

FINANCIAL SUPERVISION AT EU AND NATIONAL LEVELS

Consumer Interests

BEUC position

Contact: Anne Fily & Farid Aliyev – financialservices@beuc.eu
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BEUC, the European Consumers' Organisation
80 rue d'Arlon, 1040 Bruxelles - +32 2 743 15 90 - www.beuc.eu

Summary

BEUC is concerned about the functioning of the Stakeholder Groups which would advise the European Supervisory Authorities for banking, securities, and insurance and occupational pensions sectors once the draft legislation on EU financial supervision is adopted. Another BEUC concern relates to financial supervision at national level, as prudential supervision often prevails over consumer interests (conduct-of-business supervision). The following BEUC demands must be taken on board by policymakers to remedy the issues in question:

- No stakeholder group should have an overall majority on the group;
- Financial services users should constitute at least one third of each stakeholder group;
- Minimum five seats in each stakeholder group should be reserved for consumer representatives;
- Consumer organisations should be involved in the selection of suitable consumer representatives;
- Members of the stakeholder groups should have the possibility to serve more than two successive terms;
- Appropriate financial compensation to group members;
- Resources for preparatory meetings;
- Resources for external research;
- Possibility to influence the meeting agenda;
- Freedom for various stakeholders to provide a dissenting opinion;
- Consumer protection must be an objective in all European Supervisory Authorities;
- EU Authorities should ask national regulators to ensure effective consumer-oriented market supervision.

Stakeholder Groups within EU Financial Supervision

According to a recent report, *"the vast majority of financial 'experts' advising the European Commission represent the banks and investors responsible for the global economic crisis"*.¹ Our own experience confirms this evidence: most stakeholder groups dealing with financial services issues suffer from a lack of consumer representation. The industry representation always significantly outweighs consumer representation.

On 23 September 2009 the European Commission adopted a package of draft legislation to strengthen the supervision of financial sector in Europe.² BEUC is concerned about the Commission proposals to create the stakeholder groups which would advise the European Supervisory Authorities for banking, securities, and insurance and occupational pensions sectors. The following BEUC demands must be taken on board by policymakers so that the existence and functioning of the stakeholder groups are not just toothless talking shops.

1. Appointment of members

Article 22(3) of the Commission proposals states that *"The members of the Stakeholder Groups shall be appointed by the Board of Supervisors of the Authority (mainly composed by representatives of national authorities in charge of financial supervision), following proposals from the relevant stakeholders. In making its decision, the Board of Supervisors shall, to the extent possible, ensure an appropriate geographical balance and representation of stakeholders across the Community"*. Further, Article 22(4) states that *"The members may serve two successive terms"*.

Due to vagueness of the above provisions, we have concerns about the way the stakeholders would be nominated. In fact, the Commission document talks about representation being "in balance" which could mean anything. In our view, adoption of the following provisions would address the problem:

- **No stakeholder group should have an overall majority on the group.**
- **Financial services users should constitute at least one third of each stakeholder group.**
- **Minimum five seats in each stakeholder group should be reserved for consumer representatives.**
The interests of consumers and other users are not always aligned as they often have different concerns and interests.
- **Consumer organisations should be involved in the selection of suitable consumer representatives.**
- **Members of the stakeholder groups should have the possibility to serve more than two successive terms.**

¹ "A captive Commission - the role of the financial industry in shaping EU regulation", ALTER-EU, 05.11.2009: <http://www.alter-eu.org/en/publications/captive-commission-role-financial-industry-shaping-eu-regulations>

² Webpage of the European Commission:
http://ec.europa.eu/internal_market/finances/committees/index_en.htm

2. Financial means

- **Appropriate financial compensation to group members**
Given that many national consumer organisations often lack financial resources, it is fundamental that work carried out by members of the stakeholder groups be appropriately remunerated to help them deliver efficient and high quality input (e.g. FIN-USE members). Industry representatives are fully funded by their sector, can follow the work full time, and can work before and after meetings; consumer representatives most often cannot. Financial aspects will certainly impact their efficiency and the quality of their input.
- **Resources for preparatory meetings**
The necessary budget should be allocated to organise consumer preparatory meetings to cover all the expenses related to these meetings.
- **Resources for external research**
The stakeholder groups, especially consumers' sub-group, should also be given the financial resources to commission expert research and opinion.

3. Meeting agenda

- **Possibility to influence the meeting agenda**
The stakeholder groups should have the possibility to influence the meeting agenda. All group representatives should have the opportunity to give input. Proposals from the 'subgroups' within the stakeholder groups should be accepted; there could be a fixed procedure guaranteeing that this principle is followed. The final decision on the proposed agenda items is to be taken by the stakeholder groups, with the right for minorities of certain size (i.e. a nearly unanimous consumer group) to have their proposed items on the agenda.

4. Opinions of group members

- **Freedom for various stakeholders to provide a dissenting opinion**
Consumers and other users should be allowed to provide their opinion which will not necessarily be the opinion of the majority of the stakeholder group. A failure to give stakeholders this right runs the risk of paralysing the work of the groups.

Consumer protection

When talking about financial supervision, we regret that consumer protection is not taken into account. A BEUC position paper "Financial supervision in Europe: Consumer perspective" in July 2009 sets out that consumer protection must be among the utmost priorities for the financial supervisors which is not the case in many EU Member States today.³ The following requests must urgently be taken into consideration by policymakers:

- **Consumer protection must be an objective in all European Supervisory Authorities.**
- **EU Authorities should ask national regulators to ensure effective consumer-oriented market supervision.**
As Europe is responsible for macro-supervision and the national authorities for the micro and conduct-of-business supervision Europe has to ask the national regulators for introducing or strengthening the consumer-oriented market supervision.

BEUC will further develop this issue at a later stage.

END

³ BEUC position "Financial supervision in Europe : Consumer perspective", 16.07.09:
<http://beuc.org/BEUCNoFrame/Docs/1/EDNNOEMCFBMKGFMMNHMOIDAAPDBG9DBWWWY9DW3571KM/BEUC/docs/DLS/2009-00812-01-E.pdf>