BETTER FINANCE
The European Federation of Investors and Financial Services Users
Fédération Européenne des Épargnants et Usagers des Services Financiers

EU Citizens as Users sidelined in favour of Financial Industry in European Financial Policymaking and Supervision

Brussels, 20 July 2020 – The new composition of the European Supervisory Authorities' (ESAs)[1] "Stakeholder Groups" is a step backwards with regard to a balanced representation between industry and consumers in EU financial rulemaking. This is the result of the recent *ESAs reform*,[2] which reduced the quotas for consumers and academics in favour of financial institutions (*industry & "professional associations"*).

Saver and Individual Investor FAQ: *What are the stakeholder groups?*

The EU financial supervisors (ESAs) appoint consultative bodies (*stakeholder groups*) to issue opinions, recommendations, or responses regarding the regulatory or supervisory work of the ESAs. The stakeholder groups meet regularly and are composed of 30 members representing the different categories of targets of EU financial regulation (financial institutions, consumers, SMEs, etc.) as well as independent academics.

There are currently four such groups: one for the insurance sector (IRSG[3]), one for occupational pensions (OPSG[4]), one for banking services (BSG[5]) and one for securities markets (SMSG[6]).

Before the *ESAs reform* that came into effect in 2019, these stakeholder groups (SGs) reserved 10 spots for financial industry representatives, 5 for academics and the rest for a "bundled" category composed of representatives of employees (of financial institutions), consumers, users of financial services and SMEs. Following the reform, the quota of the financial industry at EBA and at ESMA was increased to the detriment of the other categories: now each stakeholder group must comprise 13 members representing the industry, 4 academics, and 13 from the "bundled" category. The new EU rule is even worse in the case of EIOPA, where representatives from professional associations are added on top of the increased financial industry quota of 13, with the financial industry now making up half (or more) of the total membership.

In addition, the differentiation between "financial industry" and "professional associations" seems awkward, to say the least. For example, the same head of "Insurance Europe" (the industry lobby) who was categorised as industry in the previous IRSG, is now categorised as "professional association" representative in the new one, whereas its number two is not categorised as "professional association" but as pension plan representative ("IORP" in EU jargon) in the OPSG.

In January 2020 BETTER FINANCE already reacted to specific changes in the EIOPA Regulation[7] to the composition of the EIOPA stakeholder groups and the high risk of having the number of user-side representatives reduced in favour of financial industry ones.

What's more is that the rule of ***balanced representation*** is now applicable only to the financial industry. Guillaume Prache, a "veteran" who served in the BSG, IRSG and SMSG, remarks that, "*what looked like an inconspicuous change in the legal basis actually resulted in the elimination of the overarching rule of*

[1] The ESAs are the European Securities and Markets Authority (ESMA), the European Insurance and Occupational Pensions Authority (EIOPA) and the European Banking Authority (EBA).
[2] Joint Position Paper on the ESA Review from the EBA Banking Stakeholder Group (BSG), the EIOPA Insurance and Reinsurance Stakeholder Group (ISRG) and Occupational Pensions Stakeholder Group (OPSG), and the ESMA Securities and Markets Stakeholder Group (SMSG)
[3] The Insurance and Reinsurance Stakeholder Group.
[4] The Occupational Pensions Stakeholder Group.
[5] The Banking Stakeholder Group.
[6] The Securities and Markets Stakeholder Group.
[7] See BETTER FINANCE's position here: Alliance Letter to the EP, EC & EU-Council on the Reform of the European Supervisory Authorities and financial consumer protection

"balanced representation" in the Stakeholder Groups' composition, leading to a legal tipping of the balance in favour of industry voices."

A quick glance reveals that the proportion of appointed consumer and user representatives in the SGs decreased from 33% to 28% of total, and that of independent academics from 17% to 13%, whereas industry representation (including professional associations) increased to nearly half of the members, up from 39% to 48%. This seriously hampers efforts to advocate for and defend non-industry interests.

Adding insult to injury, the ESAs mis-appointed some non-consumer experts to the few allocated spots for consumer representatives, practically reducing the voice of EU citizens in the SGs even further.

ESAs Stakeholder Groups' composition: consumers/industry					
	2018	2020		2018	2020
Securities and Markets			**Insurance & Reinsurance**		
Consumer & user* experts	12	10	Consumer* experts	10	9
Industry* experts	10	13	Industry* experts	13	15
Banking			**Occupational pensions**		
Consumer & user* experts	9	9	Consumer* experts (PP participants)	8	5
Industry* experts	10	13	Industry*	14	16
<u>Totals</u>	**2018**	**2020**	** consumers = "consumers", other users", "civil society" persons, etc.*		
Consumer representatives	**33%**	**28%**	*** industry = "industry", "market participants", "IORPs" (occupational pension plans), "professional associations", etc.*		
Industry representatives	**39%**	**48%**	*<u>Source</u>: ESAs, BF analysis: the think tank ECMI and Governmental IMF are not counted as consumer organisations*		

Guillaume Prache stresses that "*such a move represents a big step backwards, with a return to pre-2008 practices, when EU financial policymaking was mostly done between EU policymakers and lobbyists from the financial industry*". It reverses some of the great progress made in 2018, when BETTER FINANCE congratulated EIOPA for successfully "seeking to strengthen representation of consumers" and living up to the spirit of EU Regulations governing European Financial Supervision that require a balanced proportion between industry representatives and retail user ones.

These new compositions of the Stakeholder Groups squarely counter the just published recommendations of the European Commission's High Level Forum on a Capital Markets Union that states that the European Supervisory Authorities should *"[ensure] that there is balanced representation in the stakeholder groups between industry representatives and retail user/consumers"*[8].

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[8] Final report of the High-Level Forum on the Capital Markets Union - A new vision for Europe's capital markets, P. 119