

POSITION PAPER



**ESBG RESPONSE TO THE EUROPEAN
COMMISSION GREEN PAPER ON RETAIL
FINANCIAL SERVICES IN THE SINGLE
MARKET**

16 July 2007



EUROPEAN SAVINGS BANKS GROUP



1. INTRODUCTION

General remarks

1. The ESBG welcomes the European Commission's initiative to submit for consultation its "Green Paper on Retail Financial Services in the Single Market". Specifically, the ESBG appreciates the Commission's efforts to prepare, with an eye on the forthcoming Single Market Review, an accurate contribution for the area of retail financial services, taking into account the views of the industry.
2. Being the first significant consultation document addressing specifically the retail financial services sector, the Green Paper is also perceived as recognition of the important role this sector plays for Europe's economy and for its citizens.

Better regulation – implementation of the FSAP

3. The ESBG strongly supports the commitment of the Commission to the Better Regulation principles. The ESBG believes that especially in the area of retail financial services, particular efforts must be made to ensure that new regulation is introduced only if it can be demonstrated that the benefits linked to such new regulation outweigh the costs. The Better Regulation principles should also apply to existing legislation. In this context, the ESBG would like to support the Commission's efforts to reduce any type of unjustified administrative burden.
4. The industry is currently facing the implementation of a complex regulatory framework including notably recently adopted directives such as the MIFID and the CRD, the IAS Regulation and the payments area with SEPA and the PSD. The implementation of these initiatives requires a huge effort from the financial services industry. The Commission must take account of the fact that these changes require time in order to be fully implemented and incorporated in the entities' business practices. A large amount of innovation and improvement in retail financial services depends on the incentives of the supply side of the market to invest in new products and services without external or regulatory pressure.
5. Against this background, the ESBG would like to repeat once again that the focus of the Commission at this stage should be on the completion of the FSAP: its priorities should be transposition, coherent and consistent implementation and interpretation of EU legislation by Member States, and enforcement. It is important to complete this phase before developing other legislative initiatives or entering into in-depth review exercises, which would not be based on sufficient experience with the adopted pieces of legislation.

Consumer policy

6. The ESBG is generally supportive of the objectives of the Commission in the area of retail financial services, as set out in the Green Paper: to bring about concrete benefits for the consumers; to ensure consumer confidence; and to empower consumers. That said, it is also important for the Commission to recognize the costs associated with ensuring



v

consumer protection, which ultimately have to be borne by the end users of financial services. Likewise, attempting to ensure very high levels of consumer protection can be counterproductive, and can lead to e.g. a decrease in the range of products and services on offer, or to information overload. This is certainly not in the interest of Europe's consumers. As such, striking the right balance in terms of consumer protection is of paramount importance.

7. The ESBG considers that at this stage, priority should be given to consolidation and revision of the current European legislation on consumer protection in the financial services area. In this regard, we very much welcome the Commission's open consultation on the "Green Paper on the review of the Consumer Aquis".
8. We would like to remind the Commission that all the measures envisaged in the consumer policy area should be based on the notion and perception of an 'average consumer', defined as an adult citizen, who pursues his/her activities actively and responsibly by taking his/her decisions based on the relevant information acquired beforehand.

EU policy for the retail financial services sector

9. In terms of approach, we support the Commission's view that "most customers of retail financial services are likely to remain domestically focused and that consumers must remain free to choose a local product or service if that is their preference" (paragraph 10). As opposed to wholesale markets, which are international in scope, the reference market for retail banking activities is regional or even local.
10. While acknowledging that retail markets are local, the Commission notes that retail financial services integration appears not to have yet reached its potential. This statement is based on four indicators: modest cross-border activity, wide variations in prices, restricted product diversity and choice and large variations in market performance. The Commission should refrain from drawing conclusions exclusively on the basis of these indicators, as they fail to acknowledge that the observed differences are to a large extent the result of the specific characteristics of the retail banking markets.
11. In this context, the ESBG regrets that while the Commission highlights legal and economic obstacles to integration, the relevant topic of natural barriers is left aside. When approaching a sector such as the retail financial services area, it is especially important to acknowledge barriers such as culture, language and tradition, as these are barriers unlikely to be removed¹. The tradition of local demand is vaguely treated in paragraph 10 (see quote above under paragraph 9). This argument, however, is not followed up in the rest of the document. From our point of view, authorities cannot force integration. A fully integrated retail financial services market, where consumers can make use of e.g. banking services from providers in other EU countries, must be allowed to be driven by market forces.

¹ As an illustration for the area of consumer credit, a recent study carried out by CIVIC consulting on behalf of the European Parliament, shows that barriers to consumers' cross-border activity are differences in culture, language and consumer preferences. Based on its findings, the study concludes that "a single market for consumer credit cannot be expected to be created by harmonization of legislation alone" (http://www.europarl.europa.eu/comparl/imco/studies/0704_consumercredit_en.pdf).



v

12. Moreover, there are important non-price differences as regards financial services in the EU (i.e. branch or ATM density, geographical distribution of branches), which must be considered when analysing the level of integration.
13. The Green Paper also gives the impression that in the eyes of the Commission, the current level of competition in the area of retail financial services is not sufficient. The ESBG does not share this view, which is probably based on the findings of the sector inquiry on retail banking conducted by DG Competition. Generally, the ESBG is surprised by the fact that many of the proposals contained in the Green Paper are based on figures resulting from the Commission's sector inquiry on retail banking. In our response to the interim report, we pointed out numerous caveats on the possible interpretation of the analysis conducted. Seeing that the methodology applied by the Commission has been questioned by the industry, the ESBG would like to warn here again against developing policy guidelines solely on the basis of the figures of the sector inquiry.
14. The important differences observed in the organisation of retail banking markets throughout the European Union, and the "natural barriers" that characterise this market, do not mean that further integration is not possible. However, it implies that when defining policy objectives, the Commission has to be realistic and give due consideration to those differences. In this sense, the retail banking area calls for a specific regulatory approach.

2. ANSWERS TO THE SPECIFIC QUESTIONS

(1) Do you agree with the objectives and priorities set out in this paper?

In general, as indicated above, we agree with the objectives and priorities of the Green Paper.

(2) Are there issues that are not covered in this Green Paper, which are important for the integration of retail financial markets and to which the Commission's attention should be drawn? For example, are consumers in their everyday life confronted with requirements or limitations from either financial services providers or other stakeholders (employers, social security, administrations, businesses, etc.) which restrict their ability to use cross border financial services (such as an obligation to have a bank account or insurance policy in one specific country, etc.).

The ESBG believes that the issues addressed by the Commission in this Green Paper are relevant and that there are no additional key issues requiring specific focus.

When it goes to identifying possible limitations to consumers' cross border activity, the ESBG very much welcomes the approach proposed by the Commission consisting in examining the underlying reasons "why consumers generally do not purchase financial services across borders". An in-depth analysis of the reasons for the observed low level of cross-border activity shall prevent taking regulatory initiatives which do not respond to the issue of concern. Following this examination, the Commission should decide if initiatives are to be proposed, and in such a case which type of initiative would be appropriate (regulatory or other). As a general rule, initiatives should only be pursued where there is evidence of clear

v



v

and concrete benefits for citizens and a strong economic rationale. Policies must always be based on solid economic evidence².

An illustration of the difficulty to draw clearcut conclusions from an observed low level of cross-border activity is offered by the payments area. In this field, service providers compete for customers at the place where customers use services allowing them to make and receive payments, which today still is very much where customers live. Only a small fraction of total payment transactions are executed “cross-border” i.e. between Member States. In the past, it has been purported that this was due to the high costs of cross border payments. However, four years after the implementation of Regulation 2560/2001, which equates the prices of national and cross-border payment transactions, the volume of cross-border transactions has not grown significantly. This is due to the fact that payments result from trading transactions (for goods and/or services, including work and public services), and that there is therefore no payment transaction in the absence of an underlying “commercial” transaction. That said, the banking industry has responded to the political objective of the internal market by launching the SEPA project, whose first components will be deployed from January 2008 onwards.

In our view, the main factors which restrict consumers’ ability to use cross-border financial services are differences in tax systems, the varying efficiency of legal systems (especially in relation to the length of legal proceedings and the carrying out of enforcement measures) and the requirements as regards anti-money laundering.

(3) The Commission has undertaken several initiatives to improve consultation with consumers and to secure their input into its policy making. Should further steps be taken and, if so, what steps?

The ESBG very much values the ever-increasing efforts of the Commission to consult with all stakeholders, including consumers, in order to have a detailed and accurate image of the views and needs of all parties involved. Such an approach is especially relevant in relation to the area of retail financial services. Conducting wide consultation is also in line with the Better Regulation approach that the Commission is committed to follow. The ESBG is under the impression that the initiatives taken recently by the Commission in order to improve consultation with consumers are all going in the right direction.

In the context of consultation with consumers, the ESBG would like to highlight that the contributions should be - to the largest extent possible - based on evidence as this is the best way to guarantee a high quality dialogue. It is also especially important having in mind the technicality of the discussions in the area of banking: keeping the discussions at an ideological level cannot serve the purpose of designing high-quality legislation.

² We would like to indicate that this Better Regulation approach has unfortunately not always been followed in the past. An illustration is provided for the area of payments:

- In our opinion, the “impact assessment” issued in support of the draft Payment Services Directive was not sufficiently based on solid economic evidence. For instance, the statement that the Directive would enable annual savings of up to EUR 100 billion for the EU economy was not supported by an economic model and/or research.
- In spite of repeated calls from the industry the Commission has not proposed the repeal of Regulation 2560/2001 as a parallel measure to the introduction of the Payment Services Directive. Yet Regulation 2560/2001, by mandating that prices for cross-border credit transfers and card-based transactions be the same as the respective prices for the same national transactions, has “frozen” legacy price structures and prevented a gradual evolution towards an internal market level. This is particularly true for payment with card transactions, translating into a continuation of the “blending” practice - a practice frowned upon by the Commission’s Retail Banking sector inquiry.



v

(4) Is consumer choice unnecessarily limited by restrictions on the providers and channels through which they access retail financial services. What are, in your experience, these restrictions?

As mentioned in the ‘introduction’ section, the retail banking area is characterised by natural barriers which, to some extent, limit the benefits that can be drawn from providing retail financial services across the EU. However, the increasing presence of foreign-based market participants in most EU Member States demonstrates that the provision of services in several Member States is a viable business model and that there are, in general, few unjustified restrictions as regards providers or channels through which consumers access retail financial services. In this context the ESBG welcomes the recent adoption of the Directive on the supervisory approval process as regards mergers and acquisitions in the financial sector, which should facilitate these operations, especially in a cross-border context.

The ESBG is of the opinion that, in general, consumer choice is limited when there is an excessive concentration level in a given market. This was also recognised by the European Parliament in its report on consolidation in the financial services industry, adopted in 2006³. The Commission should keep this element in mind when proposing measures which would ultimately result in high levels of consolidation at EU level.

One of the best ways to eliminate restrictions on consumers’ choice is to promote access to retail financial services. In our opinion, this is best achieved through wide geographical coverage. The importance of this issue is highlighted in the United Nations’ Blue Book “Building Inclusive Financial Sectors for Development”⁴, which notes that proximity services are important for facilitating access to finance. Another illustration of the importance of geographic coverage is provided by the report “The changing geography of banking and building society branch networks: 1995-2003”, sponsored by the British Economic and Social Research Council. The authors of the report note that “The closure of banks and building society branches can have significant consequences for customers, who may have to incur additional costs to travel to undertake transactions or obtain face-to-face advice, in addition to engendering a sense of loss and abandonment within local communities”⁵.

That said, the ESBG is of the opinion that there are some remaining legal (or regulatory) barriers in the area of payments which have not been addressed by regulators in spite of repeated industry demands since 2002. These include:

- The removal of legal and/or regulatory (or their equivalent i.e. “gentlemen agreements” at national level between a regulator and the national banking community) obstacles which prevent the cost of cash services to be externalised to end-users. Such obstacles include the obligation made to retailers to sell a product at a unique price irrespective of the payment mode chosen by the customer. A removal of such barriers would contribute to the realization that the use of cash is currently cross-subsidized – to the detriment of society.
- The removal of legal and/or regulatory obstacles to the cross border transport of cash by professionals. The ability of professional service providers to source and deliver cash – in particular euros - regardless of borders from and to National Central Bank tellers and

³ Report ‘Towards further consolidation in the financial services industry’ (2006/2081(INI)), Committee on Economic and Monetary Affairs. Rapporteur: Joseph Muscat

⁴ “Building Inclusive Financial Sectors for Development”, United Nations, New York, 2006

⁵ The Changing Geography of British Bank and Building Society Branch Networks, 1995-2003, Andrew Leyshon, Paola Signoretta and Shaun French, School of Geography, University of Nottingham, Nottingham, NG7 2RD, February 2006.



v

retailers will lend meaning to the single currency, and the internal market. Apart from creating welcome competition amongst CIT companies such a move will lead to a more transparent pricing of non-cash payment services.

- The reporting obligations for payment service providers have not been lifted beyond the EUR 12.500 set by Regulation 2560/2001. For inter-Member State payment transactions of a value higher than EUR 12.500, payment service providers in most Member States are still compelled to file specific reports, thus incurring specific charges, although such transactions have to be priced the same as national transactions (up to EUR 50.000). This barrier is not even addressed in the Payment Services Directive that aims at establishing an internal market for payments.

Finally, it should be noted that the statement that “in many cases, a product offered to customers in one market cannot be offered in another market without costly adaptation to local requirements” will no longer be applicable for the area of non-cash payment products after 1 November 2009, deadline for the transposition of the PSD (provided it is transposed properly in all Member States).

(5) Despite efforts, in particular the creation of FIN-NET, the handling of cross border consumer complaints in the field of financial services still remains problematic. The Commission would welcome input as to the ways to improve the current situation. For example, should Member States be obliged to ensure that alternative dispute resolution (ADR) schemes are in place? Should providers be obliged to adhere to an ADR scheme? Should they be contractually obliged to offer ADR mechanisms to their clients?

The ESBG has repeatedly expressed its support for the set-up of FIN-NET, as a system for dealing with cross border consumer complaints. FIN-NET is a flexible system which makes efficient use of existing national schemes, as opposed to harmonizing the existing bodies. In addition, the amount of cross border complaints remains low. In this context it is unclear why the Commission is suggesting that the system of handling complaints is problematic. In our view there is no obvious need to modify the current structure.

Considering, not only the low amount of complaints and the well-functioning system in place, but also the unnecessary administrative burden that such an obligation might bring, the ESBG sees no additional value in the introduction of a legal obligation for financial institutions to adhere to an ADR scheme. The ESBG supports these initiatives as long as participation to a scheme remains voluntary.

The ESBG strongly believes that opting for a more bureaucratic approach than the current one would not be in the interest of consumers and thus that the appropriate way forward is rather to promote the use of the existing structure amongst consumers.

(6) The creation of the Single Euro Payments Area (SEPA) offers challenges and opportunities for businesses and consumers alike. What do stakeholders think of SEPA's impact on consumers? Should consumers be more involved in the governance and the preparation of SEPA?

The ESBG is of the opinion that SEPA will greatly benefit consumers. The elimination of domestic barriers will create the conditions for enhanced competition in the provision of payment services and for innovative retail payment solutions, which will lead to more choice of services for consumers.

v



v

For the internationally oriented European citizens, making and receiving payments and managing personal finances will be greatly facilitated, as with SEPA there will be no distinction between cross-border and national payments in euro within the EU.

As regards the involvement of consumers, the important steps taken by the industry should be highlighted. Already in 2003 the European consumer association was invited by the European banking industry to express its “Top 10 wishes” as regards the introduction of SEPA. No response has been received so far. In addition, consumer associations have been regularly included in the Stakeholder meetings organized by the European Central Bank. They are also part of the Stakeholder Forum established in the context of EPC Scheme Management with the aim to interface directly with the owners and designers of the SEPA schemes, and as a process to enable stakeholders, such as consumers, to propose changes and improvements to the schemes. Consumers, along with other stakeholder representatives, have also been included in the SEPA migration forums established by most national communities.

(7) With view to the launch of its study on credit intermediaries, later this year, the Commission would like to know whether stakeholders believe the current legislative framework to be sufficient and if consumers face any particular problems in dealing with credit intermediaries, particularly on a cross-border basis.

The legal environment of credit intermediaries varies significantly across the EU. The risk that these entities represent for the stability of the financial system also differs between Member States. Against this background, the ESBG very much welcomes the Commission’s initiative to conduct a study on this matter, as this could help in bringing clarity and in identifying the areas where there could be a need for measures. To be complete, the study should also include an analysis of the potential systemic risks that may result from the different regulatory environment of these entities. The ESBG would also suggest for the Commission to conduct an impact assessment before proposing any measure.

(8) The Commission believes that it has an important role to play in developing a competitive, open and effective market for long-term savings, retirement and pension schemes that meet consumers’ needs. Do stakeholders agree and how could the Commission contribute? Could an optional legal EU-wide regime (“28th regime”) for savings and/or 3rd pillar pension products be envisaged?

3rd pillar pension products and other long-term savings products generally play the role of complementing the national pension systems and are normally attractive to consumers by reason of tax advantages. This explains why by their very nature these products are bought mainly by national citizens, who can take advantage of these tax benefits.

The ESBG believes that the benefits of a 28th regime remain to be proven. The ESBG’s main concern in this respect is the fact that in order to be politically acceptable, a 28th regime would probably have to be the result of an agreement between the different Member States, which in practical terms would most probably translate into excessive levels of consumer protection. Consequently, financial institutions would not be inclined to opt for such a regime.

v



v

We would like to clarify that we do not see 28th regimes as a substitute to targeted harmonization, which we regard as being the preferable approach. The 28th regime should therefore be seen as an option in cases where targeted harmonisation is not feasible. In addition, the ESBG wishes to underline that neither targeted harmonisation nor 28th regimes should lead to product standardisation (see also question 9 below).

(9) Do you think that there could be benefits for both banks and consumers, if banks would have the opportunity to offer an optional simplified standardized product, which would have a good level of consumer protection, would be easy to understand, and could be offered across borders without the need to be modified to fit local rules?

The ESBG strongly discourages the introduction of standardized products or services through legislative measures as it is likely to lead not only to market distortions but to cross subsidization and a decrease in product innovation. Financial institutions should be free to design products in response to customer needs and the economic realities of the market. These comments also apply to the possible introduction of a basic bank account, as envisaged by the Commission in the Green Paper (section 4.1, paragraph 23).

The ESBG would like to comment on the confusion that can result from the concept of “basic bank account”. Specifically, while the Commission seems to refer to the notion of an optional simplified product aimed at cross-border use, the same notion is increasingly used to describe an instrument which purpose is to fight financial exclusion. This is the meaning of a basic bank account in the context of the report of the expert group on customer mobility in relation to bank accounts as well as in the own initiative report of the European Parliament on Financial services policy (van den Burg Report). The ESBG believes that, in line with the subsidiarity principle, this issue should be addressed at the level of the Member States.

(10) The Commission believes that more could be done to improve consumers' financial literacy and capability. Possible measures include developing guidelines or promoting best practices. The Commission would welcome input on how this policy should be further developed at the European level.

The ESBG has a strong commitment to the important matter of increasing financial capability amongst Europe’s consumers. The wide variety of ongoing schemes within savings banks at national level, aimed at promoting financial literacy, demonstrates a willingness to support the Commission in reaching this objective. As an example, a number of savings banks across Europe are currently participating in the ongoing Commission study on financial literacy schemes, with the aim to identify, describe and analyse existing schemes in the EU Member States, in order to provide a full overview to the Commission about the practices and the different types of programme developed at national level to enhance financial literacy.

The commitment of ESBG Member banks also extends across borders. This was recently highlighted at European level where the ESBG presented the European stock market training initiative⁶ at the Commission conference on financial literacy in March.

That said, as mentioned in the Green Paper, financial education is the responsibility of Member States. Measures to improve consumer education and financial literacy should

⁶ For more information on the initiative, see <http://www.esbg.eu/template/content.aspx?id=1896>



v

involve all relevant stakeholders (including institutions other than financial institutions and the government) on a voluntary basis.

Going forward, the ESBG supports the Commission's initiative to identify and publicize best practices in this field. On the other hand, we would like the Commission to take note of the disadvantages that may be brought by developing general guidelines, which could result in damaging existing and well-functioning frameworks. In order to create an environment with room for innovation and development as regards financial literacy initiatives it is important to avoid bureaucratic approaches, such as notably imposing specific obligations on financial institutions.

(11) Do you think that, as they stand, the provisions on consumer information contained in financial services directives are adequate and consistent with one another? Were it not the case, how could the Commission ensure that information requirements are set at the right level, ensuring proper information but without creating any overload? Do you think that informing consumers is sufficient or that advice should also be provided? If yes, should that be compulsory or on request?

The ESBG believes that consumer information needs are best served when the information provided is to the point and easy to understand. With regard to more complex financial services, information should also be provided on the characteristics of these products. In order to avoid information overload or possible gaps, it is of great importance that the approach towards consumer information in all EU legislation is coherent and that the political objectives are coordinated at all times.

The above-mentioned principles have not always been followed in the past, where information requirements have often been excessive and inconsistent across directives. One example where requirements have become more burdensome than simplified is the requirements on pre-contractual information in the Distance Marketing of Financial Services Directive.

Looking ahead, the ESBG believes that efforts must be made to decrease the information requirements and to enhance consistency across directives. In line with this, the ESBG very much welcomes the Commission's plans to conduct tests to examine the needs of consumers in terms of pre-contractual information. The tests should be conducted directly with consumers and should take as a reference the "average consumer" (see definition in paragraph 8, under 'Introduction' section above).

On the relationship between information and advice, a clear distinction should be made between the two. The ESBG considers that while the consumer should be fully and appropriately informed, the final decision to opt for a specific financial product should be taken by the consumer based on his/her own needs and circumstances.

The ESBG maintains that providing professional advice is a separate service and should remain a matter of choice for the consumers. Making advice a compulsory obligation would mean that all customers would have to pay for an additional service only requested by a minority. Moreover, it is not possible to standardise advice as it needs to be defined on a case-by-case approach. The introduction of a duty to advise would be detrimental for those consumers who would have to pay a service which they do not need/ did not request.

v



v

(12) Measures to improve lenders' access to credit data will be discussed in the context of the forthcoming White Paper on Mortgage Credit. The Commission believes that more could be done to promote the accessibility of credit data, in particular on a cross-border basis. Who should be able to access consumer credit data? How could the cross-border transferability of consumer credit data be improved, ensuring in particular that mobile credit data follows increasingly mobile consumers? Could a memorandum of understanding, ensuring smooth data circulation between credit bureaus, be a workable solution?

The ESBG believes that facilitating the transferability of credit data could increase the cross border provision of credits. Any access to credit registers and databases should be ensured in a non-discriminatory and transparent manner to all creditors operating in a given market as is stated in the draft proposal for the Consumer Credit Directive. In addition, it should be specified that this access should not include internal databases set up by individual lenders, in order to ensure legal certainty.

It is naturally vital in this context to observe the restrictions as regards data protection.

It is important to note that before measures are taken with the aim of facilitating the transferability of credit data; said measures must be carefully considered in the light of the costs they would bring.

The ESBG is of the opinion that memorandums of understanding are practical tools to enhance the transfer of credit data across borders.

(13) Fragmentation of retail insurance markets, for example in the field of motor insurance, does not allow consumers to reap full benefits of EU integration in this area. Do you think that more should be done at EU level to address this fragmentation?

No comment.

(14) Customer mobility and competition are closely associated. The Commission would welcome input as to how customer mobility could be enhanced. In particular, in the field of bank accounts, and as a follow-up to the Expert Group's work, would stakeholders see merits in, for example, having EU wide account switching arrangements? Will SEPA have an impact on customer mobility?

Providing a detailed response to this question at this stage is difficult, given the ongoing consultation on the subject. The ESBG will provide a contribution to the consultation in due time. We would, however, like to make a few general remarks in this context.

As regards customer mobility, the ESBG fully supports the view expressed by the banking industry experts participating in the working group on current accounts, who pointed out that “low customer mobility rates are not a problem in themselves but rather a reflection of high consumer satisfaction rates, and of the fact that consumers often have multiple banking relationships”.

We would like to point as well to the obligations under Regulation 2560/2001 and the Payments Services Directive, which should contribute in providing consumers with all the necessary and unambiguous information in relation to changing provider.

v



v

Regarding the impact of SEPA on customer mobility, it is our view that SEPA will undoubtedly facilitate customer mobility. This is because the availability of pan-European payment instruments will allow customers to use an account in any country for making and receiving payments in euro regardless of their place of residence. Concerning the specific scenario of customers wishing to move their account(s) from their country of origin to their new country of residence, the availability of pan-European payment instruments will ease the transfer of supplier payment obligations and payment receipts (work, pension and other benefits).

3. ADDITIONAL COMMENT

In section 4.1 of the Green Paper, in a list of ongoing and planned initiatives to “Increasing choice, quality and innovation”, the Commission makes public its intention to publish a Communication before the end of 2007 where it will “assess progress and consider further measures to guarantee the success of SEPA for the benefit of consumers”. We would like to reiterate our caution with regard to the Commission issuing a Communication on SEPA on the eve of the launch in January 2008, as committed by the banking industry, of the first two pan-European payment instruments (the credit transfer and payment and cash withdrawal with cards) – noting that the pan-European Direct Debit can only be launched after the transposition of the Payment Services Directive. We recommend that the Commission allows market participants, including public administrations and other large users of payment services, due time to implement and use the new payment instruments, before issuing any evaluation of SEPA, and certainly before “consider{ing} further measures to guarantee the success of SEPA for the benefit of consumers”. This would only add to the prevailing uncertainty for parts of the market.

v



v



About ESBG (European Savings Banks Group)

ESBG (European Savings Banks Group) is an international banking association that represents one of the largest European retail banking networks, comprising about one third of the retail banking market in Europe, with total assets of €5215 billion (1 January 2006). It represents the interest of its members vis-à-vis the EU Institutions and generates, facilitates and manages high quality cross-border banking projects.

ESBG members are typically savings and *retail* banks or associations thereof. They are often organised in decentralised networks and offer their services throughout their *region*. ESBG member banks have reinvested *responsibly* in their region for many decades and are one distinct benchmark for corporate social responsibility activities throughout Europe and the world.



ESBG - Association Internationale sans but lucratif/Internationale vereniging zonder winstoogmerk/
International not-for-profit association
Rue Marie-Thérèse, 11 ■ B-1000 Brussels ■ Tel: +32 2 211 11 11 ■ Fax: +32 2 211 11 99
Info@savings-banks.eu ■ www.savings-banks.eu

Published by ESBG July 2007

v