

Convergence Romania Financial Sector Modernization

Special Projects Initiative Public-Private Steering Committee



EU Consultative Paper on Retail Financial Services in the Single Market

I. Background

The European Commission released on April 30, 2007 a *Green Paper on Retail Financial Services in the Single Market* (herewith attached). The Green Paper seeks to strengthen and deepen the understanding of the problems faced by consumers and industry in the field of retail financial services, as a basis for designing possible further policy initiatives to remove impediments in this area.

The Green Paper is based on the Commission's view that integration in the EU retail financial services markets can be further developed by undertaking actions that could i) bring concrete benefits for consumers, ii) enhance consumer confidence and iii) empower consumers and requests feedback from stakeholders on the direction being taken. The results of the consultation process will be incorporated into the Single Market Review report to be published by the European Commission in the autumn.

The SPI Committee wishes to seek the views of the Romanian financial sector community on the latest EU strategic directions so that the Romanian views and priorities contribute to the design of the new EU financial sector policies. In parallel, the feedback collected will help identify new SPI projects that will be undertaken under the auspices of the Romania Public-Private Financial Sector Modernization Project. In so doing, the SPI Committee believes that relevance and public profile of the activities conducted under the public-private partnership will be raised even further.

Is important to note that the SPI Committee is already overseeing several projects that are in line with the latest objectives set by the Commission, aimed at facilitating the access of consumers to financial services (expansion of credit positive information reporting, development of rural lending), at reducing the bank costs (electronic processing of debit instruments, mortgage loan databases), at creating alternative dispute resolution schemes (establishment of the Bank Ombudsman), and at enhancing consumer education (by initiating a financial education campaign).

SPI Secretariat invites financial sector authorities and market participants to fill out and send the enclosed questionnaire by no later than **June 1, 2007** at the email addresses oana.nedelescu@convergence-see.eu or ramona.bratu@convergence-see.eu. The SPI Secretariat will compile the results into an overall submission that the SPI Committee will make to the European Commission by July 16, 2007. The submission will be posted on the SPI Secretariat website (www.spi-romania.eu).

Convergence Romania Financial Sector Modernization

Special Projects Initiative Public-Private Steering Committee



II. Questionnaire for Romanian financial sector stakeholders

1. Do you agree with the objectives and priorities set out in this paper?

Yes No

2. Are there issues that are not covered in this Green Paper, which are important for the integration of retail financial markets and to which the Commission's attention should be drawn?

3. The Commission has undertaken several initiatives to improve consultation with consumers and to secure their input into its policy making. Should further steps be taken and, if so, what steps?

4. Is consumer choice unnecessarily limited by restrictions on the providers and channels through which they access retail financial services. What are, in your experience, these restrictions?

5. Despite efforts, in particular the creation of FIN-NET, the handling of **cross border consumer complaints** in the field of financial services still remains problematic. The Commission would welcome input as to the ways to improve the current situation. For example, should Romania be obliged to ensure that alternative dispute resolution (ADR) schemes are in place? Should providers be obliged to adhere to an ADR scheme? Should they be contractually obliged to offer ADR mechanisms to their clients?

6. The creation of the **Single Euro Payments Area (SEPA)** offers challenges and opportunities for businesses and consumers alike. What do stakeholders think of SEPA's impact on consumers? Should consumers be more involved in the governance and the preparation of SEPA? How could Romanian consumers be more involved in the governance and the preparation of SEPA?

7. With view to the launch of its study on **credit intermediaries**, later this year, the Commission would like to know whether stakeholders believe the current legislative framework to be sufficient and if consumers face any particular problems in dealing with credit intermediaries, particularly on a cross-border basis. Do you think the Romanian legislative framework is sufficient in this regard? If not, what should be the improvements that could be brought to the current legislative framework on credit intermediaries? Do you think that Romanian customers face any particular problems in dealing with credit intermediaries, particularly on a cross-border basis?

Convergence Romania Financial Sector Modernization

Special Projects Initiative Public-Private Steering Committee



8. The Commission believes that it has an important role to play in developing a competitive, open and effective market for **long-term savings, retirement and pension** schemes that meet consumers' needs. Do stakeholders agree and how could the Commission contribute? Could an optional legal EU-wide regime ("28th regime") for savings and/or 3rd pillar pension products be envisaged? Do you think the current Romanian **long-term savings, retirement and pension** schemes that meet consumers' needs? If not, what could be the ways of improving it in view of the above considerations?

9. Do you think that there could be benefits for both banks and consumers, if banks would have the opportunity to offer an **optional simplified standardised product**, which would have a good level of consumer protection, would be easy to understand, and could be offered across borders without the need to be modified to fit local rules? Do you think that the Romanian legal and institutional framework would allow for the development of a simplified standardized product?

10. The Commission believes that more could be done to improve **consumers' financial literacy and capability**. Possible measures include developing guidelines or promoting best practices. The Commission would welcome input on how this policy should be further developed at the European level. What are your views on the possible ways to promote financial literacy in Romania?

11. Do you think that, as they stand, the provisions on **consumer information** contained in financial services directives are adequate and consistent with one another? Were it not the case, how could the Commission ensure that information requirements are set at the right level, ensuring proper information but without creating any overload? Do you think that informing consumers is sufficient or that **advice** should also be provided? If yes, should that be compulsory or on request?

12. Measures to improve lenders' access to **credit data** will be discussed in the context of the forthcoming White Paper on Mortgage Credit. The Commission believes that more could be done to promote the accessibility of credit data, in particular on a cross-border basis. Who should be able to access consumer credit data? How could the cross-border transferability of consumer credit data be improved, ensuring in particular that mobile credit data follows increasingly mobile consumers? Could a memorandum of understanding, ensuring smooth data circulation between credit bureaus, be a workable solution? Is the Romanian legislation allowing the cross border transferability of consumer credit data?

Convergence Romania Financial Sector Modernization

Special Projects Initiative Public-Private Steering Committee



13. Fragmentation of **retail insurance markets**, for example in the field of motor insurance, does not allow consumers to reap full benefits of EU integration in this area. Do you think that more should be done at EU level to address this fragmentation? What would be the national mechanisms to facilitate the integration of the Romanian retail insurance market with the EU market?

14. **Customer mobility** and competition are closely associated. The Commission would welcome input as to how customer mobility could be enhanced. In particular, in the field of bank accounts, and as a follow-up to the Expert Group's work, would stakeholders see merits in, for example, having EU wide account switching arrangements? Will SEPA have an impact on customer mobility? Do you see merits in having a Romanian inter-bank account switching arrangement?

15. Please indicate any potential new projects that could be undertaken under the aegis of the public-private partnership, in line with the above EU approach.

Convergence Romania Financial Sector Modernization

Special Projects Initiative Public-Private Steering Committee



ANNEX

II. Brief Summary of the Green Paper on Retail Financial Services in the Single Market

The Commission's *objectives* in the field of retail financial services are:

1. **bringing concrete benefits for consumers** in respect of lower prices and better choice through increased competition and increased choice, quality and innovation;

Ongoing and planned initiatives

- seek for ways to **remove barriers to competition** in some areas identified through industry inquiry such as payment cards, access to credit registers and to payment clearing and settlement systems;
- consider the development of **arrangements for switching bank accounts** (at national or EU level);
- proposed a **Directive to improve the portability of supplementary pension rights**;
- facilitate the **transferability of consumers' credit histories and improve lenders' access to credit information**;
- examine the national 'general good' rules for **insurance** taking into account the relevant case law principles;
- facilitate the creation of an **integrated market for mortgage credit**;
- review national regulatory frameworks under which **equity release products** are marketed, and the **role of non banks in mortgage markets**;
- develop the appropriate knowledge base for facilitating the **purchase of financial services across borders**;
- develop strong foundations for enabling a competitive, open and effective market for **long-term savings, retirement and pension solutions** that meet consumers' needs;
- encourage the offer of **optional simplified, standardized financial services**, such as basic bank accounts.

2. **enhancing consumer confidence** by protecting consumers' interests, providing legal certainty for consumers, ensuring access to adequate redress and by promoting sound and safe retail financial institutions;

Ongoing and Planned Initiatives

- pursue negotiation with The Council to adopt a new **Consumer Credit Directive** are being pursued with the aim of a rapid adoption;
- review of the **Directive on the distance marketing of financial services** and launched two studies in order to assess the legal and economic impact of the Directive;
- examine **co-operation between supervisors** on issues directly influencing insurance policy holder protection such as the treatment of cross-border complaints;
- monitor existing recommendations which establish a number of minimum guarantees for **Alternative Dispute Resolution schemes**.

Convergence Romania Financial Sector Modernization

Special Projects Initiative Public-Private Steering Committee



- proposed a **directive on certain aspects of mediation** in civil and commercial matters;
- assess how the gaps in **FIN-NET** membership and at national level could be filled.

3. **empowering consumers** by developing consumers' financial literacy, providing the right information at the right time and by advising consumers.

Ongoing and Planned Initiatives

- funded **financial literacy** initiatives;
- develop guidelines, collect and promote best practices, or indicate new innovative approaches I financial education;
- improved the **quality of information provided** to consumers in areas such as consumer credit, mortgage credit, investment funds (UCITS) and payment services;
- evaluate the relevance and usefulness of **pre-contractual information** in certain areas, such as credit;
- ensure that information requirements in EU financial services legislation are appropriate and consistent through a **cross-sector study**;
- propose an appropriate European legal framework based on a study on **credit intermediaries**;
- review the **Insurance Mediation Directive** to ensure both consumers protection and promotion of the single insurance market;
- ensure high quality independent advice for consumers by preparing a white paper.