

**Written statement for the hearing of the Finance Committee of the German Bundestag
on the European Supervisory Authorities
31 May 2017**

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Dear Members of the Bundestag,

Thank you for this opportunity to introduce BEUC's views on the European Supervisory Authorities (EBA, ESMA and EIOPA) and more specifically, their role in protecting financial services consumers.

Let me first briefly introduce the organisation I am representing. BEUC, the European Consumer Organisation, represents 43 independent national consumer organisations from 31 European countries (EU, EEA and applicant countries). Verbraucherzentrale Bundesverband (vzbv) is our German member. BEUC acts as the umbrella group in Brussels for its members and our main task is to represent them at European level and defend the interests of all Europe's consumers. Retail financial services form part of our priority areas.

Today, consumer satisfaction with financial services providers across many European countries remains low. This fact is being confirmed by the European Commission's Consumer Market Scoreboards, where retail financial services rank very low in terms of consumer confidence for many years. This poor performance is not surprising, given that financial products become increasingly complex (too often unnecessarily complex), consumers often receive bad quality advice and mis-selling scandals occur with a worrying regularity.

The causes can be partly attributed to regulatory shortcomings. For example, overreliance on information disclosure rules, instead of tackling product complexity, reliance on sales-driven, biased financial "advice" which steer consumers to costly products not suiting their needs. Besides regulatory shortcomings, low levels of consumer satisfaction result from unsatisfactory public and private enforcement of the existing legislation in many Member States.

Today, the bulk of retail finance legislation across Europe originates from the EU level, while Member States have full discretion on how to enforce them at national level. As a result, conduct of business (or consumer protection) supervision varies across Member States: many national supervisors lack a clear statutory objective to provide consumer protection; many of them are under-staffed, have little on-site inspection capacity, have limited legal powers to make binding decisions and limited powers of sanction. Even though in the post-financial crisis period some EU countries have given a higher priority to conduct of business supervision (for example, clear separation between prudential and conduct supervision in Belgium and UK), most Member States still lag behind in that respect.

The quality of enforcement of EU law is a considerable problem both for consumer trust and market integration. While responsibility for day-to-day supervision of financial institutions should essentially remain with national competent authorities, there is an urgent need to upgrade the quality of supervision and enforcement everywhere in the EU. Each Member State should have its own financial conduct authority in order to ensure that consumer protection legislation is properly enforced.

BEUC believes that the European Financial Supervisory Authorities have an important role to play in achieving supervisory convergence in conduct of business supervision. For that, we see the need to set up a separate EU supervisor that would focus on defending consumer interests in financial services¹. One of the main tasks of the new authority should be the development, implementation and monitoring of common standards of conduct of business supervision at Member States level in order to provide all EU consumers with a high level of protection wherever they live.

Besides that, the EU consumer protection supervisor should be granted direct supervisory and product intervention powers with regard to cross-border issues, as well as EU-wide negative trends and risky products and practices that are widespread across several Member States. This would help take a proactive approach to prevent mass consumer detriment caused by toxic financial products and practices. Consumer treatment across Member States with regards to the same types of detriment should be similar.

The European Commission is currently reviewing the functioning of the ESAs. This review is a good opportunity to harmonise the quality of supervision and enforcement everywhere in the EU to better protect users of financial services. BEUC calls on the EU and national policy-makers to support this crucial reform and put consumer protection at the heart of the EU policy-making.

¹ BEUC response to the Commission consultation on the review of the European Supervisory Authorities, May 2017: http://www.beuc.eu/publications/beuc-x-2017-051_fal_beuc_position_on_esas_review.pdf