

## Antitrust: Commission confirms unannounced inspections in the styrene monomer purchasing sector

The European Commission can confirm that on 5 June 2018 its officials carried out unannounced inspections in several Member States at the premises of companies active in styrene monomer purchasing.

The Commission has concerns that the inspected companies may have violated EU antitrust rules that prohibit cartels and restrictive business practices ([Article 101](#) of the Treaty on the Functioning of the European Union). The Commission officials were accompanied by their counterparts from the relevant national competition authorities.

Styrene monomer is a chemical product used as a base material for a number of chemical products such as plastics, resins, rubbers and latexes. These products are then used in a very wide range of applications (insulation, packaging, etc.).

Unannounced inspections are a preliminary step in investigations into suspected anticompetitive practices. The fact that the Commission carries out such inspections does not mean that the companies are guilty of anti-competitive behaviour nor does it prejudge the outcome of the investigation itself. The Commission respects the rights of defence, in particular the right of companies to be heard in antitrust proceedings.

There is no legal deadline to complete inquiries into anticompetitive conduct. Their duration depends on a number of factors, including the complexity of each case, the extent to which the undertakings concerned co-operate with the Commission and the exercise of the rights of defence.

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## EU Sustainable Energy Week in Armenia – EIB and multi-donor fund E5P spearhead the rehabilitation of kindergartens in Yerevan



- A pioneer project in Armenia will make buildings more energy efficient and resilient to earthquakes
- Almost 150 kindergartens will benefit from the EUR 5m grant from the

**Eastern Europe Energy Efficiency and Environment Partnership (E5P) to which the European Union is the largest contributor**

- **The project is jointly implemented by the EIB, the Municipality of Yerevan, the Green Climate Fund and UNDP**
- **The grant completes the EIB loan of EUR 7m signed in 2017**

The European Investment Bank (EIB) signed today with the multi-donor fund E5P and the Municipality of Yerevan a pioneering grant agreement of EUR 5m to support an unprecedented upgrading of public buildings in the Armenian capital, Yerevan. The Eastern Europe Energy Efficiency and Environment Partnership, or E5P, is a EUR 200m fund supporting municipal investments in energy efficiency and environmental projects in the Eastern Partnership countries\*.

The E5P grant represents support additional to the EUR 7m EIB loan signed in December 2017 to help the Municipality of Yerevan finance energy efficiency improvements in public buildings. The grant will finance projects that will increase the energy efficiency and the resilience to earthquakes of kindergartens: 29 kindergartens will be fully renovated, while 118 will benefit from a lighter renovation, namely energy efficiency measures subject to satisfactory preliminary studies. This will create a much safer and caring environment for approximately 34,500 people, including pupils, teachers and staff members. It will result in primary energy savings of 27,800 MWh a year, reduce CO<sub>2</sub> emissions by 5,502 tonnes a year and significantly decrease other greenhouse gas emissions. This will contribute to climate change mitigation and reduce Yerevan's municipal budget expenditures for energy services by EUR 1.1m. In addition, it will generate local and regional economic activities, particularly in the construction industry, and therefore support the development of private sector businesses.

**EIB Vice-President Vazil Hudák** commented: *"The EU bank, together with its partners, is making a real difference for the people of Armenia. We encourage projects like this one that help to improve the environment and therefore also the quality of life. The 147 Yerevan kindergartens will show the way on energy efficiency and savings because the cheapest energy is the one we avoid generating".*

**Head of EU Delegation H.E. Piotr Antoni Switalski** stated: *"Energy efficiency is the cheapest energy as it's the one on which money is not spent! New technologies can generate cleaner energy and create jobs, while mobilising stakeholders from the government, international financial institutions, municipalities, civil society and citizens will be the key task for scaling up reforms and investments. The EU has been and will continue supporting energy efficiency measures in Armenia, including for the 21 signatory municipalities of the Covenant of Mayors and more than 6,000 households which have benefited from EU-funded projects. The proposed E5P grant of EUR 5m will thus make affordable the implementation of the refurbishments and renewable energy measures, support Armenia's investment efforts in demand-side energy management, ensure strong economic impacts at the municipal budget level, and bring positive social and environmental benefits. The EU believes that with a successful large-scale pilot like the one proposed, other cities/actors will be willing to invest as well."*

**Mayor of Yerevan Taron Margaryan** noted: *“Yerevan Municipality highly appreciates the projects implemented with the financial assistance of the European Investment Bank and European Union. The cooperation in various spheres of the urban economy is important for the development of Yerevan’s infrastructure. Through the EIB loan public buildings will be renovated, and in the first stage we will refurbish the majority of the municipality’s kindergartens, which is very important for us as children are our future. The project will be a pioneer in Armenia: as it contains energy efficiency and seismic resilience component. Yerevan Municipality is highly committed to participating in the funding of the project along with the EIB, E5P and GCF, and with the signing of the E5P Grant Agreement the implementation of the project is entering into a realistic phase. I would like to emphasize that all of the projects which are under way will have very positive impact and are aimed at improving the well-being of the residents of the capital and I hope that similar projects will be continuous.”*

The Grant Agreement signature took place today in 110 Kindergarten Yerevan. The children and teachers of the kindergarten attended the ceremony, together with the representatives of the diplomatic representations of the EU in Armenia and the EU Member States, and Yerevan Municipality and RA Government. The event was organised under the **EU4Energy Initiative** and in the context of **the EU Sustainable Energy Week**, which is the biggest energy efficiency event in Europe, aimed at encouraging citizens and stakeholders to discover and debate the major issues driving the transition to sustainable energy.

The project was developed thanks to the results of a study on energy efficiency and renewables financed by the technical assistance grant support from the Eastern Partnership Technical Assistance Trust Fund (EPTATF).

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\* Eastern Partnership covers Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine

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## **Yves Mersch: Central bank risk management in times of monetary policy normalisation**



**EUROPEAN CENTRAL BANK**  
**EUROSYSTEM**

## **Speech by Yves Mersch, Member of the Executive Board of the ECB, at the International Risk Management Conference, Paris, 8 June 2018**

Risk management has come a long way since Edward Altman introduced the z-score to measure the likelihood of bankruptcy in 1968, and the financial crisis has brought about significant changes in risk management for commercial banks and central banks alike.

But as we now emerge from the crisis, we would do well to reflect on what should persist from that period, and what the “new normal” for risk management should be. So today I would like to discuss what risk management has meant for the ECB in recent times, and what changes we can expect as we approach a phase of monetary policy normalisation.

But before I elaborate on this, I should note that we have entered the quiet period before the next monetary policy meeting of the ECB Governing Council, and therefore my remarks should be understood as high-level reflections and not be interpreted as containing any commitments or comments on upcoming monetary policy decisions.

### **Parallels between risk management at commercial and central banks**

Risk management has gained in importance in recent years for both commercial and central banks.

The regulations that emerged following the crisis have led commercial banks to bolster their risk functions in a number of ways. They are now subject to more detailed and demanding capital requirements, higher standards for risk

reporting and, in particular, more detailed rules for the building of internal models. More recently, the Targeted Review of Internal Models (TRIM) was launched to assess banks' compliance with these requirements and thereby reduce inconsistencies and unwarranted variability in the outputs of their internal models.

The ECB's involvement in risk management is perhaps most familiar in this context: as a banking supervisor. But the management and measurement of risks has also been of great significance for the monetary policy side of our operations. The ECB, like other central banks, has expanded its balance sheet substantially in recent years, resulting in several changes in our risk management framework. For example, we have expanded the range of eligible collateral for our lending operations and begun purchasing financial assets outright, including a wide array of private sector assets.

While there are many parallels in the way that we and the commercial banks have managed risks, there are also important differences due to our public mission as laid down in our mandate.

First, we conduct a single monetary policy for the euro area as a whole. Though our credit operations and risk mitigation measures are in some ways similar to collateralised lending operations by commercial banks,<sup>[1]</sup> the financial assets we take as collateral and the lending rate we set are the same for all borrowers. That, in turn, requires a risk control framework which aims to achieve risk equivalence across all assets accepted as collateral.

Second, our primary goal is to maintain price stability. So, unlike commercial banks whose fiduciary responsibility is to maximise their financial income, central banks have to consider the wider macroeconomic picture when they set their risk management frameworks.

This is why central banks' exposure to financial risks can – and may indeed have to – increase in order to honour their mandates, while commercial banks typically aim to reduce risks during crises. In exceptional times, central banks may need to take more risk on their own balance sheets so as to reduce risks for the financial system as a whole. This contributes to financial stability and, ultimately, to price stability.

Still, this is not to say that managing financial risks is not important for implementing the Eurosystem's monetary policy. Quite the opposite, in fact! Just as a commercial bank must comply with its regulations, a central bank must follow its mandate and the risk management principles therein.<sup>[2]</sup> For us at the ECB, these principles, which were established long before we embarked on non-conventional policies, underpin all our policy measures.

Broadly speaking, the principles are protection, consistency, simplicity and transparency. They imply that – if there are several monetary policy options that we can take to fulfil our mandate – we should select the measures that minimise our own exposure to financial risks. This idea, which underpins all risk management (including in commercial banking), is known as risk efficiency. In addition, our principles require risk management to be an

integral part of our decision-making. And we embody transparency and simplicity by being rules-based and as predictable as possible in our operations.

This commitment to risk efficiency is vital for several reasons. First, central bank revenues are public funds, meaning any losses by central banks are losses for the public purse in each euro area country. Second, losses can affect the financial independence of central banks and therefore, potentially, their operational independence. Third, losses can harm our credibility and reputation in the eyes of the public, and thus their confidence in the central bank to maintain price stability.

For these reasons, our principles will continue to guide our approach to risk management in all our policy decisions. But as we now move towards a new phase of monetary policy, it is worth reflecting on what these principles imply for the future risk management framework.

In my view, we should aim to return as closely as possible to the pre-crisis state. But we also need to consider carefully whether some of the temporary measures should remain part of our toolkit. And since we have taken on new risks that will be on our balance sheet for a long time, we may need to retain certain elements of our current risk management framework.

As monetary policy begins to normalise, there are three areas in particular where our risk management framework needs to be reviewed.

## **Risk management principles while returning to a more conventional monetary policy**

The first relates to the changes we made to our collateral framework during the crisis to enable greater access to central bank liquidity.

When we launched the various vintages of our longer-term refinancing operations, we introduced in parallel a number of adjustments to our collateral eligibility criteria. These adjustments contributed to the sizeable take-up of our operations and their effectiveness in reinvigorating the bank lending channel. And maintaining risk equivalence in haircuts meant that broadening the set of eligible assets did not reduce the level of protection for the Eurosystem.

But some of the measures introduced fragmentation into our collateral framework.

Before the crisis, the Eurosystem operated on the concept of a single list. Its purpose was to enhance the level playing field across the euro area, to promote equal treatment for counterparties and issuers, and to increase the overall transparency of the collateral framework. This changed, however, with the introduction of the temporary additional credit claims (ACC) framework in 2012.<sup>[3]</sup>

The temporary ACC framework deviates from the single list principle by

allowing individual national central banks to specify their own frameworks adapted to their local needs, albeit fulfilling certain agreed minimum risk management requirements. This was acceptable to combat the severe financial tensions and the uneven distribution of collateral in the euro area at the time ACCs were introduced. But clearly, once out of crisis mode, we would not want such a renationalisation of our collateral framework to persist.

So I do not see the case for maintaining national extensions to the common collateral framework in the form they are in today. At the same time, since ACCs represent a considerable source of collateral for our long-term lending operations, there might be a case for retaining them in a different form.

One option would be to return to the fully fledged single list of collateral that excludes ACCs. Another would be to introduce stronger harmonisation into any future ACC framework, which could either be part of the regular framework or part of a state-contingent framework. The key issue is that any future framework should remove the fragmentation we see today.

Other temporary measures introduced during the crisis have less bearing on fragmentation. For instance, we also widened eligibility requirements for collateral, such as for certain asset-backed securities, and accepted non-euro denominated collateral.<sup>[4]</sup> We did all this to achieve a specific monetary policy goal; but once we reach that goal and liquidity demand declines, there should be less need for those exceptional measures to continue. Of course, they will remain “on the shelf” to be used again, as necessary, to fulfil our monetary policy aim.

A central bank should be flexible and may need to have many instruments at its disposal to achieve its mandate. But it should not take higher risks than necessary.

So as we head down the path of monetary policy normalisation, we will have to decide whether some temporary measures need to be jettisoned, included in a state-contingent framework, or transformed into harmonised, more permanent measures.

Since the last of our long-term lending operations will only mature in the first quarter of 2021, this discussion does not need to be concluded today – and many questions are still open. But in any case, changes in this area will involve careful consideration, since experience has repeatedly shown that each crisis needs a tailored response.

The second area where our risk management framework needs to be reviewed is the risk control framework for our asset purchase programme (APP).

We will retain this framework beyond the horizon of our net asset purchases since, for an extended period of time past that horizon, principal payments from maturing securities purchased under the APP will be reinvested. For as long as we keep outright portfolios on our balance sheet, the principles behind the risk control measures, including eligibility criteria, purchase limits, benchmarks ensuring diversification and the different risk-sharing agreements, will continue to apply.

Still, in the reinvestment phase, some criteria and risk control parameters may warrant recalibration. This is to ensure that – given changes in portfolio composition when bonds mature and proceeds are reinvested – overall risk exposure does not increase. Moreover, with significantly lower volumes of purchases and the related increase in operational flexibility, some parameter adjustments may be possible that would actually contribute to risk efficiency gains.

The third area for review is how our counterparty and collateral framework should adapt to a post-crisis financial system. Certainly, in the future we will rely more on our own judgement on the quality of assets and counterparties and consider further expanding the Eurosystem's internal credit assessment capabilities. The crisis highlighted the importance of having more information on these aspects.

This implies, among other things, further enhancing our due diligence on external credit ratings, for which greater transparency on the judgements underlying these ratings is essential. And it implies making better use of supervisory information. The introduction of European banking supervision has brought about fundamental improvements in this regard, as it facilitates the assessment of relevant information within the legal limits of the separation principle.

Moreover, we will have to balance the aim of returning to the simplicity of our previous framework with adapting to the new realities of the financial system. For example, we will need to keep the flexibility to apply the collateral framework to financial innovations, especially complex new financial products. The new "simple, transparent and standardised" securitisation regulation is a case in point. It will allow us to better assess the collateral we accept.

At the same time, if financial innovations simply present new types of risks, we will not be so accommodating. This is also a key lesson of the crisis. We will forcefully deal with new types of securities whose risks may not yet have been fully appreciated.

## **Conclusion**

Let me conclude.

Thanks to our stable principles, the Eurosystem's risk management framework has successfully weathered the challenges of the financial crisis. The size and type of our operations changed, as did the assets we accepted as collateral. But our principles stayed the same.

Like risk management in the banking sector, central bank risk management has to evolve with the times. So we need to reflect on where our principles will lead us in a post-crisis landscape. Most importantly, we need to start thinking about a financial risk management framework that will be appropriate in an environment of more conventional monetary policy.

While the benchmark for this future framework should be the pre-crisis state,



it is not clear whether we can return entirely to the previous status quo. Instead, we might have to apply what we have learnt from the crisis, retain what is useful for the future, and leave behind things whose time has passed.

This will enable us to rely on a framework that is transparent and robust, but also flexible enough to deal with the challenges of the future.

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## Weekly schedule of President Donald Tusk

Press contacts

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### **Thursday 7 June 2018**

#### **Charlevoix, Canada (local time)**

19.30 Meeting with Prime Minister of Canada Justin Trudeau

### **Friday 8 June 2018**

#### **G7 Summit in Charlevoix, Canada (local time)**

08.30 Meeting with Prime Minister of Italy Giuseppe Conte

10.00 Joint press briefing with European Commission President Jean-Claude Juncker

10.30 Meeting with French President Emmanuel Macron, German Federal Chancellor Angela Merkel, UK Prime Minister Theresa May, Italian Prime Minister Giuseppe Conte and European Commission President Jean-Claude Juncker

11.45 Official welcome by Prime Minister Justin Trudeau

12.30 Working lunch

14.00 Family photo

15.00 Working sessions

18.30 Working dinner

### **Saturday 9 June 2018**

#### **G7 Summit in Charlevoix, Canada (local time)**

08.00 Working breakfast with Gender Equality Advisory Council

09.00 Signing of the scroll

09.30 Working sessions

12.15 Working sessions with outreach partners

13.30 Family photo with outreach partners

13.45 Working lunch with outreach partners

**Wednesday 13 June 2018**

10.00 Presentation of letters of credentials of ambassadors

11.00 Meeting with President of Croatia Kolinda Grabar-Kitarović (photo opportunity)

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## **Digital Single Market: updated audiovisual rules**

### **Modernisation of the [Audiovisual Media Services Directive](#)**

#### **Why was the Audiovisual Media Services Directive (AVMSD) revised?**

The media landscape has shifted dramatically in less than a decade. Instead of sitting in front of the family TV, millions of Europeans, especially young people, watch content online, on demand and on different mobile devices.

- Children are watching less traditional TV: the average daily viewing time for young Europeans was 2 hours in 2014 i.e. about half as much as the average viewer ([source](#)).
- Global internet video share in consumer internet traffic is expected to increase from 64% in 2014 to 80% by 2019 ([source](#)).

Taking these new developments into account, as well as the Commission proposal to review the Audiovisual Media Services Directive (AVMSD), the European Parliament and the Council reached yesterday a political agreement on the revised rules. This paves the way to creating a regulatory environment that is fairer for all players in the audiovisual sector, including more flexibility to broadcasters in terms of advertising, protecting minors and tackling hate speech in all audiovisual content, better promoting European audiovisual productions and ensuring the independence of audiovisual regulators.

#### **Which type of audiovisual media services are covered by the new Directive?**

The existing rules already cover traditional TV broadcasters and video on-demand services. In the updated rules the scope of application has been extended to also cover video-sharing platforms.

#### **What does the Directive consider to be a video-sharing platform?**

In the revised Directive, a video-sharing platform is defined as a commercial service addressed to the public:

- where the principal purpose of the service (or an essential functionality of such service ) is devoted to providing programmes and

user-generated videos to the general public, in order to inform, entertain or educate;

- which is made available by electronic communications networks; and
- where the content is organised in a way determined by the provider of the service, in particular by displaying, tagging and sequencing;

This means that services such as YouTube will fall under the scope of the revised Directive. Audiovisual content shared on social media services, such as Facebook, will also be covered by the revised Directive.

While newspaper websites remain outside the scope of the Directive, standalone parts of newspapers' websites which feature audiovisual programme or user-generated videos will be considered as video-sharing platforms for the purpose of the AVMSD. However, any occasional use of videos on websites, blogs, news portals will be outside the scope of the Directive.

### **What are the new obligations for video-sharing platforms under the revised Directive?**

Member States should ensure that video-sharing platforms put in place measures to:

- (i) protect minors from harmful content (which may impair the physical, mental or moral development); access to which would have to be restricted; and
- (ii) protect the general public from incitement to violence or hatred and content constituting criminal offences (public provocation to commit terrorist offences, child pornography and racism or xenophobia).

Implementation of the new regime via co-regulation would be encouraged: the proposed rules provide basic requirements and partners who share responsibility and contribute to fulfilling the objectives.

The measures listed in the Directive that video-sharing platforms will need to put in place complement the E-Commerce Directive: this includes flagging and reporting mechanisms, age verification systems, systems to rate the content by the uploaders or users, or parental control systems, as well as clarification in the terms and conditions of the platform of a prohibition for users to share the content citizens should be protected from.

In addition, under the revised Directive, video-sharing platforms would also have to respect certain obligations for the commercial communications they are responsible for and to be transparent about commercial communications that are declared by the users when uploading content that contains such commercial communications.

Member States are able to adopt stricter rules for video-sharing platforms under their jurisdiction. Any measures under the new rules will need to remain compatible with the liability exemption for digital intermediaries provided in the E-Commerce Directive.

### **What is the country of origin principle? How will it be improved?**

The aim of the country of origin principle is to protect media service providers established in one Member State from restrictions imposed by other EU Member States receiving their services. Audiovisual providers do not need to comply with rules of 28 different Member States, only with those of the country where they are established.

The new Directive confirms and facilitates the country of origin principle in the following ways:

- ensuring transparency among Member States on jurisdiction: it will be easier to determine the country whose rules apply to each provider, thanks to a database which will contain a list of providers under Member States' jurisdiction. This information will be publicly available;
- aligning the procedures in case of exceptions to the country of origin for TV broadcasting and video on-demand services;
- introducing grounds for derogations for EU Member States as to serious risks to public health and public provocation to commit terrorist offences;
- introducing a new urgency procedure for derogations in case of public security concerns and public provocation to commit terrorist offences.

### **What was agreed on advertising?**

The new rules aim to strike the right balance between consumer protection, more specifically the protection of the most vulnerable consumers (for example minors), and a more flexible system for TV broadcasters, taking into account new market realities.

The proposed rules strengthen provisions to protect children from inappropriate audiovisual commercial communications of foods high in fat, salt and sodium, and sugars, by encouraging codes of conduct at EU level, where necessary.

Tobacco advertising remains forbidden in all types of media. For alcohol advertising, the co-legislators agreed also to encourage further development of self- or co-regulation, if necessary also at EU level, to effectively reduce the exposure of minors to such advertisements. This does not prevent Member States from applying stricter rules such as, for example, banning alcohol advertisements or adopting other measures.

The advertising limit of 20% of broadcasting time will apply from 6:00 to 18:00 (i.e. broadcasters can place advertising up to 20% of the viewing time in that period) and the same share is allowed during prime time (from 18:00 to midnight).

The new advertising rules are expected to have a positive economic impact for TV broadcasters and increase their capacity to invest in audiovisual content. This change is important for the competitiveness of the EU audiovisual industry.

### **How will the protection of children from harmful and illegal content be strengthened?**

Children watch less TV and more and more on-demand and online videos. However, the current AVMSD protects them more on TV and less in the online world. This inconsistency will now be fixed. The new rules will:

- require that programmes that may impair the physical, mental or moral development of minors (harmful content) are only made available in such a way as to ensure that minors will not normally hear or see them. This is regardless of whether such programmes are broadcast by TV broadcasters or provided by on-demand providers. Video-sharing platforms will now also have to put in place measures to protect minors from harmful content. Such measures consist of tools for users to report and flag harmful content, age verification or parental control systems.
- require that the most harmful content, such as gratuitous violence and pornography, shall be subject to the strictest measures providing a high degree of control (such as encryption and effective parental controls).
- encourage EU co-regulation on content descriptors (words, symbols or acoustic means warning of bad language, sex, violence, drugs, discrimination) which provide sufficient information to viewers about the possible harmful nature of the content. The industry should develop common content descriptors because age ratings without additional explanations on this rating do not always give sufficient information to parents. This will empower parents to make decisions for their children or for children to make decisions for themselves.

### **How is European culture strengthened by the new Directive?**

Under the new rules, TV broadcasters will continue to be obliged to broadcast at least 50% share of European works (including national content) in viewing time. Video-on-demand services – which already have to promote European works under current rules – are subject under the revised Directive to more specific obligations: they need to ensure at least 30% share of European content in their catalogues and should give a good visibility (prominence) to European content in their offers.

The new rules also include a mandatory exemption for companies with a low turnover and low audiences. It could also be deemed inappropriate to impose such requirements in cases where – given the nature or theme of the on-demand audiovisual media services– they would be impracticable or unjustified.

Overall, strengthening the promotion of European works for on-demand services will lead to a broader and more diverse offer for Europeans. This will have a positive impact on cultural diversity and bring more opportunities for European creators.

### **Will the Member States impose financial contributions for European works on media service providers targeting a specific territory? How will it be enforced?**

The rules in force already foresee that promotion of European works can also be carried out, amongst other ways, through financial contributions to the production and rights acquisition of European works. Member States have the option to require media services under their jurisdiction to contribute in

this way. The new rules clarify the possibility for Member States to impose financial contributions (direct investments or levies payable to a fund) upon media service providers, including those established in a different Member State but that are targeting their national audiences. This would be a voluntary measure for Member States, not an obligation at EU level.

It is a fact that broadcasters are investing more in European works than video on demand providers. While European TV broadcasters invest around 20% of their revenues in original content, this figure represents [less than 1%](#) for on-demand providers. Therefore, when Member States impose financial contributions on broadcasters that are not under their jurisdiction, the investment of those broadcasters in European audiovisual works should be taken into account, with due consideration of the principle of proportionality.

### **Why is a share needed at EU level? Won't it be an extra-burden for businesses?**

Mandatory shares of European works in catalogues of on-demand services already exist in [more than half of EU Member States](#). This is required either as a standalone obligation (e.g. Cyprus, Hungary, Lithuania, Malta, Slovakia) or in combination with other joint or alternative obligations (e.g. France, Croatia, Czech Republic, Italy, Poland, Romania, Slovenia, Spain). The required shares in the catalogues vary considerably between Member States (10-60%). This is why minimum harmonisation at EU level is needed, so that all Europeans can have access to European audiovisual content.

It should not be a significant burden for businesses: according to a [2015 study by the European Audiovisual Observatory](#) European films already accounted for 27% of all films available in video-on-demand catalogues in the EU.

More specifically:

- Share of EU films in 75 video-on-demand (VoD) catalogues: 27%
- Share of EU films in 16 subscription VoD catalogues: 30%
- Share of EU films in Netflix: 21%
- Share of EU films in iTunes: 21%

We also need to pay attention to new market entrants and small players. The new rules also include a mandatory exemption for companies with a low turnover and low audiences. It could also be inappropriate to impose such requirements in cases where – given the nature or theme of the on-demand audiovisual media services– they would be impracticable or unjustified.

### **How can video-on-demand services give adequate prominence to European works?**

There is a wide range of tools to ensure visibility of European works, e.g.:

- indicating the country where a film or series comes from;
- providing a dedicated section for European works that is accessible from the service homepage,
- providing possibilities for searching for European works by means of a

- search tool made available as part of the service;
- placing information and materials promoting European works, including in the home/front page; using trailers or visuals;
- using European works in promotional campaigns for the service; or
- promoting a minimum percentage of European works in the service's catalogue e.g. by means of banners or similar tools.

### **How will the Directive increase the independence of regulatory authorities for audiovisual media services?**

The Directive includes a requirement for Member States to have independent regulatory authorities for audiovisual media services. They will have to fulfil the criteria of independence listed in the Directive. The regulator:

- should be legally distinct from the government and functionally independent of their respective governments and of any other public or private body.
- should not seek or take instructions from any other body in relation to the exercise of the tasks.
- should exercise its powers impartially and transparently and in accordance with the objectives of the AVMSD in particular media pluralism, cultural and linguistic diversity, consumer protection, accessibility, non-discrimination, internal market and the promotion of fair competition.
- should have its competences and powers clearly defined in law.
- should have adequate resources and enforcement powers to carry out their functions effectively.

Member States have to set up transparent procedures for the appointment and dismissal of the head of a national regulatory authority or the members of the collegiate body. These may be dismissed only if they no longer fulfil the conditions required for the performance of their duties. An appeal mechanism against the decision of a regulator on national level will also be provided.

The Commission will monitor the application of these principles in the Member States, and could take action if they are not respected.

### **What is the role of the European Regulators Group for Audiovisual Media Services (ERGA)?**

The new rules reinforce the role of the [European Regulators Group for Audiovisual Media Services \(ERGA\)](#) by establishing it in the Directive and giving it a clear role in shaping and preserving the internal market. For example, as a Commission expert group ERGA will provide technical expertise in different fields and help the Commission in its tasks to ensure a consistent implementation of this Directive in all Member States.

The Group will also serve as a platform of national regulator in the exchange experiences and best practices on the application of the regulatory framework for audiovisual media services.

### **What are the next steps?**

The current AVMSD will continue to apply until the revised Directive enters into force. The co-legislators have successfully concluded the negotiations for the revision of the Directive at the final trilogue on 6 June 2018. The revised text will be formally adopted by the two institutions in autumn 2018. Once formally adopted and following the date of publication in the Official Journal, Member States will have 21 months to transpose the new Directive into their national legislation.

For More Information

[Press release on the preliminary political agreement](#) (April 2018)

[Proposal for revised Audiovisual Media Services Directive](#)