Minutes FSUG meeting of 18-19 September 2012

<u>Tuesday 18 September</u>

Adoption of the agenda and approval of the minutes of the last meeting (2-3 July 2012)

A member of the group noted the importance of an investor protection event, taking place on 18.09.12 in the European Parliament, especially in the context of MiFID.

Another member contended that some financial services products in Slovakia have dysfunctional pricing structures, and suggested that consumer groups should look at the benefits of banning exit fees.

An FSUG member informed the group about a new financial arbitrator for financial services in the Czech Republic, who would be more active in the field of fees – particularly those concerning account management and consumer credit. There remain questions over the independence of this new arbitrator.

A member explained that a Bundestag proposal seeking to improve consumer protection has been rejected by the upper house. It will have to be renewed in the next legislative session (September 2013). A recent proposal to cap overdraft interest rates failed in the Bundestag recently, but the issue is increasingly on the public radar.

German banks have attempted to argue that the deposit protection scheme would have to be abandoned as a consequence of the proposed Banking Union. The government has opposed this suggestion. There are also efforts to create a private financial watchdog. Consumer groups and all opposition parties have supported it.

The German member further noted that the WTO drive towards the liberalisation of markets does not sit comfortably with European efforts at re-regulation. He suggested that the WTO should adapt its rules so that tighter regulatory controls can be imposed.

Another member of the Group suggested sending a letter to the Commissioners for Trade and for the Internal Market, and to the WTO, in support of an Ecuadorian motion concerning re-regulation. The Chair advised that it would be best for FSUG to formally request advice from DG-TRADE's specialist lawyers

A member of the Group discussed a report being prepared on an investment scheme concerning the sale of gold in Poland. EUR 100 million was contributed by retail investors, who are unlikely to recover anything from the scheme. A key question is who is behind the organisation which created the scheme. The consequences of this scheme failing will probably include stricter regulation of the sector.

There is a further issue in Poland relating to credit unions. They are not covered by the current financial services authority (since they do not have banking status) with the consequence that bad management goes unchecked. They will probably be regulated so that they fall under the financial services authority's supervision within a few months.

A member of the Group noted the increase in foreclosures in Romania, especially for people who borrowed from Romanian banks in Swiss francs. He added that since there is no concept of personal bankruptcy, without effective legislation to protect these people, their situation may become very difficult.

The CJEU, in a case between a Romanian bank and a consumer protection organisation, held that Romanian legislation does respect the Consumer Credit Directive.

Finally, a new transfer system permits Romanians to remit funds 10-20 times cheaper than previously.

A member of the Group drew the group's attention to the discouraging macroeconomic data in Italy, but noted that household indebtedness remained comparatively low versus other nations. The gap between Italy and other states is decreasing, however, as Italian households enter into more debt. Inflation is very high on basic goods, though personal investment data remains positive. He also explained that undercover research had uncovered widespread abuse of a law preventing the sale of mortgages alongside certain insurance policies of which the banks are the beneficiaries.

A member highlighted a major study into pensions carried out in Ireland, which raises major concerns about future funding. He added that the new government has recently appointed a group to review and implement major administrative reforms in the field of financial services. With regard to occupational pensions, the proposal is to remove the separate board for them and regulate occupational pensions within the broader financial services regime, and to merge the role of the specific ombudsman with that of another, promoting efficiencies. The member asked fellow members of the group to provide details about the situation in their member state concerning the regulation of occupational pensions.

Another member raised the Spanish preference share issue. It is thought that one million people will lose 50% of their investments in preference shares by February next year. One region has created an arbitration system for conflict resolution, which has an 80% success rate, but it has only been a very limited trial. Additionally, the consolidation of banks in Spain has continued at a steady pace.

A member noted that in Greece there was currently a moratorium on property auctions where debt on the property does not exceed EUR 200 000. If this ban is not renewed next year, it is estimated that 100 000 residents will lose their homes. He also drew attention to the merging of banks – including public and private banks. While banks are supposed to be more competitive this way, and it is more straightforward to regulate fewer banks, it is (a) inadvisable to merge weak banks and (b) difficult to square this with the concept of no bank being 'too big to fail'.

A member of the group stated that the first draft of a report by the national bank of Belgium suggests that splitting investment and deposit banking activities will be difficult because most Belgian banks are transnational. The Belgian Prime Minister has now said that he will advocate for this issue to be addressed at an EU level.

Follow-up on the state of play of the 2012 FSUG research studies – by Mr Maciej Berestecki (Internal Market and Services DG/H3)

Mr Berestecki informed that two proposals had been submitted to the tender competition for the FSUG research study on remuneration structures of financial intermediaries and they would be evaluated in the coming weeks to select the best offer. It is planned to sign the contract with the selected bidder before the end of 2012.

The Commission has also launched negotiated procedure to select a contractor for the FSUG research study on the ownership of the EU domiciliated listed companies and this study had already been announced on the Commission website in summer. Interested candidates were invited to express their interest in the study (by means of a simple e-mail), following which they would be provided with detailed terms of reference to prepare a proposal. The proposals submitted for this study will be evaluated in November and the contract will be signed before the end of 2012.

Final report: FSUG study on personal bankruptcy – presentation by London Economics

There was an initial discussion on the FSUG study led by the FSUG lead member (without LE present), in order to coordinate the Group's feedback on LE's interim report.

LE was invited to give its presentation. The Chair set out the three concerns (above) immediately, added that there would be questions at the end, and said that participants would provide LE with written comments too.

LE had focused on debt reduction solutions for consumers and the legal framework for debt collection. The work was challenging: change in this area has been rapid at a national level in the 17 Member States they had examined (plus Sweden). Further, the domestic division of competences between ministries has made it technically difficult to grasp the subject.

General observations included that there is a clear move away from court-based mechanisms; that legislation in this field, where present, is not always utilised; that no country has a universal *datio in solutum*; and that almost all restrictions on debt collection have been put in place because legislators have reacted to principles of human rights/dignity, while seeking to enforce the payment of debts.

The previous paradigm that best practice was to involve the courts in the debt collection process is now discredited. Though the intention was to protect consumers, the systems created were exclusionary. It is now considered that best practice consists of the transparent application of clear rules through quick efficient mechanisms delivered administratively. Court processes should be limited to challenges against administrative processes.

In the context of bankruptcy, is important also to destigmatise labels and reconceptualise the role of debt counsellors. Further, debt cancellation should be presumed unless a lender can demonstrate bad faith, and the Insolvency Regulation should be updated to prevent bankruptcy tourism via greater harmonisation. The discharge of debts outside the payment plan should occur after one year, but the payment plan should extend for three years, with failure to comply resulting in the remaining debt being reactivated.

Restrictions on debt collection best practice could include minimum income levels which are exempt from debt collection, a minimum supply level of basic utilities, and an end to the seizing and liquidation of household assets.

Best practice regarding *datio in solutum* is complex, though it is clearly a sub-optimal policy tool, with deep dissatisfaction about how it operates in Spain.

In addressing the concerns of the group, LE stated that efforts have been made to verify the data pre-publication in most Member States by sending it to a local expert. With regard to policy recommendations, LE was happy to made improvements as requested by the group.

The members of the group put their comments and questions to LE. The Chair stated that there were no clear criteria used to assess different policy options, such as accessibility, affordability and fairness. He asked LE to set out these criteria clearly in the report. The lead FSUG member stated that the focus of research needs to be on the effect upon consumers, not the costs and consequences of a policy. LE responded that the costs and consequences of a policy may affect consumers directly, by – for example – limiting access to products and services. Other members put forward some key concerns, making specific references to pieces of data in the current version of the report, requesting further contact with key stakeholders and seeking a more balanced assessment, particularly in relation to *datio in solutum*).

European Commission proposal on Insurance Mediation Directive – presentation by Ms Agnes Fridely (Internal Market and Services DG/H2)

IMDII was adopted on 3 July 2012 and is going to be discussed by the Council and Parliament on 24 September 2012.

In summary, the proposal seeks to boost investment. It aims to ensure that the same level of consumer protection applies regardless of the channel the product is purchased in. It extends the scope of IMDI to all insurance provision.

The main changes include the introduction of activity-based definitions for market actors, including qualified intermediaries, which extends the scope of the directive to direct sellers and all people involved in the aftersales market. For sellers, the new definition will include travel agents.

IMDII creates simplified registration procedures for everyone selling insurance, whereby they need to declare their existence to the national competent authority. The professional qualification requirements it creates should depend on the complexity of the product being sold. Further (small) changes bring IMDII into line with the ADR Directive.

IMDII also sets out three different kinds of advice. One is based on MiFID; a second is 'fair analysis advice'; and the third is 'independent advice' in the context of insurance PRIPs. Independent advice means that if an insurance intermediary says he will give you advice, he cannot receive a commission from a third party. It is necessary to be consistent with what MiFID does, so IMDII cannot go further. If the ban on commission is removed from MiFID, it will have to be removed from IMD II.

For intermediaries, there will be a mandatory full disclosure regime for life insurance products and an on-request regime for other products. The rationale for life insurance products having stricter controls is that they are a riskier long term investment, that intermediaries get lots more commission for life insurance, and that consumers switch life insurance products much less frequently.

Direct sellers should disclose employee remuneration (bonuses, not salaries). This should extend to the method of calculation of bonuses. This faced opposition in Council, but will level the playing field.

For PRIPs, the high-level principles from Arts 23-5 of MiFID (conflict of interests regime; general requirement to act in the best interests of clients; suitability; independence) are broadly adopted.

Level II measures are foreseen, including professional training requirements, PRIPs provisions, and general empowerment provisions.

The Impact Assessment cost-benefit analysis did not quantify benefits but found that, for consumers, the proposal would improve comparability and transparency, and reduce mis-sales. Costs would be incurred by the two million EU insurance sellers.

The group asked questions. A group member stated that he regretted that consumer protection measures were not combined in a single directive and asked how inconsistences would be prevented. Ms Fridely replied that MiFID would be followed as closely as possible; in any event, the sort of products covered by this initiative would be less risky (eg motor insurance) than those MiFID is directed at; accordingly, they should not be as highly regulated. Applying MiFID standards to these products would drive SMEs (eg travel agents) out of the market.

Another member asked whether professional bodies would be expected to self-regulate regarding professional qualifications, since 'professional' implies external oversight. Ms Fridely answered that EIOPA would establish professional standards via a delegated act, but these would allow for a flexible application within Member States.

A member asked whether it would be necessary to pass an exam to have a licence to sell these products. The Chair added that there need to be some minimum standards. Ms Fridely stated that this would be discussed with EIOPA.

Summary of responses of the bank accounts consultation – presentation by Mr Paolo Fucile (Internal Market and Services DG/H3) and Mr Stefano Paci (DG Health and Consumers/B4)

Mr Fucile and Mr Paci presented the main feedback to the current account consultation – co-led by DGs MARKT and SANCO. The consultation ran from mid-March until mid-June. Responses have been collated, analysed and published. 124 responses were received from 4 groups: consumers and civil society; the financial services industry; Member States' governments and public authorities; and any other category, including citizens. Of these responses, 14 were from Member States directly.

All groups recognised remaining issues with regard to transparency and comparability, switching, and access. There is some demand for intervention at EU level, in order to facilitate a level playing field in the market. Demand for EU intervention is strongest from consumer groups. However, there is reluctance for EU intervention among account providers, who suggest that these are national issues and that self-regulatory initiatives will suffice. There is a divide amongst Member States: some grasp the outstanding problems, others point to existing initiatives as satisfactory.

Stakeholders were broadly in agreement that **transparency** in the sector is poor and that action ought to be taken in this area. Consumers and Member States were clear about the causes, which include diverse banking business models and use of complex terminology by providers. Stakeholders were less unified regarding possible solutions. Consumer groups advised legislating at EU level, having noted that previous self-regulatory measures failed. The financial services industry remained in favour of self-regulation, and suggested that external factors play a significant role in comparability, such as the financial education of consumers. The industry did, however, recommended the use of glossaries in some circumstances. Member States provided a mixed response: some preferred EU-level co-ordination, while others favoured building on national measures incrementally. All groups favoured the use of comparison websites to some degree. Certain other measures, such as representative studies, received little support.

On **switching**, consumer groups argued that the EBIC self-regulatory principles are ineffective. They reflected on current problems with switching, including difficulties with the re-direction of direct debits. All groups identified re-direction as an issue and suggested remedies; these comprised account number portability; the automatic rerouting of payments; refunds of charges incurred as a consequence of bank mistakes; and increasing financial education/awareness. When asked whether the voluntary EBIC regulations should become mandatory, stakeholders split. Consumers favoured this, the industry opposed it, and Member States took contrary views. Banks, as well as several Member States were opposed to the introduction of cross-border switching.

On the issue of **access**, stakeholders again took opposing views. Consumers maintained that a problem exists: access can be denied due to insufficient ID or poor credit, or where services are too costly – especially where providers seek to 'oversell' accounts. The industry provided a more optimistic view, pointing to the low unbanked population to suggest that no major obstacles to access remain. Where access is denied, it is often due to a specific risk identified by the provider. Consumers favoured EU action – specifically, making the existing self-regulatory recommendations in this area binding. The industry felt that if any action is necessary, it should be taken at a national level. Member States' views on the opportunity of an EU level intervention on access were split: while several respondents from this group believe that the issue could be better tackled at national level, others indicated that further action at EU level could be considered.

Report on the Pension Adequacy in the European Union 2010-2050 – presentation by Mr Fritz Von Nordheim (Employment DG/D3)

Mr Von Nordheim presented the report on the Pension Adequacy in the European Union 2010-2050 adopted by the Commission in May.

As people live longer and have fewer children retirement practices and pension systems have to be adapted periodically to continue to be sustainable and adequate. The challenges Member States face depend on the timing and intensity of population ageing and the character of pension provision. As both vary significantly among countries there is no single set of responses that fits all. When trying to reconcile and optimise sustainability and adequacy concerns Member States face trade-offs and difficult choices. Achieving the goal of a cost-effective and safe delivery of adequate benefits that are also sustainable is quite challenging, as the time people spend in retirement and out of the labour market increases. Moreover, challenges have increased significantly as an effect of the economic crisis.

Member States are opening routes for people to improve their pension entitlements by working longer and retiring later. If pension systems sufficiently and sensibly reward working longer and discourage early retirement they can help ensure that longer working careers with fewer career breaks become the key avenue to better adequacy. This is the case in many Member States. The success of pension reforms that raise the pensionable age and possibly link this or the benefit level to longevity gains depends crucially on their underpinning through work place and labour market measures that enable and encourage women and men to work longer. There are clear limits to how much age management practices at work can be influenced by incentive structures in pensions. Tackling the pension adequacy challenge will require determined efforts to promote longer and healthier working lives through employment & industrial relations policies.

In all Member States public pension schemes are used to help secure social goals such as protection against poverty. In the majority of European Union (EU) countries public schemes also play a core role in securing pension benefit levels that to a reasonable degree allow people to maintain their living standard from active years into retirement. Analysis of the composition of projected pension income in 2050 demonstrates that Member States will continue to use public pension schemes as the main element in adequate retirement income provision, even though complementary occupational pension schemes and individual retirement plans are set to acquire an increasing share in earnings- and contribution-related provision in a growing number of Member States.

About a fifth of people aged 65 or older have pension incomes just below or just above the poverty risk threshold, consequently relatively small increases or decreases in their pensions can lead to important variations in the poverty rates of the elderly. The ability of the EU to achieve its goal of reducing the number of people at risk of poverty or social exclusion by 20 million by 2020 will therefore also very much depend on the extent to which pension systems will continue to help prevent poverty for older people.

Report on Barriers to Shareholder Engagement in Cross-Border Voting – brief update by Ms Christiane Hölz

Eurofinuse / Euroshareholders launched a project 'Eurovote' to investigate the reasons why shareholders do not engage sufficiently in cross-border voting. It demonstrated that cross-border voting is very difficult for shareholders since very often local banks do not provide them with sufficient information or provide it late, and in general banks do not know how to ensure participation of cross-border shareholders in the voting. There is no standardized procedure to facilitate this process. Even though the Shareholder's Rights Directive was supposed to make cross-border voting easier, the 'Eurovote' project showed that there are still major constrains blocking shareholders participation. Therefore, a revision of the Directive is necessary to ensure simplification of the custodian chain.

Wednesday 19 September

European Commission proposal on PRIPs – presentation by Mr Timothy Shakesby (Internal Market and Services DG/G4)

Mr Shakesby spoke about ongoing pension reform at a European level. He informed the group that the package of proposals adopted by the Commission over the summer contained 3 elements: (a) a technical proposal concerning refinements to the UCITS Directive (which aim at making UCITS funds more robust – this has no specific relevance to retail markets); (b) a proposal for KIDs – key information documents – to be provided to consumers; and (c) revision of IMDII (links to the proposal for the KID, and aligns to the stronger rules for the sale of certain investment insurance products with MiFID). The latter two are closely related and form part of the Commission's broader PRIPs work; the focus of the presentation was here.

IMDII is drafted so as to define certain concepts for the first time, including an 'investment product' and an 'investment product manufacturer', thereby disconnecting the proposals from sectoral legislation. The substantive proposal is straightforward: if a distributor wants to sell a product to a retail customer, they will have to provide the customer with a KID in sufficient time to inform the investment decision – certainly before the conclusion of the sale. The product manufacturer must produce the KID (not the distributor) – this means that the manufacturer has to ‘rubber-stamp’ the distribution in some way. The KID is inspired by the relatively similar UCITS KII – there will be a standardised structure.

The first Council working group meeting concerning the proposed PRIPs Regulation took place on 12.09.12. There was support for the proposal from key Member States, and support for it being horizontal (i.e. a Regulation). Many questions focused on the technical aspect of the proposal, specifically on what defines something as an investment product, and also on the inclusion of third pillar pensions. At the working group meeting, the discussion on third pillar pensions included a debate on how third pillar pensions were to be defined. There was some support for including third pillar pensions within the scope of the proposal, but this will be clarified following further Council meetings.

At Council, there were mixed views on how ambitious the proposal should be in regulating products: whether there should be a distinction between 'plain vanilla' securities and packaged products. Mr Shakesby also stated that there were two possible ways to approach drafting this initiative: either seeking to provide consumers with good information on complex products, or providing a quality mark for the products people should be buying. This initiative is primarily directed at the former, though some Member States would prefer the latter. Moreover, there was some debate in Council as to whether this initiative should be linked to something stronger to police toxic products.

A discussion amongst the group ensued. An FSUG member suggested that most products should be regulated. He added that it was disappointing that the regulatory regime would not be unified – with some divergences between MiFID and IMDII. Another member considered that, from the perspective of the consumer, a 'headline' explaining 'what is this product for?' would be very helpful.

Report on the implementation of the Recommendation on access to basic payment account – presentation by Mr Francesco Tuzi (Internal Market and Services DG/H3)

On 18 July 2011, the Commission published a Recommendation on access to a basic payment account, with the aim of ensuring that consumers can open and use a basic payment account with a set of essential payment services, free of charge or at a reasonable charge, regardless of their place of residence in the Union and financial situation.

Member States were invited to take the necessary measures to ensure the application of the Recommendation at the latest six months after its publication. The report published by the Commission provides a factual overview of the measures currently in place in Member States, as reported by the Member States, and assesses the extent to which Member States are complying with the Recommendation, in particular with regard to

- the right to open and use an account,
- the features of such an account and
- the associated charges

The data presented in the report proved that the implementation of the Recommendation was largely inadequate, as only three Member States broadly complied with it and more than half the Member States had no framework in place at all to promote the right of access. Furthermore, it is clear that the short time frame permitted to comply with the Recommendation is not the reason why some Member States have not yet acted: in reporting to the Commission, several Member States specifically stated that currently they do not see the need for any measures to be taken at national level.

European Parliament report with recommendations to the Commission on Access to Basic Banking Services – discussion

On 4 July 2012, the European Parliament adopted an own initiative report with recommendations to the Commission on Access to Basic Banking Services. The report underlines that access to basic payment services is a precondition for consumers to benefit from the internal market and to reap the opportunities of e-commerce. It also ensures better inclusion in terms of access to employment, healthcare and housing. The report points out that it should be the right of consumers and not an obligation to open a basic bank account.

The report highlights particular difficulties of migrant workers to access a basic payment account in another Member State, which obstructs the proper functioning of the internal market. The Parliament insists on a basic payment account to be provided free of charge or at low cost to any consumer who does not already have an account in that Member State. In addition, fees and charges imposed by providers must be proportionate and reasonable. The report also provides for management services and standard payment services which should be made available together with the basic account. It also invites Member States as well as payment services providers to inform consumers about the availability of a basic payment account. Moreover, Member States should designate competent authorities, with powers of sanction, to ensure appropriate monitoring and enforcement of rules on access to a basic payment account.

The report proposes complementing legislation on access to a basic payment account with a legal initiative on transparency and comparability of bank fees, and facilitating switching of payment accounts. The report invites the European Commission to submit a relevant proposal of legislation by January 2013.

European Commission proposal on UCITS V – presentation by Mr Piotr Świstun (Internal Market and Services DG/G4)

The original UCITS Directive created the internal market for investment funds in Europe. The current EU legislation for investment funds (the UCITS Directive) has been the basis for an integrated market facilitating the cross-border offer of collective investment funds. UCITS are also regularly sold to investors outside the EU where they are valued due to their high level of investor protection.

The Commission's proposed amendments to the current UCITS rules aim to continue to ensure the safety of investors and the integrity of the market. In particular, the proposal will guarantee that the UCITS brand remains trustworthy by ensuring that the depositary's (the asset-keeping entity) duties and liability are clear and uniform across the EU.

The UCITS V proposal addresses in particular three areas:

- a precise definition of the tasks and liabilities of all depositaries acting on behalf of a UCITS fund;
- clear rules on the remuneration of UCITS managers: the way they are remunerated should not encourage excessive risk-taking. Remuneration policy will be better linked with the long-term interest of investors and the achievement of the investment objectives of the UCITS; and
- a common approach to how core breaches of the UCITS legal framework are sanctioned, introducing common standards on the levels of administrative fines so as to ensure they always exceed potential benefits derived from the violation of provisions.

Moreover, enhanced provisions on the delegation of tasks by depositaries, their due diligence, and their liability will provide for greater confidence in UCITS that invest in emerging markets in particular. This could ultimately widen the breadth of investment opportunities for retail investors.

The proposal of the Commission will now go to the European Parliament and the Council for their consideration under the codecision procedure. Once they reach agreement, Member States usually have two years to transpose the provisions into their national laws and regulations, meaning that the new rules could apply by the end of 2014.

2012 FSUG Annual Report – discussion on contributions from members and deadlines (to be completed by 31 October)

It was agreed that the FSUG members will provide the Chair with their inputs by the first week of October based on which he will prepare draft report which will be send for proof reading to one of the group members. Following that, the report should be sent to the Commission by mid-October for formatting and formal approval.

Mid-term report: study on the position of savers in private pension products – presentation by Oxera

Oxera presented a summary of their mid-term report on the position of savers in private pension products, before publication of the draft final report in November. The process has reached the middle phase: Oxera has spoken to most regulators and have collected a lot of data (though they still receiving more); they are now finding ways to collate, understand, and present the material.

The mid-term report provides an update on Oxera's methodology, details on the process of the project, and tables of information on the structure of pension systems. Oxera invited participants to comment on these tables.

The report is divided into four sections. Section 1 seeks to group countries according to their pension set-up. Oxera looked at qualitative information – such as market funding structure – which has been tabulated systematically. Quantitative information – such as income profiles – has been placed in graphs. Some of the techniques used take information that is qualitative in nature and seek to make it more quantitative so that it is more suitable for analysis by others in future.

The pensions market is structurally dissimilar across different parts of the EU. As part of its assignment, Oxera has sought to compare countries by identifying their dominant/most products – which was difficult in some cases.

Section 2 looks at different kinds of risk grouping. The study aims to classify all different systems to be able to assess risk levels in a comparable way. It has become clear that DB/DC definitions aren't sufficient since, for example, some pensions are intermediate in nature. Oxera noted it was difficult to quantify the extent to which different products placed investors at risk, especially for these intermediate products, citing German and Polish examples.

Section 3 explores the impact of charges on lifetime pension returns. Oxera built a model predicated on an ambitious assumption of a 4% real rate of return. The model proceeds to examine the charges that will be imposed on the consumer, including an annuity charge, a trading/post-trading charge, and a management charge. The graphic representation demonstrated that there are large differentials between reported charges: administration charges and management charges are much higher in some Member States.

The Chair asked whether it might be possible to illustrate the impact of charges using a range of assumptions – including a more conservative one – to which Oxera agreed. In response to an intervention, Oxera stated that they recognise the complication the issue of tax adds to the analysis, and the potential impact tax may have in some circumstances. However, under most assumptions – including for an average earner in most Member States – pensions are virtually tax neutral.

Section 4 sets out the approach to understanding the information and advice available to consumers in Member States, consumer behaviour, and current governance structures.

Oxera stated that pension switching is attracting a lot of attention in Member States. It is a complex matter because different kinds of switch have different kinds of risk implication. High levels of switching may not be desirable within the pension system due to the implied costs. However, switching data is limited, especially in Pillar III, though there appear to be high levels of transparency regarding pension products in Pillar II.

From the initial results received on switching, in some Member States Pillar II are not driven by returns. In other Member States, such as Slovakia, consumers are switching to low risk portfolios.

Oxera asked the group to provide it with details of any relevant studies, and noted that it lacked contacts with regulators in Greece and Austria. The Greek member offered to assist Oxera in contacting the Greek regulator.

The Chair asked whether Oxera had looked at distribution channels and costs. Oxera stated that while it would form part of the study, limited information had been collected to date.

It was agreed that it was not yet necessary to set a deadline for written comments on the report.

State of play of the 2012 FSUG priorities reports

- Financial supervision and sanctions
- Alternative providers of financial services

The first priority was not discussed at the meeting. The draft text will be circulated to the group by a responsible FSUG member.

Regarding the second priority, a draft of the paper was circulated to the FSUG members for comments before the meeting by Mr Bernard Bayot who leads this initiative. The draft provides in the introduction for a working definition of alternative providers since official definition does not exist. The paper will also aim to demonstrate good and bad practises as well as examples of alternative providers of financial services at national level. Therefore, the FSUG members were requested to provide Mr Bayot with the necessary information from their respective countries by the end of September.

Update and discussion on the FSUG responses to the ongoing / recently closed consultations

A summary of the group‘s discussion of four consultations is provided below.

UCITS VI: deadline 18.10.12
The Chair offered to chair the sub-group responsible to draft the FSUG response. A number of members volunteered to participate in the sub-group. While the consultation touches on a broad number of issues, the group indicated that it would focus its response on long-term investments. One member mentioned the UK Kay review of equity markets as a possible source to feed into the group's response. Other members aimed to focus on long-term investment as a means to provide capital to firms and adequate long-term investment returns, particularly to retail investors.

LIBOR manipulation: (ECON committee) - completed
The Chair reported on the response to this consultation, highlighting the tight time schedule in which it had to be completed. This did not allow sufficient time for members to comment prior to sending the group's response.
The group's response recommends stepping up regulation and governance on the setting of Libor and other reference rates. Transparency is key, given that the Financial Services Authority estimates that Libor underlies GBP 300 TRN worth of contracts. The response also suggests that the European Supervisory Authorities should set up a governance body to set rates and establish appropriate quality control on the provision of data by financial institutions.

Open consultation currently named: Consultation document on the regulation of indices: deadline 15.11.12
The Chair offered to lead the sub-group responsible for drafting the response, which will draw on the response given to the Libor consultation. The sub-group members were selected during this session.
The response should provide recommendations on what internal controls should be adopted for contributing banks. The deadline allows time to go into further depth than the Libor response above.

EC consultation for the IA on the continued issuance of 1- and 2- euro cent coins

The group was unsure whether to contribute to this consultation or not. A member of the group provided some background on the currently different approaches in Member States. Another member referred to a meeting with the Bundesbank to discuss the response of German public authorities to the consultation. During this meeting the member considered it important to address 2 areas, namely: a) What has been the experience of Holland and Finland, who currently to not issue 1 and 2 cent coins; b) It is necessary to assess the possible impact on price levels.

First discussion on the FSUG external meeting in 2013

The venue of the 2013 FSUG external meeting was discussed. It has been decided that, subject to the approval of the European Commission, the meeting will take place in Bucharest at the end of May or beginning of June 2013. First draft of the programme of the meeting will be discussed at the FSUG meeting in November.