



The Fin-Focus Newsletter gives an overview of European Commission initiatives in the field of financial services, while focusing on those aspects of financial services most relevant to users and consumers. This newsletter is part of the Commission's Financial Services Policy for 2005-2010 and will be published twice a year. For further information, consult the homepage: http://ec.europa.eu/internal_market/finances/index_en.htm

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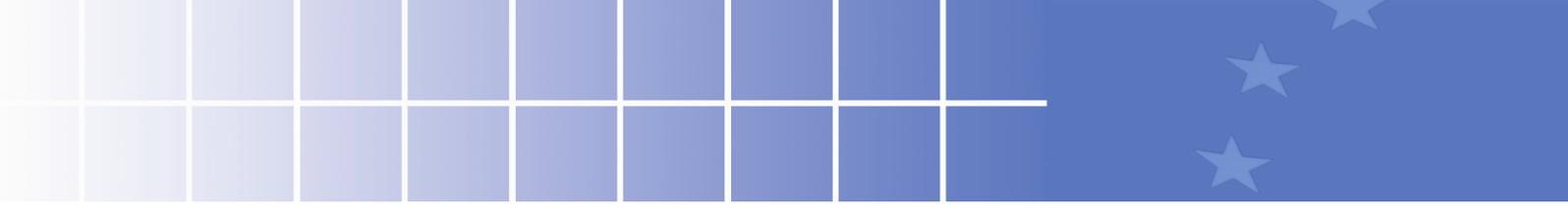
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"MiFID and you" – The impact of the new regulatory environment for securities transactions on retail investors

MiFID is the Markets in Financial Instruments Directive (2004/39/EC) which, amongst other things, covers how investment service providers act towards their clients. It will be fully operational from 1st November 2007.

The directive contains two main mechanisms to protect consumers:

- (1) Service providers have to provide consumers with information about themselves, the services they provide and the financial instruments they are offering.
- (2) Service providers are obliged to comply with certain fiduciary duties, meaning they must act in the consumer's best interests. In practice, the provider must carry out the consumer's orders under the best possible terms, which is referred to as "best execution". He must also collect sufficient information to ensure that the products and services which he is providing are "suitable" or "appropriate" for the individual consumer (depending on their level of experience, financial situation and investment objectives) and make sure the consumer's requests are properly handled.



The purpose is for a consumer to receive enough information to be able to make an informed choice of investment product. This information includes, for example: general information about the investment firm and its services; sufficiently detailed information about the specific type of financial product and information about the costs and charges that have to be paid by the consumer. The consumer should then be given enough time to read and understand the information before taking an investment decision.

To read more: http://ec.europa.eu/internal_market/securities/isd/mifid2_en.htm

ESME – New expert group to look at securities rules

The European Commission has created a European Securities Markets Expert Group (ESME) which consists of 20 members who will look carefully at how EU securities Directives work in practice, determine whether or not they are delivering the intended results and advise the Commission accordingly. It will meet four times a year as a full group and five subgroups have been established.

Market experts have been selected from the widest possible range of professional and geographical backgrounds. The Committee of Securities Regulators (CESR) and the European Central Bank (ECB) are permanent observers to the group. In addition, representatives from consumer and investor associations, as well as academics, may also be invited by the expert group as observers to some discussions.

UCITS – The impact of the White Paper on consumers

Undertakings for collective investment in transferable securities (UCITS) are essentially investment products for individual consumers and are also important for pension savings. They have proved very popular and UCITS now manage assets worth about 50% of EU GDP. A recent report has provided fresh ideas and practical suggestions to make the UCITS system more efficient. This has necessitated amending the existing UCITS Directive.

When selling UCITS products, investment service providers need to adhere to the MiFID conduct of business rules, which set out what information should be given to consumers and how their interests should be looked after (see related article, above). This provides for a two-fold protection for the consumer, firstly as to the product itself and secondly as to which product is best for the individual.

The Commission published a White Paper on the 15th November setting out proposed changes as a result of these developments, based on a thorough impact analysis. It aims to make the European investment fund market more efficient, meaning better investment services at lower costs for the individual while ensuring a high level of consumer protection.

To read more: http://ec.europa.eu/internal_market/securities/ucits/index_en.htm

Development of the EU Single Euro Payment Area (SEPA)

At the moment, making payments between European countries is often slow and the system for using a national debit card abroad is very patchy. For example, some national debit cards have limited use abroad while others do not work and the cross-border cards market tends to be dominated by the major international card schemes. The intention is that by the end of 2010 there will be a Single Euro Payments Area (SEPA) within the EU, making it possible to make Euro payments throughout the EU as easily and securely as is currently possible in your home country.

With SEPA, paying bills in Euros in other countries by direct debit would be possible. For example, a Greek student on Erasmus in Germany or a Swedish pensioner spending part of the year in Spain would be able to pay bills in their destination countries from their home euro bank accounts, at the same cost as within their own countries. SEPA would also mean that EU citizens could use the same national debit card for withdrawing Euros wherever they are in the EU, meaning the necessity for fewer cards in their wallets.

Recent studies have shown that the cost of a basic payment account can be up to 8 times higher in some Member States as compared to others. Greater efficiencies, economies of scale and enhanced cross-border competition should help to bring down these costs.

SEPA should also lead to quicker payments. Today in some countries it can take several days or even longer to make a payment, whereas in other countries, payments can be made by the next business day or even on the same day! Increased competition and greater efficiency should lead to service levels being raised to the highest standard.

The longer-term benefits of SEPA are even more important as there are substantial potential savings to be gained from using SEPA as an IT platform for automating business processes. The increase of IT applications in the payment chain, for example with e-invoicing, as developed by banks in Scandinavia, could produce savings easily exceeding 100 billion euros per year for the EU as a whole.

In the short term, the banking sector will need to make significant investments. Banks and processors will have to develop their systems and upgrade their IT infrastructure for payment processing as well as adapt national debit card systems and existing contracts with consumers. But these will be offset over time through greater efficiency and the development of services like e-billing and e-invoicing. Moreover, the Commission and national competition authorities will be closely monitoring the changeover to SEPA payment products to ensure that consumer interests are protected.

In conclusion, SEPA is a major project which bankers consider comparable to the Euro in its ambition and complexity, but over time it will lead to very substantial benefits.

To read more: http://ec.europa.eu/internal_market/payments/sepa/index_en.htm

Non-cash payment fraud – What is being done at EU level?

Payment fraud can take many forms – either a payment does not reach the intended beneficiary, too much money is taken, or unauthorised payments are taken from a bank account. There are many ways in which this fraud can be carried out which makes fighting against it complex.

To combat payment fraud there are several initiatives under the EU Action Plan 2004-2007. For instance in March 2006 there was a two day Fraud Prevention Expert Group (FPEG) seminar bringing together experts from a number of countries which aim to join the EU and there was another Expert Group conference in November 2006. The FPEG, set up by the Commission, is an independent group whose main aim is to intensify cooperation between all those in the payment chain especially cross-borders.

Payment fraud is not only a worry for the consumer whose bank balance can be directly affected by it but it is also a threat to the health of an efficient Single Payment Area in Europe (see related article, above). To fight against it, continual improvements need to be made to combat changing technologies and changing criminal tactics and all those involved in the payment chain need to cooperate actively. The introduction of chip and PIN technology is an example of a response by European industry.

To read more: http://ec.europa.eu/internal_market/payments/fraud/index_en.htm

Mortgage credit: Industry and consumers in dialogue

The Commission has undertaken a series of initiatives aimed at ensuring that consumers are able to make an informed choice about their mortgages since these are such important decisions affecting home life and wellbeing.

In 2001, the Commission agreed that all lenders should make the same information available to borrowers in the form of a voluntary agreement, a Code of Conduct, between the mortgage industry and consumers. The aim is to make all mortgages in the EU more easily comparable.

Mortgage lenders who sign up to the Code agree to give the borrower general information about products, including the type of interest rates offered. The Commission monitors how the Code is put into practice and has published a list of mortgage lenders who are committed to respecting it.

In 2006, the Commission launched the Mortgage Industry and Consumers Expert Group (Mortgage Dialogue) which meets eight times over nine months, and where consumer and industry representatives explore solutions acceptable to both sides on four essential issues: information, advice, early repayment and Annual Percentage Rate (APR).

The findings of the Dialogue will then form a report which the Commission will consider when putting together its White Paper policy document on the integration of EU mortgage credit markets which should be published at the end of May 2007.

To read more:

http://ec.europa.eu/internal_market/finservices-retail/home-loans/integration_en.htm

Post-trading code of conduct

Post-trading is a chain of actions designed to safely transfer ownership of a security from a seller to a buyer in return for payment. While national post-trading arrangements in the EU are efficient and safe, cross-border arrangements are more costly and potentially more risky due to the existence of technical, regulatory, legal and tax barriers created by diverging national approaches. This situation is not acceptable within a single market.

Based on the results of an impact assessment and extensive consultations with all stakeholders, the Commission has decided that, rather than proposing legislation to address this situation, it is currently better to work with industry and agree on specific conduct that should remove a number of barriers to an efficient and integrated market.

Industry reacted positively and agreed to a Code of Conduct to govern their activities. Initially, it will focus on cash equities, but should be extended to include other financial instruments such as bonds and derivatives later on. The aim is to increase transparency and introduce competition in those areas of the market where this is scarce or even non-existent. This should drive down the transaction costs for users and eventually for final investors, customers, as well.

To read more: http://ec.europa.eu/internal_market/financial-markets/clearing/index_en.htm

Long-term savings – New study

The Commission has launched a study into the market for consumer long-term savings across Europe. The purpose is to try to understand which products are competing for consumer attention, how they are sold to consumers and the conditions under which they are offered to consumers.

The study will seek to identify what the main characteristics are of long-term savings products and how suited they are to provision for old-age in terms of risk, return, cost and flexibility. It will look at the distribution networks for such products and the impact that they have on purchasing decisions. Finally, the study will aim to paint a picture of consumers' main influences when choosing long-term savings products. These are likely to include cultural background and product familiarity as well as tax incentives.

The study is due to contain the results of a consumer survey on information provision and advice in the context of purchasing long-term savings products. It should also track how providers have reacted to trends affecting personal savings such as the aging population and the shift away from state provision for old age to reliance on the private sector.

The results of this study will feed into DG Markt's policy development in the area of financial services, particularly as regards the integration of the retail financial services market. The study will be carried out in the course of 2007 and the results should be made available by early 2008.

Ongoing or upcoming publications and events

The following an indicative, non-exhaustive list of ongoing and planned publications and events, which may be of particular interest to consumers and users. Publications will be available on the Commission's website, unless otherwise stated.

Publications	
Single Market in Financial Services Progress Report	December 2006
Retail banking: Results of Sectoral enquiries	End 2006
Report of expert group on customer mobility with respect to bank accounts	Spring 2007
Report of mortgage funding expert group	December 2006
Summary report of industry-consumer dialogue on mortgage credit	December 2006
Insurance – a leaflet for consumers on the motor insurance directives	End 2006
Events	
European Consumer Day – Financial Services in Europe Contact: int@eesc.europa.eu	16 March 2007, Berlin
Conference on consumer financial capability Contact: MARKT-G1@ec.europa.eu	28 March 2007, Brussels

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