



The Consumer Voice in Europe

## REVIEW OF THE EUROPEAN FINANCIAL SUPERVISORS

BEUC response to the Commission consultation



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## Why it matters to consumers

Consumers need to be able to trust that the financial products that they are being offered are safe and fair. They expect that supervisory authorities exist to monitor the financial institutions and to intervene when the latter do not comply with legislation. However, many national financial supervisors lack a clear statutory objective to provide consumer protection or do not possess sufficient resources and the capacity to perform this task. As a result, significant consumer detriment occurs in the area of retail banking, payments, investments, insurances, and savings. The review of the European Supervisory Authorities is a good opportunity to harmonise the quality of supervision and enforcement everywhere in the EU to better protect users of financial services.

## Summary

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Consumers expect financial products on the market to respond to their needs and to meet legal standards. Financial supervisors must therefore deal with consumer protection effectively and independently. Over the past few years, several EU laws have been adopted in retail financial services. The current challenge is to ensure that this legislation is properly implemented and enforced at the national level. However, in many Member States, the quality of supervision is poor.

There is an urgent need to upgrade the quality of supervision and enforcement everywhere in the EU to achieve supervisory convergence. BEUC proposes to create an EU supervisory authority dedicated only to consumer issues, as the consumer protection mandates of the existing ESAs has been treated as a marginal issue so far. The main task of the ESAs is financial stability which has no direct link with consumer protection, as market conduct supervision is very different from prudential supervision by nature.

BEUC proposals for the reform of the European Supervisory Authorities are as follows:

- Set up a separate EU supervisor that would focus on defending consumer interests in financial services (twin-peak model of supervision).
- Provide a mandate to the EU consumer protection supervisor to achieve supervisory convergence, i.e. ensure the development, implementation and monitoring of minimum standards of conduct-of-business supervision at Member State level. This entails having financial supervisors with strong consumer protection mandates, sufficient resources, and the power to fulfil their mandates in all Member States.
- Grant the EU consumer protection supervisor direct supervisory and effective product intervention powers with regard to cross-border issues, as well as EU-wide negative trends and risky products/practices that are widespread across several Member States.
- Reform of the ESAs' governance (Management Board and Board of Supervisors) aimed at improving their operational efficiency and ensuring supranational orientation of their work.
- Provide the ESAs with sufficient resources to adequately fulfil their tasks.
- Enhance the functioning of the ESAs' stakeholder groups.

## General comment

BEUC welcomes the opportunity to respond to the Commission's [consultation](#) on the operation of the European Supervisory Authorities (EBA, ESMA and EIOPA). The ESAs review is an excellent opportunity to bring real changes for EU consumers in retail financial services and demonstrate the EU institutions' commitment to putting consumer protection at the heart of their policy-making, in particular as far as enforcement of the EU law is concerned.

Overall, we agree with most of the Commission's analysis on the ESAs' activities and the shortcomings identified. It is worth stressing that all those shortcomings (such as a weak mandate for consumer protection, problems linked to the ESAs governance, funding issue, etc.) were already recognised by the Commission in its 2014 ESAs evaluation report (3 years ago).<sup>1</sup> In this response, BEUC puts forward a number of concrete suggestions to improve the efficiency of market conduct supervision and consumer protection at national and EU level. We strongly encourage EU policy-makers to step up their efforts in integrating financial consumer protection across the EU.

## I. Tasks and powers of the ESAs

### Supervisory convergence

**Question 1.** *In general, how do you assess the work carried out by the ESAs so far in promoting a common supervisory culture and fostering supervisory convergence, and how could any weaknesses be addressed? Please elaborate on your response and provide examples.*

**Question 2.** *With respect to each of the following tools and powers at the disposal of the ESAs:*

- *peer reviews (Article 30 of the ESA Regulations);*
- *binding mediation and more broadly the settlement of disagreements between competent authorities in cross-border situations or cross-sectorial situations (Articles 19 and 20 of the ESA Regulations);*
- *supervisory colleges (Article 21 of the ESA Regulations); To what extent:
  - a) *have these tools and powers been effective for the ESAs to foster supervisory convergence and supervisory cooperation across borders and achieve the objective of having a level playing field in the area of supervision;*
  - b) *to what extent has a potential lack of an EU interest orientation in the decision making process in the Boards of Supervisors impacted on the ESAs use of these tools and powers?**

*Please elaborate on questions (a) and (b) and, importantly, explain how any weaknesses could be addressed.*

**Question 3.** *To what extent should other tools be available to the ESAs to assess independently supervisory practices with the aim to ensure consistent application of EU law as well as ensuring converging supervisory practices? Please elaborate on your response and provide examples.*

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<sup>1</sup> <http://eur-lex.europa.eu/legal-content/en/ALL/?uri=CELEX:52014SC0261>

**Question 4.** *How do you assess the involvement of the ESAs in cross-border cases? To what extent are the current tools sufficient to deal with these cases? Please elaborate on your response and provide examples.*

### **BEUC response**

See our response to questions 6 & 7 with regard to supervisory convergence in market conduct supervision.

### **Non-binding measures: guidelines and recommendations**

**Question 5.** *To what extent are the ESAs tasks and powers in relation to guidelines and recommendations sufficiently well formulated to ensure their proper application? If there are weaknesses, how could those be addressed? Please elaborate and provide examples.*

### **BEUC response**

The Commission's 2014 report states that the ESAs' guidelines and recommendations contribute to the establishment of high-quality common regulatory and supervisory standards and practices and ensure the common, uniform and consistent application of Union law. At the same time, the Commission recognises that uncertainties remain with regard to the nature and scope of the guidelines and recommendations.<sup>2</sup>

Indeed, the non-binding nature of the recommendations, guidelines and opinions issued by the ESAs with regards to consumer and investor protection seriously undermines their effectiveness. Many national supervisory authorities do not even have a consumer protection objective and mandate<sup>3</sup> or have a limited mandate. They can choose to ignore important standards, guidelines, and recommendations. The guidelines and recommendations are useful because, due to their level of details and accuracy, they limit the risk of divergent interpretations between supervisors on the one hand, and supervised firms on the other hand. As a result, BEUC considers that current guidelines and recommendations should take the legal form of binding instruments to ensure convergence of regulatory, supervisory and enforcement practices, so that appropriate measures are taken on the national level to protect the consumer interest (see our response to questions 6 & 7 regarding supervisory convergence).

### **Consumer and investor protection**

**Question 6.** *What is your assessment of the current tasks and powers relating to consumer and investor protection provided for in the ESA Regulations and the role played by the ESAs and their Joint Committee in the area of consumer and investor protection? If you have identified shortcomings, please specify with concrete examples how they could be addressed.*

**Question 7.** *What are the possible fields of activity, not yet dealt with by ESAs, in which the ESA's involvement could be beneficial for consumer protection? If you identify specific areas, please list them and provide examples.*

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<sup>2</sup> Commission Staff Working Document on the operation of the ESAs and the ESFS, 2014: <http://eur-lex.europa.eu/legal-content/en/ALL/?uri=CELEX:52014SC0261>

<sup>3</sup> See Annex 2 of the FSUG paper "For better supervision and enforcement in retail finance, Oct 2016: [file:///C:/Users/fal/Downloads/1610-supervision-enforcement-retail-finance\\_en\\_0.pdf](file:///C:/Users/fal/Downloads/1610-supervision-enforcement-retail-finance_en_0.pdf)

## BEUC response

The ESAs have the objective of protecting the public interest, inter alia, by enhancing customer protection – this task comes last in the lists of the ESAs’ objectives<sup>4</sup>. A more detailed look at the tasks related to consumer and investor protection (Art 9 of the ESAs Regulations) shows that their consumer protection mandate is very limited, despite the changes introduced by Regulation 1022/2013.<sup>5</sup> In terms of concrete supervisory actions the ESAs may, under certain conditions, prohibit dangerous financial products or activities. For this power to be effective, delegation through sector-specific regulations and directives is required. In that respect, the revised MiFID recently granted ESMA with product intervention powers.

The ESAs’ **regulatory** powers have been substantially extended in recent years due to the mandates granted by sectoral financial regulations and directives. The ESAs are in charge of drafting and advising the Commission on level 2 implementing rules (Regulatory and Implementing Technical Standards). However, the contribution of these **supervisory** authorities to enhancing consumer protection in practice has been very limited so far. This is a widely acknowledged shortcoming, as also documented in the Commission’s consultation document. The ESAs’ representatives have on various occasions stressed their willingness to work more on consumer protection issues, and they welcomed the present consultation as an opportunity to further progress towards supervisory convergence and to enhance consumer protection.<sup>6</sup>

Today, the bulk of retail finance legislation across Europe originates from the EU level, e.g. the Payment Accounts Directive, Insurance Distribution Directive, Payment Services Directive, Markets in Financial Instruments Directive, Regulation on Packaged Retail and Insurance-Based Investment Products, Mortgage Credit Directive, Consumer Credit Directive, Deposit Guarantee Schemes Directive to name just a few. However, Member States have some leeway on how to implement these rules, and full discretion on how to enforce them at national level. Sectoral EU regulations and directives merely ask that Member States designate a competent authority responsible for implementation and oversight, and for it to apply dissuasive sanctions in case of law infringement.

The reality is that market conduct supervision of consumer issues is fragmented across Member States which are at different levels of development with regard to consumer protection. In 2011, BEUC commissioned a study to assess existing consumer protection levels through the law and the practice of financial supervision which revealed that in some Member States no authority is really in charge of consumer protection in the financial services area. Many national supervisors lacked a clear statutory objective to provide consumer protection; many of them were under-staffed, have little on-site inspection capacity, had limited legal powers to make binding decisions and limited powers of sanction; some of them did not have capacity to deal with consumer complaints.<sup>7</sup> All of these problems are quite common across the EU, but they are most prevalent in central, eastern and southern Member States.

Not only is the situation across the EU in terms of consumer protection by financial supervisors fragmented, it also, and more fundamentally, bears serious shortcomings in terms of enforcement of retail finance legislation. These shortcomings are documented by the Commission’s report on the implementation of the Consumer Credit Directive in 2014.<sup>8</sup>

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<sup>4</sup> Article 1 of the Regulations establishing the ESAs

<sup>5</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:287:0005:0014:EN:PDF>

<sup>6</sup> <https://www.esma.europa.eu/press-news/esma-news/esas-welcome-european-commission%E2%80%99s-public-consultation-their-operation>

<sup>7</sup> Financial supervision in the EU: A consumer perspective, BEUC study, February 2011: <http://www.beuc.eu/publications/2011-00396-01-e.pdf>

<sup>8</sup> EC report on the implementation of the Consumer Credit Directive, May 2014: <http://ec.europa.eu/transparency/regdoc/rep/1/2014/EN/1-2014-259-EN-F1-1.Pdf>

A recent peer review by the European Securities and Markets Authority (ESMA) on the poor enforcement of suitability requirements under MiFID is a reminder of this problem.<sup>9</sup> A recent FSUG paper also provided examples demonstrating the lack of enforcement at national level.<sup>10</sup> BEUC members also regularly report mis-selling cases in retail finance as well as the resulting consumer detriment related to retail banking, payments, investments, insurances, and savings. As a consequence, the low level of trust that consumers have in financial services providers and intermediaries is hardly surprising.<sup>11</sup>

The quality of enforcement of EU law in the field of retail finance is a considerable problem both for consumer trust and market integration. Effective enforcement and an equally high level of consumer protection and redress everywhere across Europe are preconditions for a successful single retail financial market and Capital Markets Union.<sup>12</sup> Each Member State should have its own financial conduct authority in order to ensure that consumer protection legislation is properly enforced everywhere in the EU. See BEUC recommendations on the tasks and powers that all national financial conduct supervisors should have.<sup>13</sup>

There is an urgent need to upgrade the quality of supervision and enforcement everywhere in the EU to achieve supervisory convergence. EU institutions and stakeholders acknowledge this. For example, developing a common European supervisory culture and EU level convergence on conduct-of-business supervision are among EIOPA's top priorities. In that context, EIOPA has developed a strategic approach to preventive and risk-based conduct-of-business supervision, where it intends to use various tools such as annual consumer trends reports and peer-reviews of supervisory authorities.<sup>14</sup>

As has been successfully implemented in several Member States following the financial crisis (Belgium, UK) and also before the crisis (e.g. the Netherlands), BEUC has been pushing for a twin peak model of supervision i.e. separating market conduct from prudential supervision. We are of the view that supervisory convergence in market conduct supervision would be better achieved by establishing an EU authority for financial consumer protection. We appreciate the work carried out by the ESAs and actively contribute to their work.<sup>15</sup> However, the ESAs deal with both prudential and market conduct supervision, where the main priority and resources are allocated to the prudential oversight (ESAs' consumer protection divisions have very limited human resources), and, even worse, where consumer protection may be subordinated to prudential objectives. The objective of the authorities is the "short, medium and long term stability and effectiveness of the financial system" Consumer issues in this perspective are only a marginal issue.

Therefore, we see the need to set up a separate EU supervisor that would focus on defending consumer interests in financial services. One of the main tasks of the new authority should be to achieve supervisory convergence and include ensuring the development, implementation and monitoring of minimum standards of conduct-of-business supervision at Member State level.

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<sup>9</sup> MiFID suitability requirements, Peer review report, ESMA, April 2016:  
<https://www.esma.europa.eu/press-news/esma-news/esma-finds-room-improvement-in-national-supervision-investment-advice-retail>

<sup>10</sup> "For better supervision and enforcement in retail finance", FSUG, October 2016:  
[http://ec.europa.eu/finance/finservices-retail/docs/fsug/papers/1610-supervision-enforcement-retail-finance\\_en.pdf](http://ec.europa.eu/finance/finservices-retail/docs/fsug/papers/1610-supervision-enforcement-retail-finance_en.pdf)

<sup>11</sup> EU Consumer Scoreboards

<sup>12</sup> See BEUC response to the Green Paper consultation, March 2016:  
[http://www.beuc.eu/publications/beuc-x-2016-027\\_fal\\_beuc\\_position\\_green\\_paper\\_financial\\_services.pdf](http://www.beuc.eu/publications/beuc-x-2016-027_fal_beuc_position_green_paper_financial_services.pdf)

<sup>13</sup> Need for independent and efficient national supervisors everywhere in Europe, BEUC requests, October 2011:  
<http://www.beuc.eu/publications/2011-09879-01-e.pdf>

<sup>14</sup> EIOPA's approach to conduct-of-business supervision:  
<https://eiopa.europa.eu/consumer-protection/consumer-lounge/eiopa-approach-conduct-of-business-supervision>

<sup>15</sup> BEUC is represented in the stakeholder groups of all three ESAs, and we respond to all relevant consultations.

The existing tools available to the ESAs for improving the supervisory and enforcement practice on the national level, such as recommendations, guidelines and peer reviews are insufficient and have in fact no effective binding power (the 'comply or explain' mechanism). A serious limitation which negatively affects the efficiency of the ESAs peer reviews is that the results of the evaluation process may be disclosed publicly only with the agreement of the competent authority that is the subject of the peer review.<sup>16</sup>

The new EU consumer protection supervisor should be empowered to monitor the quality of the national supervisory practices by, inter alia, running random mystery shopping exercises and publishing their results. The new supervisor should have sanctioning powers in case the national competent authorities do not implement the measures recommended by the EU supervisor aimed at improving the quality of market conduct supervision.

The new EU supervisor should also be mandated with monitoring and assessing the way national markets function and any cross-market trends. It should also try to prevent risky developments and consumer detriment in order to gain more intelligence and understanding on problematic issues for consumers in the markets, e.g. by measuring detriment and detecting mis-selling behaviour. The monitoring should be followed by an analysis of the root causes that lead to the detrimental results for consumers. On this basis, appropriate measures for mitigation of the detriment should be proposed.

While responsibility for day-to-day supervision of financial institutions should essentially remain with national competent authorities (provided that their supervisory practices are harmonized as explained above), the EU consumer protection supervisor should be granted direct supervisory and effective product intervention powers with regard to cross-border issues, as well as EU-wide negative trends and risky products/practices that are widespread across several Member States. This would help take a pro-active approach to prevent mass consumer detriment caused by toxic financial products and practices, e.g. in retail investments or credit area<sup>17</sup>. Consumer treatment across Member States with regards to the same types of detriment should be similar.

The EU supervisor should publish a performance report on an annual basis setting out how well relevant financial markets have performed over the year and a forward looking risk outlook setting out the key risks to the relevant consumer and market outcomes.

## **Enforcement powers – breach of EU law investigations**

**Question 8.** *Is there a need to adjust the tasks and powers of the ESAs in order to facilitate their actions as regards breach of Union law by individual entities? For example, changes to the governance structure? Please elaborate and provide specific examples.*

### **BEUC response**

See our response to questions 6 & 7.

The ESAs Boards of Supervisors are composed by the 28 heads of the national competent authorities for the supervision of financial institutions in each Member States. These supervisors have many other priorities that the consumer dimension (see our response to questions 22-25).

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<sup>16</sup> SMSG contribution to the ESFS consultation, July 2013:  
[https://www.esma.europa.eu/sites/default/files/library/2015/11/2013-smsg-013\\_smsg\\_contribution\\_to\\_the\\_esfs\\_review.pdf](https://www.esma.europa.eu/sites/default/files/library/2015/11/2013-smsg-013_smsg_contribution_to_the_esfs_review.pdf)

<sup>17</sup> We believe a coordinated EU approach could help prevent massive consumer detriment of the kind that was caused by foreign currency loans in several central, eastern and southern EU countries.

## **Direct supervisory powers in certain segments of capital markets**

**Question 19.** *In what areas of financial services should an extension of ESMA's direct supervisory powers be considered in order to reap the full benefits of a CMU?*

**Question 20.** *For each of the areas referred to in response to the previous question, what are the possible advantages and disadvantages?*

**Question 21.** *For each of the areas referred to in response to question 19, to what extent would you suggest an extension to all entities or instruments in a sector or only to certain types or categories?*

*Please elaborate on your responses to questions 19 to 21 providing specific examples.*

### **BEUC response**

Please see our response to questions 6-7 regarding direct supervisory powers.

## **II. Governance of the ESAs**

**Question 22.** *To what extent do you consider that the current governance set-up in terms of composition of the Board of Supervisors and the Management Board, and the role of the Chairperson have allowed the ESAs to effectively fulfil their mandates? If you have identified shortcomings in specific areas please elaborate and specify how these could be mitigated.*

**Question 23.** *To what extent do you think the current tasks and powers of the Management Board are appropriate and sufficient? What improvements could be made to ensure that the ESAs operate more effectively? Please elaborate.*

**Question 24.** *To what extent would the introduction of permanent members to the ESAs' Boards further improve the work of the Boards? What would be the advantages or disadvantages of introducing such a change to the current governance set-up? Please elaborate.*

**Question 25.** *To what extent do you think would there be merit in strengthening the role and mandate of the Chairperson? Please explain in what areas and how the role of the Chairperson would have to evolve to enable them to work more effectively? For example, should the Chairperson be delegated powers to make certain decisions without having them subsequently approved by the Board of Supervisors in the context of work carried out in the ESAs Joint Committee? Or should the nomination procedure change? What would be the advantages or disadvantages? Please elaborate.*



## **BEUC response**

BEUC concurs with the Commission's analysis that the governance structure of the ESAs can cause conflicts of interest and reduce the efficiency of their work, as described in the consultation paper. As pointed out in BEUC response to the 2013 Commission consultation<sup>18</sup>, the current composition of the ESAs Boards of Supervisors (BoS) produces a situation where not all national authorities that are in charge of consumer protection in financial services are represented on the BoS. This makes it difficult for consumer protection issues to get as much attention as other issues that directly come under the responsibility of all members of the BoS.

This is because in each Member State consumer protection is organised differently, i.e. it falls under the competence of different bodies. This negatively impacts the decision-making process. This shortcoming was also recognized by the Commission in its 2014 report on the operation of the ESAs.<sup>19</sup>

We support the EC proposal for the reform of the ESAs governance (Management Board and Board of Supervisors) aimed at improving their operational efficiency and ensuring supranational orientation of their work. In parallel, the key issue for us is the ESAs' role in financial consumer protection. For it to be effective, it's crucial to address the conflict between prudential and market conduct supervision through separating these two functions. Therefore, we advocate for setting up a separate EU supervisor for market conduct and consumer protection (see our response to questions 6 & 7).

Moreover, while the ESAs are both in charge of financial supervision and of regulation (level 2 legislation), it is surprising that the boards are composed solely of national supervisors. One wonders whether it is good governance that those who draft the rules are the same the ones that are in charge of controlling its application by the firms.

**Question 26.** *To what extent are the provisions in the ESA Regulations appropriate for stakeholder groups to be effective? How could the current practices and provisions be improved to address any weaknesses? Please elaborate and provide concrete examples.*

## **BEUC response**

BEUC and several of our members are represented in the ESAs Stakeholder Groups (SG), and we actively contribute to their work. Here is our assessment of the SGs.

### Positive aspects

There is a constructive working relationship between the ESAs (chair, secretariat and officers) and the SGs.

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<sup>18</sup> Review of the European System of Financial Supervision, BEUC response to EC consultation, August 2013: <http://www.beuc.eu/publications/2013-00558-01-e.pdf>

<sup>19</sup> Commission Staff Working Document on the operation of the ESAs and the ESFS, 2014: <http://eur-lex.europa.eu/legal-content/en/ALL/?uri=CELEX:52014SC0261>

The ESAs disclose a lot of quantitative data on the financial industry. Transparency exercises are run on a regular basis, and the data items gathered and disclosed through such exercises are defined in a way that allows a number of significant comparisons to be made across time (e.g. on the risks and vulnerabilities of the banking sector).

#### Aspects to be improved

To increase the effectiveness and efficiency of SGs' advice provided to ESAs, consideration should be given to focus more resources on providing input in the early stages of ESA's regulatory work. Whenever possible, there could be an advantage in some SG members being informally involved with the regulatory process as early as possible (see the case of the pending EBA RTS on strong authentication and secure communication under PSD2).

There is a need for more explicit feedback from ESAs on the opinions published by the SGs, for instance, explaining the reasons why a recommendation has not been accepted. A system of tracking the effectiveness of SGs recommendations could be put in place. Such a system could involve monitoring the extent to which SGs positions have or have not been taken into account in ESAs final positions.

There is an important issue of SGs resourcing as many members do not have access to a particular expertise from within their respective organisations. Dedicated resources could be made available to SGs. Some national regulatory agencies (for instance, the UK's Financial Conduct Authority) establish research budgets for its stakeholder groups and this has also been the case for the EU's Financial Services User Group.

Consideration should be given to enhancing the resources devoted to the SGs and their Technical Working Groups. Financial resources could be allocated to organise informal meetings among the SG members representing the civil society. Such meetings could greatly enhance the effectiveness of the WGs.

There is a need to explore the scope for more systematic collaboration between the ESAs SGs. The ESA SGs consist of a total of 120 people (1 group at EBA and ESMA each and 2 groups at EIOPA). Organising a close cooperation between these resourceful groups could contribute to improving the quality of regulatory work of the three ESAs and the Joint Committee. Joint submissions by the ESAs' SGs should be considered especially in cases of consultations proposed by the ESAs' Joint Committee (only one joint submission so far, to our knowledge).

To work effectively in the area of consumer protection and innovation, it is important that there is more collaboration between EU consumer representatives within each SG.

### **III. Adapting the supervisory architecture to challenges in the market place**

**Question 27.** *To what extent has the current model of sector supervision and separate seats for each of the ESAs been efficient and effective? Please elaborate and provide examples.*

**Question 28.** *Would there be merit in maximising synergies (both from an efficiency and effectiveness perspective) between the EBA and EIOPA while possibly consolidating certain consumer protection powers within ESMA in addition to the ESMA's current responsibilities? Or should EBA and EIOPA remain as standalone authorities?*

## BEUC response

BEUC is in favour of a twin-peak model at the EU level, i.e. setting up a separate EU financial conduct supervisor covering all retail financial services (see our response to questions 6-7).

The rationale behind the Commission's proposal to consolidate certain consumer protection powers within ESMA is unclear, knowing that ESMA is competent only for financial markets and investment issues, and not for other retail finance files (retail banking, payments, savings, credit and non-life insurance). Is this proposal based on good national supervisory practices? The Commission should justify any future changes to the supervisory architecture and demonstrate how the proposals are expected to enhance effective financial consumer protection across Europe.

## IV. Funding of the ESAs

**Question 29.** *The current ESAs funding arrangement is based on public contributions:*

- a) should they be changed to a system fully funded by the industry;*
- b) should they be changed to a system partly funded by industry?*

*Please elaborate on each of (a) and (b) and indicate the advantages and disadvantages of each option.*

**Question 30.** *In your view, in case the funding would be at least partly shifted to industry contributions, what would be the most efficient system for allocating the costs of the ESA's activities?*

- c) a contribution which reflects the size of each Member State's financial industry (i.e., a "Member State key"); or*
- d) a contribution that is based on the size/importance of each sector and of the entities operating within each sector (i.e., an "entity-based key")?*

*Please elaborate on (a) and (b) and specify the advantages and disadvantages involved with each option, indicating also what would be the relevant parameters under each option (e.g., total market capitalisation, market share in a given sector, total assets, gross income from transactions etc.) to establish the importance/size of the contribution.*

**Question 31.** *Currently, many NCAs already collect fees from financial institutions and market participants; to what extent could a European system lever on that structure? What would be the advantages and disadvantages of doing so? Please elaborate.*

## BEUC response

ESAs need an adequate and sustainable funding in order to meet ambitious supervisory targets, including with regard to consumer protection. Unfortunately, the ESAs budgets, which are already very modest, have faced cuts in the past years<sup>20</sup>.

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<sup>20</sup> [https://eiopa.europa.eu/Publications/Other%20Documents/ESAs\\_2014-41\\_Joint\\_ESAs\\_letter\\_to\\_EU\\_Council\\_Presidency\\_-\\_ESAs\\_Budget\\_2015\\_.pdf](https://eiopa.europa.eu/Publications/Other%20Documents/ESAs_2014-41_Joint_ESAs_letter_to_EU_Council_Presidency_-_ESAs_Budget_2015_.pdf)

BEUC welcomes the Commission proposal to improve the ESAs funding. The authorities could be at least partly financed by industry contributions. This would make them more independent vis-à-vis the EU institutions and national competent authorities. The channel via which the industry contributions are provided to the ESAs (i.e. directly, through NCAs, or an alternative EU fund) should be well thought through – the sources and channels of funding should not influence the ESAs' independence and supranational orientation.

END

