



## EBA Day on Consumer Protection – 25 October 2012 – Opening remarks

Dear Ladies and Gentlemen, dear colleagues,

It is my privilege to welcome you to the EBA Day on Consumer Protection, the first EBA wider event focusing on consumer protection and financial innovation. Since its creation, the EBA has not often been associated with consumer protection policy in the eyes of the public. This is mainly due to the strong pressure to address the banking crisis and to contribute to the reform of banking rules.

However, since the events of the economic crisis unfolded, regulatory authorities have had to radically change their perception of traditional regulatory actions in order to better understand consumer issues for both prudential and consumer protection reasons. The increased focus on retail funding, and other changes to banks business strategies, has brought consumer issues to the fore. The need of making progress in

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this area is also confirmed by the recent episodes of mis-selling, poor compliance with anti-money laundering rules and manipulation of market benchmarks.

The EBA has an EU-wide responsibility for and is fully committed to promoting transparency, simplicity and fairness in the market for consumer financial products or services across the Single Market.

In this respect, the EBA Day on Consumer Protection, during which you will hear views of experts representing the European Commission, national supervisory authorities, consumer organisations, academia and banking industry, has two main objectives –

1. to foster a discussion about the evolving challenges facing the banking sector in its complex relations with consumers;
2. to offer an opportunity for participants to provide a clean input to the EBA's work plans related to consumer protection

Therefore, I would like to encourage all participants to actively contribute to the discussions.

Before leaving the floor to our keynote speaker from the European Commission, I would like to quickly draw you the picture of the mandate with regards to consumer protection and financial innovation; especially in relation to consumer trends and rulemaking together with providing the achievements reached this year and outline some plans for next year.

## EBA's mandate

Tasks of the EBA related to consumer protection and financial activities are defined in Article 9 of the EBA Regulation. I would like to talk about two of these tasks: one related to consumer trends (1), and the other to Rule making powers (2).

### 1. Consumer trends

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To better understand consumer needs and to correctly identify areas on which the EBA should focus, one of our major activities of the EBA's Consumer Protection Unit and the Standing Committee on Consumer Protection and Financial Innovation is to collect, analyse and report on consumer trends. Last year we have commenced a publication of an annual report on consumer trends which not only summarizes the observations of the year, but also gives stimulus for work in next year. It is therefore a comprehensive study based on the surveys conducted by the EU member states.

## 2. Rule making powers

A very important component of the EBA's work is the monitoring of new and existing financial activities with a view to promoting the safety and soundness of markets and convergence of regulatory practices. In relation to this, the EBA shall issue guidelines and recommendations addressed to competent authorities or financial institutions. The EBA is currently working on two guidelines in the area of mortgages – a guideline on responsible lending and a guideline on arrears handling which will focus on measures that creditors should adopt when dealing with borrowers in payment difficulties.

More technical tools are regulatory and implementing technical standards which serve to ensure consistent harmonisation of rules in the areas specifically set out in the legislative acts. Once endorsed by the European Commission they are issued as regulations and become immediately enforceable in all EU member states simultaneously. The forthcoming Mortgage Credit Directive, which I believe will be one of the topics to be discussed by the first panel later this morning in relation to consumer indebtedness, foresees that the EBA will draft regulatory technical standards to stipulate the minimum monetary amount of professional indemnity insurance, or any other comparable guarantee for the credit intermediaries.

Article 9 of the EBA Regulation specifies other tools and tasks of the EBA related to consumer protection including the development of training standards for the industry and contribution to the development of common disclosure rules. It also mentions

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very specific tools which can be used only under special conditions – these tools are warnings and temporary prohibition or restriction of certain financial activities. While warnings can be used in events when financial activities pose a serious threat to the protection of the public interest by contributing to the short, medium and long-term stability and effectiveness of the financial system for the EU economy, its citizens and businesses, the EBA can temporarily prohibit or restrict certain financial activities that threaten the orderly functioning and integrity of financial markets or the stability of the whole or part of the financial system in the EU only in the cases specified and under the conditions laid down in the legislative acts, or in the case of an emergency situation. Until now, we haven't issued any warning, or ban any product, but we have some concerns mainly related to complex financial products banks are selling to retail clients. Together with other two European Supervisory Authorities – ESMA and EIOPA at the Joint Committee level, a Product Oversight and Governance sub-group was established with a mandate to develop some high level principles in financial institutions' product approval processes. The intention is to strengthen, if appropriate, controls before product launch. This initiative should help to achieve our objective to promote transparency, simplicity and fairness in the market for consumer financial products and services.

## Plans for 2013

In 2013 we plan to issue the guidelines on responsible lending in the mortgage market and arrears handling, but we will also analyse consumer detriment issues in the area of non-mortgage credit and potentially develop guidelines on specific risks.

In area of innovative products, we plan to continue searching for innovative products or innovative use of existing products with the potential of harming the European banking system, credit institutions and/or investors due to insufficient risk identification and/or insufficient risk mitigation. Strong focus will be on structured products.

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Let me conclude my speech and at the same time give the floor to our keynote speaker Mr Muylle from the European Commission with a widely used quote titled - 'Consumers by definition include us all,' said on 15 March, 1962, US President John F. Kennedy in his Congressional Statement, 'They are the largest economic group, affecting and affected by almost every public and private economic decision. Yet they are the only important group... whose views are often not heard.' We at the EBA believe that not only such events as this EBA Day on Consumer Protection where consumers' voice has a specific representation, but mainly our daily work proves that views of financial consumers are heard.