



Minutes of the Financial Services User Group 26 – 27 January 2015

Time:	26 January 2015	12.00-18.00
	27 January 2015	09.30-16.30
Place:	European Commission Financial Stability, Financial Services and Capital Markets Union DG, T. Stoll Room Rue de Spa, 2 1000 Brussels	

26 January

Adoption of the agenda and approval of the minutes of the last FSUG meeting

The agenda was adopted and comments on the minutes will be included via written procedure.

Tour de table on Members' activities of FSUG interest, including participation in events on behalf of FSUG, update on identified consumers' risks or detriments as early warnings which could potentially be reported to the Commission and ESAs

In Belgium, Ethias had problems in the stress-test which involved insurance companies. In the UK, strict rules were enforced on pay-day lending, raising questions on where consumers will now go; over-indebtedness is another important concern. Problems were also identified in the annuities market and it is not sure whether the solution (government's guidance service) will be successful. In Italy 15% of cooperative banks will become PLCs since they have a turnover above EUR 8M. In Austria there is a problem with companies withdrawing from the stock market without asking shareholders' consent. After the elections, the Greek government will have to address the oligopoly of banks. In Denmark, banks may start charging opaque fees to recover losses of profit due to low interest rates while an important report on asset management recently came out. In Germany, consumers have to pay 11% of charges for the early repayment of a mortgage and therefore a cap and a common calculation method are now debated. Slovakia was put forward as a positive example for the implementation of MCD as the 2-weeks withdrawal period was extended to 2 months, leading people to find a better deal in 90% of cases and to lower interest rates. Slovakia recently introduced an annuity market. A draft regulation was presented to stop the obligation to de-cumulate in third-pillar pensions; low interest rates are having influence on several products. France is experiencing abuses in the currency market.

It was recognised by several FSUG members that the situation with the Swiss francs is causing financial turbulences through the whole EU. They also drew attention on several conferences and studies which could be of interest for FSUG.

Meeting with the representatives of ACCIS (Association of Consumer Credit Information Suppliers)

ACCIS presented its mandate to the FSUG and offered cooperation on credit data. It illustrated figures on credit registers and conditions for accessing them (reciprocity applies in most cases). 66% of governments and central banks have access to these registers, with consumers having access mostly for free (64%). Only in 29% of cases data sharing is required by regulation (in most cases it is done on a voluntary basis), while normally data is collected to provide credit reports to lenders and credit history to consumers and a number of stakeholders. Credit bureaus gather a lot of different data and have different structures and rules for accessing information. ACCIS proposed to the FSUG to promote the use of credit bureaus and to support data sharing.

FSUG members raised issues on compliance with MCD (information proportional and limited to assess creditworthiness and access to data), consumers' access, over-indebtedness and role of the ECB.

Update on the proposal for the Regulation on Benchmarks

The Commission representative presented the proposal on the regulation on benchmarks, which was adopted as reply to the manipulation of LIBOR and EURIBOR that occurred in the past. The proposal covers a broad variety of benchmarks, not just interest rate benchmarks such as LIBOR, but also commodity benchmarks for example. It covers all benchmarks that are used to reference financial instruments admitted to trading or traded on a regulated venue, such as energy and currency derivatives, those that are used in financial contracts, such as mortgages and those that are used to measure the performance of investment funds. It seeks to address possible shortcomings at every stage in the production and use of benchmarks. The objective of the regulation is to ensure the integrity of benchmarks by guaranteeing that they are not subject to conflicts of interest, that they reflect the economic reality they are intended to measure and are used appropriately. Members were up-dated on the progress of negotiations.

During the discussion members raised questions which benchmarks will be covered (e.g. FX spot markets benchmarks), who is considered to be user of the benchmark, what are critical benchmarks and methodology of building the benchmark.

Follow-up to the retail conference

The Commission representative thanked members for their participation, informed that the final report from the conference has been published on FISMA website. Concerning the feedback from the conference, he stressed active participation of users, and some complaints from the industry that they did not have enough time to speak. He explained that the Commission is working on the follow-up to the conference.

Discussion on 2015 FSUG Work Plan and Proposals for Research projects.

Members discussed the allocation of 2015 and 2016 research budget among the following proposals:

- Pension decumulation
- Financial guidance
- Enforcement and better regulation
- Credit data.

The following work programme has been agreed:

- Pension Decumulation – study and internal work
- Financial Guidance – study and internal work
- Enforcement and better regulation – position paper
- Credit Data – position paper
- Crowdfunding – study and the EU survey

- Capital Markets Union – internal work

FSUG 2015 Research Priorities:

Pension Decumulation
Financial Guidance

FSUG 2016 Research Priorities:

Enforcement
Credit Data

Discussion about the FSUG policy on inviting outside guests.

Members agreed that invitations of the outside guests need be subject to the consent of the whole group, and that the topics to be discussed should fit with the FSUG work programme.

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Update on MiFs Regulation - Jean Allix (DG COMP).

Jean Allix reminded members that the interchange fees constitute 70% of fees paid by retailers; with the card payment being the mostly costly and expensive.

The regulation proposed by the Commission introduces maximum levels of interchange fees for transactions based on consumer debit and credit cards and ban surcharges on these types of cards.

The negotiated text sets caps at 0.2% of the value of the transaction for debit cards and 0.3% for credit card, whereas currently they are around 1% for credit cards. In all Member States the fee for the credit card is higher than 0,3%; as for debit cards, in 2 countries: Belgium and Netherlands the interchange fee is currently lower than 0,2%.

Replying to the question whether the retailers will be actually willing to pass savings onto the consumers, he noted that the Commission will be monitoring developments on the market.

Presentation of the Risk Outlook to COM officials

Risk Outlook prepared by the FSUG members raises attention to the potential risk that should be monitored in order to prevent market failures in the future. In the current socio-economic situation and quickly changing environment with lowering profits, and shareholders putting pressure on returns, dominant firms tend to exploit consumers.

The Chair presented a number of cross-cutting risks concerning;

- Financial infrastructure resilience:
- Board/ senior management responsibilities:
- Legacy business models and transition risks:
- Ongoing business model risks:
- Competition risks:
- Adviser/ intermediary/ staff behaviours and competence:
- Regulatory risks:
- Enforcement risks,
- Role of information intermediaries:
- Data profiling/ technology/ internet neutrality:
- Cybercrime and fraud:

- Financial exclusion,
- Financial advice/ intermediation,
- Financial capability,
- Consumption risks,
- Consumer confidence and trust.

As well as strategic priorities:

- Assessing the major trends, risk factors, and cross-cutting issues we have identified the following strategic priorities (see attached paper for more details):
- Better regulation to protect financial users and make markets work
- Understanding the impact of data and technology on financial users
- Financial networks, system resilience and cybercrime
- Tackling financial exclusion, under-provision and discrimination
- Promoting real competition and true innovation
- Financial intermediation and the real economy
- Reforming the asset management/ pensions industry
- Pensions decumulation
- Better representation and accountability

Presentation of the Paper on Asset Management to COM officials

The Chair presented findings of the study and FSUG conclusions and recommendations. Taking into account that the asset management does not perform its core function – producing decent risk adjusted returns (as shown by the study) this sector requires a more fundamental structural reforms.

He acknowledged that UCITS IV/ MiFID II measures should lead to some improvements in terms of disclosure of charges and conflicts of interest but information disclosure, while necessary would not be sufficient to address existing inefficiency of the asset management sector.

The group proposed measures which would make a significant contribution to the development of a more efficient, accessible single market in asset management:

- Regulate the use of past performance data in marketing and promotions – this data is misleading and results in investors making sub optimal decisions, maintain mandatory and standardised (comparable) disclosure in the KIID of past performance of funds and of their chosen benchmarks despite this requirement having been most unfortunately eliminated by the new PRIIPs Regulation
- Regulate the use of investment projections in the KIID and in marketing and promotions – asset managers should be required to use realistic projections (based on the asset allocation of the fund) set by the regulator
- Regulate disclosure of charges – asset managers and intermediaries should be required to disclose all charges borne by the investor using a simple, clear measure, mandatory disclosure of fees and commissions should be provided both in % and in money terms for a given investment amount, regardless of the distribution channel
- Improve training and competence of intermediaries who play an important part in influencing investor decisions.

Update on Crowdfunding – Nikos Daskalakis

The OXERA Inception Report was revised with FSUG comments, especially on the methodology which will now allow the contractor to gather robust data from persons aware of crowdfunding (at least 200). Minor things will have to be clarified. The mid-term report will be ready in March, with the final report expected by June. An EU crowdfunding survey has

also been created with the support of the European Crowdfunding Stakeholder Forum: the survey will be now encoded before it is translated in several languages and put online.

Reporting to Mario Nava, Director, Regulation and prudential supervision of financial institutions, DG FISMA, and Olivier Micol, Head of Unit "Financial Services and Redress", DG JUST followed by discussion.

The FSUG Chair briefed the two Commission Representatives on the 2015 FSUG work plan and research priorities. Mario Nava thanked the FSUG for its contribution to the November Conference on "Emerging Challenges in the Retail Sector", and praised the 2015 FSUG work plan as in line with the Commission's priorities. He highlighted that the Capital Markets Union consultation paper will be published in February for three months and also invited the FSUG to contribute to the Commission's reflection on retail financial services by drafting a letter to Commissioner Hill and Commissioner Jourova identifying the main problematic areas. Olivier Micol also praised the choice of Capital Markets Union for the 2015 Work Plan and underlined the importance of timing the FSUG contribution to the Commission's consultation. He also mentioned the Digital Single Market as interesting for the Group.

Consultations

The FSUG decided to contribute to 6 on-going consultations:

- EBA consultations on MCD – Consultation on Guidelines on arrears and foreclosure
- EBA consultation on MCD - Draft Guidelines on creditworthiness assessment
- EBA Consultation on Product Oversight
- JC Consultation on KIID for PRIIPs
- EIOPA consultation on Solvency II
- EBA Consultation on draft Guidelines for cross-selling practices

2015 Dates

The April meeting was rescheduled, due to a conflicting EBA meeting, to 20 and 21/4. The June meeting will take place at the Amsterdam stock-exchange. 3 speakers have already confirmed their presence.