



## Minutes of the Financial Services User Group 5 – 6 March 2015

<b>Time:</b>	5 March 2015	11.30-18.00
	6 March 2015	10.00-16.30
<b>Place:</b>	<b>European Commission</b> <b>Financial Stability, Financial Services and Capital Markets</b> <b>Union DG, T. Stoll Room</b> <b>Rue de Spa, 2 1000 Brussels</b>	

### 5 March

#### **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.

#### **Integration of Retail Financial Services**

The FSUG was asked by the Commission to identify obstacles in the field of retail financial services to contribute to the Commission's reflection on the issue. Members highlighted the need to improve access to finance, availability of better products, better conditions and possibility to switch between products. Members agreed to search for concrete figures on prices of different financial products across the EU; websites of consumers' associations and other stakeholders were mentioned as possible sources of data. One member provided evidence of different conditions for the same product sold in neighbouring countries, stressing that this phenomenon is widespread for products sold online, since in face-to-face shopping the consumer is most likely to buy a local product due to various considerations.

FSUG members identified several causes of low cross-border demand: tax regulation, labour laws, industry's commercial policy, language, fear of not being protected abroad, lack of enforcement of existing EU legislation, different legal frameworks and lack of transparency.

They finally identified seven services/products (life insurances, non-life insurances, retail foreign exchange currency exchange, mortgages and credit products, payments, savings and deposits, pensions) and appointed a rapporteur for each of them. Based on a simple scenario set out by the rapporteur the group will gather data about prices and information on obstacles to cross-border purchase of services and then, at the April meeting, finalise its contribution.

It was agreed that the FSUG contribution will be organised alongside the following issues:

1. What are the potential benefits of retail financial market integration?
2. What evidence do we have on the extent of effective retail financial market integration?  
Does the extent of integration vary between different market sectors? If we don't have evidence to hand, do we have suggestions on how to obtain evidence?
3. What are the barriers to effective financial market integration? For example, supply side, distribution/ market structures, demand side (is there evidence of demand?), cultural, legislative/ regulatory etc (note this can refer to the absence of effective, consistent regulation not just the perceived existence of regulatory barriers)?

4. How realistic is retail financial market integration? Should we focus on specific market sectors?

### **2015 FSUG Work Plan: Financial Guidance**

Following the last year's lack of offers from consultants with whom DG MARKT signed a framework contract, members decided to try to contract the study via the open call procedure. The FSUG members discussed the proposed terms of reference. The study aims at analysing good practises of comprehensive financial guidance, including the main business models for those who provide comprehensive financial guidance in 9 countries as well as consumer incentives (e.g. raising awareness, offering fiscal incentives). The Commission representative reminded members that the insufficient budget for the proposed coverage was the main reason why the framework contract consultants did not submit any offers last year. She pointed out that the number of countries and extend of tasks should be adjusted to the budget and noted that 75.000 EUR seems to be insufficient for the proposed scope and coverage of 9 countries and may result in the unsuccessful result of the open tender. It was agreed to work further on the selection and award criteria.

### **2015 FSUG Work Plan: Pension Decumulation**

Members discussed the initial draft of the technical specification for the study on pension decumulation. The aim of the study is to collect data for the last 10 years and carry out a comparative analysis for 7 countries. The drafting of the technical specification needed to be further developed, with more specific questions and tasks. The Commission representative pointed also out that the foreseen budget seemed to be insufficient to cover 7 countries and carry out extensive analysis. It was also noted that DG EMPL is carrying a study on equity release, therefore it should be clearly excluded from the scope in order to avoid overlaps. Members were asked to send comments to Jan and Anne-Sophie.

### **2015 FSUG Work Plan: Enforcement and Better Regulation**

The aim of the group is to draft a position paper by looking at existing studies and good practices together with sanctions and tools available to relevant authorities. The objective of the paper will be to point at disparities among MS and try to show how the lack of enforcement harms consumers. The convergence of implementation and enforcement is also key for the CMU consultation and for the completion of the single market. Passporting will also be analysed. The Terms of Reference (ToR) will need to be ready by June/July to sign the contract by January 2016.

### **2015 FSUG Work Plan: Credit Data**

The FSUG had already drafted a discussion paper (and not a position paper since more robust data was needed) on the issue. The paper will focus on three questions:

- Does the gathering of credit data help in fighting overindebtedness?
- Is credit data necessary for accessing credit?
- What is the link with prudential regulation?

A subgroup will now conduct further research to define a position on these issues, and will ask for data to ACCIS, which offered to help the FSUG at the January meeting. On the basis of this research, the FSUG members will be called to adopt a position paper (by vote, if necessary).

### **Update on Crowdfunding – Nikos Daskalakis**

The FSUG rapporteur on the issue will soon have a phone call with the contractor to discuss progress, since the mid-term report is expected by the end of March. The EU survey has been encoded and will now be translated in 7-8 languages. The aim is to launch the research within a month in order to have the results by June, together with the study. Attention was also drawn on a recent study on crowdfunding, done by the University of Cambridge.

## **6 March**

### **Green Paper on CMU**

Philip Tod (FISMA) illustrated the Commission's initiative on Capital Markets Union, explaining why we need (more financing, growth and jobs) EU and national capital markets to further develop. The initiative aims at removing barriers to investments, make information accessible about investment opportunities and eliminate unnecessary administrative burdens. The initiative entails short term priorities (removing barriers to access to the capital market via a review of the Prospectus Directive, widening the investment base for SMEs via more credit information, adopting a comprehensive approach to a sustainable securitisation, boasting long-term investment funds and developing EU private placement markets) and medium-to-long-term priorities (improving access to finance, in particular for SMEs, diversifying the sources of financing through institutional investment and better functioning markets for pensions, venture capital and retail investment together with flanking measures regarding company law, insolvency law, taxation and technology). It is not only about legislation but also about market-driven solutions and non-legislative steps.

The CMU consultation –in parallel two similar consultations on Prospectus and securitisation– will run till the 13 May 2015 and the Commission will also engage with MS and national Parliaments (2-3 workshops foreseen and a big conference taking place on 8 June 2015) before an action plan is adopted during the summer, detailing all actions (and possible proposals) to be taken in the 2015-2019 period.

FSUG members asked some questions (role of SMEs, importance of Prospectus, industry behaviour, role of ESAs, role of retail investors, current market inefficiencies infrastructure market) and voiced some concerns over the initiative, while promising to contribute to the ongoing consultation.

### **CMU – FSUG internal discussion**

The FSUG appointed rapporteurs for every topic included in the CMU consultation. The group will now answer the questions included in the CMU consultation and explain what else the CMU should cover to address current market failures. A draft FSUG contribution will be discussed at the April meeting (20-21/4) in order to be submitted before the deadline (13 May).

### **Mortgages in Swiss Francs**

The Commission representatives gave a comprehensive presentation of the situation concerning the Swiss franc mortgages from the perspective of the Consumer Law, Treaty provision on free movement of capital and financial stability. They informed members about new transparency obligations that will come into force once the Mortgage Credit Directive is implemented by Member States in March next year. They also explained the division of competences between the Commission and Member States, with the latter being responsible for the supervision of the banks and taking measures if the consumer protection rules were not respected. The presentation was followed by discussion with many examples of irresponsible lending by banks or aggressive advertising of Swiss Franc mortgages in a few countries.

### **Consultations**

The group discussed today replies to 5 new on-going consultations:

- Commission Consultation on Green Paper on CMU – deadline: 15.03.
- Commission Consultation on Prospectus – deadline: 15.03.
- Commission Consultation on Securitisation - deadline: 15.03.
- EBA Consultation on draft Guidelines for cross-selling practices – deadline 22.03.2015
- EIOPA Consultation on individual transfers of supplementary occupational pension rights - deadline: 10.04.2015

**Reporting to Mario Nava, Director, Regulation and prudential supervision of financial institutions, DG FISMA, and Despina Spanou, Director, Consumers, DG JUST followed by discussion.**

The Chair reported on the FSUG plan to look at the integration of the retail financial services by indicating price differences and barriers related to products/sectors (deposits, payments, consumer credit, mortgage, non-life and life insurance, investment life insurance, pension products, investment funds, fx purchases), then analysing and prioritising them. He reported that the group considers the Capital Markets Union consultation to be of great importance but also concern to them; there is not enough emphasis in the consultation document on making the existing system work better (e.g. improving financial intermediation and asset allocation process by asset managers) and instead the main focus is on new ways of intermediation. The group was also concerned about the lack of recognition that the consumer and the household is also the supplier of the capital. They were encouraged to focus on households and SMEs and look at both the supply and demand side.