

Tweet

0

Share

0

Pin it

0

0

Subject: Newsletter - EACB Monthly Interviews - n°43 - October 2021

View this email [online](#) if it doesn't display correctly



*The Co-operative Difference :
Sustainability, Proximity, Governance*

EACB Newsletter

Message from Elisabeth Delahousse,
Chairperson of the EACB Consumer Protection Working Group &
Head of EU Affairs at Fédération Nationale du Crédit Agricole



Co-operative banks find it important that their customers are well informed of what they are engaging in. Disclosure of the right information is an important tool to achieve this. EACB's CEO, Nina Schindler was therefore very pleased to speak on this topic during the 8th Consumer Protection Day organised by the European Supervisory Authorities on 8 October. EACB members serve 214 million customers with widely differing financial needs and preferences in communication channel. 85 million of those clients have chosen to become a member of a co-operative bank. We believe this is a testimony to the human, long-term oriented relationship that we pursue with our customers and of our ambition to offer the right product to the right client.

The EACB working group on Consumer Policy, which I chair, regularly debates what kind of disclosure regulation is necessary to help us achieve our ambition. We have acquired a lot of practical experience in implementing the wave of legislations that was introduced in the period 2014 – 2016 (e.g. Payment Account Directive, Mortgage Credit Directive). One lesson we learned out of this was that more information is not necessarily better information. A second that passing meaningful information is even more challenging in a digital context. We are therefore keen to engage with regulators and supervisors to ensure that the future disclosure framework is fit for purpose.

3 Questions to Dirk Haubrich,
Head of Conduct, Payments and Consumers,
European Banking Authority (EBA)

Dr Dirk Haubrich is Head of Conduct, Payments and Consumers at the European Banking Authority (EBA). In this role, Dirk leads inter alia the EBA's work on payment services and electronic money, deposit guarantee schemes and consumer protection. Previously, Dirk held roles across the private, academic and public sectors, with consulting firm Accenture, University College London, the University of Oxford, the UK Prime Minister's Strategy Unit,



the Electoral Commission; and the UK Financial Conduct Authority. He holds academic degrees in business economics, politics and philosophy.

When planning this year's Joint ESAs Consumer Protection Day, what are the developments and concerns that motivated you to devote the programme to the theme 'Consumers in a digital world - what have we learned' ?

Since its inception in 2013, the Joint ESAs Consumer Protection Day has become an important milestone for consumer representatives, financial institutions, supervisory authorities, academics, consultants, and other interested parties across the Union to discuss relevant issues. It is an annual event and had to be cancelled in 2020 due to COVID-19, so we were very happy to pick up the baton again and to organise its 8th instalment this year, and for the first-time in a virtual format.

During that period, with restrictions to movements and lockouts implemented across most of the EU, we observed a significant acceleration of the digitisation of financial services, with consumers buying financial services increasingly via digital means, at times using no more than a few clicks on their mobile phones. We therefore asked ourselves what lessons supervisors should learn about this episode and decided that this should be the overarching theme of the event.

We then identified three different topics under this broad theme that we wanted to explore:

- whether a paradigm shift is required in relation to disclosure requirements to consumers buying financial services in the digital age;
- how we can ensure retail investment products offer value for money in a digital world; and
- what the risk and opportunities are for accelerated digitisation of financial services.

This shaped the content of the event and we organised three panels for each of these topics and also invited EU Commissioner Mairead McGuinness to share her views.

The EBA moderated a panel on disclosures to consumers buying financial services in the digital age, what were your main takeaways from the discussion?

In the EU, a number of different disclosure requirements apply to financial services. Some of them are set in Level 2 technical standards, such as those developed

under the Payment Accounts Directive or the PRIIPs Regulation, which are within the ESAs' gift to amend, if needed.

Others, in turn, are set out in Level-1 legislation itself, such as the ESIS document for mortgage credit, and therefore beyond the scope of the European Supervisory Authorities to amend. But even in such cases, the ESAs can address recommendations to the EU Commission and co-legislators to bring about amendments.

Given that the EU Commission is reviewing several of these Directives in 2021 and 2022 and there is therefore an opportunity to shape potential future amendments, it was opportune for us to dedicate one of the three panels to the question whether a paradigm shift is needed to the way how disclosure is regulated.

The panel discussion was very rich, with very interesting contributions from the supervisory, industry and consumer perspectives respectively, including from the EACB, which was greatly appreciated. It became clear that, even under accelerated digitisation, the aim of disclosure remains the same: to provide information to consumers that is of high quality, easy to understand, made available via suitable means, and explains the features and costs across the lifetime of the product; to ensure sufficient time is available for consumers to read the documents before they sign the contract; and to thus allow consumers to make more informed decisions.

However, it also became clear that some aspects of the current regulation may no longer be fit for purpose and that, indeed, a paradigm shift is required. We will use the various suggestions made during the panel as input for the various technical advices we will be giving to the EU Commission and co-legislators in the months to come.

What do you see as the role of the supervisors going forward in ensuring that consumers in a digital world and how can they support banks?

One of the topics to which supervisors like ourselves will need to pay increasing attention is to enhance financial education and literacy in a digitalised world. The mandate of the three supervisory authorities in this respect is modest, in that the respective founding regulations merely speak of the ESAs to "review and coordinate national education activities".

But even with such a limited mandate, a lot can be achieved. We have therefore recently started in the Joint Committee of the three ESAs work on financial education and digitalisation, with a specific focus on cybersecurity, fraud and scams.

First, we will hold a high-level conference on this theme, which we will hold in the first quarter of 2022. We will again invite representatives from the industry to understand their views and also be inspired from any suggestions they may have about what supervisors should do.

Second, we will establish a thematic repository on education initiatives that national authorities have carried out, again with a specific focus on cybersecurity, fraud and scams. For each initiative, the repository would hold a number of elements of information, such as subject matter, type of financial institutions concerned, main organisers etc.; the features and content of the activities, the methodology, the follow-up actions taken, and any potential lessons learned. This repository would be published by us and we aim to have done so before the summer of 2022.

Third, we intend to develop a thematic report on that same topic, and to also hold a dedicated workshop for national authorities on this topic later in 2022, aimed at enhancing the skills of how national authorities and the ESAs go about their education work. Some of the details are yet to be shaped by us, but we will ensure that we stay in close contact with financial institutions to seize on opportunities for synergies.

***Second Opinion from* Nina Schindler, Chief Executive Officer, European Association of the Co-operative Banks (EACB)**



Nina Schindler is Chief Executive Officer at the European Association of Co-operative Banks (EACB), appointed in February 2021.

Before, Nina was Head of Government and Public Affairs EU at Deutsche Bank as of 2017. Throughout her career, she fulfilled similar positions for Commerzbank and the Association of German Banks in Brussels. Nina graduated as a lawyer in Germany and is holding an LL.M. (University of Exeter, UK). She is a member of various committees at European Payments Council (EPC), at the European Financial Reporting Advisory Group (EFRAG) and at the European Banking Industry Committee (EBIC).

Disclosures to consumers is a topic of high importance for co-operative banks. Indeed, with their strong presence not only in the economic centres of Member States but also in the more remote areas of Europe, they clearly observe a changing consumer behaviour as a result of what technology makes possible. Consumers demand a more fluid, agile, intuitive, and ergonomic customer experience particularly in the on-line world. COVID-19 has further accelerated this trend. But not all consumers move at the same speed. Our members observe that there is still an important number of cooperative bank clients that prefer to visit a branch or talk to a human being when conducting their financial business. And we think it is too easy to simply put this down to a generational divide. Other factors play into this as well which have to do with 1) the importance of the decision to be taken and the amount of money at stake, 2) the wish to be able to ask questions that do not fit the “frequently asked questions” sections of websites, 3) the extent to which internet access and 4/5 G networks, particularly in remote areas of Europe allow a good data exchange. Cooperative banks have responded to this by fully embracing the options made available by digital technology while at the same time maintaining face-to-face facilities and/or other facilities offering human interaction.

Turning to the point of disclosures and the question of a paradigm shift, I would like to stress first of all that for co-operative banks all customers are equally important. The disclosure framework should therefore take care not to distinguish between the brick-and-mortar world and the online world but allow all consumers to benefit from a fit for purpose disclosure framework. Secondly, the word “paradigm shift” could imply a complete overhaul of the legislative framework. Co-operative banks are hesitant to go that way as the efforts involved in implementing the present framework and training our staff are not negligible. Having said, that, with several pieces of disclosure related legislation being under review (e.g. MIFID, CCD), there is scope to improve. Studies undertaken by EACB members on the impact of MIFID2 for example show that customers experience information fatigue when it comes to buying investment services. The amount of precontractual information proposed in the recently revised Consumer Credit Directive is also quite important and has increased instead of decreased. A general simplification of information requirements seems necessary, in general to be digestible for consumers and to cater for the fact that information needs to be communicated via digital channels. The EACB believes that offering information in a layered approach is the way to go to well reflect the different kinds of consumers and levels of literacy.

Let me close with a point on supervision. Co-operative banks very much appreciate the efforts of supervisors to ensure not only a stable financial sector, but also a safe one for consumers. When it comes to digitalisation and disclosure, the change in the competitive landscape with the arrival of Bigtech and Fintech in financial services has laid bare the ease with which data are shared for a short term reward. There are regularly different expectations from consumers when it comes to data protection between the “traditional” financial and non-financial institutions. The digital natives may not be always fully aware of the risk involved in their financial digital activities. This requires additional attention from supervisors in the disclosure domain having all financial service provider, also the new market players, in the loop.

EACB latest publications:

- [New impetus at the helm of Cooperatives Europe](#)
- [EACB comments on EBA DP on Proportionality assessment methodology \(EBA/DP/2021/03\)](#)
- [EACB answer to ESMA consultation on guidelines on MiFID II remuneration rules](#)
- [Joint trade associations comment on quick fixes to PRIIPs Regulation and UCITS Directive](#)
- [Co-operative Banks part of the dialogue at ESAs 8th Consumer Protection Day](#)
- [EACB answer to the Platform on Sustainable Finance's draft proposal for an extended taxonomy to support economic transition](#)
- [EACB Statement on the Renewed Sustainable Finance Strategy](#)
- [EACB Comments on the Basel Committee's consultation on Prudential treatment of cryptoassets](#)



Coop26
 A Client-centred Green Transition
 driven by Co-operative banks

9th November 9:30-12:00 CET
 Online



Climate action in banking:
 sharing our progress, learnings and challenges

4th November 2021
 15:30-16:30 CET - ONLINE

European Union
 side events

COP 26
 1-12.11.2021
 GLASGOW, UK

register now

European Association of Co-operative Banks EACB - AISBL
 The voice of 2.700 local and retail banks | 85 million members | 214 million customers
 Rue de l'Industrie 26-38 1040 - Brussels BELGIUM
 +32 (0)2 230 11 24 +32 (0)2 230 06 49 secretariat@eachb.coop