ANNEX to the paper on RETAIL MARKET INTEGRATION DATA
EXAMPLES OF DETRIMENT/MARKET INTEGRATION

Comprehensive comparative data is very hard to obtain. We emphasise that these are preliminary findings which we hope will prompt some further in-depth work by the Commission. The fact that independent comparative data sources are not available in many member states is an important finding in its own right.

Mortgages

Country name	Min APR	Max	Average	Spread
Belgium (fixe rate 20 years)	2.42	3,04	2.64	0
Denmark (lowest =fix interest one year)	1.41	2.69	2.05	1.28
France (fixe rate 20 years)	1.8	3,80	2.18	2
Germany	1.71	1.76	1.735	0.05
Greece	3.33	4.63	3.98	1.3
Italy	2.06	3.95	3.005	1.89
Netherlands	2.7	5.05	3.875	2.35
Poland	2.68	3.35	3.015	0.67
Romania **EUR**	5.47	7	6.16	1.53
Romania **RON**	4.35	8.34	5.45	3.99
Slovakia	2.52	4.74	3.63	2.22
Slovenia	2,62	7,25	4,94	4,63
Spain (fixed for 1st year)	2,19	3,44	2,84	1,25
UK (majority fixed for 2-3 years)	no data	no data	no data	no data

Integration of the EU mortgage market
If mortgage markets in Europe were fully integrated and competition worked there would not be so big price differences between countries as we see at present. This indicates that there are significant barriers to market integration. AnEuropean Mortgage Federation (EMF) study highlights the following **general** barriers to establish cross-border activities and an integrated mortgage market in the EU: Different property valuations; Different forced sales procedures; Different collateral instruments; Different tax rules; Different rules for early repayment; Different consumer protection rules

For consumers, home financing is one of the biggest financial decisions in their lives. A wrong choice can have serious economic consequences for many years to come. We know that consumers do not scan the market. Not even locally.They use the bank they have already. Consumers are very reluctant to raise housing loans they do not know or feel uncomfortable with and do not know the risk off. This also limit the integration of the EU mortgage market.

Specific comments from individual countries:

Denmark
Danish industry mention rules for forced sales as a big barrier. Danish mortgage banks have been i Spain and Poland without success (and many years ago faild in UK)

Poland
Insurance “proposed by bank”, possibility for demanding higher collateral in case of decrease value of a flat

France

It should be easy to borrow in France for a foreign borrower because most of home loans look like consumer credit (mortgage as a collateral is very limited, other ways of securing home loan like 'guarantiebancaire' are more usual; only LTI ratio (max:33%); no LTV; no value assessment of the property; no specific tax regime). Actually, home loans are used by French banks as a gateway to attract new attractive customers; this is the reason why competition between banks for home loans is so strong. As the borrower will stay 20 years in the same bank (time to repay loan), banks use this period of time to sell expensive banking services to their clients. Fixe rate*loans are dominant, variable rate loans are almost non-existent.

Greece

A persistent problem for Westerns when considering to buying property in Greece, is that they are faced with transferring estate mainly through cash, as this is the traditional way of property buying both in Greece and Eastern Europe.However, in recent years Greek banks (as well as the established foreign banks in Greece) have started to offer mortgage loans or home loans to both domestic as well as foreign home buyers. In addition, you can also choose to securing a property abroad mortgage in your host country with High Street Banks (e.g. HSBC) as well as using these banks' services in Greece where your property purchase takes place.

SUMMARY COUNTRY/ PRODUCT DATA

	Credit cards				Consumer Credit			
	Average APR*/interest rate**	Minimum APR*/interest rate**	Maximum APR*/interest rate**	Notes	Average APR	Minimum APR	Maximum APR	Notes
Country name (all countries represented on FSUG)				Scenario setting: average loan on 500€				Type of product: buying a car - Loan amount: 10000€ - Maturity: 4 years - Credibility: average (gross pay 1500€ per month - age debtor: 20 years,
Belgium	13.49%*	12.49%*	14.50%*	The legal interest caps for credit cards in Belgium are : up to 1250€ - 14,5%, from 1250 to 5000€ - 12,5%, more than 5000€ - 11,5%	2.22%	1.79%	2.69%	/
Denmark				Fear of impossible debt recovery procedure and dispute resolution in case of cross border sales.	8.75%	3.70%	10.10%	20% - 40% in own fund - Fear of impossible debt recovery procedure and dispute resolution in case of cross border sales.
France (only deferred payment cards)				All forms are in French only	2.70%			For a 9000€ personal loan - 12 months - All forms are in French only and there is a requirement of residency in France (online forms only accept cities or postal codes from France)
Germany	14.74%*	9.20%*	20.69%*	See the country matrix	7.50%	4.49%	10.99%	/
Greece	16.83%**	6%**	19.25%**	Foreign **residents** are required to provide an official photo ID as well as a proof of income	12.94%	10%	14.50%	
Italy		13%**	Up to 19.4%**	Teaser fee of zero Euro for the first year for the most expensive cards	9.12%	9.08%	9.16%	Requirement of residency in Italy and availability of credit data.
Netherlands	14.45%**	10.40%**	15%**	/	7.22%	6.10%	9.40%	/
Poland	10%**	10%**	10%**	/	7.96%	6.58%	8.67%	See country matrix
Romania	22.01%**	11.44%**	33.50%**	/	10.61%	4.95%	16.26%	For a loan in RON, in €, the average is 11,39%, with a minimum of 7,01% and a maximum of 17,14%
Slovakia	18.81%**	16.90%**	21.24%**	/	12.06%	7.21%	15.74%	/
Slovenia	43.00%*	33.00%*	57,70%*	Assumptions: APR for monthly repayment of 20% of borrowed 500€, min. repayment 10€. Fear of impossible debt recovery procedure and dispute resolution in case of cross border sales, language barriers, residency.	8.36%	7.53%	8.84%	Only banks covered. Fear of impossible debt recovery procedure and dispute resolution in case of cross border sales. Other problems include bad quality information (no easy comparison or clear APR) and complex creditworthiness assessment. Also, issues with language barriers and residency.
Spain	23.41%*	14%*	29.84%*	/	10%	6%	13.12%	/
United Kingdom	18.90%*			APR variable subject to status of account e.g. bank a/c premier Lloyds 12.8% these are competitive rates across UK banks - Fees on transfer balances vary between 1,5% and 3%	8.64%	3.03%	48.5%	Those in the higher ranges take on what they consider to be the high risk defaulters. This is by far the most discriminating factor concerning the APR.

Barriers

- Proof of residence (official document from the public administration that proves that you reside in the country/city)
- Availability of credit data (there are no “easy” agreement for data sharing between credit registers) or credit data asymmetry (your country requires an extensive amount of credit data as in the UK and so a person from France, where data is almost inexistent, will have no record therefore no access to credit)
- Fear of impossible debt recovery procedures in case of default for a person residing abroad
- Fear for difficult dispute resolution mechanisms in case of problems
- Prior knowledge of the country’s language (for instance, all the information to ask for a credit card and/or consumer credit is in the national language only, as are the forms or procedures you need to undertake, thereby making it impossible for someone that doesn’t speak the language to fill in the form)
- Market segmentation (many banks operate across many different countries, they would not understand why a consumer asks for a credit card and/or a consumer credit in another country and would simply let the consumer know that he/she should apply for these products in the branch operating of their own country)
- Other administrative reasons (the financial institution will ask for a specific requirement that is unique to your country, like a specific document that is only available for people within your country, or a “social security” number that is attributed only to people residing in your country. It is similar to “proof of residence” but a bit broader)
- Tied products/conditions (you can access that financial service, but it is tied to other conditions that make it impossible for you to access it. For instance, an obligatory insurance in case of death on a mortgage credit, or a fire insurance on the home. The mortgage credit can be sold to you, but the insurance company will not ensure someone residing outside the country)

- Taxation, competition and national budget (the financial products in your country are intimately tied to special tax benefits/conditions that cannot be applied to other consumers across border: for instance, a low interest rate on mortgages and deductibility from your taxes, which, if open to other nationals, would create a distortion from a competition point of view or create a problem with regards to fiscal/social policy where a country's budget can be put under pressure since it subsidizes a product via taxation, and should extra nationals access it, it could put pressure on the state finances. Another example is the French savings account with the minimum interest rate guaranteed by the state)
- National regulation regarding responsible lending (prudential regulation…) (the financial institution cannot lend abroad because there is no way that the default risk can be calculated to comply with prudential regulation or ensure a proper assessment of the bank's solvency, an accurate calculation of its balance sheet)

Credit/debit card purchases in foreign currencies

FSUG paper – June 2015 - Guillaume Prache

Background: the biggest financial market of all: totally unregulated despite massive abuses recently uncovered

The spot foreign currency market is by far the largest in the world. It is also amazingly totally unregulated.

Recently a number of public investigations in the US, UK and Switzerland have uncovered massive forex market abuses by several of the major banks involved in this market. **The impact on consumers and consumer detriment have not been disclosed** (if evaluated) to our knowledge.

Although the vast majority of transactions on the FOREX are performed by financial institutions (and exempt of any financial transaction tax), EU citizens do often use FOREX services, mostly when they purchase goods and services for which the price is to be paid in another currency than theirs. This is particularly the case for purchases made on the internet, which are growing rapidly. This is by essence a cross-border retail service in the EU that has gone unchecked by regulators and supervisors. The FSUG has been considering for some time this it constitutes a massive consumer detriment risk that must be at last addressed by EU Authorities.

It is also a major barrier to cross-border retail services.

Purpose of the research performed

Several FUSG members residing in different EU Member States checked some recent credit card statements to check how were purchases in foreign currencies (i.e. a different currency than the one used in the country where the person resides; for example a resident of the Euro zone purchasing an item on the internet in GBP) is reported. One member also researched the published exchange rate available around the dates of the purchases and of their recording by the financial intermediaries.

The purpose was to identify and assess any commissions and fees and to identify which exchange rates were used and if they matched the market rates at the time.

Findings

<u>Commissions and fees: very high and little - if any - competition</u>

Few cases mention commissions and/or fees.

In a Belgian case two different commissions are charged: **Exchange scharges (“frais de change”) amounting to 1.9%;** Mastercard exchange charges (“frais de change Mastercard”) amounting **to 0,17%,** so a total of **2.07%** fees.

In a Dutch case a fee of 1.35% was mentioned but the amount could not be retrieved.In a Romanian case, the fee added was **2.75%.**In a UK study looking at most UK retail banks[1], the identified fee ranges in most cases **between 2.75% and 2.99% or more**.

When they are communicated, fees and commissions happen to be extremely y high, especially compared to other financial services that are regulated (unlike foreign exchange). For example, retail online equity broker fees are often less than 0.50 % although it is not ordinary consumer goods but investments.

Also, there seems to be little completion among retail banks if any (this is quite obvious in the above-mentioned UK study on many retail banks).

<u>No transparency at all on exchange rates used</u>

The explicit or implicit (amount in foreign currency divided by the amount in credit card account currency) usually never matches the official rates that can be found on the internet.

It does not match the credit card provider’s conversion rate tool either.

The exchange rates found on the internet are not the same (up to five different websites: five different exchanges rates!)

It is also very difficult and often impossible to know the timing and nature of the exchange rate disclosed: closing rate, opening rate, other? Even the ECB website only mentions a “reference” rate “*usually updated by 3 p.m. C.E.T. They are based on a regular daily concertation procedure between central banks across Europe and worldwide, which normally takes place at 2.15 p.m. CET.”*

[1]Overseas Spending Charges - Full debit & credit card breakdown (MoneySavingExpert.com, data as of November 2014)

Example: GBP/ EUR exchange rate used on 02/03/2015

		n 02/03/2015	Difference		
"Official MC rate"					
Official MC rate	GBP/USD	0,648466			
Official MC rate	USD/EUR	0,894614			
Official MC rate	GBP/EUR	0,724856			
market n		0,72775		http://www.exchangerates.org.uk	
market n		0,72796		http://fr.exchange-rates.org	
Reference rate n		0,72940		http://www.ecb.europa.eu/stats/exchange	
market n		0,72453		https://uk.finance.yahoo.com	
market n		0,72793		http://www.xe.com/currencytables	Sue
Mastercard official n		0,72466		www.mastercard.com/global/currencyconversion/	Bostjan

In other words, it is impossible for the consumer who purchases in foreign currency with his credit/debit card to know if the exchange rate applied to him was the relevant market rate or not, and if the intermediaries added any margin to those. In short the actual cost and price of this service is not disclosed to the consumer.

Recommendations

The FSUG recommends that:

- the EC evaluates the magnitude of this consumer services which is in essence cross-border and is certainly very large.
- The EC launches an investigation to learn more about pricing practices by banks and by credit card issuers and intermediaries.
- The EC explores ways to disclose the true cost and price of these currency exchange service to EU consumers
- The EC investigates the exchange rates actually used by intermediaries to charge consumers and looks to establish one standard and transparent rule.
- The EC takes appropriate measures if this retail forex market appears uncompetitive.
- The EC takes appropriate measures if pricing is confirmed to be much too high and with no or little competition.

Retail investment funds

	2002			2012		
	Management %	Subscription %	Redemption %	Management %	Subscription %	Redemption %
EU						
Active	1.56	4.01	1.82	1.48	4.27	1.88
Passive	1.05	3.5	1.4	0.61	3.67	2.62
All	1.53	3.99	1.79	1.42	4.23	1.98
Belgium						
Active	1.25	3.06	4.15	1.3	3.38	4.83
Passive	0.62	2.74	3.84	0.47	3.18	4.9
All	1.15	3.01	4.09	1.21	3.35	4.85
Denmark						
Active	1.69	2.03	0.71	1.72	1.82	0.56
Passive	1.42	1.9	0.55	0.93	1.33	0.49
All	1.67	2.01	0.69	1.64	1.77	0.56
Finland						
Active	1.5	1.14	1	1.8	1.3	1.13
Passive	0.46	0.64	0.49	0.61	0.48	0.64
All	1.43	1.12	0.97	1.61	1.22	1.06
France						
Active	1.73	3.02	1.4	1.62	3.22	1.82
Passive	1.04	2.78	1.08	0.58	3.65	3.58
All	1.65	2.99	1.33	1.42	3.29	2.65
Germany						
Active	1.53	4.32	N/A	1.52	4.89	3.43
Passive	N/A	N/A	N/A	0.48	2.3	1.12
All	1.53	4.32	N/A	1.32	4.36	1.39
Greece						
Active	2.65	4.12	1.87	2.44	3.83	1.49
Passive	N/S	N/S	N/S	N/S	N/S	N/S
All	2.62	4.14	1.84	2.46	3.83	1.49

Italy						
Active	1.95	3.48	3.98	1.85	2.94	3.41
Passive	N/S	N/S	N/S	N/S	N/S	N/S
All	1.94	3.42	3.98	1.85	2.94	3.41
Netherlands						
Active	1.19	1.5	0.72	1.21	0.53	0.37
Passive	N/S	N/S	N/S	0.47	0.39	0.39
All	1.19	1.5	0.73	1.17	0.52	0.37
Poland						
Active	3.43	4.28	2.88	3.42	3.94	3.15
Passive	N/A	N/A	N/A	N/S	N/S	N/S
All	3.43	4.28	2.88	3.4	3.94	3.21
Portugal						
Active	1.78	0.61	1.93	1.67	1.67	2.26
Passive	N/S	N/S	N/S	N/S	N/S	N/S
All	1.77	0.61	1.91	1.64	1.55	2.2
Romania						
Active	0.77	1	3.5	0.85	2.63	3.17
Passive	N/A	N/A	N/A	N/S	N/S	N/S
All	0.77	1	3.5	0.77	2.3	3.1
Spain						
Active	1.96	1.05	2.12	1.94	3	2.32
Passive	1.45	0.89	2.33	1.09	0.6	2.29
All	1.91	0.96	2.13	1.83	2.2	2.31
Sweden						
Active	1.54	3.13	1.05	1.49	3.64	1.11
Passive	0.71	1.64	1.02	0.81	2.89	1.79
All	1.45	2.61	1.05	1.37	3.44	1.25
United Kingdom						
Active	1.44	4.95	3.86	1.18	4.43	3.01
Passive	0.97	5.24	4	0.5	4.8	4
All	1.42	4.95	3.87	1.14	4.43	3.03

EU retail investment funds: cross-border barriers

- **UCITS funds are the only truly Pan-European investment product**

Fund management is probably the financial service that is the most integrated in the European Union thanks to the creation and the development of a truly Pan-European product: the UCITS fund, which is now automatically passportable to all Member States. The share of cross-border fund assets in Europe in 2013 stood at 40% of total European investment fund assets, compared to 27% at end 2003.

- **But EU citizens are sold mostly AIFs not UCITS**

But this is mostly thanks to UCITS funds, which are still a minority of the EU domiciled investment funds sold to individuals. And they are less marketed to EU individuals than AIFs (Alternative Investment Funds, as defined by the AIFM Directive) and AIF wrapper products. AIFs in the EU are all the investment funds that are not UCITS

Indeed, contrary to a common belief,:

- AIFs are more numerous than UCITS funds, at least at retail level[2].
- Hedge funds are part of them but only a minority.
- The majority of AIFs are not hedge funds and they are mostly designed for- and sold to retail investors, either directly or commonly via fund wrappers such as unit-linked insurance products. For example, there are 12 000 funds domiciled in France, out of which only 3000 UCITS and most of the 9000 AIFs are retail funds.
- AIFs are mostly purely national products that are not sold cross-borders.
- AIFs are not subject to the disclosure and investor protection rules of UCITS. In particular, AIFs are not required to disclose a KID (Key Information Document) that is comprehensive, short, simple and comparable.

- **And funds are only a very small portion of retail financial savings**

Investment funds represent only 7% of their total financial savings. Therefore, current direct ownership of UCITS funds by EU individuals is very modest (probably not more than 3% of their total financial savings).But, taking into account the investment funds indirectly held by households through insurance and pension plans, the share of investment funds held by euro area households stood at 20% at end 2013. This means that the majority of retail funds are held not directly but through wrappers, which typically add another layer of fees and commissions on top of the fund fees. These wrappers unlike UCITS funds are typically national only products that are not sold cross-borders. They are typically created to minimize local taxes.

- **Past performance and fees of retail funds are very difficult to find in the EU**

Data on retail investment funds in Europe are poor. Neither FSUG or Better Finance could find out the actual number of UCITs funds and of AIF funds sold to EU individuals in each Member States and overall in the EU, nor the corresponding amounts of assets. More of a concern, aggregate information on performances and prices does not really exist. In particular, the European industry did not publish any aggregate fund fee data since 2010 (see table below), whereas its US counterpart publishes detailed fund fees tables every year. Even EU Public Authorities that are supposed to collect these data, analyse them and report them have failed to provide any of it to date[3].This lack of disclosure of real past performance net of fees and of prices (fees and commissions) is certainly one of the main reasons for the very poor ranking of investments in the EU Consumer Scoreboard: the very last position of all consumer markets for the last 4 years in a row. This is why the EC FSUG and the NGO Better Finance have had to launch research work themselves on the performance and price of retail savings products last year.

- **The FSUG study on the EU fund industry**

The FSUG mandated a research report in 2014 on the Performance and Efficiency of the EU Asset Management Industry. The study performed by IODS consulting firm focused on UCITS funds mostly and compared the ten year (2003-2012) performance of UCITS funds to the performance of relevant capital markets as measured by capital market indices minus the average cost of index funds. It also took into account entry and exit fees and the « survivor bias » (the fact that typically the worst performing funds do not last ten years as they are merged into others or closed).

« Over the ten-year period (2003-2012), the average underperformance of EU equity funds weighted by Total Net Assets was 23.6% (2,1% per year). Applied to the total net assets of equity funds at the end of 2003 (€1,173 bn, source: EFAMA), the theoretical loss suffered by investors is €277 bn. »

For bond funds, the performance comparison with the corresponding benchmark Barclays Pan-European Aggregate TR shows an average annual underperformance of bond funds 0.8% net of all fees. Money market funds returned a negative real performance over the last ten years and also under performed their benchmark (by 1,1% per year).

These poor results are certainly not overstated as :they are based on UCITS funds (which are not so much sold to individuals), not including AIFs, and also include institutional funds (i.e. funds sold only to institutions that are typically charged with lower fees) :the corresponding market index's performance is reduced by the average index fund fee, not by the corresponding ETF's fee wich is much lower.

- **The Better Finance research on the performance of long term savings**

Better Finance also published research findings that provide some explanations for this poor performance of European investment funds and also underline that the overall result for EU individual savers and investors is even worse.
The table below identifies two major reasons.

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[2] The European trade body counted 35,618 UCITS funds in 2013 and only 19,524 AIFs (EFAMA fact book 2014, page 314). But in France alone AMF reports 9000 AIFs for only 3000 UCITS. Therefore the number of AIFs reported by EFAMA seems too low. According to IODS, LIPPER FMI database included about 100,000 active funds in Europe as of March 2014.

[3] Article 9,1 of the European Regulations of the European System of Financial Supervision of 201 provide that the three European Supervisory Authorities (Banking - EBA, Securities & Markets – ESMA - and Insurance and Occupational Pensions – EIOPA) shall collect, analyse and report on « consumer trends ». But so far, they have failed to report any performance and price data of consumer products in their respective areas.

First, the overall number of funds in the EU is four times higher than in the US for a fund market that is half the size of the US one in terms of assets under management. This industry is fixed costs one, so that can only be detrimental to the performance of EU domiciled funds. Besides, UCITS funds - being Pan-European have probably a higher average size than the national – only AIFs that are mostly sold to individuals. Therefore it is likely that the average size of retail funds is even smaller.

Second, the level of fees is two and a half times higher in the EU in the case of equity funds, based on the most recent figures available from the industry.

The pricing of investment funds is even worse actually for individual investors as they mostly hold AIFs, and – as mentioned earlier - mostly via wrapper products which typically add another layer of fees. For example in France about half of retail funds are held via life insurance unit-linked contracts which typically add another contract–level fee of 0,89% on average. Therefore, the average fee charge for investing in retail equity funds for a French saver is more like 2,6% per year (not counting the entry fees). It should therefore be no surprise that French unit-linked contracts retuned a strongly negative real performance since the beginning of the century despite the positive real performance of equity markets over the same period.

- **Recommendations to the European Commission**

1. **Fact finding**

Given the poor available data on this issue, the EC should at least gather the following input to further confirm the analyses of FSUG:

- Number of retail (i.e. actively promoted and sold to individuals) UCITS and number of retail AIFs per Member State and overall

- Share of UCITS that are retail (i.e. promoted and sold to individual investors, not to "institutional" ones) per Member State and overall; same for AIFs

- Average annual fees of retail AIFs (that would exclude hedge funds as those are not directly sold to retail) compared to UCITS per Member State and overall.

- Aggregate past performances of funds distributed by the big and dominant (in Continental Europe) integrated retail "bank insurance" networks versus the past performance of the funds managed by asset managers who are capitalistically independent from those networks.

2. Enforce article 9.1 of the 20110 ESFS Regulations: **ESAs to collect, analyse and report on the performance and price of retail financial products**

In order to fulfil these duties, the ESAs need more resources not less.

3. **Ban the use of AIFS in retail packaged products**

The EU would kill two birds with one stone by banning the use of alternative investment funds in retail packaged products (life insurance contracts, DC plans and personal pension products): it would make room for the expansion of the simpler, more transparent and probably less expensive (see above) and Pan-European UCITS funds. And it would also strongly benefit EU savers for the same reasons of simplicity, transparency, performance and prices.

<u>**Number, size and fees of mutual funds**</u>

EU versus US

	Number	**Average size (mln euro)**	**Average fee (bps)**
EU	**32.750**	**222**	**175** (2010)
US	**7.886**	**1.568**	**74** (2013)
	Q3, 2014	Q3, 2014	

Source : Better Finance (CMU Briefing Paper), CEPS, EFAMA, ICI

Of course, this ban should apply first and foremost to the future Pan-European Personal Pension Plan (see below) as the Pan-European PPP cannot be wrapping non Pan-European funds.

4. **Create the Pan-European PPP as a simple, portable and low cost individual DC product asap.**

The EPPP on which the EC and EIOPA are working (EIOPA public consultation expected early July 2015) would provide a simple, low cost and attractive alternative to the complex, opaque, fee-laden and too numerous offerings of national retail long term and pension products. It would also provide a great opportunity to thoroughly increase the indirect retail ownership of the simpler, cheaper and more transparent UCITS funds instead of AIFs in pension packaged products.

It would also help the EU fund management industry to streamline its offerings and to concentrate more on its most competitive products: UCITS funds.

PAYMENT SERVICES

Credit card (Visa/ Mastercard) ***Annual fee EURO***

Country	*Min.*	*Average*	*Max*
Belgium	*0.00*	*25.00*	*55.00*
France	*0.00*	*45.56*	*54.20*
Germany	*0.00*		88.00[4]
Italy	*30.00*	*52.50*	*75.00*
Netherlands	*12.00*	*38.50*	*155.00*
Poland	0.00		48.00
Romania	4.55	9.10	17.05
Slovakia	*91.53*	*113.93*	*No data*
Slovenia	*12.50*	*19.16*	*No data*
Spain	*19.00*	*44.63*	*60*

There is a considerable variation in fees charged Average annual fee ranges from *€19 in Slovenia to nearly €114 in Slovakia.*

Direct debit: cost per transaction in the national currency

	Average
Belgium	0.00 €
France	0,00 €
Germany	0.00 €
Romania	0.45€
Slovakia	0.20 €
Slovenia	0.00 €
Spain	0.36 €
The Netherlands	0.00
United Kingdom	**0,00**

Payment services: Banks

[4] includes insurance package

	Credit card (basic Visa/Mastercad): <u>annual fee</u>			Payment services	(Banks) Credit transfer: <u>cost per transaction</u> in the national currency	nal currency	***online***	Credit transfer: <u>cost per transaction</u> in the national currency		***offline***		Credit transfer: cost per transaction in foreign currency		***online***	
	Av	*Min*	*Max*		*Av*	*Min*	*Max*	*Av*	*Min*	*Max*	Notes	*Av*	*Min*	*Max*	Notes
Belgium	25.00 €	0.00 €	55.00 €		0.00 €	0.00 €	0.00 €	0.00 €	0.00 €	5.00 €	A certain number of offline transactions are included in all bank account packages which is sufficient for most of consumers. For those who make more transactions, the cost per unit is between €0,50 and €1, except for Centea (€5) / offline transaction).				
Denmark															
France	45.56 €	0.00 €	54.20 €		0.00 €	0.00 €		3.58 €	0.00 €						
Germany	39.75 €	0.00 €	110.00 €	including assurance package	0.00 €	0.00 €	0.00 €	1.11 €	0.00 €	2.95 €	German banks do not tend to charge per transaction but a monthly fee. However about 40% of available payment accounts are available without any monthly fee. A lot of the others are packaged accounts.	10.00 €	1.50 €	19.95 €	Average is based on € 250 transfer
Greece															
Italy	52.50 €	30.00 €	75.00 €		1.38 €	0.00 €		2.50 €	0.00 €		Zero may be for a limited number of offline or online transactions				
Poland															
Romania	9.10 €	4.55 €	17.05		1.10 €	0.72 €	2.05	1.89 €	0.91 €	3.41		18.40 €	7.50 €		<u>Offline</u>, the average unit cost is €24; the minimum: €15
Slovakia	113.93 €	91.53 €			0.05 €	0.00 €		1.00 €	5.00 €			0.30 €	0.00 €		<u>Offline</u>, the average unit cost is €5; the minimum: €0
Slovenia	19.16 €	12.50 €			0.35 €	0.20 €		1.57 €	0.35 €			6.70 €	4.67 €		
Spain	41.00 €	34.00 €			0.00 €	0.00 €		3.33	0.00						
The Netherlands	12.00	38.50	155												
United Kingdom	0.00 €	0.00 €	0.00 €		0.00 €	0.00 €	0.00 €								

Barriers to cross-border transactions

1.Most payment services are tied to a bank account. Sometimes it is possible to acquire a credit card from other suppliers, such as supermarkets, but there are many conditions to fulfill, like taking out a revolving credit (examples in France: credit cards provided by Auchan and Carrefour). In several MS, solely banks distribute credit cards and deferred payment cards: Slovakia – practise, Slovenia – practise, Greece.

2. Mis-use of the Anti-Money Laundering Directive: Opening a bank account abroad is very difficult: most banks say that it is quite impossible, with non-residents, to comply with the strict rules 'Know Your Customer' imposed by the legislation on money laundering. If anti money laundering rules cannot be questioned, it is also very important that they do not jeopardise other EU objectives, in particular the right to have a bank account, consumer choice and bank mobility within the Single Market, and the protection of their privacy and personal data. Being overly cautious as to anti-money laundering safeguards can have the unintended consequence of excluding consumers from the market. Furthermore, the divergent interpretation of the anti-money laundering directive (AMLD) between Member States and between banks is a major issue. Such divergences act a barriers to consumers' access to financial services both at national and cross-border level, and restrict mobility within the EU. They also leave the door wide open to a possible burdening to the consumer with request to supply unecessary documents. Such divergences act as barriers to consumers' access to financial services both at national and cross-border level and restrict their mobility within the Single Market. They also leave the door wide open to a possible burdening of the consumer with request to supply unnecessary supporting documents when opening a bank account and provide personal data which can be misused for commercial purpose –in both instances exceeding what is strictly necessary to comply with the AMLD objective. In several countries, the proof of residence is necessary to open a bank account which creates difficulties for consumers in particular circumstances. Often, for non residents, only limited bank accounts are accessible that don't include overdrafts and credit cards. Some financial institutions use legislation on money laundering to deny the opening of a bank account even if their decision is not based on the assessment of a real risk.
Immigrants as well as people having irregular incomes or receiving social benefits have more difficulties to provide supporting documents of their revenues. In addition, one can also wonder why a bank should have an overview of incomes, personal properties and assets of its private customers when no suspect transaction has been identified. http://www.beuc.eu/publications/2012-00395-01-e.pdf: examples of unnecessary documents requested to consumers by banks. Although some online banks that are attractive for cross border use because of their low fees are open to consumers from other member states (I have found these in Austria and Germany), identification in person is needed either at a bank branch or at a post office of the member state where the bank is (same goes for online savings accounts where opening a basic online banking account for transactions is necessary).

3. Payment infrastructures are mainly domestic and not inter-operable: for example, Dutch consumers massively (60%) use a payment service called 'Ideal' to make online payments (scheme based on credit transfer which is safe, convenient and cheap). So far, it is only available for those who have a bank account in the Netherlands. The Dutch banks have built up a common infrastructure in the NL and invited banks from other countries to join it; but in France, for instance, banks have declined the invitation because Ideal is less profitable than card payments which are more expensive for consumers and merchants and less safe for consumers!

Personal pensions

Country name	Product 1				Product 2			
	Average fee (p.a. of Accumulated Savings)	Minimum fee (p.a. of Accumulated Savings)	Maximum fee (p.a. of Accumulated Savings)	Notes	Average fee	Minimum fee	Maximum fee	Notes
Slovakia	0.80%	0.80%	0.80%	highly regulated product, part of the SLL and thus not available to cross-border transactions	2.10%	0.60%	3%	Employer sponsored product, IORP based regulation open to passporting, no foreign competition or cross-border purchases (even if allowed by law)
Spain	1.35%	1.10%	1.50%					
Poland	2.46%	1.20%	3.25%	voluntary pension funds within individual account of pension security				
France	2.00%	1.60%	3.00%	French PERPs (individual pension plans) - Capital guaranteed	3.00%	2.00%	4%	French PERPs (individual pension plans) - Unit linked
Germany	1.42%	0.62%	3.11%	RIESTER scheme				

Italy	1.56%	1.00%	2.00%	no capital guarantee personal pension plan	

We have identified several key **barriers** that effectively restrict cross-border purchases:

- supply-side driven market supported by selective legislation (multinational companies operating on local markets exploit local information asymmetries)and higher transaction costs for cross-border purchase;
- tax incentives for local players;
- language barriers resulting in low awareness of demand side on "better" products sold abroad;
- uncertainty about legal background of foreign products and uncertainty about future regulation in foreign country;
- non-existence of general benchmark for "good" product and particular features and thus inability to compare on risk-return to costs basis;
- trust-based product often tied to the employer recommendation or local representative (intermediary).

There are several **bad practices** identified by consumers when considering purchase of investment insurance contracts:

- distribution of higher fee based "actively" managed pension products with no comparison to lower-cost passively managed peers or respective benchmarks;
- no fee implication calculations on final pension pot;
- frequent changes in a fee policy and contract;
- no comparison of performance nor fees with peers.

FSUG – Motor Insurance –third party liability

20 year old, male, single, teacher
Lives in large town/city, car kept in garage
Golf VI TDI 2.0 (81 kw) 2009
Private use only
Third party only
20,000 km driving per year.
Driver: insured person only
Passed driving test at minimum driving age (17 years old in UK)
Max no claims bonus (i.e. three years for UK 20 year old)
Method of financing car: cash
Payment of premium: annually

50 year old, male, single, teacher
Max no claims bonus (likely to be around 8-10 years, though could be longer, e.g. Germany is 25 years).
Details as for 20 year old.

	Driver aged 20		**Driver aged 50 – max no claims bonus**	
Greece – third party liability TO BE CONFIRMED	Min.	€345	Min.	€202
	Median	€478,4	Median	€295,5
	Max.	€669	Max.	€404
Netherlands	Min.	€694,92	Min	€206,67
	Max.	€2.771,22	Max	€588,59
Germany – data from 2 websites	Min	557/553	Min.	164/158
	Median	993/833	Median	257/241
	Max	1763/1311	Max	348/330
Poland	Min.	€164.71	Min.	€96.38
	Median	€294.08	Median	€143.98
	Max.	€577	Max.	€173.20
Slovakia	Min.	135.15	Min.	112.69
	Mean	326.00	Mean	153.00
	Max.	1879.20	Max.	190.56
Spain – third party liability	Min.	€606	Min.	€257
	Mean	€807	Mean	€396.57

	Max.	€1472	Max.	€746
Belgium	Min.	1108	Min.	264
	Ethias	€ 1 960,42	Ethias	413
	Max.	2401	Max.	885
France	Min.	407	Min.	175
	Median		Median	
	Max.	839	Max.	593
Denmark ???	Min.		Min.	
	Median		Median	
	Max.		Max.	
Slovenia – no online comparison websites for insurance products	Min.		Min.	
	Medan		Median	
	Max.		Max.	
UK	Min.	8298	Min.	824
	Median	10720	Median	1546
	Max.	12770	Max.	2310
Romania – third party liability	Min;	490	Min	155
	Max	850	Max	235
	average	655	Average	186

Note: non-Euro prices converted using xe.com

It is not possible to compare meaningfully across countries. The price depends on many factors, including what is covered, the amount of excess, the occupation of the driver, the exact address, whether the car is kept in a garage or on the road, how many years the driver has had his license, no-claims bonus, etc. Within-country price dispersion appears large. The ratio of the most expensive to the cheapest quote is smallest for the 50-year-old driver in Greece (1.92) and largest for the same age driver in the UK (13.42). The ratio is typically around 4. This is suggestive of an uncompetitive market in the countries for which information is available.

Comment re data for Greece

To begin with, the exact model (Golf VI TDI 2.0) was not found, but I found several Golf 2.0 TDi models, from which I chose the Golf 2.0 TDi GTD.

Furthermore, the websites ask for an estimated value of the car. Third, they do not ask how many km per year the driver will drive, or if the use is private, social or business, but they do ask if the insurer would be a legal entity (a company), or a person.

Last, offers that come up include different kinds (and numbers) of covers (for example: theft allowance, advice for off-court deals, personal injury and material damages covers up to a certain amount, and so on)

Italy, Denmark – online comparison websites require the registration number

The quotes from a few firms can be very approximately compared across countries:

	Allianz	**Aviva**	**Axa**

Greece			Most expensive (20) Mid-price (50)
Poland	Mid-price	Expensive	Cheaper
Slovakia	Expensive (20) Most expensive (50)		Most expensive (20) Mid-expensive (50)
Spain	Most expensive		Most expensive
UK	No quote	No quote	No quote (20) Cheapest (50)

Life insurance

Country name	Average premium monthly	Minimum premium monthly	Maximum premium monthly
Germany	€ 31.80	12.8	49.36[5]
Italy	€ 18.50	12	25
Poland	€ 50	41	60
Slovakia	€ 10	9.8	10.6
Slovenia	€ 40,33	23.76	70
Spain	€ 12.40	8	16.8
UK	£65	£60	£70
Netherlands	€ 114	93.64	173.94

Life insurance of €100000 for 40 year old person for 25 years

The spread of premium among countries could generally result from a scope of coverage and/or loadings. Both factors are important. There is a tendency known in other market as 'downsizing', which in insurance could lead to ineffective coverage. But higher premium does not guarantee better coverage due to high loadings, especially within bancassurance.

Barriers:

Generally this kind of insurance, protection only, is not profit-maker and that it is why is sometimes hardly available, especially beyond bancassurance. However Solvency could change it. Limitation of access to residents is very common as insurance company would like to avoid insured people of different potential mortality. Although Insurance Block Exemption Regulation were kept to improve access for new players it is not working in reality. However the margin used by insurance companies is sometimes is so high that this argumentation has its own limitations. The almost unknown barrier is very diverse coverage of insurance guarantee schemes. In some countries live insurance are not covered at all, in other the scheme is available only for residents. Insurance guarantee schemes are not even harmonized.

Bad practices:

lack of information on basic exclusions, complex policy wording, lack information on commission, barriers in access to this product.

France

Life insurance, which is called 'death insurance 'in France is totally disregarded by French consumers who prefer life insurance with a financial investment. Therefore no data for this product.

[5] in case of high number of deaths the monthly premium can be increased up to this level

The risk of death or total and permanent disability may be covered by a collective contract signed by the employer. This type of contract is compulsory to cover employees.

Barriers for insurance products

Only 1% of European citizens have bought a general insurance product in another member state, and only 3% would consider doing so[6]. Yet around 40% of general insurance products are bought online, so in principle there could be more demand for cross-border transactions.

Many barriers are common across general insurance products. It is likely that suppliers are reluctant to sell across borders because of:

- The cost of adapting to different regulatory regimes and national laws, particularly contract law.
- Difficulty in assessing local risk (this might explain why national firms tend to give the cheapest quotes?)

For consumers, the problems that exist at national level are magnified when trying to buy in a different member state:

- Language, both at point of sale and in claims handling
- Problems in comparing offers
- Perceived difficulty of complaining or obtaining compensation cross-border.

The European Consumer Centre (ECC) Germany attempted to buy general insurance products (including motor) cross-border in four countries: Germany, Austria, France and Great Britain[7]. The study found that, of 144 companies tested, it was possible to conclude an online insurance contract with only 14 of them. Barriers included:

- Inability to input a foreign address
- Requirement to create a user account, not possible with a foreign address
- Requirement to be subject to tax in the same country as the insurance company
- For motor insurance, requirement to input a domestic license plate number
- Contract only covering claims arising from incidents in the country where the insurance company was located.

To these practical difficulties we can add the example from Spain, where it is necessary to have a Foreign Identification Number to buy insurance products, for citizens not having a Spanish postal code.

The ECC also contacted 567 insurance companies in the four countries, only 32 replied and just 3 of these offered cross-border general insurance.

[6] ec.europa.eu/internal_market/...retail/.../eb_**special_373**-report_en.pdf
[7] http://www.eu-verbraucher.de/fileadmin/user_upload/eu-verbraucher/PDF/Berichte/Resume_final_EN.pdf