Basic information

2007/2287(INI) INI - Own-initiative procedure	Procedure completed
Green Paper on retail financial services in the Single Market **Subject** 2.50 Free movement of capital 2.50.03 Securities and financial markets, stock exchange, CIUTS, investments 2.50.04 Banks and credit 4.60.06 Consumers' economic and legal interests	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
ECON Economic and Monetary Affairs	KARAS Othmar (PPE-DE)	22/05/2007

Committee for opinion	Rapporteur for opinion	Appointed
IMCO Internal Market and Consumer Protection (Associated committee)	SCHMIDT Olle (ALDE)	21/11/2007
JURI Legal Affairs	The committee decided not to give an opinion.	

European Commission

Commission DG	Commissioner
Financial Stability, Financial Services and Capital Markets Union	MCCREEVY Charlie

Key events

Date	Event	Reference	Summary
30/04/2007	Non-legislative basic document published	COM(2007)0226	Summary
13/12/2007	Committee referral announced in Parliament		
13/12/2007	Referral to associated committees announced in Parliament		
06/05/2008	Vote in committee		Summary
16/05/2008	Committee report tabled for plenary	A6-0187/2008	
05/06/2008	Decision by Parliament	T6-0261/2008	Summary

05/06/2008	Results of vote in Parliament		
05/06/2008	End of procedure in Parliament		

Technical information	
Procedure reference	2007/2287(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Initiative
Legal basis	Rules of Procedure EP 55
Stage reached in procedure	Procedure completed
Committee dossier	ECON/6/56159

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE400.584	06/02/2008	
Amendments tabled in committee		PE404.445	17/03/2008	
Committee opinion	IMCO	PE400.632	02/04/2008	
Committee report tabled for plenary, single reading		A6-0187/2008	16/05/2008	
Text adopted by Parliament, single reading		T6-0261/2008	05/06/2008	Summary

European Commission

Document type	Reference	Date	Summary
Non-legislative basic document	COM(2007)0226	30/04/2007	Summary

Green Paper on retail financial services in the Single Market

2007/2287(INI) - 30/04/2007 - Non-legislative basic document

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.

Green Paper on retail financial services in the Single Market

2007/2287(INI) - 05/06/2008 - Text adopted by Parliament, single reading

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;
- 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.