

Opening speech

Joint ESAs Consumer Protection Day 2015 – Frankfurt am Main

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Ladies and Gentlemen,

I am delighted to welcome such a large, diverse and knowledgeable crowd that has gathered today on the 3rd Joint ESAs Consumer Protection Day. The experience and knowledge that today's speakers and panellists bring to the table is truly impressive.

I am particularly pleased that the topics that we will touch on during the day all have one crucial element in common - they are all topics that essentially require a broad and forward looking vision of protecting financial consumers. In my view this is crucial. It forces us – consumers, policy makers, supervisors, enforcers and industry participants alike – to look beyond the borders of what is currently known to us, when assessing the necessary steps to take to protect financial consumers.

Conduct risk

I would like to start with the first topic of today; conduct risk. By definition, we must apply a broad and forward looking view to effectively assess the risks arising from the conduct of financial firms. Too many examples can be provided to illustrate that poor conduct of and within financial firms can have great adverse impact on consumers and consumer confidence. A continuous effort should be made to ensure that industry participants conduct themselves in a way that is consistently in the interest of their clients.

The conduct of financial firms is shaped by many diverse drivers, for example: conflicts of interests, regulatory differences across sectors, and tax incentives. The conduct of business regulations still show too many differences between the banking, insurance and investment

sectors. These differences allow for regulatory arbitrage and could easily lead to a concentration of conduct risk in the sector that – at a given point in time – is regarded to have the lowest level of consumer protection. In this respect, I welcome the PRIIPs Regulation which takes a cross-sectoral approach to improving the comparability of complex financial products, regardless of the sector where the product started its life cycle.

Looking ahead, the Capital Markets Union (or CMU) will be one of the forces shaping the future of finance in Europe and a key topic to take into account when considering conduct risk. The CMU – which we all know is high on Commissioner Hill's agenda – seeks to establish a genuine single capital market in the EU, and to increase capital markets based funding. The foundations of this ambition are currently being built. The CMU poses several challenges for the assessment and supervision of financial institutions' conduct. First, the objectives of the CMU also imply attracting retail consumers to participate more actively in the financial marketplace. This reinforces the relevance of our existing consumer protection framework. I am therefore very pleased that the European Commission has made the protection of consumers a key principle in building the Capital Markets Union.

Secondly, increasing capital markets funding in the EU will also imply a larger capital market to supervise. This will require adjustments to both the level of intensity of supervision and the resources allocated to supervising European capital markets.

Finally, a true single European capital market is likely to increase cross-border activity in financial services. Although the supervision of conduct risk is already often a supra-national matter, in a true single market cross-border supervisory efforts and a common understanding of conduct risk and how to supervise it will become even more important.

These challenges to the assessment and supervision of conduct risk in building the CMU show that the strongest possible coordination is needed to address conduct risk throughout the European Union. It is up to the ESAs, the national supervisors and all stakeholders involved to take this task forward, and to closely monitor the developments in the field.

The next decade in banking, insurance & pensions and securities

We will more specifically assess the future agenda during the second item on the programme, where the 'Next decade in banking, insurance & pensions and securities' is the central theme. The CMU is likely to be a topic that will also be discussed under this heading,

but one of the developments that I want to highlight today is the demographic future of the European Union.

Current projections show that in 2060 the number of employed people for every person aged over 65 years will decrease by over 50%.¹ To reduce pressure on public finances, several Member States have already encouraged people to take greater responsibility for financing their retirement and I expect this trend to continue.² Developments like these that push for the greater financial independence of citizens, and their greater participation in financial markets, mean that financial consumers will need to be empowered and protected in all sectors of the financial marketplace. In my view, this should have our undivided attention going forward.

The growing digitalisation of financial services

And last, but certainly not least, we will talk about the technological developments that are driving and changing the way financial consumers interact with financial firms and vice versa. This is a topic that also needs a forward looking view from regulators, supervisors and all stakeholders.

Digital innovations and novel applications of existing technologies continue to bring new opportunities into our day-to-day lives. An increasing number of consumers in the European Union are becoming digitally savvy and it is up to regulators and supervisors to keep up with this trend. Worldwide, Europe has the highest level of households with internet access, which reached 81% in 2014.³ That number is likely to increase further in the coming years.

Consumers use online channels to manage their finances with growing confidence. About 65% of the global population already use the internet for their banking needs on a weekly basis.⁴ Different types of online tools to manage household finances are seen in the banking, insurance and investment sectors. Yet there are common drivers, risks and advantages to be identified from digitalisation in these three sectors. That is why the three ESAs have recently started working jointly on the topic of automated financial advice tools. The first stage of this work will be to map all the existing and possible future variations of automated financial

¹ The 2015 Ageing Report: Underlying Assumptions and Projection Methodologies, p. 65.

² The 2012 Ageing Report, Economic and budgetary projections for the 27 EU Member States (2010-2060), p. 107.

³ Eurostat, Information Society, Level of internet access – households (<http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=tin00134&plugin=1>) and World Retail Banking Report 2015 (Capgemini and EFMA), p. 10.

⁴ World Retail Banking Report 2015 (Capgemini and EFMA), p. 10.



advice tools, to identify both the risks as well as the benefits of these types of tools for financial consumers.

An obvious risk of moving the management of our finances to digital platforms is that it increases our vulnerability to various types of IT failures. However, an apparent benefit of increasing digitalisation is that it should reduce costs; not only for firms, but ultimately also for consumers. It may for example have the beneficial effect of improving the affordability of financial advice and making financial advice available to a bigger customer base. At the same time, this lowering of the barriers to access financial products and services means that consumer protection is even more important. Financial firms need to act in the interest of their clients, regardless of the channel through which they provide products and services to their clients.

All in all, we have an invigorating day ahead of us in which we will hear a variety of views and thoughts on how to improve consumer protection in the Union, from the thought leaders and experts in the field. There will be several opportunities throughout the day to take part in these discussions. I very much encourage you to make use of these and other opportunities to engage with the topics of the day, and to exchange views with your colleagues from other sectors and disciplines.

I would now like to give the floor to Commissioner Hill, who is currently in the driver's seat as to the future direction the European Union is taking towards the vital topic of consumer protection in the financial services industry.