

**Az Európai Unió Hivatalos Lapjában (2011. március- április)
kihirdetett jogforrások listája, illetve a pénzügyi szolgáltatások
szektorral kapcsolatban az Európai Bizottság honlapján közzétett
hírek és konzultációk**

Sajtóbejelentések

Sorszám	Cím	Oldalszám
1.	Corporate governance framework for European companies: what needs to be improved?	1
2.	Frequently Asked Questions: Consultation on the EU corporate governance framework	3
3.	Mortgages: better protection for European consumers	9
4.	Creating a fair single market for mortgage credit – FAQ	11
5.	World Consumer Rights Day: making financial services fairer for European consumers	23
6.	Quantitative Impact Study results show insurance and reinsurance undertakings are well positioned to meet new Solvency II capital requirements	25

Konzultációk

Sorszám	Cím	Oldalszám
1.	The EU corporate governance framework	27

1.

IP/11/404

Strasbourg, 5 April 2011

Corporate governance framework for European companies: what needs to be improved?

One of the lessons of the financial crisis is that corporate governance, until now usually based on self-regulation, was not as effective as it could have been. It is important that companies are better run. If companies are better run, not only is a future crisis less likely but they should also be more competitive. The European Commission has launched today a public consultation that addresses the ways in which corporate governance of European companies can be improved. Corporate governance is traditionally defined as the system by which companies are managed and controlled. The consultation covers a number of issues such as how to improve the diversity and functioning of the boards of directors and the monitoring and enforcement of existing national corporate governance

codes, and how to enhance the engagement of shareholders. The deadline for submitting contributions in response to the consultation is 22 July 2011.

Internal Market and Services Commissioner Michel Barnier said: "*In the current economic situation, we need more than ever to ensure that companies are well governed and consequently reliable and sustainable. Too much short term thinking has had disastrous consequences. That is why we have launched today a debate on the effectiveness of the existing corporate governance framework. Above all, we need company boards to be more effective and shareholders to fully assume their responsibilities.*"

What does the public consultation cover?

The lessons of the crisis will eventually lead to better supervision of financial institutions, stronger banks and effective resolution systems for failing institutions. As part of a longer term review of the corporate governance framework of companies at large, this public consultation will focus on how companies, not just financial institutions, work. There are a number of findings that indicate that there is room for improvement in different areas of corporate governance¹, such as diversity in boards, shareholder engagement and the quality of corporate governance statements.

Thus, the Green Paper aims to launch a general debate on a number of issues such as:

- 1. *Board of directors*: questions addressed refer to their effective functioning and ensuring they are composed of a mixed group of people, e.g. by enhancing gender diversity, a variety of professional backgrounds and skills as well as nationalities. Functioning of boards, namely in terms of availability and time commitment of directors are also under scrutiny as well as questions on risk management and directors' pay..
- 2. how to enhance *shareholders' involvement* on corporate governance issues and encourage more of them to take an interest in sustainable returns and longer term performance, but also how to enhance the protection of minority shareholders. It also seeks to understand whether there is a need for shareholder identification, i.e. for a mechanism to allow issuers to see who their shareholders are, and for an improved framework for shareholder cooperation.
- 3. how to improve *monitoring and enforcement of the existing national corporate governance codes*² in order to provide investors and the public with meaningful information. Companies who don't comply with national corporate governance recommendations have to explain why they deviate from them. Too often, this doesn't occur. The Green Paper asks whether there should be more detailed rules on these explanations and whether national monitoring bodies should have more say on companies' corporate governance statements.

What are the next steps?

The consultation is open until 22 July 2011. The Commission will carefully examine all the replies to the consultation and issue a feedback statement summarising the results of the consultation in autumn. On this basis a decision will be made whether legislative proposals are necessary. They will, however, be tabled only after conducting a thorough impact assessment.

Background information:

Currently there exists at EU level a body of corporate governance principles and rules. It consists of a number of recommendations on the independence of non-executive directors,

on board committees, and on remuneration. Moreover, it also contains the obligation for listed companies to issue a corporate governance statement. The directives on takeovers (Directive 2004/25/EC), transparency of listed companies (Directive 2004/109/EC), shareholders' rights (Directive 2007/36/EC), market abuse Directive (2003/6/EC) and audit Directive (2006/43/EC) shape the corporate governance landscape in the EU.

For more information see [MEMO/11/218](#)

http://ec.europa.eu/internal_market/company/modern/corporate-governance-framework_en.htm

The Green Paper is accessible at:

http://ec.europa.eu/internal_market/consultations/2011/corporate-governance-framework_en.htm

¹:

See e.g. the study on Monitoring and Enforcement Practices in Corporate Governance in the Member States, available at

http://ec.europa.eu/internal_market/company/ecgforum/studies_en.htm, or Paul Woolley, 'Why are financial markets so inefficient and exploitative — and a suggested remedy', in [The Future of Finance: The LSE Report](#), 2010, or the Statement by the European Corporate Governance Forum of 23 March 2009, or Heidrick & Struggles, [Corporate Governance Report 2009 — Boards in turbulent times](#).

²:

A corporate governance code presents essential recommendations for the management and supervision of listed companies and contains standards for good and responsible governance. A very complete list of existing corporate governance codes can be found under: http://www.ecgi.org/codes/all_codes.php

2.

MEMO/11/218

Strasbourg, 5 April 2011

Frequently Asked Questions: Consultation on the EU corporate governance framework

What is corporate governance?

Corporate governance is about how companies are managed and controlled. It is also about the existing relationships between a company's management, its board, its shareholders and its stakeholders.

What are the existing rules/recommendations?

The corporate governance framework for listed companies¹ in the European Union is a combination of legislation and 'soft law' (recommendations² and corporate governance codes).

A corporate governance code presents essential recommendations for the management and supervision of listed companies and standards for good and responsible governance³.

While corporate governance codes are adopted at national level, the EU legislation on company reporting (Directive 2006/46/EC) promotes their application by requiring that

listed companies refer in their corporate governance statement to a code and that they report on its application on a 'comply or explain' basis. This means in practice that a company choosing to depart from a corporate governance code has to explain which parts of the corporate governance code it has departed from and why it has done so. Cf Annexe with relevant EU measures in the field of corporate governance.

Why is this consultation needed? What are the problems?

One of the lessons of the crisis was that corporate governance, mostly based on self-regulation, was not as effective as it could have been. Directors failed in their supervisory functions, as there was no effective challenge to the management in boardroom due to the phenomenon of group think.

There was also a lack of shareholder interest in holding the management accountable for their decisions and actions, enhanced by the fact that many of them hold their shares for only a short period of time (the average holding period can be derived from share turnover velocity data available on www.world-exchanges.org). This may contribute to poor management, in particular in companies with dispersed share-ownership.

There is also evidence of shortcomings in the application of the corporate governance codes when reporting on the 'comply or explain' basis. The information provided by companies is in general unsatisfactory and the oversight by monitoring bodies is insufficient⁴.

Is action at European level necessary? After all, have not a number of Member States already started to discuss their corporate governance codes?

More and more European businesses operate on a cross-border basis and for that reason the corporate governance framework at national level is growing in importance. In this respect, possible actions at EU level will complement the actions taken national level.

It is worth mentioning that in some Member States, stewardship codes for shareholders have been or are being developed. They are codes of conduct for shareholders and asset managers, which aim to enhance the quality of engagement between shareholders and companies and improve transparency on shareholder activity.

This development is welcomed because it facilitates a debate on shareholders' responsibilities and may have a positive effect on shareholder engagement and the management of companies. However, the expected effect of the development and adherence to such codes might be limited. For instance, the codes might not take away some of the underlying reasons for the lack of shareholder engagement, such as the short-termism of the financial markets (in recent decades, trading volumes and liquidity have increased, but at the same time, average shareholding periods have decreased).

What does the Green Paper cover?

The Green Paper focuses on three chapters: boards of directors⁵, shareholders and monitoring and enforcement of corporate governance codes.

The chapter on boards addresses means to tackle the phenomenon of group think in the boards of companies by improving their effective functioning and ensuring they are composed of a mixed group of people, e.g. by enhancing, gender diversity, a variety of professional backgrounds and skills as well as nationalities. It will also look at the functioning of boards, namely in terms of availability and time commitment of directors. Questions on risk management and directors' pay are also included.

In the chapter on shareholders, the Green Paper addresses several underlying reasons for the lack of appropriate shareholder engagement, such as the short-termism of the financial

markets (if we consider the fact that holding periods of shares has decreased over the last decades and the average holding period of shares is eight months⁶), problems arising from the principal-agent relationship between investors and their asset managers, conflicts of interests and difficulties with shareholder cooperation. The green paper seeks views on enhancing shareholders' involvement on corporate governance issues by encouraging them to take an interest in sustainable returns and longer term performance

Other issues covered in this chapter are: proxy advisors (i.e. firms providing services to shareholders, such as voting advice for general meetings), minority shareholder protection (i.e. to protect small shareholder against potential abuse by a controlling shareholder), shareholder identification (i.e. a mechanism to allow issuers to see who their shareholders are) and employee share ownership (i.e. schemes allowing employees to participate in the stock capital of the company where they are employed).

The last chapter focuses on ways to improve monitoring and enforcement of existing national corporate governance codes, focusing in particular on quality of information provided by companies and the oversight by monitoring bodies.

What are the objectives of the Green Paper?

The objective of the Green Paper is to have a broad debate on the issues raised. It allows all interested parties to see which areas the Commission has identified as relevant in the field of corporate governance. It is also an opportunity for everybody to express their views on the questions raised, and to provide any relevant material. Finally, the Green Paper allows to flag items the Commission has not considered so far.

How is this consultation different from the Commission's previous consultation on corporate governance in financial institutions?

This consultation looks at the corporate governance of companies at large. It is not focussing on financial institutions as the previous consultation (see [IP/10/656](#)). It is not so much a response to the financial crisis, but it reflects on the general functioning of corporate governance in Europe and possible ways forward. The Green Paper takes due account of the diversity of corporate structures in the various Member States.

Why does it cover also non-financial institutions? They did not cause the crisis.

This Green Paper is not a response to the financial crisis. The Commission's analysis has shown, however, that corporate governance of companies in Europe may still leave room for improvement. As an example, there are still Member States where about half of the listed companies have no women on the board at all. For example, in Italy 70%, in Portugal 55%, in Austria 50% and in Poland 47% of listed companies have no women on the board⁷. Best performers are Denmark, Finland, Sweden, France, Germany and the EEA member Norway, where 90% or more companies have women on board. In the Nordic countries the share of women on boards oscillates between 18 and 33%. The European average is 12%. Worst performers are Italy: 3%, Portugal: 4% and Austria, Poland and Belgium with a female share of directors of each 8%.

The international diversity is also lagging behind in some countries in Poland 68% of listed companies have no foreign director on the board at all, in Italy this figure is 58% and in Spain 46%⁸. There is a need to have more long-term elements in the system as it currently stands.

How does the Green Paper fit with other Commission initiatives on corporate social responsibility?

Both corporate governance and corporate social responsibility are important to companies. While corporate governance concentrates more on internal processes and the functioning of the company, corporate social responsibility focuses on its relations with the broad range of external stakeholders and its social and environmental responsibilities.

The Commission's work on the corporate governance and on corporate social responsibility is complementary. In the field of corporate social responsibility, the Commission has recently conducted a consultation on the disclosure of non-financial information by companies⁹ and on country-by-country reporting¹⁰ (see [MEX/10/1026](#)) and will reflect on possible follow-up measures. The Commission also intends to publish this year a broader Communication on corporate social responsibility.

What are other regions in the world doing in this field?

The US Securities and Exchange Commission (SEC) is currently conducting a consultation on various aspects of the US proxy system (the system which organises shareholder voting). Concerns around proxy advisory firms are part of the consultation. In the Green Paper, the European Commission consults on issues related to proxy advisors in the EU.

What will be the follow-up to the public consultation? Will there be any legislative proposals?

The public consultation will take place from 5 April to 22 July 2011. The Commission will carefully examine all the replies to the consultation and issue a feedback statement summarising the results in autumn. On that basis a decision will be made whether legislative proposals are necessary. As usual they will only be tabled after a thorough impact assessment has been carried out.

Why is gender balance on boards important? Will the Commission introduce quotas?

Companies must have effective boards able to challenge management's decisions. It is extremely important to tackle the phenomenon of 'group think' which has been often observed in corporate boards. Having a more diverse board means having more diverse views, debates and challenges. Gender diversity is particularly important as women have different leadership styles and tend to ask more questions to management. Promoting women to boards can also contribute to increasing the pool of talent available for companies' highest positions.

Currently the proportion of women on boards of companies in the EU is on average 12%. It appears that unless action is taken, it will take another 50 years to attain a more balanced situation. Thus, it is necessary to consider possible means to reinforce gender balance on boards. Different measures can be envisaged, such as introduction of quotas, but also enhancing disclosure on diversity issues. The aim of the consultation is to gather stakeholders' views on the best ways forward.

What is the link with the Commission's strategy on gender equality?

The work on gender balance in economic leadership is complementary to the Green Paper adopted today. Under the strategy for promoting equality between men and women in Europe (see [IP/10/1149](#)), the Commission monitors progress on gender equality, in particular by collecting and disseminating comparable data at EU level through its database on women and men in decision-making.¹¹ By launching this consultation, the Commission now takes the opportunity to gather opinions on the best ways forward.

Does the Green Paper cover risk management issues?

Yes, it considers the board's duties in this field. It is crucial that the board ensures a proper oversight of the risk management processes. In order to be effective and consistent, any risk policy needs to be clearly 'set from the top', i.e. decided by the board of directors for the whole organisation. In each company, roles and responsibilities of all parties involved in the risk management processes need to be clearly defined: the board, the executive management and all operational staff.

Why does the Green Paper consult on directors' remuneration again?

Director's remuneration was also addressed in the Green Paper on corporate governance in financial institutions (see [IP/10/656](#)). A number of respondents to this consultation mentioned that they would welcome more transparency and a shareholder vote on remuneration.

Problems related to directors' remuneration, such as lack of transparency, shareholder involvement and incentives for long term value creation are not limited to financial institutions. The 2010 Commission report on directors' remuneration¹² showed that many Member States have not endorsed the recommendations. On the other hand, the report mentioned that there appears to be a growing tendency among Member States to legislate on disclosure of remuneration and the shareholders' vote.

The purpose of the consultation in this Green Paper is to gather more detailed feedback and for that reason, poses more detailed questions, in particular as regards transparency and the shareholders' vote.

Why does the Commission address shareholders' passivity and the short-termism of the financial markets? Are shareholders not free to make their own investment decisions?

The Commission recognises that not all investors need to actively engage with the companies they invest in. Moreover, investors are free to choose a short-term-oriented investment model without engagement. However, the increasing short-termism of the financial markets and the lack of appropriate shareholder engagement across sectors and markets are likely to have a negative impact on the management of companies. Shareholder oversight is one of the checks and balances in the corporate governance system and is an essential tool to hold management accountable for its decisions and actions. Therefore, the purpose of this consultation is to find possible ways to encourage the presence of a critical mass of shareholders, willing to take their engagement responsibilities seriously. In this Green Paper the Commission has identified different obstacles to shareholder engagement, which may need to be addressed further.

Why does the Green Paper cover proxy advisors, given that they do not have voting rights?

Proxy advisors (i.e. firms providing services to shareholders, such as voting advice for general meetings) have an influence on voting decisions made by shareholders, which in some case may be substantial. Institutional investors, which invest in many companies, might not have the time or resources to assess in detail how they should vote in the general meetings. So, they make use of the services of a proxy advisor, such as voting advice. Also, institutional investors rely more heavily on voting advice for their investments in foreign companies than for investments in their home markets. Given the influence proxy advisors have on shareholders' behaviour, the consultation also addresses the role of proxy advisors

and some concerns with regard to their functioning, such as the methods applied with regard to the preparation of the advice and possible conflicts of interest.

Annex with relevant EU measures in the field on corporate governance

- Directive 2006/46/EC of the European Parliament and of the Council of 14 June 2006 amending Council Directives 78/660/EEC on the annual accounts of certain types of companies, 83/349/EEC on consolidated accounts, 86/635/EEC on the annual accounts and consolidated accounts of banks and other financial institutions and 91/674/EEC on the annual accounts and consolidated accounts of insurance undertakings, OJ L 224, 16.8.2006, p. 1–7.
- Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC, OJ L 390, 31.12.2004, p. 38–57.
- Directive 2007/36/EC of the European Parliament and of the Council of 11 July 2007 on the exercise of certain rights of shareholders in listed companies, OJ L 184, 14.7.2007, p. 17–24.
- Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids, OJ L 142, 30.4.2004, p. 12–23.
- Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board (2005/162/EC) OJ L 52, 25.2.2005, p. 51–63.
- Commission Recommendation of 14 December 2004 fostering an appropriate regime for the remuneration of directors of listed companies (2004/913/EC) OJ L 385, 29.12.2004, p. 55–59.
- Commission Recommendation of 30 April 2009 complementing Recommendations 2004/913/EC and 2005/162/EC as regards the regime for the remuneration of directors of listed companies (2009/385/EC), OJ L 120, 15.5.2009, p. 28–31.

¹ :

Companies which have their registered office in a Member State and whose shares are admitted to trading on a regulated market situated or operating within a Member State.

² :

For a list of EU measures in the field of corporate governance, see Annex- at the end of the memo.

³ :

A very complete list of existing corporate governance codes can be found under:
http://www.ecgi.org/codes/all_codes.php

⁴ :

See e.g. the study on Monitoring and Enforcement Practices in Corporate Governance in the Member States, available at
http://ec.europa.eu/internal_market/company/ecgforum/studies_en.htm

⁵ :

The term ‘board’ essentially refers to the supervisory role of directors. In a dual structure (or two-tier board system), this role generally falls to the supervisory board.

⁶ :

Data from the World Federation of Exchanges: www.world-exchanges.org.

7 .

According to Heidrick & Struggles' European Corporate Governance Report 2011, p.39.

8 .

According to Heidrick & Struggles' European Corporate Governance Report 2011, p.38.

9 .

http://ec.europa.eu/internal_market/consultations/2010/non-financial_reporting_en.htm

10 .

http://ec.europa.eu/internal_market/consultations/2010/financial-reporting_en.htm

11 .

<http://ec.europa.eu/social/main.jsp?catId=764&langId=en>

12 .

(COM (2010) 285) report on the application of recommendation 2009/385/EC

3.

IP/11/383

Brussels, 31 March 2011

Mortgages: better protection for European consumers

The financial crisis has shown the damage that irresponsible lending and borrowing practices can have on consumers and lenders, as well as the financial system and the economy at large. This is particularly important in today's integrated EU marketplace. With today's legislative proposal, the European Commission shows its determination to ensure that such practices are not repeated in the future, and to help consumers to regain confidence in the financial system. Borrowers will enjoy a higher level of protection through robust rules concerning advertising, pre-contractual information, advice, creditworthiness assessment, and early repayment. The requirement to provide personalised information to the consumer through a European Standardised Information Sheet will allow consumers to compare mortgage conditions from different providers. The proposed Directive also aims to create a more efficient and competitive single market for mortgages by creating a level playing field for all actors involved and making cross-border activity easier. It now passes to the European Parliament and the Council of Ministers for consideration.

Internal Market and Services Commissioner Michel Barnier said: "During the boom years, we saw examples of borrowers and lenders acting on the assumption that the good times could not end. Lenders and intermediaries alike engaged in irresponsible practices, and consumers were not warned of the consequences of their decisions. The draft set of rules presented today is designed to ensure a high standard of pre-contractual information and improved lending practices across Europe, while promoting a dynamic, competitive and more integrated Single Market for mortgage credit."

The aim of the Commission proposal is to create a responsible, efficient, healthy and competitive pan-European market that works to the benefit of consumers. It should also promote customer mobility, cross-border activity of creditors and intermediaries, and create a level playing field for all actors involved.

The focus is to ensure that all consumers purchasing a property or taking out a loan secured by their home are adequately informed about the possible risks and that all institutions engaging in these activities conduct their business in a responsible manner. The proposed

Directive covers all loans which allow the consumer to borrow money in order to buy a home as well as certain loans to consumers to renovate a home. It also covers all loans to consumers that are guaranteed by a mortgage or another comparable security.

Outline of the initiative

The proposed Directive will:

- introduce certain requirements for the advertising of mortgage credit, for example wording that may create false expectations for a consumer regarding the availability or the cost of a credit will be prohibited;
- ensure that all institutions involved in the origination and distribution of mortgage credit to consumers are adequately regulated and supervised;
- establish principles for the authorisation and registration of credit intermediaries (companies who provide information and assistance to consumers looking for a mortgage credit and sometimes conclude mortgage agreements on behalf of the lender) and for the establishment of a passport regime for those intermediaries. This means that once authorised in one Member State, the intermediary would be allowed to provide its services throughout the Internal Market.
- ensure that lenders benefit from provisions enabling them to access information in credit databases on a non-discriminatory basis.

Lenders and credit intermediaries will be required to:

- make general information available at all times on the range of credit products they offer;
- provide personalised information to the consumer through a European Standardised Information Sheet or so called "ESIS". This will allow consumers to compare mortgage conditions from different providers;
- give explanations and meet certain standards for the provision of advice;
- assess the consumer's ability to repay, based on information provided by the borrower;
- finally, credit intermediaries will be required to disclose certain information concerning for example, their identity, status and relationship with the creditor, to render transparent any potential conflicts of interest.

Borrowers will:

- benefit from extra information at all stages in the process of taking out a mortgage allowing them to make the right decisions for them;
- benefit from a harmonised annual percentage rate of charge in line with that set out in the Consumer Credit Directive which will facilitate the comparability of advertising and the pre-contractual information;
- have an obligation to provide the necessary information to enable an assessment of their ability to repay;
- have an entitlement to repay their credit before the expiry of the credit agreement, subject to certain conditions to be determined by Member States.

Related initiatives

In parallel the Commission also presents today a working paper on national measures and practices to avoid foreclosure procedures. It also provides examples for national public authorities and creditors on how rising default rates have been addressed across the EU, with a view to avoiding foreclosure procedures where possible and reasonable. These

include reconciliation procedures, mediation, modification of loan terms, to minimum length of time before starting foreclosure procedures, public rescue schemes and provision of independent debt and legal advice, as well as the collection of data and internal reporting.

Background

Despite the considerable size of the EU mortgage market (equivalent to 50% of European GDP) as well as the importance of a mortgage to consumers, there is no EU legislative framework in place concerning mortgage lending and the market remains highly fragmented.

While many factors drive the decision to grant a particular mortgage credit, it appears that irresponsible behaviour by certain market actors have in recent years contributed to excessive mortgage lending. Consequently, EU citizens are having difficulties in meeting their debts. In 2008, 16 % of people reported difficulties in paying bills and 10 % of all households reported arrears. In line with these difficulties, defaults and foreclosures have risen.

More information on EU activities retail financial services – Credit

http://ec.europa.eu/internal_market/finservices-retail/credit/mortgage_en.htm

MEMO/11/205

4.

MEMO/11/205

Brussels, 31 mars 2011

Creating a fair single market for mortgage credit – FAQ

1. What does this proposal cover?

The focus of this proposal is to ensure that all consumers purchasing a property or taking out a loan secured by their home are adequately protected against the risks. Consequently, the proposal covers all loans to consumers to buy a home as well as certain loans to consumers to renovate a home. It also covers all loans to consumers that are guaranteed by a mortgage or another comparable security.

2. Why act at the European level?

The financial crisis has had a substantial impact on EU citizens. Many have lost confidence in the financial sector and irresponsible lending is now having an impact. As borrowers have found their loans increasingly unaffordable, defaults and foreclosures have risen. These problems are not just cyclical or limited to one or two Member States but can be found throughout the EU. As the recent financial crisis also illustrated, the effects of irresponsible lending in one country can quickly spread beyond national borders.

But this focus on mortgage markets is not new. For several years, the Commission has reviewed EU residential mortgages markets to ensure the efficient functioning of the Single Market. A single market for residential mortgages is far from completion as several obstacles exist to the free provision of services. These obstacles restrict the level of cross-

border activity on the supply and demand sides, reducing competition. Creditors may be less efficient than they could be and borrowers may face the risk of consumer detriment.

Against this background, it is clear that solutions can not only be found at the domestic level. Common standards across the EU are necessary to promote an efficient and competitive single market with a high level of consumer protection. These standards are essential not only as a step towards creating a more efficient and competitive single market but in order to ensure that the appropriate lessons are learnt from the sub-prime crisis and to ensure that such a financial crisis does not reoccur in the future.

3. How did the Commission reach the decision to regulate European mortgage markets?

In the context of efforts to create a genuine single market for financial services in the 1990s, self-regulatory initiatives were developed to improve the quality and comparability of information provided to consumers on mortgages. In 2001, these efforts resulted in the European Voluntary Code of Conduct on pre-contractual information for home loans. A Recommendation by the Commission endorsed this Code and committed to monitoring compliance with the Code and to assessing its effectiveness.

Two years after the adoption of the Code, the Commission began a broad review of EU mortgage markets to assess the implementation of the Code and whether further steps were necessary to promote the integration of EU mortgage markets. This process culminated in the White Paper on the Integration of EU Mortgage Markets.¹

Against this background and in the wake of the financial crisis, the Commission launched a further consultation to strengthen and deepen its understanding of the issues surrounding responsible lending and borrowing. Additional research was also undertaken on specific topics such as the role and regulation of credit intermediaries in the internal market, the role and regulation of non-credit institutions providing mortgage credit, consumer testing of the standardised information provided to consumers, and a cost-benefit analysis of different policy options.

Taking into account the results of the extensive consultative process and research undertaken to date, the decision was reached to come forward with a targeted proposal regulating specific aspects of the mortgage sale and distribution process.

4. Has an impact assessment been undertaken and what were the main conclusions?

In line with the Commission's better regulation approach a comprehensive impact assessment has been undertaken for this proposal. It builds on the impact assessment accompanying the White Paper on the Integration of EU Mortgage Markets and incorporates the results of studies and consultations undertaken since the publication of the White Paper.

The impact assessment concludes that a package of measures is necessary to ensure responsible lending and borrowing throughout the EU. This will minimise consumer detriment, in particular for consumers with low levels of financial literacy or on low incomes, improve customer mobility both at national and, albeit to a lesser extent, cross-border level, facilitate cross-border activity by businesses and create a level playing field throughout the EU. The entry of foreign lenders and credit intermediaries (generally, companies who provide information and assistance to consumers looking for a mortgage credit and sometimes conclude mortgage agreements on behalf of the lender) should also strengthen competition. According to Commission calculations based on current evidence, expected benefits to society in terms of the potential reduction in the number of consumer

defaults are estimated at EUR 1 272–1 931 million per annum. Estimated expected total one-off and ongoing costs for lenders, intermediaries and Member States are in the range of EUR 383–621 million and of EUR 268–330 million respectively. These figures exclude the costs and benefits of early repayment which are subject to a separate cost-benefit analysis in the Study on the Costs and Benefits of the different policy options for mortgage credit. The strong positive effect on consumer confidence of the proposed Directive is also expected to underpin the demand for credit products and encourage consumer mobility both at national and, albeit to a lesser extent, cross-border level. These last effects could however not be quantified due to the difficulty in modelling consumer behaviour.

5. What are the Commission's objectives in the field of mortgage credit?

The objectives are to create an efficient and competitive single market for consumers, creditors and credit intermediaries with a high level of consumer protection and to promote financial stability by ensuring that mortgage credit markets operate in a responsible manner. The proposal seeks to do this in several ways, including by fostering consumer confidence and customer mobility, creating a level playing field for operators and promoting cross-border activity by creditors and credit intermediaries.

6. What problems will this proposal address?

Irresponsible lending and borrowing can be found throughout the EU. For consumers, the consequences have been difficulties in paying bills, defaults on their debts or even the loss of their home through foreclosure. This is, at least in part, caused by different levels of knowledge and differing interests between the lender/intermediary and the consumer, which can result in the consumer buying an unsuitable product. For example, unclear or difficult to understand adverts or information can make it difficult for the consumer to choose the best product for their needs as can inadequate assessments of the consumer's ability to repay the loan or inappropriate advice. Regulatory gaps or inconsistencies can make the situation worse.

Barriers also exist which prevent or inhibit consumers and lenders from making the most of the single market. Consequently, levels of cross-border lending remain low. Lenders and intermediaries face obstacles that prevent them from doing business in another Member State (e.g. inability to access consumer credit histories and different registration, authorisation and supervision requirements for intermediaries) or disproportionately increase their costs (e.g. different advertising or disclosure requirements). Citizens also face obstacles (e.g. lack of comparable information, different standards of care) when seeking a mortgage in another Member State, or even from a lender in the same Member State for a property situated elsewhere in the EU.

Other problems such as low levels of financial literacy, the tying of mortgage credit products to other products, and issues relating to mortgage funding, which may also impact on the decision to grant a particular credit and the borrower's choice of mortgage product, are out of scope of this initiative.

7. Why does the Commission want to integrate mortgage markets, if the average consumer will not be shopping cross-border?

The Commission acknowledges that today only a small fraction of the European population is active cross-border. Indications are that this will remain relatively small in the short to medium term. Integration will therefore be predominately driven through cross-border activity by mortgage lenders for the near future. Consequently, the Commission aims at facilitating the cross-border supply of mortgage credit by removing the barriers to and reducing the costs of engaging in cross-border lending. In this way, consumers should be

able to choose not only from the products and services which are currently available on their home market, but also from products and services which have been designed elsewhere in the EU and are offered to the consumer by locally established firms, local agents or brokers of EU lenders, or even on a purely cross-border basis.

Key facts & figures

- In 2008, outstanding residential mortgage lending in the EU27 represented about 50 % of EU GDP and 32 % of total euro area monetary financial institutions (MFIs) loans at the end of 2008 were residential mortgages.ⁱⁱ Rising household debt levels exist throughout Europe, of which mortgage debt is the largest component, accounting for some 70 % of euro area households' total financial liabilities at the end of 2008.ⁱⁱⁱ
- Citizens are having increasing difficulties in meeting their debts: in 2008, 16 % of people reported difficulties in paying bills^{iv} and 10 % of all households reported arrears.^v The difficulty in meeting repayments has led to an increase in default rates and a rise in foreclosures.
- Pre-contractual information is difficult to compare; almost 38 % of EU citizens find it very or fairly difficult to compare offers.^{vi} Different methodologies and cost bases also make the Annual Percentage Rate of Charge (APRC) incomparable. Consumers also view the information provided as complex and unclear; 59 % of EU citizens find it difficult to understand information on the way their mortgages work and the risks involved.^{vii}
- While information can be obtained directly from the borrower, information provided by consumers can sometimes be unreliable, especially given potential misaligned incentives. For example, consumers have been found to overestimate their income and/or underestimate their commitments in up to 70 % of mortgage applications.^{viii}
- More than 90 % of mortgages in Latvia, Romania and Estonia are issued in a foreign currency and in Austria, more than 38 % of outstanding mortgage credit is denominated in a foreign currency.
- In 2006/2007, 45% of UK mortgages were granted without the consumer's income being verified.^{ix}
- According to Commission calculations based on current evidence the expected benefits of the package are EUR 1 272–1 931 million. Expected total one-off and ongoing costs are estimated at EUR 383–621 million and EUR 268–330 million respectively.^x According to Commission calculations based on current evidence, expected benefits to society in terms of the potential reduction in the number of consumer defaults are estimated at EUR 1 272–1 931 million per annum. Estimated expected total one-off and ongoing costs for lenders, intermediaries and Member States are in the range of EUR 383–621 million and of EUR 268–330 million respectively. These figures exclude the costs and benefits of early repayment which are subject to a separate cost-benefit analysis in the Study on the Costs and Benefits of the different policy options for mortgage credit. The strong positive effect on consumer confidence of the proposed Directive is also expected to underpin the demand for credit products and encourage consumer mobility both at national and, albeit to a lesser extent, cross-border level. These last effects could however not be quantified due to the difficulty in modelling consumer behaviour.
- In the US, mortgage brokers and lenders with no federal supervision originated a substantial portion of all mortgages and over 50% of subprime mortgages.^{xi}

- Irresponsible lending and borrowing impacts on the solvability of mortgage lenders. Notably, some of the high profile collapses in recent years have been mortgage lenders (e.g. Northern Rock, Bradford and Bingley and DSB Bank).
- Irresponsible lending and borrowing has had a concrete financial impact through government bail-out programmes or nationalisation.^{xiii} In the UK, 20 % of GDP has been given directly to the financial and other sectors to cover bad debts and ensure sufficient capital. In Latvia, austerity measures including a 30 % cut in public sector employees pay have been introduced to help the country, and in particular the financial sector resolve the bad debts.

8. How will the announced package benefit consumers?

Consumers will benefit directly and indirectly. In direct terms, the measures announced should improve consumer confidence in the lenders and intermediaries that provide mortgage loans as well as in the products themselves. This would reduce the likelihood that they purchase an inappropriate product, which could potentially lead to overindebtedness, default or even foreclosure. In particular, consumer confidence should be boosted by clearer and more understandable information on mortgage loans by means of an improved European Standard Information Sheet (Annex I), better assessments of consumers' ability to repay the loans and more reliable advice. However, indirectly, consumers could also benefit from increased competition both domestically and cross-border.

9. Will the Commission's proposals make it more difficult for consumers to obtain a mortgage?

Responsible lending practices, in particular the obligation to assess the borrower's creditworthiness and to reject the credit application if the outcome of the assessment is negative, may indeed result in reduced access to credit for certain groups of borrowers, such as those with a low income or an impaired credit history. The extent of this possible impact would however largely depend on exactly how Member States would translate this proposal into national law.

At the same time, this proposal plays an important role in ensuring that the most vulnerable consumers, such as those groups mentioned above, are protected by reducing the risk of overindebtedness and default, thus enhancing the social sustainability of lending practices and social cohesion.

10. Will this proposal increase the price of a mortgage credit for consumers?

The price of a mortgage credit depends on a range of factors including the general economic climate, the costs of refinancing for the lender, the level of competition in the mortgage market, and the risks the lender would be exposed to and the costs it may incur. While some of the policies will increase the fixed costs for the lender, at least in the short run, some of the policies being proposed, such as the ability to access consumer credit histories cross-border, should make it easier for lenders to assess the risks of with providing the loan and offer more accurate risk-based pricing, thus potentially reducing the price for some consumers. Other policies, such as those to promote the development of the credit intermediation market, should promote further competition in mortgage markets and offer new business opportunities to lenders and intermediaries alike, therefore potentially leading to a reduction in the price of mortgage credit.

11. European mortgage markets have not experienced the excesses that we saw across the Atlantic. Why therefore introduce EU legislation to solve US problems?

This proposal is a European solution to a European problem. Irresponsible mortgage lending and borrowing in the EU is nowhere near the levels in the US. But this does not mean that irresponsible mortgage lending and borrowing does not occur in the EU or that it does not have consequences for consumers and the wider economy. Similar weaknesses in the regulation of EU markets have been identified, including, inadequate regulation of intermediaries and non-banks and insufficient or inadequate assessment of a consumers' repayment capacity. As the recent financial crisis illustrated, the effects of irresponsible lending in one country can quickly spread beyond national borders. In an integrated financial market such as the EU, these effects can occur rapidly and through multiple channels. The proposal for a Directive will create standards to ensure that mortgage lending in the EU takes place in a responsible manner and contribute to promoting financial, economic and social stability in all EU Member States. This proposal also responds to the G20 recommendations^{xiii} to ensure that all markets, products and participants are subject to adequate regulation and supervision.

However, this proposal does not focus exclusively on enhancing responsible lending. It also seeks to create a genuine single market for mortgage credit. For several years, the Commission has engaged in a comprehensive review of EU residential mortgages markets to ensure the efficient functioning of the single market. In this respect, this proposal also brings forward measures that should enhance the efficiency of the single market, including for example, measures to facilitate cross-border access to credit databases and a passport for credit intermediaries.

12. Why legislate on early repayment at the European level?

This proposal requires Member States to guarantee the right of borrowers to prepay their mortgages before the end of the contract. This would enable a borrower to prepay the loan in order to, for example, consolidate debts through a new mortgage or sell their home because of a change in personal and/or financial circumstances.

Early repayment has previously been identified in the White Paper on the Integration of EU Mortgage Markets and its accompanying impact assessment as one of the main obstacles to the creation of a single market for mortgages. The existence of different national early repayment regimes impact negatively on consumer confidence and restrict customer mobility. They also inhibit cross-border activity and create an unlevel playing field for lenders. The issue of early repayment therefore cannot be ignored when attempting to design a credible policy on the integration of mortgage markets.

Giving consumers the right to repay their loan in advance is also an essential element of consumer protection. Studies have shown that consumers are not always aware when taking out a mortgage that they could benefit from such a right. A right of early repayment is also in the interest of the market: consumers having the opportunity to escape their current loan will be more inclined to seek better offers, and take full advantage of opportunities for mobility in employment or training.

Member States will be free to determine the eligibility criteria, the conditions for exercising the right and the existence, level and method of calculating any compensation payable to the lender in order to invoke the right. However, Member States must ensure that these conditions are not so restrictive that they would gut the law of substance.

13. Why are you just regulating residential mortgage lending and not commercial loans?

The Directive covers credit agreements secured by a mortgage or by another comparable security, loans to purchase a property and certain credit agreements aimed at financing the renovation of a residential immovable property. As such, the main focus of the Directive is on loans to consumers rather than to companies.

Consequently, commercial mortgage transactions, namely, the provision of a mortgage loan from a bank to a company to build or develop property would not be covered by this proposal. However, the proposal does not preclude the possibility that some Member States may wish to extend the scope to other beneficiaries such as small or medium-sized enterprises or indeed to some commercial property transactions.

Commercial property developers who offer mortgages to purchase their properties would be covered by this proposal. Such developers would be acting as intermediaries as defined in the proposal and would therefore be subject to the conduct of business rules as well as the requirements for registration and supervision.

14. Many of the areas being regulated by this proposal are already covered by a wealth of consumer protection legislation. Why is more regulation necessary?

The proposal is not only consistent with but also complementary to other existing EU legislation in the areas of consumer protection.

The Unfair Commercial Practices Directive (UCPD) (Directive 2005/29/EC) already provides protection for consumers, but it does not take into account the specificities of mortgage credit. In order to ensure that consumers can compare different offers and make informed choices, this proposal sets out, amongst other things, specific provisions for the advertising of mortgage credit and standardised pre-contractual information. The UCPD complements these specific requirements in the areas not covered by the proposal. For instance, it will come into play if the creditor or the credit intermediary uses aggressive commercial practices or when the practice in question is regarded as unfair per se under the Black List of the UCPD.

The Distance Marketing of Financial Services Directive (Directive 2002/65/EC) applies to consumer distance contracts for financial services and provides a number of fundamental legal rights for consumers. The areas where this Directive and the proposal overlap are limited and specifically identified in the proposal. For instance, the proposal addresses the issue of provision of information before the conclusion of the contract in case of distance selling and therefore takes precedence over the Distance Marketing of Financial Services Directive in this field.

The Consumer Credit Directive (Directive 2008/48/EC) was adopted with the aim of enhancing the level of consumer protection and facilitating the integration of the consumer credit market. The proposal largely draws on the conduct of business provisions in the Consumer Credit Directive, while taking account the specific features of mortgage credit, for example by introducing risk warnings in the pre-contractual information provisions and by strengthening creditworthiness assessment provisions.

In conclusion, this proposal complements existing EU consumer protection legislation, in particular by focusing on ensuring responsible conduct of business. Together, the EU legislation should each contribute to a higher level of consumer protection.

15. Changes made to the Capital Requirements Directive force banks to operate responsibly. Why are additional measures necessary?

Forthcoming changes to the Capital Requirements Directive should not alter the flow of credit to consumers directly but instead focus on ensuring that appropriate collateral (e.g.

property) exists to cover the risks taken in order to ensure the institutional stability of the lender.

In contrast, this proposal focuses on the consumer's ability to repay the loan and not the value of the collateral. In essence, the Capital Requirements Directive focuses on risks to the lender, whereas this proposal focuses on the avoiding risks to the consumer.

16. Markets have self-corrected and no longer engage in many of the practices that have been identified as irresponsible. As such, there is no need for EU legislation.

It is true that lending conditions have tightened considerably since the onset of the financial crisis. But policies also need to be forward-looking. When markets and the economy pick up further, and lending volumes increase, it is essential that a robust regulatory framework is in place to ensure that the mistakes of the past are not repeated.

17. What are the main findings of the Staff Working Paper on pre-foreclosures accompanying the proposal?

Over the last two years, the Commission services collected information on the evolution of defaults and foreclosures in the Member States and measures taken or about to be taken at national level to avoid foreclosure procedures where possible and reasonable. Several broad trends can be identified.

All Member States that provided information for the years 2008 and 2009 have experienced an increase in default rates over that period. However, when looking at the various default rates more closely, Member States appear to have experienced the impact of the financial crisis differently, with some having higher absolute default rates than others.

In a similar way, data relating to the number of foreclosure procedures reveals a mixed picture. However, the increase in the number of foreclosures opened in 2008–2009 is generally significantly lower than over the period 2007–2008, during which Member States experienced overall an increase in the opening of foreclosure procedures.

The report shows that various steps can be undertaken before lenders need to resort to foreclosure. Creditors in some Member States have voluntarily adopted internal practices in order to avoid foreclosures. Certain measures have also been imposed however on creditors in some Member States to help reduce the number of foreclosures. The report provides illustrations of these practices at national level, ranging from reconciliation procedures, mediation, modification of loan terms, to minimum length of time before starting foreclosure procedures, public rescue schemes and provision of independent debt and legal advice, as well as the collection of data and internal reporting.

18. What are foreclosure procedures?

For the purposes of its research, Commission services have defined a 'foreclosure procedure' as a legal action taken by the lender with the view to recovering the money lent, in cases where the borrower has defaulted in paying his instalments. In the same context, 'repossession' refers to the lender actually taking possession of the mortgaged property.

19. What does the proposal do to reduce the risks associated with foreign currency loans?

In some Member States (e.g. Poland, Hungary), a significant part of mortgage credit agreements taken out by households and individuals for their private residences are denominated in foreign currencies, like the Swiss franc. More than 90 % of mortgages in Latvia, Romania and Estonia are issued in a foreign currency. However, foreign exchange

lending is not limited to the newer EU Member States; in Austria, more than 38 % of outstanding mortgage credit is denominated in a foreign currency. Foreign currency lending allowed consumers to benefit from mortgage interest rates which were lower than in their own countries, but at the same time exposed them to currency risks, which could increase the cost of their loan expressed in domestic currency significantly, potentially leading to an increasing number of defaults and foreclosures.

This proposal will ensure that when a lender or intermediary offers a mortgage credit contract denominated in foreign currency that the borrower is made aware through information and personalised explanations of the related currency risks and the effects thereof on the cost of their loan. In particular, the information provided to the consumer should include information on the exchange rate used for calculating and adjusting the exchange rate spreads and the rate used for converting repayments as well as clear risk warnings about the risks of foreign currency loans. The information provided to the borrower should also provide clear examples of the impacts of exchange rate changes both in an upward and downward direction. Finally, the proposal should also ensure that creditors do not overestimate the repayment capacity of borrowers by ensuring that they carefully consider the consumer's ability to repay the loan now and in the future.

20. Granting a loan is a commercial decision. Why is the Commission interfering in the contractual freedom of mortgage lenders?

Although estimates are that 90 % of creditors currently assess a borrower’s creditworthiness, this does not necessarily mean that they decide against granting a loan if the assessment is negative. Creditors can rely on the value of the underlying collateral (the property) in the event of default, transfer the risk of default to a third party by issuing mortgage backed securities or even sell the loan (and risk) to someone else entirely. Consequently, there is a risk that, at least in some instances, the creditors will grant the loan to a consumer who is unable to repay the loan. This proposal seeks to avoid those risks by preventing lenders from being able to grant a loan to a consumer who is unable to repay that particular loan (a negative assessment of creditworthiness). A negative credit assessment is not necessarily the result of a negative credit score or consultation of a credit database but should take into account a wide range of information, including for example, other guarantees offered by the consumer. A positive creditworthiness assessment does not however constitute an obligation for the creditor to provide credit.

ANNEX I

Pre-Contractual Information for Home Loans

EUROPEAN STANDARDISED INFORMATION SHEET (ESIS Model)

<i>(Introductory text)</i>
This document was produced on [current date] in reply to your request for information. This document does not constitute an obligation for us to grant you a loan. This document was produced on the basis of the information that you have provided so far and on the current financial market conditions. The information below remains valid until [validity date]. After that date, it may change in line with market conditions.
1. Lender
-[Name] [Geographical address] [Telephone number] [E-mail address] [Web address]

-Supervisory authority: [Name and Web address of supervisory authority]
-Contact person: [Full contact details of contact person]
2. Main features of the loan
-Amount and currency of the loan granted: [value][currency] (Where applicable) "This loan is not in [national currency]"
-Duration of the loan: [duration] [Type of loan] [Type of applicable interest rate]
-Total amount to be reimbursed: [Maximum available loan amount relative to the value of the property]:
-(Where applicable) [Security]
3. Interest rate
The APRC is the total cost of the loan expressed as an annual percentage. The APRC is provided to help you to compare different offers. The APRC applicable to your loan is [APRC]. It comprises:
Interest rate [value in percentage] [Other components of the APRC]
4. Frequency and number of payments
-Repayment frequency: [frequency] Number of payments: [number]
5. Amount of each instalment
-[Amount] [currency] -(Where applicable) The exchange rate used for converting your repayment in [credit currency] to [national currency] will be the rate published by [name of institution publishing exchange rate] on [date].
6. Illustrative repayment table
This table shows the amount to be paid every [frequency]. -The instalments (column [relevant no.]) are the sum of interest paid (column [relevant no.]), capital paid (column [relevant no.]) and, where applicable other costs (column [relevant no.]). Where applicable, -The costs in the other costs column relate to [list of costs]. Outstanding capital (column [relevant no.]) is the amount of the loan that remains to be reimbursed after each instalment. -[Amount and currency of the loan] [Duration of the loan] [Interest rate] [Table] -(Where applicable) [Warning on the variability of the instalments]
7. Additional obligations and costs
The borrower must comply with the following obligations in order to benefit from the

lending conditions described in this document.

[Obligations]

(Where applicable) Please note that the lending conditions described in this document (including the interest rate) may change if these obligations are not complied with.

In addition to the costs already included in the [frequency] instalments, this loan entails the following costs:

Costs to be paid on a one-off basis / Costs to be paid regularly

Please make sure that you are aware of all other taxes and costs (e.g. notary fees) associated with this loan.

8. Early repayment

-(Where applicable) You do not have the possibility to repay this loan early.

-(Where applicable) You have the possibility to repay this loan early, either fully or partially.

-(Where applicable) [Conditions]

[Procedure]

-(Where applicable) Exit charge:

-(Where applicable) Should you decide to repay this loan early, please contact us to ascertain the exact level of the exit charge at that moment.

***(Where applicable)* 9. Right of withdrawal**

For a period of [length of withdrawal period] after the signing of the credit agreement, the borrower may exercise his right to cancel the agreement.

10. Internal complaint scheme

-[Name of the relevant department] [Geographical address] [Telephone number] [E-mail address]

Contact person: [contact details]

11. External complaint body

In the event of disagreement with the lender which remains unresolved the borrower has the possibility to address a complaint to:

[Name of the complaint body] [Geographical address] [Telephone number] [E-mail address]

12. Non-compliance with the commitments linked to the loan: consequences for the borrower

[Types of non-compliance] [Financial and/or legal consequences]

Should you encounter difficulties in making your [frequency] payments, we invite you to contact us as quickly as possible to explore possible solutions.

***(Where applicable)* 13. Additional information in the case of distance marketing**

(Where applicable) The law taken by the creditor as a basis for the establishment of relations with you before the conclusion of the credit contract is [applicable law].

Information and contractual terms will be supplied in [language]. With your consent, we intend to communicate in [language/s] during the duration of the credit agreement.

14. Risks and warnings

- We draw your attention to the risks involved in taking out a mortgage loan.
- (Where applicable) The interest rate of this loan does not remain fixed during the whole duration of the loan.
- (Where applicable) This loan is not in [national currency]. Please note that the amount in [national currency] that you will need to pay at each instalment will vary in line with the [loan's currency/national currency] exchange rate.
- (Where applicable) This is an interest-only loan. This means that, during its duration, you will need to build up enough capital in order to reimburse the loan amount at maturity.
- You will also need to pay other taxes and costs (where applicable), e.g. notary fees.
- Your income may change. Please make sure that if your income falls you will still be able to afford your [frequency] repayment instalments.
- (Where applicable) Your home may be repossessed if you do not keep up with payments.

i :

COM(2007) 807, 18.12.2007.

ii :

Hypostat 2008: A review of Europe's Mortgage and Housing Markets, European Mortgage Federation, November 2009.

iii :

Monthly Bulletin, European Central Bank, August 2009.

iv :

The European Union Today and Tomorrow, Eurobarometer 69, November 2008.

v :

Towards a Common Operational European Definition of Over-indebtedness, Observatoire de l'Épargne Européenne in cooperation with CEPS and the University of Bristol, February 2008.

vi :

Consumers' views on switching service providers, Annex tables, Flash Eurobarometer 243, January 2009, p. 40.

vii :

Public Opinion in Europe on Financial Services, Special Eurobarometer 230, August 2005, pp. 67-69.

viii :

Response to the Financial Services Authority Mortgage Market Review Discussion Paper, Experian, December 2009, p. 10.

ix :

CP10/16: Mortgage Market Review, Financial Services Authority, 13.7.2010

x :

See Impact Assessment, Section 6.8, Table 29

xi :

Treasury Blueprint for a modernised financial regulatory structure, 31.3.2008, p. 6.

xii :

See Annex 4 of the Impact Assessment, Section 4.9.1, Table 27.

xiii :

G20 Declaration, summit on financial markets and the world economy, 15.11.2008.

5.

MEMO/11/168

Brussels, 15th March 2011

World Consumer Rights Day: making financial services fairer for European consumers

15 March is World Consumer Rights Day In 2011, Consumers International – a global federation of consumer groups – is celebrating the occasion by campaigning for fairer financial services. The European Commission fully supports this objective and is acting on all fronts to give EU consumers a fairer deal in financial services.

Commenting on the occasion, the Internal Market Commissioner Michel Barnier said:

"Financial markets should be at the service of citizens, not the other way around. Europe must make financial services more fair and transparent for consumers everywhere in Europe. This means getting the information you need to make the right decision when taking out a mortgage, making it easy to transfer money from your account to another EU country or getting your money back from your current account if your banks fails."

A lot has been achieved over the last 12 months: the new European supervisory authorities for banks, insurers and markets have started their work and will safeguard consumers from high-risk or toxic financial products. New rules for hedge funds and other alternative investors have been adopted to make sure that they handle assets on behalf of pension funds and other investors in all transparency and responsibility. Also, new rules will apply from 1 July that will give investors the information they need to make the right investment decisions for them.

We will shortly table robust rules for consumer protection when buying mortgages, and we will introduce new laws establishing a universal right to a basic bank account as well as measures to curtail risky investment products for consumers. Meanwhile, our efforts to making financial markets more transparent and responsible will continue: from the stock exchange floor to the board room."

Commissioner for Health and Consumers John Dalli said:

"In recent years, millions of consumers failed to get information and advice which they could understand in relation to their investments. As a result, many made poor investment choices and lost large parts of their savings. This caused a lot of pain in consumers' lives and seriously undermined people's confidence in the financial markets.

Our studies have revealed that consumers are often overpaying for their basic financial services and do not always get effective redress they deserve.

The European Commission has not been passive in the face of this.

For basic financial services, such as current bank accounts, we are working to make sure that contracts make sense for consumers, contain clear information that they can understand and clearly show all the fees and charges. We want consumers to be confident that they can understand and compare the cost of their daily banking services so that they do not pay more than they should. We also want to make it easy for consumers to switch to a better and cheaper bank account if they so wish.

We also want to restore investors' confidence. Following the same model that we have introduced for consumer credit contracts, we have new rules which require the information for investors to be simple and comparable, so that contracts are understood by consumers. They will now have a straightforward sheet of two pages only which will enable them to clearly understand and compare costs, risks and potential yields.

Finally, we are working hard to make out-of-court resolution of consumer disputes faster, more effective and more easily available in the EU. Bodies which help consumers resolve their disputes related to financial services already exist, but we want to help boost their efficiency and coverage. We are now consulting the public on the best EU-wide approach to this".

Background:

World Consumers Day is celebrated each year to mark the historic address made by US President John F. Kennedy on 15 March 1962, in which he was the first world statesman to set out a vision of consumer rights and recognise the importance of consumers as a group.

Internal Market: Financial Services

http://ec.europa.eu/internal_market/top_layer/index_24_en.htm

Consumer Affairs: Financial Services

http://ec.europa.eu/consumers/rights/fin_serv_en.htm

Brussels, 14 March 2011

Quantitative Impact Study results show insurance and reinsurance undertakings are well positioned to meet new Solvency II capital requirements

The European Insurance and Occupational Pensions Authority (EIOPA) has today published the results of a Quantitative Impact Study. The European Commission welcomes those results which show that while technical refinements of certain matters are still needed, insurance and reinsurance undertakings are well positioned to meet the new Solvency II capital requirements. The Solvency II Directive to be implemented by 1 January 2013 sets the framework for the next generation of supervisory rules for insurance and reinsurance companies in the EU. The rules of the Solvency II Directive need to be complemented by implementing measures, which will be adopted by the Commission this year. The Quantitative Impact Study (QIS5) was run by the EIOPA from August to November 2010 ([IP/10/1064](#)) to ensure that the finalisation of the implementing measures is based on sound, empirical data. This is the fifth quantitative impact study conducted in the context of the elaboration of the new insurance and reinsurance framework.

The European Commission welcomes the results of the study which show that:

- Fine tuning of the planned implementing measures are still needed in relation to the requirements for technical provisions, own funds and the design and calibration of the Solvency Capital Requirement standard formula. The Commission will also analyse whether changes are needed to address certain concerns relating to market volatility. When finalising the implementing measures, the Commission will work closely with the Member States, EIOPA and the industry to make these refinements, based on the information collected in QIS5.
- The system is too complex particularly for SMEs. In light of this, the Commission will work on a number of measures to reduce the complexity of the calculation of the quantitative requirements and also to introduce additional simplifications to the standard calculations.
- Targeted transitional measures may be needed in certain specific cases to ensure that there is a smooth transition to the new regime.

Participation

EIOPA's report confirms that the insurance industry has risen to the challenging participation target set as almost 70% of undertakings, compared to 33% in QIS4 participated in the exercise.

Next steps:

The Commission will continue its technical work on the implementing measures, taking into account the results of QIS 5 during the course of the second quarter of 2011 and intends to publish its proposal for the Solvency II level 2 implementing measures by the end of the year.

Background

On Solvency II

The aim of the Solvency II framework is to ensure that insurance and reinsurance undertakings are financially sound and can withstand adverse events in order to protect policy holders and the stability of the financial system as a whole. In addition to quantitative requirements, such as capital requirements (Pillar 1), insurance and reinsurance companies will be required to meet qualitative requirements relating to governance and risk-management (Pillar 2), as well as to regularly disclose information to supervisors and to the public (Pillar 3).

The Solvency II framework will consist of the rules contained in the level 1 Solvency II Directive (2009/138/EC) – as implemented by the Member States – as well as level 2 Implementing Measures and supervisory measures, i.e. so-called level 3 implementing Technical Standards and non-binding guidelines. The new rules will be applicable from 1 January 2013 onwards.

On QIS 5

QIS5 is the latest in a series of studies initiated by the Commission in order to ensure the most accurate formulation of the Solvency II framework. QIS1 to QIS4 took place between 2005 and 2008. The results of these studies provided the empirical basis for the preparation by the Commission of the Solvency II Directive (2009/138/EC). The Solvency II Directive must be accompanied by a number of detailed, technical rules laid down in implementing measures, to be adopted by the Commission later this year. QIS 5 was necessary in order to test different scenarios and parameters, allowing the Commission to calibrate correctly the technical rules in the implementing measures.

The results of QIS5 are based on undertakings' financial position at the end of 2009.

http://ec.europa.eu/internal_market/insurance/solvency/index_en.htm

A sajtóbejelentések elérhetőek:

<http://europa.eu.int/rapid/searchResultAction.do?search=OK&query=markt&username=PROF&advanced=0&guiLanguage=en>

Konzultációk

The EU corporate governance framework

Period of consultation:

From 05.04.2011 to **22.07.2011**

Objective of the consultation:

The Commission has adopted a Green Paper on corporate governance in Europe which launches a public consultation on possible ways forward to improve existing corporate governance mechanisms. The Green Paper contains three chapters: boards, shareholders and the comply-or-explain principle. The objective of the Green Paper is to have a broad debate on the issues raised. It allows all interested parties to see which areas the Commission has identified as relevant in the field of corporate governance. It is also an opportunity for everybody to express their views on the questions raised, and to provide any relevant material. Finally, the Green Paper allows to flag items the Commission has not considered so far.

A konzultációk elérhetőek:

http://ec.europa.eu/internal_market/consultations/index_en.htm