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SPECIALISED CONSUMER CREDIT PROVIDERS IN EUROPE

European Commission's Review of the European Supervisory Authorities

Eurofinas, the voice of consumer credit providers at European level takes note of the work of the European Commission to review the European System of Financial Supervision. We very much value and support the work to improve the definition of the ESAs' mandate and institutional framework in order to increase their effectiveness.

As a general observation, we find that the work conducted by the European Supervisors is of very high quality, particularly given the very short deadlines allocated to produce the various standards, the technical nature of the topics, the greatly varying market characteristics, and the political sensitivities that are inherent to EU discussions. Against this backdrop, we would like to pay tribute to the staff of the ESAs.

Since the establishment of the European Supervisory Authorities, we have been engaging particularly with the EIOPA and the EBA, on a wide variety of topics, including:

- supervisory and prudential standards for credit institutions
- consumer protection and financial innovation
- securitisation
- anti-money laundering and counter financing of terrorism

Guidelines and recommendations. In our opinion, the ESAs sometimes go further than what is needed or foreseen at "level one" regulation, for example with regard to product oversight and governance arrangements. This is why we support the European Commission's proposal for new tools to safeguard the powers of the ESAs to develop guidelines and recommendations.

Funding. It is our view that the present funding model strikes a good balance between contributions from national supervisors and the EU budget. A contribution from the EU's budget is warranted since ESAs' supervision provides public goods such as financial stability and consumer protection.

We consider that a complete halt to use EU funds for the ESAs' budget would not be consistent with the importance of EU-wide supervision of the financial services sector and the pressure put on the industry over the past years. As acknowledged by the European Commission, the approach taken to fund supervisors differs widely across EU Member States. We have difficulties with the introduction of a harmonised funding system of the ESAs that is in fact disconnected from the funding system of supervisors at national level. We believe that it should be for Member States to decide how to fund their contributions to the ESAs.

In any case, the principle of proportionality must be central to any decision taken on how contributions to the ESA budget are to be allocated. Against this backdrop, we highly support the European Commission's efforts to ensure a proportionate approach. However, we take the view that a fair and transparent application of the proportionality principle requires a contextual analysis. A unique criterion related to the size of a balance sheet seems to go against the current European supervisory methodology which precisely aims at a risk-based approach. The limited and specialised activities of the relatively smaller institutions that Eurofinas represents does not require the same volume of supervisory resources than larger systemic institutions.

Contributions should be based on the size but also the complexity of the institutions. It is vital to ensure that smaller institutions are not excessively burdened by changes to the current funding regime, especially since this would have a direct impact on their competitiveness in the market as well.

In this respect, we strongly urge the European institutions consider low-risk criteria, including:

- Size of the activity based on existing thresholds as defined by the ECB/SSM and or the EBA for non-Eurozone institutions
- Size of the trading and derivatives books (for which we would advocate to define a relevant threshold at level 2)

In addition to these technical criteria, we think there is space to develop a more qualitative assessment which can use the Supervisory Review and Evaluation Process (SREP) as a benchmark. SREP well-established indicators which are already used throughout the EU by supervisory authorities are valid criteria in this respect. These include for example:

- Business model, profitability
- Internal governance and control
- Risk to capital
- Risk to liquidity and funding
- NPL ratio

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