



SEMPRE CONSIGO
NA DEFESA DOS SEUS DIREITOS

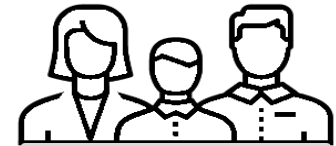
Banking Regulation: recent developments and future prospects

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Who we are



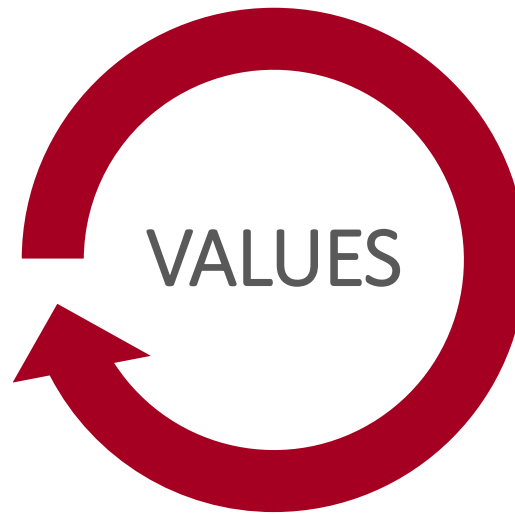
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Members



Non-profit
Association

Mission

To protect consumers' rights and legitimate interests, to contribute in solving their problems and help them exercise their fundamental rights



- Independence
- Proximity
- Rigour and quality

External liaisons



Comissão Europeia

Summary

- ✓ DECO's main interventions in recent years
- ✓ Recent developments in regulation
- ✓ Next steps in regulation
- ✓ Innovation in financial services
- ✓ Opportunities and challenges of digitalisation
- ✓ Measures to protect consumers' interests

DECO's main interventions in recent years

Over-indebtedness

- Still on top of DECO's concerns
- Recent data from the Financial Protection Bureau (DECO):
 - 17 400 requests for support (1.^o semester 2018), rising
 - main causes:
unemployment (20%) and worsening of working conditions (19%)
 - reduction on the average nr of credit arrangements
5 (2018) vs. 7 (2009)
 - reduction of the average debt service-to-income ratio
73% (2018) vs. 89% (2012)

DECO will continue supporting households in solving this issue and providing training in financial literacy

DECO's main interventions in recent years

“Unfair” charges and fees

- Request for clarification regarding the legality of fees charged:

“Fees charged by credit institutions must correspond to a service effectively provided” (art. 7º, Lei n.º 66/2015)

- Ongoing charging for:

- Account maintenance »» avg. cost of € 63,41 »» + 45% (10 years)
- Processing of repayments »» avg. cost of € 30,12 »» + 47% (5 years)

- Rising prices since 2012; Introduction of new fees and charges

DECO will continue “fighting” for eliminating these “unfair” fees and charges

The petition “*Comissões Fora*” gathered over 20 thousand signatures



DECO's main interventions in recent years

Contas de serviços mínimos bancários (SMB) – minimum banking services accounts

- Enhance advertising for these accounts as an alternative to “regular” accounts »» cost reduction
- Include credit transfers to other banks outside distance channels »» true financial inclusion as envisaged in creating these accounts
- Indicate clearly the maximum cost applicable – 1% * value of *Indexante de Apoios Sociais (IAS)* – in 2018, it's of € 4,28
- Parallel existence with accounts with basic features »» *Carta Circular n.º 24/2014/DSC*»» without limits on costs
- There's room for higher penetration »» 50 618 accounts (1st semester 2018)

**DECO will continue contributing so this regime can
deliver on its initial purpose, reaching more
consumers**



DECO's main interventions in recent years

Impact of negative values of Euribor on loans

➤ Demand for action to ensure that the values of Euribor are incorporated on loan arrangements (variable interest rate):

“on ongoing credit and financing arrangements, there cannot be limits to the variation on the index that prevent the full results of the application of this legal rule” (ponto 1.º da Carta Circular n.º 26/2015)

➤ Proposals set out:

- direct application of the sum of the index with the *spread*
- creation of a “interest reserve” to be applied when rates rise

DECO applauded the inclusion of these proposals
in Law n.º 32/2018



DECO's main interventions in recent years

Other issues

- Problems related to non performing loans (*NPL*)
- The activity of credit recovery
- The activities of credit intermediaries »» finally regulated under Decreto-Lei n.º 81-C/2017
- Bank accounts identification



Recent developments in regulation

European Directives and their transposition

➤ Consumer Credit Directive (Directive 2008/48/EC)

- transposed under Dec.-Lei 133/2009
- creditworthiness assessment, information requirements, APR, total cost of credit, limits on early repayment charges
- in Portugal, imposing of maximum APRs

➤ Mortgage Credit Directive (Directive 2014/17/EU)

- transposed partially under Dec.-Lei 74-A/2017
- knowledge and information requirements, duty to assist, APR, creditworthiness assessment, limits on early repayment charges, FINE
- recent change – application of negative rates – Lei n.º 32/2018

Recent developments in regulation

European Directives and their transposition

➤ Payment accounts Directive (Directive 2014/92/EU)

- transposed under Dec.-Lei 107/2017
- fees comparability »» standardised terminology, requirements on pre and post contractual information, comparison websites
- account switching
- account accessibility

➤ Mortgage Credit Directive (Directive 2014/17/EU)

- transposition of rules regarding credit intermediaries, under Lei n.º 35/2018

Recent developments in regulation

Macroprudential measures by Banco de Portugal

- Recommendation for new arrangements for mortgage and consumer credit
 - limits to *loan-to-value* ratios (LTV):
 - mortgage for own and permanent residence – $LTV \leq 90\%$
 - mortgage for other purposes – $LTV \leq 80\%$
 - mortgage for properties of the own credit institution – $LTV \leq 100\%$
 - limits to *debt service-to-income* ratios (DSTI)
 - $DSTI \leq 50\%$; each year, of the total amount granted:
 - up to 20% may have $DSTI \leq 60\%$
 - up to 5% may exceed the previous limits
 - Limits to maturities
 - mortgages – maturity ≤ 40 years, 30 years by 2022
 - consumer credit – maturity ≤ 10 years
 - loans should have regular payments of interest and capital

Next steps in regulation

- Payment Services Directive (revised) – PSD2 (Directive (EU) 2015/2366)
 - still to be transposed in Portugal
 - entry of new participants, e.g. Fintech, to provide payment initiation and account information services »» *Open banking*
 - access to data »» definition of processes and APIs
 - main concerns related to data and instructions' security
- Revision of Consumer Credit Directive (Directive 2008/48/EC)
 - requirements on knowledge and information
 - responsible credit – stricter duties on creditworthiness assessment and inclusion of assistance duties
- Setting of a new index by the ECB – ESTER »» might replace Euribor (the most commonly used for mortgages in Portugal)

Innovations in financial services

- New types of services and forms to provide financial services
 - instant payments
 - Crowdfunding
 - Payment services providers
 - Distributed Ledger Technology (DLT)
 - Machine learning
 - Big Data applied
 - Robo-advise
 - Virtual currencies



Opportunities and challenges of digitalisation

➤ Opportunities

- new participants will bring more competition
- innovation in provision of services and the actual services
- potential for cost reduction and process optimisation
- increase of client base beyond location barriers

➤ Challenges

- data and instructions' security
- potential for financial exclusion:
 - development of products and services on a digital base
 - usage of algorithms in decision making processes
- absence of personal interaction »» difficulties in solving issues

Measures to protect consumers' interests

- Enhancing product information
- More standardisation for terminology and documents
- Creating of more products with basic features accessible to all consumers
- Implementing free product comparison tools
- Creating and promoting switching mechanisms
- Eliminating potential entry barriers for new participants
- Developing partnerships and agreements between incumbents and Fintechs
- Implementing new solutions and services
- Ensuring privacy, data, and order execution security
- Promoting financial literacy
- Ensuring financial inclusion

THANK YOU!

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