FSUG Annual Report 2015

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FOREWORD

We have the privilege of introducing the fifth annual report of the Financial Services User Group (FSUG). The FSUG was set up by the European Commission to improve the level of user representation at the heart of the EU policymaking process. This report describes the activities of the FSUG from November 2014 to October 2015.

FSUG activities

As the FSUG website shows, we have had another busy year to date producing **eighteen** opinions in response to requests from the Commission and consultations from the three European Supervisory Authorities (ESAs)[1]. In addition, we produced a range of proactive initiatives, communications and engagement with a range of policymakers and opinion formers.

Our work covered the whole spectrum of financial services from retail financial services to institutional, wholesale markets and financial markets infrastructure and incorporated a range of product areas including consumer credit, pensions, insurance, investment funds, and banking services. The range of issues included: consumer and investor protection, conduct of business and prudential regulation, financial stability, product governance, and conflicts of interest in the supply chain.

This ability to contribute to and influence reforms at depth and across such a broad range of issues, not just retail consumer issues, is a reminder of the unusual strength and depth of the FSUG.

Major research projects

The FSUG has its own research budget. We use this budget to focus on areas where there are significant gaps in research from the user perspective. After a prioritisation process, we selected and suggested contracting research studies on the following new important issues: crowdfunding; financial guidance; and pension decumulation. Further details of the research projects can be found on page 32.

FSUG priorities

In addition to research projects, we also produce papers to prompt awareness of important issues. This year we embarked on three new projects: identifying priorities areas for retail market integration (see above); the use of credit data and creditworthiness practices; and enforcement and better regulation. Further details of these priorities can be found on page 36.

Capital markets union and retail market integration

All of the issues we work on are important. But it is worth highlighting the work the Commission is doing on Capital Markets Union and retail market integration.

Although the financial crisis happened in 2007-08, we are still living with the consequences and the process of regulatory reform is far from complete. Post crisis, three main challenges were identified: restoring and maintaining stability in the financial system; ensuring EU's financial institutions are sound and prudently run; and, critically, making financial markets

[1] European Securities and Markets Authority (ESMA), European Banking Authority (EBA), and European Insurance and Occupational Pensions Authority (EIOPA)

work for the citizens of the EU and the real economy. It remains to be seen whether the financial stability and prudential regulatory reforms have been effective. We shall only know if we face another financial crisis. But at least significant progress has been made on those two fronts.

However, in our view, little progress has been made on the third challenge, of making financial markets work for EU citizens and the real economy. This is borne out by research, which finds that EU consumers continue to rate most main financial sectors as performing below average compared to other consumer sectors[2].

The Commission has embarked on a major programme of work on the EU financial services industry. Two major initiatives – the Capital Markets Union (CMU) and retail market integration – stand out as providing ideal opportunities to deliver long overdue reform of financial markets. It is important that retail market integration and the CMU are not treated as separate initiatives but as an integrated reform package. Behaviours and inefficiencies in the wholesale and institutional markets have a direct (if not well understood) impact on ordinary consumers. Improving the efficiency of capital markets and preventing the emergence and transmission of dangerous behaviours in wholesale and institutional markets through the supply chain results in safer, better value, socially useful financial products for households and the real economy.

As mentioned, the FSUG undertook a major exercise to identify which areas of financial services would benefit most from more effective market integration. We concluded that further work by the Commission as part of its integration initiative would have the strongest impact in the following product areas: personal pensions; retail investment funds; life insurance; mortgage credit; and consumer credit. This project was a good example of how FSUG and Commission staff can co-operate effectively. Further details can be found on page 11.

Wider engagement

FSUG meetings are usually held in Brussels. However, as part of our wider engagement approach, we make a point of holding one of our meetings in a Member State to listen directly to public interest representatives. This year we held our meeting in Amsterdam where we learned about conflicts of interests in the investment industry, providing access to budgeting services, the role of credit reporting in financial markets, pension provision, collective redress, and recent developments in investment markets. A more detailed account of the lessons learned from Amsterdam can be found on page 43. We are very grateful to our hosts in Amsterdam for a very informative meeting. The conclusion we drew was that the Netherlands authorities are proactive and innovative as regards the development and implementation of user-friendly regulation. There is much to be learned from the Dutch.

Special features

On page 45, we have two special features from colleagues: Guillaume Prache, on the problems in retail investment markets, and Alin Jacob on the impact of foreign currency loans on borrowers.

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[2] Consumers rated: private life insurance; loans, credit, and credit cards; bank accounts; mortgages; and investments, private pensions and securities worse than average. Only vehicle insurance and home insurance were rated higher than average. Source: EU Consumer Markets Scoreboard, Making Markets Work for Consumers, 10th Edition, June 2014, http://ec.europa.eu/consumers/consumer_evidence/consumer_scoreboards/10_edition/docs/consumer_market_brochure_141027_en.pdf

And, last but not least, we would like to thank the staff from the Internal Market and Services DG, and the Health and Consumers DG who took the time to present initiatives to us. We would especially like to thank Malgorzata Feluch from DG FISMA, and Francesco Pontiroli-Gobbi from DG JUST for their invaluable guidance and support throughout the year.

Finally, we would like to thank the team who provide much needed administrative support to the FSUG – especially Ann Van Mello, Donna McKillion, Tessa De Roock Dierickx and Monika Taxer. Without their support the FSUG would not function.

Mick McAteer, Anne Fily, Guillaume Prache

Chair and Vice-Chairs, FSUG

ABOUT THE FSUG

In its White Paper on Financial Services Policy 2005–2010, the Commission stated that it attached great importance to ensuring proportionate user representation in policy making. In the Communication for the European Council – *Driving European Recovery* – the Commission put the interests of European investors, consumers and SMEs at the centre of financial market reform.

As a measure to achieve these targets, the Commission set up a Financial Services User Group (FSUG). The Group's tasks are to:

- advise the Commission in the preparation of legislation and policy initiatives which affect the users of financial services;
- provide insight, opinion and advice concerning the practical implementation of such policies;
- proactively seek to identify key financial services issues which affect users of financial services;
- liaise with and provide information to financial services user representatives and representative bodies at the European Union and national level.

The FSUG has up to 20 members, who are individuals appointed to represent the interests of consumers, retail investors or microenterprises, and individual experts with expertise in financial services from the perspective of the financial services user.

The FSUG meets eight times a year in Brussels and its Chair is elected from amongst the group members. The Commission (jointly Financial Stability, Financial Services and capital markets Union DG and Justice and Consumers DG) provides secretariat services for the Group.

The Group works on a consensus basis and tries to ensure that it arrives at a collective opinion on issues it considers. However, from time to time, individual members may register a minority opinion.

FSUG RESPONSES TO EUROPEAN AUTHORITIES REQUESTS FOR OPINIONS

From November 2014 to the end of October 2015, FSUG produced 18 responses to requests for opinions from the Commission and ESAs, and a range of own opinions and communications. These are summarised below.

1. EIOPA consultation on the creation of a standardized Pan-European Personal Pension Product

EIOPA Consultation Paper on the creation of a standardised Pan-European Personal Pension product (PEPP) is viewed by FSUG as a very important initiative and strongly supports the European authorities to create a truly EU-wide market for simple, well-defined truly personal long-term saving product for all EU citizens regardless of national restrictions and preferences.

FSUG found the topic of the consultation extremely important for strengthening competition among existing PPPs with the ultimate goal of securing adequate retirement income for all EU citizens.

FSUG recognizes that the EU-wide long-term savings financial products, whose aim is to secure adequate income of savers for the future, needs to be adequately promoted all across Europe and more importantly provided by well-managed, cost-effective and transparent providers. Single market for pension savings products has been emerging only particularly and very slowly, which is in contrast with the development in certain Member States. However, significant differences in added value of existing PPPs for consumers, transparency and information disclosure and consumer protection measures at national level creates need for building unified EU framework for PEPPs, as it is clear that national frameworks and regulations create divergent approaches towards pension savings products and thus creates different levels of outcomes, which can be only hardly justified from the EU perspective. On top of this, current findings on poor performance of private pension products sold to consumers accompanied with above equilibrium fees and charges under the information asymmetry calls for urgent regulatory interventions on EU level. This can be viewed not only in the area of pension set-up frameworks, but also charges (through the whole value-chain), investment strategy regulations (qualitative and quantitative limits), information disclosure and savers (investors) protection standards.

Today, there is no Pan-European personal pension product, and too little has been done since the 2007 EC Green Paper on retail financial services which already rightly identified the protection of pension savers as one of the most critical retail financial user protection issue.

At their simplest, PPPs are a form of savings (deferred wages) where a future pensioner saves now in order to pay for his/her consumption in the future with expectation to achieve a certain level of replacement ratio. To achieve this ultimate goal, systematic saving process is the key driver and having the “right” product (vehicle) supports this process.

Most of the vehicles take place in special structured financial products and are based basically on two principles: insurance vs. investment. However, to persuade individuals to undertake such savings and choose one of the long-term vehicles, most EU countries use either fiscal incentives and/or compulsion to encourage this type of saving, and have created special regulatory and other structures relating specifically to these pension savings. The application of these incentives or requirements means that the resulting pension systems in EU countries are relatively complex in their nature, and their individual set-up varies significantly between individual countries and also within one Member State. This implies relatively complex requirements on savers to understand every aspect of the respective

pension set-up and its consequences on its final outcome in a future from the perspective of the consumer. This is in a direct contrast with the known low level of financial literacy of most savers participating in such complex systems.

Growing role of personal DC pension schemes has increased the need for consumers to make decisions with regard to vehicles (personal pension products - PPPs). In many 3rd pillar pension schemes, employers still arrange, administer and contribute towards pension schemes, but consumers now tend to have a greater say in buying pension products and investment decisions since they face the investment risk directly during accumulation phase and longevity risk during the pay-out phase. Latest movements from the financial industry successfully separated these two phases and left the consumers exposed to many risks without relevant (or hidden in highly complex legal terms) information and mechanisms (contractual and legal) to deal with the risks.

FSUG recognizes that PEPP may not become the dominant vehicle for securing the retirement income. On the other hand, PEPPs, if well designed and regulated, might become a first choice when comparing to national PPPs which are in many countries too costly and deliver poor value-for-money.

To achieve that PEPPs will become a widely accepted vehicle for European savers, the PEPP should be viewed as a product and stand-alone certification or authorization should be in place. Regarding the minimum nominal return guarantee (MRG), FSUG urges the authorities to avoid false and potentially misleading nominal “guarantees” as it may jeopardize the whole initiative. Such “guarantee” does not recognize the time and compound interest principle. 0% MRG is costly on the level of potential returns from risky investments on a level of providers as they have different structure of savers (age, income, risk aversion, etc.). If any MRG is introduced, it should be based on real returns and PEPPs should be built with an ambition to deliver real return after inflation. With regard to investment strategies, providers as well as savers should be free to select their own saving and investment strategy and passive investment style should be promoted. On the level of information disclosure and consumer protection, there should be no difference between PEPPs and PRIIPs.

FSUG believes that PEPPs have a potential if the simplicity of the product will be in place as it will create trust in the product.

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

PRIIPs are at the core of the retail investment market. They cover a range of investment products that are marketed to retail investors which, taken together, make up a market in Europe worth up to €10 trillion. As PRIIPs cover a wide range of – per definition – structured products which can take a variety of legal forms that might involve multiple charges and which include different risk profiles, FSUG stresses the strong need for a simple, pre-contractual information on objective costs and charges as well as historical real returns that enables retail investors to reach well-informed investment decisions by enabling them

- to understand the product features, including its risks, rewards and the effects of costs/charges;
- to easily compare it to other products and
- to assess whether a certain product has a real added value.

In that respect there is a need to benefit from all the experience accumulated on the work done for the KID for investment funds (UCITS IV Directive), and for its subsequent implementation by the industry.

FSUG therefore very much welcomes the approach taken by the Joint Committee starting the debate and collecting views on the possible methodologies to determine and display risks, performance and costs in the Key Information Document (KID) for PRIIPs.

Standardization, if appropriately used, is not only a strong and efficient tool to ensure comparability but can also be a strong means for ensuring regulatory consistency. Furthermore, applying consistent and transparent approach towards displaying returns, risks and charges will enable consumers and retail investors not only compare the products but determine the real added value of products.

FSUG therefore calls on the ESAs to ensure that the KID becomes an EU-wide harmonized document which contains meaningful and all necessary information on returns, risks and charges, which is understandable by all retail investors and which does not only cater for the lowest common denominator of investor understanding.

To achieve this objective, FSUG supports using tools and techniques that takes into account as much historical data on performance and costs as possible.

FSUG is concerned that data on historical performance could be eliminated under PRIIPs regulation. There had been a lot of work done for many years to achieve this major improvement in the KID for investment funds (UCITS). With the PRIIPs Regulation as it stands, we are very concerned that even UCITs funds will have to eliminate this key information from their KID within the next 5 years. Certain investor organizations like Better Finance and others (including the ESAs) are already struggling to get clear and comparable data on the past performance of retail investment products. This may be a huge step backward if no solution would be found at level 2. Of course, FSUG acknowledges that past performance is not a reliable predictor of future performance. However, without any information on past performance (including compared to benchmarks), EU citizens will not even know:

- if the product has generated any positive performance in the past or - on the contrary - has destroyed the value of their savings
- if the product has met or exceeded its stated investment objective
- if the product has matched or not the performance of its benchmark

Even worse would be the case that EU citizen would be left only with "scenarios" on future performance which we strongly believe are even more misleading than past performance. And we have the experience of the work on the KID of structured UCITS funds where the use of scenarios (like (pessimistic, median and optimistic) that are not probability weighted is possible. Therefore, the average investor is led to believe that the "median" scenario is the most probable which is not the case.

We therefore consider that an elimination of any information on past performance and especially past performance compared to that of the benchmark(s) chosen by the investment product provider would be a huge step back. Taking into account that the need for historic performance information has not been explicitly included in the Regulation FSUG considers that historical performance data should at least complement forward-looking indicators as this is important to put the latter in perspective.

In our opinion this should be done by presenting past performance scenarios in a separate graph.

With regard to forward-looking performance scenarios FSUG considers that they should be probability weighted to the maximum extent possible whereby comparability between the methods used by different manufacturers should be ensured by the ESAs through establishing/prescribing a commonly used methodology. This to enable retail investors to trust in “high”, “median” and “low” performance scenarios having the same meaning across manufacturers.

3. Public consultation on the review of the Prospectus Directive

The FSUG believes that the prospectus in its current form no longer serves its primary aim, which should be to provide in easily analysable and comprehensible form all information that is necessary to enable investors to make an informed assessment of the issuer and the securities offered or admitted to trading on a market.

The prospectus has become a document of, on average, a couple of hundreds of pages that is not useful for (retail) investors as it is not standardized and is written in legal jargon instead of plain language. It is prepared by lawyers for lawyers and primarily serves as an instrument to shift liability rather than as an information tool for investors. It needs to be recognized that disclosure *per se* is not effective at tackling information asymmetries between financial institutions and intermediaries on the one hand, and investors on the other hand. Expecting retail investors to possess the necessary skills and knowledge to make a sound investment decision on the basis of an overload of highly complex information is unreasonable.

The FSUG believes that the cognitive costs to retail investors of processing information must be reduced. This will reduce the chances of misselling/buying. To this end, disclosure needs to become more standardized, be required to have an adequate readability, and the number of elements disclosed in the prospectus should be reduced. Standardization would be very useful, especially in relation to risk disclosure. A risk-weighting model should be introduced that shows investors the probability of risk occurrence and the risk impact. The FSUG fully supports the development of risk labels for financial products, which indicate the risk level of savings and investment products in a highly standardized format.

The FSUG also believes it is important to revise the summary prospectus. The summary prospectus still consists of 25 pages, is itself not standardized, not written in plain language and does not contain the essential information the retail investor needs to make a sound investment decision. The FSUG believes liability should be attached to the summary prospectus. It should provide the investor, without using incorporation by reference, an overview of all the material risks and costs associated with a certain investment. It is the responsibility of the issuer to judge the materiality of risks and costs and to ensure the summary prospectus provides a true and fair view.

Despite these critical notes on the prospectus and all the improvements that should be made, FSUG believes that the principle, whereby a prospectus is required whenever securities are admitted to trading on a regulated market or offered for trading is still valid. In fact, FSUG believes that ideally the obligation to draw up a prospectus should be mandatory for all offers and admissions to trading, irrespective of the type of market, the size of the issuer or offer, or the type of product offered, with the exception of secondary offerings and offers exclusively to qualified investors.

However, the FSUG understands there is need to alleviate the administrative burden that the prospectus requirement creates for issuers, especially small and medium-sized enterprises (SMEs). The FSUG believes that the European Commission should therefore critically assess how the proportionate disclosure regime can be improved for SMEs, taking into account the risks associated with investing in SME equity. Incorporation by reference should furthermore be facilitated for SMEs, as well as for issuers that have to comply with different sets of partially overlapping requirements and secondary offers that fall within the scope of the Directive. However, all information, the prospectus as well as the by reference incorporated information, should always be accessible for the investor at the same location (e.g. its website).

4. Public consultation on Building a Capital Markets Union

The FSUG is very supportive of the new Commission's major initiatives on the Capital Markets Union (CMU) and renewed efforts to integrate retail financial services so that more citizens can benefit from a single market. It is important that the CMU and retail market integration are not treated as separate initiatives. Both should support each other. If retail markets are more efficient, this results in more efficient transmission of capital through the system to the benefit of the real economy. Likewise, improving the efficiency of capital markets and preventing dangerous behaviours in wholesale and institutional markets from emerging and being transmitted throughout the supply chain results in safer, better value financial products for households and the real economy.

The CMU initiative will be judged on how it improves the economic well-being of households and real economy firms in the EU. To do this, it must enhance the efficiency and economic utility of financial intermediation and asset allocation in the EU's wholesale and institutional markets.

In other words, for the FSUG the primary goal of the CMU is to *ensure that capital gets from where it is, to where it is needed, in the* ***most economically and socially productive way****.*

This is not the case now.

Indeed, most unfortunately, none of the five priority areas highlighted in the CMU green Paper are directly relevant to individual savers and investors, i.e. the majority of EU citizens, with the exception of the much needed improvement of the "summary prospectus" for shares and bonds.

However, as recognised upfront in the Commission Green Paper on the long term financing of the European economy, households are the main source for this long term financing. Ignoring them in the five priority areas for short term action is a recipe for failure, as enhancing consumers' currently appallingly low confidence in capital markets and investment intermediaries is crucial. The EU must urgently improve individual investor protection to enhance their confidence in capital markets.

Short-term investor protection measures to enhance individual investor participation in the long-term financing of the real economy and their participation in the move to a capital markets union should include measures to:

(1) **Improve their indirect access via intermediated – "packaged" – products**, such as deposits, investment funds, life insurance and pension funds, which currently make up for 74 % of EU households financial savings. Today, this represents by far the major part of "retail" investments. There are quite a few priorities that the EU Authorities should consider in the short term to restore individual savers' and investors' confidence in financial intermediaries such as asset managers, life insurers and pension funds. "*Other reasons for not saving long-term are* ***the often poor performance*** *of financial intermediaries to deliver reasonable return, and* ***costs of intermediation***". (European Commission Staff Working Document for the Green Paper on the long term financing of the EU economy, 2013).

(2) **Improve their direct access to capital markets via shares and bonds** which currently make up for 22% of EU household's financial savings. While direct "retail" investment into capital markets nowadays plays a minority share in households financial savings (less than 25%, compared to about 75% in intermediated – "packaged" – investment products), it is still significant despite most recent regulatory reforms blatantly favouring "professional" and financial "investors" (actually mostly financial intermediaries managing other people's money) over end investors.

The FSUG's specific proposals directed at both of these issues can be found in our response.

5. EIOPA-CP-15-001 – Consultation Paper on a Report on Good Practices on individual transfers of supplementary occupational pension rights

FSUG welcomes the initiative of EC and EIOPA in the area of strengthening the rights of savers and beneficiaries regarding the ability to switch and transfer the savings and accrued rights not only cross-border, but also domestically.

Even if the identified Good Practices will not be legally binding, FSUG considers identified rights underestimated given the close relationship between pension savings and free movement of individuals.

FSUG recognizes challenges in the cross border transfers and the different social, labor and tax laws within member states. However, FSUG supports the initiative that aims at strengthening rights and most importantly ability of savers to receive on-time information assisting them to make informed decision on transferring the savings and pension rights when the life situation changes significantly.

As a matter of fact, discussing the cross border transfer of pension rights should start with close inspection of domestic barriers. Transfer of pension rights from one scheme to another one located in the same country is already extremely difficult in many cases. For example, in France Better Finance members ARCAF and FAIDER successfully obtained from the French public authorities the right of transfer for a supplemental pension scheme for public employees (PREFON) and for PERPs (individual pension savings plans) in 2010 only. But the other large supplemental scheme for public employees (COREM, 400.000 participants) still does not allow it; and PREFON has introduced so high barriers that it actually prevents participants to exercise their transfer rights:

- 10% penalty if the transfer occurs in the first 10 years;
- transfer value communicated once a year but only since 2012 and with more than a one year delay;
- disclosure of transfer process and compensation too complex and not intelligible by participants.

Besides, this French transfer right does not apply to the decumulation phase; it is only authorized towards other annuity; and limited for pension products not allowing for lump sums withdrawals.

Several new Member States apply restrictive conditions on switching, which in turn is multiplied by rigid information disclosure and low transparency of costs and charges. This approach significantly influences the economic functioning of demand side and allows supply side to exploit unreasonable information asymmetry on the market. The result can be seen in significant inertia of savers and low response of savers (and even the sponsors) to crucial parameters of pension schemes (performance, costs and charges, information disclosure, financial stability of the scheme).

Transferability of pension savings (DC based schemes) and pension capital (DB based schemes) is therefore viewed as a crucial consultation in the process of building functioning pension market across EU.

FSUG has been a long-lasting advocate of the right to switch and presented these ideas at various forums and consultation responses to EIOPA (see for example FSUG Response to EIOPA Discussion Paper on a possible EU-single market for personal pension products – August 18th 2013).

Even if the wording portability or transferability of pension rights is used when considering the most usual situation (job change), the transferability issue should be understood as a pure right to switch. Nevertheless, savers should have the choice between leaving the entitlements in the previous scheme or switching into the new scheme. In order to able to

decide on this, savers should have the right to respective information about both options on a regular basis without having to request and so reveal their intention to quit.

If the right to switch is limited on domestic as well as cross-border level, FSUG argues that the objective to create high added value pension schemes operating on a transparent and cost-efficient level could be jeopardized.

FSUG fully supports the EIOPA in its initiatives and steps taken towards greater transparency of pension schemes. In this context FSUG reminds EIOPA of the EuroFinUse Study on Real Returns of Pensions as well as the OXERA Study on Position of Savers in Private Pension Products where these issues have been scrutinized and analysed deeply. The results point at a low transparency and significant negative impact on savers.

FSUG urgently calls for a unified approach on the disclosure of impact of returns and costs. If the returns are presented on a continual historical basis and/or modelled for the future on the continual basis (often using compound impact), so should be the impact of costs and charges presented on the whole saving cycle of a member.

FSUG recognizes that the differences between tax treatment of pensions in the Member States are enormous. Furthermore, the development in this area is rather diverging than converging, which might have detrimental impact on savers and members. Tax differences among MS complicate switching cross-border and thus creating a functioning pension market in EU. As MS impose different tax regimes (EEE, EET, ETT, TEE, TTE), the switching might result either in avoiding taxation or in double taxation. Solution could be in the EU register of recognized pension schemes (similar to the UK QROPS)

6. Consultation of the Joint Committee of the European Supervisory Authorities (EBA, ESMA, EIOPA) - GUIDELINES FOR CROSS-SELLING

Retail financial services are ubiquitous in consumers' daily lives and assist them in achieving important goals, such as saving money for retirement, investing in the education of their children, purchasing movable and immovable property, covering against risk.

However, the retail financial services sector is far from functioning properly. One of the crucial issues is related to cross-selling practices, which are too often not designed in the interest of consumers, and limit competition and consumer choice. Such practices are widespread across EU Member States.

Although the FSUG supports the majority of the ESA's Guidelines, we consider their impact is likely to be rather limited since sectoral legislation recently adopted does not materially limit cross-selling practices.

Potential benefits of cross-selling for consumers. First of all, it is important to distinguish between tying and bundling. Indeed, potential consumer benefits (financial benefits, convenience and wider choice) are achievable through bundling, provided that the consumer has a real choice to purchase each component of the package separately. On the other side, the FSUG does not see how tying can benefit consumers; in our view, the benefits are exclusively for financial service providers. In addition, in order to properly assess consumer benefits, not only costs at the time of purchase, but also overall costs for the consumer in the long run must be considered. This implies taking into account potential tariff increases for individual services included in the package as well as switching costs for the consumer.

Potential detriment associated with cross-selling practices. Overall, the FSUG agrees with the identified potential detriment as described in the guidelines.

The Guidelines should make reference to behavioural biases and the fact that firms exploit consumer biases to design and market financial services in a way which does not always meet consumer interests and needs. The FSUG response to this consultation contains

numerous examples of cross-selling practices in different Member States and their potentially negative impact on consumers.

Information disclosure. The FSUG considers that information disclosure alone will not ensure fair treatment of consumers by providers. The root cause of the problem must be addressed, i.e. clear rules on tying and bundling practices are needed. Since the sectoral legislation (MiFID II, MCD, PAD and draft IMD II) does not impose material limits on cross-selling, the impact of the ESA's Guidelines is likely to be limited and will not change current business practices in countries where no specific national legislation exists in this area.

7. Draft proposal for Implementing Technical Standards on the procedures, formats and templates of the solvency and financial condition report

The FSUG welcomed this draft, which should increase transparency of this industry. Nevertheless the FSUG would like to raise the issue of information on premiums according to the country and business lines. Anecdotally, the FSUG members noticed increasing cross-border activity. Unfortunately there is no information on the range of such sales. It is becoming crucial for consumer organizations, financial ombudsmen and ADR schemes, as proper disclosure of information consumer rights and potential disputes with foreign financial institutions are usually challenging. That is why the FSUG proposes that there should be full transparency on information relating to claims and expenses disclosed on a country by country basis and by business lines to make above mentioned institutions aware of potential new areas of activities. Small companies usually operate within one country, so it would not be a burdensome obligation. For a big insurance company, activity in a small Member State is immaterial from the perspective of the whole business but substantial from the individual country's perspective.

8. Consultation Paper on the draft proposal for Implementing Technical Standards on capital add-on

The FSUG supported EIOPA's position as presented in the Consultation Paper on the draft proposal for Implementing Technical Standards on capital add-ons. The proposed solution should effectively protect policyholders in case of urgent need of capital. At the same time it guarantees that capital add-on is the last supervisory measure.

9. Discussion Paper of the Joint Committee of the three European Supervisory Authorities (EBA, EIOPA and ESMA) on Key Information Documents for PRIIPs

The FSUG stresses the strong need for a simple pre-contractual document that enables retail investors to reach well-informed investment decisions by enabling them to:

- understand the product, including its risks, rewards and the effects of costs/charges;
- compare it easily with other products; and
- assess whether a certain product is the right one for his/her needs.

In that respect the FSUG sees a need to benefit from all the experience accumulated on the work done for the KID for investment funds (UCITS IV Directive), and for its subsequent implementation by the industry.

The FSUG's concerns are mainly related to the elimination of disclosures on historical performance - and especially on the comparison between historical performance of the product and that of the relevant benchmark. While the FSUG acknowledges that past performance is not a reliable predictor of future performance we are concerned that, without any information on past performance, EU citizens will not even know if a product has

generated any positive performance in the past or - on the contrary - has destroyed the value of their savings. They will also not know if a product has met or exceeded its stated investment objective, or has matched or not the performance against its benchmark.

Last, but not least, the FSUG called on the ESAs to ensure that the KID becomes an EU-wide harmonized document which contains meaningful and all necessary information, which is understandable by all retail investors and which does not only cater for the lowest common denominator of investor understanding.

10. Consultation EBA/CP/2014/42 on draft Guidelines on creditworthiness assessment

Creditworthiness refers to the borrower's financial capacity to repay a loan without creating financial hardship throughout the term of the credit contract. The objective pursued by the borrower's creditworthiness assessment should be the prevention of over-indebtedness. In case of payment default, the credit institution should take responsibility if its decision is based on a poor quality assessment of the consumer's financial situation (as happens, for example, under Belgian law). The costs of irresponsible lending in these circumstances should be borne by creditors and not by consumers.

The FSUG generally supports the draft version of the Guidelines, but considers they leave too much latitude to creditors. Creditworthiness assessment should be standardised as much as possible, which means that the guidelines should be more detailed to limit creditors' margin of manoeuvre.

Verification of the consumer's income. The FSUG supports the requirements as described in the guidelines. However the FSUG considers that all creditors should be obliged to engage with borrowers and ask appropriate questions in order to evaluate their level of income and request the necessary supportive documents issued by reliable external sources (for example: salary sheets, bank statements, income tax statements of the past years, certificates from social security on the labour history of the borrower, work contracts) and any other extra documentation which they may deem necessary to verify the borrower's income. In any case 'Low doc' or 'No doc' loans should be prohibited. Assessment of the capacity to repay should focus on borrowers' incomes net of non-discretionary expenditure, that is, the disposable income.

Identification and prevention of misrepresented information. Under no circumstances should a loan application be granted solely on the basis of a self-reporting questionnaire, but should always take account of reliable and external sources of information, which would avoid misrepresented information. The creditor should also pay attention to misrepresentation of consumers' financial situation by the data available in the credit register. In some cases, the credit histories available are incomplete because important data is missing. Also, if credit scores are used for assessment of creditworthiness, the creditor should take into account that these are often based on assumptions that are not always very precise for a specific consumer.

Assessment of the consumer's ability to meet his/her obligations under the credit agreement. Loan-to-income and debt-to-income ratios may be helpful in that respect and should be universally used as a guide by lenders and intermediaries. As an average, consumer organisations consider that periodic instalments of the loans (principal and interest) for a consumer should not exceed 33% of his monthly net income. These debt-to-income ratios are common practice in some countries like France and Belgium. However the ratios should not be used without a proper consideration of income and expenditure for the individual borrower. In addition, in the Member States where loan-to-value ratios are used, the FSUG believes that consumers should not be lent more than 100% of the value of the property they are intending to buy.

The FSUG strongly supports the fact that loan-to-value (LTV) ratio should never substitute for a thorough assessment of a borrower's repayment capacity. Indeed, a low LTV ratio does not mean the borrower will be able to repay the loan. Therefore, loan-to-income and loan-to-debt ratios are more important, while LTV ratio may serve as a complementary tool.

In addition, assessment of creditworthiness should not rely on an assumption that house prices will increase.

The FSUG does not understand the reason why these draft guidelines do not list requirements applying to the most widely used instrument in practice to assess the consumer's creditworthiness in several Member States, even if its original purpose was to assess credit risk, and not creditworthiness. The FSUG considers it is contradictory and ineffective to have guidelines on the information supplied by the consumer and the assessment of creditworthiness but not have in place clear rules on a common practice which is also beyond the control of the consumer and be detrimental for his interests in particular as regards personal data protection (e.g. credit scoring).

The FSUG also adds that care needs to be taken that lenders do not discriminate against older borrowers. Income may be reduced in retirement but it is generally certain, whereas income from employment may be more volatile, depending on the occupation of the borrower.

11. Consultation EBA/CP/2014/43 on "Draft Guidelines on arrears and foreclosure"

The FSUG supports the minimum requirements and measures to be implemented by creditors in these areas, as set out by the EBA. However, as they have very few details, especially when compared with the codes adopted by national authorities (see for example Portugal, UK and Ireland), the FSUG was not sure as regards their effectiveness.

The FSUG considers it essential that the mechanisms created to deal with arrears do not lead to a situation more unfavourable to the consumer than already exists. On the contrary, the FSUG proposed that the EBA should introduce solutions to ensure that consumers are effectively protected.

All creditors should be requested to take action to identify customers susceptible to arrears and have appropriate strategies to treat them fairly, in particular when indexes used in all variable rate mortgage loans rise and/or when exchange rates of foreign currency loans rise.

Creditors should develop a performance tracking system to proactively segment their pre-arrears population and put in place tools to detect and act upon 'early warning signs' such as borrowers failing to meet all of their financial commitments.

The FSUG also recommends that creditors should contact consumer organisations in order to prepare the most suitable training for staff dealing with consumers in payment difficulties, and even to involve representatives of consumer organisations in this process.

The FSUG considers that it is very important to be sure that fundamental rights as human dignity, privacy, safety, health etc. are respected by creditors and any other agents acting on behalf of creditors and any violent language or harassment that may lead to physical or psychological harm must be prevented.

Where creditors have not followed the principles of "responsible lending", all consumers should have the right to be exempted, partly or even in full, from their debt. Creditors should exercise forbearance in particular in those cases where the consumer becomes unemployed, is affected by a serious illness, etc.

Thus, the FSUG proposes to extend the list of possible solutions, with the inclusion of three new points: debt relief – writing-off of a portion of any outstanding debt; debt cancellation – writing-off of all remaining outstanding debt and *datio in solutum* – borrowers who cannot

repay their mortgage are released in full from the outstanding debt by handling their mortgage property over to the lender.

In our view, national supervisory authorities should regulary monitor the application of these guidelines and report to the EBA on the findings. On the basis of this reporting, the EBA should evaluate whether more extensive guidelines or more binding rules are needed.

12. EBA consultation on "Guidelines on product oversight and governance arrangements for retail banking products"

The FSUG welcomed the EBA's consultation and its recognition of the importance of product oversight and governance for how financial markets deliver to consumers. The focus of the guidelines is on rules on internal arrangements for the design, marketing and life cycle maintenance of products.

The FSUG emphasized however that the EBA's guidelines are only a necessary first step for ensuring that products sold to EU consumers are designed to serve their interests and objectives. Because supervision of product oversight and governance in the field of financial services is still a novelty for supervisors in the majority of EU member states, and because many national supervisory and enforcement regimes still largely focus on disclosure of product features to the consumer, the EBA's task is to ensure that these guidelines are quickly and effectively transposed by national supervisors.

The FSUG proposed that the EBA should provide more guidance on the frequency and content of internal reviews, and allow for independent reviews. Were Product Oversight Governance (POG) arrangements to be reviewed independently, it is more likely that the review would be sufficiently critical and shortcomings flagged up promptly. In the FSUG's opinion, both manufacturers and distributors should also make their POG arrangements public to allow for greater scrutiny.

Furthermore, the FSUG asked for an improvement of the governance of guidelines themselves. There is a need for the national supervisors to assess regularly whether the POG arrangements that are put in place by these guidelines prevent inappropriate products from being developed and sold in practice, and report on the findings to the EBA. National supervisors should regularly publish the findings of their reviews of the POG arrangements.

On the basis of the findings of internal and national reviews, the EBA should assess the effectiveness of these guidelines after a period of five years, and consider the need for further adaptations. Within this review, the EBA needs also to investigate the desirability of introducing a regulatory pre-approval process for certain types of products. This would be particularly relevant for products that have been identified as prone to the need for remedial action following the application of the product oversight procedures.

The FSUG further strongly urged the EBA to also include banking products targeted at SMEs into the scope of these guidelines, as these face very similar problems and constraints when analysing, acquiring and using bank products as consumers do.

13. Consultation EBA/CP/2014/34 on "Draft Guidelines on national provisional lists of the most representative services linked to a payment account and subject to a fee

This EBA Consultation Paper was the first mandate for the EBA derived from the PAD: the Guidelines are intended to ensure the sound application of the criteria set out in Article 3(2) for the Member States to establish provisional lists of the most representative services linked to a payment account.

These Guidelines have a strategic importance for consumers, because, following the application of them at national level, the PAD mandates the EBA to develop regulatory

technical standards to set out EU standardised terminology for those services that are common to at least a majority of Member States, on the basis of the provisional lists notified.

The FSUG supported the Cost-Benefit Analysis and the Impact Assessment of the Guidelines and the options preferred by the EBA – A1, B2 and C2. The FSUG also generally supported the draft version of the Guidelines, but considered it useful to make some more comments and proposals.

The FSUG believes that the EBA Guidelines should explicitly stipulate that, when establishing the provisional lists of the most representative services linked to a payment account and subject to a fee, national competent authorities should also take into account all kinds of fees and penalties linked to the use of a payment account.

More generally, we considered that, in developing the lists of representative services and the fee information documents, the competent authorities should use behavioral insight principles to ensure that the qualification of "representativeness" of a service is based on the consumer perspective.

The FSUG was of the opinion that the criteria mentioned in Article 3 (2) – the services most commonly used and which generate the highest cost to consumers at national levels - should be, as much as possible, used cumulatively. The FSUG considered it beneficial to include a clear recommendation to the competent authorities to prioritise in the list those services that generate the highest cost to consumers, even if they are not very often used by consumers.

The FSUG was very supportive of the EBA's recommendation that factors such as the risk of consumer detriment may be borne in mind by competent authorities when considering whether to include certain fees or services in their provisional list. We also considered that the EBA should encourage national competent authorities to include in the list as many as possible representative services (a number close to 20, not to 10).

14. EIOPA Consultation Paper on the proposal for Guidelines on product oversight & governance arrangements by insurance undertakings

FSUG considers this initiative very important for both consumers and insurance undertakings. In most cases in good companies procedures described in the consultation paper already exist, at least partially, but there are obvious examples that consumer interest were not the main objective of some financial products. This regulation should result in a proper product oversight and governance by insurance company which have never done this before and more systemic approach other cases.

Guidelines on product oversight and governance arrangements should be also helpful in preparation of Key Information Document for investment insurance and in general for products innovations.

FSUG should underline that the proposal for guidelines on product oversight and governance arrangements should be complementary to point of sale disclosure requirements and together create a coherent system. Furthermore discussion on the role of insurance undertakings vs. distributors should be continued to better understand their role within POG and adapt legislation accordingly. Also the situation of SMEs in the context of consumer detriment should be better disclosed.

FSUG would like to propose extension of the guidelines onto staff involved in the sale of the product to better control risk of miss-selling, caused by poor training and unethical incentives. As the transparency is one of the main objective of Solvency II it could be justified to make POG arrangements public and in this way allow for higher interest and deeper scrutiny. It could be also an element of basic control proceeded by auditors.

FSUG supports the view that standard option should be on the avoidance and elimination of conflicts of interest, whereas management of conflict of interest the last possible option.

FSUG would like to take into consideration the idea of simple product which could be mentioned in the guidelines. FSUG assess the contribution a simple financial products regime could make to: improving access to suitable products; promoting real competition, innovation and efficient markets; promote fairness and market integrity; and improving the effectiveness of financial regulation. It could increase awareness and help to work out testing criteria of simple products.

In our opinion there should be a clear reference to the possibility of withdrawing a product from a particular distribution channel where product monitoring has found that the channel in question does not meet the manufacturer's POG arrangements. FSUG finds it important that outsourcing of the product design is not likely to lead to, consumer detriment.

15. EIOPA Consultation Paper on Further Work on Solvency of IORPs

FSUG welcomes the initiative of EIOPA on valuation and solvency of IORPs and supports the EIOPA initiative to make IORPs more transparent and stable in favour of members and beneficiaries. In the context of this work, FSUG thinks that the issues of IORPs´ solvency should be treated very carefully within the context of IORP Directive review. Not only the Holistic Balance Sheet (HBS) should be in the centre of focus, but also additional aspects related to Pension Benefit Statement (PBS) as the solvency of IORP should be clearly linked to the promises given to members (and sponsors) on one side and the transparency of expected benefits presented in Pension Benefit Statements. These two sides should be well balanced.

IORP as an intermediary has the ultimate objective to provide the promised benefits for members (savers) and has been built by the sponsor to have the capacity (not only financial, but especially professional) to guide the sponsor in the process of achieving the adequate level of sources to fulfil the promises. Decreasing the responsibility of IORPs in this aspect and focusing only at the cash-flow recognized as technical provisions significantly diminish the level that should be achieved, meaning to have financially viable and stable IORPs able to deliver promised benefits.

FSUG thinks that there should be limited room for discretionary decision-making and benefits, as additional issues may arise. All possible aspects of decision-making as well as benefits awards should be precisely defined under the "agreement" or "pension plan". This might limit the balance sheet "volatility" tied to the general macroeconomic situation, as the IORP will be forced to focus on balanced long-term decision-making and not on "saving and spending" short termism.

FSUG understands the importance of a sensitive approach towards the sponsor support valuation. At the same time, FSUG understands the EIOPA´s approach toward the principle based approach to valuing sponsor support with the specifics being left to member states/supervisors and/or IORPs. On the other hand, IORPs are the ones which are fully responsible for sound management of assets and liabilities. FSUG recognizes the existence of underfunded IORPs, where the sponsor support might be called up. However, alongside the principle based approach, there should be an "uniform" EU-wide consistent approach (second approach) that allows for clear market-consistent valuation of sponsor support. This might increase the transparency and bring more transparency in the operations of IORPs across EU.

Even if the reality is different at moment of finalizing this report, FSUG believes that HBS might become a suitable tool for pillar 1, 2 and 3. However, it would require a lot of work to make it a standard Solvency Capital Requirements, Risk Management and Transparency tool to help align the understanding of IORP financial position and promises made to members. FSUG thinks there might be some simplifications in the HBS, however they

should be considered only under the conditions that it will not decrease the ability of sponsors, members and regulators to assess the real condition of the IORP regarding the pension benefits promises made and presented to the members.

16. EIOPA Consultation on conflicts of Interest in direct and intermediated sales of insurance-based investment products

The FSUG believes that the issue of conflicts of interests in the sale of financial services products is at the heart of consumer protection in financial services. The FSUG therefore responded to this consultation paper on conflicts of interests in the sale of direct and intermediated sales of insurance-based investment products to highlight its concerns in this area.

The FSUG was supportive of EIOPA's aim to achieve wide-ranging alignment between the regulatory regimes for investment products and insurance-based investment products. However, we also felt it necessary to highlight gaps in this alignment as well as shortcomings in the provisions, which could lead to consumer detriment.

The FSUG regards the provision of monetary and non-monetary inducements as one of the most relevant sources of conflicts of interest with regard to harm caused to retail clients. Our preferred solution is a complete ban on inducements in the field of investment products. This should also include the other types of inducements received by the distributing arm of "bancassurance" groups. However, as MiFID II does not contain a complete ban of inducements the FSUG believes that everything should be done to avoid the creation of situations in which such conflicts could arise. In our response to the consultation, we proposed the following additional measures that should be taken to prevent this from happening:

- the introduction of binding legislation (rather than just non-binding guidance) with regard to the treatment of monetary and non-monetary inducements;
- the introduction of an independent external review of firms' conflicts of interests policies;
- the provision of a list of criteria as proposed by ESMA that should be used in determining that the quality enhancement test has not been met;
- the inclusion of an explicit ban on certain types of third-party payments that could lead an intermediary to sell products that are unsuitable for their customers, rather than giving firms the option to decide whether they constitute a conflict of interest on a case-by-case basis.

17. Consultation on Cross border mergers and divisions / company law.

In its response, the FSUG supported full harmonisation of the rights of creditors and minority shareholders in all Member States in case of a cross-border merger and considered it important that minority shareholders in Europe should have the right of investigation, the right to request compensation and the right to decide on a merger in an extraordinary general meeting.

18. EIOPA Consultation on Product Oversight Governance

The FSUG finds this initiative on Product Oversight Governance (POG) very important for both consumers and insurance undertakings. In most cases the good company procedures described in the consultation paper already exist, at least partially, but there are obvious examples where consumer interest is not the main objective of some financial products. This regulation should result in the introduction of proper POG procedures by those insurance

companies that do not already have them in place; and a more systemic approach in other cases. Guidelines on POG arrangements should also be helpful in the preparation of the Key Information Document for investment insurance and in general for product innovations.

The FSUG considers three of the areas mentioned (target market, consumer detriment and distribution channels) to be very important and appropriately structured. We would underline that the proposal for guidelines on POG arrangements should be complementary to point of sale disclosure requirements and together create a coherent system. Furthermore discussion on the role of insurance undertakings vs. distributors should be continued to better understand their role within POG, and adapt legislation accordingly. Also the situation of SMEs in the context of consumer detriment should be better disclosed.

The FSUG would like to propose extension of the guidelines for staff involved in product sales to better control risk of mis-selling caused by poor training and unethical incentives. As transparency is one of the main objectives of Solvency II it is justifiable to make POG arrangements public and in this way allow for higher interest and deeper scrutiny. It could also be an element of basic control proceeded by auditors.

We support the view that the standard option should be on the avoidance and elimination of conflicts of interest, whereas management of conflict of interest should be a last resort.

The FSUG also proposed that the idea of simple products could be mentioned in the guidelines. We believe that a simple financial products regime could: improve access to suitable products; promote real competition, innovation and efficient markets; promote fairness and market integrity; and improve the effectiveness of financial regulation. It could increase awareness and help to work out testing criteria of simple products.

In our opinion there should be the possibility of suspending the sale of a specific product where monitoring has found problems with the design or sales process. Information about such problems should be immediately sent to the national supervisory authorities. There should be also a clear reference to the possibility of withdrawing a product from a particular distribution channel where product monitoring has found that the channel in question does not meet the manufacturer's POG arrangements. The FSUG considers it important that outsourcing of the product design should not lead to consumer detriment.

FSUG strongly agrees that "adequate regulatory framework and supervision, healthy competition, financial education, and a focus on consumer needs by financial institutions" is needed.

OTHER RESPONSES, INITIATIVES AND COMMUNICATIONS

As well as responding to requests from the Commission and other policymakers, FSUG proactively seeks to identify key financial services issues which affect users of financial services. This year we published four reports on work begun in the previous year:

- a discussion paper on the potential for a Simple Financial Products Regime;
- FSUG position paper on asset management in response to the IODS research report commission by FSUG;
- FSUG's Risk Outlook 2015 and beyond – Progress Report and New Risks facing EU financial services users; and
- FSUG's Strategic Priorities for the Commission.

A Simple Financial Products Regime

As FSUG set out in its position paper, Making financial services work for financial users: New model financial regulation[3], the usual approach to financial regulation has failed to protect consumers and make financial markets work for EU financial users. We proposed a new model for financial regulation based on identifying root causes of market failure and, critically, identifying effective interventions to correct market failure including product intervention. Product intervention is a direct form of intervention and can take many forms including national authorities developing simple financial products with mandated features. We identified specific policy goals and product areas for which product intervention is most appropriate and assessed the potential for EU level interventions. Simple financial products – if accompanied by the appropriate regulatory and advice regime – in our view could reduce the unit costs of distribution. In theory, a reduction in unit costs should enable financial firms to extend their reach to greater numbers of consumers who were considered to be economically unviable. This in turn could improve access to appropriate financial products and services and promote financial inclusion. Moreover, the advantages would be even greater if simple financial products were distributed using alternative financial institutions and/or financial guidance. Additional savings could be made on acquisition costs, remuneration costs and profit margins. Simple products would also promote genuine financial innovation. Competition and market forces has failed to produce sufficient innovation to ensure consumers' needs are met efficiently and fairly. We rejected the argument that product regulation stifles genuine financial innovation.

FSUG position paper on asset management

The research findings contained in the IODS report on asset management[4] raised serious questions for policymakers and regulators. The underpeformance of the asset management industry appears to be producing a huge welfare loss for EU investors. This new research confirmed previous research that, for savers, it is generally not possible to make investment choices on the basis of past performance. Moreover, the consistently poor performance of the sector in the EU Consumer Market Scoreboard raises serious concerns about the fair treatment of investors and behaviours within the industry. The low levels of trust and confidence would appear to be well deserved. It is illogical and dangerous to continue to expect financial users to make increased use of this industry to save for the future and for retirement without first improving the efficiency of the industry and consumer confidence and

[3] http://ec.europa.eu/finance/finservices-retail/docs/fsug/papers/new_model_fin_regulation-2012_09_en.pdf

[4] http://ec.europa.eu/finance/finservices-retail/docs/fsug/papers/1410-eu-asset-management-industry_en.pdf

trust. Several measures are needed to address poor investment performance and inefficient competition including: maintaining the mandatory and standardised (comparable) disclosure in the KIID of past performance of funds and of their chosen benchmarks; regulating the use of past performance data in marketing and promotions – this data is misleading and results in investors making sub optimal decisions; regulating the use of investment projections in the KIID and in marketing and promotions – asset managers should be required to use realistic projections (based on the asset allocation of the fund) set by the regulator; regulating disclosure of charges – asset managers and intermediaries should be required to disclose all charges borne by the investor using a simple, clear measure (mandatory disclosure of fees and commissions should be provided both in % and in money terms for a given investment amount and should apply regardless of the distribution channel; improving the training and competence of intermediaries who play an important part in influencing investor decisions; tightening the regulation of investment advice – advisers and intermediaries should be required to disclose and explain why they recommend actively managed funds instead of passively managed funds when those are available. In effect, this would be similar to the very effective RU64 regulation introduced in the UK which ensured that the introduction of stakeholder pensions improved the value of personal pensions; more generally EU supervisors must do more to ensure that low cost index ETFs are eventually proposed to individual investors; regulating the conflicts of interest along the supply chain – this includes the relationship between asset managers and intermediaries/ advisers, and asset managers and analysts and brokers; Retail Distribution Review style reforms should address some of the conflicts of interests but we also propose that asset managers should bear all the transaction costs in managing a portfolio – not just research costs – and charge the investment fund a transparent fee based on assets under management; and enhancing fiduciary duties – new measures are needed to ensure that the various fiduciaries in the supply chain (depositaries, trustees, custodians) exercise their duties responsibly and act in the interests of clients including a requirement to sack the asset manager if consistent underperformance is evident and seek to merge investment funds if this would improve economies of scale).

We also propose that policymakers assess the potential for implementing “overperformance” and “under-performance” fee structures, where the designer of the product (issuer) should be obliged to present relevant market benchmark for performance evaluation purposes. If a portfolio managers diverges from the benchmark, the fund should be considered as actively managed and performance-based fee structure should be applied that reflects the actual performance of the fund against respective benchmark.

FSUG’s Risk Outlook 2015 and beyond – Progress Report and New Risks facing EU financial services users

If policymakers, regulators, and civil society representatives are to be effective at meeting their objectives (ensuring safe and resilient markets, making markets work, protecting financial users, and ensuring consumers’ needs are met), effective risk analysis and risk management is a priority. Good risk analysis and risk management allows us to:

- understand the major forces shaping market and user behaviours;
- understand the root cause of market failure/ detriment;
- develop mitigation or prevention strategies; and

regulate and supervise more cost-effectively and efficiently and prioritise using targeted interventions.

Ultimately, risk analysis is necessary to set strategic priorities and use limited resources to protect citizens. Failure to identify, manage or mitigate risks will inevitably result in future

market failure and consumer detriment. It also results in significant ex post redress costs to the industry (if sanctions and redress are successfully applied) and costs to the regulatory authorities. Just over two years ago, the FSUG produced its first Risk Outlook to help policymakers, financial regulators at EU and national level, and other stakeholders such as consumer organisations recognise the key risks facing EU financial users in the post financial crisis environment. Quite often a detrimental practice in one member state will be copied in other member states. This second Risk Outlook report updates that report and identifies new or emerging risks facing financial users. It also provides a commentary on whether we believe that the previous risks we identified have been dealt with. It is quite obvious that some of the major risks and market failures in many areas of financial services have not been dealt with.

FSUG Strategic Priorities for the Commission

In addition to the specific sector and product risks highlighted in the Risk Outlook, we have identified a number of strategic challenges for the new Commission. These are:

- Better regulation to protect financial users and make markets work;
- Understanding the impact of data and technology on financial users;
- Financial networks, system resilience and cybercrime;
- Tackling financial exclusion, under-provision and discrimination;
- Promoting real competition and true innovation;
- Financial intermediation and the real economy;
- Reforming the asset management/ pensions industry;
- Pensions decumulation; and
- Better representation and accountability.

We recognised that there are already a number of specific legislative or regulatory initiatives underway to address these issues. However, it is our view that the challenges we have identified are so great and affect such a large number of citizens that new strategies are needed or existing strategies renewed. Strategic challenges require coordinated, long term strategic interventions.

Lessons from the FSUG meeting in Amsterdam

FSUG's June 2015 meeting was held on 8 and 9 June in Amsterdam. The Netherlands can be considered as proactive and innovative as regards the implementation and creation of financial users-friendly legislation. There are lessons to be learned from the Dutch.

On 1 January 2013 The Netherlands amended the inducement rules for non-MiFID products by the introduction of a complete ban on third party inducements. The ban means that financial service providers are no longer allowed to receive inducements for acting as an intermediary or adviser in respect of these products. This was a far-reaching step. Managing Director Theo Kockelkoren of The Netherlands Authority for the Financial Markets commented and discussed with FSUG these and other recent developments.

The collective redress system in The Netherlands must be considered innovative as well. The mix of a well functioning court system on collective actions as well as a collective

settlement system based on the Dutch Collective Settlement Act WCAM, made it possible that large international settlements as on Shell and Converium were executed in The Netherlands over the last years. Ruud Hermans, partner of De Brauw law firm, informed FSUG in detail.

Other speakers represented various financial users-organisations, from the Dutch Investors' Association VEB, the Dutch Credit Data Register BKR, the Dutch Consumers' Association Consumentenbond, the National Institute for Family Finance Information Nibud and The Netherlands largest institutional investor pension fund PGGM.

The role of credit reporting in financial markets: private or public registries? A presentation by BKR, the Dutch Credit Data Register

While research by the World Bank shows that the initial set up of credit bureaux enhances access to credit and lowers the level of arrears, the lasting effect credit bureaus will have on credit lending, arrears and over-indebtedness depends on the type of bureau (private, public, commercial) and how it operates.

Commercial credit registers and credit registers owned by banks present a high risk of conflict of interest. In order to ensure that credit registers work according to the public interest and the interest of consumers, there is a tendency for governments to take back the ownership of credit bureaus to control how they operate.

Furthermore, as the EU moves forward on the issue of data privacy and data protection, credit bureaus will also have to adapt and become more transparent with more user control.

The meeting in Amsterdam provided a very helpful insight of the Dutch model. BKR is an independent non-profit Foundation. Formally, it is a private organization, but it was explicitly said that the private nature of the Foundation is tied to historical reasons and, if it were to be set-up today, it would have taken the form of a public organization.

A core lesson learned at the Amsterdam meeting was the differentiation between the 'Big Data' business model versus the 'Society' business model. The presentation disclosed the existence of a debate within the providers of credit data in terms of the need to "make a choice" between the two models. This was very useful as it touches on ongoing discussions within the FSUG as to the organization and governance of Credit Bureaux in the EU, which in the FSUG debate took the form of 'public' versus 'private/commercial' organisations taking the role of centralizing consumer credit data in the lending sector

The discussion that took place in Amsterdam was also instructive of the need to adapt the credit data sharing to the needs of a single market in credit for consumers. This may have wider implications on the organization and governance of credit bureaux in the EU that needs further investigation.

Credit bureaux are bound to evolve into one of two models: one based on the gathering of big data, the other as a service to society. Policy makers will have to make a choice between the two models.

The Dutch model provided a very good example of a system working also in the interest of consumers.

The main advantage of a credit bureau as a service to society is transparency about:

- the way creditworthiness is assessed (transparent way of calculating current revenue, household expenditure and other financial obligations, as opposed to a hidden algorithm in the big data model often used for credit scoring rather than for creditworthiness checks);

- changes or provision of new data in the register;

- who consults the register, when and why;
- data retention and the operation of the credit register (how long is negative/positive data stored);
- the relationship of the credit register with other stakeholders such as banks, the Privacy Authorities, civil society/consumer organisations, etc.
- Some aspects to be kept in mind when examining how credit registers operate include:
- the cost of consulting a register;
- the ease of correcting a mistake;
- how decisions are made to include new data (depth and breadth of data) such as utility bills, mobile phone subscriptions etc.;
- whether the credit register covers all financial products that can get a consumer into debt (store credit cards, etc).

Credit registers do not operate in a void, the general policy context matters. For instance, interest rate caps can also greatly influence over-indebtedness and prevent certain harmful innovative financial products from hitting the market.

Collective redress in The Netherlands. A presentation by De Brauw law firm

Until 2005, there was no appropriate procedure to deal effectively with mass claims under Dutch law. In July 2005 the Act on the Collective Settlement of Mass Claims (WCAM) came into force. This act is inspired by US Class Action settlements practice. The direct cause for the WCAM was the DES Case. The DES Case was the first collective settlement which has been declared binding in the Netherlands. The case concerns a defective pharmaceutical that was intended for use during pregnancy. This pharmaceutical caused injuries to the daughters of the women who took the medicine. The WCAM offers a way to settle this type of mass damages.

The application of WCAM is based on an agreement of mass damage claims. According to the law, this collective settlement must be concluded between organizations that represent victims and parties that provide the compensation. If the settlement is achieved, the parties jointly file the request to the court of appeal in Amsterdam to declare the settlement agreement binding on the entire group of victims. If the court grants the request, the settlement agreement is binding on the class of victims referred to in the settlement. However, victims can opt-out from the settlement and initiate individual proceedings.

<u>Collective settlements</u>

Since 2005 there have been eight settlements declared binding: DES, Dexia, Vie d´Or, Shell, Vedior, Converium, DES II and DSB Bank.

The Dexia case was declared binding on 25 January 2007. In this case 300,000 claimants were involved, 24,700 chose to opt-out. For this reason many proceedings were pending after the settlement was declared binding. Opting out turned to be out in most cases the right financial decision. The Dexia claimants receive an amount based on the remaining debt after the sale of their securities. The estimated costs for Dexia were about 1 billion euro. In the Vie d'Or case the settlement was declared binding on 29 April 2009. There were 11,000 claimants. None of them opted-out.

In the Shell and Converium case the numbers of opt-outers were undisclosed. Shell was a highly international settlement. Claimants came from around 100 jurisdictions. In the Converium case there were 12,000 claimants. The Dutch court claimed jurisdiction to declare the settlement binding based on the fact that some claimants (less than a 100) were domiciled in the Netherlands and the settlement was executed in the Netherlands.

Besides WCAM there are several cases in which disputes were settled outside the instrument of WCAM. For example: Ahold, Unilever, KPNQwest, World Online and Imtech. In these cases no request was filed to declare the collective settlement generally binding. The number of collective settlements will probably increase in the near future. Insurance-companies in the Netherlands are faced with potential claims. The claims of the participants are based on the allegation that various (unreasonable) costs of the insurance policies have not been disclosed. Insurance-companies sold 700,000 of these life insurance policies to consumers.

Relevant for the ability to market the settlement to the victims, is the degree of professionalism of the claim organization. There are different types of claim organizations: traditional not-for-profit organizations, ad hoc organizations founded by claimants and ambulance chasers. An ambulance chaser strives to maximize his own compensation and to limit his costs. That is why an ambulance chaser prefers a cash settlement above a non-cash settlement. The legal counsel of the claim organization is a critical success factor in the settlement process. He needs to be able to manage the expectation of the claimants.

Considerations

Dutch Claim Code. The Dutch Claim Code was introduced in 2011. The Claim Code can be described as soft law, based on recommendations by a government-supported committee. The Claim Code is introduced to avoid conflict of interest between the managing directors of the claim organizations and the participants. The Claim Code is endorsed by the traditional not-profit-organizations and foundations.

Amendments. In 2013 several amendments to the WCAM came into force. These amendments were mainly technical improvements: e.g. the option of a pretrial hearing was introduced and the WCAM is now also applicable in bankruptcy cases. The DSB Bank case was the first mass damage settlement offered by a bankrupted company. About 100,000 DSB Bank customers were entitled to compensation.

In 2014 the legislator published a consultation paper. This proposal was heavily criticized. At the moment the status of this proposal is unclear.

Jurisdiction of the court. As mentioned above, Shell and Converium were highly international settlements. In Shell and Converium the petitioners requested the court to declare the settlement generally binding and applicable to all shareholders domiciled outside the US who bought shares in the class period on stock exchanges outside the US. The majority of these shareholders were not domiciled in the Netherlands. How to inform the class members domiciled outside the Netherlands on the WCAM proceedings? The answer is to involve a Dutch bailiff and to use newspapers and websites in countries where shareholders are assumed to be domiciled. Be aware that the costs of notification can be very substantial.

Another issue deals with the jurisdiction of the court. Brussel I Regulation states that persons domiciled in a member state shall be sued in the courts of that respective member state. Class members have to be regarded as ‘persons to be sued’. In this respect the claims of non-Dutch shareholders were so closely connected to the claims of shareholders domiciled in the Netherlands, that is was expedient to hear and determine them jointly in order to avoid the risk of irreconcilable judgements resulting from separate proceedings. As a result the decision to declare a settlement binding is recognized in other EU member states.

Budget planning in The Netherlands. A presentation by the National Institute for Family Finance Information (NIBUD).

NIBUD was founded in 1979. it employs a staff of 30 people.

NIBUD's main objectives are:

- increasing consumers welfare by promoting a rational planning of family finances;
- preventing over-indebtedness

In order to achieve these objectives, NIBUD focuses on 4 domains:

- Money management now: budgeting and reference budgets;
- Income support and fighting poverty: website on entitlements and advising local government;
- Budget education programs in schools;
- Money management long-term: mortgage norms and adequacy of retirement income.

NIBUD provides advice, information and education directly to individuals and households but also indirectly through a wide range of professional intermediaries like public servants (debts), teachers and consultants in the fields of mortgage, insurance, savings and loans. Individuals and households are addressed through the mass media using free publicity and products concerning family budget subjects. Nibud supports the intermediaries by means of an annual budget handbook (including a large number of reference budgets) and software. Furthermore, Nibud offers instruction facilities for these professionals.

NIBUD is an independent foundation. The national government and the private financial sector finance around 30% of the projects. The rest is financed by the revenues of Nibud products: sale of information; consultancy; education (of professionals) and research projects

NIBUD is an example of best practice that should be considered in other countries both as regards funding and quality of services. If there are other organizations in Europe that offer some services in the field of managing household budgets, few of them are able to be financially independent, they mostly depend on public funds.

Furthermore, NIBUD has developed high-quality products, making this organisation well known and recognized nationally, both from final users and national authorities, but also from financial product providers seeking collaborations with NIBUD.

The ban on inducements and the supervision of asset managers. A presentation by The Netherlands Authority for the Financial Markets AFM

Mr. Kockelkoren is a member of the Board of the Netherlands Authority for the Financial Markets (AFM) and held a presentation about the first ban in the Netherlands on mortgages and insurances since the Markets in Financial Instruments Directive. The Dutch consumer paid the same amount of money for three different services from the bank. These services are the execution only relation, the advisory relation and portfolio management. A group of Dutch banks and the AFM took on 14 February 2013 the initiative for a ban on inducements and supervision of asset managers by concluding a gentlemen's agreement to implement the criteria, even before the entry into force of the new Markets in Financial Instruments Directive.

At this moment there are different prices for these three kinds of services. The price for the service of an execution only relation (used by nearly 70% of the consumers) collapsed. The market is now a bit more sophisticated and it is hoped that the greater variety of products will lead to more choice for consumers. As for products, given that there was no commission, passive investment funds were not sold very often. But now the share of retail invested assets allocated to passive funds represents 16% of the market. The competition increased, more differentiation led to a decrease of price, and there is a greater focus on products serving the markets. The number of customers in the advisory relation decreased (from 24% to 15%), the number customers for portfolio management increased (from 6% to 11%) and the number for customers in an execution only relation went up (from 70% to 75%). For the industry there is a big challenge in the quality of advice because it could still be improved. There is also a need for a strong redress system, even if it is not often used by consumers.

Recent developments for Dutch Consumers. A presentation by the Dutch Consumers' Association Consumentenbond

Consumentenbond was established in 1953[5i]. It is one of the biggest consumer organisations in Europe (almost 500,000 members, 190 employees, no government funding, fees for membership and services).

The Netherlands has made considerable progress in financial consumer protection, but in several areas risks remain and more work needs to be done. Though welcome, these measures were not taken in time to prevent financial excesses from occurring.

In 2007 the biggest mis-selling scandal in The Netherlands to date emerged ("Woekerpolisaffaire"), as it turned out that insurers with the complicity of independent financial advisors for 20 years sold toxic life policies. These policies were sold to several million of unsuspecting clients. Some observers estimate total damages at €20-25 bn.

In addition, the housing boom caused millions of consumers to borrow huge amounts of money to buy a house.

New measures taken to better protect consumers, centred around the need for financial institutions to better recognize their duty of care:

Stricter standards were placed on banks, to prevent them from making irresponsible mortgage loans: It is no longer possible to deduct payments on interest-only mortgage from your taxable income; the maximum loan-to-value ratio will be lowered to 100% by 2018 and maybe to 90% at a later stage. These new standards on mortgages are making it less attractive to lend money.

A ban on the payment of inducements by sellers of financial products to financial advisors was introduced in Dutch law, starting in 2013.

This ban on third-party inducements seems to be working. It prevents financial intermediaries and advisors from acting as the sales and marketing department of the product providers. As consumers now have to pay the bill themselves, they are encouraged to think about the value and their need of (independent) advice. Fears that consumers are not willing to pay for financial advice, have so far not materialized. The AFM reported last year that only 2% of consumers who take up a mortgage do so on a so-called execution only basis. According to the AFM, independent advisors still have a market share of 60%. The AFM also reported that the average price of advice on a mortgage has declined by 20%, from euro 2166 tot euro 1749, as financial advisors are starting to compete more

[5] As of 1997 it had 650,000 members and represented one out of nine Dutch families, which made it the consumer organization with the highest level of penetration in any nation

Starting in 2013, the AFM has the power to review the so-called product approval and review processes of banks and insurance companies: banks/insurers must have in place and apply adequate procedures to ensure that the client's interest is central when developing a product; all new products must go through a testing phase, after which the product or documentation must be amended, if appropriate. Existing products have to be periodically tested to assess whether these are still structured in the best interests of the target client group; The AFM has the power to supervise these processes, and is expected to use these powers to instruct firms to amend the characteristics of products. It is too early to evaluate the impact of this change.

A general duty of care was introduced in Dutch law, starting in 2014: financial service providers must "carefully take into consideration the justified interest of the consumer or client" or, if they give advice, "act in the interest of the consumer". This is a safety net: it enables the AFM to intervene if a financial service provider is clearly dealing with a customer's interest without due care, but specific rules do not exist. A public law duty of care will ensure that the supervisor can intervene before the consumer suffers damages.

There is a significant "redress deficit' in The Netherlands which undermines confidence in financial service providers and forms a drag on economic growth. Consumers need more legal instruments to collectively claim damages. But a law to create these instruments is still being debated in parliament.

In conclusion, the Netherlands has strengthened the position of financial consumers and financial supervisors. However, it remains to be seen how these new powers are used and how these new regulations are enforced.

The Netherlands has cut all taxpayer funding for the two supervisory authorities. Their budgets (€220 million per year) will be paid for entirely by the financial sector. Although the Ministry of Finance keeps the final say on the budget, financial institutions are complaining and it remains to be seen if funding will remain adequate

The question will be how long regulators and their political masters have the political will to resist the lobby of the financial sector.

Consumentenbond is lobbying for the introduction of a series of simple basic financial products with mandated features; such a regime will improve access to suitable products, and promote real competition and market integrity.

Recent developments for retail investors. A presentation by the Dutch Investors' association VEB

Paul Koster highlighted in his presentation the link between the mission of the FSUG focussed on retail financial services and Lord Hill's speech on the development and goal of the CMU "where retail needs to be at the heart of the CMU". But it is worrying that retail investors are reducing investments in shares due to a lack of trust. This lack of trust is exacerbated by the painful financial crisis over the last 7 years. Banks collapsed where auditors were blamed for not spotting the accumulation of risky assets. The annual reports due to obfuscations make it hard for the untrained eye to really understand the true performance of a company. He highlighted several examples. He then referred to the International Financial Reporting Standards which are getting more detailed over the years and the process of updating and improving the standards is way too long which in today's world is a problem that should be addressed by IASB. Another topic briefly addressed was integrated reporting which in his opinion lacks a sound set of (global) standards. This undermines for the foreseeable future the added value of integrated reporting to the reader since the comparability and consistency of presentations is not available. Paul finally addressed the issue of focus of the FSUG. It is such a broad range of sector specific issues, problems and risks that FSUG has to cope with that it might be helpful to seek a limited number of areas that FSUG will tackle in its next plan. In summary the lack of trust is

worrying but FSUG can play a significant role. The plethora of risks emerging and embedded in the financial markets and reporting issues of which some were briefly mentioned makes the task very difficult indeed but the retail investor will be best served when FSUG targets a limited number of areas. The CMU as a major project within the EU will make the protection of the retail investors, in that new CMU framework, with a clear agenda of FSUG of paramount importance to contribute to a stronger European Financial Integrated Market.

Developments on pensions in the Netherlands. A presentation by pension fund PGGM

PGGM is one of the largest pension funds management structure in the Netherlands. It provides pension management for different pension funds (€186,6 billion), integral asset management and executive advice to pension funds, affiliated employers and their employees. It has been developed as a cooperative non-for-profit structure by the social partners in the health and social sector for both employers and employees' organisations in these sectors. PGGM manages the pensions of more than 2.5 million participants of various pension funds.

The particularity of the Dutch pension model is based on the important role played by its occupational pensions schemes in the pension income and the strong mutualisation and risk-sharing elements (cross-generational and cross-gender) usually mainly found in PAYG systems but much less in occupational pensions. In the Netherlands the first pillar is limited to a basic pension that everyone who has resided long enough in the Netherlands gets.

This model - which was praised and presented as the best model in Europe before the crisis - is currently under review because demographic change and declining interest rates put Dutch pension funds under pressure.

The Dutch were and still are very satisfied about their pension funds even though heated debates are going on as to how they should be reformed. A large public consultation was organised by the public authorities in an open way and results are publicly available, reflecting the importance of the issue for citizens of all ages. This is an example of good practice which should be promoted in the countries where reforms are introduced after limited discussions involving experts and social partners between closed doors.

A very interesting presentation of PGGM and the reform of the Dutch pension system was given by the representatives of PGGM. They started by reminding that the Netherlands has very high pension savings (166% of GDP). In short the Dutch pension system is made of 3 pillars: statutory state pensions, supplementary (occupational) pensions, and private life insurance/savings arrangements. Debate about the pension system is about the change from the high degree of collectivity and risk sharing (inter-generational sharing) to a system which will meet economic and demographic challenges. The government has initiated a national dialogue on pensions, in a month results should be published.

The FSUG also learned about a EU project involving several private and public pension institutions in Europe, i.e. PGGM, MN, Syntrus Achmea and APG from the Netherlands, ETK from Finland and PKA from Denmark. The TTYPE – Track and Trace your pension in Europe project seeks to develop a tool that will enable cross-border workers to have an overview of the pension rights they have accrued in other Member States.

The project partners consider that a European Tracking Service is complex but feasible. Such a service has however to answer the challenges of authentication and data protection? If such a scheme was to provide information on the amounts paid into different schemes and the amounts to be expected, a harmonisation of pension information is a pre-requisite.

FSUG RESEARCH PROGRAMME

The FSUG has its own research budget which it can use to commission research on issues it thinks are important to users. In 2015, we decided to focus on investigating areas in which the position of consumers is weak or there is a lack of transparency. After a prioritisation process, we selected and suggested contracting research studies on the following new important issues:

- crowdfunding
- financial guidance
- pensions decumulation

Crowdfunding

In 2014, the FSUG drafted Terms of Reference for external research to be carried out in the area of crowdfunding with financial returns from users'/investors' perspective, focusing on: a. exploring awareness about the crowdfunding industry in general, and b. exploring benefits and risk perceptions for active users of crowdfunding. The objective of this research was to shed light in these areas that have not been explored so far. The contract was awarded to the research company Oxera. The study covered the following four Member States: Germany, Poland, Spain and the UK[6]. In terms of methodology, the study was structured in three distinct parts. The first part reviewed the literature on crowdfunding. The second looked at results and conclusions drawn from market research, which measured the awareness, usage and risk of crowdfunding from the perspective of investors. This second part of the study was further divided in two stages. The first stage consisted of two questions in an omnibus survey conducted via computer-assisted telephone interviews (CATI). In the second stage multiple questions were presented in an online survey or computer-assisted web interview (CAWI); the second stage was better suited to analyze usage and perception of crowdfunding. The third part of the study consisted of a detailed overview of discussions with ten crowdfunding platforms, including a summary of the responses and a discussion of the findings.

The most important results and conclusions of the study are as follows:

- Awareness levels of crowdfunding are highest in Germany (21.5%), followed by Spain (17.4%) and then Poland (16.6%)[7]. There seems to be a tendency for younger age groups to have higher awareness rates. Education and income are broadly positively correlated with awareness levels for all countries considered.

- For the largest proportion of investors, being particularly interested or excited about a specific company or project appears to be an important motivator for investing. Concerns about the reliability of this form of investment, as well as the lack of specific regulation of platforms, were rated as the most important reasons not to invest for both P2P and crowdfunding. Being concerned about poor financial returns was the least important

[6] Germany, Poland, the UK and Spain were the sample of countries chosen for this report. The aim was to include countries that are representative of various geographic regions and in terms of the level of development with respect to crowdfunding.

[7] Since there is recent market research on awareness for the UK, the UK was not included in the market research exercise, but is included in other parts of the study.

reason not to invest for both forms. For both equity crowdfunding and P2P lending, the second most highly rated source of concern was that the platform might be fraudulent, raising concerns about platforms' reliability.

- All platforms stated that they conduct initial screening, with reported rejection rates ranging from 70% to 99% (average around 80%, one equity crowdfunding platform denoted an acceptance rate of 1.2%) of received applications. Many platforms publish past performance data, as uncertainty about project risk has negative consequences for reputation. It should be noted however that past performance is not necessarily a good indicator of future performance.

The FSUG adopts a neutral position on this new type of financial innovation. We recognize the industry's huge positive potential for users of financial services and for financing the real economy, especially the micro and small enterprises. On the other hand, we are also concerned about potential risks of crowdfunding for retail investors and micro enterprises. We believe that the main distinct characteristic of crowdfunding with financial returns is that the main motivator for investing via crowdfunding is excitement about a specific company or project. This characteristic differentiates this form of investment from users' perspective from all other forms of investment.

In this context, regulation is a key issue with several dimensions. In terms of investor protection, users themselves recognize the importance of regulation, as shown in the report. In terms of industry growth, regulation seems to define how the industry will grow. Different regulatory regimes in different European Member States seem to have led the industry to follow different path so far. The relevant European Authorities (SMSG-ESMA for equity crowdfunding[8] and EBA for p2p lending[9]) have already undertaken initiatives to lay the foundations by providing suggestions on how a pan-European regulatory framework could be developed. Thus, we urge the European Commission to undertake an initiative in this area, acknowledging that the ideal balance of high levels of consumer protection and lowest regulatory costs, that do not severely undermine a sector in its infancy, is not easy to strike.

Looking at the other side of crowdfunding, namely the fundraisers, the growth of the crowdfunding industry may shed some light in the highly opaque area of SMEs and particularly micro firms financing. Currently, we have very little idea about the needs and characteristics of micro enterprises, which make up 92% of total enterprises and employ one third of the total workforce in EU-28. This is a vast area of the European economy that seems to be better suited to the crowdfunding market when compared to other financing options from 'established' institutions.

Summing up, crowdfunding is a rapidly developing area that has attracted considerable interest from finance professionals, regulators, academics, businesses and, increasingly, the general population (as potential and actual investors). Understanding of the benefits and risks associated with crowdfunding (from the investor's perspective) is still developing among financial practitioners and academics. As such, a lack of clarity around what those benefits and risks might be for investors is to be expected. In this context, the regulatory authorities play an important role, in navigating the future paths of the industry. The near future will show whether crowdfunding is an alternative or a new way of financing.

[8] http://www.esma.europa.eu/system/files/2014-smsg-010.pdf

[9] https://www.eba.europa.eu/documents/10180/983359/EBA-Op-2015-03+(EBA+Opinion+on+lending+based+Crowdfunding).pdf

Access to comprehensive financial guidance for consumers

Consumers across Europe are facing an increasingly difficult task in managing their personal finances. Various life events, like planning for retirement, buying a house or making an investment require a good assessment of one's overall financial situation, so that informed decisions can be made suited to one's specific needs.

Consumers generally choose financial products piecemeal, frequently without an overall view of their financial situation and of how these various products (e.g. insurance, investments and pension products) would fit together. Many consumers would benefit from personal financial guidance (financial planning) that would include recommendations about what they might do (start saving in a pension; reduce their spending) or even what type of product they might buy (life insurance in order to protect their family) without recommending a particular product from a particular provider; but such services are not accessible to average consumers throughout Europe.

There is a need to explore what type of 'advisers' are capable of providing such services. An investigation of best practices in this field would contribute to understanding the possible key success factors involved.

The scope of this study will cover comprehensive financial guidance understood as a process of determining an individual's financial goals, purposes in life and life's priorities, and after considering his resources, risk profile and current lifestyle, to detail a balanced and realistic plan to meet those goals. Financial guidance provides a detailed strategy tailored to a client's specific situation, for meeting a client's specific goals covering various aspects of personal finance which includes cash flow management, education planning, retirement planning, investment planning, risk management and insurance planning, tax planning, estate planning and business succession planning but excludes the recommendation to purchase a particular financial product.

The objective of this research is twofold.

First, research will identify and investigate examples of good practices of financial guidance in several EU Member States and optionally in Australia, and describe their functioning, including who gives guidance, financing and business models.

Second, the research will focus on potential incentives that could encourage consumers to take up financial guidance.

The results of this study will feed into the FSUG report that envisages making recommendations to the EU institutions. Ultimately this could lead to initiatives facilitating the access of all consumers to financial guidance when they plan or intend to take major financial decisions.

The assignment will be governed by a contract managed by DG FISMA.

The call for tender, n°2015/S 152-279501, was published on the Commission's website (deadline for submission of offers: 25 September):
http://ted.europa.eu/udl?uri=TED:NOTICE:279501-2015:TEXT:EN:HTML&tabId=1

Study on the performance and adequacy of pension decumulation practices in seven EU countries

The ultimate objective of the study is to look at pension decumulation from the perspective of the customer through a qualitative assessment of which decumulation options result in the adequate and safest old-age income as well as to identify existing shortfalls and analyse their causes.

Geographical coverage: The objective of this tender is to get independent research work on decumulation practices and trends in at least four out of the following seven Member States: Germany, France, the Netherlands, Poland, Slovakia, Spain, the UK; and their impact on consumers.

The above-mentioned countries have been selected because they operate in very different markets and supply side actors use very different approaches. The research tasks defined below should be performed keeping in mind that there are significant contextual differences (annuity market maturity, scope of the market, pension legislation, taxation, etc.), which may make benchmarking prices and benefits across countries difficult.

The two main objectives of the study are:

i. To compare the evolution of annuities and non-annuity products markets' performance over the last 10 years from the perspective of consumers (or at least for the period for which comparable data is available in last 10 years); including comparison of the evolution of "highly regulated" and "low regulated" annuity markets as well as mandatory and voluntary annuitisation.

ii. Indicate and analyse the main issues debated at national level which might impact pension decumulation practices in the future.

The assignment will be governed by a contract managed by DG FISMA.

The call for tender N° FISMA/2015/076/D was published on the Commission's website (deadline for submission of offers: 30 September 2015).

Activities are expected to start in January 2016 and run for eight months.

FSUG PRIORITIES 2015

Retail Market Integration

The FSUG is very supportive of the major initiatives aimed to promote more effective, integrated EU financial markets – the Capital Markets Union and retail market integration initiatives. These initiatives provide ideal opportunities to deliver long overdue reform of financial markets. The CMU and retail market integration should not be treated as separate initiatives but as an integrated reform package. Behaviours and inefficiencies in the wholesale and institutional markets have a direct (if not well understood) impact on ordinary consumers. Improving the efficiency of capital markets and preventing the emergence and transmission of dangerous behaviours in wholesale and institutional markets through the supply chain results in safer, better value, socially useful financial products for households and the real economy.

With this mind, the FSUG undertook a major exercise to identify which areas of financial services would benefit most from more effective market integration. Successful market integration should produce the following outcomes:

- Greater numbers of consumers able to access better value, products and services that meet the needs of consumers provided by efficient, accountable markets that behave with integrity, and firms that treat consumers fairly (with tens of thousands of products already on the market, the priority is not more choice *per se*, it is about the quality of choices available to users);

- Greater numbers of consumers having access to effective redress schemes – there is a significant 'redress deficit' in many EU member states; and

- A significant improvement in consumer confidence and trust in financial services – the EU Consumer Market Scoreboard shows all too clearly how poorly consumers rate many of the main financial services.

Note the emphasis on *effective* market integration. An increase in cross border selling/ buying of financial products and services does not *per se* mean that financial markets are integrating in a way that improves the financial welfare of consumers. There is a very real difference between an increase in market activity and effective integration.

With that in mind, the project sets out to:

- Collect and assess indicative data on costs incurred by consumers (from countries represented on the FSUG)[10] to identify whether consumers in certain member states might benefit from easier access to better value products if market integration was more effective[11].

- Identify the demand side, structural/ supply side, and regulatory/ legislative barriers to market integration so that policy interventions can be targeted with greatest effect.

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[10] We looked at following sectors: consumer credit; mortgage credit; credit card purchases in foreign currencies; life insurance; car insurance; investment life/ unit linked insurance; personal pensions; payment services; and retail investment funds. We did not look at the savings market as BEUC has undertaken a project in this field.

[11] It is important to note that the data in this report is indicative data. Even as experts, we had difficulties in retrieving the requested data for certain products in many countries due to the lack of trusted, independent data sources.

Based on this analysis, we identified products and services that we considered should be priorities for further action by the Commission. To select our priorities, FSUG experts assessed each of the product areas according to the following criteria:

- the level of detriment caused;
- the potential for EU level interventions to make a difference to consumer welfare; and
- is the problem identified already being dealt with by an existing intervention?

We concluded that further work by the Commission as part of its integration initiative would have the strongest impact in the following product areas: personal pensions; retail investment funds; life insurance; mortgage credit; and consumer credit.

However, in addition to market failure in 'vertical' product areas, we also identified a range of cross-cutting or 'horizontal' demand side, supply side, and legislative/ regulatory barriers to integration which are evident across a range of product areas. Tackling these horizontal barriers could be a more productive approach as it could deliver multiple benefits for users across a range of financial services.

Consumer data and practices of creditworthiness

The FSUG identified the sharing and use of credit data and other information of consumers by the credit industry as a source of concern for consumer protection. Therefore, the issue was selected as a priority for further study and analysis.

Within the context of the current absence of clearly defined rules at EU level as regards consumer data sharing, a Discussion Paper on "Consumer data and practices of creditworthiness assessment" investigated and identified a number of issues for further discussion in order to inform a FSUG Position Paper. In particular, the study analysed and took a critical approach in relation to the following matters:

a) The relationship between responsible lending, over-indebtedness and the use of credit data for the purpose of creditworthiness assessment;
b) The use in some jurisdictions of consumer financial data for the purpose of prudential supervision;
c) The variety of data used in the various Member States;
d) The economic theories behind credit data sharing by the financial services industry (e.g. correction of information asymmetries, reputation collateral, moral hazard, selection of customers, risk management, pricing of loans, and competition among lenders);
e) The expanding uses of consumers' credit data (e.g. scoring, securitisation, identity verification, marketing, fraud prevention and fight against identity theft, emerging uses in job applications, tenancies, and use of data in other economic sectors);
f) The role and function of credit bureaus in the economy and in society, and their legal or institutional form;
g) The reliability and proportionality of data to achieve policy objectives;
h) The transparency in the use of consumers' data;
i) Data security;
j) The cross-border exchange of data and integration of credit markets;
k) Competition in the credit information industry;
l) Data protection concerns;
m) Consumer protection concerns beyond data protection.

The Discussion Paper concluded by raising a number of concerns for further discussion and to inform the position of the FSUG on the following points:

- To what extent the use of credit data and scoring is opaque and it lacks oversight. The assessment of data is unilateral and it is often arbitrary. The whole process must be transparent at all stages and further use of data should be forbidden;
- Whether policies and laws should focus on the link between creditworthiness and overindebtedness, and the due process involved in the derivation of information from relevant data;
- Whether the current practice of credit data use across the EU contributes to achieve defined policy objectives under the rule of law (over-indebtedness, market integration, prudential supervision). This is especially the case for commercial credit bureaus. It is unclear to what extent past credit history and the plethora of information used by the industry is related to creditworthiness, overindebtedness, or prudential supervision;
- If information is not used within a proper framework, it can result in dysfunctional markets, market abuse, major consumer detriment including social and financial exclusion, discrimination and, in some cases, abuse of fundamental rights;
- Whether credit data should be used across other economic segments and, vice-versa, data from other economic relationships should be used in credit relationships;
- Whether there is the need to reformulate policy and law on the role of information in credit markets because of the rapid developments in information science, technological innovation and the sheer volume of data and information in financial markets;
- To what extent policy makers should take appropriate measures to achieve well defined policy goals that need to be balanced with consumer protection and the respect for fundamental rights;
- To what extent the legal or institutional form of information providers is important. Institutions play a fundamental role as guardians of liberty, democracy, and the fundamental values of society. Arguably, creditworthiness assessment, over-indebtedness, or prudential supervision are public concerns and not an exclusive private interest of the credit industry;
- To what extent the policy goals to be achieved should inform the institutional/legal form of credit bureaus and the design and use of databases;
- Whether only public institutions operating under the rule of law and the democratic process should be allowed to pursue the policy goals of sound creditworthiness analysis in the interest of consumers, monitoring of consumer over-indebtedness and prudential supervision, or at least supervise them under a properly designed legal framework;
- Whether data should be processed in the public interest;
- To what extent there is a need for standardisation of the data needed to measure over-indebtedness and whether the EU should develop a common scheme for measuring household over-indebtedness made of legal rules rather than technical rules.

Following the Discussion Paper, the FSUG engaged in discussions and an economic analysis to formulate a Position Paper on the use of credit data.

As the pressure mounts to include more and more data in credit registers including utility bills, mobile phone bills, or even cross-reference credit data with other data sets such as healthcare data or social networking data, the FSUG assessed through its Position Paper on the use of credit data whether the extensive use of credit data had any positive effect on preventing over-indebtedness, help achieve prudential regulation and facilitate access to affordable and quality credit.

While the paper only covered credit registers, the FSUG underlined that this is part of a much larger scope and discussion, around big data and the use of information from other sources such as the Internet and social networks in assessing creditworthiness and credit scoring. The use of other data sources besides credit registers will be covered in a broader paper about big data.

After comparing credit data availability against the three policy objectives mentioned above, the paper found no evidence of a positive impact on any of them:

Overindebtedness did not seem to be lower in countries with more extensive use of credit data;

Banks did not seem to be exposed to less systemic risk or risk of default in countries where more credit data was used;

Credit was not cheaper for consumers in countries where more credit data was used.

The main conclusions of the FSUG are the following:

Individualized risk based pricing, made possible with the availability of more data, has introduced new discriminations in accessing credit.

Limiting the scope of the data used by banks to assess creditworthiness is a matter of social policy, considering for instance that risk which is independent of an individual's control should not lead to being further punished by excluding them from access to products such as credit.

"Basic" creditworthiness checks are sufficient to manage risk and secure responsible lending and borrowing. Creditworthiness should further be separated from credit scoring as they serve two very different purposes.

Credit registers should be subject to overarching principles in terms of governance, access of data, right of redress and use of data.

Enforcement and better regulation

The FSUG recognized enforcement of existing rules on consumer protection and supervisory action against market failures that lead to consumer detriment as one of the priorities for 2015.

In the last years, legislation protecting consumers in the field of financial services has become increasingly harmonized. Also, important new rules have been and are being passed that will create a basis for an effective protection of consumer interest in the EU. However, the capacities, organizational aspects, tools of enforcement and available administrative procedures of national institutions in charge of consumer protection are still decided upon almost exclusively by the member states. A variety of different institutional solutions exist across the EU due to different traditions, but there is also a very evident variety in terms of mandates and capacities for market supervision and enforcement of consumer law, and thus also in the capacity of the responsible agencies to protect consumer interest in retail financial markets.

As a consequence, harmonization of legislation has not led to consumers enjoying the same level of rights and consumer protection throughout the EU. In some member states the level of protection is so low that the consumers actually cannot profit from the rules passed on the EU level. These disparities also lead to the spread of bad market practices into markets where EU rules are less strictly enforced, thus demonstrating a worrying level of failure of the Single Market. The differences in how legislation is enforced seem to be especially strong between old and new member states. Consumer detriment through diverging levels of enforcement is also possible through passporting. In such a case, a financial services provider establishes a presence in the member state with the lowest level of supervision and carries out its activities cross-border, possibly also exporting its activities to its member states of origin. In this way, a high level of enforcement and consumer protection in a member state can be undermined by providers 'shopping around' to find the most suitable jurisdiction.

The FSUG decided to produce a position paper that will assess the consumer detriment in EU's retail financial markets and the deficits in the current supervision and enforcement regimes that are a barrier to effective consumer protection, while delivering proposals on how to improve the level of consumer protection on the national as well as EU levels. In addition, the FSUG will evaluate whether further, external research should be commissioned in order to gather more evidence on enforcement deficits and supervisory best practices.

Letters sent by the FSUG members

Brussels, 29/10/2014

FSUG / MARKT/H3 D(2014)

Mr Michel Barnier
European Commissioner for Internal Market and Services
European Commission
BERL 10/034
B-1049 Brussels

email: michel.barnier@ec.europa.eu

Dear Commissioner Barnier,

On behalf of the Financial Services Users Group (FSUG) - set up by European Commission in 2010 upon your request, we would like to thank you for the strong support you have shown financial users during these last four years.

Your mandate took place during one of the most difficult economic and financial crisis and you were confronted with many significant challenges in the process of generating a stronger, safer and less risky financial sector.

Some 40 pieces of legislation were proposed to strenghten the resilience of the European financial system and to rebuild the confidence of financial services users. In particular, we would highlight the following initiatives.

The Banking Union should better protect taxpayers from the risks taken by banks and ensures that shareholders, creditors and the largest depositors share the costs of failure rather than taxpayers.

Importantly, all EU citizens, irrespective of their financial situation, will have the right to open a basic payment account, for free or at a reasonable fee. The transparency and comparability of payment account fees will be another reality for all consumers in the EU, together with the right of switching an account from one payment service provider to another.

Before the crisis, consumers took out mortgages without being fully aware of the risks they were exposed to. When the crisis hit, many found it hard to meet their obligations and some of them ended up losing their homes. Assuming the new mortgage protections are implemented and enforced properly, more responsible mortgage lending should become the norm across the European Union. Consumers will be better informed as lenders will have to provide them a standardised information sheet and creditors will be encouraged to apply reasonable forbearance when confronted with consumers in serious difficulties.

Retail investors will also benefit from improved information when investing in packaged retail investment products (PRIIPs), safer rules for investment funds (UCITS) and strengthened protection and transparency as a result of a number of initiatives(MiFID II and MAD II/MAR adopted by the Parliament, and IMD II, SRD II and IORP II proposed to the Parliament).

Critically, we saw a greater emphasis on sanctions. Effective and proportionate sanctions (administrative and in some cases criminal) are an essential part of a regulatory system which incentivises good corporate behaviour and deters detrimental corporate behaviour leading to more effective financial markets that work for financial users and the real economy.

The Single Euro Payments Area (SEPA) has become fully operational in the Eurozone and has created a true European Single Market for retail payments in euro, where transfers, direct debits and payments between Eurozone Member States are as easy and fast as equivalent domestic transactions.

We would like also to thank you for your very strong support for the inclusion of consumers and users representatives in order to better balance the composition of the Commission's expert groups in financial services.

In this way, you created conditions for better regulation, which has taken into account the interests and the arguments of financial services users.

Please accept our most sincere thanks for your exceptional dedication for the cause of EU citizens as financial services users.

Les membres du FSUG vous souhaitent plein de succès dans vos nouveaux projets et espèrent vous revoir un jour au service de tous les Européens.

Yours Sincerely,

Mick McAteer	Guillaume Prache	Anne Fily
Chairman of the FSUG	Vice Chair of the FSUG	Vice Chair of the FSUG

Cc : FSUG-members
Erik Nooteboom, Philippe Pellé, Malgorzata Feluch, Francesco Pontiroli Gobbi

Ms Věra Jourová
European Commissioner for Justice, Consumers and Gender Equality
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Lord Jonathan Hill
European Commissioner for Financial Stability, Financial Services and Capital Markets Union
European Commission
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Brussels, 31 March 2015

Dear Commissioners Jourová and Hill,

The Financial Services User Group (FSUG)[12] advises the Commission in the preparation of legislation or policy initiatives which affect the users of financial services; provides insight, opinion and advice concerning the practical implementation of policies; and proactively seeks to identify key financial services issues which affect users of financial services.

With this in mind, we are enclosing two documents which we hope will be of interest to you:

- The FSUG Risk Outlook: 2015 and beyond; and
- FSUG's strategic priorities.

The FSUG Risk Outlook

[12] The FSUG consists of 20 members, who are individuals appointed to represent the interests of consumers, retail investors or micro-enterprises, and individual experts with expertise in financial services from the perspective of the financial services user http://ec.europa.eu/internal_market/finservices-retail/fsug/index_en.htm

If EU policymakers, regulators, *and* civil society representatives are to be effective at meeting their policy objectives (ensuring safe and resilient financial markets, making financial markets work, and protecting financial users), effective risk analysis and risk management is a priority. Good risk analysis and risk management allow us to:

- understand the major forces shaping financial market and user behaviours;
- understand the root causes of market failure/ detriment;
- develop the most effective mitigation or prevention strategies; and
- prioritise and target interventions so that regulation and supervision is cost-effective – particularly important at a time of constrained resources.

Failure to identify and deal with *legacy* risks results in a 'redress deficit' for financial users. Failure to identify, manage or mitigate *emerging* risks inevitably results in market failure and consumer detriment. It also results in significant ex post redress costs to the industry (if regulation is enforced) and unnecessary costs to the regulatory authorities.

The Risk Outlook sets out what FSUG experts believe are the key product risks facing financial users. This covers the key sectors including banking, insurance, pensions, savings, asset management, mortgages and credit with specific examples from individual Member States. The Risk Outlook also includes a number of cross cutting risks and 'root cause analysis' which sets out why detriment and market failure occur in financial services. We hope that the Risk Outlook will be helpful for the new Commission and relevant European Supervisory Authorities (ESAs).

FSUG strategic priorities

In addition to the specific sector and product risks highlighted in the Risk Outlook, we have also identified a number of strategic priorities which will form the basis of our work plan over the next two years (in addition to responding to Commission requests for opinions). Strategic priorities are those which cut across a number of key sectors or affect such a large number of citizens that they require coordinated, long term strategic interventions.

The strategic priorities we have identified are:

- Financial networks, system resilience and cybercrime;
- Better regulation to protect financial users and make markets work - including more effective, consistent enforcement of existing regulation;
- Understanding the impact of data and technology on financial users including whether or not the use of credit data contributes to the achievement of three public policy objectives - helping to manage overindebtedness, facilitating access to fair and affordable credit, and making markets safer (improving prudential regulation);
- Promoting real competition and innovation that works in the interests of financial users;
- Promoting more efficient financial intermediation to support the real economy;

- Reforming the asset management/ pensions industry;
- Tackling financial exclusion, under-provision and discrimination in an era of low economic growth and low financial returns - including ensuring that the EU Charter of Fundamental Rights is mainstreamed in financial services;
- Access to holistic and independent financial guidance – this work will be based on findings from a new study commissioned by the FSUG;
- Examining options for pensions decumulation – this work will be based on a new study commissioned by the FSUG; and

- Better financial user representation and accountability.

We are very supportive of the new Commission's major initiatives on the Capital Markets Union (CMU) and renewed efforts to integrate retail financial services so that more citizens can benefit from the single market.

The CMU initiative will be judged on how it improves the economic well-being of households and real economy firms in the EU. To do this, it must enhance the efficiency and economic utility of financial intermediation and asset allocation in the EU's wholesale and institutional markets. In other words, the CMU should ensure that capital gets from where it is, to where it is needed, in the most economically and socially useful way. This is not the case now. Structural reforms and realignment of interests in the wholesale and institutional markets are needed. The CMU initiative should also involve individual investors and savers, not only professional ones, and promote financial markets that are safe and resilient, efficient, fair, transparent, well-regulated and easily accessible to individual investors[13]. Finally, as the 'Consumer Scoreboard' shows, measures are needed to address the persistent and widespread distrust of the investment and pension industries in Europe[14].

With regards to retail financial services, there is still much to be done to create a well-functioning single market for consumers. It is important to distinguish between competitive activity and competition that works in the interests of financial users. We have observed too many examples of risky practices and poor value products and services transferred cross-border within the EU, rather than good practices which should be expected if the market was working for financial users. Far too many EU citizens are being denied the best the market can offer due to the barriers which prevent them from buying financial services in countries in which they are not resident.

Demand side interventions have not had, nor are likely to have, much impact on consumers and, therefore, market behaviour. Supply side interventions are more effective. Better, not necessarily more, regulation and robust enforcement are necessary to create a level playing field between firms and users, raise standards of corporate behaviour, and promote genuine competition. But it is also important to note that we cannot deliver efficient, integrated retail financial markets unless we reform wholesale and institutional financial markets to prevent market failure being transmitted through the supply chain to retail financial users.

[13] «*It makes no sense to create a fully integrated market for professional investors and maintain a separate less efficient and less integrated market for retail investors*" – Steven Maijoor, chair of ESMA, December 2014

[14] EC 10th Consumer Scoreboard, June 2014

The work we will undertake on the strategic priorities outlined above will form the building blocks of our contribution to the Commission's work on Capital Markets Union and integrating retail financial services so they work in the interests of financial users and the real economy.

We hope you find these documents useful. If you require any further information on any of the issues raised in this letter or enclosed documents, please do not hesitate to contact us.

We would very much welcome the opportunity to discuss the issues raised with you.

Yours sincerely

Mick McAteer	Anne Fily	Guillaume Prache
Chairman of the FSUG	Vice Chair of the FSUG	Vice Chair of the FSUG

Annexes : - FSUG Risk Outlook: 2015 and beyond
- FSUG's strategic priorities

Cc : Eduard Hulicius, Member of Cabinet Jourová
Denzil Davidson, Member of Cabinet Hill

Paraskevi Michou, Acting Director-General DG JUST
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Olivier Guersent, Deputy Director-General DG FISMA
Mario Nava, Director DG FISMA.D
Erik Nooteboom, Head of Unit DG FISMA.D.3
Malgorzata Feluch, DG FISMA.D.3

FSUG Members

OTHER OUTPUTS AND EXTERNAL EVENTS

Communication:	Represented FSUG at the EPFSF event
Date:	02/12/2014
Title:	Long Term financing of the EU economy
Key message:	FSUG position on the CMU
FSUG member:	Guillaume Prache

Event:	EUROFINAS Committee meeting
Date:	12/02/2015
Title:	EUROFINAS Committee meeting
Key message:	FSUG position on a Simple Financial Product Regime
FSUG member:	Martin Schmalzried

Event:	Represented FSUG at the EPFSF event
Date:	24/02/2015
Title:	Reform of EU banking structures
Key message:	FSUG position on the EBSR
FSUG member:	Guillaume Prache

Event:	EC Conference on financial integration
Date:	27/04/2015
Title:	EC Conference on financial integration
Key message:	Panel speaker representing FSUG
FSUG member:	Guillaume Prache

Event:	Represented FSUG at the EPFSF event
Date:	26/05/2015
Title:	Financial education and consumer protection
Key message:	Represented FSUG positions
FSUG member:	Guillaume Prache

Event:	EC Conference on the Capital Market Union
Date:	08/06/2015
Title:	EC Conference on the Capital Market Union
Key message:	Panel speaker expressed position of FSUG on the CMU
FSUG member:	Guillaume Prache

Event:	EC Conference on Emerging Challenges in Retail Finance and Consumer Policy
Date:	18/11/2014
Title:	EU mortgage credit data – what next?
Key message:	FSUG position on use of credit data
FSUG member:	Federico Ferretti

SPECIAL FEATURES

Retail investment funds

1. A Capital Markets Union for citizens: the need for Pan-European retail investment products (Guillaume Prache)

"*EU households are the main source for the long term funding of the European economy.* ***This is why savers and individual investors must be placed at the heart of the CMU initiative****" (EU Commissioner Lord Hill).*

UCITS funds are so far[15] the only truly Pan-European savings/ investment product

Fund management is probably the financial service that is the most integrated in the European Union thanks to the creation and the development of a truly Pan-European product: the "UCITS" fund, which is now automatically passportable to all Member States. The share of cross-border fund assets in Europe in 2013 stood at 40% of total European investment fund assets, compared to 27% at end 2003.

But EU citizens are sold more "AIFs" than UCITS

This is mostly thanks to UCITS funds, which are still a minority of the EU domiciled investment funds sold to individuals. And they are less marketed to EU individuals than AIFs (Alternative Investment Funds, as defined by the AIFM Directive) and AIF wrapper products such as unit-linked life insurance. AIFs in the EU are all the investment funds that are not UCITS

Indeed, contrary to a common belief:

AIFs are more numerous than UCITS funds, at least at retail level.

Hedge funds are part of them but only a minority.

The majority of AIFs are not hedge funds and they are mostly designed for- and sold to retail investors, either directly or commonly via fund wrappers such as unit-linked insurance products. For example, there are 11 500 funds domiciled in France, out of which only 3500 UCITS, and most of the 8000 AIFs are retail funds.

AIFs are mostly purely national products that are not sold cross-borders.

AIFs are not subject to the disclosure and investor protection rules of UCITS. In particular, AIFs are not required to disclose a KID (Key Information Document) that is comprehensive, short, simple and comparable.

Investment funds are only a small portion of retail financial savings

Investment funds represent only 7% of total retail financial savings[16]. Therefore, current direct ownership of UCITS funds by EU individuals is very modest (probably less than 3% of their total financial savings).

But, taking into account the investment funds indirectly held by households through insurance and pension plans, the share of investment funds held by euro area households stood at 20% at end 2013. This means that the majority of retail funds are held not directly but through wrappers, which typically add another layer of fees and commissions on top of

[15] The « ELTIF » (European Long Term Investment Fund) is not yet launched (September 2015) and it is an institutional investment product, not a « retail » one.

[16] Source: ESMA, Trends, risks and vulnerabilities, March 2014

the fund fees. These wrappers unlike UCITS funds are typically national only products that are not sold cross-borders. These products are packaged further than UCITS funds. They are mostly life insurance contracts, pension plans and structured banking products. The first two alone account for 32 % of EU households' financial assets: almost seven times their direct holdings in investment funds.

Past performance and fees of retail funds are very difficult to find in the EU

Data on retail investment funds in Europe are poor. Neither FSUG or Better Finance could find out the actual number of UCITs funds and of AIF funds sold to EU individuals in each Member States and overall in the EU, nor the corresponding amounts of assets.

More of a concern, aggregate information on performances and prices does not really exist. In particular, the European industry body has not published any aggregate fund fee data since 2011 (see table below), whereas its US counterpart publishes detailed fund fees tables every year. And the EU Public Authority (ESMA) that is supposed to collect these data, analyse them and report them has failed to provide any of it to date[17].

This lack of disclosure of real past performance net of fees and of prices (fees and commissions) is certainly one of the main reasons for the very poor ranking of investments and pensions in the EU Consumer Scoreboard: the very last position of all consumer markets for the last four years in a row. This is why the EC FSUG and the NGO Better Finance have had to launch research work themselves on the performance and price of retail savings products last year.

The FSUG study[18]: on average funds under performed capital markets significantly

The FSUG mandated a research report in 2014 on the Performance and Efficiency of the EU Asset Management Industry. The study performed by IODS consulting firm focused on UCITS funds mostly and compared the ten year (2003-2012) performance of UCITS funds to the performance of relevant capital markets as measured by capital market indices minus the average cost of index funds. It also took into account entry and exit fees and the « survivor bias » (the fact that typically the worst performing funds do not last ten years as they are merged into others or closed).

« *Over the ten-year period (2003-2012), the average underperformance of EU equity funds weighted by Total Net Assets was 23.6% (2,1% per year). Applied to the total net assets of equity funds at the end of 2003 (€1,173 bn, source: EFAMA), the theoretical loss suffered by investors is €277 bn.* »

For bond funds, the performance comparison with the corresponding benchmark Barclays Pan-European Aggregate TR shows an average annual underperformance of bond funds of 0.8% net of all fees (minus 8.3% over ten years). Money market funds returned a negative real performance over the last ten years and also under performed their benchmark (by 1,1% per year).

These poor results are certainly not overstated as :

they are based on UCITS funds (which are not so much sold to individuals), not including AIFs, and also include institutional funds (i.e. funds sold only to institutions that are typically charged with lower fees) :

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[17] Article 9.1 of the European Regulations of the European System of Financial Supervision of 201 provide that the three European Supervisory Authorities (Banking - EBA, Securities & Markets – ESMA - and Insurance and Occupational Pensions – EIOPA) shall collect, analyse and report on « consumer trends ». But so far, they have failed to report any performance and price data of consumer products in their respective areas.

[18] http://ec.europa.eu/finance/finservices-retail/docs/fsug/papers/1410-eu-asset-management-industry_en.pdf

the corresponding market index's performance is reduced by the average index fund fee, not by the corresponding ETF's fee which is much lower.

The Better Finance reports[19]: long-term savings products in general have performed poorly on average.

Better Finance also published research findings that provide some explanations for this poor performance of European investment funds and also underline that the overall result for EU individual savers and investors is even worse.

The table below identifies two major reasons.

First, the overall number of funds in the EU is four times higher than in the US for a fund market that is half the size of the US one in terms of assets under management. This industry is fixed costs one, so that can only be detrimental to the performance of EU domiciled funds. Besides, UCITS funds - being Pan-European have probably a higher average size than the national – only AIFs that are mostly sold to individuals. Therefore it is likely that the average size of retail funds is even smaller.

Second, the level of fees is two and a half times higher in the EU in the case of equity funds, based on the most recent figures available from the industry.

The pricing of investment funds is even worse actually for individual investors as they hold AIFs, and – as mentioned earlier - mostly via wrapper products which typically add another layer of fees. For example in France about half of retail funds are held via life insurance unit-linked contracts which typically add another contract–level fee of 0,95% on average. Therefore, the average fee charge for investing in "retail" equity funds for a French saver is more typically 2,75% per year: 1.8 (average retail equity fund fee) + 0.95 (average insurance wrapper fee); not counting the entry fees). It should therefore be no surprise that French unit-linked contracts retuned a strongly negative real performance since the beginning of the century despite the positive real performance (after inflation) of equity markets over the same period.

Number, size and fees of mutual funds

EU versus US

	Number of funds	Average Size (€ million)	Average fee (equity funds only, in bps)
EU	32.750	222	175 (2010)
US	7.886	1.568	70 (2014)
	Q3, 2014	Q3, 2014	

Source: CEPS, EFAMA, ICI

[19] http://betterfinance.eu/fileadmin/user_upload/documents/Research_Reports/en/Pensions_Report_2014_FINAL_-_EN_FOR_WEB.pdf

What to do: measure "retail" returns and prices, extend use of UCITS funds in retail markets, and launch the PEPP

As one cannot manage or supervise without measuring, enforce the EU Regulations: **European Supervisory Authorities to actually collect, analyse and report on the performance and price (overall fees and commissions) of retail financial products**. In order to fulfil these duties, the ESAs need more resources not less.

Ban the use of AIFs in retail packaged products. The EU would kill two birds with one stone by banning the use of alternative investment funds[20] in retail packaged products (life insurance contracts, DC plans, bank structured products and personal pension products): it would make room for the expansion of the simpler, more transparent and probably less expensive (see above) and Pan-European UCITS funds. And it would also strongly benefit EU savers for the same reasons of simplicity, transparency, performance and prices.

Of course, this ban[21] should apply first and foremost to the future Pan-European Personal Pension Plan (see below): the Pan-European PEPP should not be wrapping non Pan-European funds.

Create the simple and cost effective Pan-European Personal Pension plan (PEPP) as soon as possible. The PEPP on which the EC and EIOPA are currently working (EIOPA proposal to the EC is due January 2016) would provide a simple, low cost and attractive alternative to the complex, opaque, fee-laden and too numerous offerings of national retail long term and pension products. It would also provide a great opportunity to thoroughly increase the indirect retail ownership of the simpler, cheaper and more transparent UCITS funds instead of AIFs in pension packaged products.

It would also help the EU fund management industry to streamline its offerings and to concentrate more on its most competitive products: UCITS funds.

Of course the PEPP only work if it gets an equivalent tax treatment to the ones that benefit personal pensions existing at national level.

These three initiatives would indeed really place savers and individual investors "*at the heart of the CMU*" and contribute hugely to improve the returns of long-term households' savings while favouring jobs and growth.

Foreign Currency

2. Foreign Currency issues (Alin Iacob)

The hidden poison: Swiss Franc loans for households

Across a number of Central and Eastern European Member States, consumers were lured into a trap, because providers did not tell them of the very high exchange rate risk of Swiss Franc loans. Instead, banks initially presented the loans as a very good deal, with the rate of interest much lower than for similar loans in the local currency.

Banks also asserted that the Swiss Franc was very well known for its stability. But, in fact, this information was misleading. Between 1995 and 2005, the EUR/CHF exchange rate

[21] Except for ELTIFs which are also Pan-European.

varied between 1.71 and 1.45[22]. And bankers should also have known that the Swiss Franc was likely to appreciate, especially in times of crisis.

Were banks aware of all those risks passed on consumers? There is information that, in at least in one case[23] (BNP Paribas Personal Finance), the top management of the bank discussed potential risks internally, but did not provide information to consumers. This is likely to be the case with many other banks, even if it is not so easy for us to demonstrate.

What it appears to be very clear now is that this product was offered through misleading advertising campaigns and, as a consequence, consumers were totally unaware about the huge exchange risks assumed.

It is also debatable whether banks should have sold these loans to consumers at all. A report issued by the Central Bank of Switzerland[24] showed that, while the Swiss financial market was substantially involved in refinancing Swiss Franc lending within the euro area, this was not the case outside.

Data from the local supervisors suggests that the banks outside the euro zone refinanced the majority of their Swiss Franc assets with off-balance-sheet items, most of them through currency swaps, in the majority of cases through their parent banks. Moreover, the loans were disbursed, almost completely, in local currencies.

The question is, why were hundreds of thousands of consumers, especially from Central and Eastern Europe exposed to an exchange rate risk for a currency almost never used in those countries and not even present in the balance sheets of the local banks? Was this responsible lending? Certainly not.

Of course, it is interesting to raise other questions: where were the local central banks, and why didn't they do anything to restrict this product? Why didn't they discourage banks from offering this kind of loan to consumers? And where was the European Central Bank, which is now so critical of the measures taken by national authorities (most recently of Croatian law on converting Swiss Franc loans to Euro), when these loans "flooded" markets in Central and Eastern Europe?

Senior bankers are now talking about the mistakes and the poor behavior of banks, before the financial crisis, regarding this type of product. But where were these voices when these loans were first sold?

The impact on consumers has been catastrophic. Many are now paying now instalments at an exchange rate of around twice the original rate. Some of them are paying even higher interest rates than this. And this is happening in an environment heavily affected by the crisis, with incomes in sharp decline.

Consumers have outstanding debt just 10 to 20% less than the original amount of the loan, because in all those years the monthly instalments were composed mainly of interest, commissions and fees. And banks didn't propose any solution for a conversion from Swiss Franc to local currencies or to EUR, when it became clear that the Swiss Franc would appreciate considerably. Banks covered the risks, at least in part, with diverse hedging operations. But consumers didn't have this opportunity; they were totally exposed to this "tsunami".

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[22] Source: www.fxtop.com/en/historical-exchange-rates.php

[23] Source: www.ft.com – BNP division faces Swiss franc loan probe; http://www.liberation.fr/france/2015/11/05/affaire-bnp-paribas-j-ai-alerte-tout-le-monde_1411593

[24] Martin Brown, Marcel Peter and Simon Wehrmueller – Swiss Lending in Europe (February 2009)

The fate of hundreds of thousands of Central and Eastern European families (especially from Poland, Romania, Croatia and Slovenia) is now very tough. In many cases, they simply cannot pay their monthly instalments, which for some is higher than their monthly income.

Banks, governments and politicians from all over the Europe now have a very hot potato in their hands. How they will manage this situation? Will banks become responsible, and accept that they should share the burden of outstanding debt with consumers?

Unfortunately, there is little sign of such behaviour. On the contrary, banks are very reluctant to accept any responsibility for manufacturing and promoting these toxic loans. And, in those Member States where politicians decided to force them to take responsibility and share the burden with consumers through local laws (Poland, Croatia), the banks have warned that they will take action against those laws in local or international courts.

In this case, maybe it is time for action at EU level. For consumers is almost impossible to find out if all the prudential and business rules were respected when this toxic product was manufactured and sold, if it was proper for banks to launch a loan in a foreign currency, even if they didn't have it in the balance sheets. We can just raise some questions, express our doubts and mention our concerns to EU decision makers.

But if we really want to avoid these things to be repeated soon, it is essential to establish a Task Force at EU level and to launch an investigation on this topic, to help everybody to understand what exactly happened, who is responsible for the damages suffered by consumers, if there were breaches of the EU law on a large scale and to identify concrete solutions for debtors, especially for those with payment difficulties.

In almost every relevant EU document, consumers are presented in the heart of the EU policies. Let's try now to convert these very generous words in concrete actions for the real benefit of consumers. It's time for action, let's do it!

SUMMARY OF MINUTES: FSUG MEETINGS FROM NOVEMBER 2014 TO OCTOBER 2015

The following provides a brief summary of the issues discussed at the FSUG meetings.

17 November 2014

- Adoption of the agenda and approval of the minutes of the last FSUG
- Consultation on Conflicts of Interest in direct and intermediated sales of insurance-based investment products
- Consultation on Cross border mergers and divisions / company law
- EBA's consultation on Guidelines aimed at standardisation of fee terminology for payment accounts in the EU.
- Draft FSUG position paper on the study on the performance of the asset management industry
- Terms of Reference of the study on Consumers' decision-making in insurance services: a behavioural economics perspective
- Crowdfunding: crowdfunding study – kick-off meeting with the contractor and update on the state-of-play of the preparation of the online survey
- Follow-up on the study on the promotion of savings products.
- Research budget for 2015: discussion on FSUG proposals.
- Reporting to Ms Despina Spanou, Director "Consumer Affairs", Justice and Consumers DG, and Erik Nooteboom, Head of Unit, D3, DG Financial Stability, Financial Services and Capital Markets Union, followed by discussion.

26-27 January 2015

- Adoption of the agenda and approval of the minutes of the last FSUG meeting
- Tour de table on Members' activities of FSUG interest, including participation in events on behalf of FSUG, update on identified consumers' risks or detriments as early warnings which could potentially be reported to the Commission and ESAs
- Meeting with the representatives of ACCIS (ACCIS (Association of Consumer Credit Information Suppliers) to discuss the credit data workstream
- Update on the proposal for the Regulation on Benchmarks
- Follow-up to the retail conference
- Discussion on 2015 FSUG Work Plan and Proposals for Research projects.

- Discussion about the FSUG policy on inviting outside guests.
- Update on MiFs Regulation
- Presentation of the Risk Outlook to COM officials
- Presentation of the Paper on Asset Management to COM officials
- Update on Crowdfunding
- Reporting to Mario Nava, Director, Regulation and prudential supervision of financial institutions, DG FISMA, and Olivier Micol, Head of Unit "Financial Services and Redress", DG JUST followed by discussion.
- EBA consultations on MCD
- Consultation on Guidelines on arrears and foreclosure
- EBA Consultation on Product Oversight
- EIOPA consultation on Solvency II
- EBA Consultation on draft Regulatory Technical Standards on notifications and notice of suspension
- EBA Consultation on draft Guidelines for cross-selling practices – *deadline 22.03.2015*

5-6 March 2015

- Adoption of the agenda and approval of the minutes of the last FSUG meeting
- Integration of Retail financial services; obstacles/detriments to cross-border purchase of financial services
- Discussion on 2015 FSUG Work Plan and Proposals for Research projects:
- Financial Guidance – study and internal work
- Pension Decumulation – study and internal work
- Enforcement and better regulation – position paper
- Credit Data – position paper
- Update on crowdfunding study and EU survey.
- Green Paper on CMU - presentation followed by discussion
- Capital Markets Union – discussion on internal work.
- Discussion about mortgages in Swiss francs

- EBA Consultation on draft Guidelines for cross-selling practices
- Consultation on Green Paper on CMU
- Consultation on Prospectus
- Consultation on Securitisation
- Reporting to Mario Nava, Director, Regulation and prudential supervision of financial institutions, DG FISMA, and Despina Spanou, Director, Consumers, DG JUST, followed by discussion

20-21 April 2015

- Adoption of the agenda and approval of the minutes of the last FSUG meeting
- Integration of Retail financial services; obstacles/detriments to cross-border purchase of financial services – discussion about input and findings
- Crowdfunding study – Interim Report – presentation by Oxera followed by discussion based on comments submitted by members.
- Commission Consultation on Green Paper on Capital Markets Union
- Financial guidance – terms of reference for the study
- Discussion of the input to the Commission consultations on Prospectus and Securitisation
- Up-date on 2015 FSUG Work Plan and Proposals for Research projects
- Pension Decumulation – terms of reference for the study
- Enforcement and better regulation – state of play
- Credit Data – state of play
- Reporting to Mario Nava, Director, Regulation and prudential supervision of financial institutions, DG FISMA, and Olivier Micol, Head of Unit, Financial Services and Redress, DG JUST, followed by discussion.
- Meeting in Amsterdam – Update

8-9 June 2015 (Amsterdam)

- Dutch Credit Data Register (BKR) - Mr. Van den Bosch, chairman of the board
- Collective redress in The Netherlands - Mr. Hermans, partner De Brauw Attorneys
- The National Institute for Budget Planning (NIBUD) - Mr. Warnaar

- Crowdfunding – presentation of the draft final report by Oxera
- Retail Financial Services – finalisation of the FSUG contribution
- Bell ceremony (opening Stock Exchange by FSUG)
- Welcome by the Amsterdam Stock Exchange / Euronext - Mr. Van Tilburg, CEO Amsterdam
- Dutch Financial Authority - Mr. Kockelkoorn, member of the board
- Dutch Investors' Association - Mr. Koster, managing director
- Dutch Consumers Association (Consumentenbond) - Mr. Hooft van Huysduynen
- PGGM - on the developments of pensions in The Netherlands
- Lessons learnt from the Amsterdam meeting – first conclusions.
- Reporting to Erik Noteboom, Head of Unit Retail Financial Services and Payments, DG FISMA

13-14 July 2015

- Adoption of the agenda and approval of the minutes of the last FSUG meetings
- Integration of Retail financial services; presentation of findings (price differences and barriers/obstacles) by co-ordinators
- Discussions about the draft contribution to the Commission on retail financial services
- Lessons learnt from the Amsterdam meeting of 8-9 June 2015 – discussion and preparation of the draft
- Preparation of 2015 Annual Report – discussion about the content, division of tasks
- Up-date on 2015 FSUG Work Plan and Proposals for Research projects
- Enforcement and better regulation – state of play of the internal work
- Credit Data – state of play of the internal work
- Financial guidance, Pension Decumulation – state of play concerning tenders
- Final report on crowdfunding
- Cross-subsidies' within financial services and fairness in financial markets – first discussion

- Reporting to Mario Nava, Director, Regulation and prudential supervision of financial institutions, DG FISMA, and Despina Spanou, Director, Consumers, DG JUST, followed by discussion

21-22 September 2015

- Adoption of the agenda and approval of the minutes of the last FSUG meeting
- Integration of Retail financial services – finalisation of the FSUG paper, finalisation of priorities
- Tour de table on Members' activities of FSUG interest, including participation in events on behalf of FSUG, update on identified consumers' risks or detriments as early warnings which could potentially be reported to the Commission and ESAs
- EIOPA Consultation on creation of standardized Pan-European Personal Pension Product – 5 October- discussion on the basis of the draft reply prepared by the sub-group
- Crowdfunding – results of the EU survey
- Lessons learnt from the Amsterdam meeting of 8-9 June 2015 –preparation of the report.
- Preparation of 2015 Annual Report – discussion about the content on the basis of the first draft
- Internal work of the FSUG – discussion on the basis of the sub-group proposal on the improvement of the FSUG work
- Meeting with Olivier Salles, Head of Unit D3, DG FISMA
- Integration of Retail financial services; presentation of findings (price differences and barriers/obstacles) – presentation to DG FISMA and JUST colleagues
- Presentation of findings of the study on savings accounts commissioned by BEUC
- Enforcement and better regulation – state of play of the internal work
- Credit Data – state of play of the internal work
- Study on KID for PRIPS
- Commission consultation on how revised bank capital requirements have affected lending
- Cross-subsidies' within financial services and fairness in financial markets
- Reporting to Olivier Salles, Head of Unit D3, DG FISMA, and Despina Spanou TBC, Director, Consumers, DG JUST, followed by discussion

22-23 October 2015

- Adoption of the agenda and approval of the minutes of the last FSUG meeting
- Tour de table on Members' activities of FSUG interest, including participation in events on behalf of FSUG, update on identified consumers' risks or detriments as early warnings which could potentially be reported to the Commission and ESAs
- Update on research projects – financial guidance and pension decumulation
- Enforcement and Better Regulation
- Credit Data
- Discussion about the 2016 external meeting of the FSUG
- Improving the work of FSUG – further discussion.
- Finalisation of the Annual Report
- CMU Action Plan
- Better Finance research study on pension savings – The Real Return
- Call for evidence: EU regulatory framework for financial services
- Integration of Retail financial services – final correction and preparation of the letter to the Commissioners
- Decision about the research project for 2016
- Reply to ongoing consultations
- Reporting to Mario Nava, Director, Financial Institutions, DG FISMA, and Olivier Micol, Head of Unit, Financial Services and Redress, DG JUST

FSUG MEMBERS

In 2015 FSUG had 20 members, who are individuals appointed to represent the interests of consumers, retail investors or micro-enterprises, and individual experts with expertise in financial services from the perspective of the financial services user.

Name	Nat	Title
McATEER Mick – Chairman	UK	Founder-Director, The Financial Inclusion Centre Non-executive Director FCA
PRACHE Guillaume – Vice Chair	FR	Managing Director, Better Finance
FILY Anne – Vice Chair	FR	Special Advisor to the European Consumers' Organisation BEUC
BAYOT Bernard	BE	Managing Director, Réseau Financement Altérnatif
ANSELMO Paulo	IT	President of the Italian Business Angels Networks Association, member of INSME (International Network for SMEs) and ANIMA Investment Network
COENEN Paul	NL	Head of Legal Affairs, Dutch Investors Association VEB
COTTRELL Vera	UK	Federation of German Consumer Organisations
DASKALAKIS Nikolaos	EL	Head of Market and Entrepreneurship Discipline, Hellenic Confederation of Professionals, Craftsmen and Merchants
FARRÉS ROSELLÓ Jofre	ES	Head of Savings and Investments, ADICAE (Spanish Association of Users of Banks, Savings Banks and Insurances)
FERRETTI Federico	IT	Senior Lecturer in Law, Brunel Law School
HÖLZ Christiane	DE	Managing Director Deutsche Schutzvereinigung für Wertpapierbesitz e.V. (DSW)
IACOB Alin-Eugen	RO	Chairman - Association of Romanian Financial Services Users Editor in Chief and Managing Partner – Conso.ro financial website
JARVIS Robin	UK	Special Adviser ACCA Professor, Brunel University
KAWIŃSKI Marcin	PL	Lecturer, Warsaw School of Economics
KRISPER Bostjan	SL	Head of Department for Financial Services, Slovene Consumers' Association
LEWIS Sue	UK	Chair, Financial Services Consumer Panel
PARENT Anne-Sophie	BE	Secretary General, AGE Platform Europe
SCHMALZRIED Martin	CZ	Policy Officer, Confederation of Family Organisation in the EU
ŠEBO Ján	SK	Associate Professor, Matej Bej University Consultant, Independent Traders Club

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