

Contents

Regulatory Affairs in Europe

EU allows temporary bank fee for cross-border direct debits	1
Commission tables proposal for new e-money directive	2
Regulation on cross-border euro payments to be modified	2
Minimum deposit guarantee to be raised to €100,000	3

Notable Events

ECRI seminar on over-indebtedness in Europe	3
ECRI seminar on good practices of consumer protection in financial services	5
Upcoming Event: PSD and SEPA – Drawing a balance and designing the way forward	6

News about ECRI

Nicola Jentzsch becomes a member of Expert Group on Credit Histories	7
Karel Lannoo speaks at 1 st Santander international banking conference	7

New ECRI Publications

Survey on banking codes of conduct published	8
Statistical Package published	8

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Regulatory Affairs in Europe

EU allows temporary bank fee for cross-border direct debits

On 4 September 2008, the European Commission together with the European Central Bank (ECB) officially announced that “they would be prepared to support the idea of a ‘multilateral interchange fee’ [MFI] for cross border direct debits”, a scheme considered to be a key element in the creation of the Single Euro Payments Area (SEPA).

Following the start of ‘formal proceedings’ by the Commission in March of this year against Visa Europe’s rules relating to an MFI and the prohibition of MasterCard’s intra-European Economic Area MFI last December, the current proposal allowing an “objectively justified and transitional” MFI may come as a surprise to many.

In her speech at the European Payments Council Coordination Committee offsite meeting at Château-de-Limelette on 3 September, ECB Executive Board Member Gertrude Tumpel-Gugerell presented the idea as a pragmatic interim solution that “should be acceptable for a limited period of time to make the SEPA direct debit scheme fly”.

The proposal can thus be seen as a measure to prevent any kind of delay in the November 2009 deadline for the introduction of the SEPA direct debit scheme, which according to Mrs Tumpel-Gugerell would be “unacceptable”.

With this interim solution, the Commission and the ECB are seeking to provide incentives to credit institutions battered and strained by the current financial turmoil. First, the creation of payment infrastructures necessary for the smooth functioning of the envisaged direct debit scheme requires up-front investments, whose funding could be partly generated by allowing the issuing bank to charge the receiving bank a fee, the so-called ‘MFI’. Second, such a fee would help create a level playing field between current national direct-debit schemes with existing MFIs on the one side and the SEPA direct debit schemes on the other, until any such transaction fee was abolished altogether. Competition Commissioner Neelie Kroes stated that “it may prove necessary to have a multilateral interchange fee for cross border SEPA Direct Debits in the very initial stage. But we will have to be convinced that these fees will be strictly limited in time and objectively justified, i.e. are not aimed at providing additional profits [for] banks”.

With most current national direct debits being free of charge, Internal Market Commissioner Charlie McCreevy does not expect any increase in costs for

customers after the roll-out of the new schemes, calling on the industry to “come forward with their detailed proposals” as regards an MFI for the start-up phase of cross-border SEPA direct-debit transactions.

Documentation:

Download the full text of Mrs Tumpel-Gugerell’s speech at www.ecb.int/press/key/date/2008/html/sp080903.en.html and the Commission’s press release at europa.eu/rapid/pressReleasesAction.do?reference=IP/08/1290&format=HTML&aged=0&language=EN&guiLanguage=en

Commission tables proposal for new e-money directive

Aimed at repealing Directive 2000/46/EC on the taking up, pursuit and prudential supervision of the business of electronic money institutions (‘E-Money Directive’), on 13 October the European Commission announced the publication of its proposal to revise the legal framework governing the issuance of electronic money in the EU.

Three years after the start of the review process, which included the launch of a public consultation in July 2005, commissioning an evaluation study and taking account of the opinions of two expert groups (the Payment System Government Expert Group and Payment System Market Group) along with those of the European Central Bank and various relevant groups of stakeholders, the text has been transmitted to the Council and European Parliament.

Admitting that eight years after the adoption of the current rules problems such as an unclear definition of electronic money and excessive prudential requirements have led to a “limited market uptake for electronic money in Europe”, the European Commission is attempting to tackle the existing problems with new regulations.

According to a Commission Staff working document, the estimated €1 billion of outstanding e-money in circulation in July 2007 constitutes just a fraction of the €637 billion of cash. In addition, regardless of strong growth from 2005 onwards, only 20 full-blown e-money institutions were operating in 2007, with 127 institutions operating under a waiver.

Internal Market Commissioner Charlie McCreevy stated: “The e-money industry has significant untapped growth potential. I believe that the new rules will accelerate the up-take of electronic money in Europe. These modern rules will foster competition and innovation, while ensuring market confidence and a high level of protection for consumers. This will be an important contribution to our broad objective of creating a Single Market for electronic payments.”

To facilitate the market entry of smaller institutions and thus foster competition, the proposed new rules seek to lower the initial capital requirement from €1 million to €25,000. Moreover, the proposal sets out to clarify the

definition of electronic money, install new redemption requirements and be fully in line with the recently adopted Payment Services Directive.

The Explanatory Memorandum to the Commission’s proposal adds that it is “expected to have a positive impact on the uptake of the electronic money market”, potentially increasing the volume of circulating e-money to €10 billion and the number of operating institutions to 120.

Documentation:

Download the proposal at ec.europa.eu/internal_market/payments/docs/emoney/com_2008_627_en.pdf

Regulation on cross-border euro payments to be modified

On 31 December 2001, Regulation (EC) No. 2560/2001 on cross-border payments in euros entered into force. Currently applying to credit transfers, ATM cash withdrawals and electronic payments (including debit and credit card payments) made in euros up to €50,000 within the European Economic Area, its main objective was “to ensure that charges for those payments [cross-border payments in euros] are the same as those for payments in euro within a Member State”. In addition, the regulation, often regarded as having paved the way for the Single Euro Payments Area (SEPA), aimed at facilitating the execution of the above-mentioned payment transactions, enhancing price transparency and contributing to the development of a more integrated payments infrastructure.

As one of the most important changes to be introduced by the proposal tabled on 13 October, the “principle of equal charges for cross-border and corresponding domestic payments” will be extended to include means of payment not falling under the scope of the current regulation, such as direct debits. Given the popularity of this means of payment, the Commission concluded that the price differential between domestic and cross-border direct debits would be detrimental to the welfare of European consumers and enterprises, preventing the achievement of “its full cross-border potential”. The SEPA direct debit scheme is to be implemented by November 2009, in parallel with the transposition of the Payment Services Directive (PSD) into national law.

Further changes to the current regulation include

- the establishment of “competent authorities” and “adequate and effective out-of-court complaint and redress procedures” dealing with both infringements by payment services providers and disputes between suppliers and users of these services; and

- the phasing-out of the balance-of-payments statistical reporting obligations for payment services providers.

If adopted by the European Parliament and the Council, the proposal would replace the existing regulation by November 2009, tying in with the deadline for the transposition of the PSD.

Documentation:

Download the proposal and related press release at ec.europa.eu/internal_market/payments/docs/reg-2001-2560/proposal_en.pdf and <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/1491&format=HTML&aged=0&language=EN&guiLanguage=en>.

Minimum deposit guarantee to be raised to €100,000

On 15 October, the European Commission announced plans to raise the minimum amount of protected bank deposits to €100,000. Intended to come into effect a year from now, the move comes just one week after EU finance ministers agreed to raise the minimum guaranteed amount to €50,000, and it constitutes a five-fold increase from the levels three weeks ago.

Deposit guarantee schemes, currently regulated by Directive 1994/19/EC (which has remained unchanged over the last 14 years), attempt to avoid bank runs and their economic consequences. The bank run experienced by Northern Rock in September of last year and the current financial turmoil have brought the issue of insuring bank deposits back into the spotlight. Given the current average deposit size of €30,000 per EU citizen, the rise in the coverage level is necessary to ensure confidence.

Internal Market Commissioner Charlie McCreevy stated that “increasing the minimum protection will strengthen Europeans’ confidence in the safety of their deposits” and that the proposed new rules “are another sensible and proportionate response to the financial turmoil”.

The Commission’s proposal states that under the new rules, an estimated 90% of the deposits would be covered – as opposed to the 65% under the current regime.

In addition, bank customers will have to be paid 100% of their claims up to the coverage level (as opposed to 90%) within three days, cutting down the duration of this process from as long as nine months.

The proposal has been transmitted to the European Parliament and Council, which have to approve the provisions for the proposal to become law.

Documentation:

Download the proposal and related press release at http://ec.europa.eu/internal_market/bank/docs/guarantee/dgs_proposal_en.pdf and <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/1508&format=HTML&aged=0&language=EN&guiLanguage=en>.

Notable Events

ECRI seminar on over-indebtedness in Europe



M. Rothemund, K. Lannoo, A. Saint-Denis, J. Robertson and A. Finney

The provision of increasing amounts of new and innovative financial products as well as the expansion of access to credit and financial services is expected to prove beneficial to European consumers. Yet, low levels of financial education and literacy among a large share of consumers paired with insufficient information and advice may cause consumers to take unreasonable transaction decisions, potentially leading to financial difficulties and over-indebtedness. The European Commission is committed to identifying the most appropriate and effective policy responses to the problem. Substantive analysis, however, is still hampered by the lack of a common operational definition of the phenomenon at the EU level.

For that reason, the Commission initiated the project “Towards a Common European Operational Definition of Over-Indebtedness”, which was carried out by the Centre for European Policy Studies (CEPS) together with the Personal Finance Research Centre (PFRC) and the European Savings Institute (OEE) as the administrative leader.

On 15 September, an ECRI workshop held at CEPS brought together policy-makers, industry officials and academics to present insights from the study to a European audience. The seminar also set out to discuss with the participants the implications of building such a common understanding of over-indebtedness across the EU as well as the necessary policy actions to be taken to tackle the problem.

In a first panel, findings from the study carried out across 19 EU countries were presented by the drafting parties. Marc Rothemund, Research Assistant at ECRI, gave a short overview of the existing and varying definitions of over-indebtedness in the countries surveyed. He stated that the multi-dimensional nature of over-indebtedness complicated the search for statistics that could possibly serve as a measure that captures the wide scope of the phenomenon. According to the study, several elements were common to the different existing concepts of over-indebtedness, including the household as the unit of measurement, a form of contracted financial commitments, as well as references to a household’s payment capacity, a time dimension, the necessity of maintaining a certain standard of living and to illiquidity. Mr Rothemund pointed out that it was important to note that one single indicator for over-indebtedness might not be sufficient, as it may lead to wrong conclusions.

A look at various existing indicators at the national level showed that several hurdles were difficult to overcome, as the availability and coverage might vary greatly from one country to another. After a short introduction of the two main surveys at the EU level – the Eurobarometer and EU-SILC, Mr Rothmund suggested that use of the EU SILC survey seemed more appropriate for several reasons, among them the fact that households can be tracked over time. In addition, a number of existing questions covered some of the previously introduced common elements of the present definitions, such as questions on arrears on financial commitments, a household's payment capacity and liquidity. Mr Rothmund concluded by presenting the five indicators that the consortium proposed as a measure over-indebtedness: a) comparably high payments on commitments that push the household below the poverty threshold (defined as 60% of the median household disposable income), b) structural arrears on at least one financial commitment, c) a perceived heavy burden of monthly payments on commitments, d) a payment capacity that is considered difficult and e) the inability to meet an unexpected expense.

In her presentation on the nature and causes of over-indebtedness, Andrea Finney, Research Fellow at the PFRC, stated that according to the statistics evaluated, households in northern European countries generally had less difficulty keeping up with their financial commitments compared with Eastern and Southern European countries, although there were exceptions to this. One important and often overlooked aspect of households' over-indebtedness proved to be utility bills. The typical risk factors were being young, having children, a low income, changes in income and family circumstances, heavy credit use and poor budgeting skills. These factors relate to the two primary routes to over-indebtedness: financial shocks and persistent low incomes. Ms Finney explained that national recognition of the problem of over-indebted households differed across EU countries: many of the northern and western EU countries had started debating about policy responses and building counseling networks after the recession of the 1990s, while some Eastern European countries had only recently begun to address the issue, if at all. Ms Finney concluded by discussing the six building blocks that the study identified as being essential for a comprehensive policy response. The first three aimed at preventing over-indebtedness: a) responsible borrowing and money management, b) responsible lending and c) responsible arrears management. The other three blocks sought to alleviate over-indebtedness: d) debt advice, e) holistic judicial processes and f) non-judicial processes.

During the second session of the event, Jennifer Robertson from the DG Internal Market and Services (MARKT) of the European Commission discussed the importance of both responsible borrowing and lending and elaborated on policy responses by DG MARKT. To enable responsible borrowing behaviour on the consumer

side, the client needed to be put in a position that allowed him/her to correctly determine whether s/he was able to afford the product. This evidently depended on the financial education of as well as the information provided to the borrower.

According to Ms Robertson, responsible lending was primarily based on the creditor's assessment of a potential client's creditworthiness, which in turn had both a prudential and a consumer protection perspective. Lenders, intermediaries or financial advisers could also give financial advice to borrowers. Among the policy actions by DG MARKT were an examination of the rules on the origination and (mis-)selling of mortgage credit, as well as a study on the costs and benefits of various policy options for mortgage credit. Furthermore, the European Commission has established an Expert Group on Credit Histories, to examine barriers in access to and exchange of credit data within the EU and to find solutions to overcome these obstacles.

The Commission has also published a Communication on financial education that sets out principles for the provision of financial education, including (among others) the following points: promoting financial education at all stages of life, integrating financial education into national curricula and ensuring it is targeted at consumer's specific needs. The Communication has announced a series of further initiatives, such as the establishment of a EU database for financial education.

In the following presentation, Antoine Saint-Denis from DG Employment & Social Policies (EMPL) of the European Commission elaborated on the actions taken by DG EMPL regarding over-indebtedness in Europe. Fighting over-indebtedness implied fighting social exclusion, and the objective of social inclusion was part of the 2000 Lisbon agenda and the social policy framework of the European Commission. More precisely, it was stated that a) access for all to the resources, rights and services needed for participation was to be ensured, and b) social inclusion policies involved all relevant actors and were to be mainstreamed into all relevant public policies, including economic, budgetary, education and training ones. The social policy framework is carried out through the open method of coordination, whereby member states agree upon the common objectives and report on their strategies to achieve them. This was accompanied by several policies, *inter alia* a supporting programme for mutual learning among all actors. Mr Saint-Denis stressed the link between social and financial exclusion, and that one can reinforce the other. Financial inclusion was affected by several factors, such as the problem of over-indebtedness, financial education and access to effective and affordable basic bank services. Regarding the follow-up of the study at hand, Mr Saint-Denis mentioned that the study will be submitted to the Social Protection Committee of the EU SILC. Moreover, it will be included in assessments of the national strategies of

social inclusion noted above and in mainstreaming the social objectives on over-indebtedness in EU policies.

Further information:

The programme and other workshop material can be found at www.ecri.eu.

ECRI seminar on good practices of consumer protection in financial services



Consumer protection in financial services lies at the heart of a financial sector that is efficient, competitive and fair. On 16 October 2008, ECRI hosted a seminar at which the World Bank's "Good Practices for Consumer Protection and Financial Literacy in Europe and Central Asia" were presented to a European audience. In the report of the same name, the World Bank prepared an initial set of good practices for financial consumer protection as a diagnostic tool for identifying priorities for future reform in financial consumer protection. The process involved a variety of stakeholders: national governments, industry officials and consumer advocates. The World Bank has conducted this review on consumer protection in financial services in six Eastern and Central European countries so far; the programme is intended to be expanded to more countries in 2009.

In the first discussion round of the seminar, Sue Rutledge, Regional Consumer Protection Coordinator at the World Bank, presented the recently published report, which had been prepared under her coordination. She stressed the importance of consumer protection in financial services, especially in emerging and developing countries, where people typically have little access to and even less experience with financial products. In many emerging and developing countries, consumer protection and financial literacy are considered to be in their "infancy". According to Ms Rutledge, the aims of consumer protection should be to a) deepen the financial sector and encourage people to make use of the products offered, b) improve the stability of the sector, c) increase competition and d) help people gain access to financial services. The World Bank's diagnostic tool has been prepared for four segments: banking, securities, insurance and non-bank credit institutions. Furthermore, the areas of private pensions, credit reporting systems and financial education have been included in the annex, but will need additional work to be fully covered in the next report. For each segment, the following eight issues have been treated: 1) consumer protection institutions, 2) disclosure and sales practices, 3) customer account handling and maintenance, 4) privacy and data protection, 5) dispute resolution mechanisms, 6) guarantee and compensation schemes, 7) financial education and 8) competition issues in financial services.

Consistent with the results of the report and the aims of consumer protection, Ms Rutledge stated that the financial sector should assure transparency, choice, redress and privacy for consumers. In addition to the expansion of the World Bank diagnostic tool to other countries in the future, cross-country surveys may follow, for instance on regulatory frameworks for financial consumer protection or consumers' levels of financial literacy, to obtain a full picture of consumer protection in financial services in the regions concerned.

In the second presentation, Dirk Staudenmayer, Head of Unit for Financial Services and Redress at the European Commission's DG Health and Consumers (DG SANCO) emphasised that consumer protection in financial services is one of the top priorities of DG SANCO and Commissioner Meglena Kuneva. Several communications have been published by the European Commission in the last year that raise the issue of consumer protection, for instance in the context of the single market review in November 2008. In this review, empowerment of the consumer is one of the key issues, with a view towards giving more rights and information to consumers. Mr Staudenmayer stated that, given the complexity of financial services, what is essential is to 1) help consumers to understand financial services on the one hand and 2) assure that financial services are better understood by consumers on the other. These should be the two goals for any effective consumer protection. Regarding the first point, one crucial policy that should be focused on is financial education. Educating consumers about the financial system and products should start at the school level and continue at all ages.

For the second part of effective consumer protection, i.e. the assurance that financial services are better understood by consumers, several aspects should be addressed. The provision of pre-contractual information is one of them, and has two main purposes: first, to enable consumers to assess the product they are buying, and second, to enable consumers to compare the product. Regarding the EU level, the question is whether legislation actually includes adequate requirements for pre-contractual information. Against the background of the ongoing financial turmoil, Mr Staudenmayer concluded that the two things that consumers will be wanting after the crisis are safe products and more information about the products offered. These two aspects are key to effective consumer protection.

The second round of presentations was opened by Rodney Lester, former Programme Director of Non-Bank Financial Institutions at the World Bank. Mr Lester outlined the role of financial consumer protection in diverse market settings and emphasised the need to adapt the regulation to its context. The adaptation is necessary because each individual typically faces different decisions on financial products, depending on the individual's stage in life (student loan, house purchase, retirement, etc.), for which guidance is essential for an efficient and beneficial allocation of resources. Within consumer protection policies, financial education is

important, but its effectiveness up to today remains questionable. People had already been taught financial subjects in the past without resulting in noticeable enhancements of their educational levels. Mr Lester argued that financial products should be regulated as they are subject to an increased asymmetry of information between service providers and consumers. Furthermore, competition may not insure proper functioning of the market, also owing to asymmetry and the cost of information. Another argument for consumer protection is the complexity of financial service products, which are difficult to understand for the average person. In case a consumer wants to complain about a service, the legal procedure is resource- and time-consuming in many countries. In Croatia, for example, the average duration of a court procedure is nine years until a decision is taken. In his concluding remarks, Mr Lester outlined the critical aspects of consumer protection, which include cheap and efficient recourse structures; the provision of clear information to consumers; promotion of information dispersion through actors such as the media and rating companies; and the use of prudential regulation to deal with systemic risk.

In the subsequent speech, Eric Ducoulombier, Deputy Head of Unit for Retail Issues, Consumer Policy and Payment Systems at DG Internal Market and Services (European Commission), observed that the World Bank and EU are basically working on the same question concerning consumer protection in financial services. He explained that the notion of consumer protection has been broadened to “consumer policy” to account more for consumers. In this vein, the four priorities for the European Commission over the past 15 years have been to 1) ensure that consumers are provided with high-quality, safe and diversified products; 2) increase consumer confidence; 3) empower consumers; and 4) involve consumers in the decision-making process.

Several measures have been initiated by the Commission to reach these objectives. For the first priority, the Commission has focussed on combining the effect of competition and protection in financial services, e.g. with the Payment Services Directive. Regarding the second priority on consumer confidence, Mr Ducoulombier judged this subject to be a very complex phenomenon, as it takes many years to establish confidence, but only minutes to destroy it. There is a need to create an encouraging environment for consumers to build trust, for instance through a network of financial ombudsmen. Referring to the third objective of consumer empowerment, Mr Ducoulombier pointed to the risk of information overlap when providing product details to consumers, because a consumer may face the difficulty of trying to absorb too much information. Regarding the fourth priority, consumer involvement, improvements to the organisation of consumer groups are essential. This should help to overcome the asymmetry between consumers and service providers in access to information. Mr Ducoulombier concluded that

all four aspects have been crucial to the Commission’s consumer policy in the past and will guide future decisions.

In the last presentation of the day, Olle Schmidt, Member of the European Parliament and of the Committee on Economic and Monetary Affairs, pointed out that the financial crisis shows the necessity of effective consumer education and protection. Transparency and adequate information provision to consumers are essential for the financial system. Consumers need to develop the right tools to make full use of the internal market, and they need to be aware of all options, including financial education and the possibility for redress. They should have an idea of the roles of institutions and banks in this respect. One role of governments should be to provide benchmarks at the EU level. The industry side should fulfil its responsibility as well, for instance by giving lectures on its activities, possibly at workplaces. Mr Schmidt mentioned the discussion underway on an EU system of dispute settlement. Many member states already have mechanisms in place such as Financial Ombudsman services, which are independent entities settling complaints between consumers and financial service providers. Another possibility could be collective redress, to give consumers the opportunity to defend their cases. Generally speaking, alternative approaches to dispute resolution are less costly, more efficient and often preferred by both sides. In his concluding remarks, Mr Schmidt stressed that empowering the consumer makes a better and more responsible consumer; however, it is crucial to have a balanced approach that includes consumers and financial service providers.

Further information:

The programme and other workshop material can be found at www.ecri.eu.

The consultative draft of “Good Practices for Consumer Protection and Financial Literacy in Europe and Central Asia” can be found at www.worldbank.org/eca/consumerprotection.

Upcoming event: PSD and SEPA – Drawing a balance and designing the way forward

On 5 November 2008, ECRI will host an event entitled “PSD and SEPA – Drawing a balance and designing the way forward”. It will take place from 12.15–17.15 at CEPS’ premises and is co-sponsored by Visa Europe.

The Payment Services Directive (PSD) was published in late 2007, constituting the legal basis for the Single Euro Payments Area (SEPA). The industry initiative launched on 28 January 2008 intends to replace the fragmented national markets for payment services with one integrated system. But while deadlines are set for both the transposition of the PSD into national law and the full availability of SEPA standards, many other questions lack clear answers and need to be addressed accordingly. Given the numerous directives and different

regulations affecting payment services providers, the partial duplication and interlinkage between the various provisions are liable to create a legislative labyrinth. What is the scope of the new directive? To what extent will business models have to be reviewed? Will consumers be sufficiently protected? What standards for the various SEPA schemes will have to be implemented? How are (smaller) banks with little cross-border activity affected? Who will benefit?

After a year of work on the implementation of the PSD and with the SEPA soon to celebrate its first anniversary, it is time to assess what has been achieved and – more importantly at this critical stage – where further obstacles lie.

Because of the high level of importance of these issues, ECRI has commissioned two papers that will form the basis for discussion at the workshop. Prof. Dr. Maria Chiara Malaguti (University of Lecce) will elaborate on the legal implications arising from the adoption of the PSD, and Prof. Dr. Jürgen Bott (Fachhochschule Kaiserslautern) will consider the potential gains of extending national payment services networks and the preconditions necessary to reap these benefits.

Distinguished speakers at the workshop will be Ceu Perreira (European Commission, DG Internal Market and Services), Heiko Schmiedel (European Central Bank), Marc Temmerman (Executive Vice President, Visa Europe), Ruth Wandhofer (Citi Global Transaction Services) and Christian Westerhaus (Managing Director, Deutsche Bank).

Further information:

Download the programme and the registration form from www.ecri.eu. Participation is free of charge.

News about ECRI



Nicola Jentzsch becomes a member of Expert Group on Credit Histories

On 4 September 2008, the European Commission officially announced the composition of the Expert Group on Credit Histories (EGCH), for which a call for expression of interest had been issued in June of this year. CEPS Research Fellow Nicola Jentzsch joins the group as an associate CEPS research fellow.

The Commission believes that the creation of a more competitive banking market can be strengthened by improving access to and broadening the availability of credit data, enabling foreign players to enter national markets more easily. According to the European Commission, remedying the lenders' inability to access correct and relevant data on a potential borrower's credit history would ultimately lead to greater access to financial services and lower prices for consumers.

The group assembled for the first time on 26 September 2008 and will continue to meet in Brussels. Its objectives are to "identify all legal, regulatory, administrative and other obstacles to the access to and the exchange of credit data", analyse the economic impact of the coexistence of various credit registers in the member states and present solutions to "maximise credit data circulation whilst ensuring a high level of consumer protection".

The group is composed of 20 experts, representing the credit bureau and -scoring industry as well as central bank officials and consumer advocates. A final report presenting the EGCH's conclusions is expected to be completed by 1 May 2009.

Further information:

The complete list of the EGCH can be downloaded from http://ec.europa.eu/internal_market/finservices-retail/docs/credit/egch_members_en.pdf.

Karel Lannoo speaks at 1st Santander international banking conference

Under the title "Restore Confidence" at the Santander conference on international banking on 16 October 2008, CEPS Chief Executive Officer Karel Lannoo called for urgent coordinated action by European policy-makers to bring European consumers back into the financial system.

The turmoil, which started in August 2007, spilled over into a full-blown crisis of confidence in the financial system, which is undermining the basic functions of banks and carries risks of long-lasting effects. Mr Lannoo called for an action plan for retail financial services with the close coordination of the European Commission and the member states. The action plan should aim at improving the institutional structure of oversight in the EU and upgrading the level of harmonisation in capital standards for banks and financial products, to indicate that the lessons from this crisis have been learned. The risk is that member states will let national responses prevail, which would take us back 15 years in history.

The conference, “Towards a European Retail Financial Services Market”, was Santander’s first conference on international banking and was opened by Emilio Botin, Chairman of the group.

Further information:

Download Karel Lannoo’s presentation from www.ecri.eu.

New ECRI Publications

Survey on banking codes of conduct published

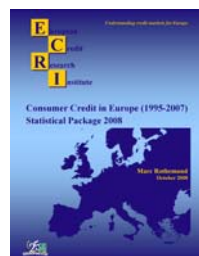
ECRI has conducted a survey on codes of conduct in the banking industry of the 27 EU member states. A code of conduct is a set of rules established to guide the behaviour, decisions and procedures of an organisation. The result of this survey shows that there are remarkable differences concerning such best practice guidelines within the EU, depending upon the type of code and its legal status, the scope and objective, as well as the initiating organisation. Several countries, such as Ireland and Sweden, have an extensive structure of codes regarding the bank–client relationship and also include enforcement mechanisms, whereas banking associations in other countries have not published any best practices for their members, e.g. Romania and Lithuania. One tendency over the past few years has been the publication of guidelines for switching bank accounts, a policy that has been endorsed by the European Commission. Furthermore, in the context of the financial turmoil, in the UK there has been discussion about drafting a code of conduct that would cover the compensation of bank employees and executives – a controversial topic not only in the UK.

Besides the ECRI survey, an ECRI database has been created with information about the initiating organisations, description, content of the codes and further annotations.

Further information:

The survey and database can be found at www.ecri.eu.

Statistical Package published



ECRI’s flagship publication, providing the latest available statistical information on consumer and other credit to households in Europe, has been published. This valuable research tool allows the user to make meaningful comparisons among all 27 EU member states as well as with a number of selected non-EU countries, including the US and Canada.

In addition to an expanded coverage of countries and the inclusion of per capita data, this year’s Statistical Package is also available in a more comprehensive version: the *ECRI Statistical Package – Household Lending in Europe (1995-2007)*. This latter version not only focuses on consumer credit but also offers data on housing and other loans as well as credit to non-financial corporations, thus covering the entire private sector.

Both versions of the 2008 ECRI Statistical Package feature three new countries – Switzerland, Croatia and Iceland – raising the overall number of nations covered to 35. Per capita data is provided for the various credit and national account statistics (GDP, final consumption expenditure and gross disposable income).

Further information:

The ECRI Statistical Package 2008 can be ordered from the CEPS bookshop (<http://shop.ceps.eu>). More information about the publications is available at www.ecri.eu.