Green Paper on retail financial services in the Single Market

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The European Parliament adopted by 452 votes to 44, with 13 abstentions, a resolution welcoming the Green Paper on retail financial services in the single market.

The own initiative report had been tabled for consideration in plenary by Othmar **KARAS** (EPP-ED, AT) on behalf of the Committee on Economic and Monetary Affairs.

MEPs emphasise that the internal market for retail financial services can only be created by measures that provide a secure environment for both the demand and the supply side, including as regards the conditions for redress. They consider it crucial that such measures should open the way for new products, services and market actors.

Better regulation: MEPs support the Commission's approach of 'targeted full harmonisation' - focused on those key elements that are deemed essential – and which consists of applying, for those elements where harmonisation is not feasible, mutual recognition of different national rules. Moreover, they oppose the standardisation of products by means of legislation, if this undermines the aim of greater product diversity. They consider that in order to improve comparability of competing financial products, legal harmonisation, for example of information or prudential requirements, is the way forward. In these specific cases, in particular, self-regulation should be encouraged and its implementation thoroughly monitored. The Commission is called upon to put forward a time-frame for a thorough investigation into whether a 28th regime, such as the common frame of reference, may be feasible, in the event of demand on the part of the financial services industry or consumers, and in the event that it could produce positive results.

More choice and lower prices for consumers and SMEs: the Parliament reminds the Commission that effective competition between financial service providers is secured by having a large number of market participants. In this context, the pluralistic structure of the EU banking market, where financial institutions take diverse legal forms in accordance with their diverse business aims, is an asset to the European social market economy, consumers and the stability of the financial markets.

Emphasising that real and fair competition can arise only on a level playing field, MEPs conclude that any legislation must follow the principle of "same risks, same rules". They recall, however, that in the financial services sector, an undifferentiated "one-size-fits-all" approach would adversely affect product diversity. Nevertheless, MEPs are convinced that comparable transparency and disclosure requirements for competing investment products are needed, particularly at the point of sale.

The Parliament proposes a series of practical measures supporting the supply side:

- the Commission is called upon to present proposals to streamline regulatory requirements with respect to the distribution and organisation of comparable retail products and information thereon (these proposals should be based upon the principles set out in Directive 2004/39/EC on markets in financial instruments (the 'MiFid directive');
- taking into consideration the development of Internet services, the Commission and the Member States are called upon to further promote e-commerce and the electronic signature, and to investigate the money-laundering directive to ascertain whether it is hindering the remote provision of services and how this situation might be remedied;
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recognising the great importance of financial service intermediaries, i.e. agents and brokers alike, MEPs call on the Commission to ensure a framework that will strengthen this industrial sector;

- Member States are called upon to take and coordinate measures to raise financial literacy among citizens – including children, young, employees and retirees – with a view to empowering and educating consumers to seek better, cheaper and more appropriate products and services;
- credit institutions and credit data agencies must have non-discriminatory cross-border access to credit data and fraud-data registers. The resolution emphasises, however, that optimal protection of the consumer's data must be guaranteed, as well as the customer's right to inspect and, if necessary, correct their personal data;
- the Commission should clarify the legal status and supervisory framework of non-banking consumer credit providers such as those that are only Web- and/or SMS- based;
- lastly, MEPs recall that differences in tax law constitute one of the greatest obstacles to the single market in finance.

Enhancing consumer confidence and empowering consumers: MEPs emphasise that, while calling for Community law on retail financial services always to aim for very high standards of consumer protection, consumers need to be fully aware of the basic financial market principle that any opportunity for a higher return is reflected by a higher risk. The Commission is called upon to encourage national initiatives which impart an understanding of finance, in order to ensure an accurate grasp of the 'risk-return' principle and the specific characteristics of financial instruments.

The resolution emphasises that consumers need confidence and proper knowledge to make the right choice of financial product. Coordinated efforts at national and European level are therefore needed to improve levels of financial literacy in all Member States. An amendment adopted in plenary points out that a particular duty of care needs to apply to the marketing of savings and old-age pension products, as the decisions that consumers take in that regard are normally decisions of great importance to them.

MEPs agree that consumers who wish to change financial service provider must be free to do so at any time, with the minimum legal barriers and costs involved. They support finding a coherent solution at European level which provides consumers with access to balanced new forms of collective redress for the settlement of cross-border complaints related to retail financial products. Lastly, they urge financial service providers to offer at least a credit-based giro account to consumers expressing an interest.