



## Meeting of the Financial Services User Group Minutes

22-23 October 2015

Time:	22 October 2015	11.30-18.00
	23 October 2015	09.30-16.30

### 22 October

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

The agenda and minutes were approved.

#### **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 the NL the Minister of Social Affairs decided that pensions could no longer be used to repay mortgages. A collective redress action is being started against Volkswagen. In IT the limit for investor on crowdfunding is being revised (from 500€ to 5000€) and there is a problem of enforcement on bank account switching. In Slovakia a draft law exempting long term savings from taxes is being discussed. A debate on IORPs is also ongoing as an interesting mystery shopping exercise on CCD –financed by the industry but managed by an independent organisation. In FR there is an alleged problem of conflict of interests in the Central Bank supervisory authority where a former BNP Paribas executive has been appointed as member, and a bank has been sanctioned for non-compliance with the Payment Services Directive. In DK analysis is being carried out on the costs of investment funds and on lending to rural areas. A campaign on simple lending products is also being carried out. In CZ insurances against the possible loss of data/hacking are emerging as new products for companies which might soon be also offered to consumers, An eye should be kept on such practices. In EL there is an issue with non-performing loans (equal to €100 bn). In ES the issue of the double fee (from the own payment service providers and the one where cash is withdrawn) for cash withdrawals has been solved thanks to a new law. Government and banks also agreed to abolish the ground clause on the threshold to interest rate of mortgages. The Bank of Spain allegedly affirmed in a recent event that consumer protection is not a priority and alternative dispute resolution is frustrating so ADICAE is thinking about a proposal to have ADR outcomes binding. In SI there is a problem of implementation of the Mortgage Credit Directive. In DE as of January there will be a guarantee of interests for life insurances. On the Volkswagen scandal, there is currently a debate on eligibility to claim reimbursement. In RO the issue with swiss francs loans persist while there is a problem of independence with the body trusted with the implementation of

the ADR directive as members are not truly independent. In the UK, Barclays and the Investment Association fired two executives as they were too consumer-friendly and there is a worrying trend towards de-regulation. In PL the early cancellation fee in case of early redemption of unit-linked products is becoming a problem. New legislation on complaints within financial institutions is being passed (in case of no reply, the complainant is right). In BE as from the 1<sup>st</sup> November 2015, the lender will assess creditworthiness not only at the signature of the contract but also during its execution. The lender will also have to demonstrate that the credit agreement is the most suitable for the consumer. At EU level, the pension industry is against the PEPP proposal, but the timing for the initiative is a bit long.

#### **Update on research projects – financial guidance and pension decumulation.**

Members were informed that the selection for the contractors for both studies on financial guidance and pension decumulation is ongoing. They were also asked to come up with proposals for the list of stakeholders to be interviewed by the contractors.

#### **Enforcement and Better Regulation**

The FSUG Rapporteur invited five members who have not yet provided data on supervisory authorities to do so by the end of next week. The same deadline was set for responses to an online survey that will be created in the coming days to help the Rapporteur define the Terms of Reference for a study that might be carried out in 2016.

#### **Credit Data**

After some minor adjustments to the text, the paper and its conclusions (claiming that increased credit data availability does not help preventing over-indebtedness, support prudential regulation or facilitate access to affordable credit) will be adopted.

#### **Discussion about the 2016 external meeting of the FSUG**

A first discussion on the 2016 FSUG external meeting took place. A number of options were proposed: UK (coupled with a conference on over-indebtedness), DK, IT, BE, DE, SI, SK. Members will discuss the issue and come to a decision during the December meeting.

#### **Improving the work of FSUG – further discussion.**

Members were reminded that rules for the operation of the Commission expert groups have been changed and it is no longer possible for the representatives of organisations and associations to receive an annual fee. The Commission pays at the same time attention to the avoidance of double financing. This means that the rules for the operation of the FSUG will change after October 2016, when the term of current members expires.

Members stressed that the group has been very successful and contributed meaningfully to the work of the Commission.

One member highlighted that the members which represent consumer interest groups have various priorities, and the EU funding is the factor that tips the balance towards focusing on finance in their daily work which is a factor that the Commission should take into account when considering the financing of the group.

Members may work further on the improvement of the functioning of the group.

## **23 October**

### **Finalisation of the Annual Report**

The Chair will draft the foreword while relevant members will send their contribution by the end of the month. A rapporteur was tasked to coordinate.

### **CMU Action Plan**

Members were reminded about the objective of the CMU - to contribute to growth and jobs from several perspectives:

- By creating more stable markets;
- By fostering greater integration;
- By unlocking investment.

All these are addressed through the following targeted initiatives:

#### 1) Finance for start-ups and SMEs

- Innovative funding (crowdfunding, private placements) - report on crowdfunding in Q1 of 2016
- VC study on tax incentives for venture capital and business angels
- SME finance ( EU-wide information systems including feedback on credit applications, referral of rejected applications to alternative funding)

The FSUG inquired about the potential for the information exchange system. It was admitted that the first objective is to test the idea for such pan-European information system and only regulate if there is demand.

#### 2) Selling company bonds & shares

- Simple and cheap prospectus
- Public trading of small business
- Corporate financing

The Commission representatives were questioned on their approach towards encouraging equity-financing. It was pointed out that the idea is to promote national measures akin to "notional interest deduction" implemented in Belgium but rather through greater harmonisation than imposition of a pan-European regulation.

#### 3) More investor opportunities

- Better deals
- More retirement savings
- Transparency -cooperation with ESMA, boost comparison of products

Addressing the concerns of the members of FSUG, it was emphasised that as a part of assessment, the Commission wants to evaluate issues such as the ways of ensuring that supplier provides best product for a particular consumer, the impact of MiFID II as well as the situation in asset management sector.

It was also pointed out that NEST scheme adopted in the UK could provide a good model for the pan-European pension product.

#### 4) Facilitating cross -border investing

- Market infrastructure

- National barriers
- Legislative initiative on business insolvency (early restructuring procedures)
- Cross border tax

In the context of insolvency, members raised the issue of personal insolvency not being address at all despite it being considered as one of the barriers to credit loans.

In general, FSUG members welcomed CMU Action Plan thanks to its customer-oriented perspective. As a final remark, one member proposed CMU implementation barometer to better track achievement of the targets set in the Action Plan.

### **Better Finance research study on pension savings – The Real Return**

The study contracted by Better Finance was presented to members.

Results: Overall disappointing performance, skills of the providers do not substantially improve over examined period

Reasons:

- Fees and commissions (some governments impose fee caps)
- Asset allocation - should be customised to the duration of the saving
- Investment manager choices and taxes
- Financial repression and taxes discriminating long -term savings over short-term savings
- Too much choice, massive proliferation of funds

### **Call for evidence: EU regulatory framework for financial services**

The Commission representative presented the public consultation seeking feedback on:

- rules affecting ability of the economy to finance itself;
- unnecessary regulatory burdens;
- interactions, inconsistencies and gaps;
- consequences for market structure

It was stressed that the Commission looks for concrete examples/hard data .

One member notated that the industry clearly sees CFE as invitation for suggestions for deregulation, but the Commission was prepared for such an approach that CFE processing will go through an economic analysis and evaluation lens; contributions that are mere re-statements of political or ideological positions will not receive much weight (at least not going beyond the aspect of feasibility analysis that is part of Better Regulation);

Two specific concerns were raised: Why should we have better evidence this time? And that CFE has a new element with its focus on empirical evidence, but not all stakeholders can provide evidence easily (consumers).

It was admitted that quality of data will likely vary a lot, but at least CFE will set a clear signal that on our side evidence-based policy is the approach to be followed; and obviously burden of proof is not the same for consumers and retail investors compared to an industry

association. The retail consumer's direct experience is what should be reported and this experience is very valuable and directly relevant.

Another member raised the point if the Commission should not rather put the emphasis on implementation and proper enforcement. It was clarified that the Commission puts strong emphasis on implementation and enforcement; however, for the CFE it would have narrowed down the scope of the CFE too much if we had only included legislation in place sufficiently long to assess the implementation and enforcement experience; given the CFE emphasis on interactions a too narrow scope would have been counterproductive.

### **Integration of Retail financial services – final correction and preparation of the letter to the Commissioners**

The group agreed on the wording of the letter to be sent to both Commissioners: Hill and Jurova. The paper on the integration of the retail financial services will be also posted on the FSUG site.

### **Decision about the research project for 2016**

A first discussion on the 2016 research priorities took place. Given the time-constraints, it is most likely that the FSUG will go for two negotiated procedures (i.e. research projects up to 60.000€). One will surely be about enforcement. It is to be seen whether, for the second one, better regulation will be chosen or whether the group will decide to identify other subjects, like those suggested –but not selected- over the past years (e.g. savings, mortgages in foreign currencies). Members will decide via email and prepare a first draft by December so that the ToR can be published in early January.

### **Reply to ongoing consultations**

Subgroups were formed in order to reply to the Commission's consultation on venture capital funds (EuVECA and EuSEF) and covered bonds. Deadline for both consultation is 6 January 2016.

### **Reporting to Mario Nava, Director, Financial Institutions, DG FISMA, and Olivier Micol, Head of Unit, Financial Services and Redress, DG JUST**

The FSUG Chair and Vice-Chair briefly summarised the content of the discussions of the two days of meeting. Mario Nava promised that FISMA and JUST will do the utmost to secure a future to the group while taking into account the 2014 Commission decision on the remuneration of experts. He also noted that there is a clear interest from all stakeholders in the PEPP debate. He affirmed that the recently published Call for Evidence in the field of retail financial services has the objective of bringing coherence and consistency to this field, and it is not about de-regulation but more about fine-tuning the system by closing gaps and checking the impact of recently adopted legislation. He further stated that the internal EC consultation on retail financial services will be launched soon and the Green Paper should be adopted by December, with consultation running for three months, a conference in April/May and then some concrete measures to be taken or an Action Plan. Olivier Micol praised the work of the Group in the field of retail financial services and on the Capital Markets Union. He informed the FSUG that the ECCG had been consulted as well on the

issues, coming up with very similar findings. He also underlined that data protection (with the relevant regulation hopefully finalised by the end of 2015) is very important in the context of the retail financial services' initiative.

### **Research for 2016**

The Commission representative stressed one more time that due to time constraints – members mandate expiring in October 2016 and the fact that the tender procedure take a few months, if the group wants to ask for a study to be committed from the next year's budget the tender specification needs to be ready by the end of the year. If the tender is not published in January, then there will be not enough time to execute it. The group needs also time to work on the follow-up to the study.