



26th System – Retirement

Retail financial services, particularly products designed for retirement savings, are subject to varying regulations and laws across the different European countries, making it extremely difficult to set up a true single market for financial products in Europe.

Yet such a market would be profitable for consumers as well as for financial players:

Consumers would benefit from increased competition, falling prices and a broader offer;

Banks and insurers would enjoy a wider market, allowing them to become world class operators.

To date, efforts to achieve genuine European integration of financial products have focused on moving the legislation of the different countries toward harmonization.

This is an arduous if not impossible task now that Europe has widened to include twenty five members. To get around this difficulty, European institutions have agreed on the principle of mutual recognition of the laws in a service provider's country of origin, regardless of which countries it operates in. However, such a principle is difficult to apply, because of the transposition of directives to national law, and of resulting distortions in competition due to various laws in other areas, e.g. consumer protection.

To clear these hurdles and to round out the 25 national sets of laws governing retirement, Eurofi proposes, under the name 26th System, to create new, optional European financial products which would benefit from a set of specific Europe-wide laws. These new products would be available on precisely the same terms across the entire European Union and would compete with existing products in each country. This would make them competitive everywhere in the Union, and their operators would be active in a much broader market.

Eurofi will release details about this concept, how it can be set up, and the benefits to consumers as well as sector players, during its colloquium on June 6 and 7.