PRESS RELEASE

TODAY'S PROPOSED REFORM OF EUROPEAN FINANCIAL SUPERVISION: SAVERS AND OTHER FINANCIAL SERVICES USERS RISK SUFFERING MORE

20 September 2017 - The European Commission (EC) announced its proposal to improve the supervision of European financial services as well as its revision of the European Supervisory Authorities (ESAs) today. BETTER FINANCE welcomes the proposal to have permanent members on the Boards of Supervisors of the ESAS as an improvement to their governance. However, as the proposal lacks ambition with regards to consumer and investor protection and fails to give the ESAs teeth with which to enforce EU Law, the outlook for the public enforcement of conduct of financial business rules looks grim.

Low level of retail user protection

The proposal fails to address aspects crucial to the effective protection of financial services end-users such as:

- creating a separate investor and consumer protection agency that would focus on defending consumer interests in the financial sectors (like in the UK and in the Netherlands), or at least ring-fencing the investor and consumer protection objective from the prudential one within the existing ESAs ,
- and having a strong mandate and the necessary resources with regard to risky or toxic products sold to EU citizens.

Additionally, even if it grants ESMA some direct supervisory powers, it refers mostly to non-user related areas.

Weak public enforcement

Although the EC claims this that proposal remains within the "CMU" (Capital Markets Union) project, this proposal does not take into account the investor protection Actions of the CMU, especially the request from the EC for the ESAs to enhance the transparency of performance and fees of long-term and pension savings products.

BETTER FINANCE has been pointing out for some time now[1] [2] [3] that, in terms of public enforcement, there is room for improvement especially as far as the scope and governance of the ESAs are concerned as well as effective supervision. We have underlined that it is high time for ESAs to finally get and use their product intervention powers to protect consumers

[1] Mis-selling of Financial Products in the EU - Briefing Paper 2017
[2] Press Release: A Twin-Peaks Approach to the European System of Financial Supervision: Turning Consumer Protection Into a Real Priority
[3] BF Response to CONSULTATION ON THE OPERATIONS OF THE EUROPEAN SUPERVISORY AUTHORITIES

and end their “silo” approach. It is deeply disappointing that the EC proposal ignores all these essential issues.

Moreover, the EC empowers the industry to challenge the ESAs guidelines and recommendations more easily and reserves itself the right to withdraw guidelines issued by the ESAs if, for instance, a majority of two thirds of the ESAs’ Stakeholder Groups asks for it. This approach is un-democratic, as the ESAs stakeholder groups are dominated by financial industry representatives and members who are economically dependent of the industry. It will therefore be quite easy for them to get such a majority.

Guillaume Prache, managing Director of BETTER FINANCE said that “*this is by all means the worst measure, as the ESAs already frequently violate the EU Law that requires that the membership of stakeholder groups represents “in balanced proportions” the different categories of stakeholders. For example, the EIOPA “Occupational Pensions Stakeholder Group” counts only 4 consumer representatives at best, while at least 20 of its members defend the interests of the financial industry, of its providers (paid by the industry) and of its employees. Nine years after the start of the financial crisis, we are very concerned that the EC would now unwind investor and user protection in the EU instead of improving it*.”

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Contact: Chief Communications Officer | Arnaud Houdmont | +32 (0)2 514 37 77 | houdmont@betterfinance.eu