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ECRI NEWS

Understanding Credit Markets for Europe

EDITORIAL

A BUSY YEAR IN PROSPECT FOR FINANCIAL SERVICES

By Sylvain Bouyon, Research Fellow at ECRI

So far, 2015 has been a busy year for ECRI. First of all, the ECRI Task Force on household retail credit organised its third meeting on 28 January, with some emphasis placed this time on digital banking, new business models and new practices in consumption credits. This Newsletter contains several articles mirroring some of the key discussions held during this meeting. Christian Schaette from McKinsey & Company analyses the digital revolution in retail banking, the challenges and the opportunities such developments represent for banks. Another article by Warren Mead from KPMG presents some key elements and figures on the peer-to-peer consumer lending models in both the UK and the US. Regarding new practices in consumer credit markets, Matthieu Joly from L'Echangeur by LaSer provides some analyses on the way the growing circular economy can shape consumer credit markets and the relationship between credit providers and their customers. Finally, Sophie Thiéry from Vigeo analyses the possibility of boosting trust on the consumption loan markets through external assessment.

Secondly, in the context of the progressive implementation of the Mortgage Credit Directive (MCD), ECRI continues to keep track of the latest trends and regulatory changes in this key retail banking market. As such, in this Newsletter, an article by Bernd Brabänder from Commentum questions the potential impact of the MCD on the small providers in Europe. Due notably to the complexity of the regulation and the heavy costs incurred by necessary adjustments, the author raises some doubts on the ability of the MCD to help drive forward small providers and to reinforce financial integration in Europe.

Thirdly, on the payment side, Monica Monaco from Trust EU Affairs places the focus on the latest developments in the Regulation on Interchange fees (IFR) for card-based payment transactions and on the second Payment Services Directive (PSD2). According to the author, it is likely that the entry into force of the IFR and PSD2 will not be simultaneous, resulting in numerous questions on the cumulative impact of the Payments Package on the European payment market.

Finally, in order notably to address the different issues in retail banking as a whole, ECRI will organise its first annual conference on consumer protection and innovation in the EU financial services on 12 May in Brussels. This event aims at debating on the current regulatory and supervision developments on the European scene. While discussions on the setup of a capital markets union in crescendo, the 2015 budget of European Supervisory Authorities, whose main goal is to contribute to the gradual setup of a safe and dynamic European market for financial services, has been cut significantly. In essence, these budgetary decisions relaunch the debate on the sharing of tasks between European and domestic supervisory authorities and question the type of financial services market we want for the European Union, its level of integration, the dynamism of its innovations and the appropriateness of its rules for consumer and investor protection. The conference of the 12 May will offer an opportunity to address these different issues.

The implicit objective is to provide a platform for an exchange of good practices across the different supervisors and providers of financial services and to contribute to higher regulatory consistency across the different segments of services. As such, the scope is relatively wide and intends to include retail financial services (credit, saving and payment), as well as financial investments and insurance. The conference will host key stakeholders in the sector of financial services and high-level speakers from the European institutions, national authorities, the financial industry and universities.

Regarding the programme, the 2015 edition will first discuss the risks of market dysfunctionalities triggered by growing innovation in banking business models. Innovation will also be debated in respect to the policy design process, especially by considering the role that the increasingly popular behavioural economics can play in the refinement of the enacted rules and the overall supervision of financial services. A third panel will debate on the rising possibilities offered by personal data collection's processes in the design of better-tailored financial products for consumer/investor needs and the risk that these processes may infringe somewhat upon consumer's right to privacy. Finally, every year, a focus will be placed on one or two specific types of financial services. On one hand, the 2015 Edition will discuss payments and the fast process of digitalisation of this service and what it implies for consumers, payment providers and regulators. On the other hand, the Conference will be an opportunity to present some of the key recommendations of the Task Force report on consumption loans. *sylvain.bouyon@ceps.eu*

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ECRI STATISTICAL PACKAGE

2014 VERSION OUT NOW

LENDING TO HOUSEHOLDS AND CONSUMER CREDIT IN EUROPE

WHAT IS THE ECRI STATISTICAL PACKAGE?

Since 2003, the European Credit Research Institute (ECRI) has published a highly authoritative, widely cited and complete set of statistics on consumer credit in Europe. This valuable research tool allows users to make meaningful comparisons between all 27 EU member states as well as with a number of selected non-EU countries, including the US and Canada.

WHAT IS COVERED?

Two Statistical Packages are on offer. The more comprehensive product "Lending to Households (1995-2013)" contains valuable data on consumer credit, housing loans, other loans, total household loans, loans to non-financial corporations as well as total credit to the non-financial business and household sector. The 'standard' "Consumer Credit in Europe (1995-2013)" exclusively covers consumer credit data.

The 2 Packages in Fact & Figures:

- 38 Countries: EU 27, Croatia, Turkey, Rep. of Macedonia, Iceland, Norway, Switzerland, Liechtenstein, Australia, Canada, Japan and the United States.
- 19 years data series: 1995-2013
- National accounts: GDP, final consumption expenditure and gross disposable income of households, inflation and exchange rates.
- 150 (67) tables: present time series data in nominal and real terms, and per capita, as well as breakdowns by lender, type, currency and maturity are also available for selected countries.
- 27 (13) figures: highlight credit trends in a way that allows user to make meaningful comparisons of the retail credit markets across countries.

FACTSCHEETS

The European Credit Research Institute (ECRI) provides in-depth analysis and insight into the structure, evolution and regulation of retail financial services markets in Europe. Through its research activities, publications and conferences, ECRI keeps its members and the wider public up-to-date on a variety of topics, such as retail financial services, credit reporting and consumer protection at the European level.

ECRI is an independent, non-profit research institute whose interdisciplinary team of researchers and academic cooperation partners has developed a specialised body of knowledge on retail financial markets. It was founded in 1999 by a consortium of European banking and financial institutions. ECRI's operations and staff are managed by the Centre for European Policy Studies (CEPS) in Brussels.

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Special ECRI Task Force

EMBRACING THE DIGITAL REVOLUTION IN RETAIL BANKING

By Christian Schaette, Knowledge Expert at McKinsey & Company, Frankfurt.

Consumer expectations for improved service from digital and mobile platforms are rising globally. At the same time, economic pressures are making digital capability a critical enabler for cost reduction. Everywhere financial institutions are scrambling to adapt to the new digital-driven environment. Significant investment is being put into transaction migration, upgraded web and mobile technologies as well as creating innovation and testing centres. Increasingly banks realise that to succeed in the digital world they must also adopt the culture and habits of digital native companies, especially regarding agile development.

McKinsey estimates that within the next three years digital channels could account for 40% or more of retail banking sales in the most progressive geographical and customer segments. For northern and western Europe, this means about half of all sales could be digital by 2018, while in southern and eastern Europe, the level would be about 30%. The biggest increase is expected in deposits and consumer finance.

Given the speed of change, banks have just a few years in which to adapt. Basically, banks can use digital capabilities to create value in four ways:

1. Increase their connectivity, not just with customers, but also with employees and suppliers. This extends from online interactivity and payment solutions to mobile functionality, and opportunities to boost a bank's brand in social media.

2. Leverage 'big data' and advanced analytics to extend and refine decision-making. Such analytics are being deployed by the most innovative banks in a broad range of areas from product design to pricing to personalised offers to designing truly amazing customer experiences.

3. Enable end-to-end processing – that is, automating and digitising a number of repetitive, low-value and low-risk processes. Process apps, for example, boost productivity and facilitate compliance, while imaging and straight-through processing lead to paperless, more efficient workflows.

4. Foster innovation across products and business models, including social marketing and crowd-sourced support.

Each of these four ways to create value can be applied to every bank function individually. However, capturing the full potential of digital value creation requires unprecedented collaboration across business units, along with cross-functional prioritisation.

Typically, banks find this hard to accomplish, given their highly complex structure and the already large number of initiatives in the face of regulatory pressures. Moreover, banks will have to learn some important skills quickly and systematically – skills that digital native companies possess from birth.

For example, banks need to learn how to visualise and involve themselves in more broadly defined customer journeys such as shopping, travel and vacations instead of just focusing on product-level processes like account opening. Banks also need to match or outperform digital natives in user experiences and user interfaces, while becoming deeply proficient in exploiting

data and rapid experimentation. The broad scope of these changes makes digitisation a tough and complex process. It requires the development and execution of a holistic change programme that simultaneously addresses the culture, systems and capabilities required. However, if managed properly, it can put a bank on a long-term growth trajectory.

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WHO ATE MY LUNCH?

By Warren Mead, Head of Challenger Banking and Alternative Finance at KPMG

Global investment in FinTech more than tripled to €2.5 billion between 2008 and 2013 (Accenture) and now accounts for approximately €26 billion in revenue generated in the UK annually (UK Trade & Investment). Out of these new business models, Peer-to-Peer (P2P) platforms are doing particularly well; but should traditional players in the consumer credit market be worried?

The most common P2P consumer-lending model operates as a marketplace; enabling investors with surplus funds to lend directly to potential borrowers. Unlike a bank savings product, the risk of default on loans lies with the investor. Some platforms have 'guarantee funds' which mitigate part of this credit risk.

But what is it about P2P that makes it disruptive? The top reasons borrowers chose P2P over traditional consumer credit according to Nesta's 2014 report are better interest rates, more flexible terms (such as early repayment), ease of use, transparency and speed. And it appears that this combination has had a striking impact with more than half of P2P borrowers surveyed for Nesta's 2014 report stating that they had received an offer of a loan from a bank but still chose P2P lending.

Headline growth rates in the UK indicate that P2P consumer lending has gained market size at a rate of 108% per annum and this shows no sign of slowing down. In the US, the amount being lent to consumers via P2P grew to over €5 billion in 2014 with Lending Club (the largest P2P platform in the US) facilitating €1 billion of new loans in Q3 2014 alone. These numbers are small based on market size – less than 0.1% of retail lending in the UK. However, based on the current growth rate, we estimate that the platforms could capture 10% or more of the market within the next decade.

So what is the biggest challenge to growth for the P2P platforms? Supply vs. demand. In the US and more recently in the UK, there is significant institutional money pouring into the platforms. Getting sufficient quality origination to match this is proving difficult. But the P2P model has great advantages over the traditional banking model; chief amongst them are the minimum regulatory capital requirements, with banks needing roughly 70 to 90 times the capital of a P2P platform on the same size loan book. P2P also has a lower cost model and offers a great opportunity to leverage big data in ways that banks with their legacy systems have not yet embraced.

So what's next for marketplace funding? A transition towards more institutional lenders; becoming an additional distribution channel for banks; secondary market development e.g. securitisation; or a wider consumer credit market, for example secured? Whatever comes next, industry observers should expect some waves along the way. A conduct issue of some type – such as investors mistaking this for a savings product and being surprised by credit losses – could 'make or break' the industry.

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SERVICE ECONOMY: THE RESPONSE OF CONSUMER CREDIT TO THE SHARING ECONOMY

By Matthieu Jolly, L'Echangeur by LaSeR

Following the agreements reached with Google and Alibaba at the beginning of 2015, Lending Club has just signed a partnership agreement with Alliance Partners to allow BancAlliance – a network of more than 200 American 'community banks' – the possibility of offering co-branded loans to their clients. At the same time, French MPs have added an amendment to the bill for growth and activity that allows a company to grant credit to a business partner for two years.

The world of credit is reinventing itself and these examples are an illustration of this. Faced with a strained economic climate, a certain mistrust on the part of consumers and ever more binding regulations, financial institutions must now face the arrival of newcomers from the sharing economy. Hotels, transport, the health sector, the food industry, offices, education, logistics, energy, finance, etc., – no economic sector today will escape the peer-to-peer phenomenon.

This phenomenon is in fact nothing new. In Africa and Asia, such arrangements have always existed and are no more than a form of financing between individuals. But the democratisation of new technologies (the internet, social networks, Smartphone, etc.) have transformed more or less marginal practices, such as bartering, exchange or co-financing from the local to the global. And the expectations of Europeans have also evolved; all European studies make the same observation. A consumer enters the sharing economy essentially for economic reasons. Moreover Zopa, Prêt D'Union, Auxmoney and Comunitae all have the same message: 'Borrow cheaper!' The capital provided by private companies or third parties is now enjoying a higher return than traditional savings. Of course, the risks taken by the borrower and the investor, particularly in view of the absence of European regulations, are often overlooked.

Faced with this anarchic development, what solutions can traditional credit actors provide? Should they convert to the sharing economy or embark on a price war? Obviously not.

One does not operate in a market for decades without having specific strengths. Trust and security are therefore the two watchwords for the future. Not forgetting the essential ingredient that makes the success of companies like eBay, Airbnb, BlaBlaCar or Uber: the CLIENT. At the heart of the 'promise', clients play a central role. The credo of these new players is to provide a quick and easy solution to the specific needs of each client.

Indeed, the role of the brand as such is changing. Today, an insurer need no longer be content to compensate a client following a car accident. He has to help him to take the wheel again, and for this, between psychological help, linking with dealers or prevention programmes, the field of possibilities is immense and support goes beyond the actual accident.

In this way the development of collaborative thinking forces them to rethink about integrating the consumer. The mission of a company is not just to sell a prod-

uct but to offer support, to understand the client and to help. With a services policy that is in line with the new aspirations of their clients, the credit industry will find the levers to differentiate themselves and to ensure the loyalty of their clients. Life Booster, Life Builder, Life Protector, Link Maker, Local Linker, Me Enhancer and Speed Organizer. These are seven drivers of European consumption that help us to think about innovation and the services of tomorrow. Some have understood this and have already laid the groundwork for future growth through day-to-day services.

For the service economy, the hour of revolution has come ... *mjolly@echangeur.fr*

CREATING TRUST THROUGH EXTERNAL ASSESSMENT

By Sophie Thiéry, Director of Audit, Vigeo

Trust is a business concern, and in the context of a "trust crisis" since the end of the 2000s, retail banking has had to consider this issue in its everyday relationships with consumers. As such, being a "responsible bank" becomes a differentiated argument on the market.

"Being responsible" means responding to the expectations of the clients (for example, getting credit quickly and easily). It also means that financial actors are prompt in developing financial services and in facilitating their access, notably through digital tools (smartphones, digital banking and credit, etc). However, it also means preserving the interests of the clients through appropriate management of their savings and prevention of over indebtedness.

Vigeo, the European leader of environmental, social and governance assessment of companies and organisations, has cooperated with BNP Paribas Personal Finance since 2012 in the development of its approach to "responsible credit". The French subsidiary asked for our help to present in a credible manner a new type of "responsible" consumption loan. To accomplish this, we verified the compliance of the contracts and the commercial supports with the national regulation (Loi Lagarde). Following this, we checked that the marketing of the product favoured an appropriate understanding and use by customers, including information and advice to the client during the phases of marketing, advertising and granting of the credit, as well as accompanying of the client during the entire span of the contract. In doing so, we reviewed all of the tools used to train client advisors and made "doubles écoutes" in the centres for client relationships. In the end, we delivered a certification on the responsible dimension of the product and its commercialization, valid for 18 months. BNP Paribas Personal Finance also committed to improve upon some key elements, notably the clarity and the precision of the information contained in pamphlets and communicated to clients. A year and a half after the first audit, we renewed the audit and were able to confirm that significant improvements had been made; as a result, we renewed the certification, which was widely circulated internally and externally.

Trust relies on clear and credible commitments. "Being credible" is first of all avoiding false or exaggerated promises (with a significant risk of "greenwashing"); it is also proving one's commitment by asking, for example, an audit of its process by an external organisation, which is both independent and an expert in the field. Other financial organisations are starting to be involved in these type of processes, but only internally. An external inquiry remains a barrier for numerous financial organisations, yet, it is an efficient way to regain trust from clients and public authorities. *sophie.thiery@vigeo.com*

OTHER ISSUES

THE POSSIBILITIES TO APPLY TCF RULES AT EUROPEAN LEVEL

By Victoria Richmond, Group External Affairs Manager, International Personal Finance Plc

Implementing standards that seek to enshrine a culture of treating customers fairly at a European level requires more than a 'tick-box' approach to compliance. High level principles for businesses must seek to keep customers as the driving force of the industry and help to differentiate reputable credit institutions in the market from those that operate on the margins, considering recent malpractice by some in the sector.

In the UK the regulator is pushing hard to clean up the sector. Credit institutions have now more than ever a statutory duty to protect consumers and lead a reputation strategy focused on the dignification of the sector and enable differentiation from illegal, non ethical and abusive players who are costing borrowers an estimated £450 million or more each year. (UK Parliament, 2015).

The credit industry should join forces at a European level to demonstrate that all countries operate within a model that is transparent, communicable and defensible to all relevant regulatory authorities. The question is no longer about a theoretical approach to treating customers fairly, it is now rather about practical implementation. Countries outside of Europe like Mexico have taken the lead through responsible initiatives. The Smart Campaign, formed to bring people together across microfinance, to implement a common code of conduct that governs how customers should be treated and to help implement customer protection safeguards within the industry's operations (Smartcampaign.org, 2015). Companies seeking the Smart certification must demostrate that they operate responsibly through an assesment process.

Overcoming hard feelings around self-assessment and compliance by credit institutions are the first steps towards a 'European smart' accreditation, benefits must be promoted. The significant benefits for service providers outweigh the burdens. Aligned standards will enhance reputation, gain trust from customers and banish unscrupulous lenders from the market that fail to adhere to the standards.

Support, buy-in and commitment from credit institutions and support from ECRI members are crucial next steps in this project that has the objective of improving shared standards for the industry. Next steps must be to gain feedback and ascertain what is possible and achievable by the start of the second half of the year. Thus, this initiative should also be seen as a sustainable plan with the objective of the industry to sign up to shared rules and governance delivering fair outcomes for customers.

Although consumer credit is regulated across the EU, credit institutions should take a more proactive role facilitating consumers, who are not confident that they will be treated fairly by some players in the industry. The industry must re-gain their trust and their confidence, enshrining that customers will be treated with respect and fairness when entering into credit agreements. Practical initiatives like the smart campaign in Mexico could be extrapolated into the European context; committing all credit institutions to responsible lending and over indebtedness prevention.

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THE PAYMENTS PACKAGE UNPACKED

By Monica Monaco, Trust EU Affairs

On January 27th, the Economic and Monetary Affairs Committee of the European Parliament was consulted on the Regulation on interchange fees (IFR) for card-based payment transactions, according to Rule 73 of the EP Rules of Procedure. The text was approved with 51 votes in favour, 2 against and 2 abstentions. The Regulation is now likely to be voted upon in the European Parliament's Plenary session scheduled for April 27th-30th. The Regulation will then need to be officially endorsed by the Council and published in the Official Journal. If this schedule proceeds as envisaged, interchange caps would be effective in November 2015, with an impact on the fourth quarter 2015 budget of the affected entities. Then in May 2016, all the other provisions in the IFR would become effective.

The 2nd Payment Services Directive (PSD2) was discussed the following week for the first time in trilogues, under the Latvian Presidency. The first trilogue on the PSD2 took place on February 4th. The Latvian Presidency aims to finalise the trilogues by April 2015 and for the text to be voted upon in Plenary before the end of its Presidency and the summer recess of the Parliament.

However, it is uncertain whether the Latvians will be able to reach an agreement with the Council and the Parliament in the trilogue process. Provisions concerning matters such as the types and liabilities of issuers of Third Party Payment (TPP) instruments, refund rights, types of charges as well as the negative scope of the PSD2 itself are still under scrutiny and may be partially reworded. This was foreseen, due to the implications in terms of level playing field that such provisions have on the payment services ecosystem. Also, the surcharging provision and its application by member states to payment products whose interchange is uncapped continues to be the object of divergent views at the negotiation table.

The Payments Package is alas unpacked. It becomes difficult to believe that the entry into force of the IFR and the PSD2 will be simultaneous. It will be more likely that we will observe the PSD2 changing in content throughout this spring and summer.

While companies prepare for the IFR compliance costs, they must not forget to closely watch how the wording of the PSD2 provisions might evolve. Some of these evolutions may prove to have quite a strong impact on the business prospects of new products and newcomers to the European payments market. Also, questions are being raised in the sector as to who could benefit from this unpacking. Would, for example, three-party schemes benefit from the interchange cap being applicable before the new surcharging rules in the PSD2 become effective? Or would the delay in the PSD2 finalisation make TPPs lose momentum?

Based in Brussels for the past 12 years, Monica Monaco created Trust EU Affairs in September 2013 to advise clients on relevant EU legislative initiatives. She focuses on payment systems and new payments solutions, such as mobile payments and contactless. Ms Monaco was Senior Manager for EU Relations and Regulatory Affairs in the legal department of Visa Europe for more than 10 years and can be reached at: monacom@trusteuaffairs.com.

WILL THE MORTGAGE CREDIT DIRECTIVE HELP DRIVE FORWARD SMALL PROVIDERS IN EUROPE? - A BRIEF POLEMIC

By Bernd Brabänder, Senior Partner, Commentum

From a market perspective, the central claim of the mortgage credit Directive has been clear from the beginning:

> ***The proposed Directive (...) aims to create a more efficient and competi-tive single market for mortgages by creating a level playing field for all actors involved and making cross-border activity easier.***

The European Commission reinforced this message when it presented the draft in March 2011(1). This intention was not abandoned even during the difficult discussions that followed between the EU institutions:

> ***The Directive will foster consumer confidence and customer mobil-ity, create a level playing field for operators and promote cross-border activ-ity by creditors and credit intermediaries.(2)***

This was the definitive answer to the question of what the objectives of the Directive would be when the European Parliament agreed to the text 33 months later.

Finally, a golden age will start for borrowers financing their mortgage credits, as well as for providers seeking to reap the rewards of the single market by expanding into new horizons? Some scepticism would not be misplaced.

Even though consumers and providers can rely on the fact that a few elements will be standardised from Finland down to Portugal, such as pre-contractual information or the calculation method of the annual percentage rate of charge, no fewer than 29 parts of the legal framework allow EU legislators to deviate into other directions. (3) These range from the question of whether "buy to let" mortgage credits remain ex-empt right through to the question of the extent to which consumers are granted a reflection period when concluding contracts.

> ***To put it simply and exactly: If a provider seeks to offer mortgage loans in all other EU markets, then - in theory - that provider would have to review and offer around 2,000 product variants in order to fulfil all local legal requirements.(4)***

Even without the ability to predict the future, it seems obvious that smaller providers, even if they are specialised in mortgage credits and can offer attractive products, will not be able to benefit from the internal market following the implementation of the MCD due to smaller staff resources. Therefore, the 'home market Europe' remains a project that appears to be reserved for large providers only, also in the case of mort-gage credits. From the perspective of medium-sized banks, it seems to consist of a huge amount of effort with no benefits.

At the same time however, there is no use in simply dismissing this missed oppor-tunity and to focus on the domestic market, as the MCD has a far-reaching impact on the whole set of banking rules. For example, if we look at the proposed draft of the German MCD implementation law, it becomes evident that in addition to a completely new set of rules for consumer credit in the Civil Code, changes will also be need to be made to the German Banking Act, the Price Indication Regulation, the Remuneration Ordinance for Institutions and the Code of Trade and Commerce.

There has been a lot of talk recently about the implications of being 'too small to comply' - often in association with the upheavals resulting from the new capital and liquidity requirements. The MCD product legislation adds another example and clearly demonstrates that the regulatory burden is such that there will be no way around a long-term structural impact throughout the banking sector: If business models of competitive banks per se cease to be a competitive counterforce on the market, dam-age

ECRI PUBLICATIONS

1. A Review of Policy Options for Monitoring Household Saving
   ECRI Research Report, October 2014
   Sylvain Bouyon, ECRI/CEPS Research Fellow
   Download: http://www.ecri.eu/new/node/402

2. The Impact of Banking Structural Reform on Household Retail
   Finance. ECRI Commentary, October 2014
   Sylvain Bouyon, Filippo Boeri, ECRI/CEPS Research Fellow
   Download: http://www.ecri.eu/new/node/401

3. ECRI Statistical Package 2014
   Sylvain Bouyon and Filippo Boeri, ECRI/CEPS Research Fellow
   Download: http://www.ecri.eu/new/node/165

4. Consumer Credit in Europe (1995-2013): ECRI Statistical Package 2014
   Sylvain Bouyon, Filippo Boeri, ECRI/CEPS Research Fellow
   Download: http://www.ecri.eu/new/node/165

5. Another contraction in European household credit markets: Key findings from the ECRI Statistical Package
   ECRI Commentary, August 2014
   Sylvain Bouyon, Filippo Boeri, ECRI/CEPS Research Fellow
   Download: http://www.ecri.eu/new/node/165

FORTHCOMING PUBLICATIONS:

ECRI Task Force Report on Household Retail Credit, Sylvain Bouyon, ECRI/CEPS Research Fellow

ECRI TASK FORCE

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- Fourth meeting: 7 April 2015

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to competition, customer choice and the quality of supply may be the result.

That is all but in line with findings according to which

The EU banking sector is diverse, which is valuable. (...) Diversity strengthens the resilience of the banking system as it (...) and promotes effective competition.(5)

If we indeed want to achieve more financial market integration in Europe, we need market conditions which allow flexible and innovative providers to stand out against slower competitors - and not pit small providers against larger competitors. We need regulations that open up market opportunities for providers who can benefit from them, without harming those that on the basis of their individual business politics do not wish to pursue those opportunities. And we need rules that are easy to under-stand, transparent and secure.

Those who hear the call in this statement for a more intensive use of the 29th regime are indeed not mistaken!

1. European Commission press release IP/11/383, “Mortgages: Better protection for Euro-pean consumers”, Brussels, 31 March 2011.
2. European Commission Memo 13/11/27 “Creating a fair single market for mortgage credit – FAQ”, Brussels, 10 December 2013.
3. See, for example, Public Consultation Paper: Mortgage Credit Directive; Irish Department of Finance, September 2014.
4. (27 foreign markets) * (29 national discretions) * (2-3 options each; e.g. (1) reflection period vs. (2) right of withdrawal – (3) both) = ca. 2.000 product choices.
5. High-level Expert Group on reforming the structure of the EU banking sector, FINAL RE-PORT, Brussels, 2 October 2012.

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