



Minutes of the Financial Services User Group 13-14 July 2015

Time:	13 July 2015 14 July 2015	11.30-18.00 10.00-16.30
Place:	FISMA, Thierry Stoll Room	

13 July

Integration of retail financial services: presentation of findings by co-ordinators and draft contribution to the Commission

FSUG members presented the findings of the data collection exercise in the following sectors:

- on payments, big differences between MS were found (same as in the Commission 2009 study) in a sector characterised by low mobility and high prices. In certain markets direct debits are more expensive than credit transfers. The card market (40€/year on average for a credit card) presents significant disparities in prices. Tying is a barrier, as well as misuse of AML rules and an infrastructure which is often only domestic and not interoperable.

- in the field of mortgages, the main barrier to integration is that mortgages are often tied with other products. Different practices exist in different MS, also caused by differences in the markets (e.g. social measures). It is necessary to increase transparency (maybe also setting up comparison tools).

- simple life insurances are not easily available, and are often tied with other products. Here as well there is a need for a simple product. There is a lack of distribution channels, coverage of guarantee schemes is an issue and there are no international brokers. A simple product could be a solution, while something has to be done on margins and the usage of postal codes still represents a barrier.

- in the field of car insurance, it is difficult to assess risk or to obtain compensation cross-border. Tax consideration and liability issues also apply, while it is sometimes needed to declare a domestic driving license number. Providers do not want to sell cross-border and there is also low demand. Standardisation of products could be a solution.

- investment funds are a unique example of pan-EU product. EU citizens are mostly sold AIFs, not UCITS. Past performance and fees are often difficult to find. The EU market is characterised by a high number of product (four times those in US market) and by a high level of fees (twice the US average). More fact finding is needed, AIFs should be banned in retail packaged product. A pan-EU PPP could be created as a simple product. More information is needed to boost confidence in a market which is currently highly intermediated.

- as for foreign exchange purchases, there is little competition and no transparency on exchange rates used. An investigation should be launched on pricing practices, and ways of disclosure of true costs should be explored. Necessary measures should be taken to make the market more competitive, lower prices and increase competition.

- investment life insurances are complex products with high transaction costs for cross-border purchases and low awareness of the fact that better deals are available for those shopping

cross-border. There is uncertainty about the legal framework, language barriers and need for a simple language.

- the field of personal pensions is one where comparisons are difficult to make. There are surely high transaction costs for cross-border purchases and tax incentives for local players. In this sector as well there is low awareness of good products, legal and language barriers, no comparison of performances and frequent changes to fee policy. PRIIPs should be extended to personal pensions.

- in the consumer credit market there is a big difference in interest rates (e.g. data collected shows an interest rate of 10% in PL and one of 33% in RO). Barriers are represented by the fear of impossibility of debt recovery, legal uncertainty, worries about dispute resolution and residency requirements.

Coordinators will now check once again their data, identify priorities and barriers, so that a summary and a position paper can be drafted by the end of the month, in order to input to the Green Paper FISMA is preparing.

Lessons learnt from the Amsterdam meeting

Members agreed to share drafting of the conclusions from Amsterdam meeting regarding the following topics:

- Credit data (BKR): Federico/Martin
- Collective redress (De Brauw): Paul
- Budget planning (Nibud): Anne
- Ban on inducements (AFM): Sue
- Recent developments (Consumentenbond): Anne
- Retail investors (VEB): Paul
- Pensions (PGGM): Anne-Sophie

Paul volunteered to coordinate the exercise.

Members agreed to draft their respective parts by the beginning of September in order to feed in the first draft of the Annual Report.

Preparation of the Annual Report

Members agreed to have a first draft by the beginning of September. Special features will be retail fund and foreign currency. A skeleton will now be circulated, uploaded in Dropbox. Members have been asked to modify the draft Annual Report in Dropbox.

14 July

2015 FSUG Work Plan and Proposal for Research:

Enforcement and Better Regulation

The FSUG Rapporteur is seeking input from other members on supervisory powers of national competent authorities to assess the level of detriment at national level, the level of enforcement and the one of consumer protection. The research will make use of the Consumer Market Scoreboard, the Study on Consumer Credit, the one on Bank Accounts, mystery shopping of MiFID and other data that members will collect at national level on mandates, capacities, supervision tools available (sanctions) and interaction of supervisors with consumers. Two case studies will be on unit-linked insurances and foreign currency credit. On market access, there will probably be a focus on insurance.

Members will now collect data and pick up best/worst practices at national level. In September there will be a first draft of the FSUG position paper, so that the Terms of Reference for the Study (to be launched in 2016) will be ready by October.

Credit Data

FSUG members commented on the latest version of the conclusions on credit data: there should be more focus on the accountability of credit providers, credit scoring is also an important aspect to look at. Few clarifications are needed on some tables (pages 2-4). The issue of supervision of the activities of credit bureaux was also raised, since there are no common rules imposed on them and they should be made accountable. More work is needed on negative aspects of credit data and credit scoring was identified as not being the only way to address creditworthiness.

Members will now send their comments to the Rapporteur that will compile a consolidated version of the paper.

Financial Guidance

Last discussion about the scope of the proposed study; final amendments to the selection and evaluation criteria. Members were informed that ToR should be published by the end of July.

Pension Decumulation

Last discussion about the scope, evaluation and selection criteria. Members were informed that ToR should be published in the beginning of August.

Consultations

Members discussed the replies to following consultations:

Technical Discussion Paper: Risk, Performance Scenarios and Cost Disclosures In Key Information Documents for Packaged Retail and Insurance-based Investment Products (PRIIPs)

– (dead-line: 17 August 2015)

– link: <http://www.esma.europa.eu/consultation/Joint-Committee-consultation-Key-Information-Document-PRIIPS>

Sub-group was created to prepare a draft reply.

PEEP:

EIOPA Consultation on creation of standardized Pan-European Personal Pension Product

- (dead-line: 5 October 2015)

- link: <https://eiopa.europa.eu/Pages/Consultations/CP-15-006-Consultation-Paper-on-the-creation-of-a-standardised-Pan-European-Personal-Pension-product-%28PEPP%29.aspx>

Sub-group was created, it was agreed to discuss a draft reply at the following meeting.

Basel Committee - consultation on Interest rate risk in the banking book.

<http://www.bis.org/bcbs/publ/d319.htm>

Members discussed whether to take part in rather technical consultation by the Basel committee on interest rate risk in the banking book. A few members volunteered to have a look at the consultation in order to determine whether to reply to it.

Crowdfunding

The final report on crowdfunding prepared by Oxera was accepted by members. Members discussed on how to use the report. They raised such question as whether the crowdfunding is

a real alternative for access to capital. They also raised concerns about the risk assessment of projects and investments. The study showed that for large P2P lending platforms, default rates are quite low. However, the default rates for equity crowdfunding are not known yet since platforms have not been operating sufficiently long.

Tour de Table

In FR there were good rulings on foreign currency loans. In the UK, new licenses were given to small banks but now these actors are struggling due to new conditions being imposed on them. There is also a proposal to sell annuities, creating a relevant market, possibility which may not be good for consumers. The main issue being debated at the moment is the Referendum taking place in 2017 (but it could also be anticipated to 2016). In RO one bank out of seven accepted to reduce the rate of interest and to discount capital for borrowers in Swiss francs. In DE there is a new law on capital markets and crowdfunding (stricter regulation 1000€ max par investment not to be subject to EU rules) while an interesting judgment ruled that, for online payments, each portal must offer at least one free method of payment. SI is now implementing MCD and PAD (going for the minimal option where flexibility is allowed). In ES there is a new law on private pensions and in the coming days a ruling is expected on interest rates in mortgages. In EL there are capital controls in place. In DK house prices are going up while the interest rate is dropping, raising concerns over the future. In SK only 10% opted for returning to State-run pensions and the notion of "minimum pension" not tied to the income was introduced. As for the implementation of the MCD, the two-months' notice for changes was retained. In the field of consumer credit, non-bank providers are emerging and stricter regulation was introduced requiring a license from the national bank and stricter rules on capital requirements. APR was also capped at twice the average level provided by banks. In IT there is the same situation as in DK (low interest rate, more loans) while certain confusion is caused by banks and insurances offering the same products. Attention was drawn on a possible mis-transposition of MiFID. In NL the ADR entity was appointed.

Attention was also drawn on a Report from the Dutch Competent Authority on competition in the banking sector.

FSUG Governance

Members discussed ways of improving the governance and working of the group. They have been reminded that the Commission Decision provides for the governance structure and should be respected as far as election or renewal of the Chair and Vice-Chair is concerned. However, members may always propose ways to improve the group work and better share the workload. Sub-group was created to make proposals to be discussed at the September meeting.

Reporting to the Commission

The Chair updated the Commission on the progress made by the Group on identifying obstacles and barriers to integration of retail financial services. The Commission updated the Group on the internal timeline, with the 1st InterService Group taking place this week and the Green Paper expected later in the year. Consultation will be then divided into two parts, with a general one made of around five questions and then other twenty optional questions for interested stakeholders. The Commission urged the FSUG to contribute to the discussion by the end of July in order to input to the exercise. The Commission representatives were also briefed on the progress made on enforcement, credit data, financial guidance, crowdfunding and pension decumulation, issues recognised as very important by the Commission.