



## **ECON's draft report on the review of the European Financial Supervisors: disappointing for European NGOs and financial services users**

On Tuesday 10th of July, the European Parliament co-rapporteurs published a disappointing draft report on the review of the European System of Financial Supervision<sup>1</sup>: not only lacking any ambitious changes on the much needed reform of the governance model and funding of the European Supervisory Authorities (ESAs – EBA, ESMA and EIOPA), but even weakening some direct supervisory powers for ESMA proposed by the European Commission.

Since 2008, the ESAs have prioritized the prudential supervision, while consumer protection and conduct of business have remained on the sidelines. In 2017, when the European Commission published its proposal for the review of the ESAs, the major EU public interest organisations working on financial services stressed their disappointment with this proposal and formed an alliance to propose amendments aiming to reform the ESAs' mandate, governance and funding that – if taken on board – would truly deliver for the EU citizens.

We discussed the amendments in depth with several MEPS, including the co-rapporteurs, who seemed to agree on the need to enhance consumer and investor protection and to beef up supervisory authorities to underpin the Capital Markets Union, the EU's flagship project in the area of investments. Effective enforcement and an equally high level of consumer protection and redress everywhere across Europe are preconditions for a successful single retail financial market and a true Capital Markets Union.

However, the ECON committee did not include proposals to strengthen consumer protection or the supervisory convergence mandate. The only action taken by the ECON

<sup>1</sup> Including the European Banking Authority (EBA), the European Insurance and Occupational Pension Authority (EIOPA), the European Markets and Securities Authority (ESMA) and the European Systemic Risk Board (ESRB).

Report to improve consumer protection is an amendment proposing a balanced representation between the financial industry on the one side, and users and financial industry employees on the other side in the ESAs advisory Stakeholder Groups. Still, without an adequate compensation for non-industry stakeholders, it will be very difficult to attract user side experts and improve the heavily imbalanced composition of ESAs' Stakeholder Groups.

Guillaume Prache, Managing Director of BETTER FINANCE commented: "The draft report is very disappointing. With plenty of evidence on the ongoing mis-selling of financial products<sup>2</sup> it is shocking to see that the co-rapporteurs of the two largest pro-European groups did not propose solutions that would truly deliver for European citizens. The low levels of consumer trust and continuous poor rankings of financial services market across Member States<sup>3</sup> will not be remedied without a stronger and more consistent supervision system!"

Benoît Lallemand, Secretary General of Finance Watch added: "If European Parliamentarians wanted to ensure that the European financial system operates in a way that protects consumers, investors and taxpayers they would need to speak up for strong European supervisory authorities that are appropriately staffed, financed and given strong mandates. We believe it is as important to empower the ESAs to act in cases where consumers in the EU are at the risk of potential detriment as it is to allow them to act to protect financial stability<sup>4</sup>."

Monique Goyens, Director General of BEUC underlined: "It is important to ensure that retail finance legislation is properly enforced across all Member States and all EU consumers are treated fairly by financial firms. Therefore, the ESAs must be empowered to achieve convergence of conduct supervision practices across Europe. There should not be two-speed Europe in terms of financial consumer protection".

<sup>2</sup> Please see BETTER FINANCE's Briefing Paper on Mis-selling of financial products: [http://betterfinance.eu/fileadmin/user\\_upload/documents/Research\\_Reports/en/Misselling\\_of\\_Financial\\_Products\\_in\\_the\\_EU\\_-\\_Briefing\\_Paper\\_2017.pdf](http://betterfinance.eu/fileadmin/user_upload/documents/Research_Reports/en/Misselling_of_Financial_Products_in_the_EU_-_Briefing_Paper_2017.pdf) and BEUC's campaign "The price of bad advice" <https://www.thepriceofbadadvice.eu/>

<sup>3</sup> In the European Commission's Consumer Markets Scoreboard "retail" financial services are constantly ranked as one of the worst consumer markets in the entire EU

<sup>4</sup> Please see the Finance Watch Blueprint "European System of Financial Supervision, February 2018, <http://www.finance-watch.org/iframe/Publications/sheets/blueprint-esfs-feb2018.pdf>