

ERFF launch event, MEP in't Veld, European Parliament, 22 Oct 2015

Summary of key points

I. Overview

Roundtable lunch event of 32 key stakeholders¹ hosted by MEP Sophie in't Veld, ALDE, ECON on 'The future of EU Retail Financial Services: for consumers, business and growth in Europe'.

Event served also as a launch pad for brand new European Retail Financial Forum (ERFF).

Short presentations from speakers: MEP in't Veld, Olivier Salles, HoU DG FISMA, Katja Wuertz, HoU EIOPA, and representatives from consumer (VEB), SMEs (TransferWise) and business (ING).

Open, informal discussion, lead by MEP in't Veld.

Follow up: another event hosted by MEP in't Veld June 2016.



II. Key points:

MEP in't Veld, N L, ALDE, ECON:

- Very little progress re Single Market for retail FS.
- Innovative products but difficult to access across borders
- No political appetite for opening borders at present, but meanwhile rest of world moves on so we need to start moving. World is global now.
- EC too cautious. 'No new rules' in the context of Better Regulation should not be conclusive – new EU rules often means the elimination of 28 national rules

About ERFF

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- Called for some 'political courage' on the part of MS
- Key areas/opportunities: pension transferability very difficult. National interests can get in the way of innovation. Key obstacles include tax, labour, social security laws; switching bank accounts very difficult
- Advocates use of Regulations, rather than Directives, as they apply directly

Oliver Salles, HoU, Retail FS DG FISMA, European Commission:

- Retail FS critical topic, high on agenda
- Challenges include digital revolution, happening now, changing the way the sector is working
- Classical banking model still important. Despite crisis, banks still have trust of most consumers – face to face contact with client. Banking sector responding quickly to digital revolution
- EC's DSM however does not specifically address financial services
- GP retail FS flagged in the CMU. GP hopes to fill gap as regards evolution of retail FS
- GP hopes to list all barriers to retail FS, both from demand and supply side eg obstacles to pension transferability from Nordics retiring in the South of Europe; obstacles to buying online due to 'geo blocking'. On provider side, obstacles include different tax and labour laws
- GP will have a special focus on e-commerce, access to information, comparability, transparency of pricing etc Will try to capture consumer in a cross cutting way, won't differentiate by category of consumer, and will also take on board SMEs
- Will be a very broad consultation to help EC understand key obstacles and lead to ideas for improving cross border services
- Timing – mid December publication GP, followed by 3 month public consultation, and possible Spring event
- Will lead to 'actions', not necessarily legislation. Will focus on what's 'realistic' to address. Tax is v difficult. Will try to be 'smart' on what's proposed eg 'remote recognition of ID card by Skype etc facilitates a light way of recognizing a client
- Hot issue, will be on agenda for years

Katja Wuertz, HoU cross-sectoral and consumer protection at EIOPA:

- EIOPA set up in wake of financial crisis to spearhead coordination in supervision in insurance and occupational pensions
- Focus on smart regulation: taking into account consumer behaviour, proportionate, risk-based, preventive rather than reactionary approach to law making
- Improvement of disclosure, information to consumers eg new KIDs being evidence led and standardised
- Response to EC call for advice on personal pensions. Aim to have simple, trustworthy, standardised and transparent pan-EU personal pension product (PEPP), removing barriers to cross-border provision of services, whilst helping the long term stable funding to the EU economy and being a catalyst for CMU
- Re digitalization, produced best practice report on comparison websites, also working on sales via the internet and 'big data'. Rapid IT developments is reshaping financial services but could

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create new types of risks for consumer and regulatory challenges, as well as cross border opportunities

- Supports EC agenda on retail FS, increasing consumer choice, cross-border supply of financial products like PEPP and following impact of digitalization

Niels Lemmers, Head of PA, VEB (consumer rep):

- Importance of taking account of views of end consumer. Lack of transparency in market, still can't compare prices. Lack of independent advice, excessively complex products even though simpler ones exist
- Need to make consumer aware of risks, especially re complex products
- Need to focus on return ie what consumer can expect from that product
- digitalization good if it reduces costs but need relationship between consumer and banker
- discuss issues and reconcile where we can

Edward van der Woerd, EU PA Manager, ING (business rep):

- Supporting ERFF as bringing all stakeholder around one table & supporting policymakers
- Favours more choice and competition across borders and making most of digitalization
- Two examples of how ING has tried to address these challenges: (i) new partnership with Kabbage, a leading technology and data platform powering automated lending to SME's which will be piloted in Spain; (ii) launch of the Think Forward Initiative together with the OECD, the Institute for New Economic Thinking and tech companies Microsoft and EMC, that aims to gain a deeper understanding of personal financial decision-making

Kristo Kaarmann, CEO TransferWise (SME rep):

- Positive aspects of EU 'open borders' eg risk-based approach to EU legislation.
- Downside: no real competition in retail banking for SMEs. UK consumers don't switch banks – need to understand why
- Need to address long term impacts of digitalization including how to address anti-money laundering and fraud and how to identify people
- National regulation on consumer protection can hinder start ups

General discussion points:

- Need to address needs of SMEs, supply and demand
- Financing for SMEs

John Barrass, deputy CEO WMA – summing up on behalf of ERFF:

- ERFF launch today key to supporting EC GP and policymakers going forward
- Key themes raised today:
 - o Cross border barriers
 - o Lack of funding for start ups, access to finance issues - SMEs

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- Addressing digitalization, product innovation
- Smart Regulation
- Consumer behaviour
- Transparency, complexity, costs
- Insufficient intermediation in the markets
- Consistency in enforcement
- Tax a big issue
- Pensions – demographic timebomb
- Impact of different and changing cultures

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