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| From: | The President of the European Economic and Social Committee, Mr Georges Dassis |
| To: | Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union |
| Subject: | Opinion of the European Economic and Social Committee on the Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on establishing a Union programme to support specific activities enhancing the involvement of consumers and other financial services end- users in Union policy making in the field of financial services for the period of 2017-2020 |

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European Economic and Social Committee

INT/801

Involvement of consumers/financial services

OPINION

European Economic and Social Committee

**Proposal for a Regulation of the European Parliament and of the Council
on establishing a Union programme to support specific activities enhancing the
involvement of consumers and other financial services end-users in Union policy making in the field of
financial services for the period of 2017-2020
[COM(2016) 388 final – 2016/0182 (COD)]**

Rapporteur: **Reine-Claude Mader**

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| Referral | European Parliament, 22/06/2016 Council, 11/07/2016 |
| Legal basis | Article 114 of the Treaty on the Functioning of the European Union |
| Section responsible | Single Market, Production and Consumption |
| Adopted in section | 04/10/2016 |
| Adopted at plenary | 19/10/2016 |
| Plenary session No | 520 |
| Outcome of vote (for/against/abstentions) | 223/2/4 |

1. Conclusions and recommendations

- 1.1 The EESC welcomes the Commission's decision to think about the interests of consumers and savers and provide assistance to their organisations. The Committee believes that financial services deserve particular attention given that their technical nature makes them difficult for non-experts to understand and that they raise important issues.
- 1.2 The EESC supports the initiative taken with the pilot project launched by the Commission in late 2011 to set up a financial expertise centre for consumers and end-users of financial services that would allow them to be involved in framing EU policies on financial services and ultimately help to restore confidence in Europe's financial system.
- 1.3 The EESC notes that two NGOs, Better Finance and Finance Watch, are eligible for the operating grants provided by the European Commission through open calls for proposals, and that their activities were evaluated as broadly positive in 2015.
- 1.4 However, the Committee feels it would be useful to call for a number of conditions to be met.

Legitimacy

- 1.5 The EESC points out that the legitimacy of these organisations must derive from their membership, their governance, and also from what they do to make the technical details of financial legislation and financial tools comprehensible to the general public.
- 1.6 In this respect the EESC feels that a particular effort should be made to really involve end-users in the work of the said organisations. This must be reflected in the membership and governance of Finance Watch and Better Finance and in new, adapted working methods.

Financial independence, transparency and accountability

- 1.7 The EESC welcomes the financial transparency demonstrated by Finance Watch¹, but thinks that both Finance Watch and Better Finance must continue their efforts to achieve greater financial independence, including independence from the European Commission, as the credibility of their activities and their legitimacy in the eyes of the general public hinge upon this.
- 1.8 The EESC points out that these organisations may be held to account financially in the event of irregularities: the European Commission and the Court of Auditors effectively have the power of audit, on the basis of documents and on-the-spot checks, over the financial operators concerned directly or indirectly by grants. For its part, OLAF may carry out on-the-spot checks and inspections

¹

Total resources of Finance Watch in 2015: 32.1% from donors and foundations, 7.4% from research projects, 56.4% from EU grants, 1.3% from events, and 2.7% from membership fees. Source: <http://www.finance-watch.org/about-us/governance-and-funding>.

with a view to establishing whether there has been fraud, corruption or any other illegal activity affecting the financial interests of the Union².

- 1.9 The EESC welcomes the multiannual nature of the financial envelope provided for implementing the Union's programme to encourage the involvement of consumers and other end-users of financial services, because this will make it possible to guarantee greater financial stability to beneficiary organisations. The latter will be able to organise their activities and fix their programme further into the future.

Public visibility

- 1.10 The EESC notes that despite efforts in relation to communication and visibility, including articles published in the financial press and organisation of conferences, Finance Watch and Better Finance are still largely unknown among the general public and national consumer associations, which ought in fact to receive their newsletters directly.
- 1.11 The Committee takes note of the results of the ex-post evaluation of the pilot project which the Commission launched at the end of 2011 to support the development of a financial expertise centre for consumers and end-users of financial services³. It asks these NGOs to step up their efforts to strengthen the role of end-users and consumers and ensure that they are better informed and their interests better represented when EU policies for the financial sector are drawn up.

Balance between financial sector professionals and users

- 1.12 The EESC recognises the need to develop technical expertise so that users of financial services can talk to financial industry specialists on an equal footing. Such expertise is key to the credibility of these organisations' activities vis-à-vis the financial sector, whose resources are greater.
- 1.13 The EESC calls for a fair balance that will further the concept of a stable and sustainable financial system that looks to the long term.

2. Content of the proposal for a regulation⁴

- 2.1 This initiative follows on from previous ones taken by the European Commission since 2007 to restore consumer confidence in the wake of the financial crisis.

² Article 8 of the Proposal for a Regulation of the European Parliament and of the Council on establishing a Union programme to support specific activities enhancing the involvement of consumers and other financial services end-users in Union policy making in the field of financial services for the period of 2017-2020; Regulation (EU, EURATOM) No 883/2013 of the European Parliament and of the Council of 11 September 2013 concerning investigations conducted by the European Anti-Fraud Office (OLAF) ([OJ L 248, 18.9.2013, p. 1](#)); and Council Regulation (EURATOM, EC) No 2185/96 of 11 November 1996 concerning on-the-spot checks and inspections carried out by the Commission in order to protect the European Communities' financial interests against fraud and other irregularities ([OJ L 292, 15.11.1996, p. 2](#)).

³ http://ec.europa.eu/finance/finservices-retail/docs/users/151222-staff-working-document_en.pdf.

⁴ Proposal for a Regulation of the European Parliament and of the Council on establishing a Union programme to support specific activities enhancing the involvement of consumers and other financial services end-users in Union policy-making in the field of financial services for the period of 2017-2020 - COM(2016) 388 final - 2016/0182 (COD).

- 2.2 The Commission's objective is to ensure that more account is taken of the consumer perspective. This led to the setting up in 2010 of the Financial Services User Group (FSUG), systematic involvement of consumer and civil society representatives in expert groups set up, and then the launch in 2011 of a pilot project to provide grants supporting the development of a financial expertise centre.
- 2.3 Two non-profit organisations were selected after a call for proposals issued by the Commission. These were Finance Watch, set up in 2011 as an international non-profit association under Belgian law, whose purpose is to represent civil society interests in the financial sector; and Better Finance, a body resulting from the reorganisation of European federations of investors and shareholders existing since 2009, with the aim of forming a financial centre of expertise, made up inter alia of individual investors, savers and other end-users of financial services.
- 2.4 These organisations received operating grants from the European Commission between 2012 and 2015. Finance Watch received EUR 3.04 million between 2012 and 2014, and Better Finance received EUR 900 000 over three years. These grants covered 60% of the organisations' eligible costs.
- 2.5 The evaluation carried out in 2015 concluded that the strategic objectives set by the Commission had been achieved, while seeing room for improvement in relation to providing information to consumers and taking their point of view on board.
- 2.6 The Commission also noted that despite their efforts these organisations had not managed to secure stable and adequate resources from donors independent of the financial sector, which meant that EU funding was vital for their activities.
- 2.7 The proposal for a Regulation sets out for the period 2017-2020 a programme of research, awareness-raising – including among non-experts – and activities to strengthen interaction between the members of the beneficiary organisations, as well as advocacy activities to put forward their positions at EU level.
- 2.8 The objectives are to continue enhancing the involvement in Union policy-making in this area of consumers and other end-users of financial services and to help ensure that they are informed about issues relating to regulation of the financial sector.
- 2.9 Funding for Finance Watch and Better Finance is fixed at a maximum of EUR 6 million for the period 1 January 2017 to 31 December 2020.
- 2.10 Each year the beneficiaries must submit a description of activities carried out and activities planned.

3. General and specific comments

- 3.1 The financial crisis made the European Commission and the European Parliament aware of the imbalance between representation of financial sector professionals and that of financial service users in the relevant bodies.

- 3.2 On the basis of Article 169(2)(b), which stipulates that the Union must promote the interests of consumers and ensure a high level of consumer protection, the European Commission proposes to co-finance the activities of organisations specialised in the sphere of financial services.
- 3.3 The EESC can only endorse this objective, which it has advocated in a number of its opinions where it drew attention to the need to put the consumer at the centre of all policies, which means giving resources to consumer representatives⁵.
- 3.4 Given the complexity of issues relating to savings and investment, the EESC also endorses the setting up a financial expertise centre that is independent of the financial industry and available to organisations representing the interests of consumers, savers and end-users who are not experts in financial matters, where technical complexity limits accessibility for non-experts and where much is at stake.
- 3.5 The Committee believes here that it is important to check very carefully that there are no financial or other links that might compromise the activities of the organisations in question.
- 3.6 The EESC would emphasise that the organisations' legitimacy must derive from their membership and governance, as well as the action they take to make the technical aspects of financial legislation and financial tools comprehensible to the broader public.
- 3.7 The EESC points out that despite efforts undertaken in relation to communication and visibility, including articles published in the financial press and organisation of conferences, Finance Watch and Better Finance are still largely unknown to the general public and national consumer associations, which could receive their newsletters directly.
- 3.8 In the Committee's view, it is not for experts to stand in for civil society representatives, but rather they should give those representatives the means to identify the relevant issues and to assess the measures that should be taken and make proposals.
- 3.9 The EESC shares the European Commission's view about the need to facilitate the involvement of consumers and other end-users in framing EU policies, at the same time restoring their confidence in the European financial system.
- 3.10 The Committee takes note of the Union's programme provided for in the proposal for a regulation and of its objectives, while underlining that it will be extremely difficult for the institutions and organisations to interact with the wider public.
- 3.11 As the setting up of Finance Watch and Better Finance coincides with the launch of the pilot project⁶, it is necessary to ensure that all of their members are independent of any industrial, commercial or economic interests.

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[OJ C 181, 21.6.2012, p. 89](#)

- 3.12 The EESC considers the duration and type of financing adopted to be appropriate: it welcomes the multiannual nature of the financial envelope provided for implementing the Union's programme to encourage the involvement of consumers and other end-users of financial services, because this will make it possible to guarantee greater financial stability to beneficiary organisations. The latter will thus be able to organise their activities and fix their programme for a longer time frame, even if the amount of the grant envisaged is modest in relation to the declared objectives.
- 3.13 The EESC also believes that these organisations should find complementary sources of funding so as to guarantee that they can develop, balance their books and be independent, which includes being independent of the European Commission.
- 3.14 The EESC calls for the regulation to be adopted swiftly so as not to check the momentum created by the pilot project.
- 3.15 The Committee endorses the evaluation procedure as essential to establishing whether the objectives have been achieved and whether the transparency and financial accountability rules contained in Article 8 of the proposal for a regulation have been complied with⁷.

Brussels, 19 October 2016.

Georges Dassis,
President of the European Economic and Social Committee

⁶ Pilot project launched in 2011 aiming to provide grants to support the development of a financial expertise centre to the benefit of end-users and non-industry stakeholders and enhance their capacity to participate in Union policy making in the field of financial services, in the *Proposal for a Regulation of the European Parliament and of the Council on establishing a Union programme to support specific activities enhancing the involvement of consumers and other financial services end-users in Union policy-making in the field of financial services for the period of 2017-2020* COM(2016) 388 final – 2016/0182 (COD), p. 2.

⁷ Op. cit.