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## Highlights from the ESAs Joint Consumer Protection Day

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The third "Joint ESAs Consumer Protection Day" was held on 3 June 2015 in Frankfurt. The event attracted over 300 consumer representatives, academics, legal and financial consultants, national supervisors, experts from the EU institutions and financial services industry (banking, securities, insurance and pensions).

The event provided a forum for discussing important consumer issues as well as the work of supervisors. Consumer protection is of central importance for 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) – and together with the Joint Committee, the ESAs will continue giving it a highest priority in 2016. Key topics addressed on the Day included conduct risk, digitalisation of financial services and challenges for the next decade in banking, securities, insurance and pensions.

In his opening remarks, Steven Maijoor, Chairman of ESMA and the current Joint Committee Chair, emphasised:

"All the topics discussed today require a broad and forward looking vision of what protecting financial consumers actually means. 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.

"This Joint ESA's Consumer Protection Day offers us an excellent opportunity to exchange views with colleagues from other sectors and disciplines and allows us to set the future direction of consumer protection in the EU financial services industry."

This was followed by a keynote speech from Jonathan Hill, Commissioner for Financial Stability, Financial Services and Capital Markets Union stating that the interests of consumers represent ‘the bedrock of our financial system’ and stressing that the regulation of financial retail services should be based on the three key principles: transparency, choice and competition. “Industry, regulators and supervisors have a common goal of bringing the financial markets at the level when it is favourable for consumers, economy, financial stability and single market and capital”, he said, referring to the ESAs activities contributing to this goal.

The **first panel discussion explored the key issue of Conduct Risk** and focused on how failures in the conduct of financial institutions have caused significant detriment to consumers, or could do so in the future. The panel explored why such failures have happened. A lively discussion followed on what supervisors and industry could do to reduce conduct risk in the future, for example, through enhanced product oversight and governance or product intervention. Overall, the panellists highlighted the challenges still faced by consumers in selecting and understanding financial products and services, the importance of setting the right ‘tone from the top’ for the industry, and the need for a more proactive role for supervisors, shifting regulation away from tick-box compliance towards a more qualitative focus on company culture.

Subsequently, in a wide-ranging **Interview**, representatives from the Finnish Financial Supervisory Authority and the European Parliament faced some challenging questions from a consumer representative **on the next decade in banking, insurance & pensions, securities and the ESA priorities** and, in particular, the potential challenges ahead in terms of regulation and supervision of financial services. Topics of particular relevance to the interviewees were the so-called ‘growth agenda’ (mobilising capital markets to fund growth under the Capital Markets Union, and how to ensure consumer’s interests remain paramount), the need for earlier intervention and more proactive supervision, and what more needed to be done to complete the Single Market for the benefit of consumers. The majority of conference participants were of the view that one of the key factors that is going to shape the European financial services in the next decade, will be the increasing use of big data. This could put more power in the hands of consumers, but could also lead to new consumer protection challenges.

During the **final Panel Discussion**, as a fitting continuation of the theme of the next decade in financial services, the highly topical issue of **the growing digitalisation of financial services** was addressed in detail and the key question of **whether regulation could keep pace with this change**, was considered. The panellists looked at the way technology offers firms new and more sophisticated ways to provide financial services to clients, with a particular focus on social media and automated financial advice. There then followed an animated debate over the topic of what regulators can do concretely to address any risks that these technological trends bring with them for consumers or to remove barriers that prevent innovation for the benefit of consumers from emerging. There was general agreement around the need for regulators to look at the future standards through the lens of increasing digital capability and interaction between companies and consumers. It was underlined that regulators should properly examine the changing technological environment before introducing the new rules for the market participants.

Finally, Gabriel Bernardino, the Chairman of EIOPA, in his closing remarks, indicated that regulatory and supervisory authorities should address the risks arising from digitalisation, but at the same time they should remember that innovation brings advantages to consumers. “We will continue our efforts in protecting consumers as the weakest link in the chain of financial services’ provision”, he said.