
Highlights from the ESAs' Joint Consumer Protection Day

Consumer and investor protection is a common statutory objective of the three European Supervisory Authorities (ESAs) - the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA) and the European Securities and Markets Authority (ESMA). As part of delivering on this objective, and following the first Joint ESAs Consumer Protection Day last year in Paris, the ESAs organised the second Joint ESAs Consumer Protection Day on 4 June 2014 in London.

The event provided a platform to discuss consumer protection-related issues in the financial services area and gathered more than 300 participants from consumer representatives, academics, legal and financial consultants, national supervisors, experts from EU and national institutions and financial services industry (banking, securities, insurance and pensions).

Andrea Enria, Chairman of the EBA and the current Joint Committee Chair, opened the sessions emphasising the importance of the clarity and strength of the legislation that defines the ESAs' tasks and instruments, including the resources that are assigned to the ESAs. Enria spoke about the first joint and cross-sectoral outputs on consumer protection and financial innovation delivered by the ESAs: such as the Joint Position on manufacturers' product oversight and governance processes, and the Guidelines on complaints handling which ensure a consistent approach to complaints handling across the banking, investment and insurance sectors in the EU. He also outlined upcoming areas of work for the Joint Committee on consumer protection, such as self-placement, cross-selling and Key Information Documents (KIDs) for investment products. Enria concluded his speech by highlighting the important role of consumer representatives, academics, providers of financial services, and supervisors and regulators in the work of the ESAs.

The three Chairs of the ESAs then attended a Panel discussion on product oversight and governance, to discuss the ESAs achievements in this area, as well as points that still remain to be addressed. Professor Roger McCormick from London School of Economics followed with a presentation on conduct costs and banking culture.

Verena Ross, the Executive Director of ESMA, presented the work of the ESAs on cross-selling and outlined benefits and risks for consumers. Ross then focused on the practical guidance that regulators could offer to firms in order to better allow consumers to understand detailed information related to products and in general to improve consumers' protection in those cases where secondary or 'add-on' products are cross-sold with core products and where greater responsibility is placed on the customers themselves. The recommended options aim at further increasing consumer protection in the sector across the EU, so that they can take reasoned decisions. Such options include providing prominent and simplified price information and setting on-line default options, so that customers must actively 'opt-in' to purchase the secondary product rather than having the option already pre-selected.

A panel discussion on Behavioural Finance explored some of the ways in which better understanding of consumers' behaviour has led to improvements in policy decisions. Panel members showed some practical examples, such as fine-tuning the language, tone and visual presentation used in correspondence, ensuring the right 'defaults' for products that have more than one option and banning pre-ticked boxes on internet pages. On the basis of these principles, the ESAs are developing a user-friendly Key Information Document (KID) for Packaged Retail and

Insurance based Investment Products (PRIIPs), a good example of how behavioural insights are and will be used in practice to improve policy making.

Members of the Financial Innovation Panel presented their views on how to benefit from financial innovation, while controlling those risks that may cause harm to consumers and the financial system itself. Representatives of consumers, regulators and industry on the panel also discussed issues related to regulatory interventions on financial products and markets.

Finally, Carlos Montalvo Rebuelta, the Executive Director of EIOPA, summarised the main discussion points of the event in his closing remarks and invited participants to attend the next Joint ESAs Consumer Protection Day on 3 June 2015 in Frankfurt.

Notes for editors

The Joint Committee of the ESAs is a forum that was established on 1st January 2011, with the goal of strengthening cooperation between the European Banking Authority (EBA), European Securities and Markets Authority (ESMA) and European Insurance and Occupational Pensions Authority (EIOPA), collectively known as the three European Supervisory Authorities (ESAs).

Through the Joint Committee, the three ESAs cooperate regularly and closely and ensure consistency in their practices. In particular, the Joint Committee works in the areas of supervision of financial conglomerates, accounting and auditing, micro-prudential analysis of cross-sectoral developments, risks and vulnerabilities for financial stability, retail investment products and measures combating money laundering. In addition to being a forum for cooperation, the Joint Committee also plays an important role in the exchange of information with the European Systemic Risk Board (ESRB).