

## IFA trade body demands action in Europe

By PI Reporter

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Vincent Derudder, the head of the pan-European trade body for independent financial advisers, has sent an open letter to European Commission, demanding urgent simplification of regulation for its members.

Derudder, the secretary general of the European Federation of Financial Intermediaries (FECIF), called on Charlie McCreevy, European Commissioner for Internal Markets, to scrap plans to allow EU member states to freely set stricter regulations than EU rules proscribe.

And he called on the EC to act as a referee between industry players, and not take sides.

Derudder wrote: "The large institutions that the regulators liked so much are the worst enemies of the consumer who does not stand a chance to get a redress in case of malpractice."

And he added: "Nobody can better protect the interest of the consumer than the intermediary:"

Here is the letter in full:

Dear Commissioner McCreevy,

We take the liberty to write to you in these early days of 2006, in order to try to get an answer to few questions which create a lot of worries amongst the 200,000 financial intermediaries we represent. Europe is certainly not entirely responsible for the mess created by the national regulators, but, we had in 1999 before the EU Financial Services Action Plan been launched 15 different set of rules – big improvement, we get 25 at today's count!

A new basic principle should rule Europe now: plain common sense. And to start with this excellent resolution of New Year Eve, the European Commission could partly solve the problem in avoiding inviting member states to implement stricter rules if desire.

It is just about time to make our point: are we serious about freedom of services, freedom of competition, freedom of establishment, freedom of circulation? If we are, some are not!

Is it acceptable to see a Member State administration adding a new category of intermediaries during the process of transposition of the directive on insurance mediation or creating restrictions to the definition of one of these categories?

Is it acceptable to see systematically EU directives made to ease business development across the EU turned into hundreds of pages of highly restrictive rules and regulations preventing such business development?

Is it tolerable to see the cost of compliance escalating without limit? If the compliance costs account between 3 and 5% for the large groups, it may represent up to 30% of administrative expenses for a small firm.

In the name of some highly arguable principles, Member States bureaucrats, without proper mandate, without any form of consultation with the industry whatsoever, dictate their biased vision of society.

Naively, we thought that Europe was all about more freedom and more democracy and that the law will be in our hands. Alas! Certainly not, but the European Commission and the European Parliament cannot live by good intentions alone. It is just about time to say no to the Member States bureaucrats because business expects to see Europe becoming genuine.

Because we want to be practical, we make one very simple proposal: to start sooner than later a process of simplification of existing legislation in order to build a better regulatory environment:

1. by imposing co-regulation as the rule and state-control as the exception: the state must act as a referee between the industry players, not take side for some undisclosed political motives. Our association, strong of its 200,000 members is ready to take its responsibility as a possible partner of the European Commission in this respect.
2. in banning in the future the use of the formula "the Member States may adopt stricter provisions, etc." which is understood by the Member States bureaucracies as a green light to distort the meaning of the EU legislation,
3. by removing it from existing legislation

The Members States bureaucracies must be accountable to the public to allow a more effective relationship to be established between the regulator and the regulated – the regulators to take an adult approach to the relationship between themselves and the industry.

We want to prevent an inflation of measures which tend to create a "nanny" state environment!

The large institutions that the regulators liked so much are the worst enemies of the consumer who does not stand a chance to get a redress in case of malpractice.

Incidentally, large institutions tend to follow the rules so long as they do not bother them. Otherwise, they are often more powerful than the politicians creating the rules and they can dictate the rules when they wish to do so. As a matter of conclusion, nobody can better protect the interest of the consumer than the intermediary: for an intermediary, the consumer is his only asset in business; he does not have real estate, machinery, stocks of goods, and etc. to capitalize on.

Therefore it is in his best interest to serve the consumer the best he can.

Vincent J.Derudder