

Convergence Romania Financial Sector Modernization Public-Private Special Projects Initiative



COMISIA DE SUPRAVEGHERE A ASIGURĂRILOR



GUVERNUL ROMÂNIEI

DEPARTAMENTUL PENTRU AFACERI EUROPENE



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

Info Europa Center of the European Commission
Bucharest
June 19, 2007

MINUTES

Main Conclusions of the Round Table

Participants considered the Round Table **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.** While at present there is relatively low cross-border activity in the retail financial markets, stakeholders should have a forward looking approach as the Romanian financial sector is catching up with developed EU markets and the consumers are becoming more sophisticated.

Participants concluded that the Round Table represented 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 round table consultation ensures that the activities under the SPI public-private partnership for the Romania financial sector modernization are consistent with the current strategic directions of the EU Commission pursuant to the Financial Services Action Plan.

Stakeholders are encouraged to send individual feedback to the SPI Secretariat at secretariat@spi-romania.eu by no later than June 29, 2007.

I. Background

The European Commission released on April 30, 2007 a *Green Paper on Retail Financial Services in the Single Market* seeking to strengthen and deepen the understanding of the problems faced by consumers and industry in the field of retail financial services, as a basis for designing possible further policy initiatives to remove impediments in this area.

The Green Paper launched a broad consultation process with relevant stakeholders from Member States whose results will be incorporated into the Single Market Review report to be published by the European Commission in the autumn. In Romania, the consultation process is taking place under the auspices of the Special Projects Initiative public-private partnership for Romania financial sector modernization, with the support of the inter-agency group for EC Green Paper consultations.

II. Aims of the Round Table

On June 19, the SPI Secretariat of the public-private partnership for Romania financial sector modernization 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 event has benefited from support of the interagency group for EC Green Paper consultations, which operates under the overall coordination of the Department of European Affairs of the Government of Romania (DAE).

The Round Table enjoyed the presence of several financial market authorities (National Bank of Romania, Insurance Supervision Commission, Private Pension Systems Supervision Commission, Ministry of Economy and Finance), consumer protection bodies (National Authority for Consumer Protection and National Association for Consumer Protection), financial market players (banks and the ALB Leasing Association), and DAE (see enclosed list of participants).

The Round Table objectives were to:

1. To build a common understanding among the Romanian financial sector stakeholders regarding the issues raised by the European Commission Green Paper on Retail Financial Services in the Single Market;
2. To support the Romanian financial sector stakeholders in providing their feedback on the European Commission Green Paper issues;
3. To ensure a coordinated response of the Romanian financial sector stakeholders to be conveyed to the European Commission by July 16, 2007.

III. Discussions

The head of the interagency group gave a background on the discussions held in Brussels on July 15 with the European Commission. On this occasion, it was outlined that the Commission would like to change the role of the consumer from object to subject of the retail financial market integration initiatives.

Also, the head of the interagency group gave a background of the main steps of the consultation process. As the creation of the single market is not a theoretical concept, it is very important that the views of all relevant stakeholders are expressed: consumers, financial market participants and

relevant financial market authorities. In this regard, it was outlined that the positions of the stakeholders should be presented as they are, without trying to achieve a common point of view, as the Commission would like to deepen its understanding of the problems perceived by all players.

The consumer protection association and authority have presented the perspective of the consumer. It was stressed that efforts should be made in the direction of transforming the attitude of the Romanian consumer from **assisted consumer to proactive consumer**, who has an adequate understanding of its rights and the context in which it operates and is taking action when necessary.

In this regard, enhancing consumer financial education is essential. It was stressed that the various programs for consumer financial education (initiated by authorities, consumer associations, professional associations, etc.) have to be correlated and a national strategy, as promoted by the SPI, would be essential in this field.

Also, financial institutions should take measures to provide their customers with plain, accessible and accurate information. At the same time, the enforcement of regulations for presenting misleading information should be very strict and the sanctions adequately calibrated.

The consumer association suggested that codes of good practices should be drafted for employees of financial institutions and also that financial institutions could draft glossaries of most frequently used terms in order to enhance the understanding of consumers. On the other hand, the leasing association outlined that this would bring little value added. Also, it was stressed that stakeholders should strike a balance between providing the consumers with adequate information and helping them build their own skills in analyzing the information and making the right choices.

In regard to the consumers' attitude vis-à-vis cross border issues, it was outlined that on the site specially set up by the EU for dealing with consumer complains (www.dolceta.eu), only 3 notifications have been received from Romanian consumers last year. The poor knowledge of Romanian consumers of cross-border protection mechanisms is aligned with the general weak levels of knowledge and involvement of the consumer.

The NACP also stressed that no notifications have been received so far from EU citizens who dealt with consumer protection issues in Romania. This could be due to the fact that Romania has only recently become a full member of EU.

In order to inform the discussions on the Green Paper questionnaire, the SPI Secretariat has made a presentation of the main issues raised in the consultative document. The participants outlined the following main point regarding the questionnaire:

1. The Romanian stakeholders agree with the objectives and priorities set out in the Green Paper;
2. The Romanian stakeholders outlined that few impediments can be identified in the side of the Romanian legislation for the further integration of retail financial markets. The roadblocks are actually created by the financial institutions' own practices and by the low level of knowledge and sophistication of the consumer;
3. Participants acknowledge that the current Green Paper consultations represent an important step in developing a consultation culture in Romania as in the past, several initiatives of the

- Commission to improve consultation with consumers and to secure their input into its policy making did not received any feedback (i.e. Green Paper on Mortgage Lending);
4. Regarding the limitations of the consumer choices through channels for accessing retail financial services, the Romanian stakeholders mentioned some regulatory issues (i.e. the NBR administrative limits on individual lending which have been recently abolished) and the poor financial infrastructure of the financial sector (i.e. the weak development of the on-line payment system);
 5. Regarding the alternative dispute resolution (ADR) schemes in Romania, it was outlined that although these mechanisms' set up 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, it was stressed that a Bank Mediator will be set up by the end of the year as a private, voluntary and independent scheme established by credit institutions¹. The stakeholders could further explore if this scheme could be expanded to cover non-banking financial institutions at a future stage;
 6. On the SEPA issue, stakeholders acknowledged that the consumers will need to be more closely involved in this initiative and more information should be made available to them by financial institutions. The stakeholders will further explore the concrete means for having a closer consumer involvement;
 7. Regarding the promotion of standardized products that could be marketed across EU, it was outlined that the Commission would like to start with a pension product, under the parallel Regime 28. While the consumer's protection representatives outlined that such standardized products would encourage the citizens to use cross-border retail financial services, financial institutions outlined that such option should be carefully considered from a business perspective;
 8. On the cross-border dissemination of credit bureau information, participants outlined the need to invite the Data Protection Agency to express its opinion regarding its feasibility under the current Romanian legislation.

Finally, Deloitte has made a presentation on the "Market participants view on the further integration of retail financial markets". It was outlined that the following challenges remain in enhancing the integration of retail financial markets in countries where the financial sectors development is lagging behind:

- Facilitate access to financial services by containing commissions and fees;
- Educate to and market alternative means of payment;
- Be transparent in communicating financial services (interest rates, commissions); communication issues should be closely monitored by supervisor and properly sanctioned if considered misleading;
- Encourage market to seek for alternative: facilitate switching of accounts/banks, early repayments of mortgages, etc;
- Train workforce to perform as trusted financial advisor: cases like foreign currency denominated real estate mortgages, Argentinean and Parmalat bonds should be avoided in the future;
- Very simple products should be developed: elderly people like to see the amount of money currently deposited-savings type of account;

¹ The project is undertaken under the auspices of the SPI public-private partnership for financial sector modernization.

- Foster system initiative like Credit Bureau – some CEE countries are already experiencing an unexpected increase of default after the massive rush to retail financing of some years ago.

The Department of European Affairs concluded the session by acknowledging the importance of the Round Table, which represented a 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.

DAE has outlined that it would be important that Romania transmits to the European Commission a centralized document, including the feedback received from all stakeholders. In this regard, DAE has encouraged the stakeholders to send their feedback to the SPI Secretariat by no later than June 29, 2007 in order to enable the preparation of the centralized document.

ANNEX 1. List of Participants
Round Table on the European Commission Green Paper on
Retail Financial Services in the Single Market

Info Europa Center of the European Commission
 Bucharest
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#	Name of participant	Institution and position	Contact details (email and phone)
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