Green Paper on retail financial services in the Single Market

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PURPOSE: the presentation of a Green Paper on retail financial services in the Single Market.

BACKGROUND: this Green Paper is being presented within the context of an overall Commission review of the single market. It builds on the White Paper on Financial Services 2005-2010, the results of the Commission's sector inquiry into retail banking and the interim report on business insurance.

Retail financial services are an important aspect of EU citizens' daily lives. Significant progress has been made in delivering a single market for retail financial services and a framework is in place that guarantees financial soundness. At the same time, however, in the case of retail services, integration has not been full exploited – particularly in areas such as payments and retail banking.

This situation is illustrated by the following indicators: cross-border activity remains modest; wide variation in the prices on offer continues to exist; restricted product diversity and choice characterises the retail financial service sector; and wide differences in market performance remain the norm rather than the exception.

CONTENT: The Green Paper sets out the overarching Commission objectives vis-à-vis the retail financial services market and presents, in greater detail, the kind of actions that may be needed if consumers are to benefit from an integrated EU market. It also requests feedback from stakeholders on the direction being taken.

The Commission believes that integration in EU retail financial services markets can be further developed by:

Bringing down prices and increasing choice for consumers: the Commission is committed to removing barriers for retail financial services where this will lead to concrete benefits for consumers. It will take appropriate action, be it through enforcement of competition law or robust infringement policies, where there appears to be a practice of not applying or respecting Community legislation. It may also take other initiatives (including legislative ones, as justified following a full impact analysis).

The Commission will address, in particular, the obstacles to competition noted during the sector inquiry into retail banking. In relation to payment cards, the Commission will apply EC competition law where schemes artificially raise costs for consumers. An ongoing area of work refers to multilateral interchange fees, typically paid by the bank of the merchant to the bank of the cardholder. Practices that weaken inter-network competition are likely to be subject to competition scrutiny. Besides payment cards, the Commission's action will aim at ensuring that access to credit registers and to payment clearing and settlement systems is not unduly withheld. The forthcoming White Paper on Mortgage Credit will outline initiatives to facilitate the creation of an integrated market for mortgage credit. The Commission will also follow closely the ongoing process aimed at drawing up the required technical and business rules to make the Single Euro Payments Area (SEPA) a reality by 2010 at the latest.

Enhancing consumer confidence: this involves four main issues: protecting consumers' interest, providing legal certainty, ensuring access to adequate redress and promoting sound and safe retail financial institutions. In this context, Negotiations in the Council on the modified proposal for a new Consumer Credit Directive are being pursued with the aim of a rapid adoption. In order to increase

consumers' cross-border activities in financial services at a distance, the Commission has begun a review of the Directive on the distance marketing of financial services and will propose amendments to the Directive on the basis of a Commission report scheduled for 2008.

Empowering consumers: for consumers to be able to make the most of the single market they must have the financial literacy to make decisions for themselves, be well-informed, receive independent high-quality advice and be able to move freely between providers. The Commission will implement a series of initiatives aimed at developing financial literacy to improve the quality of information provided to consumers in sectors such as consumer credit, mortgage credit, investment funds (UCITS) and payment services. The Commission will launch a cross-sector study in 2008 in the area of long-term savings and investments as well as a study on credit intermediaries.

The Commission will organise a hearing on 19 September 2007 to draw the conclusions of the consultation launched by this Green Paper and discuss with all stakeholders which initiatives are needed to bring about a more efficient internal market for retail financial services.