

"Consumer in Financial Crisis: Lessons Learned and Ways Forward"

Financial Regulation and Role of Regulatory authorities

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Ways Forward

Recommendations

- 1. Ring fence *public utility function* and *investment bank activities***
- 2. Put consumers needs central in product innovation -> *Innovate by simplify and reduce* product range**
- 3. Supervision on the financial markets is cross-sectoral, pro active and tough, and explicit *focus on behavior* (and communication) of industry**



Dan weet je het.

1. Consumers rights

- **Basic consumers rights (J.F. Kennedy, 1962):**
 - Safety
 - Information
 - Choice
 - Representation
 - Redress
 - Education
 - Satisfaction of basic needs
 - A clean environment

Basic needs: Financial products/services

- Financial products and services, and financial infrastructure (e.g. payments, deposits, loans): basic needs in our society
- -> “Public utility”
- Crisis shows: proper safeguards are missing to prevent money of consumers is misused for commercial investment activities (just for banks profits)
- -> Consumers (and tax payers) have paid a high price



Basic needs: recommendation

- Split up *public utility function* and *investment bank activities* (ring-fencing)
- -> No infections anymore, proper safeguards for consumers

2. Consumers needs central in product innovation

- **Until now: industry push products (*marketing by fear*)**
- **After the crisis: think the other way around -> look from the customer's point of view and then try to solve a problem**
- **Financial consumer is not a adventurer or fortune-hunter**
- **-> Consumers want simple products that meet their fundamental needs**

Simple products = industry's big winners

- **Innovate: Challenge for industry is to simplify and reduce product range**
- **“Keep-it-simple” offerings are likely to be industry's big winners**
- **-> Put consumers needs central in product innovation**

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3. Supervision and Regulation

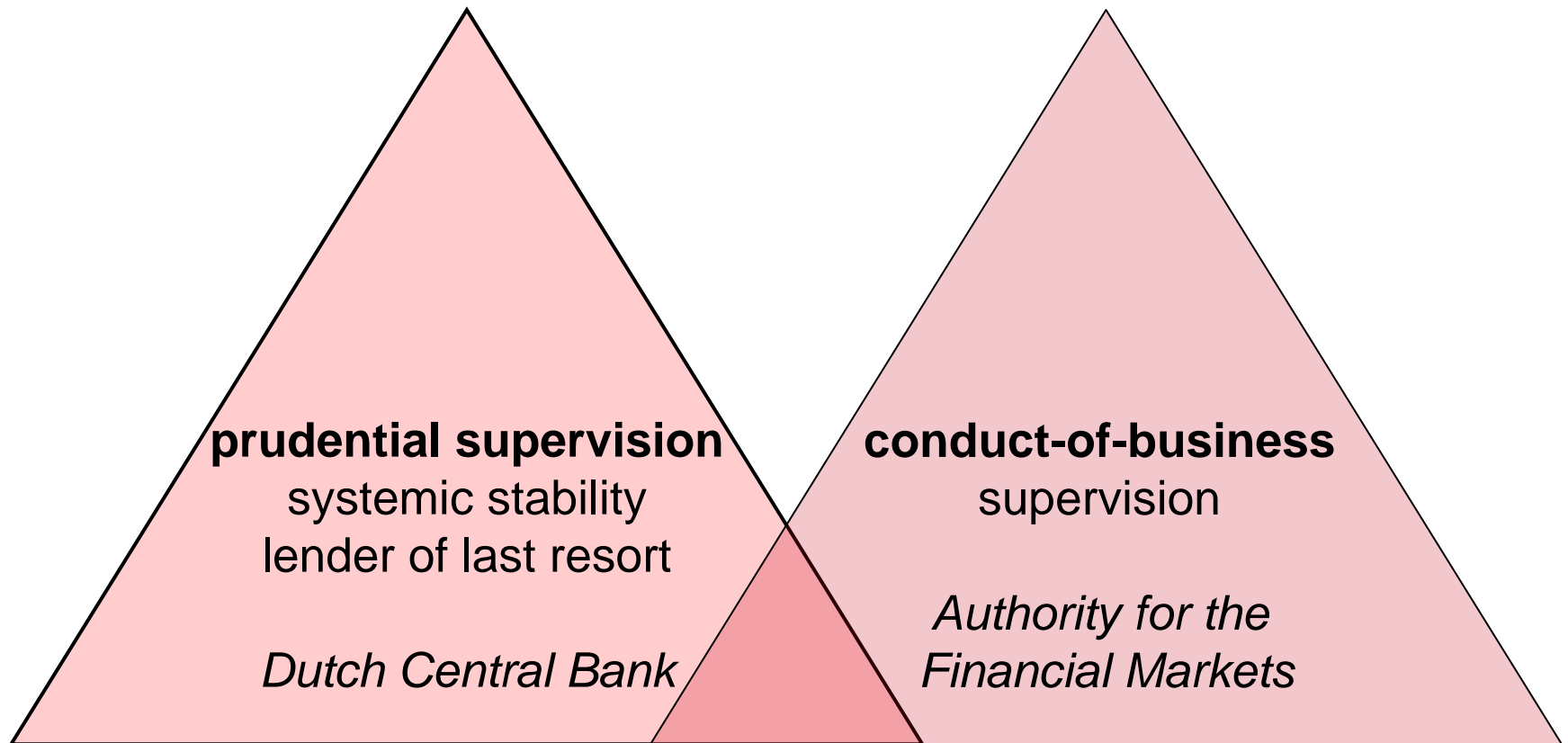
Supervisor/regulator on financial markets is:

- Focused on *behavior* (and communication) of industry
- Pro active, *tough* and quick response on mis-use, mis-selling, etc.
- *Visible* towards consumers, towards industry
- *Communicating* with industry, consumers
- Able to give *early warning* to avoid problems
- Able to do *naming and shaming*
- Independent from Central Bank, politics, government

Supervision and Regulation: the Dutch model

- **Days of sectoral supervision are over: integrated cross-sectoral supervision has the future. The nature of financial products (and institutions) is cross-sector!**
- **In the Netherlands financial sector is large, concentrated and interwoven**
- **Society asks for:**
 - **More focus on behavior (and communication) of industry, not only focus on prudential aspects (solvability, etc) and systemic stability**
 - **Clever regulation and effective enforcement**
- **-> “Twin Peaks” model logical choice**

Supervision “Twin peaks”



The near future in Europe (<5 years)

- **National focus on supervision/regulation**
- **But also:**
 - **Step-by-step shift towards one EU-wide model (e.g. “twin peaks”)**
 - **High level cross border coordination**



- Thank you



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