



ROMANIA

CONVERGENCE FINANCIAL SECTOR MODERNIZATION

Public-Private Special Projects Initiative



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Autoritatea Națională pentru
Protecția Consumatorilor

COMISIA DE SUPRAVEGHERE A ASIGURĂRILOR



GUVERNUL ROMÂNIEI

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Romania's Submission

on the

European Commission Green Paper on Retail Financial Services in the Single Market

In Romania, the public consultations on the European Commission *Green Paper on Retail Financial Services in the Single Market* have been carried out under the auspices of the **SPI Romania** (www.spi-romania.eu), a **Public-Private Partnership for the Modernization of the Financial Sector** composed of the National Bank of Romania, Romanian Banking Association, Ministry of Economy and Finance and National Authority for Consumer Protection.

The enclosed Romania's submission gathers the feedback received from relevant authorities, market participant associations, consumer protection bodies and individual market players as follows:

Authorities:

National Bank of Romania, Insurance Supervision Commission, National Authority for Private Pensions Systems Supervision, National Authority for Supervision of Personal Data Protection;

Market Participant Associations:

Romanian Banking Association, National Association of Insurance and Reinsurance Companies, Leasing and Non-Banking Financial Services Association;

Consumer Protection Bodies:

National Authority for Consumer Protection and National Association for Consumer Protection and Promoting the Programs and Strategies from Romania;

Individual Market Players:

Raiffeisen Bank Romania, Romanian Savings Bank (CEC), ABN AMRO Romania, Alpha Bank Romania, Banc Post, Bloom Bank Romania, ING Insurance Romania.

July 13, 2007

I. Background

In Romania, the public consultations on the European Commission *Green Paper on Retail Financial Services in the Single Market* have been carried out under the auspices of **SPI Romania** (www.spi-romania.eu), **a public-private partnership for the modernization of the financial sector**, composed of the National Bank of Romania, Romanian Banking Association, Ministry of Economy and Finance and National Authority for Consumer Protection, with the support of relevant authorities, professional and consumers associations and of the Department for European Affairs of the Government of Romania.

The public consultations have been launched in April 2007, when all relevant authorities have posted the Green Paper questionnaire on their websites, requesting for submissions to be made to the SPI Romania Secretariat.

On June 19, the SPI Romania Secretariat has organized the Round Table on the European Commission Green Paper on Retail Financial Services in the Single Market at the Info Europa Center of the European Commission (the agenda and the minutes of the Round Table can be found at <http://www.infoeuropa.ro/jsp/page.jsp?cid=211&lid=1&id=27391>).

The event was considered to be by the participants “the first initiative aimed at gathering the feedback from all relevant Romanian stakeholders on the EC financial market policies and an indication of Romania’s financial sector maturity” and an important catalyst for the broad consultation process initiated with Romanian financial sector stakeholders as it helped them build a common understanding on the issues raised by the EC Green Paper.

The SPI Romania Secretariat has gathered the feedback received from financial market stakeholders by July 13, 2007. A summary of the opinions expressed is shown in Part II and the individual opinions by stakeholders are included in Part III.

Please do not hesitate to contact the SPI Romania Secretariat with any inquiries:

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II. Summary of the positions expressed by Romanian financial sector stakeholders on the Green Paper on Retail Financial Services in the Single Market

1. Romanian stakeholders agree with the objectives and priorities set out in the Green Paper and consider that the consultation document covered adequately the issues that are important for the integration of retail financial markets;
2. Romanian stakeholders consider that there are no explicit limitations in Romania to consumer's choice. However, banks and consumers mentioned some regulatory issues that may have indirectly affected in the past the consumer choice (i.e. the NBR administrative limits on individual lending, recently abolished) and also the poor financial infrastructure of the financial sector (i.e. the weak development of the on-line payments system);
3. The Romanian stakeholders consider that few impediments can be identified in the EU or Romanian legislation for the further integration of retail financial markets and stress that the roadblocks are actually created by the financial institutions' own practices and operational requirements and by the low level of knowledge and sophistication of the Romanian consumer;
4. Regarding the alternative dispute resolution schemes, all Romanian stakeholders consider that they are highly desirable. However, financial market institutions believe that the participation of financial institutions to these systems should not be mandatory. In fact, a Bank Mediator is in the process of being set up as a private, voluntary and independent scheme established by credit institutions (as an SPI project). The stakeholders could further explore if this scheme could be expanded to cover non-banking financial institutions at a future stage;
5. Romanian stakeholders acknowledge that it would be desirable to involve all stakeholders in the governance and preparation of SEPA. Given the rather technical nature of the issue, SEPA implementation should be mainly the task of financial sector institutions and authorities, provided that consumers are adequately informed on the benefits and opportunities of SEPA;
6. Romanian stakeholders believe that an optional EU-wide regime for savings and / or 3rd pillar would be a welcome contribution to an effective long term savings market, in line with consumers' needs;
7. On the standardized banking products issue, while the consumer's representatives outlined that such products would encourage the citizens to use cross-border retail financial services, some financial institutions outlined that standardized products may unnecessarily hinder competition and limit consumer's choice. Some stakeholders outlined that a decision in favor of developing standardized banking products should be backed by a cost-benefit analysis;
8. Romanian stakeholders consider that the weak level of consumer financial education is one of the greatest impediments to the further development of domestic and cross-border financial services. In this regard, while it would be useful if the Commission could develop EU guidelines and promote best practices, the financial education programs should be tailored to country needs and level of financial sector development. A concrete step that the Commission could undertake would be the gathering of all the information regarding national financial education programs already in place and sharing it with all Member States. Romanian stakeholders believe that financial services providers

should be closely involved in promoting consumer financial education and should ensure the adequate information of their customers. However, financial institutions believe that as opposed to adequate information, advice should be provided to customers only on request. Consumers, on the other hand, believe that banks should be obliged to provide advice taking into consideration the financial capability of consumers;

9. The cross-border transferability of credit information is considered by all Romanian stakeholders as a welcome development, to the extent that data protection issues are adequately tackled. The practical solution envisaged is a protocol to be concluded by all the credit bureaus from the Member States, which should be backed by necessary EU regulations;
10. A possible way to improve the integration of retail insurance markets suggested by consumers and banks is the development of standardized insurance products. Also, consumers suggest that steps should be taken to increase the customer's confidence in the area of retail insurance;
11. While most Romanian stakeholders believe that inter-bank account switching arrangements would greatly enhance the customer mobility, some banks stressed that these could have negative implications for competition among banks.

III. Individual responses of Romanian financial sector stakeholders on the Green Paper on Retail Financial Services in the Single Market

1	Do you agree with the objectives and priorities set out in this paper?
	<i>Banking Industry</i>
	<p>National Bank of Romania</p> <p>National Bank of Romania welcomes the aims set out in the Green Paper and finds them a very good exercise not only for the Commission purposes but also for the consumers and industry in achieving a common understanding on the problems faced by both parts.</p> <p>Even though there are reasons in favour of regulating this sector, National Bank of Romania endorses the need of avoiding over-regulation and promoting the markets integration mainly through the implementation of solutions initiated by the market itself. We consider the Commission initiatives should be backed by the stakeholders, especially by the part that would benefit most from these actions – consumers and we appreciate the public consultation on an overarching document a step forward in integrating the national markets.</p> <p>The efforts done by Romania mainly refers to the following:</p> <ul style="list-style-type: none"> - finalizing the regulatory framework which could provide a cheaper financing for the creditors (issuance of mortgage bonds and securitization); - support given by National Bank of Romania for implementing the concept of responsible lending, including the recommendation addressed to creditors to use, together with the <i>negative information</i> referring to debtors, the positive credit data; - increasing the trust of financial services consumers in the market – endeavours are dedicated for putting in place a mechanism which permits the extrajudicial disputes mediation (a project of the professional association in this field refers to the setting up of the Bank Ombudsman Institution) and for the education of the financial services consumer.
	<p>Banks</p> <p>Yes, unanimously.</p>
	<p>Non-bank Financial Institutions</p> <p>Yes, unanimously.</p>
	<i>Insurance Industry</i>
	<p>Insurance Supervision Commission</p> <p>Yes.</p>
	<p>Insurance Companies</p> <p>Yes, unanimously</p>
	<i>Pensions Industry</i>
	<p>National Authority for Supervision of Private Pension Systems</p> <p>Yes.</p>

	<i>Consumers</i>
	National Authority for Consumer Protection Yes.
	Consumer Associations and Individuals Yes, unanimously.
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?
	<i>Banking Industry</i>
	National Bank of Romania -
	Banks Most banks agree that the Green Paper correctly underlined most of the issues faced by both consumers and industry in the field of retail financial services. Some banks outlined that one of the main issues that preclude the further integration in retail financial services is the variety of host countries regulations that banks willing to carry out retail financial services have to comply with.
	Non-bank Financial Institutions No.
	<i>Insurance Industry</i>
	Insurance Supervision Commission No.
	Insurance Companies The issue of transparency in the financial sector could represent a start point in reaching all the objectives mentioned in the Green Paper.
	<i>Pensions Industry</i>
	National Authority for Supervision of Private Pension Systems No. NASPPS is endorsing the provisions of the Green Paper. It should be mentioned that the Romanian experience with the private pension system is rather limited as the third pillar has been just implemented. Also, NASPPS is a relatively young institution and has limited experience with the supervision of private pension systems. Therefore, more time should pass (1-2 years) before a clear point of view of NASPPS emerges in respect to all the issues raised by the Green Paper. However, it should be noted the diversity of the EU systems for social protection and the broad applicability of the subsidiarity principle. In this regard, the Directive no. 41/2003 regarding the occupational pensions creates the ground for an intense cross border activity. Although Romania has not implemented this directive as yet, it can be foreseen that this will happen soon, which will boost cross border activity in this particular field.
	<i>Consumers</i>

	<p>National Authority for Consumer Protection</p> <p>The Green Paper covers generally all the important issues in the field of retail financial services. Nevertheless, consumers are usually confronted with credit institutions' own practices (e.g. bureaucracy, lack of transparency). Also, few impediments can be identified in the side of Romanian legislation for the further integration of retail financial markets.</p>
	<p>Consumer Associations and Individuals</p> <p>The restrictions imposed by cross-border financial service providers seem to be the same across the Member States. For example, in order to benefit from the issuance of a credit card, persons should prove that they earn an income in the respective Member State.</p>
3	<p>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?</p>
	<p><i>Banking Industry</i></p>
	<p>National Bank of Romania</p> <p>-</p>
	<p>Banks</p> <p>Banks consider that the Commission's initiatives are welcome since it is extremely important to have the input of both consumers and providers of retail financial services in the policy making process. Some banks suggest that the Commission could sponsor the creation of non-governmental and non-profit organizations in order to secure the input of consumers.</p>
	<p>Non-bank Financial Institutions</p> <p>No.</p>
	<p><i>Insurance Industry</i></p>
	<p>Insurance Supervision Commission</p> <p>No.</p>
	<p>Insurance Companies</p> <p>One of the most important issues is the low level of financial education of Romanian consumers. Also, as a matter of mentality, people are not accustomed to plan their financial future and to protect their families.</p>
	<p><i>Pensions Industry</i></p>
	<p>National Authority for Supervision of Private Pension Systems</p> <p>No additional issues can be raised. As mentioned above, NASPPS will need some time to function on the market in order to be able to have a clearer view on the needed actions in that regard. NASPPS is currently concluding protocols with relevant consumer protection authorities (NACP) and is submitting its draft legislative initiatives for public consultations.</p>
	<p><i>Consumers</i></p>

	<p>National Authority for Consumer Protection</p> <p>The current Green Paper consultations represent an important step in developing a consultation culture in Romania.</p> <p>Further steps could be made by raising consumers' awareness about financial services. This could be done by an active dissemination of information through mass-media, by eventually involving academics in various programs of information, education and consultation in this field, by editing brochures (a glossary with financial terms would help consumers).</p>
	<p>Consumer Associations and Individuals</p> <p>There is a need for more advertisement of Commission's initiatives and for educating the consumers of the Commission's role and activities.</p>
4	<p>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?</p>
	<p><i>Banking Industry</i></p>
	<p>National Bank of Romania</p> <p>-</p>
	<p>Banks</p> <p>Banks consider that no explicit limitations restricting consumer choice exist in the Romanian legislation. However, there are regulations that affect the supply of credit (i.e. excessive minimum reserve requirements, administrative limits on lending to individuals – rules recently abolished), which can impede indirectly the level of financial services. Also, banks mention that some restrictions in the provision of services to non-residents are related to the practical difficulties and costs that banks have to bear in order to gather needed customer information.</p>
	<p>Non-bank Financial Institutions</p> <p>Consumer choice is sometimes limited by administrative measures imposed by authorities, such are the credit limitations imposed by the National Bank of Romania.</p>
	<p><i>Insurance Industry</i></p>
	<p>Insurance Supervision Commission</p> <p>No.</p>
	<p>Insurance Companies</p> <p>While no specific limitations exist, some possible positive incentives could be put in place in order to boost consumer choice. For example, in the area of life insurance, tax incentives could be introduced in Romania, similar to other Member States.</p>
	<p><i>Pensions Industry</i></p>
	<p>National Authority for Supervision of Private Pension Systems</p> <p>No additional issues can be mentioned. As mentioned at question 2, the private pensions represent a difficult issue because of the specificities and differences in</p>

	<p>social protection systems in Member States. It should be mentioned that a proposal for a directive in the area of portability of supplementary pension rights is being discussed by Member States for more than two years, without any concrete results so far.</p>
	<p>Consumers</p>
	<p>National Authority for Consumer Protection</p> <p>There are regulatory issues at national level (i.e. the National Bank of Romania's administrative limits on individual lending) and the poor financial infrastructure of the financial sector (i.e. the weak development of the on-line payment system caused by the weak infrastructure of credit institutions. Consumers can make payments for facilities only from certain banks, therefore credit cards are needed for every bank, each bank has own rules and politics of commissions. Consumers should be able to pay their facilities from any bank).</p>
	<p>Consumer Associations and Individuals</p> <p>The National Bank of Romania administrative limits on lending to individuals have restricted the access to credit by consumers for a long time. Also, banks have excessive prudential safeguards which also can be a barrier to households lending.</p>
5	<p>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 Romania 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?</p>
	<p>Banking Industry</p>
	<p>National Bank of Romania</p> <p>We consider that the out-of-court redress is a very important issue for the integration of financial services market. But, on the other hand, we learnt that new burdens on the industry it is always reflected in an increase of the costs of the financial products.</p> <p>So, we expect that these issue to be solved by market driven initiative.</p> <p>Also a cost-effect analyse of phenomenon would be useful, so as to evidence how many complaints had been so far solved through ADR schemes.</p>
	<p>Banks</p> <p>Although the set up of ADR mechanisms would be advisable, the participation of financial institutions to these should not be mandatory, especially on financial sector markets which are just at their inception (i.e. private pension schemes). On the banking sector side, a bank ombudsman (Bank Mediator) is in the process of being set up as a private, voluntary and independent scheme established by credit institutions (project undertaken under the auspices of the public-private partnership for Romania financial sector modernization – Special Projects Initiative. The Romanian Bank Mediator will also apply to become a member of the FIN-NET. The stakeholders could further explore if this scheme could be expanded to cover non-banking financial institutions at a future stage.</p>

	<p>Non-bank Financial Institutions</p> <p>Credit providers should not be obliged to adhere to an ADR scheme. Also, out-of-court settlement should be optional and contractual clauses related to ADR should not be mandatory.</p>
	<p><i>Insurance Industry</i></p>
	<p>Insurance Supervision Commission</p> <p>It would be necessary to set up an alternative resolution scheme, ideally to cover all the financial market segments. This would be consistent with the fact that in many Member States there are single financial market supervisors (banking-securities-insurance).</p>
	<p>Insurance Companies</p> <p>Taking into consideration that Romania is a member of the EU, it would be in the best interest of the consumer to ensure that ADR schemes are in place, in this way, facilitating the out-of-court resolution of cross-border consumers' disputes.</p>
	<p><i>Pensions Industry</i></p>
	<p>National Authority for Supervision of Private Pension Systems</p> <p>The ADR system in Romania should be implemented and the participation of the financial institutions to such a scheme should be mandatory. It would be advisable to stipulate in the law the ways in which the complains will be solved.</p>
	<p><i>Consumers</i></p>
	<p>National Authority for Consumer Protection</p> <p>Generally, consumers should be offered the possibility to resolve disputes fast and efficiently without lengthy procedures, therefore efficient ADR schemes should be in place and providers should adhere to an ADR scheme and should be contractually obliged to offer ADR mechanisms to their clients.</p> <p>Nevertheless, Commission should initiate a study regarding the efficiency of FIN-NET system and members, where they exist, or of other alternative dispute resolution schemes in order to determine the cause of their deficiency.</p>
	<p>Consumer Associations and Individuals</p> <p>It would be useful to introduce a mandatory provision in the contract, offering the alternative of off court resolution of complains, which would be a fast way to solve the disputes between the banks and their clients. Also, such a system would reduce the time needed to solve such disputes.</p>
6	<p>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? How could Romanian consumers be more involved in the governance and the preparation of SEPA?</p>
	<p><i>Banking Industry</i></p>
	<p>National Bank of Romania</p> <p>-</p>

	<p>Banks</p> <p>While it is desirable that all relevant stakeholders: financial institutions, authorities (NBR) and consumers participate in the governance and preparation of SEPA, given the rather technical nature of the matter, the SEPA implementation should be the mainly the task of financial sector players and authorities. However, it would be important to raise consumers' awareness on the benefits of SEPA, possibly involving consumer associations. This could be done by issuing educational materials, organization of focus groups and permanently supervising the process with periodical polls, to see the level of information achieved after educational rounds are conducted.</p>
	<p>Non-bank Financial Institutions</p> <p>Consumers could and should be involved in the preparation of SEPA mainly via consumers' groups and organizations. SEPA's impact on consumers will grow constantly, among the reasons: increased customer mobility and request of financial services provided by telephone and internet.</p>
	<p><i>Insurance Industry</i></p>
	<p>Insurance Supervision Commission</p> <p>-</p>
	<p>Insurance Companies</p> <p>A survey could be conducted with consumers in order to determine their perception and concerns over the creation of SEPA.</p>
	<p><i>Pensions Industry</i></p>
	<p>National Authority for Supervision of Private Pension Systems</p> <p>-</p>
	<p><i>Consumers</i></p>
	<p>National Authority for Consumer Protection</p> <p>Consumers will need to be more closely involved in this initiative and more information should be made available to them not only by consumers' organizations but also by mass-media and by financial institutions. On one hand, consumers' financial education should be improved; on other hand there should be clear and uniform rules, clear and easy to understand requirements, use of standardized documents and no additional payments.</p>
	<p>Consumer Associations and Individuals</p> <p>The consumers should not be involved in the organization and preparation of SEPA as this is a highly technical endeavor which should be tackled by the specialists. However, consumers should be adequately informed regarding the benefits and the opportunities offered by SEPA. Also, the relevant SEPA regulations should be neutral and not put consumers at disadvantage.</p>
7	<p>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. Do you think the Romanian legislative framework is</p>

	<p>sufficient in this regard? If not, what should be the improvements that could be brought to the current legislative framework on credit intermediaries? Do you think that Romanian customers face any particular problems in dealing with credit intermediaries, particularly on a cross-border basis?</p>
	<p><i>Banking Industry</i></p>
	<p>National Bank of Romania</p> <p>The current Romanian legislation imposes some conditions only to consumer credit intermediaries following the requirements of Council Directive 87/102/EEC of 22 December 1986 for the approximation of the laws, regulations and administrative provisions of the Member States concerning consumer credit. In this respect we support the Commission efforts to reach a common approach on this matter regardless the financial product to be offered and we appreciate that it can be considered a solution to have mandatory a minimum set of rules on consumer protection, leaving the rest on good practice principles to be imposed by the market.</p>
	<p>Banks</p> <p>Banks consider that the Romanian legal framework is favorable to the development of cross-border retail financial services. Romanian law allows foreign credit institutions, from EU and non-EU states, to provide financial services in Romania, directly or through local branches, provided that some requirements are met. Moreover, Romanian consumers are not restricted to access cross-border financial services. Regarding the local credit institutions, they are also permitted to offer cross-border services. One impediment could be the low level of development of the market compared to other Member State and the low level of sophistication of the Romanian consumer of financial services which translate into relatively reduced level of cross-border financial services. Therefore, given objective considerations, the low level of cross border financial services in Romania should not be perceived as a problem.</p>
	<p>Non-bank Financial Institutions</p> <p>The current legislative environment is adequate.</p>
	<p><i>Insurance Industry</i></p>
	<p>Insurance Supervision Commission</p> <p>-</p>
	<p>Insurance Companies</p> <p>The issues that prevent credit institutions to provide cross-border services are not legal, but rather operational: if the consumer qualifies for cross-border services (from the seller point of view), the language of correspondence between the seller and the customer, the legal rules applicable in the home country, the guarantee schemes for financial services, fiscal issues regarding financial products, etc. One particular concern, from the insurance industry point of view, but which could be also an impediment on the banks' side is that insurance agents can not intermediate loans and credit institutions can not intermediate insurance. This could be perceived as a restriction that can affect the distribution of loans through intermediaries. Also, this issue is particularly relevant since most loans have insurance policies attached and, according to the law, they can</p>

	not be sold together.
	<i>Pensions Industry</i>
	National Authority for Supervision of Private Pension Systems -
	<i>Consumers</i>
	National Authority for Consumer Protection Generally, consumers are not familiar with this issue. In Romania, cross-border transactions made through a credit intermediary has not developed yet. The lack of experience makes Romanian consumer circumspect when dealing with credit intermediaries especially because they fear that: <ul style="list-style-type: none"> - when certain issues should be cleared, the credit intermediary would hesitate to involve himself in solving the problem; - credit intermediaries would not offer the same information as the creditor himself; - eventual additional payments asked to the consumer by the credit intermediary would appear; - lack of information regarding additional payments may appear.
	Consumer Associations and Individuals As the creation of the single market in the area of payments and other banking services did not generate enough competition, consumers are unable to benefit from cheaper or more qualitative services from other Member States. The very uneven pricing of credit in particular should be a matter of concern for the single matter.
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? Do you think the current Romanian long-term savings, retirement and pension schemes that meet consumers' needs? If not, what could be the ways of improving it in view of the above considerations?
	<i>Banking Industry</i>
	National Bank of Romania We consider a good start for the integration of the financial services market could be to standardize some basic financial products in this field. We agree that these standardized financial products could be considered in the view of alternative European legislation as an option to the national legislation (such as the 28th regime).
	Banks An effective market for long term savings, retirement plans and pension schemes would be an important contribution of the Commission as such decisions are indeed very important for individuals and have a huge impact on EU citizens' future. An optional EU scheme could represent a good idea: in a single market, in order to be effective, the consumer should possess equivalent information across products. Considering the importance of such decisions, the consumer should

	<p>possess relevant information. For example, the Commission may establish minimum information to be provided to clients, in form of a standard of communication that clients may gather from different institutions. In this sector, clients should be informed about what is the nature of such instruments, that risks and returns (inversely correlated), and the costs, in order to be able to evaluate accurately the potential benefits and risks.</p> <p>The current domestic long term savings, retirement and pensions schemes are adequate, taking into consideration consumer legislation legal requirements, both local and from the EU. However, as the market is still young and information level reduced (not to mention reduced access to information outside big cities) the market penetration is reduced as well, the product utilization is infrequent and product diversification modest. To improve such aspects, Romanian institutions, both private and public, should take some steps first to educate the market and consumers. Public institutions should set standards for communication and minimal information requirements for clients.</p>
	<p>Non-bank Financial Institutions</p> <p>An optional regime for savings and / or the 3rd pillar pension products could be envisaged. As far as Romania is concerned, it should be noted that the market is just emerging.</p>
	<p><i>Insurance Industry</i></p>
	<p>Insurance Supervision Commission</p> <p>-</p>
	<p>Insurance Companies</p> <p>Starting this year, the Private Pension Funds will become operational, so consumer will have a wide range of long-term savings, retirement and pension schemes. Applying an optional legal EU-wide regime, for example pan European Pension Funds, may comprise a lot of benefits for both consumers and companies: economies of scale – just the one arrangement and an opportunity to harmonize pension benefits in different EU member states.</p>
	<p><i>Pensions Industry</i></p>
	<p>National Authority for Supervision of Private Pension Systems</p> <p>NASPPS agrees with the system proposed. However, it should be mentioned again the need to ensure an adequate consumer information. As NASPPS is a relatively young institution, this should be also trained in this area.</p>
	<p><i>Consumers</i></p>
	<p>National Authority for Consumer Protection</p> <p>Consumers are very circumspect regarding long-term savings, retirement and private pension; they do not have confidence that these schemes would be efficient. Restrictive regulations regarding the bodies that have a right to develop this kind of business should be put in place. Consumers' confidence should be gained having in consideration the bad experience of bankruptcy in Romania. It is necessary that these systems ensure guarantees regarding their existence in order to avoid the risk of disappearing.</p>
	<p>Consumer Associations and Individuals</p>

	<p>The question is not particularly relevant for most Romanian citizens, whose low salaries do not allow savings. The new regulations aimed at promoting the supplementary facultative pension would only be useful if from the actual earnings, consumers will be able to make specific retirement allocations. It is necessary the setting up of a competitive market, which can offer long-term savings solutions, according to the needs of consumers.</p>
9	<p>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? Do you think that the Romanian legal and institutional framework would allow for the development of a simplified standardized product?</p>
	<p>Banking Industry</p>
	<p>National Bank of Romania</p> <p>We appreciate that by reaching the consumers' needs also the industry could have net benefit, at least over the medium to long term. Overcoming the language barriers is one of the most important issues to be addressed by offering simplified standardized financial products, from the consumer's perspective. In addition, we consider that the issue of national fiscal regime of the financial product should be subject of special attention and therefore adequately illustrated when designing such products.</p> <p>However, conducting a cost-benefit analysis on this matter could highlight solid rational arguments for supporting a decision.</p>
	<p>Banks</p> <p>Banks have different opinions regarding the development of standardized banking products. Some banks consider that such standardized products will have clear benefits for both banks and consumers as long as it will be in line with legislative requirements, will be easy to understand, and will be offered in a very transparent way. However, some banks consider that while such standardized products could be beneficial for customers, they may have a negative impact on the competition between banks as this should be offered at the same price across EU and may also infringe local competition laws. Also, some banks argue that such standardized products may not be beneficial for consumers as they will not be as competitive as "custom-made" products that may offer the client a higher degree of flexibility and thus a better coverage of his demands. At the same time, a simplified standardized product to be offered on a cross-border basis may be able to satisfy the needs of consumers from some regions, but may not be suitable for other clients from other regions. If a decision will be made in this regard, banks stress that the National Bank of Romania should be supportive to this initiative.</p>
	<p>Non-bank Financial Institutions</p> <p>A simplified standardized product would unnecessarily reduce competition.</p>
	<p>Insurance Industry</p>
	<p>Insurance Supervision Commission</p> <p>-</p>

	<p>Insurance Companies</p> <p>While at present there are certain formalities that have to be accomplished in order to sell a financial product on the Romanian market (from the perspective of both banking and consumer legislation), the future developments regarding of simplified and standardized products should be in line with these local conditions.</p>
	<p><i>Pensions Industry</i></p>
	<p>National Authority for Supervision of Private Pension Systems</p> <p>-</p>
	<p><i>Consumers</i></p>
	<p>National Authority for Consumer Protection</p> <p>The credit institutions' own practices as well as the differences in applying by Member States of the European rules could probably be avoided by standardizing some basic wide spread products and techniques (procedures).</p>
	<p>Consumer Associations and Individuals</p> <p>Consumers welcome the idea of having a standardized, simplified and optional banking product. The existence of a EU standardized framework, easy to understand by consumers, which can be offered throughout Europe under the same conditions would carry important benefits for consumers. The current Romanian legal framework is very complex, but it should allow for the development of standardized and simplified banking products.</p>
10	<p>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. What are your views on the possible ways to promote financial literacy in Romania?</p>
	<p><i>Banking Industry</i></p>
	<p>National Bank of Romania</p> <p>We sustain Commission effort regarding consumer financial education and we consider this a powerful tool for the consumer in dealing with financial services providers.</p> <p>We consider it is useful for all Member States to exchange views regarding the measures already taken on this matter. In this respect, the Commissions' role could be significant and concretized in gathering all the information regarding the national financial education programs already in place but also the future ones and make them available to all Members States.</p>
	<p>Banks</p> <p>The weak level of consumer financial education is one of the greatest impediments to the further development of the Romanian financial services industry as it leads to low or inadequate utilization of financial services. Financial literacy is worrisome in rural areas. Sharing best practices by the Commission will help improve the situation. One solution that the Commission could envisage would be the encouragement of public institutions and</p>

	<p>organizations to promote financial education or to sponsor a dedicated website to disseminate information concerning retail financial instruments.</p> <p>However, given the wide diversity in levels of financial education across member states, banks consider that promoting the consumers' financial literacy should be mainly the task of the local service providers. The local providers of financial services should be obliged to promote their products not in advertising way but in a correct, professional way using an understandable language. Also, banks consider that financial literacy should be offered as much as possible free of cost, and the funds for producing the said literacy should be raised from all the financial institutions dealing directly with customers (banks, financial institutions, insurance companies, leasing companies, etc).</p> <p>Concrete ways to promote financial education are:</p> <ul style="list-style-type: none"> - bank information websites/portals to continuously provide detailed information about new financial products; - press articles (e.g. "Personal finance" chapter); - TV specialized shows and advertising support to popularize these shows; - syndicated campaigns (for example card payments); - literacy programs in high schools/universities on how to manage personal finance; - higher level of detail in press releases of different banks; - dedicated websites for specific products; - dedicated supplements for local newspapers (e.g. how a credit card functions); - advertising beyond classical approach: educational programs; - offer consultancy and advice on bank products; - promoting a national campaign for consumer financial education. In this regard, it should be noted that under the Special Projects Initiative for financial sector modernization, all public and private financial sector stakeholders will promote a national strategy for consumer education to be widely endorsed by the end of 2007.
	<p>Non-bank Financial Institutions</p> <p>An idea for promoting consumer financial education could be the initiation of campaigns promoted by consumer groups, financial institutions and public authorities.</p>
	<p><i>Insurance Industry</i></p>
	<p>Insurance Supervision Commission</p> <p>It would be necessary to initiate a program for promoting the financial education of consumers, which should involve all the financial services providers. Practical ways of promoting consumer financial education could be guides issues by each institution.</p>
	<p>Insurance Companies</p> <p>Promoting financial literacy should be a sustained effort that combines advertising initiatives, accessible and attractive products, and support from the regulators such as tax incentives or less restrictions.</p>
	<p><i>Pensions Industry</i></p>
	<p>National Authority for Supervision of Private Pension Systems</p> <p>Promoting the financial education of consumers is a matter of outmost</p>

	importance for all financial sector stakeholders, market authorities and players alike. This issue is particularly important in the pension's area, which is an emerging financial market segment. The concrete means to promote consumer financial education could be: introducing financial education in high school curricula, a closer involvement of mass media (especially TV and radio), and a coordinated effort of supervisory and regulatory authorities and consumer protection bodies (NACP and consumer associations).
	Consumers
	National Authority for Consumer Protection Developing programs of financial education for consumers; encouraging banks to set up codes of conduct. Free distribution of leaflets in supermarkets, restaurants, hotels, banks.
	Consumer Associations and Individuals Financial education should be promoted broadly and should target consumers with very weak level of knowledge. Any guides for financial education should be written in plain language, so as to be accessible by all types of consumers. Such guides could be offered by financial institutions, but also through mass media as this is a matter of public interest.
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?
	Banking Industry
	National Bank of Romania -
	Banks The EU Directives provisions on consumer information are adequate and consistent, especially in the areas of consumer testing and pre-contractual information. To ensure consumer appropriate information, the Commission may open special consulting centers, sponsor magazines and publications, websites that disseminate information for free to the public, at least for a certain range of simple standardized products. However, given the very different levels of consumer literacy in Member States, the promoting of consumer information has to be done at the local (national) level, in accordance with the local habits, legal framework and level of financial sector development and knowledge. Some banks consider that some legal requirements could be issued to ensure a minimal set of information provided to the customers for categories / groups of products and services as financial institutions should be allowed to differentiate through the level and quality of advice provided to the customers, and let the market competition eliminate the companies that offer poor advice. However, banks stress that while banks have to provide customers with basic information of their products and services, advice should not be made

	compulsory.
	<p>Non-bank Financial Institutions</p> <p>Informing consumers would suffice and creditors should lend responsibly. Nevertheless, lenders should not act as consultants.</p>
	<i>Insurance Industry</i>
	<p>Insurance Supervision Commission</p> <p>In our view, the EU Directives regarding the insurance market stipulate clearly the information that are required to be provided by insurer to the insured or the potential insured.</p>
	<p>Insurance Companies</p> <p>Considering the low level of financial education, reliability on advice is very important in the Romanian market. The advice should be objective, adjusted to the customer profile and provided at the request of the customer.</p>
	<i>Pensions Industry</i>
	<p>National Authority for Supervision of Private Pension Systems</p> <p>Although the EU legislation stipulates the obligation for transparency in consumer information, it does not embed explicit conditions regarding the reporting requirements. In this regard, it would be important to regulate the obligation to provide minimum information, which could have an impact on the consumer's decision. The advice should be also provided by financial services providers on a mandatory basis, aspect that should be regulated. The advisory services should not have a marketing character.</p>
	<i>Consumers</i>
	<p>National Authority for Consumer Protection</p> <p>Offering to consumers precise and clear information is essential. Consumers would also need advice, banks should be obliged to offer it taking into consideration the financial capacity of consumers.</p>
	<p>Consumer Associations and Individuals</p> <p>The current provisions are neither sufficient nor adequate. Advisory services should be provided on a mandatory basis to all consumers with very weak level of financial education. A suggestion would be to make advisory services a mandatory part of the credit or insurance contracts.</p>
12	<p>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? Is the Romanian legislation allowing the cross border transferability of consumer credit data?</p>
	<i>Banking Industry</i>

	<p>National Bank of Romania</p> <p>We think that credit data should be available to the creditors on a cross-border basis, provided that these data are used only for credit risk assessments.</p> <p>We appreciate that the Commission should organize a consultation with the credit bureaus' representative looking for a viable solution on the matter of credit data circulation (considering issues like the type and forms of information collected and generated, different structure of the information and different structure of the credit bureaus). This consultation should be used to collect data about de credit bureaus and to issue the recommendation of cooperation between credit bureaus.</p>
	<p>Banks</p> <p>The cross border transferability of consumer credit information would be beneficial to all credit institutions as these would be able to make a better determination of their customers' profiles and improve risk management procedures. However, this should be allowed under the various legal provisions pertaining to personal data protection. A practical solution could be memoranda of understanding concluded between credit bureaus from Member States. The Romanian legislation could be modified to allow for cross border transfer of consumer credit information if needed. Also, as the financial market becomes more integrated, Member States could explore the possibility of establishing a pan-European Credit Bureau, to be accessed by credit institutions from the Member States.</p>
	<p>Non-bank Financial Institutions</p> <p>A memorandum of understanding concluded among credit bureaus from Member States could be a feasible solution for enabling the cross-border transferability of credit information. The Romanian legislation should be permissive in this regard, but the Data Protection Authority should be consulted.</p>
	<p><i>Insurance Industry</i></p>
	<p>Insurance Supervision Commission</p> <p>-</p>
	<p>Insurance Companies</p> <p>While the cross border transferability of consumer data would be desirable, the legal requirements pertaining to personal data protections should be checked across Member States in order to determine the feasibility of this action. In Romania, the competent authority in this regard is the National Authority for Supervision of Personal Data Processing.</p>
	<p><i>Pensions Industry</i></p>
	<p>National Authority for Supervision of Private Pension Systems</p> <p>-</p>
	<p><i>Consumers</i></p>
	<p>National Authority for Consumer Protection</p> <p><i>Only banks and financial institutions should be able to access credit registers, no other institutions have justified reasons to access the data.</i></p>

	<p>A memorandum of understanding, ensuring smooth data circulation between credit bureaus, would be a workable solution under the conditions that representatives of consumers be consulted when establishing the memorandum.</p>
	<p>Consumer Associations and Individuals</p> <p>A feasible solution to ensure the cross border transferability of credit information could be a protocol concluded between EU credit bureaus. Also, it would be useful if IT systems of credit institutions could become more integrated.</p>
	<p>National Authority for the Supervision of Personal Data Processing</p> <p>We appreciate the measures promoted by the European Commission for achieving a complete, correct, and proportional (tailored according to the level of understanding of each person) information of financial services consumers. It would be also important that this information comprises information on how personal data is to be processed according to the relevant legislation. A feasible solution to ensure the cross-border transferability of credit data would be the conclusion of a protocol that would regulate the circulation of data among the various credit bureaus. In this context, it would be important to ensure that uniform criteria for assessing the clients and for transferring their data are implemented by the credit bureaus. However, in lack of additional information on the EU regulations that are to be implemented in this regard, an analysis of the Romanian framework would be premature.</p>
13	<p>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? What would be the national mechanisms to facilitate the integration of the Romanian retail insurance market with the EU market?</p>
	<p><i>Banking Industry</i></p>
	<p>National Bank of Romania</p> <p>-</p>
	<p>Banks</p> <p>One practical solution could be the standardization of certain insurance products. The integration in the EU insurance market should be a common effort of all relevant insurance supervisors from the Member States.</p>
	<p>Non-bank Financial Institutions</p> <p>-</p>
	<p><i>Insurance Industry</i></p>
	<p>Insurance Supervision Commission</p> <p>The current legislation does not restrict in any way the cross border access to insurance services as the insurance market is a completely open one.</p>
	<p>Insurance Companies</p> <p>Conducting insurance business in a unified European market offers advantages to both market sides compared to a situation of national fragmentation. Nevertheless, while integration is undoubtedly high on reinsurance markets and the market for industrial risks, the same does not hold for retail insurance</p>

	<p>markets. In general, obstacles can be grouped into policy induced obstacles and natural obstacles. Since insurance is essentially based on trust, natural obstacles as preferences for providers, are highly biased towards local structures and established channels of distribution and thus, difficult to tackle.</p>
	<i>Pensions Industry</i>
	National Authority for Supervision of Private Pension Systems
	-
	<i>Consumers</i>
	<p>National Authority for Consumer Protection</p> <p>At present, in Romania, there is a weak development of retail insurance market, caused by:</p> <ul style="list-style-type: none"> - low interest of consumer for insurances; - low level of trust of consumers in the insurance system, especially in the private pension insurances system; - bureaucracy – for example in car insurance field, consumers have to fight for their rights. <p>Therefore, gaining consumers’ confidence is essential in developing retail insurance markets; measures should be taken in this regard.</p>
	<p>Consumer Associations and Individuals</p> <p>More efforts are necessary to ensure the further integration of the EU insurance market. Among the suggested concrete mechanisms to ensure this are: promoting some standardized insurance products, using the same types of forms for concluding insurance in all Member States, etc.</p>
14	<p>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? Do you see merits in having a Romanian inter-bank account switching arrangement?</p>
	<i>Banking Industry</i>
	National Bank of Romania
	<p>SEPA project is of outstanding importance for the process of financial integration as introduces standards that create a level playing field for the payment products and allow overcoming the borders, thus underpinning the competition and making available more options to the consumers.</p> <p>We support initiatives at the EU level aiming to remove competition barriers and to ensure customers’ mobility as this will be helpful for the increasing of the retail banking market efficiency and for the enhancing consumers’ confidence in the products specific for this segment of the financial market.</p>
	Banks
	<p>There are different views on the creation of inter-bank account switching arrangements. According to some banks, there are merits in having in place such arrangements, especially in the context of the SEPA launching. However, other banks consider that some dangers may exist as some financial institutions could</p>

	create cartels, forcing clients to have relationships with certain institutions and avoid others, thus distorting competition. The view of banks is that such arrangements should be broadly promoted by the European Commission, the European Central Bank and national regulators.
	Non-bank Financial Institutions
	SEPA and customer mobility would normally be inter-dependent.
	<i>Insurance Industry</i>
	Insurance Supervision Commission
	-
	Insurance Companies
	Customer mobility is not an encouraged practice in the market, especially in the lending area, due to high anticipated reimbursement fees. An inter-bank account switching account arrangement would represent a solution for increasing the customer mobility.
	<i>Pensions Industry</i>
	National Authority for Supervision of Private Pension Systems
	-
	<i>Consumers</i>
	National Authority for Consumer Protection
	In principle, the new payments market should increase customer mobility if all categories of stakeholders are well informed and prepared to use it. EU wide account switching arrangements would be beneficial for consumers if there is a safe and functioning legal frame. Measures should be taken in order to: - establish a common practice in the SEPA zone in order to avoid individual or national interpretations which could affect uniform application of rules in this field; improve the credit institutions' infrastructure; improve consumers' financial education and provide them information in order to help them have an active attitude; no additional costs. An EU-wide solution should be developed. The credit institutions' own practices as well as the differences in applying by Member States of the European rules could probably be avoided by standardizing some basic wide spread products and techniques (procedures).
	Consumer Associations and Individuals
	From a consumer point of view, it would be very useful to have in place an inter-bank account switching agreement.