

Towards a European retail financial services market



“It’s time to further explore what can be done to deliver on a true European market for retail financial services. The creation of a legal framework that keeps pace with technological change is a vital element in enhancing the market at cross-border level. Such a framework will stimulate innovation and competition, allowing better choice for consumers.”

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Introduction

ING attaches great importance to the European Commission’s efforts to further enhance the retail market for cross-border financial services. In this Viewpoint we set out the principal conditions we believe need to be met to overcome the main barriers. In addition, we provide some examples of barriers we are experiencing that hamper additional cross-border activities.

By creating a more efficient financial services market we achieve the shared goal to:

- Make it easier and cheaper for customers to access retail financial services in the EU.
- Allow customers to buy retail financial services offered in another Member State.
- Ensure product portability so customers can take their financial products with them when moving from one Member State to another.

Conditions for success

Facilitate digital customer on-boarding and online contracting

This will greatly enhance convenience for the customer. It will also stimulate innovation and competition between financial service providers by making it easier to enter a new market and attract new customers. Developing a consumer-friendly, pan-European electronic identification (e-ID) solution, or compatible national e-ID solutions recognised by all Member States will be beneficial to all parties.

Ensure consistency and coherence in the regulatory framework

We experience differences in Member States’ regulation of anti-money laundering, banking secrecy, e-signature, language requirements, etc. Local regulations are often rule-based and prescriptive, preventing innovative solutions. Also, we see differences in how Member States implement new EU regulation, making a uniform product proposition challenging.

Foster innovation while maintaining a level playing field

ING supports innovation as a way to give customers more and better choice. This needs, however, to take place in a way consistent with the important fiduciary responsibility that financial institutions have and within a consistent regulatory framework. In this respect it is critical to ensure that non-financial companies entering the market for financial services are subject to the same regulatory framework with regard to security, privacy and consumer protection as existing more traditional financial institutions. In particular, scenarios should be prevented where the responsibilities between market players are unequally divided. Currently, under the revised Payment Services Directive, financial institutions that service payment accounts are responsible for covering the costs in case of unauthorised payment transactions initiated via third-party payment service providers (TPP). This should be reassessed.

A question of digital supply and demand

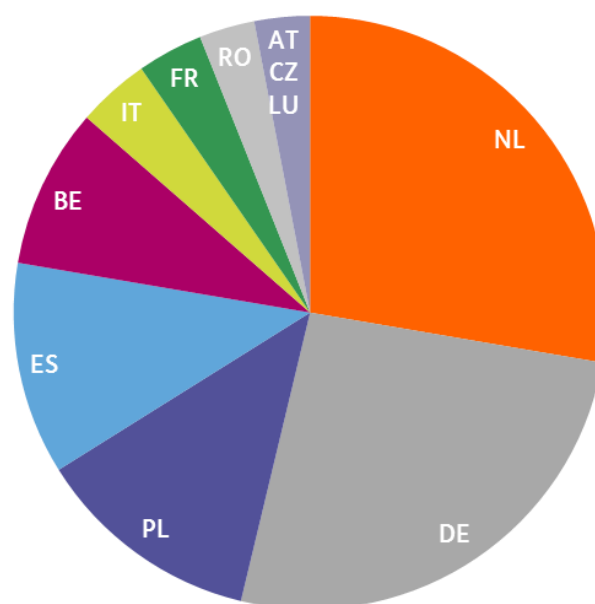
On the demand side, customers are increasingly interacting with ING in a digital, often even a digital-only, way. As such, being able to offer financial services in a digital way has become the new baseline. However, it must also be noted that while there is a strong customer demand for digital services, we have not yet seen high customer demand to buy retail financial services in another Member State.

On the supply side, legal and compliance constraints form a barrier to offering digital financial services in other Member States. An example of this is customer on-boarding and contracting procedures which in some Member States require physical interaction and handwritten signatures between the customer and the financial service provider.

Examples regulatory and market barriers

- Germany and Spain permit the use of video-conferencing for **customer identification** and verification purposes. Although this has been vetted by local regulators BaFin and Bank of Spain, it cannot be used in other countries without prior approval from local regulators.
- New market players in a local market are being refused **access to ATM networks** or are charged high fees for using such ATM networks. This puts those newcomers at a disadvantage which is at the detriment of consumers and market competition.
- As a result of digitalisation new payment schemes emerge. In order to make these new schemes interoperable, it is necessary to **harmonise data mapping rules** in Europe. Data mapping rules concern the linking of personal data to mobile numbers and to bank account numbers. As long as these data mapping rules are not harmonised, it is not possible to offer these new schemes cross-border.

ING retail customer base across the European Union



From a prudential perspective

The product offering to customers can be optimised by allowing banks to manage their assets and liabilities cross-border. Being able to pool balance sheets will facilitate a true European cross-border business strategy and provide more flexibility to attract customer deposits and to provide customer loans and other services at the best conditions for customers.

A European Deposit Insurance Scheme (EDIS) will ensure customers have the same level of protection across Europe. The introduction of an EDIS would provide clarity, create a level-playing-field, break the link between national governments and banks, avoid moral hazard and give the public more confidence in the event of a bank failure.

To conclude

In this viewpoint we have identified some key impediments to the internal market for retail financial services which should be addressed in the customer's interest. A consistent and coherent regulatory framework for all financial services providers will eventually benefit all parties involved. However, we should ensure this does not result in increased bureaucracy or hampers innovation.

ING is a globally operating bank, active in Retail and Wholesale banking in over 40 countries. We have a strong European footprint. We operate in 17 countries in the European Union and serve here almost 29 million retail customers - 83% of our total customers.