

ROADMAP			
TITLE OF THE INITIATIVE	GREEN PAPER ON RETAIL FINANCIAL SERVICES AND INSURANCE		
LEAD DG – RESPONSIBLE UNIT – AP NUMBER	DG FISMA – UNITS D.3 AND D.4	DATE OF ROADMAP	02/09/2015
LIKELY TYPE OF INITIATIVE	Commission Green Paper		
INDICATIVE PLANNING	<i>See 'List of planned initiatives'</i> http://ec.europa.eu/atwork/key-documents/index_en.htm#adopted2011		
ADDITIONAL INFORMATION	http://ec.europa.eu/finance/finservices-retail/index_en.htm		
<p style="text-align: center;">This indicative roadmap is provided for information purposes only and can be subject to change. It does not prejudice the final decision of the Commission on whether this initiative will be pursued or on its final content and structure.</p>			

A. Context, Subsidiarity Check and Objectives

Context
<p>The overall objective of the Green Paper on Retail Financial Services and Insurance is to consult stakeholders on the obstacles providers and consumers face when offering or purchasing financial services across the EU.</p> <p>The EU market for retail financial services and insurance is still fragmented, and a Single Market in this area does not truly exist at present. Consequently, consumers in the EU's domestic markets do not always receive the benefits of heightened competition – including cheaper prices and greater choice – that prevail in other sectors (e.g. air transport). Residual problems in national markets reduce consumer confidence in retail financial markets and discourage them from using these services: for instance, there are still flaws in transparency which leave consumers unclear on the prices and features of the products they are offered.</p> <p>A fully functional and competitive Single Market for retail financial services and insurance would bring better outcomes for the 500m consumers throughout the Union. It would also benefit firms by allowing them access to a much wider market place, supporting growth in the European economy. By stimulating both actual and potential competition, greater integration would motivate providers to create a wider choice for consumers, reduce prices, improve quality and innovate. The current trend of digitalisation – the development of new models and approaches through technology and the internet – in retail financial services provides a particular opportunity to integrate markets and solve a number of residual concerns in these sectors, and it will be a key factor. By encouraging cross-border distribution of financial services online, without requiring a physical presence in each Member State, this Single Market could be brought closer to reality.</p> <p>Many measures have been adopted at the EU level since 2013 or are currently under review by the European co-legislators.¹ Their aim has been to restore consumers' trust, eliminate shortcomings revealed during the financial crisis, and create a competitive Single Market for financial services. For example, recent legislation has ensured that consumers are provided with understandable, fair and comparable information about mortgage credit (Mortgage Credit Directive - MCD), investment products (Regulation on Packaged Retail and Insurance-based Investment Products – PRIIPs) and payment account fees (Payment Account Directive - PAD), etc. These measures have also set higher standards for the distribution of financial products to guarantee that conflicts of interest are avoided at the point of sale (e.g. MCD, Markets in Financial Instruments Directive II – MiFID II) and that consumers can safely choose from a range of competitive services (e.g. Payment Services Directive II – PSD II). Member States are still implementing many of these initiatives through their own legislation.</p> <p>These recently adopted measures tackle a wide array of issues across the retail financial and insurance sectors. However, the gains made are not universal, and there are still residual problems in many market segments – including conflicts of interest, non-transparent pricing and ineffective disclosure – which will not be tackled by these measures and will continue to restrain competition and limit consumer confidence to the detriment of markets across the EU. Gaps in the recent legislation, largely relating to the underlying 'infrastructure' for providing these services, could also undermine the progress achieved in recent years: for example, it may be difficult to exercise the right under the PAD to open a banking account anywhere in the Union if suppliers cannot identify a customer at a distance in compliance with Anti-Money Laundering rules.</p> <p>Therefore, the main purpose of the initiative is to investigate issues not yet addressed in previous legislation and identify the competition obstacles and gaps in previous legislation that prevent or are likely to prevent firms from providing services in a Single Market and domestic consumers from enjoying the benefits of a Single Market.</p>

This initiative is not intended to review recently adopted legislation which is being implemented at national level, but rather to contribute to its consistent application across Member States and to further develop open, fair and competitive retail financial services and insurance markets between and within the EU's Member States.

This initiative complements the Commission's work on creating a Capital Markets Union by encouraging the further development of competitive and integrated markets for retail investment (alongside the coming changes from the implementation of PRIIPS and MiFID II). It is also related to other parallel Commission priorities and work streams such as the Digital Single Market (including the review of Contract law relating to tangible goods and digital content), the work on contract-law related obstacles in the insurance sector, the assessment of the potential of the Distance Marketing of Financial Services Directive and the sector inquiry into e-commerce. The Commission will ensure that this initiative coheres fully with the initiatives listed above.

Issue

Retail financial services and insurance are an essential part of everyday lives of EU citizens. This initiative should be a step toward ensuring that retail financial services markets work better for firms, retail investors and consumers in all Member States.

Fragmented markets and insufficient competition

The EU's retail financial services and insurance markets are still largely fragmented and a Single Market in this area does not truly exist at present. In these markets, consumers do not always receive all the benefits of competition – including cheaper prices, better quality and greater choice – and the levels of consumer protection that prevail in other sectors (e.g. air transport, e-commerce). Though recent legislation addresses some abusive practices in these markets, the Commission is aware that issues will remain in many segments, including a lack of transparency and comparability of financial services, biased financial advice, excessively complex financial products, unfair contract terms, and misleading or aggressive selling practices. Many of these issues limit effective competition in the interests of consumers, and reduce their confidence in retail financial markets, discouraging them from using these services. They can be compounded when consumers attempt to purchase products across borders, further inhibiting the development of a Single Market.

Developing the ability for firms to provide products cross-border, and consumers to purchase products cross-border, could bring substantial benefits to European consumers through improved competition, and could remedy many issues in national markets which are detrimental to these consumers.

Suppliers stay in their national markets

Most suppliers either refrain from serving or limit their provision of services to unsolicited customers from other Member States, unless they are established or otherwise present in these Member States. With the exception of some investment products, few retail financial services (e.g. banking or insurance) are traded today between Member States. Likewise, cross-border lending is generally limited to a few neighbouring regions only. The financial products offered by new market entrants are often priced according to local market conditions instead of importing more competitive pricing from the providers' home markets. For instance, annual credit card fees range from EUR 25 in one Member State to EUR 113 in another; likewise, an average annual premium for one comparable simple life insurance product ("death insurance") ranged from EUR 123 to EUR 606. There are also large variations in the cost of mortgages between different Member States. In addition, consumers in some Member States can only choose mortgage products with variable interest rates, as opposed to fixed interest rates available in other Member States, and vice versa.¹

The main barriers for suppliers appear to be compliance costs originating from diverging national regulatory and legal requirements, as well as challenges related to either attracting customers from other Member States or dealing with post-contractual matters, for instance in the event of queries or problems.

Consumers do not purchase and use retail financial services cross-border within the EU

According to a 2012 Eurobarometer survey², less than 3% of consumers purchased banking products from another Member State. However, around 10% of consumers declared their interest in cross-border shopping³, which is consistent with the wide price differences reported above and which demonstrates the high potential of this initiative. Consumers appear to be unaware that they can seek out offers and purchase financial products cross-border. If they do, they either cannot access their desired services due to geo-blocking or lack of residence in the country of the provider, or they do not have enough confidence to purchase them. Consumers also face difficulties when contracting in another Member State (either offline or online at a distance) or taking an existing financial product to another Member State – for instance, they may be forced to discontinue their insurance policies if they relocate to other Member States or are residing temporarily abroad.

¹ Data collected by the Financial Services User Group, EU advisory body representing the views of consumers in retail financial services.

² Special Eurobarometer survey 373 Retail Financial Services

³ Idem

Action on EU level is necessary to tackle negative effects in the Single Market

The above mentioned obstacles on the demand and supply sides constrain competition, limit consumer choice to national markets rather than to the full range of options available on a Single Market and lead to higher costs for suppliers that wish to enter new markets. Furthermore, lack of cross-border competition is likely to have a negative impact on competition and on outcomes for consumers in national markets. In other words, the greater choice offered by the Single Market for retail financial service will benefit first and foremost domestic markets and domestic customers. Indeed, the price differentials between Member States show that there are significant gains to be obtained from more integrated and competitive markets. By one estimate, more market convergence for interest rates on residential mortgages could bring about savings of at least EUR 63 billion per year.⁴ The state of the market requires a careful assessment of the need for further action and calls for enhanced enforcement of the existing acquis, especially where there are cross-border implications.

The weaknesses of cross-border provision of financial services have been explored in past Commission studies. The 2007 Commission Sector Inquiry on retail banking and the report on the implementation of the Directive on Distance Marketing of Financial Services (2002/65/EC) published in 2009 identified a number of cross-border barriers, both on the supply and on the demand side. In addition, the study on the functioning of the consumer credit market in Europe, prepared for the Commission in 2013, also highlighted low levels of cross-border lending. Furthermore, the final report of the Commission Expert Group on European Insurance Contract Law identified a number of contract-law related obstacles in the insurance sector.

Policy must take into account the impact of digitalisation on retail financial services and insurance

At present, financial institutions are investing heavily in the digitalisation of their sales channels, but continue to operate their infrastructures largely on a national basis. At the same time, consumers are becoming increasingly mobile around Europe, are improving their digital skills and are using the Internet, including Internet banking more often. Ever increasing innovation and digitalisation of financial services, together with the benefits of the single currency, is bringing important challenges and opportunities for users and firms, and is likely to facilitate their access to new markets and products. Policy-making should not limit innovation. It should, however, strike the right balance to ensure that existing market barriers do not prevent innovation and growth. . In this context, the initial development of solutions based on local or regional regimes are a first and welcome step forward on the road to the creation of pan-European or global solutions.

Stakeholder Mapping

The following groups are likely to be affected by the present initiative: consumers, consumer organisations, financial service and insurance providers, financial intermediaries, financial brokers, credit information bureaus, Alternative Dispute Resolution schemes and ombudsmen, national public authorities and administrations. They will be invited to take part in the Green Paper consultation and in the follow-up developments (e.g. hearing in Brussels).

Subsidiarity check

In line with the principles of good administration, the Commission consults interested stakeholders to inform its policy-making. An open public consultation, involving an EU-wide stakeholder base, is needed to assess the consumer issues and competition barriers (particularly those which harm consumers on national markets by limiting cross-border trade) across individual Member States. It will enable the Commission to assess the level of fragmentation of the Single Market, including the incidence and gravity of obstacles to the free movement of services and capital.

Member States alone cannot achieve the objectives for the following reasons: *(i)* cross-border problems are involved and *(ii)* the means available to Member States are not sufficient in view of the scale of the project. On the former point, both suppliers and consumers face market entry obstacles when going across borders. Firms that wish to provide cross-border services appear to incur unnecessary costs from compliance with diverse national practices, including measures transposing EU legislation, when providing cross-border services. By the same token, consumers suffer detriment when they cannot access services from other Member States although they could suit their needs better than the options available on their domestic market. This has a negative impact on a level playing field in the EU.

If, following the consultation, it is necessary, the Commission will propose legislative measures based on Article 114 TFEU with the aim of improving the functioning of the Single Market.

Main policy objectives

The Green Paper consultation will seek stakeholders' views on how to bring about better outcomes for consumers and firms in terms of better access, more transparent markets, increased competition as well as greater consumer choice and improved consumer protection (on a domestic and cross-border level) in an increasingly digital environment. In particular, given the potential gains from improving cross-border trade, the

consultation should identify the barriers in the market and investigate the means, including the state of the art technological and innovative solutions, to further improve the functioning of the EU Single Market for providing, purchasing and using retail financial services and insurance. A key way to achieve this objective would be to reduce the barriers to cross-border provision of products and services and to facilitate cross-border demand.

B. Option Mapping

The Commission's aim in producing this Green Paper is to gather information on the supply-side and demand-side barriers to cross-border integration of the retail financial services and insurance markets, as well as the other issues – such as competition and consumer problems on a domestic level – which are limiting the creation of a competitive Single Market in this area. Ideally, interested stakeholders participating in this consultation would also be able to offer suggestions on possible ways to reduce, if not overcome, these barriers. In advance of the Green Paper publication it is difficult to predict the full spectrum of measures that could be adopted: tentatively, measures may include market-led solutions, soft-law instruments driven at an EU level or legislative measures (for example, 29th regimes for selected products).

Taking into account the outcome of the consultation, the Commission will assess the cost effectiveness and proportionality of any options proposed to reach the policy goals.

Proportionality check

In the absence of any alternative effective measures that could be taken at national level (see above), the consultation meets the principle of proportionality. The consultation opens the possibility to all stakeholders in the EU to have their say on Commission's policy-making.

C. Data collection and Better Regulation instruments

Data collection

Stakeholder views and information gathered through an open public consultation will assist the Commission in better understanding the nature and origin of the problems and market barriers in the Union, the potential policy action needed, and the area(s) in which this should be taken. The state of the single market for EU retail financial and insurance has not been investigated holistically for eight years and technology in this area is changing rapidly, so the time is ripe for the Commission to investigate these issues.ⁱⁱ

The Green Paper consultation will be based on the following data:

1. Information on barriers and opportunities in the Single Market which the Commission gathered from its continuing dialogue with stakeholders representing both consumers and the financial industryⁱⁱⁱ, as well as complaints from EU citizens received by either the Commission or FIN-NET, the network of financial ombudsmen;
2. Studies and research papers, namely those which document that:
 - a. The retail financial services and insurance markets are fragmented
For instance: The Cost of Non-Europe in the Single Market (European Parliament, March 2014)^{iv}, Financial Integration in Europe (European Central Bank, April 2014)^v, research on price differentials and barriers to access in the EU Single Market (Financial Services User Group, forthcoming in 2015), Study on the impact of Directive 2002/65/EC (Distance Marketing of Financial Services Directive) (European Commission, 2009), and Study on the functioning of the consumer credit market in Europe (European Commission, 2013);
 - b. Consumers do not shop abroad
For instance: Special Eurobarometer 373: Retail Financial Services (Eurobarometer, March 2012), The European Single Insurance Market (European Consumer Centre Germany, November 2014); Study on the impact of Directive 2002/65/EC (Distance Marketing of Financial Services Directive) (European Commission, 2009), papers in the context of Digital Single Market Agenda (JRC, mostly forthcoming in 2015)
 - c. Consumers face problems when they try to shop abroad
BEUC's Consumer problems in the financial services area and single market for consumers (April 2015)
3. Studies that the Commission plans to launch in parallel with the Green Paper to gather information and analysis which can underpin any potential interventions proposed by the Commission following from the Green Paper. These include, for example,
 - a. DG FISMA's study on the role of digitalisation and innovation in creating a true single market for retail financial services and insurance.
 - b. Joint DG FISMA/FSUG study on access to financial guidance for consumers.

- c. DG JUST (CHAFFEA)'s study "Consumers' decision-making in insurance services: a behavioural economics perspective", which will test consumers' willingness to buy non-life insurance cross-border. Two complementary external studies on the economic impact of differences in insurance contract law on cross-border trade in the insurance sector and on consumers' decision-making in insurance services from a behavioural perspective are to be launched in parallel.
- d. DG JUST questionnaire on the functioning of distance marketing of financial services in Europe.
- e. DG CNECT's study on data location requirements across Member States;
- f. DG FISMA may carry out another follow-up study in 2016, if the responses to the consultation reveal shortcomings that would require further examination of an alleged consumer detriment.

Consultation approach

The Green Paper consultation aims to gather views from the largest possible stakeholder base in the EU. The Green Paper will be translated in 28 languages. Communications activities (press release, memo, press conference) are envisaged at the launch of the Green Paper to ensure the broadest possible involvement of stakeholders, in particular at national level. Its launch will be announced in the consultation planning that can be found at http://ec.europa.eu/yourvoice/consultations/docs/planned-consultations_en.pdf.

The Commission expects a significant quantity of answers. Following the conclusion of the consultation, the Commission will communicate the results to all interested parties by means of a report and a hearing to be held in Brussels.

Will an Implementation plan be established?

Yes No

There is no need of an implementation plan for a Green Paper initiative.

Will an impact assessment be carried out for this initiative and/or possible follow-up initiatives?

Impact assessment may be carried out for any follow up initiatives at a later stage. No impact assessment is envisaged for the Green Paper consultation. It is however too early to determine which initiatives might be proposed, and which areas they might affect. The following DGs are likely to be involved: LS, GROW, COMP, ECFIN, JUST, TRADE, TAXUD, CNECT, JRC, SG.

ⁱ [Directive 2014/17/EU](#) of the European Parliament and of the Council of 4 February 2014 on credit agreements for consumers relating to residential immovable property and amending Directives 2008/48/EC and 2013/36/EU and Regulation (EU) No 1093/2010 (OJ L 60, 28.2.2014); [Directive 2014/65/EU](#) of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (OJ L 173, 12.6.2014) and Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012 (OJ L 173, 12.6.2014) (MIFID2), [Directive 2014/92/EU](#) of the European Parliament and of the Council of 23 July 2014 on the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features (OJ L 257, 28.8.2014); [Regulation \(EU\) No 1286/2014](#) of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (OJ L 352, 9.12.2014) (PRIIPs); Insurance Distribution Directive is currently under review by European co-legislators who reached a political agreement on 30 June 2015.

ⁱⁱ In 2007 the Commission published the Communication from the Commission: Sector Inquiry under Art 17 of Regulation 1/2003 on retail banking (COM(2007)33 final) and the Green Paper on Retail Financial Services in the Single Market (COM/2007/0226 final). Green paper consultations, that took place since 2007, include Green Paper Towards an integrated European market for card, internet and mobile payments (COM/2011/0941 final) and Green Paper on the Insurance of Natural and Man-made Disasters (COM/2013/0213 final).

ⁱⁱⁱ See, for example, Conference on Emerging challenges in retail finance and consumer policy organized on 18 November 2014; available at http://ec.europa.eu/internal_market/conferences/2014/1118-retail-finance/docs/141118-retail-finance-final-report_en.pdf.

^{iv} European Parliament, Issues paper on European Added Value dimensions Towards a genuine Economic and Monetary Union, October 2012, p. 19, <http://www.europarl.europa.eu/the-secretary-general/resource/static/files/files/mapping-the-cost-of-non-europe--march-2014-.pdf>

^v <https://www.ecb.europa.eu/pub/pdf/other/financialintegrationineurope201504.en.pdf>