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FOREWORD

We have the privilege of introducing the third annual report of the Financial Services User Group (FSUG). The FSUG was set up by the European Commission to improve the level of user representation at the heart of the EU policymaking process. This report describes the activities of the FSUG from November 2012 to October 2013. The current three year mandate for the FSUG finished this year so this report provides an ideal opportunity to look back on events in financial services over the past three years as well as report on our activities over the past year.

FSUG activities

As the FSUG website shows, the FSUG has had another busy year to date producing eleven opinions in response to the Commission's request for advice as well as a range of proactive opinions, initiatives, communications and engagement with a range of policymakers and opinion formers. Over the three year mandate, FSUG produced 40 opinions in total.

FSUG opinions covered a wide range of issues across the whole spectrum of financial services from financial stability and prudential regulation through to consumer and investor protection including: reforming the structure of the EU banking sector; responding to the High-level Expert Group's Final report on bank reform; a possible recovery and resolution framework for financial institutions other than banks; a possible Framework for the Regulation of the Production and Use of Indices serving as Benchmarks in Financial and Other Contracts; the Green Paper on the insurance of natural and man-made disasters; detailed technical standards on the reporting of prudential provisions on occupational pension schemes; multi-lateral interchange fees for card payments (countering concerted lobbying from the card industry); the Green Paper on the on Long-Term Financing of the European Economy; how to ensure proper standards of consumer protection in third-pillar retirement products; the review of the European System of Financial Supervision; and the Payments Accounts Directive which covered transparency in bank accounts and rights of access to a basic bank account.

Major research projects

In addition to responding to initiatives produced by the Commission and other policymakers we published three major own initiative reports.

bankruptcy, datio in solutum of mortgages, and restrictions on debt collection abusive practices. In the post financial crisis era, one of the priorities for policymakers, regulators and civil society groups is to protect citizens who are in financial difficulty and to help them rebuild financial resilience. This major study is one of the most comprehensive efforts to identify all formal debt reduction solutions which allow consumers to return to a financially sustainable path by eliminating or reducing some or all of their debts. The report included a comprehensive description of: the availability and use of personal bankruptcy and datio in solutum solutions of mortgages as legal solutions to problems of over-indebtedness faced by a number of consumers in the EU; and, the legal framework under which debt collection

institutions operate- in particular any restrictions on debt collection abusive practices. The study details the nature of the various solutions, the condition the debtor needs to find themselves in to access the solution, the legal, financial and other consequences of having used a particular debt solution, and the effectiveness of such solutions in practice and identifies best practice.

- Ensuring fair, affordable and safe financial products for vulnerable users. Financial inclusion has always been an important part of social inclusion. Financial exclusion can seriously inhibit the ability of citizens to participate fully in a modern society. However, we have grave concerns that in the aftermath of the financial crisis, growing numbers of EU citizens will find it increasingly difficult to obtain access to fair, affordable, safe, socially useful products and services that meet their needs. In particular, the growth in payday lending and other exploitative lending in certain Member States, partly as a result of weak regulation and austerity measures, is a real cause for alarm and needs to be addressed through tougher regulation and supporting alternative, socially useful products and providers. This report provides an overview of the current situation facing vulnerable citizens, a comprehensive list of alternative providers, and overview of regulation to promote the best practices and protect citizens from the most detrimental practices.
- A study on the position of savers in private pensions' products. This major study looked at the position of savers in private pension products across 14 EU Member States. The report categorised private pension systems and investigated the level of charges and costs on schemes; the returns received by investors in the schemes; the risks scheme members are exposed to and the risk management framework in place; and the information available to consumers, consumer representation and consumer behaviour with regard to private pensions. This is a very important report and the need for such objective, comprehensive research has taken on greater significance given the drive by policymakers to persuade EU citizens to use these products to fund their retirement. The potentially serious consequences of this transfer of risk to the individual citizen has not been properly assessed or understood and policymakers should reconsider their approach to funding EU pension liabilities.

New studies

Towards the end of 2013, the FSUG will be publishing two major research studies commissioned last year and completed in 2013. These are: Remuneration structures of financial services intermediaries and conflicts of interest and Evolution of the ownership of EU-listed companies. In addition, there two new studies which are supposed to be carried out for the FSUG by external contractors in 2014: Performance and efficiency of EU asset management sector; and the study on how to promote access and use of appropriate savings products for all European financial services users, in particular low-income people.

Details can be found on page 24.

How much progress have we made in reforming financial markets?

As this is the last report of the current FSUG mandate, it is worth looking back at how much progress has been made in reforming financial markets so they work for society. As we have said previously, three major policy and regulatory reforms were needed in the post financial crisis world: restoring and maintaining financial stability (macro-prudential regulation)' making sure our financial institutions are sound and prudently run (micro-prudential regulation); and making financial markets work for society (markets that are safe, fair, inclusive, efficient, transparent, accountable and socially useful).

It is fair to say that much progress seems to have been made on introducing reforms in an attempt to enhance financial stability and prudential regulation. But, of course, it is too early to say whether these reforms have been effective – indeed we may only know how effective these reforms are, and how resilient the financial system is, if we experience another major financial crisis.

However, there is much more to do to ensure that EU financial markets are working effectively for EU citizens, economy and society. As the FSUG opinions and research projects demonstrate, there are still too many examples of unfair practices, poor quality service and consumer dissatisfaction, market inefficiencies resulting in high charges and poor value for money, lack of effective redress schemes, and widespread financial exclusion in our major financial markets. A new approach to financial regulation is needed. This new regulatory approach should: put financial users at the heart of the policy formulation and decision making process; prioritise the implementation and enforcement of existing regulation; address the 'silo-approach' to regulation which encourages both unnecessary duplication and inconsistencies and gaps in regulation; be focused on producing the right market outcomes and meeting the needs of financial users rather than the corporate needs of powerful financial institutions.

A recurring theme in our work has been the chronic under-representation of financial users at all levels of the policy formulation and decision making process. Again, to be fair, there has been some progress over the past three years – the enhanced role of the FSUG is a good example of this. But industry interests still dominate. The fact that industry representatives have significantly more resources at their disposal to undertake and publish research and analysis and lobby key opinion formers and decision makers means they exercise undue influence over the decision making process. This reduces accountability and risks undermining the quality of policy making to the detriment of citizens.

This huge imbalance in influence between citizens and the powerful financial services industry is exacerbated by the unnecessary level of protection given to commercial confidentiality in EU legislation. When it comes to meeting core financial needs, citizens in many cases have no option but to use the products and services of the financial services industry. This puts the industry in a very privileged position. In a modern, democratic society, powerful vested interests should not be able to dictate the terms and conditions under which information about corporate activities are disclosed to citizens. The unnecessary protection given to industry interests is a very real barrier to effective regulation and corporate accountability and undermines regulatory governance at EU and national level. Far greater regulatory transparency is a priority if financial markets are to work in citizens' interests.

Wider engagement

FSUG meetings are usually held in Brussels. However, as part of our wider engagement approach, we make a point of holding one of our meetings in a Member State to listen directly to public interest representatives. Last year we held the meeting in Madrid, this year in Bucharest and we heard about the experiences of ordinary citizens and businesses in Romania and the challenges facing consumer advocates who are campaigning to ensure that citizens have the protection of a decent system of consumer protection and financial regulation – systems that those in the older member states may take for granted. A more detailed account of the lessons learned from Romania can be found on page 16.

Special features

On page 40, we have two special features from Pat Fay who is stepping down from FSUG after six years on FSUG and its predecessor, FINUSE. He shares his impressions of the organisations' achievements and what is being done to enhance the capacity of users of financial services. In the second feature, he discusses the role of credit unions and argues that it is timely to support their expansion to meet the needs of EU citizens.

And last but not least

We would like to thank the staff from the Internal Market and Services DG, and the Health and Consumers DG who presented initiatives to us. We would especially like to thank Maciej Berestecki from Internal Market and Services DG, and Christopher Gauci from Health and Consumers DG for their invaluable guidance and support throughout the year.

Finally, we would like to say a heartfelt thanks and fond farewell to those colleagues who are leaving the FSUG. Their contribution and support has also been invaluable and we wish them every success for the future.

Mick McAteer Chair, FSUG Guillaume Prache Vice-Chair, FSUG

ABOUT THE FSUG

In its White Paper on Financial Services Policy 2005–2010, the Commission stated that it attached great importance to ensuring proportionate user representation in the policy making. In the Communication for the European Council – *Driving European Recovery* – the Commission put the interests of European investors, consumers and SMEs at the centre of the financial market reform.

As a measure to achieve these targets, the Commission set up a Financial Services User Group (FSUG). The Group's task is to:

- advise the Commission in the preparation of legislation and policy initiatives which affect the users of financial services
- provide insight, opinion and advice concerning the practical implementation of such policies
- proactively seek to identify key financial services issues which affect users of financial services
- liaise with and provide information to financial services user representatives and representative bodies at the European Union and national level.

FSUG has 20 members, who are individuals appointed to represent the interests of consumers, retail investors or micro enterprises, and individual experts with expertise in financial services from the perspective of the financial services user.

FSUG meets eight times a year in Brussels and its Chair is elected from amongst the group members. The Commission (jointly Internal Market and Services DG and DG Health and Consumers) provides secretarial services for the Group.

The Group works on a consensus basis and tries to ensure that it arrives at a collective opinion on issues it considers. However, from time to time, individual members may register a minority opinion.

FSUG RESPONSES TO EUROPEAN COMMISSION REQUESTS FOR OPINIONS

The following provides a summary of our opinions. The full opinions can be found on the FSUG website.

A possible Framework for the Regulation of the Production and Use of Indices serving as Benchmarks in Financial and Other Contracts

FSUG highlighted the critical role LIBOR/ EURIBOR and other benchmark rates play in financial markets and economic activity and pointed out that the governance structures and regulation relating to the setting and publishing of these rates needs to conform to the highest standards.

We raised serious concerns about the limited scope of the Commission's initiative which seemed to ignore the wider misuse of benchmarks and indices in the financial system – particularly in relation to the sale, advertising, marketing and promotion, and distribution of financial products.

We focused our response on the critical issues of governance and accountability, and the process of setting benchmarks. A range of reforms are needed to tackle market abuse, minimise the risk of manipulation recurring, ensure integrity and restore confidence in the market. To achieve these objectives, reforms should cover the following issues:

- governance and independence of the system for the development, production and use of indices and benchmarks;
- greater transparency and accountability in the system;
- a revised process for setting, verifying and publishing benchmarks;
- internal conduct and standards of behaviour expected of market participants; and
- regulation, oversight, sanctions and redress mechanisms.

A possible recovery and resolution framework for financial institutions other than banks

FSUG welcomed this consultation as a significant step towards the completion of the post crisis reform agenda and supports all initiatives that help the elimination of risks and operational failure that can give rise to consumer detriment and to additional costs for them and taxpayers. Likewise all attempts of policymakers and regulatory authorities to identify potential risk and strengthen risk management pertaining to the myriad transactions and trades that are part of the financial industry can only be seen as beneficial.

Moves to strengthen the governance, capital, liquidity, operational risk management, reporting and clearing through central counter-parties for both regular and shadow banking activities are to be welcomed as a regulatory response.

FSUG, in responding to the earlier consultation on Shadow Banking, recognized the global nature of markets and market players participation and emphasized that EU efforts alone

could not address issues such as contagion or regulatory arbitrage and recommended the need for information sharing and regulation coordination at international level.

FSUG agrees that a recovery and resolution framework, similar to that now implemented for the banking sector, should be put in place for Financial Markets Infrastructures (FMIs), payments systems providers, and insurance undertakings. This framework should take into account their particular roles and functions so as to provide regulatory authorities with the appropriate mechanisms and powers to address in a pre-emptive manner any crises emerging in their particular sphere of operation in order to maintain financial stability and mitigate exposures and losses to tax-paying EU citizens. Such a recovery and resolution framework might include the ability for authorities to insist that non-banking entities prepare plans and actions to anticipate and minimise risk and disruptions. Where emerging problems are identified the authorities should be vested with adequate powers of early intervention to stabilize a deteriorating financial or operational situation that could ultimately lead to insolvency or the loss of an essential difficult-to-substitute service provision. Where the ultimate failure of an entity is inevitable there should be powers of restructuring and wind-down available so as to minimize losses and the disruption of service provision.

FSUG recommended that a proposal for a Directive setting out a suitable framework for the recovery and resolution of systemically important FMIs, insurance and payments entities proceed with the object of protecting financial stability and minimizing tax-payer exposure that might arise from the failure of entities as set out in this consultation.

Effective approaches to support the implementation of the G20 High Level principles on financial consumer protection

The FSUG was encouraged that the G20/FSB/OECD recognized the importance of effective consumer protection not just on its own terms but in terms of the contribution to effective prudential regulation and financial stability. We also supported the identification of the priority principles of: Disclosure and Transparency; Responsible Business Conduct of Financial Services Providers and their Authorised Agents; and Complaints Handling and Redress.

However, we highlighted that, if policymakers are to be effective at making markets work, policymakers must adopt a new approach to financial regulation. Policymakers have to deliberately and consciously shape markets to meet the needs of financial users rather than rely on the traditional economic models which aim to create the conditions for markets to work in the expectation that markets will deliver. This new approach requires the establishment of well-defined market outcomes, and a new approach to identifying why markets fail (root cause analysis), and robust regulatory interventions to remedy market failure (recognizing that conventional economic models such as the information asymmetry model have limited relevance in markets such as financial services). Direct, early regulatory interventions to limit the damage caused by business models are needed. If necessary, these business models may have to be prohibited.

Moreover, the approach followed by G20/FSB/OECD seems to adopt a very narrow definition of 'consumer' – ie. the consumer at the end of the supply chain. The approach does not seem to recognize the need to consider financial users further up the supply chain in the institutional or wholesale markets – for example, pension fund trustees. Much of the source of the detriment/ market failure that affects the end-user can be found further up the

supply chain in the behaviours of wholesale market or institutional market participants – this is then transmitted back down the supply chain to the end-user. A good example of this are so-called 'innovative' financial instruments designed to repair bank balance sheets which can end up being sold to pension funds and even retail clients. Therefore, any determined effort to make markets work and protect financial users must address these root causes.

We expressed our disappointment that the consultation did not seem to recognize the need to ensure the interests of financial users are properly represented in the policymaking and regulatory system. Effective representation is legitimate in its own right but is also important for promoting effective regulation and corporate and regulatory accountability. It is our view that public authorities should ensure that such a representation exists and that their opinions are heard in order to counterbalance the over-representation of the industry's interests. Public authorities should consider policies to promote financial user representation, including direct funding of such organizations. The FSUG is a good example of how user representation can improve the design and implementation of financial regulation.

While consumer protection is obviously very important, it is not the only priority for policymakers and regulators. Unfortunately, there was very little recognition in this paper of the need to use regulatory interventions to make markets more competitive and efficient from the user perspective.

Green Paper on Long-Term Financing of the European Economy

The FSUG welcomed the Green Paper and finds the topic of the Green Paper extremely important for stable growth of the European economy. One of the most devastating for consumers is economic crisis that always put them in a disadvantageous situation. Furthermore consumers, due to individualization of financing of social risks, require financial vehicles to transfer savings or pools the costs over a longer period. However it should be underlined that if economy needs to generate and attract savings there should be also a fair offer to consumer.

The capital flow to the real economy is provided by financial intermediaries, the most important of which, in a market oriented economy, are capital markets and the banking sector. There is general consensus that during the last three decades, in Europe, the banking system has been developing at considerably increasing rate as compared to the real economy, leading to high levels of financial leverage for all main sectors of the economy (namely governments, corporate and consumers). During this time the European banking sector has followed a path of shifting their main practices to the so-called financial economy rather than in the real economy applying the "universal" banking proprietary trading. Additionally, the main financial capital markets have been the subject of short-termism by institutional investors. These investors have a much "shorter-term" horizon as compared with the corresponding horizon of consumers and micro-investors.

This short termism is one of the main causes of the economic crisis suffered in Europe. This practice has to change if the European economy is to be sustainable in the long term. However, the strategies adopted to address the problem are questionable, as the deleverage procedure and the specific tools used in this context namely austerity measures, bail-outs at the expense of tax-payers, bail-in of unsecured deposits etc., have had consequences that jeopardize the main goal of stabilizing the financial system. To name just

a few consequences, austerity measures leave economies dry of liquidity, while accelerating consumer over-indebtedness, bail-out measures increase levels of government debt, and dispute the trust of holding and increasing savings. It is thus indeed a very difficult task to foster growth in an environment with features as described above.

The context described above should be carefully examined in order to suggest the right means of long-term financing of the European economy. For example, although we believe that the goal of deleveraging is correct in principle, substituting the diminished role of banks with attempts to foster the growth of capital markets does not seem to be enough. For example, SMEs denote that their most pressing problem is first "finding customers", while "access to finance" comes second1 which shows that small enterprises are mostly hit by contracting policy (note that "finding customers" is the main means of financing for any enterprise). Furthermore, small enterprises will, by definition, not be able to have access to capital markets, as the latter are designed mainly for larger enterprises. So, a main question that arises is how the 99% of total European enterprises, or even worse, the 92% which consists of micro enterprises, will finance operations and investments in an environment of gradually lower consumption, no access to capital markets by definition and more difficult and more expensive access to bank financing. Furthermore, capital markets are significantly volatile, meaning that in times of crisis they do not seem to be always the right means of raising capital; this should also be taken into consideration.

Reforming the structure of the EU banking sector

FSUG regretted that the European Commission seems to have ultimately adopted the non-complete-separation scenario for financial institutions in the future.

Regarding the separation process of some of the universal banks, we are worried by the fact that the "absence of publicly available data for banks' specific business lines" leads to an analysis done "on the basis of publicly available accounting data from commercial providers", as admitted in the consultation document. This is worrying because decisions to separate universal banks will be made upon thresholds that will make use of or rely on a limited set of accounting data provided by banks.

Also, EU Public authorities should ensure that central bank funding (which is public money) should only be provided to commercial banking, and not to any other business such as securities and forex trading, investment banking, asset management, insurance, etc.

Regarding the nine options that illustrate the possible combinations of different degrees of activity scope restrictions and separation degrees, we believe that the best option is Option I: Ownership Separation and Broad Trading Entity/Narrow Deposit Bank, for several reasons as these are described in the text of our response.

Summing up, it is still unclear on what basis deposit-taking, commercial financial institutions will be allowed to carry out trading activities and other non-commercial banking activities, even if these comprise only a small share of their business. To reiterate, FSUG believes that there must be a complete separation between commercial/retail and investment banking.

Green Paper on the Insurance of Natural and Man-made Disasters

Natural and man-made disasters are becoming one of the critical issues of post-industrialized countries. We are more vulnerable to extreme events due to increasing concentration of population and reliance on new technology which amplify catastrophic losses. That is why FSUG appreciate Green Paper on the insurance of natural and man-made disaster very much. The paper proves anticipating nature of the European Commission activity.

Penetration ratio of disaster insurance should be revisited as per se it is not an indicator of effective coverage. That is why penetration ratio should be backed with adequacy ratio (of insurance coverage) to potential perils, based on representative surveys. Adequacy ratio should be linked to penetration ratio and numeric maps of perils. Then gaps in insurance supply and demand, insurance availability and coverage could be easily discovered.

Mandatory insurance should be avoided as it undermines the fundamental principle of insurance, it is prudence. However different incentives should be introduced to increase penetration ratio. Even within mandatory insurance probabilities should be mirrored somehow within insurance tariffs. Some kind of state interventions is justified; however it should done rather in a way of state guarantees or subsidization of the premium.

Risk-based pricing is essential for proper risk management and should be promoted. However Insurance companies should be able prove actuarial calculations. Compulsion of insurance would definitely change the perception of insurance, but experience from mandatory motor insurance suggests that motivation of consumers and insurers to take risk reduction and management measures will be kept.

Due to lack of sufficient savings, or just no savings at all low-income consumers are extremely vulnerable when it comes to catastrophic events. Some kind of state interventions is justified, however it should done rather in a way of state guarantees or subsidization of the premium by the state or local authority if necessary.

FSUG is in favour of modern parametric insurance however prerequisites must available, like sufficient infrastructure networks that could provide adequate data with necessary accuracy and granularity.

Any kind of deductibles or insurance should be linked to the influence of policy holder and on insured risk. However exclusions could be detrimental for consumer if are used to limit the liability of insurance company in specific circumstances.

The European Union should have one, standardized and publicly available data set for main catastrophic risks. Provision of data is one of the most important tasks of the Member States within catastrophic risk management. The European Union should also encourage the Member States to use risk-based tariffs. This is the most effective way to influence proper risks management. Based on this sound financial mechanisms like pools and state guarantees could be provided. Private sector and international institutions should be involved in developing strategies for financial protection against disasters.

Consumer protection in third-pillar retirement products

The FSUG welcomed the Commission Working Document on "Consumer Protection in third-pillar retirement products" and found the topic of the document extremely important for securing adequate retirement income for all EU citizens. FSUG suggested the definition of third-pillar retirement products that should take into consideration these three dominant aspects:

- 1. it is a product (any definition should clearly recognize, that the subject of any relation between the saver and provider is based on a product basis vehicle);
- 2. it is a contract (any definition should impose that the legal relation between saver and provider is on contractual basis whose subject is a pension product SOLD to the endusers) defining the obligations of both parties;
- 3. it has a clear primary objective or purpose (any definition should recognize, that the main socio-economic objective or purpose of buying, holding and financing such product by a consumer and managing the savings by financial provider is to secure adequate stream of income during the retirement).

The FSUG pointed at the existence of information asymmetry between the industry and consumers resulting in a transfer of many risks on the consumer due to:

- 1. lack of financial knowledge and information (methodology) on how to consider the technical aspects of financial products (inability to compare products due to the lack of information on key features of PPPs).
- 2. lack of ability to assess his/her contributory capacity over a long-period (most of the contracts expect fixed or increased level of contributions, which do not reflect or allow changes in a contributions over time),
- 3. lack of time and ability to match the financial product features with the long-term savings objective (assess the adequacy) as there are limited information and tools to match these two aspects, which leaves a lot of room for misselling practices and recommending PPPs that do not suit the needs of consumers.

FSUG developed and presented its "objective-information/risk-protection" framework for 3rd pillar retirement products that can be used as a tool for assessing the consumer protection standards among 3rd pillar products across EU.

Review of the European System of Financial Supervision

This consultation formed part of the review of the European System of Financial Supervision and specifically the European Supervisory Authorities (ESAs). FSUG reminded policymakers why serious reform of EU financial markets is needed and set out the case for reform.

The ongoing financial crisis is the most obvious, high profile example of large scale market failure. Far from managing risk more effectively, certain activities and 'innovations' actually magnified risk in the financial system. Less obvious are the chronic market failures that have been overshadowed by the systemic financial crisis. These failures include: embedded inefficiencies and high costs; the growth in extractive business models; misallocation of capital and resources; value destruction of savings, pension and investment portfolios; weak or misdirected competition that benefits dominant providers, intermediaries and distributors

not the end-user; the growth in financial innovations of little or no social utility (or toxicity); poor financial advice, misselling and aggressive behaviours; reckless lending; poor quality service; and chronic financial exclusion. These failings have seriously hindered the establishment of a truly effective single market in financial services. Market failure has been in evident across the board and not been limited to one particular sector.

What is striking is how badly much of the financial services industry has performed even during comparatively 'good times' in the run up to the financial crisis. As the Commission's own Consumer Markets Scoreboard¹ shows, the financial sector is one of the consistently worst performing consumer sectors. But we face a new, even more difficult, financial and economic reality defined by a range of macro and micro socio-economic events which put sustained pressure on household budgets, expose poor value and inefficiencies in the financial services supply chain and threaten the commercial viability of dominant business models. This makes the challenge of making markets work all the more difficult and necessary. Dealing with this new economic reality requires a new economic paradigm to understand the role and efficiency of markets and a new regulatory model to make markets work in the interests of society.

Understandably, huge intellectual effort and regulatory resources have been devoted to promoting financial stability and improving prudential regulation. But the challenge of making markets work has not been given anywhere near the same priority. Policymakers must recognise that ensuring financial markets work in the interests of financial users is just as important to the citizens' welfare as financial stability and prudential regulation.

We attributed the failure of financial regulation to four main reasons: i) a flawed economic paradigm and regulatory philosophy that wrongly assumed a degree of market effectiveness not borne out by objective analysis; ii) a flawed, unrealistic regulatory model that failed to understand the root causes of market failure and, consequently, failed to apply effective policy interventions; iii) an approach to regulation that was too slow and unresponsive to emerging crises and market failure and inconsistent, weak implementation and enforcement of policy; and iv) ineffective regulatory structures and poor governance and accountability.

Market reform requires a profound change in regulatory philosophy and culture, and a more robust, early interventionist, and precautionary approach. A more precautionary, early intervention approach is appropriate for complex, high risk markets such as financial services – this means a greater emphasis on ex-ante regulation. Good regulation does not stifle genuine innovation and choice – good regulation promotes socially useful innovation and choices. Furthermore, making markets work requires a better understanding of the root causes of market failure. The activities and behaviours of institutions and intermediaries at each part of the supply chain must be aligned to the interests of financial users.

The effectiveness of the ESFS and ESAs therefore can only be judged against the challenges we described. Unfortunately, as we explain below, we take the view that, overall, the new European system of financial supervision (ESFS) and the new European Supervisory Authorities (ESAs) while undertaking some very critical work in relation to financial stability and micro-prudential regulation, has so far made very little difference to

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¹ http://ec.europa.eu/consumers/consumer_research/editions/cms9_en.htm

financial users. To be fair, there have been some improvements but we have made a number of recommendations which, if adopted, would put the interests of financial users at the heart of the ESFS and ESAs.

In particular, we highlighted that:

- the ESAs have not sufficiently prioritised the critical challenge of protecting consumers and making market works concentrating most effort on financial stability and micro-prudential regulation. This requires a rebalancing of priorities and allocation of greater regulatory resources to consumer protection and making markets work:
- the ESAs have so far not made use of their new powers to prohibit or restrict certain financial activities that harm financial users, and to investigate breaches of EU Law. These powers should have been a very powerful intervention to protect financial users, promote genuine innovation, and make markets work. We urged the ESAs to proactively identify harmful, risky, or socially useless financial activities and products and utilise these powers;
- the ESAs have focused too much on regulatory processes rather than outcomes. We suggested that the ESAs should publish consumer and market outcomes against which to judge the effectiveness of EU financial markets and financial regulation. ESAs should publish an annual performance report setting out how well relevant financial markets have performed over the year and a forward looking risk outlook setting out the key risks to the relevant consumer and market outcomes. In addition, to aid informed debate, the ESAs should publish a comprehensive consumer trends report.
- we expressed serious concerns about the governance and accountability mechanisms relating to the regulatory system. The ESAs have been in contravention of provisions requiring a balance of industry and retail user representatives in the relevant "Stakeholder Groups" to the disadvantage of financial users. Furthermore, the sheer imbalance between the resources available to industry representatives and financial user representatives undermines the ability of user representatives to participate. The ESAs, as soon as is practicable, should take action to rectify this imbalance to ensure the interests of financial users are properly represented.
- the current structure of the ESAs, with the separation of banking, insurance and pensions, and securities markets and asset management supervision, encourages a silo effect and an inconsistent approach to regulation. FSUG argues that the time is now right for a move to the 'twin peaks' structure of regulation and the establishment of a dedicated, single Financial Consumer Protection and Markets Authority covering all financial products regardless of legal or corporate structure.

OTHER RESPONSES, INITIATIVES AND COMMUNICATIONS

As well as responding to requests from the Commission, FSUG:

- responds to consultations from other policymakers
- proactively seeks to identify key financial services issues which affect users of financial services and
- liaises with and provides information to financial services user representatives and representative bodies at the European Union and national level.

FSUG position paper on the Commission proposal for a Directive on Payment Accounts

The FSUG welcomed the EC proposal on payment accounts. The three areas covered by this proposal (comparability of payment account fees, payment account switching and access to basic payment accounts), are key to assure consumers that this service, essential to their everyday life, meets their needs and expectations. However, we believe that there is an opportunity to improve some details of the proposal during the legislative process.

With regards to comparability of fees, for many years, consumer organisations have highlighted the lack of transparency of bank fees in many EU Member States. Regrettably, the banking industry's response to far has failed to meet the goals set out by the Commission and consumer representatives. The FSUG therefore welcomes the objective of the EC proposal to establish a common approach to the presentation of fees and use of standardised wording across the EU. This should improve consumers' understanding of payment account services and the fees they have to pay and allow them to compare offers. However, in order to achieve this objective the FSUG is of the opinion that the proposal should be amended as follows: the scope should be extended to include each fee and charge linked to a payment account (not only payment services, but e.g.: annual account management fee); the fee information document should be standardised at national level first in order to facilitate comparison (e.g.: organisation of fees into chapters), and at European level at a later stage; the terminology should be standardised at national level first on the basis 'one name must apply to each service or product'; and at European level in a second step; customers should be provided with a monthly and an annual fee statement free of charge; databases/websites should preferably be run by a public authority; tying practices should be banned as they prevent switching; the consumer should be able to buy any services not included in the payment account with basic features separately.

With regards to switching, following the banks widespread noncompliance with self-regulation, FSUG welcomed the objective of the EC proposal to establish a simple and quick procedure for consumers who wish to switch their current bank account to a different one, with the same or a different bank (or another payment service provider). However, we advocate further reforms including: replacing the switching service with an automatic redirection system, free of charge, as it exists in the Netherlands; switching must always be performed by the bank, not the consumer; any financial loss incurred by the consumer as a result of non-compliance of a payment service provider with the switching process should be immediately refunded; and the Commission should be invited to carry out a cost-benefit analysis of bank account number portability in order to assess its feasibility in the future.

Access to basic banking services are critical if citizens are to participate fully in modern society. The FSUG was disappointed by the fact that after the previous two public consultations in 2009 and 2010 the Commission merely adopted a non-binding Recommendation in 2011. One year after the publication of this recommendation, it has been proven that it had no effect at national level. This requires action at EU level so the FSUG fully supports the objective of the EC legislative proposal to allow all EU consumers, irrespective of their country of residence or financial situation, to open a payment account which allows them to perform essential operations. In order to achieve this objective, the proposal should be amended as follows: all payment service providers should offer a payment account with basic features to consumers, free of charge, and be required to make consumers aware of it; Member States shall ensure that the consumer is able to manage and initiate payment transactions from the consumer's payment account with basic features via the different channels offered by the provider, such as manual transactions, transactions via ATM, online banking facilities and phone banking; the provision of account statements should be added to the list of functionalities described in the EC proposal.

EIOPA: Discussion Paper on a possible EU-single market for personal pension products

The FSUG welcomed the EIOPA Discussion Paper on a possible EU-single market for personal pension products and considers the topic extremely important for strengthening competition among private pension products (PPPs) with the ultimate goal of securing adequate retirement income for all EU citizens. FSUG recognized that the long-term savings financial products, whose aim is to secure adequate income of savers for the future, needs to be adequately promoted all across Europe and more importantly provided by wellmanaged, cost-effective and transparent providers. Single market for pension savings products has been emerging only particularly and very slowly, which is in contrast with the development in certain Member States. However, significant differences in transparency and information disclosure and consumer protection measures at national level creates need for building unified EU framework for PPPs provision, as it is clear that national frameworks and regulations create divergent approaches towards pension savings products and thus creates different levels of outcomes. FSUG supported the creation of "2nd regime" on the EU level. On top of this, current findings on poor performance of private pension products sold to consumers accompanied with above equilibrium fees and charges under the information asymmetry calls for urgent regulatory interventions on EU level. This can be viewed not only in the area of pension set-up frameworks, but also charges (through the whole value-chain), investment strategy regulations (qualitative and quantitative limits), information disclosure and savers (investors) protection standards.

The FSUG recognizes the need for a broader definition of private pension products. A general overwhelming definition is needed in order to cover most of the pension products sold (with short-term incentives) and financed (on long-term beliefs) on the individual basis regardless of any additional sources flowing into the product (employer, government contributions and incentives). However, the FSUG think that from the position of savers, several key aspects of private pension products should be recognized even within the definition.

FSUG suggested recognizing additional features of PPPs:

- savings scheme in term of cost-averaging,
- investment scheme in term of buying a pot (valued periodically, eg. daily, weekly, monthly),
- investment risks transfer to the member (saver),
- no longevity risk coverage during accumulation phase,
- scheme is explicitly split into 2 parts: accumulation and pay-out phase with different products for both schemes.

These main features should appear in any definition of such complex structured financial products. Therefore, the FSUG suggested the following definition of private pension products (PPPs):

"PPPs are defined as any type of financial products sold to a consumer on an individual basis whose primary objective is to contribute to secure adequate income during the retirement."

The enforcement of information disclosure (transparency) and protection standards is one of the weakest points of regulatory and supervisory activities of existing local, national and EU bodies. With this in mind, the FSUG suggested creation of unified approach toward building EU wide "2nd regime" framework on private pension products built on the "objective-information/risk-protection" scheme for PPPs that can be used as a framework for potential EU certification scheme.

Response from FSUG contains many specific and targeted recommendations on precontractual, contractual (saving) phase as well as pay-out phase.

Paper on Draft Implementing Technical Standards on reporting of national provisions of prudential nature relevant to the field of occupational pension schemes

The FSUG initiatively responded to the EIOPA Consultation Paper in order to promote wider approach toward prudential reporting. FSUG thinks that transparent reporting and information disclosure to IORPs members is one of the key prudential principles that should be tracked by the proposed Regulation.

As the IORP Directive states, that "The prudential rules laid down in this Directive are intended both to guarantee a high degree of security for future pensioners through the imposition of stringent supervisory standards, and to clear the way for the efficient management of occupational pension schemes.", it should be noted, that the concept of "prudent regulation" therefore assumes not only securing the existence and operation of the IORPs, but securing that the IORPs fit their main purpose. Purpose of IORPs existence is not only to invest the savings of their members, but securing adequate, safe and sustainable pension benefits under reasonable costs and investment risk IORPs members bear during the accumulation and pay-out phase.

FSUG supported detailed reporting template, which would not only cover national provisions set in national legislature, but also information going behind the minimum standards. The FSUG thinks that transparent reporting and information disclosure to IORPs members is one of the key prudential principles that should be tracked by the proposed Regulation.

The level of details should be wider to cover the results of IORPs operations important for evaluating their performance. The FSUG suggested covering also key information reported to IORPs members under Article 11, especially:

- 1. costs and fee structure (fee policy),
- 2. individual savings/retirement account statements,
- 3. performance / returns during different time periods.

The FSUG recognizes EIOPA as a transparent authority supporting the existence of single market, and supports EIOPA in having publicly available information on all reported national provisions of prudential nature relevant to IORPs on its website. At the same time, FSUG recommended to EIOPA to have national competent authorities place the links on their websites, which would strengthen the transparency (limiting the information asymmetries) of regulation and support the cross-border activities of IORPs.

Special report: Lessons from Romania

Financial Services User Group (FSUG) meeting are usually held in Brussels, at the Commission premises. But the Commission decision to set up the Group allowed FSUG to held one of the meetings per year in another Member State. FSUG members are welcoming this opportunity to better understand the real situation of financial services users from those Member States.

In 2011, the external meeting was held in Athens (Greece), in 2012 in Madrid (Spain), and in 2013 the Group decided to organize its external meeting in Bucharest (Romania), one of the new Member States.

The meeting had the most important number of speakers until now (12), coming from a very large range of bodies:

- Supervisors (National Bank of Romania and very recent created Financial Supervision Authority)
- Consumers (APC-Romania, member of BEUC and National Authority for Consumer Protection)
- Retail investors (Romanian Investors Association)
- SMEs National Council of SMEs
- Other Bodies Fiscal Council, Romanian Data Protection Authority ANSPDCP

FSUG members had the opportunity to listen to **Romanian different stakeholders** and to ask them a lot of specific questions related to the challenges faced by financial services users in the context of the global financial crisis.

FSUG members were able to better understand the main challenges of the Romanian economy into the recent years, as they were presented by the Chairman of the Fiscal Council:

- before the crisis (2001-2008), Romania recorded one of the highest GDP growth rate among EU Member States – 6,3% (for comparison, EU average in the same period was 2%;

- fast economic growth was a consequence of the real convergence process;
- growth was driven by domestic demand (consumption and investments, covered to a large extent from imports) and was fuelled by large foreign capital inflows (FDIs and credits);
- the very large current account deficit and the large structural budget deficit had to be adjusted, starting with 2009;
- both deficits have improved substantially between 2009 and 2012 (the fiscal one from 9% to under 3% and the current account one from almost 14% to under 4%);
- while flooded with foreign capital inflows before 2008, the Romanian economy had to face harsh conditions of insignificant amounts between 2009 and 2012;
- both investments and consumption plunged in 2009-2010; they started to grow in 2011, but recovery remained modest so far;
- impressive fiscal consolidation under the umbrella of EC-IMF programs;
- this fiscal consolidation was achieved both on expenditure side (with a 25% cut in public wages) and on the revenues side (hike in VAT from 19% to 24%);
- while starting with a delay (in the second part of 2010), the fiscal consolidation in Romania was among the most rapid ones across the EU Member States;
- sharp drop in net inflows of foreign private capital (FDIs and credits) resulted in an external funding gap and this situation forced Romanian authorities to ask international creditors (IMF, World Bank, EC) for financial assistance;
- under the first assistance program (2009-2011), Romania borrowed 18 billion EUR;
- agreements with international creditors were extended for 2011-2013 in a precautionary form, as an anchor of credibility (no money were borrowed);
- the state of public finances is in a better shape than in many other EU Member States the level of public debt is low (38% of GDP), and due to a low fiscal deficit in the coming years, is expected to remain relatively stable;
- there is still a lot of room for real convergence low level of economic development suggests faster growth than other MS, but the speed will be lower than in pre-crisis period;
- per capita GDP in Romania is the second smallest one in the EU, after Bulgaria, and growth forecasts indicate levels below 3% of GDP in the next 4 years;
- taking into account the probable lack of large foreign capital inflows, implementing structural reforms seems to be a requirement to support the real convergence in the next years;
- unemployment rate is at a low level (around 7%), but the figure excludes 2,5-3 million people working abroad (most of them in Italy and Spain);
- there are still very low wages in relative terms compared with other Member States (gross nominal earnings of about 500 EUR);
- absorption of EU funds is one of the lowest in the EU, due to a weak institutional capacity.

The **overview of the financial sector** and the changes in the last years, revealed the following:

- banking sector is dominating the financial sector by far; its net assets amount to approximately 70% of GDP;
- there are about 40 credit institutions and the same number of insurance companies, almost 600 of insurance brokers, 20 pension funds, 86 investment funds, 52 financial

investment services companies and about 5.500 non-banking financial institutions (figures at the end of 2011);

- about 80% of the banking system is foreign owned (dominated by Austrian, Greek and Italian banks);
- non-government lending as a percentage of GDP stands at around 40%;
- private lending is mainly directed to consumer credit (about 80%), but this figure includes home equity loans (loans backed by mortgages), with the remaining 20% going to the mortgages;
- starting with 2009, it was a weak lending activity, where housing loans had the best performance, because they were supported by "First House" program (governmental guarantees in case of default) and consumer loans had the worst performance;
- lending to companies performed better than household loans, but growth decelerated since mid-2012;
- deposits advanced faster than credits, despite of fragile dynamics of disposable income, resulting in an improvement of loan-to-deposits ratio;
- deleveraging of foreign banks was slower compared to other countries and some foreign players are even seizing opportunities on the market and are gaining market share;
- non-performing loans remains on an upward trend (approximately 19%); however, solvability for the banking system remained high (15%) as shareholders added new money to capital.

Consumers and the representatives of the Authorities that helped them into the past (National Authority for Consumer Protection, Data Protection Authority) referred to a lot of unsolved issues:

- personal bankruptcy law;
- restrictions on abusive practices of debt collectors;
- a clear framework for collective actions against abusive clauses in contracts;
- detrimental financial products and services;
- misleading advertising, etc.

Consumer representatives called for EU legislation for collective redress and for financial support for consumer organizations.

SMEs are facing a lot of challenges regarding their relationship with the banking system. A study realized by Romanian National Council of SMEs (CNIPMMR) in 2012 and conducted by questioning a sample of 1716 SMEs from all fields of activity revealed that approximately 75% of them are financing their economic activities with their own resources, and just about 30% of them have used a credit from a bank.

Among the most important issues raised by SMEs is the limited access to bank credits, due to increasingly requirements, including personal guarantees and high interest rates. Other difficulties faced in relation with banks are:

- lack of transparency on the specific criteria of the banks for funding applications;
- lack of information on the total cost of credit and, in some cases, also on rates of interest, fees, guarantees, etc;

- lack of appropriate and constructive motivation of rejection of the loan applications;
- excessive bureaucracy;
- lack of publication on the banks' websites of complete information on lending.

The EU legislation had a positive impact on **Romanian investors**. The representatives of Romanian Investors Association consider that principles set out in the Directives contributed to establish the necessary legal framework in Romania. The Directives have led to the harmonization of certain rules regarding takeover bids (i.e., the mandatory bid rule, the equitable price, employee information rights or squeeze- and sell-out rights). The national provisions have generally contributed to an increased protection of the shareholders' rights.

The transposition into the national law of the Market Abuse Directive ("MAD"), and of the Transparency Directive ("TPD"), led to the harmonizing and tightening of the securities regulation in Romania, in particular by improving the supervisory and enforcement regimes.

The transposition of the Directive 2004/39/EC ("MiFID") into the national law has brought more transparency in the market, by defining a clear execution policy and by imposing new requirements for proper information of the client. However, it is still necessary to strengthen the investors' protection in relationship with the investment firms.

As a result, the market confidence has increased and the trading costs and firms' cost of capital has decreased.

However, the representatives of Romanian Investors Association raised some concerns. One of them is the issue of RASDAQ trading venue (Romanian Association of Securities Dealer Automated Quotation System). RASDAQ was regulated as a stock market and was even named a "regulated market" in the Romanian legislation until 2004. After 2004, it was considered by the National Securities Commission (former CNVM, now ASF) as an over the counter ("OTC") even though numerous rules (such as reporting requirements) enacted by the National Securities Commission have been imposed to this trading venue. For the majority of the investors in Romania, this trading venue was a regulated market as stipulated by the legislation during the previous years. In spite of this fact, the supervisory authority (the National Securities Commission) has adopted an ambiguous position as to the status of the RASDAQ trading venue which dramatically decreased the investors' confidence. The investors were even more surprised to learn that in 2012 the Bucharest Stock Exchange in consultation with the National Securities Commission drafted a new regulation by which the pre-existing regime of over 1,000 companies whose securities are traded on RASDAQ was changed. The companies were to be transferred from the RASDAQ trading venue to an alternative trading system ("ATS") organized by the Bucharest Stock Exchange. That has been done without the consultation of the investors and without any public consultation. The holders of shares in these 1,000 companies have been shocked seeing that their shares are supposed to be transferred to another trading venue without any warning. This has led to a complete lack of trust because of legal uncertainty. The representatives of Romanian Investors Association hope that the new MiFID regulation can solve even this problem by providing clear principles for the improvement of the organization, transparency and oversight of trading venues like the OTC.

Another important issue for the protection of the investors is the exemptions granted in connection with the acquisitions of securities from a public authority. Even if the Takeover

Directive (Directive 2004/25/CE) provides the mandatory bid rule for the protection of the minority shareholders, the Member States still have the option to grant some exemptions. In some cases, the proper protection of the investors could be affected when the State changes the rules of the game. For instance, the privatization of some public companies involved some techniques designed to circumvent the mandatory bid rule and to infringe other investors' rights.

Last, but not least, the representatives of Romanian Investors Association raised the issue of some ambiguities and even distortion in regulation, regarding the transposition of some Directives.

Ambiguity occurs where there is lack of clarity or when there is uncertainty about the application of a term. For instance, the concept of "acting in concert" remains ambiguous in particular because the National Securities Commission enacted related legislation to qualify specific actions as "acting in concert". The National Securities Commission holds that the identical exercise of voting rights in the shareholders' meeting of the company represents evidence for acting in concert.

A notable distortion in the implemented regulation is related to squeeze-out right. The Takeover Directive provides that the Member States shall introduce that right in the following situation:

"(a) where the offeror holds securities representing not less than 90 % of the capital carrying voting rights and 90 % of the voting rights in the offeree company." (Article 15 para. 2)

However, the implementation into national law has been made with an additional requirement. The situation when the squeeze-out right is applicable according to the Romanian Law No. 297/2004 is as follows:

"(a) where the offeror holds securities representing not less than 95 % of the capital carrying voting rights and 95 % of the voting rights that can be exercised." (Article 206 para. 1)

The higher threshold is not so important (as the Takeover Directive allows that). What it is really important is the addition of the requirement that the voting rights can be exercised. The legislator or the National Securities Commission has not explained the reason for this addition. There is a lack of guidance from the National Securities Commission (today the Financial Supervisory Authority) and a clear tendency not to explain or disclose applicable rules with sufficient transparency.

Financial Supervisors (representatives from National Bank of Romania and the very recent created Financial Supervisory Authority) have spoken about their duties and responsibilities as supervisors of the financial markets, about complaints handling and the number and the level of sanctions applied to those that are not respecting the rules. They insisted also on financial education initiatives developed by them to help consumers to understand better the specificities of the financial products and services.

At the end of the meeting, after hearing all of presentations and point of views of different stakeholders, **FSUG members** asked for supplementary details and have drawn some conclusions:

- it is very important to identify and to provide financial support for consumer organizations, because in this part of Europe, with a lot of poor people and with low wages, it is difficult to attract an important number of members and financial resources for their activities;
- the absence of some **ADR mechanisms**, like Financial Ombudsman, and the very low activity of others, as mediation, are negatively affecting consumers, because generally they are not going to court. If, however, they are going to court, this implies important expenses, a lot of time spent for solving their problems, etc.;
- after three external meetings outside Brussels, it could be useful to compare the **financial behavior of consumers** in those countries and the changes that have occurred after the beginning of the financial crisis;
- it will be very important to **understand all challenges faced by SMEs** regarding financial services, and to try to solve all important issues, because SMEs are one of the most important engines of growth into the EU and they could help to faster overcome of the crisis;
- it could be very useful if some provisions of the proposed **Directive on Current**Accounts could be extended also to the SMEs;
- it still need to be checked if all standards for the resolution mechanisms are respected in every Member State, and if regulators everywhere are fully aware about the provisions and if they are taken all the necessary measures to implement them;
- the **research done on FSUG behalf** (Means to Protect Consumers in Financial Difficulty, Pensions, etc.) and **best practices** proposed by those studies should be taken into account not just by the Commission, but also by **Member States**.

FSUG RESEARCH PROGRAMME

The FSUG has its own research budget which it can use to commission research on issues it thinks are important to users. We decided to focus on investigating areas in which the position of consumers is weak or there is a lack of transparency. After a prioritisation process, we selected and suggested contracting research studies on the following three important issues:

- The position of savers in private pensions
- Protecting consumers in financial difficulty: mortgages, repossessions and personal bankruptcy and
- Ensuring fair, affordable and safe financial products for vulnerable users.

The position of savers in private pensions

In 2012 the European Commission with the FSUG launched the research project oriented on the overall performance of private pension products from the users' (savers') perspective. This study was aimed at providing a systematic framework for the assessment of private pension systems across EU Member States, in particular from the perspective of individual savers. The study was commissioned to the research company OXERA, which submitted the final report in January 2013. The FSUG supervised the progress of the research study and engaged in discussions and directed the research company, and submitted comments and inputs on a regular basis. Research question connected to the ultimate aim of the study were classified into the following topics:

- pension set-up, including information on key characteristics of the systems, most prominent schemes, participation, taxation and other issues;
- charges and costs, focusing on those to be paid by consumers and including analysis of economies of scale;
- returns and risk, which are inter-related;
- information available to consumers, consumer behaviour and representation in the pension systems.

The study confirmed that resulting pension systems in each country are relatively complex in their nature, and their individual set-up varies significantly between individual countries. This implies relatively complex requirements on savers to understand every aspect of the respective pension set-up and its consequences on its final outcome in a future from the perspective of consumer. This is in a direct contrast with the known low level of financial literacy of most savers participating in such complex systems.

The ultimate performance of a pension scheme, from the viewpoint of the individual saver, depends on the contributions they (and their employer) make to the scheme and the returns that the scheme produces over the lifetime of the savings. For all types of investigated private pension scheme, the net performance strongly depends on the charges applied to the scheme. These charges will in part reflect the cost of providing the pension scheme. Not all costs are directly visible to the consumers (savers), but ultimately one could expect the costs of providing a pension scheme to be borne by the consumer. Regulators, representatives of consumers and pension providers as well as other commentators have

recognized the importance of pension charges, and their relationship with the costs of provision, and there is an increasing demand for analysis in this area. While some studies on charges and costs (and economies of scale) in the literature cover some of the pension systems included in the Study, data on charges and costs has typically been difficult to obtain and has not been readily available on a consistent basis across countries. Reflecting the increasing importance of this topic in the pension's debate, however, the availability of data is improving and can be expected to improve further in the near future, owing to a number of initiatives, including by European authorities.

Pension funds do assess their returns year on year, as part of normal reporting, but most regulators have not made this information available on a systematic basis, apart from in Eastern Europe (although here the pension schemes are relatively new). Data on relative risk exposure for consumers of different pension schemes is not typically available and there is little quantitative analysis in the literature. Overall results of the research suggest that there are significant differences in a risk/return profile of private pension schemes even they are subject to the common set-up or management. Even more significant differences can be found among pension schemes in different countries. This implies a strong incentive for policy actions to take a closer look on the forces driving these differences and whether the differences are reasonable.

There is much evidence that suggests that consumers are often not well placed to make good decisions about long-term financial products, and therefore this is an important topic for the wider pension debate in Europe.

Study confirmed that there is a lack of data availability resulting in low transparency of private pension schemes operations. Results of the study do not support the proclaimed expectations, that the competition among private pension's schemes operating under the IORP Directive would bring the level of charges to the market equilibrium levels which would be comparable across schemes within and among the countries. The study proved that the 'known' information is relatively well supplied, with most schemes providing information during the accumulation phase. But this is in contrast to the provision of the 'predictive' data, which is often not supplied by either employer-arranged or personal pension schemes. On top of this, personal schemes tend to provide less predictive information regarding the expected retirement income levels or returns, when compared with employer-arranged schemes.

Study on Means to Protect Consumers in Financial Difficulty: Personal Bankruptcy, Datio in Solutum of Mortgages, Restrictions on Debt Collection Abusive Practices

In 2011 the FSUG drafted Terms of Reference for external research to be carried out in the area of the protection of consumers in financial difficulty. The aim was to identify all the different legal solutions and best practices to enhance as much as possible the protection of consumers in financial difficulty in three selected areas - personal bankruptcy, *datio in solutum* of mortgages, and restrictions on debt collection abusive practice - by carrying out a detailed mapping and analysis of the legal framework and of practices in the following Member States: Germany, UK, France, Italy, Spain, Romania, Belgium, The Netherlands, Czech Republic, Slovak Republic, Hungary, Poland, Ireland, Austria, Greece, a Scandinavian Member State, a Baltic Member State. The findings of the research are

intended to be a valuable tool for the Commission to take stock of the current factual and legal situation which millions of European consumers are facing as a consequence of the ongoing financial and economic crisis. The purpose is to help to determine if legal action is needed - and if so what actions are recommended - to protect consumers in financial difficulty, or at least to mitigate the microeconomic effects caused not only by the current high unemployment levels but also by the various other macroeconomic restrictive measures that have been imposed on people by different governmental bodies.

The study was commissioned to the research company London Economics, which under the close guidance, monitoring and scrutiny of the FSUG has submitted a final report published in January 2013.

The main findings can be summarised as follows:

- Over-indebtedness is found to have become a widespread phenomenon across Europe. Consequently, there has been an increasing recognition that over-indebtedness caused by a change in the consumer's state has led many countries to move from a position where the law is there to uphold agreed contracts, towards personal bankruptcy regimes where lenders who have lent too much are viewed to be as responsible as consumers who have borrowed too much. Best practice is identified as a short, administrative non-court-based process operating under clear rules, with debt cancellation occurring during a short repayment plan.
- Datio in solutum is a debt solution that allows the possibility to provide that borrowers who
 cannot repay their mortgage loans are released in full from the underlying debt by
 handing their mortgaged property over to the lender. The only example identified is that of
 legislation in Spain. The report suggests datio in solutum delivers greater benefits to
 consumers than the absence of a debt cancellation system.
- The model of a lead agency or department with responsibility for the enforcement of debt, requiring that agency to publish and maintain up-to-date comprehensive guidance on what is permitted and what best practice looks like offering significant benefits in terms of clarity, both for debt collectors and debtors. Equally the model deployed in many countries where those to engage in debt collection are registered to allow the lead agency to ensure that those who should be following this guidance are doing so appears best practice. The guidance offered in the UK in relation to debt collection by the Office for Fair Trading could be considered as best practice.

The full report can be downloaded at http://ec.europa.eu/internal_market/finservices-retail/docs/fsug/papers/debt_solutions_report_en.pdf

Based on the findings of the research, the FSUG has made observations and recommendations to the European Commission. From its inception, the FSUG has recognised and recommended the importance of having robust measures at European Union level for the protection of consumers in financial difficulty. The Report confirms that the current economic crisis has reinforced the value and need for every Member State having a regime for the protection of consumers in financial distress and for the treatment of the insolvency of natural persons. At the same time, it is clear from the Report that currently there are individual, but uncoordinated regimes or many initiatives under way in the various Member States, which expose the absence of common, harmonized and/or appropriately

resourced strategies at EU level. The FSUG advocates and recommends that action on the subject is indeed required from the EU. An appropriate legal regime should address all the stages that lead to consumer financial difficulty as it is intertwined with social, political, and cultural issues. The FSUG has identified a number of common principles for an appropriate legal regime in the EU, available at http://ec.europa.eu/internal_market/finservices-retail/docs/fsug/papers/debt_solutions_research_study_position_en.pdf

Ensuring fair, affordable and safe financial products for vulnerable users

Financial inclusion has always been an important part of social inclusion. Financial exclusion can seriously inhibit the ability of citizens to participate fully in a modern society. However, we have grave concerns that in the aftermath of the financial crisis, growing numbers of EU citizens will find it increasingly difficult to obtain access to fair, affordable, safe, socially useful products and services that meet their needs. In particular, the growth in payday lending and other exploitative lending in certain Member States, partly as a result of weak regulation and austerity measures, is a real cause for alarm and needs to be addressed through tougher regulation and supporting alternative, socially useful products and providers. This report provides an overview of the current situation facing vulnerable citizens, a comprehensive list of alternative providers, and overview of regulation to promote the best practices and protect citizens from the most detrimental practices.

New priority studies

Towards the end of 2013 or at the beginning of 2014, the FSUG will be publishing two major research studies commissioned last year and completed in 2013. These are:

- Remuneration structures of financial services intermediaries and conflicts of interest.
- Evolution of the ownership of EU-listed companies.

In addition, there two new studies which are planned to be contracted at the end of 2013 and carried out for the FSUG in 2014:

- Performance and efficiency of EU asset management sector.
- Study on how to promote access and use of appropriate savings products for all European financial services users, in particular low-income people.

Remuneration structures of financial services intermediaries and conflicts of interest

FSUG has taken a focus on remuneration structures in financial services intermediation. The Institute for Financial Services (IFF – Hamburg) carried out the study on remuneration structures of financial services intermediaries and conflicts of interest (MARKT/2012/026/H). This study analysed various sales commissions (premiums) and other inducements which are granted to insurance intermediaries (e.g. brokers, agents and sales force in business premises) when selling life insurance products to consumers. The first objective of the study focused on the evaluation of the current status of existing remuneration models in 10 selected Member States (Spain, Germany, UK, France, Italy, Poland, Denmark, Finland,

Ireland, Slovenia)². The second objective referred to a description of existing regulation with focus on certain types of remuneration schemes of insurance intermediaries and conflicts of interest. The third objective centred upon the mapping of possible measures for improvements of remuneration schemes. Important findings of the study are:

- Volume-based sales commissions remain the most widespread form of remuneration for advice in insurance, credit and investment markets, except in countries that introduced a ban on commissions. On the basis of OECD statistics, of the total commissions paid by insurance companies, commissions in the life insurance market reach on average 4.3% of total gross premiums per year in the selected Member States. For insurance markets, volume-based sales commissions prevail in product distribution by tied and linked agents, brokers, bancassurance and retailers. The model for and amount of commission payments vary according to intermediary and product type. Within the commission-based remuneration system, many different schemes are used. Those schemes are not published by providers.
- Compared with commission-based remuneration schemes, fee-based advice is still
 of minor importance in Europe but is gaining market-wide recognition and attention
 due to new regulation which stipulates bans on commissions.
- A number of bans on sales commissions are in place in some Member States, mostly targeting brokers (Finland, Denmark) and financial advisers (UK, Netherlands). The experience of countries that introduced a ban on commissions show different effects. One particular effect is that, following the ban, the number of brokers or advisers declined in Finland, Denmark and UK.
- In general, **transparency on remuneration** is weak. In most countries, intermediaries do not disclose the form and level of remuneration they receive. This is a key problem for consumers. Mystery shopping (life insurance) also showed that a common standard of information (insurance tariff, costs) on paper does not exist.
- A number of methods are used to apply restrictions on remunerations (forfeiture of commissions, caps on commissions, bans).
- Regulation on remuneration takes various forms in the Member States covered:
 - Generally speaking, there is a patchwork of regulation across all Member States.
 - There is no harmonised understanding of what conflicts of interests are, or what behaviours should be expected from which intermediary.
 - o Key notions such as "remuneration" and "intermediaries" are not uniform.
 - The regulation of remuneration and conflicts of interest has multiple sources, all depending on national preferences.

FSUG will be publishing a position paper on the report.

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² In addition to the ten Member States, the contractor also gathered some data from Netherlands and Austria.

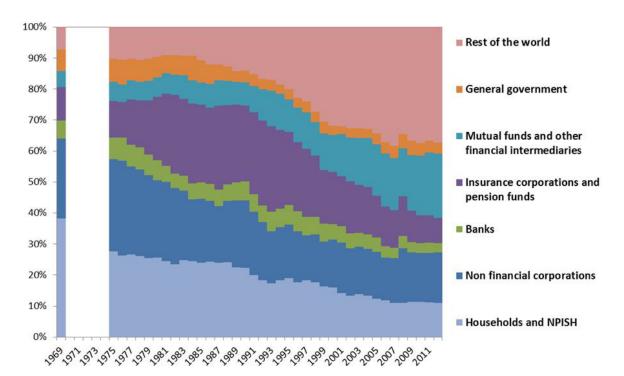
Evolution of the ownership of EU-listed companies

In the framework of its 2012 research budget, the FSUG had decided to investigate the long term evolution of the ownership of the EU domiciled listed companies in order to better understand what shares are held by individual, institutional and financial investors and how this evolved in the last two, three decades. The breakdown of investors embraces households (individual investors), corporations, investment funds, pension funds, insurers as well as other institutions, and the Research also creates a tool by which the shares of these investors could be measured regularly.

The Research has been commissioned to the research organisations OEE (the European Savings Institute) and INSEAD OEE Data Services (IODS). They have submitted their final report in August 2013.

The key findings of the research:

- it better assesses the long-term evolution (over the last decades) of the ownership of the EU economy from individual ownership by EU citizens to 'agency' ownership: shareholders such as investment funds which legally own the shares for some time but are often not the 'economic' owners, i.e. the end-investors who bear the risks and rewards of owning listed shares. Household direct ownership of the EU economy (EU domiciled listed companies) fell from nearly 40 % in 1969 to 11% in 2012, whereas the ownership share of "packaged" products (investment funds in particular) more than quadrupled to 21% over the same time.
- This is also a major evolution from direct securities holdings by EU citizens to holdings of "packaged" products which are much more loaded with fees and commissions from the financial intermediaries, and not directly connected to investments in to the real economy.



These breakthrough data will be very useful for future policy initiatives of the Commission relating to securities and investments, as well as corporate governance.

Performance and efficiency of the EU asset management industry

The goal of this new study is to investigate the performance and efficiency of the EU asset management industry *from the perspective of the financial user*.

The study is very relevant given the importance of the asset management industry to the EU economy as well as for a range of ongoing EU policy initiatives related to asset management. The amount of money managed by EU's asset management sector amounts to around EURO 13.8 trillion – around 50% of this is retail assets under management, 50% institutional investment management.

The fundamental purpose of the asset management industry is financial intermediation. Fund managers invest contributions provided by investor clients (retail, pension schemes etc) into real assets such as equities and bonds to produce investment returns for clients³. Fund managers generate revenue from a combination of fees and charges levied for managing assets. This is usually 'wrapped up' within some form of collective investment scheme or institutional fund such as a pension fund. There is also a long, complex supply chain of intermediaries⁴ that stand between the investor and the 'real economy'.

However, despite the obvious importance of the industry, few comprehensive, independent studies have been undertaken to assess the performance of the industry from the user perspective. The study will challenge some of the superficial assumptions about the industry. For example, there are hundreds of fund managers offering thousands of products and barriers to market entry appear to be relatively low. Moreover, there are numerous 'institutional' funds such as pension funds. There is a significant level of market activity. Therefore, from a conventional, theoretical economic perspective the market appears to meet the conditions for effective competition. However, it is not clear if these conditions for competition are translated into efficient market operations from the perspective of the financial user.

Rather than use conventional market indicators, we are using consumer and market 'outcomes' to assess market effectiveness and efficiency and developing a model to assess the welfare gain/ loss attributable to the activities of the industry.

Most of the focus of policymakers and consumer advocates has been on welfare loss caused by issues such as misselling. However, the welfare loss associated with market inefficiency could be significantly greater.

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 $^{^3}$ The accumulated assets may then be used for different purposes – for example, converted into an income stream in the form of an annuity

⁴ Including, for example, financial advisers, other intermediaries and consultants, information providers, fund of funds providers, platform providers, depositaries, custodians, investment banks and other wholesale market participants.

Concerns have already been raised about the comparative high charges in the EU asset management sector. But, it is also very important to consider investment performance as this has a major impact on financial welfare.

OTHER OUTPUTS AND COMMUNICATIONS MADE BY FSUG IN 2013

In addition to opinions and own initiative research reports, throughout the year, FSUG wrote to leading policymakers on a number of key issues. Copies of the correspondence can be found below.



Brussels, 25 June 2013 FSUG / MARKT/H3 D(2013)

Mr Michel Barnier European Commissioner for Internal Market and Services European Commission BERL 10/034 B-1049 Brussels

email: michel.barnier@ec.europa.eu

Dear Commissioner Barnier,

As announced in the European Commission legislative work programme for 2013, the European Commission is about to adopt a legislative initiative regulating the multilateral interchange fees for card payments.

The Financial Services User Group supports this legislative initiative in order to improve competition in the payments sector and increase consumers' choice. In addition, the FSUG asks the Commission to take the necessary measures to avoid that the key market players use their dominant position to increase costs for consumers.

This is the reason why in our response to the Green Paper 'Towards an integrated European market for card, internet and mobile payments', we said:

"There is a clear case for EU action, since there is no other way of tackling the abovementioned barriers across EU. Thus, EU legislation would be the most appropriate way of achieving legal clarity on interchange fees. The scope should cover both four-party and three-party schemes in order not to distort competition and create a level playing field. That being said, the impact of any policy option on consumers must be thoroughly assessed beforehand. For example, the impact on the cardholder fee and other fees directly paid by the consumer to his payment service provider should be anticipated."

A 2012 ruling by the General Court – a jurisdictional instance of the Court of Justice of the European Union – confirmed a European Commission decision which stipulated that MasterCard MIFs breach competition law.

By setting a floor under the costs charged to retailers, these retailers were unable to "exert greater competitive pressure on the amount of the costs they are charged for the use of their cards". Echoing arguments that MIFs constitute an unjustified source of

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> http://ec.europa.eu/internal_market/finservices-retail/fsug/index_en.htm Email: markt-fsug@ec.europa.eu

income, the Court concluded that MIFs "tended to overestimate the costs borne by the financial institutions on issuing payment cards".

In Spain (which is used by an international card company to lobby against the European Commission initiative) the situation is as such: Spain is a country with one of the lowest interchange fee levels in the EU. Since 1999, the Spanish Government has secured the signing of two agreements between banks and merchants to reduce interchange fees.

The last agreement implemented a reduction of nearly 60% on interchange fees for the period 2006-2010. The government estimated that this agreement would represent savings of €800 million to merchants and consumers (savings for merchants actually amounted to €2,749 billion in absolute numbers) as it would drop prices and improve services.

Actually during the period of application of the agreement, consumers had to pay more to their banks for their annual card fees, around €2,350 billion more, and it seems that they were less willing to use payments cards.

Here you can find official data published by the Bank of Spain reporting the increases on annual fees in credit and debit payment cards from 2005 onwards:

- Debit: http://www.bde.es/clientebanca/comisiones/csf/historico/TDBEMISI.htm
- Credit: http://www.bde.es/clientebanca/comisiones/csf/historico/TCREMISI.htm

In Spain, bank fees for all services¹, not only for cards, have dramatically increased in recent years making it impossible to establish a correlation with the regulation of MIFs. The increase is mostly due to bad management conducted by Spanish banks in general and the lack of supervision of the national regulators. However, it is still possible for Spanish consumers to access fee-free debit cards (online) but under some conditions.

According to a study carried out by EPSM in 2012, in Germany and in other European countries where there was no interchange regulation, the sales growth of card payments at the POS was also interrupted in 2009. Thus, the main driver of the slow-down in card payment growth seems to have been the financial crisis. There is also no evidence to support the claim that the reduction in interchange in Spain has led to higher withdrawals of cash and thus more widespread use of cash as a means of payments.

In the meantime, the reduction of the average transaction value suggests that the interchange reduction in Spain has led to a further expansion of card payments in low-price segments, meaning wider acceptance by merchants. It could be also explained by the financial situation of Spanish households who have limited their level of consumption.

The data collected in different EU Member States shows that the level of MIFs is not the main aspect that affects the evolution of the annual fee paid by card holders to their bank. In most Member States, the annual card fee for a Visa or a MasterCard varies from €0 in some banks to €18, €20, €25 and €38 for the most expensive banks (France), while MIFs are exactly the same within each country.

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¹ http://publicaciones.adicae.net/publicaciones/pdf/Comisiones2007-2012.pdf

The level of annual card fees only depends on the tariff policy and business model of each bank and the current crisis has led some of them to increase this stable source of income, relying on consumers' inertia as most of them do not switch to another bank.

In two countries, namely Denmark and The Netherlands, national card schemes operate with low MIFs which constitute a fixed amount and banks do not charge consumers. In the Danish case, it should be noted that Dankort (the Danish debit card) usually combined with Visa card (to be used abroad) works without a MIF in the traditional sense: NETS (the Nordic provider of payments, card and information services) and its predecessor PBS, acts as the only acquirer and all merchants pay a fixed fee that depends on the number of transactions submitted to NETS. Subsequently, NETS pays the issuers (the banks) a fee per Dankort transaction. The size of the merchant fee, and thus the fee from NETS to the issuers, is regulated.

The Dutch retail payments market is competitive: an alternative payment solution iDEAL has emerged over the past years and currently more than 60% of online purchases in The Netherlands are done using this means of payment rather than cards. Dutch consumers are satisfied with iDEAL which is cheap and safe. iDEAL satisfies the needs of both merchants and consumers.

For all the above reasons, the FSUG is of the opinion that the European Commission should reform the current business model for card payments as it has proven to be anti-competitive. This new business model must stop distorting competition and allow alternative payment service providers to establish themselves. One key measure to achieve this objective could be to reduce the level of MIFs. Another key measure is a ban on surcharges, as they have never proved an efficient means of improving the functioning of payments markets, but rather have become a business model of their own to generate extra profit (e.g. among airline companies) and complicate consumers' purchases.

The yardstick of any action must be that additional costs for consumers are avoided. No one wants to see the scenario of reduced MIFs leading to a rise in cardholder fees paid directly to a consumer's bank just because card companies and banks do not want to reduce their high profit margins.

Here are some proposals to prevent increased costs for consumers when the regulation enters into force:

- 1) Monitoring on a regular basis the annual fees paid by card holders to their banks and the evolution of prices of goods and services in shops where consumers mainly make card payment transactions (e.g. supermarkets, petrol stations, airline companies) in order to check that lower MIFs lead to lower prices.
- 2) Encouraging the reduction of all fees and interest rates which slow down the emergence of alternative cards and all other electronic payments. This could be done by improving the transparency of all payment account fees that should include all debit and credit card transactions fees including MIFs (see the EC legislative proposal on payment accounts), but also through the revision of the Payment Services Directive scheduled for this summer.
- 3) Promoting the interests of consumers in the payments area by inviting them, via information campaigns, to use cheap, safe and efficient payment services, and giving full and effective consumer participation in the observatories, forums and other national and European institutions dealing with payments.

4) Sanctioning those who do not comply with competition rules, including the retailers who do not pass on the reduction of MIFs to consumers.

Yours sincerely,

Mick McAteer

Chairman of the FSUG

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Guillaume Prache

Vice-Chairman of the FSUG

Cc: Erik Nooteboom, Philippe Pellé, Maciej Berestecki, Chris Gauci



Brussels, FSUG / MARKT/H3 D(2013)

Mr Werner LANGEN European Parliament ECON Rapporteur

email: werner.langen@europarl.europa.eu

Subject: The proposal for a Directive of the European Parliament and of the Council on Insurance Mediation (recast)

Dear Mr Langen,

The members of the Financial Services User Group (FSUG) wish to express their disappointment regarding your draft report on the proposal for a directive mentioned in the subject.

On 3 July 2012 the Commission published a proposal for a revision of the Insurance Mediation Directive (IMD 2). The goal of the Commission's proposal is to upgrade consumer protection in the insurance sector by creating common standards across insurance sales and ensuring proper advice.

Prior to this legislative proposal, the Commission consulted all stakeholders including the FSUG. The public consultation conducted in 2010¹ showed clearly there was a general consensus among them for the revision of IMD1 considering consumer protection as a central point of this revision, a vision we share and feel should underpin the recast directive:

"There is a general consensus that the level of policy holder protection embodied in EU law on insurance intermediaries needs to be raised. This conclusion is shared by consumer organisations, as well as by public authorities and financial advisors. The insurance industry and the insurance intermediaries underline that consumer protection has to be consistent all over the EU. In order to harmonise the information requirements for insurance intermediaries it has been suggested by a number of stakeholders to introduce a European Standard for status information."

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> http://ec.europa.eu/internal_market/finservices-retail/fsug/index_en.htm Email: markt-fsug@ec.europa.eu

http://ec.europa.eu/internal_market/consultations/docs/2010/insurance-mediation/summary_of_responses_en.pdf

"A majority of the respondents agree with the Commission proposal to extend the scope of the Insurance Mediation Directive. It should cover all market players which have insurance mediation as part of their activities – direct writers, banking and insurance companies, car rentals, etc."

"A majority of the respondents agree with the Commission proposal to add in the revised directive a chapter on the selling practices of PRIPs insurance products. The general line is that this chapter has to take into account the specificities of the insurance business. At the same time, a majority of the respondents support the Commission position that the selling practices rules for insurance PRIPs have to be aligned with the MIFID rules, in order to ensure an equal level of consumer protection."

This is the reason why the members of the FSUG do not understand why most of the Commission proposals to improve the text in relation to consumer protection have been ruled out in your report.

It is important to understand what an effective market that meets the needs and expectations of financial users looks like. Financial users expect:

- Access to value for money, safe, transparent, products and services that meet their needs from efficient, competitive providers that treat them fairly and who deserve their trust:
- Fair, sufficient information and unbiased advice to make the right choices;
 and
- iii) Adequate redress if things go wrong and wrongdoers held to account.

Unfortunately, far too often, the financial services industry in the EU – including the insurance industry - has failed to deliver these outcomes for consumers resulting in misselling scandals, unfair practices, inefficient markets and high prices, and unprofessional behavior.

Creating a market that works in the interests of financial users and meets those needs and expectations requires effective regulatory interventions that: i) deal with the root causes of market failure and misselling such as the conflicts of interest caused by aggressive incentive schemes; and ii) are robust, coherent and consistent to avoid regulatory arbitrage.

Unfortunately, we have to conclude that the impact of your report would be to seriously compromise the creation of an effective financial services industry that operates in the interests of financial users.

Here is a list of the main amendments to the EC proposal which are not acceptable from a consumer perspective (this is a non-exhaustive list):

- Equality of treatment between operators and customer protection are the key objectives of this EU directive and it is important to explain that in Recital 4 and ensure that the directive covers all relevant persons and institutions.
- Limiting the scope of IMD2 by excluding the insurances linked to the supply of goods or services (e.g.: mobile phone insurances, travel insurances, insurances linked to car rentals,...);
- Excluding 'economic benefit of any kind' from the definition of remuneration of the intermediary;
- Deleting the provision whereby insurance and insurance intermediaries have to demonstrate appropriate professional experience relevant to the complexity of the products they are mediating;
- Deleting the obligation for intermediaries to update their knowledge and ability through continuing professional development in order to maintain an adequate level of performance;
- Removing the requirement not to have been previously declared bankrupt;

- Deleting the duty to act honestly and fairly, and in accordance with the best interests of customers;
- Deleting the obligation to inform customers on the following aspects: whether or the intermediary provides any type of advice about the insurance products sold; whether the intermediary is representing the customer or is acting for and on behalf of the insurance undertaking:
- Deleting most of the provisions related to the transparency of remuneration of intermediaries: no obligation to inform customers on the nature of the remuneration received in relation to the insurance contract; if the intermediary will receive a fee or a commission of any kind and the full amount of the remuneration concerning the insurance products being offered or considered; if the amount of the commission is based on the achievement of agreed targets or thresholds relating to the business placed by the intermediary with an insurer;
- Making compulsory for Member States to allow tying practices and not only bundling practices;
- Allowing creditors to make loans subject to the contracting of a credit insurance policy and to refuse them where the consumers fails to take out such an insurance policy with the lender or another alternative supplier having similar characteristics to that offered by the creditor's preferred supplier;
- Making compulsory for Member States to authorise the marketing of products combining insurance cover against one or more risks;
- Deleting the provisions related to insurance advice provided on an independent basis:
- Deleting the provisions on investment life insurance which objective was to achieve a level playing field with the distribution of investment products (ruled by MiFID);
- Deleting the provisions on sanctions.

We hope that you will listen to our concerns on this serious matter and revise your opinions.

We look forward to hearing from you.

Mad 10 ta.

Yours sincerely,

Mick McAteer

Chairman of the FSUG

Guillaume Prache

Vice-Chairman of the FSUG

Cc: Jean-Yves Muylle, Philippe Pellé, Maciej Berestecki, Chris Gauci, Anna Kadar

ECON shadow rapporteurs: Antolin Sanchez Presedo. Olle Schmidt,

Ashley Fox, Swen Giegold

IMCO rapporteur (opinion): Catherine Stihler



Brussels, 19 March 2013 FSUG / MARKT/H3 D(2013)

Mr Michel Barnier European Commissioner for Internal Market and Services European Commission BERL 10/034 B-1049 Brussels

email: michel.barnier@ec.europa.eu

Subject: Proposed levy on Cyprus depositors

Dear Commissioner,

The FSUG (Financial Services User Group) met today and discussed this critical issue.

The Group unanimously decided to write to you as a matter of urgency to strongly support your position to exclude small depositors from the scope of this levy.

At the very least, this levy should not breach the EU-wide € 100,000 deposit protection principle in order to maintain trust and confidence throughout Europe.

We very much hope that this support from the EU financial services user-side experts will help the Commission convince the other Authorities involved not to penalize individual savers.

Yours faithfully,

Mick McAteer

Chairman of the FSUG

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Guillaume Prache

Vice-Chairman of the FSUG

Cc: FSUG members

Christopher Gauci, Maciej Berestecki / European Commission



Brussels, 17 April 2013 FSUG / MARKT/H3 D(2013)

Mr Michel Barnier European Commissioner for Internal Market and Services European Commission BERL 10/034 B-1049 Brussels

email: michel.barnier@ec.europa.eu

Dear Commissioner Barnier,

Reading the draft agenda of the 24th May 2013 EC Hearing on Financial Supervision in the EU, the European Commission's Financial Services User Group (FSUG) is disappointed to see that while there are several bankers as speakers, there are no speakers from the European Supervisory Authorities' Stakeholder Groups, and none from the financial user side except our FSUG colleague Marcin Kawinski, but who is presented as an academic, not as a financial users representative.

The review of the three year old post crisis European financial supervision system is of huge significance. However, the balance of representation of interests between providers and users - which is one of your objectives - is clearly not there.

The FSUG kindly and respectfully asks the Commission to consider including representatives from the user side as speakers for this hearing, and - in particular - a representative of the FSUG. This is important in terms of accountability and user representation but would also lead to a much more balanced, objective, comprehensive and, therefore, more productive review.

Yours sincerely,

Mick McAteer

Chairman of the FSUG

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Guillaume Prache

Vice-Chairman of the FSUG

Cc: FSUG members

Christopher Gauci, Maciej Berestecki / European Commission

External relationships of FSUG

Events FSUG members have spoken at:

- 24 May 2013 EC Public Hearing on Financial Supervision in the EU: Marcin Kawiński represented FSUG in Panel 4: The future EU supervisory framework – need for structural changes?
- 3 June 2013: EC Workshop on Crowdfunding: Guillaume Prache represented FSUG as a panel speaker on "challenges and benefits of lending and securities based crowdfunding".
- In October 2013, Mick McAteer represented FSUG at a EUROFINAS conference on overindebtedness in the EU.
- In October 2013, Mick McAteer represented FSUG at a EACB meeting to discuss eth role of FSUG and its priorities.

Memberships in other bodies

Christiane Hölz has been appointed to the Consultative Working Group of ESMA's Investor Protection and Intermediaries Standing Committee (IPISC CWG). The CWG assists IPISC in undertaking ESMA's work on issues relating to the provision of investment services and activities by investment firms and credit institutions whereby particular regard is made to investor protection. Christiane contributes to the CWG as member of the FSUG.

Mick McAteer is a member of the ESMA Financial Innovation Standing Committee Consultative Working Group (CWG). The remit of the CWG is to: provide the ESMA FISC with market intelligence on emerging financial innovations to improve its ability to proactively identify potentially harmful trends within the financial services market; define metrics to identify and in turn analyse products, services or processes that may pose a threat to investors and/or financial stability; and provide insight to areas of concern relating to the introduction of newly created or evolving products, as well the development of financial product distribution to a wider investor base.

The FSUG participated in the **European Multi-Stakeholder Forum on Electronic Invoicing** making contributions from a consumer and micro business entity perspective. There have been two physical meetings and a number of conference calls this year where an FGUG member has participated. A survey of FSUG members was carried out identifying good practice across Europe for Business to Consumer (B2C) E billing (which classically includes billings by utility companies) which was reported to the Stakeholder Group. More recently FSUG contributed to a Report on Electronic Invoicing Experience and Good Practices for Small and Medium Enterprise.

Guillaume Prache is Chair of the ESMA Securities and Markets Stakeholder Group which helps facilitate consultation by ESMA with stakeholders in areas relevant to ESMA's tasks, such as the development of technical standards and guidelines. The Group comprises 30 members representing: financial market participants operating in the EU; employee representatives of financial market participants; consumers; users of financial services; and representatives of small and medium-sized enterprises.

Marcin Kawinski is a member of the EIOPA Insurance and Reinsurance Stakeholder Group. Jan Sebo is a member of the EIOPA Occupational Pensions Stakeholder Group. The EIOPA stakeholder groups include 30 members each and are established to facilitate EIOPA's consultation with stakeholders in Europe on issues such as regulatory and implementing technical standards as well as guidelines and recommendations that apply to the insurance and occupational pensions industry. Members of the stakeholder groups can submit opinions and advice to EIOPA on any issue related to its task. Additionally, the stakeholder groups are expected to notify EIOPA of inconsistent application of European Union law as well as inconsistent supervisory practices in the different European member states.

Nikolaos Daskalakis, Alin lacob and Robin Jarvis have been appointed to the Banking Stakeholder Group of the European Banking Authority, as of October 2013. The EBA's Banking Stakeholder Group is composed of 30 members appointed to represent in balanced proportions credit and investment institutions operating in the Union, their employees' representatives as well as consumers, users of financial services and representatives of SMEs. The Group's role is to help facilitate consultation with stakeholders in areas relevant to the tasks of the EBA. Nikolaos Daskalakis is appointed as SMEs representative, Alin lacob as consumers' representative and Robin Jarvis as a top rank academic.

SPECIAL FEATURE

Reflections on the role of FSUG

Six years have passed since I first participated in the work of FINUSE and its successor organisation FSUG, the Financial Services Users Group. As I now complete my remit, I will briefly share my impressions of some achievements and what continues to be done to enhance the capacity of users of financial services.

Since early 2008, the banking, financial and economic crises have taken centre stage in the thinking of citizens, users of financial services, and tax payers. All of whom have dramatically suffered detriment, whether it be financial loss, unemployment, high levels of unsustainable debt, reduced income earnings and financial exclusion. This situation is further exacerbated by the loss of confidence and trust in States' institutions, their policy makers, political representatives and financial institutions. Not only have employment opportunities been reduced and investment activity diminished, but social unrest and protest have been manifest. Many citizens, young and old, have experienced little relief from the unremitting hardship, austerity and loss of hope, and some have even taken their own life, resulting in even greater devastation for families and friends. These real costs will reverberate inter-generationally for many years to come.

Nevertheless, the mission of FINUSE/FSUG continues to be discharged in these difficult times by dedicated, committed representatives and experts who do their utmost to ensure that the voices of financial services users are heard at EU level on a range of important topics. In addition to responding to over seventy consultations on a diversity of financial subject matter, during my term of involvement there are three further important initiatives of FSUG, supported by EC Internal Market, which merit mention:

- The commissioning of projects for research and report publication
- The holding of an annual external FSUG meeting in a Member State
- The preparation and publication of FSUG's own initiated Papers

Since the commencement of FSUG's research programme in 2011, it has recommended for Commission approval and then managed a number of research projects. External consultants have been engaged to undertake the research which results in reports of considerable value to FSUG's work, the Commission and other user stakeholders. Some of the research undertaken:

- The position of savers in private pensions
- Protecting consumers in financial difficulty
- Remuneration structures of financial services intermediaries and conflicts of interest
- Study on the means of shareholder ownership
- Welfare loss caused by high charges and inefficiencies in the EU asset management sector
- How to promote access to and use of affordable saving products for all European financial services users, in particular low income people.

As the research work is concluded reports are published on FSUG's website. It is anticipated that this work will be of lasting benefit, contributing to on-going research and the elucidation of matters of importance for the protection of financial services customers, and to those who have policy making and legislative responsibilities.

The second innovation which I consider to be highly useful has been the practice of holding one meeting each year in the Member State of one of FSUG's members. This is useful not only to the deliberations of FSUG but also for host country consumer representative groups. It provides for the face-to-face presentation to FSUG by relevant host country government officials and representative organisations of data on the prevailing socio-economic circumstances; information on the relative depth and extent of financial service provision; the existence and extent of pertinent legislation/regulation; explanations on the causes of concern and detriment to consumers and the means/lack of redress mechanisms; and the endeavours of user representatives to secure improved protection mechanisms.

The fact that a respected EC-supported body such as FSUG would visit with Member States, hold meetings with recognised financial services users' representatives and dialogue on their behalf directly with policy makers and government officials helps raise their status as consumer protectors and advocates. To date, such meetings, with the administrative and logistical support of Internal Market staff, have beneficially taken place in Athens, Madrid and Bucharest.

Another activity which FSUG has undertaken during this time is to prepare own-initiative papers on topics which it considers might usefully contribute to debate, influence Commission, EU level regulators and policy makers' attitudes in their deliberations and decisions which impact financial services users. FIN-USE and FSUG have always been conscious of and concerned about the imbalance of representation, resources and influence that continues to exist between the financial industries' power and funding ability to lobby, undertake research and steer outcomes in their own favour. This is in stark contrast with the inadequately represented, underfunded and otherwise poorly resourced users' representatives' capabilities. FSUG hopes that production of these papers will go some way to reducing such imbalances.

Examples of these papers available on FSUG website are:

- Consumer voice in financial services
- The silence of the lambs: the voice of European financial services users in the crisis
- Reforming mortgage and credit markets
- FIN-USE: Its future role
- Consumer voice at the heart of the decision making structures at EU and MSs
- Reforming financial markets: putting the financial user at the heart of financial market reform
- Conflicts of interest in financial services: Who is the principal and who is the agent
- FSUG risk outlook-New economic paradigm
- Making financial services work for financial users. Paper1: New model financial regulation.

The development of Credit Unions across Member States

Apart from the mainstream for-profit providers of financial services there also exists world-wide (and already in a numbers of EU countries) member-owned, not-for-profit financial cooperatives usually known as Credit Unions. For example, in Ireland there are over three million credit union member account holders in five hundred communities, vocational and industrial based credit unions. These entities have their beginnings in Germany in the 1840's with Friedrich Wilhelm Raiffeisen recognised as their instigator and pioneer developer. Their purpose was, and still is today, to help people help themselves in the accumulation of personal savings and it is from this collective pool of money that each credit union makes loans available to borrowing members at reasonable non-exploitive rates of interest. Loans are provided for a wide variety of provident and productive purposes such as household goods, education, medical costs, holidays, motor cars, festive occasions, property purchase, SME, farming and business requirements, etc.

Credit unions are governed by a democratically elected board of directors selected from among the membership. Members have a real voice in the affairs of their credit union, and each has only one vote irrespective of the amount of shares/savings held. The authorisation and operation of credit unions is normally permitted under dedicated legislation, with proportionate supervisory oversight and regulation often undertaken within a specialised Central Bank department.

Credit unions provide for and write off non-performing loans on a conservative basis, meet capital reserve requirements from allocations of operating surplus, maintain statutory levels of liquidity and may remunerate savings by the payment of dividends from available final surpluses. Elected officials and executive staff comply with fitness and probity requirements as required.

Credit unions and other cooperative type organisations around the globe have not been the cause of the financial crisis. And while some credit unions and their member owners have suffered losses resulting from the crisis, credit unions have emerged in good shape and are confident for the future. The self-help ethos of credit unions in places like Ireland, United Kingdom, Poland, Romania, Macedonia, and Baltic countries remains as vibrant as ever and sustains them to serve current and future financial needs of their members, and potential members. www.creditunionnetwork.eu

Where credit unions already exist in Member States they confer important economic, social and inclusion benefits on their member and on the wider community.

I believe, therefore, that it is now timely that the Commission determines how best to facilitate the expansion and development of credit unions for the benefit of all European citizens.

Patrick Fay

SUMMARY OF MINUTES: FSUG MEETINGS FROM NOVEMBER 2012 TO OCTOBER 2013

The following provides a brief summary of the issues discussed at the FSUG meetings.

5-6 November 2012

- European Commission proposals for a single supervisory mechanism (banking union) – presentation by Mr Jan Ceyssens (Internal Market and Services DG/02)
- Adoption of the agenda and approval of the minutes of the last meeting (18 19 September 2012) – Tour de table
- 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
- Consultation on a Possible Framework for the Regulation of the Production and Use of Indices serving as Benchmarks in Financial and other Contracts – presentation by Mr Philip Tod (Internal Market and Services DG/G3)
- Judgement of the Court of Justice concerning Consumer Credit Directive presentation by Ms Maria Lissowska and Mr Detelin Ivanov (DG Health and Consumers/B4)
- Initiative on third-pillar retirement products and related questionnaire presentation by Mr Stefano Paci (DG Health and Consumers/B4) and discussion about the FSUG response to the questionnaire
- Update and discussion on the FSUG responses to the ongoing consultations
- Report of the High-level Expert Group on Reforming the structure of the EU banking sector (Liikanen Group) – deadline 13 November
- Consultation on a Possible Framework for the Regulation of the Production and Use of Indices serving as Benchmarks in Financial and other Contracts – deadline 29 November
- Consultation on a possible framework for the recovery and resolution of nonbank financial institutions – deadline 28 December
- First discussion on the programme of the FSUG external meeting in Bucharest in 2013
- Report of the High-level Expert Group on Reforming the structure of the EU banking sector (Liikannen Group) – presentation by Ms Monique Goyens (Director General of BEUC)
- State of play of the 2012 FSUG research studies presentation by Mr Jan Sebo and update by Mr Maciej Berestecki (Internal Market and Services DG/H3)
- First discussion on the topic(s) of the 2013 research studies
- Results of the consultation on shadow banking and the follow-up presentation by Mr Reinhard Biebel (Internal Market and Services DG/02)
- State of play of the 2012 FSUG priorities reports:

Financial supervision and sanctions

Alternative providers of financial services

- Review of the Payment Services Directive update by Ms Birgit Weise-Montag (Internal Market and Services DG/H3)
- Update on the OECD High-Level Principles on Financial Consumer Protection update by Mr Maciej Berestecki (Internal Market and Services DG/H3)
- FSUG administrative issues

3-4 December 2012

- Adoption of the agenda and approval of the minutes of the last meeting (5-6 November 2012) – Tour de table
- Update on the negotiations of the Insurance Mediation Directive 2 in the European Parliament and the EU Council – presentation by Ms Anna Kadar (Internal Market and Services DG/H2)
- Study on the position of savers in private pension products (draft final report) presentation by Oxera
- FSUG Communication strategy feedback from the Commission on the paper submitted by the FSUG
- Credit reporting in the EU: present and proposed legal framework presentation by Mr Mario Guglielmetti (DG Justice/C3)
- Decision on the date and discussion on the draft agenda of the FSUG external meeting in Bucharest in 2013
- Evaluation of the FSUG activity in 2012 in view of the meeting of the FSUG Chair and Vice-chair with heads of units in charge of the FSUG
- Dissemination of the 2012 FSUG annual report to external stakeholders
- Publication of the article "A fundamental rights-led approach to the regulation of consumer financial markets" (by Federico Ferretti) on the FSUG website
- Consultation on a possible framework for the recovery and resolution of nonbank financial institutions (deadline 28 December) – state of play of the FSUG response
- Status of inter-institutional negotiations on the Alternative Dispute Resolution and Online Dispute Resolution legislative proposals – presentation by Ms Maria-Cristina Russo (DG Health and Consumers/B4)
- Feedback from the meeting of the FSUG Chair and Vice-chair with heads of units in charge of the FSUG
- OECD High-Level Principles on Financial Consumer Protection discussion and feedback from the FSUG on the issues to be covered by the three priority principles: Disclosure and Transparency; Responsible Business Conduct of Financial Services Providers and Authorised Agents; and Complaints Handling and Redress.
- Securities Law Legislation presentation by Mr Chris Redmond and Mr Martin Mitov (Internal Market and Services DG/G2)
- Update on the 2012 FSUG priorities reports:
 - Financial supervision and sanctions
 Alternative providers of financial services
- FSUG research studies
- Results of the UCITS 6 consultation presentation by Mr Rostislav Rozsypal and Ms Olfa Ben Jamaa (Internal Market and Services DG/G4)

12-13 February 2013

 World Bank Report on the Treatment of the Insolvency of Natural Persons – presentation and discussion by Professor Iain Ramsay, member of the Working Group on the Treatment of the Insolvency of Natural Persons and of the Report drafting committee

- Study on remuneration structures of financial services intermediaries and conflicts of interest – kick-off meeting with iff (institut für finanzdienstleistungen)
- Adoption of the agenda and approval of the minutes of the last meeting (3-4 December 2012) – Tour de table
- 8th Consumer Scoreboard presentation by Ms Anna Jassem-Staniecka (Health and Consumers DG/B1)
- How can the FSUG make better use of the results of the personal bankruptcy and pension studies?
- Discussion and selection of the topic for the 2013 FSUG research studie(s)
- Discussion on the FSUG response to the on-going consultations:
 - Informal questionnaire on private long term investment funds
 Draft Implementing Technical Standards on reporting of national provisions of
 prudential nature relevant to the field of occupational pension schemes by
 EIOPA
- Brief update on the negotiations of the European Commission proposal on PRIPs –
 by Mr Timothy Shakesby (Internal Market and Services DG/G4)
- FSUG letter concerning the Commission proposal for Insurance Mediation Directive to the European Parliament – brief discussion
- Update on the EU initiative on credit rating agencies presentation by Mr Philippe Caluwaerts (Internal Market and Services DG/G4)
- European Commission study on overindebtedness of European households presentation by Mr Francesco Gaetano (Health and Consumers DG/B4)
- "Who owns the EU Economy? Evolution of the ownership of EU-listed companies between 1970 and 2012" – kick-off meeting with Observatoire de l'Epargne Européenne
- Study on the position of savers in private pension products discussion on the final report
- Feedback from the meeting of the FSUG chair and vice-chair with the heads of units in charge of the FSUG Secretariat

19-20 March 2013

- Adoption of the agenda and approval of the minutes of the last meeting (12-13 February 2013) – Tour de table
- Opening remarks by Mr Erik Nooteboom new Head of Unit in charge of retail financial services and consumer policy (Internal Market and Services DG/H3)
- Meeting with Ms Paola Testori Coggi, Director-General of DG Health and Consumers
- Consultation on a Possible Framework for the Regulation of the Production and Use
 of Indices serving as Benchmarks in Financial and other Contracts presentation of
 the results by Mr Philip Tod (Internal Market and Services DG/G3)
- Implementation of the Consumer Credit Directive: an example from Poland presentation by Mr Marcin Kawinski (FSUG member) and Ms Maria Lissowska (Health and Consumers DG/B4)
- Meeting with Mr Jonathan Faull, Director-General of DG Internal Market and Services
- Election of the Chair and Vice-chair of the FSUG
- 2012 FSUG priorities state of play:

Financial supervision and sanctions

Alternative providers of financial services

- Project of the European Network and Information Security Agency (ENISA) on current practices on user identification and authentication in ePayment services – discussion on draft questionnaire
- European Commission proposal for a Council Directive implementing enhanced cooperation in the area of financial transaction tax – presentation by Ms Denada Prifti (Internal Market and Services DG/G1)
- Decision on the topic(s) for the 2013 FSUG research studie(s) and planning of the preparatory work
- European Commission proposals for a single supervisory mechanism (banking union) – update on the state of play of the negotiations in the Council and Parliament by Ms Raffaella Assetta (Internal Market and Services DG/02)
- Revision of the FSUG rules of procedure
- European Commission proposals for a Directive on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing and for a Regulation on information accompanying transfers of funds – presentation by Mr Tobias Mackie (Internal Market and Services DG/02)
- Discussion on the inception report form the study on the remuneration structures of financial services intermediaries and update on recently completed FSUG research studies
- Administrative points and on-going consultations:

Update on the organization of the FSUG external meeting in Bucharest Draft Implementing Technical Standards on reporting of national provisions of prudential nature relevant to the field of occupational pension schemes by EIOPA

22-23 May 2013

- Adoption of the agenda and approval of the minutes of the last meeting (19-20 March 2013) – Tour de table
- Impact assessment for the Commission legislative proposals presentation by Mr Claudio Collova and Ms Lenka Cervenkova (Internal Market and Services DG/B2)
- Project of the European Network and Information Security Agency (ENISA) on current practices on user identification and authentication in ePayment services – brief discussion on the final questionnaire
- Staff Working Document on 3rd pillar pensions presentation by Mr Francesco Gaetano (Health and Consumers DG/B4)
- Information campaign on the Consumer Credit Directive presentation by Mr Bert van Maele (Health and Consumers DG/B4)
- On-going consultations

Green paper on the long-term financing of the European economy – presentation by Ms Soledad Bernabe Casado (Internal Market and Services DG/02) – deadline 25 June

Consultation on the implementation of the Commission Recommendation on the scope and effects of legal tender of euro banknotes and coins – deadline 21 June

Effective Approaches to Support the Implementation of the G20 High-Level Principles of Financial Consumer Protection – consultation by the OECD – deadline 31 May

Crowdfunding

- Directive on credit agreements for consumers relating to residential immovable property – presentation by Ms Emilie Truchet and Mr Francesco Tuzi (Internal Market and Services DG/H3)
- Commission proposal for a Directive on Payment Accounts presentation by Ms Zertasha Malik (Health and Consumers DG/B4), Mr Paolo Fucile and Mr Maciej Berestecki (Internal Market and Services DG/H3)
- Capital Requirements Directive IV presentation by Mr Erik Van der Plaats (Internal Market and Services DG/H1)
- Interim report for the study on the remuneration structures of financial services intermediaries – meeting and discussion with IFF
- Update on the preparation to the FSUG external meeting (Bucharest, 10-11 June 2013)
- Meeting with Mr Jonathan Faull, Director-General of DG Internal Market and Services
- State of play of the FSUG external studies

Who owns the EU Economy: evolution of the ownership of EU-listed companies between 1970 and 2012

Terms of reference for the 2013 FSUG studies

10-11 June 2013 (external meeting in Bucharest)

- Welcome address by Mr Alin Iacob (FSUG member)
- Adoption of the agenda and approval of the minutes of the last meeting (22-23 May 2013)
- Overview of the Romanian financial markets and economy presentation and discussion with FSUG members:

Mr Ionut Dumitru, chairman of the Fiscal Council and President of the Financial Banking Analysts' Association in Romania, PhD Lecturer at the School of Finance, Chief Economist at Raiffeisen Bank

 European capital markets regulation: impact on private investors and gaps in the implementation and enforcement in Romania – presentation and discussion with FSUG members:

Mr Dumitru Beze, Chairman of the Romanian Investors Association

Main problems of financial services users and consumer protection policy in Romania
 presentation and discussion with FSUG members:

Mr Mihail Meiu, Head of the European Harmonisation and Strategies Unit, National Authority for Consumer Protection

Mr Emil Bojin, representative of consumer organization – APC Romania (member of BEUC)

Ms Emilia Datcu, Adviser, Romanian Data Protection Authority

Ms Raluca Popa, Head of Unit, Romanian Data Protection Authority

 Challenges for SMEs in Romania – presentation and discussion with FSUG members

Ms Ana Bontea, Director of the Department for Legal Affairs and Social Dialogue, National Council of Small and Medium-sized Enterprises in Romania – CNIPMMR (member of UEAPME), member of the European Economic and Social Committee

- Single Market Month initiative information point by Mr Maciej Berestecki (DG MARKT/H3) and Mr Christopher Gauci (DG SANCO/B4)
- Financial markets supervision presentation and discussion with FSUG members

Ms Lucretia Paunescu, Head of Inspection Division 2, Supervision Department, National Bank of Romania

Mr Mihai Crisan, Head of Information and Investors' Protection Department, Capital Markets Sector, Authority for Financial Supervision

Mr Dan Zavoianu, Public Relations and International Affairs Manager, Private Pensions Sector, Authority for Financial Supervision

 Update on the negotiations / adoption process for the initiatives of interest for the FSUG – by Mr Christopher Gauci (DG SANCO/B4) and Mr Maciej Berestecki (DG MARKT/H3)

> Commission Proposal for a Directive on Payment Accounts Revision of the Payment Services Directive

- Discussion on the first drafts of the terms of reference for the research studies to be contracted in 2013 – by Mr Christopher Gauci (DG SANCO/B4) and Mr Maciej Berestecki (DG MARKT/H3)
- Discussion on the FSUG draft responses to on-going consultations:

Implementation of the Commission Recommendation on the scope and effects of legal tender of euro banknotes and coins (deadline 21/06) Green paper on the long-term financing of the European economy (25/06)

Structural Reform of the Banking Sector (03/07)

3-4 July 2013

- Adoption of the agenda and approval of the minutes of the FSUG meeting in Bucharest (10-11 June 2013) – Tour de table
- Single Market Month update on the project by Ms Delphine Leroy (Internal Market and Services DG/H3) and discussion on the topics to be proposed by the FSUG
- Simpler EU accounting rules for small companies presentation by Mr Jean Philippe Rabine (Internal Market and Services DG/F3)
- EuroFinUse research report on the real return of pension savings presentation by Mr Guillaume Prache (FSUG member)
- Pension Forum presentation by Ms Helga Vogelmann (Employment DG/D3)
- NewB (ethical bank) initiative presentation by Mr Bernard Bayot (FSUG member)
- Online Dispute Resolution platform (ODR platform) development of the IT tool presentation by Ms Susanne Richter (SANCO DG/B4)
- On-going consultations

Consultation on the Green Pap er on the Insurance of Natural and Man-made Disasters (deadline 15.07)

Review of the European System of Financial Supervision (deadline 19.07) Commission Staff Working Document: Consumer protection in third-pillar retirement products (deadline 19.07)

EIOPA: Discussion Paper on a possible EU-single market for personal pension products (deadline 16.08)

Finalization of the terms of reference for the 2013 FSUG research studies:

How to promote access and use of appropriate saving products for all European financial services users

Performance and efficiency of the EU asset management industry

- Discussion on the conclusions of the FSUG meeting in Bucharest by Mr Alin Jacob (FSUG member)
- Commission Recommendation on common principles for injunctive and compensatory collective redress mechanisms in the Member States concerning violations of rights granted under Union Law – presentation by Ms Malgorzata Posnow-Wurm (SANCO DG/B4)
- First discussion on the 2013 FSUG Annual Report
- Report on the application of the Unfair Commercial Practices Directive (UCPD) and a study on the UCPD application in financial services – presentation by Ms Sophie Ridoux (Just DG/A3) and Dr Frank Alleweldt (Civic Consulting)
- "Who owns the EU Economy? Evolution of the ownership of EU-listed companies between 1970 and 2012" – meeting with Observatoire de l'Epargne Européenne and discussion over preliminary draft final report of the study
- Directive on Payment Accounts discussion with MP Jurgen Klute, rapporteur of the ECON Committee in the European Parliament

10-11 September 2013

- Adoption of the agenda and approval of the minutes of the last FSUG meeting (3-4 July 2013) – Tour de table
- Single Resolution Mechanism for the Banking Union presentation by Mr Emiliano Tornese (Internal Market and Services DG/H4)
- Revised Payments Services Directive (PSD2) and a Regulation on Multilateral Interchange Fees (MIFs) – presentation by Ms Silvia Kersemakers (Internal Market and Services DG/H3)
- Small claims procedures the way forward presentation by Mr Jacek Garstka (JUST DG/A1)
- 2013 FSUG research studies:

Finalization of the terms of reference for the study on the performance and efficiency of the EU asset management industry

Update on the tender procedure for the study on how to promote access and use of appropriate saving products for all European financial services users

- 2013 FSUG Annual Report discussion on the work progress
- Position paper of the European Mortgage Federation on the FSUG study on personal bankruptcy – discussion
- Professional Standards Board initiative of the Chartered Banker Institute presentation by Mr Simon Thompson, Chief Executive Chartered Banker Institute
- Market Abuse Regulation presentation by Mr Philip Tod (Internal Market and Services DG/G3)
- Single Market Month update on the project by Ms Delphine Leroy (Internal Market and Services DG/H3) and Mr Bruno Franchetti (Internal Market and Services DG/A4)

- Single Market Month discussion on the topics proposed by the FSUG
- Consumer Credit Directive enforcement presentation by Ms Maria Lissowska (SANCO DG/B4)
- Commission proposal for a Regulation on European Long-term Investment Funds presentation by Mr James Hopegood (Internal Market and Services DG/G4)
- 2012 FSUG research studies discussion on the reports:

Draft final report for the study on remuneration structures and conflicts of interest

Final report for the study "Who owns the EU Economy? Evolution of the ownership of EU-listed companies between 1970 and 2012

22-23 October 2013

- Adoption of the agenda and approval of the minutes of the last FSUG meeting (10-11 September 2013) – Tour de table
- Opening remarks by Ms Despina Spanou Director in charge of consumer protection policy (Directorate D, DG Health and Consumers), and by Mr Mario Nava – Director in charge of Financial Institutions (Directorate H, DG Internal Market and Services)
- Report on Gender Gap in Pensions in the EU presentation by Ms Lucie Davoine and Ms Nuria Diez Guardia (Just DG/D2) and Mr Platon Tinios
- Communication on shadow banking presentation by Mr Reinhard Biebel and Mr Cedric Jacquat (Internal Market and Services DG/02)
- Public consultation on crowdfunding exploring the added value of potential EU action – presentation by Ms Barbara Gabor (Internal Market and Services DG/G3)
- Study on the legal choices and manner of the transposition of the Consumer Credit Directive by Member States – presentation by Ms Maria Lissowska (Health and Consumers DG/B4) 2012 and 2013 FSUG research studies – update on the state of implementation
- Which problems of financial users should be tackled by the policy of the European Commission in close future? – FSUG views and discussion with Mr Erik Nooteboom (Internal Market and Services DG/H3)
- (Hidden) fees for card payments: Would transparency change consumer behaviour?
 presentation by Mr Emanuele Ciriolo (Health and Consumers DG/B1)
- Feedback Statement following Commission public consultation on consumer protection in third pillar retirement products presentation by Mr Alessandro Gianini (Health and Consumers DG/B4)
- The Transatlantic Trade and Investment Partnership (TTIP) negotiation presentation by Ms Agnete Philips on (Internal Market and Services DG/B4) and Mr Petr Wagner (Internal Market and Services DG/B4)
- Note on the potential impact on users of a likely increase in interest rates discussion with Mr Elemér Tertak (Principal advisor, Internal Market and Services DG)
- Commission proposal on Money Market Funds presentation by Ms Franck Conrad (Internal Market and Services DG/G4)
- New Belgian Law to enhance consumer protection in financial services presentation by Mr Bernard Bayot (FSUG member)

FSUG MEMBERS

FSUG has 20 members, who are individuals appointed to represent the interests of consumers, retail investors or micro-enterprises, and individual experts with expertise in financial services from the perspective of the financial services user.

Name	Nationality	Title
McATEER Mick Chairman	UK	Founder-Director, The Financial Inclusion Centre Non-executive Director, The Financial Services Authority (FSA)/ Financial Conduct Authority (FCA)
PRACHE Guillaume Vice Chairman	FR	Managing Director, European Federation of Financial Services Users (EuroFinUse)
BAYOT Bernard	BE	Managing Director, Réseau Financement Alternatif (RFA)
ŠMEJKAL David	CZ	Director, Debt Advisory Center
COTTRELL Vera	UK	Principal Policy Advisor, Which? Consumer Association
DASKALAKIS Nikolaos	EL	Head of Market and Entrepreneurship, Hellenic Confederation of Professional, Craftsmen and Merchants (GSEVEE)
DUPAL Libor	CZ	Chairman, Czech Consumer Association
FAY Patrick J	IE	Credit Union Expert, Director Irish League of Credit Unions
FERRETTI Federico	IT	Lecturer in Law, Brunel University West London
FILY Anne	FR	Head of the Economic and Legal Department, European Consumers' Organisation (BEUC)
GARCÍA PORRAS Catherine Ivonne	NL	Doctoral Researcher, Behavioral Approaches to Contract and Tort: Relevance for Policymaking Research Programme - Erasmus University Rotterdam
HÖLZ Christiane	DE	Member of Legal Committee, European Federation of Financial Services Users (EuroFinUse)
IACOB Alin-Eugen	RO	Editor in Chief, Conso Media Group Srl

JARVIS Robin	UK	Professor, Accounting Brunel University Head of SME Affairs, Association of Chartered Certified Accountants (ACCA)
KAWIŃSKI Marcin	PL	Lecturer, Warsaw School of Economics Member, IRSG and OPSG of EIOPA, BSG of EBA
PARENT Anne-Sophie	BE	Secretary General, AGE Platform Europe
PRANTNER Christian	AT	Expert of financial services, Federal Chamber of Labour
ŠEBO Ján	SK	Associate Professor, Matej Bej University Consultant, Independent Traders Club
WESTPHAL Manfred	DE	Head of Financial Services Department and Member of Management, vzbv (Federation of German Consumer Organisations)
FARRÉS ROSELLÓ Jofre	ES	Head of Savings and Investments, Spanish Association of Users of Banks, Savings Banks and Insurances (ADICAE)



FSUG Financial Services User Group

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