

Green Paper on retail financial services: European Parliaments Resolution. February 2017.

The **European Commission** (EC) published its “*Green Paper on retail financial services*” on 10 December 2015, thereby throwing open a consultation process to any interested parties on how best to improve choice, transparency and competition in retail financial services.

The starting point for the Green Paper is that retail financial services are still highly fragmented across Europe and it concentrates on identifying, with a view to eliminating, barriers to cross-border trade in services on the grounds they undermine the potential of the Single Market. The document also explores the possibilities offered by digitalisation of financial services in this area.

But a key point to note is that the Green Paper does not cover financial instruments. All its proposals concern insurance, mortgages, loans, payment systems and bank accounts. What is more, it is coherent to complement other EC proposals such as the Digital Single Market, Capital Markets Union and Single Market Strategy.

KEY ISSUES

The key issues addressed by the **Green Paper** are as follows:

A. *As regards the current state of the retail financial services markets:* it analyses market fragmentation and the lack of competition and looks at the impact of digitalisation.

B. *As regards better products, wider choice and enhanced opportunities for consumers and businesses,* it proposes:

1. Helping consumers access cross-border financial products, for instance: a) informing them about what is on offer in other Member States; b) reducing the currently high fees on cross-border transactions; c) allowing access to financial services from anywhere in the European Union (EU) by improving product portability or accessibility as well as by cross-border recognition of professional indemnity insurance; d) building confidence among consumers and so encouraging them to take advantage of opportunities elsewhere in the EU, by fomenting comparability between products (including ancillary insurance), greater awareness of products and better appeal systems (including for car accident claims).

2. Creating new market opportunities for suppliers, such as: a) helping companies make greater use of digitalisation by enabling electronic signatures and identity verification, improving access to and usability of consumers’ financial data and facilitating the provision of after-sales services as well as converging procedures for personal insolvency, property valuations and collateral enforcement; and b) making it easier to comply with differing regulations in host Member States or creating autonomous or better harmonised regulatory systems.

EUROPEAN PARLIAMENT’S POSITION

The **European Parliament** (EP) published a resolution on 22 November 2016 relating to the retail financial services Green Paper and robustly endorsing this initiative by the EC, while also arguing that digitalisation alone would not be enough to create a fully integrated retail market in financial services that remained plagued by many (including some regulatory) barriers.

It therefore asked the EC to concentrate on certain issues, including the following: a) updating regulations to keep pace with technological advances; b) creation of a harmonised legal framework for the most commonly used EU financial products; c) respect for the proportionality principle; d) ensuring all initiatives are compatible with anti-tax evasion and anti-money laundering measures; e) aligning summary prospectuses with key information documents for packaged retail investment products; f) ensuring consumers know about the new bank resolution system when their deposits and investments might be at risk of a bail-in; g) ensuring the same legal protection for

consumers throughout the EU; h) giving due importance to financial education; i) giving due importance to the MiFID 2 training requirements for financial firm employees and independent financial advisors; j) addressing the question of misselling of financial products and services; and k) compliance with data protection rules.

Short-term priorities

Specifically, it identifies the following as **short-term** priorities:

1. Strengthened enforcement of EU and national financial and consumer legislation which will require consistent and rigorous enforcement of such legislation in all Member States. In this respect, the EP considers that European Supervisory Authorities (ESAs) should step up their activities on consumer protection, particularly for retail investors. It asks that the EC White Paper on ESAs' funding and governance should ensure they get the funding models and mandate they need to do this. It also recommends the sharing of best practise in retail financial services between Competent National Authorities in the Member States.
2. Support for the growing market for *socially responsible investment* (SRI) by promoting the provision of standardised environmental, social and governance (ESG) information, as well as a consistent framework for green bonds.
3. Calls on the EC to eliminate discrimination on grounds of residence in the retail financial services market.
4. Urges the creation of an EU comparison site, focusing on points such as the price and quality of products and services.
5. Demands that the EC adopts a coherent and comprehensive strategy for making cross-border account switching easier for consumers.
6. Urges the EC and Member States to strengthen alternative dispute resolution structures to ensure they are truly independent, competent and efficient and look into introducing a European system of collective redress.
7. Asks that the EC studies the confusing practices surrounding ATM withdrawals involving currency conversion and addresses the issue that payment cards are cancelled if their holders move to another Member State.
8. Asks the EC to promote mutual recognition and interoperability of digital identity verification techniques and to identify and remove regulatory barriers to using electronic signatures when subscribing for financial services and to facilitate EU-wide cross-border digital integration;
9. Asks the EC to create a working group on *distributed ledger technology*, which will analyse the risks involved and the possible need for regulation.
10. Calls on the EC in close cooperation with Member States to draw up plans for network of national one-stop shops to help retail financial firms take advantage of cross-border business opportunities.
11. Asks the EC to put forward proposals for *European savings account* and a common framework for risk assessment and transparency for occupational pension funds.
12. Asks the EU to allow greater regulatory flexibility that would allow companies to innovate without compromising high levels of consumer protection.
13. Urges the EC to clarify the use of the general good provisions which competent national authorities are using to block the sale of new products and even to empower the European Supervisory Authorities to act as mediators.

Long-term priorities

Long term, it proposes that the EC should focus on the following considerations:

1. Removing barriers to cross-border provision of financial services.
2. Monitoring transposition of the Mortgage Credit Directive.
3. Examining in detail the legal barriers to cross-border transactions in cooperation with Member States and a particular eye to the needs of SMEs.
4. Analysing what data are necessary for lenders to assess the creditworthiness of their customers and what regulation may be required in this area. Consider what measures, if any, should be taken to ensure the practices of credit bureaux are not detrimental to consumer rights.
5. Reviewing the regulations on credit agencies as regards products sold to retail customers.

The EP also urges Member States to facilitate access to retail services by people with disabilities. It also supports steps toward greater transparency in the pricing of car rental services.

Links:

European Commission – [Green paper on retail financial services](#)

European Parliament – [Resolution on the green paper on retail financial services](#)

