MORE TRANSPARENCY, BETTER ACCESS, STRONG SUPPORT TO FINTECH: A NEW EU PLAN FOR RETAIL FINANCE

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The European Commission's action plan builds on the results of its green paper[1] on retail financial services published for public consultation in December 2015.

In the framework of the Capital Markets Union (CMU) project, the European Commission decided to take action to foster retail investment. The objective behind the green paper was to develop actions to increase choice, competition and the cross-border supply of retail financial products, integrating the impact of digitalisation on consumer finance.

The action plan contains 12 actions to facilitate consumer access to retail financial services, particularly cross-border, as a way to increase consumer choice and competition among services providers. The European Commission also aims at enabling consumers to take full advantage of financial innovation, ensuring that this leads to lower prices and better services.

The 12 proposed actions are articulated around **three main objectives**:

- The first objective is to **increase consumer trust and empower consumers**. The European Commission wants to boost the demand for cross-border retail financial services by increasing transparency and supply. The action plan underlines that a comprehensive legal framework alone will not be sufficient and that it needs to go hand in hand with a consistent and efficient enforcement, for which the European Supervisory Authorities (ESAs) will play a key role. The European Commission also plans on launching a campaign to raise awareness about FIN-NET[2], an existing network to help consumers enforce their rights by finding a competent alternative dispute resolution body.

  Further work on the impact of geo-blocking on retail financial services is also on the agenda.

  Within this first objective, the European Commission foresees the following seven actions (with relevant timetable):

> 1. Lower charges on non-euro transactions via an amendment to the Regulation on cross-border payments (fourth quarter of 2017);
> 2. Increase transparency in currency conversion through a review of good and bad practices (first

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half of 2018);

3. Ease product switching so that consumers can choose more advantageous retail financial services and products (second half of 2018);
4. Enhance the quality of comparison websites with voluntary certification schemes, designed together with stakeholders (first half of 2018);
5. Propose better motor insurance in the framework of the REFIT review of the Motor Insurance Directive[3] to enhance the protection of traffic accident victims and improve the cross-border recognition of claims history statements (fourth quarter of 2017);
6. Increase transparency in car rental pricing by monitoring closely the implementation of an existing agreement[4] with major car rental firms and considering potential further steps to increase transparency in the market (fourth quarter of 2017); and
7. Deepen the single market for consumer credit by facilitating access to loans across borders while ensuring efficient means to tackle over-indebtedness (first half of 2018).

- The second objective is to **reduce legal and regulatory barriers** to cross-border provision of financial services. Feedback on the green paper indicated that businesses feel that they cannot build a business case to provide cross-border services largely due to regulatory uncertainty. The European Commission considers that this issue can be partly addressed via the development of specific European-wide regimes for some products. For example, it notes that the ongoing work to develop a simple, efficient and competitive European Personal Pension Product (PEPP)[5] is particularly relevant in this context. The PEPP ambition is to facilitate cross-border selling as well as portability. It would also help bridging the pension gap and releasing new savings for investment.

  The European Commission puts forward two actions to reduce barriers to cross-border retail financial services:

8. Reduce national regulatory constraints via a review of national consumer protection and conduct rules to assess whether they constitute unjustified barriers (second half of 2018); and
9. Facilitate cross-border credit in introducing common creditworthiness assessments standards and principles, which will build on new capabilities brought by FinTech and Big Data (second half of 2018).

- The third objective is to **support digital innovation**, where the European Commission considers that there is significant growth potential. Consequently, it has the ambition to create a regulatory and

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supervisory environment that supports and fosters digital innovation. The three actions related to this objective are as follows:

> 10. Support the development of FinTech for retail financial services, based on the recommendations being developed by the Commission's FinTech Task Force (fourth quarter of 2017);
> 11. Facilitate digital identity checks, using electronic identity schemes such as eIDAS for bank-on boarding while ensuring efficient know-your-consumer portability (fourth quarter of 2017); and
> 12. Foster the potential of online distance selling of retail financial services by identifying potential consumer risks and business opportunities (first half of 2018).

Overall, the European Commission considers that improving the cross-border market for retail financial services will benefit all consumers, including those who chose to remain with their domestic providers, by increasing the quality of services and lowering prices.

The key next step is the planning and implementation phase of the 12 actions included in the action plan: this is likely to be a perfect window of opportunity for interested parties to convey their views and share their expertise with the European Commission in the coming period.

NOTES:

[1] European Commission, "Green Paper on retail financial services: better products, more choice and greater opportunities for consumers and businesses", 10 December 2015: http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52015DC0630&from=EN

[2] See European Commission's website : https://ec.europa.eu/info/business-economy-euro/banking-and-finance/consumer-finance-and-payments/consumer-financial-services/financial-dispute-resolution-network-fin-net/fin-net-network_en

[3] Directive 2009/103/EC of the European Parliament and of the Council of 16 September 2009 : http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32009L0103&from=EN

[4] Cooperation agreements signed between the European Commission and six car rental companies on 13 July 2015: http://ec.europa.eu/justice/newsroom/consumer-marketing/news/150713_en.htm

[5] European Insurance and Occupation Pensions Authority, "Final Report on public consultation n°CP-15/006 on the creation of a standardised Pan-European Personal Pension product", 11 April 2016: https://eiopa.europa.eu/Publications/Reports/EIOPA-16-341-Final-Report-PEPP-fin.pdf

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