agreed by all its members. The reason is that no member would be willing to share claims brought to the pool by other clubs of a higher amount than the ones it can bring to the pool. This can happen in a commercial pool because all members pay pure premiums to the pool, and those vary on the level of cover provided. In a claim-sharing agreement between mutuals which do not charge premiums, however, there is no workable method available to force the members which would bring larger claims to compensate the others.

- (78) This does not mean that the IG member clubs have deprived themselves of the possibility of offering collectively, other levels of cover. All members, or only those wishing to share claims at higher levels, could conclude additional special agreements to offer higher cover in addition to agreeing on the lowest level of cover to be provided through the claim-sharing arrangement. The Statement of Objections referred to documentary evidence that showed that the IG had discussed the feasibility of several of these systems in the past. In addition to this evidence, in their replies to requests for information, several P & I Clubs acknowledged the technical feasibility of implementing such systems.

- (79) It must be concluded that the clause providing for a common level of cover does not include a restriction of competition within the meaning of Article 85(1). Indeed, Clubs have only agreed to offer a minimum level of cover through their claim-sharing agreement, which is a necessary agreement for the functioning of such a system. They remain free to offer, either on their own or together with other Clubs, any level of cover that they consider appropriate.

1.3.1.2.2. Common approval of rules and accounting practices

- (80) The Pooling Agreement includes a clause providing that the rules applicable to insurance policies of each Club, are subject to the approval of three-quarters of the members of the Pooling Agreement. This clause impedes P & I Clubs from offering different policy conditions through the claim-sharing agreement.

- (81) Nevertheless, like any coinsurance or co-reinsurance pool, a claim-sharing agreement can only function properly if all members agree on the conditions that each of them includes in its policies. Indeed, no member should be forced to contribute to the provision of insurance cover under policy conditions that it has not agreed. Therefore, the clause of the Pooling Agreement stipulating that insurance policies ('rules') of each Club are subject to approval of the other members of the pool can be regarded as necessary for the functioning of the IG's claim-sharing arrangements.

1.3.1.2.3. The joint purchase of re-insurance

- (82) As explained above (see point 16), the excess of any claim over EUR 27,4 million (USD 30 million) up to EUR 1,8 billion (USD 2 billion) is covered by the Group General Excess Loss Reinsurance Contract. This re-insurance contract is agreed collectively by the clubs with commercial insurers pursuant to Clause 12 of the Pooling Agreement. This represents an agreement of joint purchasing of re-insurance.
- (83) Common purchase of supplies could be considered contrary to Article 85(1). In Decision 80/917/EEC (National Sulphuric Acid Association)⁽¹⁾, the Commission found that a joint buying pool for the purchase of sulphur, set up by an association grouping all manufacturers of sulphuric acid in the United Kingdom, was restrictive of competition. In that case the joint purchasing agreement was exempted, *inter alia*, because it ensured a steady supply of sulphur in times of shortages and because the members of the pool were not obliged to purchase their full requirements of sulphur through the pool.
- (84) The joint purchase of re-insurance is normally not inherent in the functioning of a claim-sharing agreement because each member of such an agreement could independently re-insure its own share of the claims. Nevertheless, in this particular case it has been proved (see recitals 72 to 74) that without joint purchase most of the P & I Clubs would not have been able to obtain re-insurance up to the level obtained at present. Indeed, a minimum dimension of more than 50 % of the worldwide tonnage is required before such a cover can be offered, and the largest P & I Club, at present, only covers 16,34 % of it (see recital 10). It should be

concluded, then, that the joint purchase of re-insurance is necessary for the IG to offer cover at the present conditions. It does not fall, therefore, under the prohibition of Article 85(1).

1.3.2. The International Group Agreement

1.3.2.1. Rules related to release calls

- (85) The methods of calculation of release calls, as was stated in point 27 of Decision 85/615/EEC, 'do not in themselves give rise to clear-cut restrictions (...) but could be used to reinforce restrictions on transfers between clubs. These rules could indeed be used to further restrict the ability of an operator to avail himself of the opportunity of seeking better rates offered by another club. The level of a release call claimed by the holding club in the event of a withdrawal could in fact constitute a deterrent to transfers between one club and another'.
- (86) In any event, rules relating to release calls are inherent in the proper functioning of the Pooling Agreement. Indeed, they are needed to prevent a shipowner who has left a club to avoid paying the sums that he still owes to his former club to cover the liabilities incurred during his membership but not settled at the time of withdrawal. These rules are not disproportionate to this objective: they only require a bank guarantee (an actual payment is not needed until the liabilities are determined) and there is always the right to challenge the amount of the release call before an independent expert committee.

1.3.2.2. Rules for making quotations for vessels

- (87) The procedures for making quotations for vessels restrict the freedom of the P & I Clubs to compete on the rates to be quoted to vessels joining them. Before the IGA was amended they restricted Clubs to determining the full extent of the rate. After the amendments are introduced to the IGA, clubs will be free to quote the part of the rate covering the administrative costs, but they will still be restricted to determining the remaining elements of the rate. Indeed, the 20 February procedure impedes any P & I Club from offering a lower quotation than the holding club for the elements of the rate other than the administrative costs, unless an expert committee considers the holding club's quotation for such elements of the rate to be unreasonably high.

⁽¹⁾ OJ L 260, 3.10.1980, p. 24.

- (88) The elements of the rate for which club's quotations are restricted are those that reflect the costs of the claims that will have to be paid by the clubs. Indeed, the quotation procedures apply both to the costs of claims which are shared between Clubs (namely claims between EUR 4,57 million (USD 5 million) and EUR 27,4 million (USD 30 million), plus the re-insurance) and to costs which are supported individually by each Club (claims up to EUR 4,57 million (USD 5 million); the so-called retention level).

1.3.2.2.1. Inherence of the restriction

- (89) Any claim-sharing agreement requires some degree of discipline between the participants in that agreement on the rates corresponding to the costs that they share. No club would be ready to share claims with another club that would be offering a lower rate for covering these same claims. No customer would remain with the first club because it would know that it could obtain from the second club exactly the same cover, covered also by all the P & I Clubs, but for a lower rate.

- (90) In this case, the P & I Clubs share claims from EUR 4,57 million (USD 5 million) to EUR 27,4 million (USD 30 million), they purchase together re-insurance to face higher claims, up to EUR 1,8 billion (USD 2 billion), and should an even higher claim arise (overspill claim) they would share it up to EUR 3,9 billion (USD 4,25 billion). It appears necessary that they agree on a degree of discipline for setting the rates that correspond to these costs. This discipline is achieved through the quotation procedures and, for tankers, also through the recommendation on the costs of the claims to be shared under the pool.

- (91) These rules are not disproportionate to the objectives they try to achieve. Indeed, the quotation procedures leave to the holding club the task of setting the appropriate rate, and merely aim at ensuring that club's quotation of the costs of claims will not be undercut by another club sharing claims with it. Only for tankers does the IG go one step further by recommending annually a non-binding rate for the costs of the claims to be shared

under the Pooling Agreement. This particular rule can be explained by the specific characteristics of tanker risks (they are normally of a catastrophic nature, tending to occur rarely but involving very large liabilities when they do occur).

- (92) The amended quotation procedures, however, also apply to some costs which are not shared between the clubs, the retention costs, (meaning the costs of the claims up to EUR 4,57 million (USD 5 million)). For these costs the quotation procedures go beyond what is strictly necessary for keeping the claim-sharing arrangement in place. Indeed, for non-shared costs there is no need to ensure that clubs do not undercut each other. Clubs which could achieve a reduction of these costs below the level of their competitor's costs should be able to charge lower rates. Price competition on the retention cost component of the rates is not liable to endanger the claim-sharing arrangement.

- (93) It can be concluded, therefore, that the quotation procedures, in so far as they extend to the element of the rate reflecting the claims falling under the retention, are not inherent in the claim-sharing arrangement.

1.3.2.2.2. Appreciability of the restriction

- (94) Taking into account the fact that the P & I Clubs account for around 89 % of the worldwide market for P & I insurance and that there is very limited competition coming from outside the system, any restriction on rate competition between clubs has an appreciable impact in the world wide market for P & I insurance.

- (95) After the amendment to the IGA, price competition will be possible in relation to that part of the rate corresponding to the administration costs. This does not mean, however, that a restriction on the elements of the rate reflecting the cost of claims falling under the retention does not have an appreciable impact on competition between the clubs. Indeed, the retention claims represent 82 % in value and 99 % in number of all claims supported by the IG (see recital 16).

(96) It is true that the restriction only lasts for a year. Indeed, the year after a shipowner has moved to another club, the new club could offer lower rates than the ones it was obliged to offer in the first year. It cannot be inferred from this fact, however, that the restriction is not appreciable. It is at the moment that a shipowner contemplates moving to another club that this club can gain a competitive advantage by quoting a lower rate and has therefore an incentive to do so, not a year later.

(97) Nor can it be argued that the 20 February procedure has no appreciable effect on competition because there is an alternative procedure, the 30 September one, which allows clubs to quote a lower rate than the rate of the holding club. Although this is what the Commission believed in 1985 when the 30 September procedure was adopted, experience has shown since then that this procedure did not have the expected effects. It has indeed only once been used successfully to change from one club to another (see recital 33).

(98) As a matter of fact, it is not surprising that the 30 September procedure has revealed itself not to be an appropriate remedy. There are two reasons for this. First, it can be used only five months before the insurance renewal date. This is simply too early for a club to make an accurate quotation (it is too early, for example, to take into account the level of re-insurance premiums that will prevail at that date). Secondly, if the holding club requests the independent expert committee to investigate whether the rate quoted is unreasonably low and the committee considers that it is indeed too low, the penalty for the club's having quoted the rate is extremely severe: it loses re-insurance from other clubs for the vessel in question for two entire years.

1.3.2.3. *Rules on minimum cost for tankers*

(99) The IG recommends annually the amount of the provision that clubs should include in their quotations to reflect the cost that claims from tankers would represent for the pool (see recitals 38 and 39). Even if the recommendation is not binding, the IGA enables clubs to refer to a committee any quotation for tankers from another club that they consider not to make adequate provision for all the

elements of the cost of claims. If the committee considers that this is the case, the club loses the benefit of the pool for two years. The serious sanction attached to the finding from the committee that a quotation does not make an adequate provision for all the elements of the cost of claims restrains clubs from actually diverging from the recommendation.

(100) As far as the recommendation also covers the retention costs, for the same reasons as those explained above (see recitals 88 to 97) it should be regarded as an appreciable restriction of competition and not inherent in the proper functioning of the Pooling Agreement.

1.3.3. *Effects on trade between Member States*

(101) The IG's arrangements have appreciable effects on trade between Member States. First, P & I Clubs' members of the IG are established in more than one Member State as well as in third countries. Secondly, the members of the IG provide insurance to vessels from any Member State as well as from third countries. As it is, almost the entire Community fleet is insured by the IG.

1.3.4. *Conclusion: restrictions of competition in the P & I insurance market*

(102) In conclusion, both the quotation procedures as well as the recommendation on minimum costs for tankers, as far as they apply to the retention costs, represent restrictions on competition. Those restrictions have an appreciable negative impact in competition in the world wide market of P & I insurance and substantially affect trade between Member States. They fall therefore within the prohibition under pursuant to Article 85(l) of the Treaty.

1.4. *Exemption pursuant to Article 85(3)*

1.4.1. *Applicability of the insurance block-exemption*

(103) It has been argued that the Pooling Agreement and the IGA are covered by the definition of co-reinsurance agreements within, the meaning of Article 10(2)(b) of Commission Regulation (EEC) No 3932/92 of 21 December 1992 on the application of Article 85(3) of the Treaty to certain categories of agreements, decisions and concerted practices in the insurance sector⁽¹⁾. The Article defines a co-reinsurance group as a group set up by insurance undertakings in order to reinsure mutually all or part of their liabilities in respect of a specified risk category.

⁽¹⁾ OJ L 398, 31.12.1992, p. 7.

- (104) In fact, it is not clear from Community case-law whether the insurance block-exemption also covers claim-sharing arrangements between insurance mutuals, but there is no need to resolve this issue in this case, because the IG's arrangements do not fulfil all of the conditions required for coverage by the block exemption. In particular, the market share of its members is substantially higher than the 15 % required.

1.4.2. *Individual exemption*

- (105) Even if the IG's arrangements are not covered by the definition of co-reinsurance group of Regulation (EEC) No 3932/92, an individual exemption can be granted to the provisions of these arrangements which are contrary to Article 85(1), namely the quotation procedures and the rules on minimum cost for tankers, as far as they apply to the retention costs.

1.4.2.1. *Promotion of economic progress*

- (106) As was explained above (see recital 72), to provide P & I insurance up to EUR 3,9 billion (USD 4,25 billion) at present costs, an insurer should cover a market share of more than 50 % in order not to be confronted with excessively volatile claims and to obtain sufficient re-insurance. No insurer alone covers such a large market share and, therefore, pooling risks among several insurers representing together a market share of more than 50 % is the only method available to the industry at present to provide such a cover. The IG's arrangements, therefore, contribute to economic progress by ensuring that P & I insurance cover of up to EUR 3,9 billion (USD 4,25 billion) is available in the market.
- (107) The availability of cover up to EUR 3,9 billion (USD 4,25 billion) is of immediate benefit to the shipowner. By providing such a cover, the IG satisfies most of the world wide demand for P & I insurance and allows maritime transport and other maritime activities to continue with an adequate coverage of contract and third party liabilities.
- (108) The final customers of the shipowner, be they passengers or goods carriers, also benefit from the provision of such a level of insurance. Indeed, in the absence of the pooling arrangement no insurance for such high levels would be generally avail-

able and, were claims of this amount to arise, it is likely that some of these customers would not be able to obtain compensation from the shipowner. The same could apply to any other third person that could suffer from extra-contractual damages produced by a shipowner (such as marine pollution).

1.4.2.2. *Indispensability of the restriction*

- (109) As was explained above (see recitals 88 to 99) in so far as the quotation rules and the rules on a minimum cost for tankers apply to some costs which are not shared between the clubs, in particular to the retention costs, (the costs of the claims up to EUR 4,57 million (USD 5 million)), they are not inherent in the claim-sharing arrangement.
- (110) However, in this case the Commission acknowledges that it might be unworkable, or in any event very complex and burdensome, to devise an appropriate method which would ensure that the quotation rules and the rules on a minimum cost for tankers effectively apply only to the costs shared under the Pooling Agreement and not to the retention costs.
- (111) Indeed, when a club quotes a rate for a vessel, it makes a global assessment of the risk that this vessel bears. In other words, it assesses the frequency and intensity of the claims that the vessel in question could bring to the club. Should the quotation procedures or the rules on a minimum costs for tankers apply only to the elements of the rate that reflect the shared costs, the club would be obliged artificially to make a separate and different assessment for the possibility that the vessel in question would cause claims below EUR 4,57 million (USD 5 million). As risk assessment is based on subjective parameters (such as vessel safety measures and the training of the crew), it would be easy for a club to manipulate this assessment by decreasing the relative weight of the retention costs and increasing the weight of the shared costs. As the retention costs would remain outside the quotation procedures, the club could, by decreasing the weight of the retention costs,

reduce its rate accordingly and use this as a competitive tool to attract customers. As to tankers, as the weight of shared costs would have been artificially increased, the club would be able to adhere at the same time to the recommendation on the minimum cost.

- (112) Any policing system designed to avoid these manipulations would need to monitor carefully the risk assessments made by the clubs and, in particular, whether giving more or less weight to the possibility of claims arising below the retention level amounts to an unreasonable quotation. This exercise, in view of the subjectivity involved in risk assessment, would be very complex and time consuming. It would exceed the complexity of the tasks presently entrusted to the independent expert committee, which is only required to check that the risk assessment made by the clubs as a whole is reasonable, but not that each of its elements, independently, is such. Moreover, should the retention remain outside the quotation procedures, the number of controversial quotations and, therefore, of cases brought to the attention of the committee would increase dramatically. It does not appear to be feasible to entrust the existing independent expert committee or any new body created for this purpose with the task of monitoring a large number of controversial and largely subjective quotations in a coherent and expeditious manner.

1.4.2.3. *Non-elimination of competition*

- (113) The quotation procedures and the recommendation on a minimum cost for tankers do not eliminate competition in the market of P & I insurance. Despite the fact that the IG covers 89 % of the world wide market for P & I insurance, there is competition between the P & I clubs.
- (114) Competition among P & I clubs on the elements of the rate reflecting the cost of claims (the elements subject to the quotation procedures) is a very important parameter of competition, but it is not the only one. Clubs remain free to compete on non-price parameters (such as the level of claims-handling service) as well as on the part of the rate which reflects the administrative costs. Indeed, there is scope for reduction of administrative costs and therefore for competition on that part of the rate reflecting them. These reductions can be achieved through economies of scale, efficiency in the administration and pressure on managers to reduce profit margins (it should be remembered that club managers are in most cases independent

companies that do work for profit). Should clubs decide not to charge a specific part of the rate for administrative costs but to offset them against investment costs (see recital 35), competition would still play a part, because a reduction of the administrative costs would be reflected in lower supplementary calls for shipowners.

- (115) In addition, the incorporation of the transparency rules (see recital 36) in the amended IGA will contribute to an increase in competition in relation to administrative costs. By obliging all clubs to publish a five-year average expense ratio which expresses the percentage that administrative costs represent of premium income plus investment income, they enable shipowners to compare the efficiency of different clubs in relation to the part of the rate which clubs can freely set, and allow them to choose accordingly.

1.4.3. *Conclusion*

- (116) From what has been explained in the foregoing paragraphs, it can be concluded that both the quotation procedures and the recommendation on minimum costs for tankers, as far as they apply to retention costs, are contrary to Article 85(1) of the Treaty but fulfil all the conditions of Article 85(3) and therefore can be the subject of an individual exemption. Indeed, they can be considered necessary to achieve the economic advantages and benefits for consumers brought forward by the Pooling Agreement, and they do not eliminate competition in the P & I insurance market.
- (117) However, the quotation procedures and the recommendation on minimum costs for tankers, as far as they apply to retention costs, should only benefit from the exemption as long as the Pooling Agreement remains necessary in order to allow the P & I clubs to reach a minimum scale which enables them to provide a level of cover that they could not provide alone (see recital 72).

The Commission will intervene to revoke the exemption granted by this Decision, pursuant to Article 8(3) of Regulation No 17 if the members of the IG collectively hold a market share larger than twice the minimum scale economically required to provide the level of cover agreed at any moment within the IG. Indeed, in such a case, two market operators could be created and, therefore, the Pooling Agreement would no longer be considered necessary to achieve the minimum scale. It must

be made clear that the minimum scale corresponds to the market share necessary to reasonably ensure that cover can be provided at a cost of claims per ton which is similar to the cost of claims per ton incurred by the members of the IG.

2. ARTICLE 86

- (118) Under Article 86, any abuse by one or more undertakings of a dominant position within the common market or in a substantial part thereof is prohibited in so far as it may affect trade between Member States.

2.1. Dominant position

- (119) The Court of Justice, in its judgment in Case 85/76, *Hoffmann-La Roche v. Commission*⁽¹⁾, (paragraphs 38 and 39) described a dominant position as:

‘a position of economic strength enjoyed by an undertaking which enables it to hinder the maintenance of effective competition on the relevant market by allowing it to behave to an appreciable extent independently of its competitors and customers and ultimately of consumers. Such a position does not preclude some competition but enables the undertaking which profits by it, if not to determine, at least to have an appreciable influence on the conditions under which competition will develop, and in any case to act largely in disregard of it so long as such conduct does not act to its detriment’.

- (120) This dominant position can be held by a single company or by a group of them. The Court of First Instance defined a collective dominant position as ‘two or more independent economic entities being, on a specific market, united by such economic links that, by virtue of that fact, together they hold a dominant position *vis-à-vis* the other operators on the same market’ (judgment in Joined Cases T-68/89, T-77/89 and T-78/89, *Società Italiana Vetro v. Commission*)⁽²⁾. This was recently repeated by that Court in its judgment of 8 October 1996 in Joined Cases T-24/93, T-25/93, T-26/93,

and T-28/93 (*Compagnie Maritime Belge v. Commission*)⁽³⁾, which upheld Commission Decision 93/82/EEC (Cewal)⁽⁴⁾ finding the existence of collective dominant positions in the case of shipping conferences: it had already found this in Decision 92/262/EEC (French-West African Shipowners’ Committees)⁽⁵⁾.

- (121) The P & I Clubs which are members of the IG are independent entities united by strong economic links and that, by virtue of that fact, hold together a dominant position on the world market for P & I direct insurance as well as in the world market for P & I re-insurance for levels higher than around EUR 1,8 billion (USD 2 billion) (see recitals 52 to 64 for a description of the relevant market).
- (122) The P & I Clubs’ members of the IG have concluded a claim-sharing arrangement that creates strong economic links between them: they share the claims brought by their members up to a certain level, follow specific common procedures to offer insurance to members of other P & I Clubs, purchase re-insurance in common, agree on insurance conditions to be provided to their members, and cooperate in many other aspects of P & I insurance. Moreover, by agreeing to have common insurance conditions, and particularly to offer a single level of cover, they adopt a uniform line of action in the market.
- (123) This collective position held by the IG of P & I Clubs is clearly dominant. According to the Court of Justice (judgment in Case C-62/86, *AKZO Chemie BV v. Commission*)⁽⁶⁾, at paragraph 60 and *Hoffmann-La Roche*, at paragraph 41): ‘although the importance of the market shares may vary from one market to another, the view may legitimately be taken that very large market shares are in themselves, and save in exceptional circumstances, evidence of the existence of a dominant position’.
- (124) In the *AKZO* case the Court added that: ‘This is so where the market share amounts to 50 %’. Therefore, on the strength of market-share figures alone it can be said that the IG of P & I Clubs, which insures around 89 % of the world fleet, holds a dominant position in all the world wide markets for P & I insurance where it is present.
- (125) In its judgment in *Hoffmann-La Roche* (at paragraph 42), the Court of Justice further held that a big disparity between a firm’s share and those of its next-largest competitors is also a relevant factor in measuring the degree of market power that the former possesses. It is clear that in this case the difference between IG’s market shares and those of its competitors is very significant.

⁽¹⁾ [1979] ECR, p. 461.

⁽²⁾ [1992] ECR, p. II-1403.

⁽³⁾ [1996] ECR, p. II-1201.

⁽⁴⁾ OJ L 34, 10.2.1993, p. 20.

⁽⁵⁾ OJ L 134, 18.5.1992, p. 1.

⁽⁶⁾ [1991] ECR, p. I-3359.

(126) Moreover, in this case, other factors already identified in the Hoffmann-La Roche judgment (paragraph 42) give extra weight to the conclusion that the IG holds a significant amount of market power. First, it has the capacity to offer all levels of P&I cover, which its competitors do not have. Secondly, it has acquired a wide experience and reputation by offering P & I insurance for around one hundred years. And thirdly, it is present all over the world through a wide network of correspondents. All these strengths, in addition to its large market share, allow the IG of P & I clubs to hold a clear dominant position and to behave to a large extent independently of its competitors.

2.2 Abuse of dominant position

(127) The Statement of Objections maintained that the IG arrangements led to two different abuses of a dominant position, namely a limitation of the level of cover offered and a provision of re-insurance on discriminatory terms. It is explained in recitals 129 to 133 that, in view of the amendments to the Pooling Agreement it can no longer be argued that the IG arrangements give rise to an abuse of a dominant position. This does not exclude the possibility that the IG or its members acting together could indulge in abuses of its collective dominant position through its commercial behaviour. This, however, is not the object of this Decision, which is limited to the assessment of the notified arrangements.

2.2.1. *Exploitative abuses: limitation of the products offered in the market*

(128) Through the agreement on a single level of cover, the IG exploited its customers by offering a single insurance product that left a very substantial share of the demand unsatisfied. This constituted an abuse within the meaning of Article 86(2)(b) of the Treaty. It should be recalled, however, that it is not for the Commission to decide which is the level of cover that should be provided by the IG. The Commission may only intervene in the matter if there is clear and uncontroversial evidence that a very substantial share of the demand is being deprived of a service that it manifestly needs and that, therefore, the IG is really exploiting its dominant position in an abusive way.

(129) This is not the case any more. First, as it has already been explained (recital 76), the Pooling Agreement has been clarified to indicate that P & I Clubs are free to offer individually lower or higher levels of cover as well as to conclude any cooper-

ative arrangement that they might find appropriate to this purpose.

(130) Secondly, since the IG adopted the new minimum common level of cover of around EUR 3,9 billion (USD 4,25 billion), no substantial share of the demand remains unsatisfied. Indeed, most shipowner's organisations around the world have submitted their views on this issue to the Commission and have not complained on the new level of cover. Only part of the Greek-controlled fleet, which as a whole accounts for around 15 % of world wide tonnage, remains dissatisfied with the new level of cover.

(131) This conclusion is reinforced by the fact that, from an objective point of view, the new level of cover cannot be considered incapable of meeting customer needs. It was argued that, should an overspill claim arise, a large share of the shipping industry would become bankrupt by trying to meet a call up to the previous level of cover of around EUR 16,5 billion (USD 18 billion) (it must be explained that the rates charged by the P & I Clubs do not take into account the cost of an overspill claim; members of the P & I Clubs would only have to share the cost of such a claim if it were to materialise). This cannot be the case with the new, lower limit of cover of around EUR 3,9 billion (USD 4.25 billion).

(132) Indeed, there is enough evidence to reasonably expect that the shipping industry would be able to face a claim up to EUR 3,9 billion (USD 4,25 billion). First, from the experience of past large claims, it can be inferred that the full claim will not have to be paid in a single year, but over a period of several years, depending on the pace of settlement of the claims. Secondly, some clubs hold important reserves that can be used to satisfy part of the share of an overspill claim (reserves on 20 February 1997 amounted to around EUR 0,9 billion) and would therefore reduce the burden on individual shipowners. Thirdly, in any case, on past occasions (such as the oil crisis of the 1970s) the industry has been able to cope with increases of costs of a similar magnitude to that of an overspill claim. And finally, such a claim would represent for most vessels a relatively minor share of their yearly operating costs (lower than 10 %), which is unlikely to force them into bankruptcy.

- (133) In view of all this, it is considered that the rules on the minimum common level of cover do not give rise any more to an infringement of Article 86 of the Treaty.

2.2.2. Exclusionary abuses: provision of re-insurance on discriminatory terms

- (134) The Pooling Agreement allows independent P & I insurers to obtain re-insurance from one of the members of the IG if certain conditions are fulfilled. The Statement of Objections considered that the Pooling Agreement did not include objective and non-discriminatory conditions for deciding which commercial P & I insurers could obtain re-insurance from its members (rather, these conditions were considered objective in relation to independent mutual P & I insurers). In addition, the Pooling Agreement did not include any procedural rule to allow the independent P & I insurers (both commercial and mutual) to check whether the IG rules on re-insurance were properly applied, such as the obligation to communicate the refusal to re-insure in writing and with reasons, or an appeal procedure.
- (135) The absence of objective conditions and procedural safeguards in the Pooling Agreement was considered an abuse of the dominant position within the meaning of Article 86 of the Treaty. Indeed, as has been explained, at present the IG is the only entity in the market offering P & I cover up to around EUR 3,9 billion (USD 4,25 billion), and no independent insurer can reach alone the minimum dimension necessary to offer such a cover. Moreover, independent insurers are not able to obtain re-insurance for large P & I cover, owing to their limited market shares. In view of this, the IG could easily have distorted competition by not deciding, on the basis of objective conditions, to which independent insurers it would provide re-insurance.
- (136) As was explained above (see recitals 27 and 28), the IG has now included objective conditions in relation to the provision of re-insurance to commercial insurers and has established an adequate procedure to allow any independent P & I insurer requesting re-insurance from the IG to ensure in a timely manner that the monitoring of compliance with the conditions is properly performed. Indeed, the IG will have to take up a position on the request within 30 days of receipt of all the relevant information (this period may be extended by a further 30 days during the renewal period). If the decision is negative, the insurer infused re-insurance should be given a written notice stating the reasons for the refusal. The insurer will have the right to appeal against any such refusal. In view of this, it is considered that the rules on re-insurance of independent P & I insurers could no longer give rise to an infringement of Article 86 of the Treaty.
3. ARTICLES 53 AND 54 OF THE AGREEMENT ON THE EUROPEAN ECONOMIC AREA
- (137) According to Article 53 of the EEA Agreement, any agreement between undertakings which has as its object or effect the restriction of competition within the territory covered by this agreement is prohibited in so far as it may affect trade between the States parties to the Agreement.
- (138) According to Article 56(1) of the EEA Agreement, the Commission has to decide on any case under Article 53 of that Agreement where the commercial agreement in question affects trade between Member States and the turnover of the undertakings concerned in the territory of the EFTA States is less than 33 % of the turnover in the EEA territory.
- (139) In this case, the turnover obtained by the P & I Clubs in the EFTA territory is less than 33 % of the turnover in the EEA territory. Therefore, it is up to the Commission to assess whether the IG has infringed Article 53 of the EEA Agreement. To this end, all the arguments developed in this Decision in relation to Article 85 shall apply in this case also to Article 53 of the EEA Agreement.
- (140) According to Article 54 of the EEA Agreement, any abuse by one or more undertakings of a dominant position within the territory covered by the Agreement or in a substantial part of it is to be prohibited.
- (141) According to Article 56(2) of the EEA Agreement, the Commission has to decide on a case under Article 54 of that Agreement where dominance exists within the territories of the Community as well as of the EFTA States and where the turnover of the dominant undertaking in the territory of the EFTA States is less than 33 % of its turnover in the EEA territory.

(142) In this case, the P & I Clubs hold a world wide collective dominant position and their turnover in the EFTA States is less than 33 % of their turnover in the whole EEA area. Therefore, it is up to the Commission to decide if they have infringed Article 54 of the EEA Agreement. To this end, all the arguments set out in this Decision in relation to Article 86 apply in this case to Article 54 of the EEA Agreement as well,

HAS ADOPTED THIS DECISION:

Article 1

On the basis of the facts in its possession, the Commission has no grounds for action pursuant to Article 85(1) of the Treaty or pursuant to Article 53(1) of the EEA Agreement in respect of the amended Pooling Agreement or the International Group Agreement ('IGA'), with the exception of the rules concerning the quotation procedures and the minimum costs for tankers, in so far as they apply to the retention costs.

Article 2

On the basis of the facts in its possession, the Commission has no grounds for action under Article 86 of the EC Treaty or pursuant to Article 54 of the EEA Agreement in respect of the Pooling Agreement and the IGA, both as amended.

Article 3

Pursuant to Article 85(3) of the EC Treaty and Article 53(3) of the EEA Agreement, the provisions of Article 85(1) of the EC Treaty and Article 53(1) of the EEA Agreement are declared inapplicable to the rules concerning the quotation procedures and the minimum costs for tankers included in the IGA, as amended, in so far as they apply to the retention costs. This exemption shall be valid from 20 February 1999, being the date on which the latest notified amendments to the Pooling Agreement and the IGA will enter into force, until 20 February 2009.

Article 4

The International Group of P & I Clubs shall inform the Commission each year of any amendment and/or addition to the notified agreement as well as of the conclusion of any other agreement within the Group.

The IG shall also send to the Commission annually a report explaining whether the Pooling Agreement remains necessary to allow the P & I Clubs to provide the level of cover that they have agreed at that moment. This report shall include detailed explanations on the evolution of the markets of Protection and Indemnity ('P & I') direct insurance and re-insurance. With regard to P & I direct insurance, the report shall include market shares and levels of cover provided both by the IG and each of its members as well as estimates of market shares and levels of cover provided by third party providers. With regard to P & I re-insurance, the report shall explain the structure of the Group General Excess Loss Reinsurance Contract (layers of re-insurance; premiums paid; re-insurers taking part in it, with corresponding shares) and estimate levels of cover provided to other P & I operators.

The IG shall provide annually detailed statistical information on the functioning of the quotation procedures and the rules for providing quotations on tankers.

Article 5

The Decision is addressed to:

The International Group of P & I Clubs
78 Fenchurch Street
London EC3M 4BT
United Kingdom

Done at Brussels, 12 April 1999.

For the Commission

Karel VAN MIERT

Member of the Commission

EUROPEAN CENTRAL BANK

DECISION OF THE EUROPEAN CENTRAL BANK

of 9 June 1998

on the adoption of the Conditions of Employment for Staff of the European Central Bank as amended on 31 March 1999

(ECB/1998/4)

(1999/330/EC)

THE GOVERNING COUNCIL OF THE EUROPEAN CENTRAL BANK,

Having regard to the Statute of the European System of Central Banks and of the European Central Bank (hereinafter referred to as the 'Statute') and in particular to Articles 36.1 and 47.2, fifth indent, thereof,

Having regard to the proposal of the Executive Board of the European Central Bank (ECB),

Having regard to the contribution of the General Council of the ECB,

Having regard to the opinion of the Staff Committee of the European Monetary Institute,

- (1) Whereas the Statute attributes to the Governing Council of the ECB, acting on a proposal from the Executive Board of the ECB, the task of laying down the Conditions of Employment for Staff of the ECB;
- (2) Whereas the Conditions of Employment should contain the rules which, in conjunction with employment contracts, govern the employment relations between the ECB and its staff;
- (3) Whereas the Conditions of Employment should be such that they secure for the ECB the service of staff of the highest standard of independence, ability, efficiency and integrity, recruited on the broadest possible geographical basis from among nationals of Member States of the European Union, and, at the same time, enable staff to discharge their duties under conditions which will ensure maximum efficiency;

- (4) Whereas the Conditions of Employment are aimed at fostering equality of treatment, legal certainty, transparency and effectiveness;

- (5) Whereas, in accordance with the policy of transparency followed by the ECB, the Conditions of Employment for Staff of the ECB shall be made available to all interested parties,

HAS DECIDED AS FOLLOWS:

Article 1

The Conditions of Employment for Staff of the ECB are hereby adopted.

Article 2

For information to all interested parties, copies of the Conditions of Employment for Staff of the ECB may be obtained upon request from the ECB⁽¹⁾.

Article 3

This Decision shall be published in the *Official Journal of the European Communities*.

Done at Frankfurt am Main, 31 March 1999.

The President of the ECB

Willem F. DUISENBERG

⁽¹⁾ European Central Bank, Directorate General — Administration and Personnel, Postfach 16 03 19, D-60066 Frankfurt am Main.

DECISION OF THE EUROPEAN CENTRAL BANK

of 1 December 1998

on the national central banks' percentage shares in the key for the capital of the European Central Bank

(ECB/1998/13)

(1999/331/EC)

THE GOVERNING COUNCIL OF THE EUROPEAN CENTRAL BANK,

Having regard to Article 29 of the Statute of the European System of Central Banks and of the European Central Bank (hereinafter referred to as the 'Statute'),

Whereas Article 2 of the ECB Decision of 9 June 1998 (ECB/1998/1)⁽¹⁾ on the method to be applied for determining the national central banks' percentage shares in the key for the capital of the European Central Bank stipulates that the key may be revised before the start of Stage Three in the event that the Commission provides revised statistical data to be used for the determination of the key before December 1998 which would result in a change of 0,01 % or more in an NCB's share;

Whereas revised statistical data to be used for the determination of the key were provided by the Commission of the European Communities in November 1998 in accordance with the rules adopted by the EU Council on 5 June 1998⁽²⁾;

Whereas the weightings of the national central banks (NCBs) in the key have to be adjusted as the revised data result in a change of 0,01 % or more in an NCB's share;

Whereas, in the event that the figures provided by the Commission of the European Communities do not sum to 100 %, the deviation shall be accommodated by adding 0,0001 percentage point, in ascending order, to the smallest share(s) until exactly 100 % is reached, if the initial total were below 100 %;

HAS ADOPTED THIS DECISION:

Article 1

The weightings of the NCBs in the key referred to in Article 29.1 of the Statute shall be as follows:

— Nationale Bank van België/Banque Nationale de Belgique 2,8658 %,

— Danmarks Nationalbank	1,6709 %,
— Deutsche Bundesbank	24,4935 %,
— Bank of Greece	2,0564 %,
— Banco de España	8,8935 %,
— Banque de France	16,8337 %,
— Central Bank of Ireland	0,8496 %,
— Banca d'Italia	14,8950 %,
— Banque centrale du Luxembourg	0,1492 %,
— De Nederlandsche Bank	4,2780 %,
— Österreichische Nationalbank	2,3594 %,
— Banco de Portugal	1,9232 %,
— Suomen Pankki	1,3970 %,
— Sveriges riksbank	2,6537 %,
— Bank of England	14,6811 %.

Article 2

1. This Decision shall replace the ECB Decision of 9 June 1998 on the method to be applied for determining the national central banks' percentage shares in the key for the capital of the European Central Bank (ECB/1998/1).

2. This Decision shall take retroactive effect from 1 June 1998. The Executive Board of the European Central Bank is hereby empowered to take all necessary measures to effect adjustments of the amounts which have already been paid by the NCBs under the ECB Decision of 9 June 1998 laying down the measures necessary for the paying-up of the capital of the European Central Bank (ECB/1998/2).

3. This Decision shall be published in the *Official Journal of the European Communities*.

Done at Frankfurt am Main, 1 December 1998.

The President of the ECB

Willem F. DUISENBERG

⁽¹⁾ OJ L 8, 14.1.1999, p. 31.

⁽²⁾ See Council Decision 98/382/EC (OJ L 171, 17.6.1998, p. 33).
OJ L 171, 17 June 1998, p. 33f.

RULES OF PROCEDURE OF THE EUROPEAN CENTRAL BANK AS AMENDED ON 22 APRIL 1999

THE GOVERNING COUNCIL OF THE EUROPEAN
CENTRAL BANK,

Having regard to the Protocol on the Statute of the European System of Central Banks and of the European Central Bank (hereinafter referred to as the 'Statute') and in particular to Article 12.3 thereof,

HAS DECIDED TO ADOPT THESE RULES OF PROCEDURE:

PRELIMINARY CHAPTER

Article 1

Treaty and Statute

These Rules of Procedure shall supplement the Treaty establishing the European Community (hereinafter referred to as the 'Treaty') and the Statute. The terms in these Rules of Procedure shall have the meaning which they have in the Treaty and the Statute.

CHAPTER I

THE GOVERNING COUNCIL

Article 2

Date and place of Governing Council meetings

2.1. The date of the meetings shall be decided by the Governing Council on a proposal from the President. The Council shall, in principle, meet regularly following a schedule determined by the Governing Council in good time before the start of each calendar year.

2.2. The President shall convene a meeting of the Governing Council if a request for a meeting is submitted by at least three members of the Governing Council.

2.3. The President may also convene meetings of the Governing Council whenever he/she deems it necessary.

2.4. The Governing Council shall normally hold its meetings on the premises of the European Central Bank (hereinafter referred to as the 'ECB').

2.5. Meetings may also be held by means of teleconferencing, unless at least three Governors object.

Article 3

Attendance at Governing Council meetings

3.1. Except as provided hereto, attendance at meetings of the Governing Council shall be restricted to its members, the President of the Council of the European

Union, and a member of the Commission of the European Communities.

3.2. Each Governor may normally be accompanied by one person for those parts of the meetings which are not related to monetary policy deliberations.

3.3. If a Governor is unable to attend, he/she may appoint, in writing, an alternate without prejudice to Article 4. This written communication shall be sent to the President in due time before the meeting.

3.4. The Governing Council may also invite other persons to attend its meetings if it deems it appropriate to do so.

Article 4

Voting

4.1. In order for the Governing Council to vote, there shall be a quorum of two-thirds of the members. If the quorum is not met, the President may convene an extraordinary meeting at which decisions may be taken without regard to the quorum.

4.2. The Governing Council shall proceed to vote at the request of the President. The President shall also initiate a voting procedure if any member requests him/her to do so.

4.3. Abstentions shall not prevent the adoption by the Governing Council of decisions under Article 41.2 of the Statute.

4.4. If a member of the Governing Council is prevented from voting for a prolonged period (of more than one month), he/she may appoint an alternate as a member of the Governing Council.

4.5. In accordance with Article 10.3 of the Statute, if a Governor is unable to vote on a decision to be taken under Articles 28, 29, 30, 32, 33 and 51 of the Statute, his/her appointed alternate may cast his/her weighted vote.

4.6. The President may initiate a secret ballot if requested to do so by three members of the Governing Council. If members of the Governing Council are personally affected by a prospective decision under Articles 11.1, 11.3 or 11.4 of the Statute, there shall always be secret balloting. In such cases the members concerned shall not participate in the vote.

4.7. Decisions may also be taken by written procedure, unless at least three members of the Governing Council object. A written procedure shall require: (i) normally not less than five working days for consideration by every member of the Governing Council; (ii) the personal signature of each member of the Governing Council (or his/her alternate in accordance with Article 4.4); and (iii) a record of any such decision to be made in the minutes of the next meeting of the Governing Council.

Article 5

Organisation of Governing Council meetings

5.1. The agenda for each meeting shall be adopted by the Governing Council. A provisional agenda shall be drawn up by the Executive Board and shall be sent, together with the related documents, to the members of the Governing Council and other authorised participants at least eight days before the relevant meeting, except in emergencies, in which case the Executive Board shall act appropriately with a view to the circumstances. The Governing Council may decide to remove items from or add items to the provisional agenda on a proposal from the President or from a member of the Governing Council. An item shall be removed from the agenda at the request of at least three of its members if the related documents were not sent to the members in due time.

5.2. The minutes of the proceedings of the Governing Council shall be submitted to its members for approval at the next meeting (or earlier, if necessary, by written procedure) and shall be signed by the President.

CHAPTER II

THE EXECUTIVE BOARD

Article 6

Date and place of Executive Board meetings

6.1. The date of the meetings shall be decided by the Executive Board on a proposal from the President.

6.2. The President may also convene meetings of the Executive Board whenever he/she deems it necessary.

Article 7

Voting

7.1. In order for the Executive Board to vote, in accordance with Article 11.5 of the Statute, there shall be a quorum of two-thirds of the members. If the quorum is not met, the President may convene an extraordinary meeting at which decisions may be taken without regard to the quorum.

7.2. Decisions may also be taken by written procedure, unless at least two members of the Executive Board object.

7.3. Members of the Executive Board personally affected by a prospective decision under Articles 11.1, 11.3 or 11.4 of the Statute shall not participate in the vote.

Article 8

Organisation of Executive Board meetings

The Executive Board shall decide on the organisation of its meetings.

CHAPTER III

THE ORGANISATION OF THE EUROPEAN CENTRAL BANK

Article 9

Committees of the European System of Central Banks

9.1. Committees of the European System of Central Banks (hereinafter referred to as 'ESCB Committees'), composed of representatives of the ECB and of the national central bank of each participating Member State, will be formed to assist in the work of the European System of Central Banks (hereinafter referred to as the 'ESCB').

9.2. The Governing Council shall lay down the mandates of the ESCB Committees and appoint their chairpersons. As a rule, the chairperson shall be a representative of the ECB. Both the Governing Council and the Executive Board shall have the right to request studies of specific topics by ESCB Committees.

9.3. ESCB Committees shall report to the Governing Council via the Executive Board. The Banking Supervisory Committee shall not be obliged to report via the Executive Board whenever it acts as a forum for consultation on issues which are not related to the supervisory functions of the ESCB as defined in the Treaty and in the Statute.

9.4. The national central bank of each non-participating Member State may also appoint a representative to take part in the meetings of an ESCB Committee whenever it deals with matters which fall within the field of competence of the General Council. The representatives may also be invited to take part in meetings whenever this is deemed appropriate by the chairperson of a Committee and the Executive Board.

9.5. For specific matters of direct interest to the Commission of the European Communities, representatives of the Commission services may be invited to attend meetings of ESCB Committees. Representatives of other Community bodies and of third parties may also be invited if and where deemed appropriate.

9.6. The ECB shall provide secretarial assistance to the ESCB Committees.

*Article 10***Internal structure**

10.1. Having consulted the Governing Council, the Executive Board shall decide upon the number, name and respective competence of each of the work units of the ECB. This decision shall be made public.

10.2. All work units of the ECB shall be placed under the managing direction of the Executive Board. The Executive Board shall decide upon the individual responsibilities of its members with respect to the work units of the ECB, and shall inform the Governing Council, the General Council and the staff of the ECB thereof. Any such decision shall be taken only in the presence of all the members of the Executive Board, and may not be taken against the vote of the President.

*Article 11***Staff of the ECB**

11.1. Each member of the staff of the ECB shall be informed of his/her position within the structure of the ECB, his/her reporting line and his/her professional responsibilities.

11.2. Without prejudice to Articles 36 and 47 of the Statute, the Executive Board shall enact organisational rules (hereinafter referred to as 'Administrative Circulars'). Such rules shall be obligatory for the staff of the ECB.

11.3. The Executive Board shall enact and update a Code of Conduct for the guidance of its members and of members of its staff.

CHAPTER IV

INVOLVEMENT OF THE GENERAL COUNCIL IN THE TASKS OF THE EUROPEAN SYSTEM OF CENTRAL BANKS*Article 12***Relationship between the Governing Council and the General Council**

12.1. The General Council of the ECB shall be given the opportunity to submit observations before the Governing Council adopts:

- opinions under Articles 4 and 25.1 of the Statute,
- ECB Recommendations in the statistical field, under Article 42 of the Statute,
- the annual report,
- the rules on the standardisation of accounting rules and reporting of operations,
- the measures for the application of Article 29 of the Statute,

- the conditions of employment of the staff of the ECB,
- in the context of the preparations for the irrevocable fixing of exchange rates, an ECB opinion either under Article 109L(5) of the Treaty or concerning EC legal acts to be adopted when a derogation is abrogated.

12.2. Whenever the General Council is requested to submit observations under the above paragraph, it shall be given a reasonable period of time within which to do so, which may not be less than ten working days. In a case of urgency (which must be justified in the request), the period may be reduced to five working days. The President may decide to use written procedure.

12.3. The President shall inform the General Council, in accordance with Article 47.4 of the Statute, of decisions adopted by the Governing Council.

*Article 13***Relationship between the Executive Board and the General Council**

13.1. The General Council of the ECB shall be given the opportunity to submit observations before the Executive Board:

- implements legal acts of the Governing Council for which, in accordance with Article 12.1 above, the contribution of the General Council is required,
- adopts, by virtue of powers delegated by the Governing Council in accordance with Article 12.1 of the Statute, legal acts for which, in accordance with Article 12.1 of these Rules, the contribution of the General Council is required.

13.2. Whenever the General Council is requested to submit observations under the above paragraph, it shall be given a reasonable period of time within which to do so, which may not be less than ten working days. In a case of urgency (which must be justified in the request), the period may be reduced to five working days. The President may decide to use written procedure.

CHAPTER V

SPECIFIC PROCEDURAL PROVISIONS*Article 14***Delegation of powers**

14.1. The delegation of powers of the Governing Council to the Executive Board under Article 12.1, second paragraph, last sentence, of the Statute shall be notified to the parties concerned, or published if appropriate, in matters having legal effects on third parties. Acts adopted by way of delegation shall be promptly notified to the Governing Council.

14.2. The book of authorised signatories of the ECB, established pursuant to decisions adopted under Article 39 of the Statute, shall be circulated to interested parties.

Article 15

Budgetary procedure

15.1. The Governing Council, acting upon a proposal from the Executive Board in accordance with any principles laid down by the former, shall adopt, before the end of each financial year, the budget of the ECB for the subsequent financial year.

15.2. For assistance in matters related to the budget of the ECB, the Governing Council shall establish a Budget Committee and lay down its mandate and composition.

Article 16

Reporting and annual accounts

16.1. The competence to adopt the annual report required under Article 15.3 of the Statute shall pertain to the Governing Council.

16.2. The competence to adopt and publish the quarterly reports under Article 15.1 of the Statute, the weekly consolidated financial statements under Article 15.2 of the Statute, the consolidated balance sheets under Article 26.3 of the Statute and other reports shall be delegated to the Executive Board.

16.3. The Executive Board shall, in accordance with the principles established by the Governing Council, prepare the annual accounts of the ECB within the first month of the subsequent financial year. These shall be submitted to the external auditor.

16.4. The Governing Council shall adopt the annual accounts of the ECB within the first quarter of the subsequent year. The external auditor's report shall be submitted to the Governing Council before their adoption.

Article 17

Legal instruments of the ECB

17.1. ECB regulations shall be adopted by the Governing Council and signed on its behalf by the President.

17.2. ECB guidelines shall be adopted by the Governing Council, and thereafter notified, in one of the official languages of the European Communities, and signed on the Governing Council's behalf by the President. They shall state the reasons on which they are based. Notification of the national central banks may take

place by means of telefax, electronic mail or telex or in paper form. Any ECB guideline that is to be officially published shall be translated into the official languages of the European Communities.

17.3. The Governing Council may delegate its normative powers to the Executive Board for the purpose of implementing its regulations and guidelines. The regulation or guideline concerned shall specify the issues to be implemented as well as the limits and scope of the delegated powers.

17.4. ECB decisions and recommendations shall be adopted by the Governing Council or the Executive Board in their respective domain of competence, and shall be signed by the President. They shall state the reasons on which they are based. The recommendations for secondary Community legislation under Article 42 of the Statute shall be adopted by the Governing Council.

17.5. Without prejudice to Article 44, second paragraph, and Article 47.1, first indent, of the Statute, ECB opinions shall be adopted by the Governing Council. However, in exceptional circumstances and unless not less than three Governors state their wish to retain the competence of the Governing Council for the adoption of specific opinions, ECB opinions may be adopted by the Executive Board, in line with comments provided by the Governing Council and taking into account the contribution of the General Council. ECB opinions shall be signed by the President.

17.6. ECB Instructions shall be adopted by the Executive Board, and thereafter notified, in one of the official languages of the European Communities, and signed on the Executive Board's behalf by the President or any two Executive Board members. Notification of the national central banks may take place by means of telefax, electronic mail or telex or in paper form. Any ECB Instruction that is to be officially published shall be translated into the official languages of the European Communities.

17.7. All ECB legal instruments shall be numbered sequentially for ease of identification. The Executive Board shall take steps to ensure the safe custody of the originals, the notification of the addressees or consulting authorities, and the publication in all the official languages of the European Communities in the *Official Journal of the European Communities* in the case of ECB Regulations, ECB opinions on draft Community legislation and those ECB legal instruments whose publication has been expressly decided.

17.8. The principles of Council Regulation No 1 of 15 April 1958 shall be applied to the legal acts of the ECB foreseen in Article 34 of the Statute.

*Article 18***Procedure under Article 105a(2) of the Treaty**

The approval provided for in Article 105a(2) of the Treaty shall be adopted by the Governing Council in a single decision for all participating Member States within the last quarter of every year and for the following year.

*Article 19***Procurement**

19.1. In the procurement of goods and services for the ECB due regard shall be given to the principles of publicity, transparency, equal access, non-discrimination and efficient administration.

19.2. Without derogation to the principle of efficient administration, exceptions may be made to the above principles in cases of urgency; for reasons of security or secrecy; where there is a sole supplier; for supplies from the national central banks to the ECB; to ensure the continuity of a supplier; and for assets acquired from the European Monetary Institute (hereinafter referred to as the 'EMI').

*Article 20***Selection, appointment and promotion of staff**

20.1. All members of staff shall be selected, appointed and promoted by the Executive Board.

20.2. Members of staff shall be selected, appointed and promoted with due regard to the principles of professional qualification, publicity, transparency, equal access and non-discrimination. An administrative circular shall further specify the rules and procedures for recruitment and for internal promotion.

20.3. The Executive Board may recruit for the ECB members of the staff of the EMI (under liquidation) without specific recruitment rules and procedures.

*Article 21***Conditions of Employment**

21.1. The employment relationship between the ECB and its staff shall be determined by the Conditions of Employment and the Staff Rules.

21.2. The Conditions of Employment shall be approved and amended by the Governing Council upon a proposal from the Executive Board. The General Council

shall be consulted under the procedure laid down in these Rules of Procedure.

21.3. The Conditions of Employment shall be implemented by Staff Rules, which shall be adopted and amended by the Executive Board.

21.4. The Staff Committee shall be consulted before the adoption of new Conditions of Employment or Staff Rules. Its opinion shall be submitted, respectively, to the Governing Council or the Executive Board.

*Article 22***Communications and announcements**

General communications and announcements of decisions taken by the decision-making bodies of the ECB may be effected through the *Official Journal of the European Communities* and by means of wire services common to financial markets.

*Article 23***Confidentiality of and access to ECB documents and archives**

23.1. The proceedings of the decision-making bodies of the ECB and of any committee or group established by them shall be confidential unless the Governing Council authorises the President to make the outcome of their deliberations public.

23.2. All documents drawn up by the ECB shall be confidential unless the Governing Council decides otherwise. Access to ECB documentation and archives and to documents previously held in the archives of the EMI shall be governed by the Decision of the European Central Bank of 3 November 1998 concerning public access to documentation and the archives of the European Central Bank (ECB/1998/12)⁽¹⁾.

23.3. Documents held in the archives of the Committee of Governors of the Central Banks of the Member States of the European Economic Community, of the EMI and of the ECB shall be freely accessible after thirty years. In special cases the Governing Council may shorten this period.

CHAPTER VI

FINAL PROVISIONS

*Article 24***Amendments to these Rules of Procedure**

The Governing Council may amend these Rules of Procedure. The General Council may propose amendments and the Executive Board may adopt supplementary rules within its field of competence.

⁽¹⁾ OJ L 110, 28.4.1999, p. 30.

*Article 25***Publication**

These Rules of Procedure shall be published in the *Official Journal of the European Communities*.

Done at Frankfurt am Main, 22 April 1999.

*For and on behalf of the Governing
Council*

The President

Willem F. DUISENBERG

CORRIGENDA

Corrigendum to Council Regulation (EC) No 2797/98 of 17 December 1998 replacing the Annex to Regulation (EC) No 1255/96 temporarily suspending the autonomous Common Customs Tariff duties on certain industrial and agricultural products

(Official Journal of the European Communities L 352 of 29 December 1998)

On page 32, in the Annex, eighth entry under 'Description' the CN code and TARIC for overlay paper should read as follows:

'CNcode	Taric	Description	Rate of autonomous duty %
ex 4802 51 90	10	Overlay paper, of a width of more than 110 cm and containing by weight more than 5 % of corundum	0'
ex 4802 52 20	10		
ex 4802 52 80	10		

Corrigendum to Commission Regulation (EC) No 455/95 of 28 February 1995 amending Regulations (EEC) No 1547/87 and (EEC) No 1589/87 as regards the buying-in of butter by the intervention agencies and Regulations (EEC) No 2191/81 and (EEC) No 570/88 as regards the grant of aid for the purchase and sale of butter at a reduced price to certain categories of consumers and industries

(Official Journal of the European Communities L 46 of 1 March 1995)

On page 32, Article 1(2)(b)(i):

for: 'if they undertake in writing to comply with Article 5(3) and (4) of Regulation (EC) No 454/95',

read: 'if they undertake in writing to comply with Article 5(3) of Regulation (EC) No 454/95'.

Corrigendum to Commission Regulation (EC) No 682/1999 of 29 March 1999 amending Regulation (EC) No 2106/98 laying down special measures derogating from Regulations (EEC) No 3665/87 and (EEC) No 3719/88 as regards beef and veal

(Official Journal of the European Communities L 86 of 30 March 1999)

On page 3, Article 1 shall read as follows:

‘Article 1

Regulation (EC) No 2106/98 is amended as follows:

The following Article 2(3) is added:

“3. Notwithstanding Article 6(1) of Regulation (EEC) No 1964/82 (*), should the total quantity of boned meat not have been exported by 29 August 1998, paragraph 2 shall apply and the special refund shall be retained by the exporter for the quantities declared to have been exported and released for consumption in a third country.”

(*) OJ L 212, 21.7.1982, p. 48.’

Corrigendum to Commission Regulation (EC) No 992/1999 of 10 May 1999 on the supply of cereals as food aid

(Official Journal of the European Communities L 121 of 11 May 1999)

On page 10, in the Annex, point 9:

for: ‘9. Packaging (?): see OJ C 267, 13.9.1996, p. 1. (1.0A1.a, 2.a and B.2),

read: ‘9. Packaging (?): see OJ C 267, 13.9.1996, p. 1. (1.0A1.a, 2.a and B.3)’.

Corrigendum to Commission Regulation (EC) No 1019/1999 of 17 May 1999 re-establishing the preferential customs duty on imports of multiflorous (spray) carnations originating in Israel

(Official Journal of the European Communities L 124 of 18 May 1999)

On page 6, in the fifth recital, last line, and in Article 1(2):

for: ‘Regulation (EC) No 940/1999’,

read: ‘Regulation (EC) No 942/1999’.
