EBiC

European Banking Industry Committee

European Banking Federation (EBF) • European Savings Banks Group (ESBG) • European Association of Cooperative Banks (EACB) European Mortgage Federation (EMF) • European Federation of Building Societies (EFBS) European Federation of Finance House Associations (Eurofinas)/European Federation of Leasing Company Associations (Leaseurope) European Association of Public Banks (EAPB)

EBIC response to the European Commission's consultation of the IFF/ZEW study on interest rate restrictions in the EU

The European Banking Industry Committee brings together European banking associations with a mandate to provide advice, assure a comprehensive consultation of market participants and ensure a representative industry view throughout the process of drafting, adopting, implementing and enforcing EU-financial legislation and thereby provide input for the European institutions and their relevant sectorial committees. It is amongst the declared aims of EBIC to advise the Commission on relevant legislative banking and cross-sectorial initiatives and any developments at Community level affecting the banking and financial services activities associated with the establishment of a European Single Market for financial services.

EBIC has been established by the main banking industry federations: the European Banking Federation (EBF), the European Savings Banks Group (ESBG), the European Association of Cooperative banks (EACB), the European Mortgage Federation (EMF), the European Federation of Building Societies (EFBS), the European Federation of Finance House Associations (Eurofinas)/ the European Federation of Leasing Company Associations (Leaseurope), and the European Association of Public Banks (EAPB).

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Introductory Observations

The European Banking Industry Committee (EBIC) welcomes the opportunity to respond to the European Commission's consultation on the IFF/ZEW study on interest rate restrictions in the EU.

As mentioned in its letter to the European Commission dated 7 July 2010, EBIC member associations are committed to cooperate with the Commission on interest rate restrictions (IRR) and remain available for any future discussions on the subject matter.

The EBIC response shall be read in conjunction with responses from national associations or individual providers for further technical observations on local regulatory frameworks.

Consequences of IRR on European markets

Interest rate restrictions are a complex regulatory mechanism that has far reaching economic consequences. We believe that any statutory intervention in this field would undoubtedly have a substantial impact on market characteristics and business structures.

Unlike other types of regulatory instruments, statutory interest rate restrictions are not directly aimed at guiding lending institutions' behaviour (e.g. types of information to be provided to applicant borrowers, acceptable commercial practices, rules for the settlement of dispute etc.) but have a clear implication on lenders pricing flexibility and, as a consequence, on both institutions' business orientations, strategies or structure and products on offer.

As evidenced by the IFF/ZEW's inventory of existing interest rate restrictions, the nature and content of regulatory frameworks in force differ largely across Europe. Their origins, underlying objectives and the social and historical context in which these frameworks have been promoted also vary between EU Member States. We take the view that this variability makes it very complex, if not impossible, to draw uniform conclusions on the subject matter.

Parameters for the debate

EBIC believes that, in general, the IFF/ZEW study provides a starting point to reflect on interest rate restrictions. A number of key elements, notably on local regulatory frameworks must however be clarified.

In parallel, we believe that a number of the consultants' general developments are irrelevant for the issues at stake. An important concern for us is the references to ancillary services such as payment protection insurance (PPI) or cash withdrawal. For example, it is claimed that PPI has "developed into a general outsourcing of credit risks at the cost of the consumer". We do not recognize this to be the case. Rather, PPI enables consumers facing difficulties to make repayments. This is a responsible way for consumers to manage their finances. The study goes on to make subjective statements about the products being "disadvantageous and extremely costly".

EBIC members believe that these developments should be excluded from this discussion. Interest rate restrictions are a regulatory tool that has been used by a limited number of Member States to respond to specific local situations and whose consequences must indeed be analysed. The discussion on interest rate restrictions should however focus on a limited number of elements. Shortcuts and digressions should be avoided at all costs.

This is a pre-condition to further discuss efficiently this subject at European level.

White Paper on EU Mortgage Credit Markets

The issue of interest rate restrictions was first mentioned in the 2007 European Commission's White Paper on the Integration of EU Mortgage Credit Markets. It is in this context that the potential impact of interest rate restrictions on the cross-border circulation of products was first highlighted.

EBIC members believe that the issue of interest rate restrictions should therefore be discussed against this backdrop i.e. to assess whether interest rate restrictions may constitute an impediment to product innovation, product diversity and cross border activity of lenders. In parallel, EBIC took note of the Commission's intention to also assess whether such restrictions reduce the likelihood of high levels of defaults, foreclosures and evaluate its wider economic and social consequences. We believe that the consultants' findings provide key elements in this respect.

Most importantly, we take the view that a first step should consist in identifying whether there are any problems of European dimension in these fields, and if so, what are the possible tools to mitigate any identified problems (including existing national and European legislations).

Interest rate restrictions are a specific regulatory tool out of many others. The organisation of each national market results from the balance of a set of rules and usury is only one of these rules. Modifying rules on usury could have a domino effect on the whole functioning of the involved markets. Beyond the technical and inherently local nature of interest rate restrictions mechanisms, we believe that if specific problems are identified in the field of consumer lending, all types of possible interventions should be considered including the review of existing regulatory corpus and self-regulatory business adjustments. At this stage we fail to understand what issue of European dimension would require further specific regulatory intervention.

Existing regulatory framework

Consideration should also be given to the existing regulatory environment and ongoing initiatives.

In the field of consumer credit, a major step towards a high level of consumer protection across the EU and of a Single Market was achieved with the adoption of Directive 2008/48/EC on credit agreements for consumers (the Consumer Credit Directive – CCD) ( ). The CCD was adopted on 23 April 2008 after more than five years of intense discussions amongst all interested parties. This new European regulation covers all aspects of the consumer credit lending transaction. The transposition of the CCD into Member States legislation brings substantial modifications to lenders' business practices. This is the reason why we would recommend a thorough assessment of CCD impact before enacting another major legislation at European level.

In the field of mortgage credit, it is worth highlighting the ongoing regulatory proposal on "responsible mortgage lending and borrowing". It is obviously premature to draw any conclusions on the impact of this particular initiative.

We appreciate that these European regulations may not have a direct impact on interest rate levels. However, their objectives are congruent with those of local initiatives in the field of interest rate restrictions. This element should therefore be taken into account.

(1) Do you think that the inventory of IRR presented in the study accurately reflects the reality in EU27? If not, please explain why, and what information you think is missing or incorrect.

On the whole, the study accurately presents national regulatory frameworks. However, EBIC wishes to bring a number of key clarifications to the inventory and description of local interest rate restrictions mechanisms:

Sweden

1.1.3 General principles of IRR in national legislation – Table 3

Denomination of usury should be ***Ocker***

1.2.2.4 Levels of default interest rate ceilings and statutory default interest rates – Table 17

The statutory default interest rate applies both to consumer and business credits.

The statutory default interest rate consists of *RRI* + *8pp* ***or otherwise agreed.***

1.4.2 Implementation of CCD 2008

The reference to a € 150 limit on micro-credit as a regulation affecting IRR is incorrect and should be modified. There is no such limit in the new Swedish consumer credit legislation.

1.4.3 Small amounts of credit – Table 23

Country	Included Disclosure/IRR	Remark
Sweden	Yes/**No**	Consumer Credit Act 1.1.2011, micro-credit, short term loans will then be included

Austria

Due to new regulations on the taxation of contracts, the taxation for credits as well as their extension has been omitted. Therefore the explicit mention of Austria on page 91 could be deleted (in force since 2011).

The concepts of 'good faith' and 'reasonableness' do as well apply to all civil law regulations and private contracts. Reference to Austria on page 118 is not adequate.

Denmark

Though not providing any specific rate ceiling, article 282 of the Danish criminal code provides the general framework for the control of usury in Denmark.

1.4.4 Short-term loans

Short-terms loans are covered by the Danish Consumer Credit act since 1 November 2010.

France

1.2.1.1 Types of ceilings – Which Member States and at what levels?

Table 8 mixes mortgage loans and consumer credit loans interest rates. This suggests a large interest rates spectrum that is irrelevant for the French market.

1.2.1.3 Relative interest rate ceilings

1.2.1.3.3 France

- *France has a long history of using interest rate ceilings. Other than the interest rate ceilings in the 19th century that were abolished in civil transactions in 1918, the interest rate ceilings introduced in 1935 were modernised in 1966* **and 1989** *and its system is once again undergoing change.*
- *The reform law on usury ceilings* **adopted in July 2010 and which will be enforced in April 2011** *brought the following changes (…)*
- Three ranges will remain depending only on the amount of the loan and not on its nature. New categories will be :

New categories	Loans under 3000 €
	Loans between 3000 € and 6000 €
	Loans more than 6000 €

Italy

1 Legal survey of interest rate restrictions

1.1.3 General principles of IRR in national legislation – Table 3

Country	**Denomination**	**“exploitation”**	**“ceiling”**	**Other**
Italy	usura	Art. 644 Criminal Code **Art. 1815 Civil Code Both impacted by Law 108 of 1996**	**The ceiling (differentiated in 24 categories) is determined as the 150% of the average rate of each category in the previous quarter**	

1.1.3.3 Historical impact – Table 4

- *The usury threshold has been introduced,* **officially to enable judges to determine when there was a case of usury but, in fact** *to prohibit credit where providers can apply excessive interest rate to people with poor credit histories and consequently to counter the crime of usury, which was very widespread in the past*

1.2 Direct IRR

1.2.1 Contractual interest rate ceilings

1.2.1.1 Types of ceilings – Which Member States and at what levels?

- *There are four different institutions which can be involved, either alone or in combination with another institution, in fixing the maximum interest rates: the Central Bank, Government Administration, Legislator or Courts. While in* ~~**Italy,**~~ *Portugal and Malta the legislator fixes rate ceilings, in France, Belgium, Estonia and Poland (Lombard rate) it is the central banks that fulfil this task. Likewise, in Greece and Spain, the central bank is the core institution in so far as it fixes the legal interest rate upon which the IRR is based.*

[In Italy the criteria have been fixed by the law, the monitoring of market rates is done by the Bank of Italy and the threshold is published in a decree of the Ministry of the Economy].

Table 8: Interest rate ceilings in the EU as of ***February 2011***

Member State	Maximum APR in Consumer Credit	Average Interest Rate	Scope	Comments
Italy	4.**02**%- **25.92%**	**2.68%-** **17.28%**	All	Maximum APR equals a relative 150% of average APR computed by Ministry of Economy and Finance every 3 month depending **on credit type** and **amount** : from 4.**02%** (variable rate mortgage) to **25,92%** (**revolving** loans). There are 2**4** different ceilings.

1.2.1.3.6 Italy

- *Usury is a criminal offence in Italy and it provides a detailed system of usury ceilings based on 50% above calculations of the average charges in the market (APR or 'TEGM') for different types of credit and different credit amounts.*. **The calculation of TAEG and the calculation of TEGM are based on some different elements for example taxes are now included in the new APRC but they are excluded in the usury calculations.**.

- *The types of credit are decided every year by* **the ministry of the Economy while** *Banca d'Italia, collects data from all the credit providers*.

- *The rate ceilings are adjusted every three months by the Ministry of Economy and Finance, who approves the rates by decree and are published in the Italian Official Journal (Gazzetta Ufficiale).* ~~**Furthermore, Italy has now explicitly harmonised the calculation of the APRC in usury with the APRC in price disclosure according to CCD 2008.**~~

- *The law provides that in the costs used to determine the ceilings, the overrunning fees (i.e. commissione di massimo scoperto - CMS and commissione di affidamento) are included.*

1.2.2.3.3 Default interest rate ceilings based on an objective reference rate

- *The default interest rate ceiling may also be based on the usury ceiling which in turn is based on an objective reference index. To give an example, in* ***Italy,*** *Law 108/1996* **indicates** *the usury ceiling not only for contractual interest rates, but also for default interest rates. As mentioned above, Banca d'Italia calculates the average contractual rates – TEGM – for various types of credit* **and monitors** *the average additional value of default interest rates in the credit market. The default interest rate ceiling is therefore based on* **the result of the monitoring** *and then increased by* **50%.**

Belgium

1.2.1.3.4 ***Belgium***

- *For consumer credit there are provisions on the maximum APR. The* **normal calculation of** *APR is determined by Royal Decree* **(art. 21, § 2 WCK - Consumer Credit Act).** *But the APR is only the representation of the total cost of credit. It is nowhere used to calculate these cost for which other parameters especially the borrowing rate is used. In so far the government can determine the maximum* ~~**total**~~ *costs of credit, it can also set the maximum borrowing rate and, in the occurring case, the maximum recurring costs and the maximum non-recurring costs vis-à-vis a revolving credit account (art. 20, §2 WCK).*

- ~~**Consumer credits with a credit term of more than 5 years can be sold with variable interest rates**~~.

- *In this case additional rules apply the change of the APR according to article 9 WHK (Mortgage Credit Act) stipulating the rules on variable rate mortgage loans - art. 30, §2 WCK. For revolving credit accounts there is a specific rule providing for an absolute maximum interest rate. Art. 4, §4 of the Royal Decree of 4 August 1992 on the costs, percentages, the duration and the terms of repayment of the consumer credit stipulates that "if the revolving credit account foresees various borrowing rates depending on the drawdowns or on the instalments, none of these borrowing rates may be higher than the maximum APR determined in function of the amount of credit".*

[The law regarding consumer credit WCK was adopted on December, 1st 2010, after the transposition of the CCD. It is now the borrowing rate which can be adapted. We don't see a reason for the assertion that the regulation for revolving credit accounts is stricter than for other credit types : the legal maximum APRC cannot be exceeded for all types of credit. This legal maximum APRC cannot be exceeded in the case of adaptation of the borrowing rate in consequence of variation of the interest rate].

- *Overdrafts on bank accounts, which fall outside the scope of the WCK, are regulated by the law of 14 May 2001. This law applies to every bank account opened by a consumer at a bank or at the Postal Office and on which a debt balance occurs to which the WCK does not apply (art. 2 of the aforementioned law). The annual borrowing rate is capped to the maximum APR applicable pursuant to the WCK on open-ended revolving credit accounts where the total amount of credit does not exceed EUR 1,250. The costs linked to the credit cards do not need to be included in the total cost of the credit (art. 3).*

[The law of May, 14th 2001 has been abrogated. The WCK applies now also to overdrafts and the same legal maxima apply to all credit openings].

- *The maximum APR for consumer credit in Belgium is based on a hybrid of mechanisms. While initially set as absolute rate ceilings, through a rather sophisticated ceiling setting mechanism, the ceilings are now relative ceilings since the setting of the ceiling level is dependent on changes to determined reference rates. The reference indices, which determine changes made to the ceiling, and the calculation method for mortgage loans are set by the King (by Royal Decree) after consulting the Banking, Finance and Insurance Commission ("CBFA") (art. 9, §1, 3° WHK). Using monthly computed reference indices for variable rate mortgage loans on the basis of a constant-maturity yield curve, published by the Securities Regulation Fund ("Rentenfonds"), if significant changes have been registered, the maximum APR is then adjusted by an administrative procedure (by Royal Decree). Article 21 WCK further detailed by the Royal Decree of 4 August 1992 the relevant costs, percentages, duration and terms of repayment are taken into account. The ceiling depends on the credit type and the credit amount. For all consumer credit types 12 different maximum APR's are determined. Instalment loans, deferred payments in sales contracts, financial leasing, revolving credit card accounts and revolving credit accounts without cards are distinguished. A simplification in 2006 abolished a further distinction according to the duration of the credit.*

[The legal maxima APRC have never been "fixed". Before the WCK was changed, the adaptation of the legal maximum APRC was made on the basis of quarterly inquiries of the Ministry of Economics regarding the *applied* APRC, combined with economic indicators on the middle long and long term. On the basis of the results of these inquiries, a weighted average was calculated. However, this system never worked, because the Administration of Economy did not proceed to these quarterly inquiries. As a consequence, since 1997 the legal maximum APRC are not adapted. For this reason, a new system was developed guaranteeing an objective and half-yearly adaptation of the legal maximum APRC to the modified situation.

The study mixes up the variability procedure (which has nothing in common with the maxima except for the rule that the adaptation, following the variation of the rate, can't result in an APRC which exceeds the legal maximum) and the legal maxima].

- *The maximum APR is calculated on the basis of a reference rate. For all consumer credit agreements, with the exception of revolving credit accounts, the reference rate is based upon treasury certificates for 12 months (for credit amounts up to €1,250), linear bonds on 2 years (for credit amounts between €1,250 and €5,000) and linear bonds on 3 years (for credit amounts above €5,000). The reference index for revolving credit accounts is linked to the monthly average of the 3 month Euribor. The reference rates are calculated by* **Belgostat (only for the Euribor). The others are calculated by the Fonds des Rentes.** *The applicable maximum APR corresponds to the respective rounded reference rates.*

[Following the adaptation of the WCK, resulting from the CCD transposition, the WCK applies now to account overdrafts. Legal maxima apply similarly to account overdrafts as for any other classical credit opening].

- *Finally, the maximum borrowing rate for overdrafts on bank accounts, which are regulated by the law of 14 May 2001 on overdrafts on bank accounts, is currently 11%. The maximum APR's are also published in the Official Journal. For variable rate mortgage loans, the reference indices are published monthly in the Belgian Official Journal. The current reference indices are also publicly available on the websites of the Securities Regulation Fund and of the Banking, Finance and Insurance Commission.*

[The law of May, 14th 2001 has been abrogated. The WCK applies now also to the overdrafts and the same legal maxima apply to all credit openings].

Lithuania

1.1.3 General principles of IRR in national legislation

- *In **Lithuania** usury "lupikavimas" is not legally defined*, **however it has been construed in court practice. In addition to doctrine, from 1 April of 2011 statutory restrictions on interest (annual percentage rate of charge) will be applied.** *It shall be presumed that credit pricing is not fair, reasonable and balanced if at the moment of conclusion of credit agreement annual percentage rate of charge exceeds 250 %. This regulation applies to all consumer credit products including "express loans".*

1.2.1.1 Types of ceilings – Which Member States and at what levels? – Table 7

MS with contractual IRR (absolute)	MS with contractual IRR (relative)	No IRR
Greece; Ireland; Malta; **Lithuania**	Belgium; France; Germany; Estonia; Italy; Netherlands; Poland; Portugal; Slovakia; Slovenia; Spain	Austria; Bulgaria; Cyprus; Czech Rep; Denmark; Finland; Hungary; Latvia; ; Luxembourg; Romania; Sweden; UK

1.2.1.6 Member States with no special rate ceiling

Lithuania also has some form of doctrines which may be used to limit high cost credit in contracts.

1.2.2.2 Statutory default interest rates

Lithuania has explicit default interest rate ceilings.

1.2.2.3 Default interest rate ceilings

From 1 April 2011 there are explicit default interest rate ceilings in Lithuania- 0,05 % from the default amount per day.

- *To give an example, in **Lithuania** the parties may agree a default interest rate in the contract but the courts have the right to reduce unreasonable or obviously excessive* *default interest rates under art 6.73 of the Lithuanian civil code. Until 2008, it was practice for the courts typically to reduce default interest rates to 0.02% per day. Currently, there is a trend to move away from this practice and increase the level to which default rates are reduced* **upon evaluation of all circumstances (0,1 % default interest rate has been approved). From 1 April 2011 statutory ceilings will take legal effect – 0,05% per day.**

1.2.2.4. Overview: levels of default interest rate ceilings and statutory default interest rate – Table 17

Member State	Default-IR Ceiling	Statutory default IR for consumer credit	Default IR Ceiling Example	Comments
Lithuania	. **0,05% per day**	5 % (fixed)	/	Usury legislation might be applicable

1.3.4.1 General restrictions

Lithuania has restrictions on fees.

1.4.3 Small amounts of credit – Table 23

Country	Included Disclosure/IRR	Remark
Lithuania	Yes/Yes	The **adopted** Consumer Credit Law will regulate all loans.

1.4.4 Short-term loans

- *The Directive also addresses short-term loans for less than one month (Art. 2 (2) i) or three months (Art. 2 (3)) if certain other conditions are also met. This has led to a number of different exemptions for both credit disclosure law and IRR which, in some countries, resemble the regulatory provision in Latvia, Estonia, Netherlands, Sweden, Bulgaria. Czech Republic, ~~Lithuania~~, Luxembourg for small loans.*

1.4.5.1 General principles of good morals and bona fide

In Lithuania, new consumer credit law also provides that the annual charge rate can be reduced by public authority responsible for consumer protection during investigation of disputes as well as by court.

United-Kingdom

1.1.3.4 Philosophy of regulation

- Product regulation

  Specific rate ceilings: *with regard to certain unwanted forms of credit such as the limits on overdraft credit in Spain, or in order to make certain forms of credit more affordable, for example pawnshop credit in Germany, small business loans in France or loans from Credit Unions* (**26.8% since 2006**) *in Ireland and the UK.*

1.3 Other cost relevant factors

- *Payment Protection Insurance premiums in consumer credit have generally to be advanced in one single payment. This opens the product for additional financing since the consumer needs a credit to be able to pay this premium in a lump sum. This practice has raised concern especially in the UK. But still the general exemption if the insurance is not "non obligatory" from its integration into the APRC also counts for these finance charges. Payment Protection Insurance has thus developed into a general outsourcing of credit risks at the cost of the consumer. The products are disadvantageous, extremely costly and applied inappropriately and to that extent, far too often.*

[The inference here is that somehow you will be granted cheaper credit if you take out insurance. We do not recognise this to be the case. This is not a fact; this is an opinion which contradicts the EU Cross-selling study].

1.3.3 Variability of interest rates

- *In the UK**,** all types of loans, mortgages, credit cards, personal loans* **are sold without** *caps*.

1.4.2 Implementation of CCD 2008

- *In some Member States, implementation of the CCD 2008 had an effect on additional types of credit which will be newly regulated as a result of its implementation. New regulation affecting* […] ~~credit intermediaries (**UK**)~~,

We are not aware that credit intermediaries had become "newly regulated" as a result of CCD 2008. Under the Consumer Credit Act (CCA), credit intermediaries are required to hold a consumer credit licence.

(2) Do you think IRR policies are justified? Why? Under which conditions?

Interest rate restrictions policies may be justified by local market characteristics as well as by historical and cultural factors. No uniform justification can be provided as underlying rational and technical systems widely vary across European countries.

(3) Do you agree with the conclusions of the analysis of the 12 hypothesis examined in the study?

As a general remark, we believe that the consultants' economic analysis provides interesting information though remaining broadly theoretical. Beyond the existence of interest rate restrictions, a particular focus on the different impacts of the various mechanisms in place could have been better highlighted. The heterogeneity of restrictions in place across Europe makes it difficult to draw uniform conclusions and go beyond global trends.

(4) Do you think that IRR are a barrier to the EU credit market integration?

Statutory interest rate restrictions along with subjective controls of credit contracts by local jurisdictions diverge across EU Member States. We believe that these divergences can largely be explained by distinct national cultural preferences. Fundamentally it corresponds to different cultural approaches towards access, use of credit products and regulation of lending activities.

Direct cross-border lending concerns a limited number of institutions and, in all cases, an extremely small proportion of overall outstanding credit because credit markets are presently local/domestic. However, indirect cross border lending through mergers/acquisitions and establishments of branches or subsidiaries has played and is still playing a key role in the development of a European wide credit market.

Divergences in interest rate restrictions have to be taken into account by providers when expanding their activities across borders. However we believe that rate restrictions are only one of the characteristics that have to be taken into account by lenders. Other factors include differences in languages, currencies, cost of risk, cost of funding, consumers' needs, contractual standards and regulatory frameworks for debt recovery (including transparency of debtors' assets).

Clarity of regulations and legal certainty are the key drivers of credit providers' business policy across the EU. Therefore, we do not believe that the diversity of policy of interest rate restrictions has a decisive impact on lenders' cross-border trade strategy and therefore on the EU credit market integration.

(5) Which would be the impact, at social and consumer level, of a ban of IRR?

We believe that a ban of interest rate restrictions could not be considered in many European countries. The industry would not support the profound technical changes that such a ban would imply in those countries that currently experience rate restrictions.

(6) What system/type of IRR, if any, do you find is most appropriate/ effective to prevent potential consumer over-indebtedness? Please describe.

(7) What system/type of IRR, if any, do you find has less negative effects in terms of limiting the access to credit? Please describe.

Given the local underlying rational of interest rate restrictions and diverging market characteristics, it is impossible to provide a simple and uniform response to these questions.

As evidenced by the IFF/ZEW study there is no proven correlation between interest rate restrictions and local levels of over-indebtedness. Further work would have to be carried out in this field including the set-up of common measurement mechanisms to further extrapolate on this issue.

In terms of regulatory approach towards over-indebtedness, a key tool is to ensure the performance by all institutions of robust creditworthiness assessments. In this context, access to relevant databases is of key importance. We however recall that most loan repayment difficulties are due to unexpected changes in personal circumstances (death, illness, unemployment, divorce). Identification of most suitable prevention mechanisms would require targeted discussions involving all parties concerned.

We do not believe that specific systems of interest rate restrictions would have less negative effects in terms of market exclusion. However, it is clear that those systems providing for sufficient flexibility and based on market practices and characteristics are to be the less disruptive.

(8) Do you believe that, based on the findings of the study, there is a need for further action at EU level? If yes, what form such a policy response should take?

We do not believe that there is a need for action at European level in the field of interest rate restrictions. As evidenced by the IFF/ZEW study, there is a wide diversity of systems in place across Europe. The existence or inexistence of formal statutory interest rate restrictions are deeply rooted in national regulatory frameworks and are to be explained exclusively by local factors.

Should a local problem be identified, it should be handled at local level to match local market conditions. We believe that the introduction of a European regulation in this field that would apply to differing legal, economic and financial models could have far-reaching adverse consequences.