

ANNUAL REPORT 2019

CHANGE FINANCE, NOT THE CLIMATE !



Finance Watch

Making finance serve society

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LETTER
FROM THE
CHAIR AND THE
SECRETARY
GENERAL

Dear friends and colleagues,

Thanks to your help and support, 2019 was a successful year for Finance Watch.

As we write this in May 2020, we still have not overcome the corona crisis. We wish you and your families well in this difficult period. As we reflect on these strange times and on our past year's work, Finance Watch's mission seems more relevant than ever.

Just to share a few highlights from 2019:

- We were able to help shape the sustainable finance agenda thanks to our membership of the Technical Expert Group. Our position on financing the European Green Deal is highly relevant to discussions on reviving the EU's economy sustainably after the shutdown.
- Our staff continued their unrelenting advocacy for better capitalised banks. The expected wave of losses from the shutdown and the need for banks to support the economy in our current crisis show how important this work is.
- The team published recommendations to tackle financial exclusion and consumer over-indebtedness, which we hope will help to reduce hardship as the economic slowdown bites.
- Our expanding European network is becoming a very good base for campaigning, which in 2019 included campaigns on the EU elections and against Facebook's Libra, among others.

It is also positive that we were able to welcome 19 new members last year, including 11 organisations and eight expert individuals from a variety of countries. The strength of Finance Watch, beyond the technical expertise, lies in its democratic legitimacy, and this is continuing to grow.

We have set ourselves ambitious goals for 2020 and have further strengthened our team to achieve them and to respond as fully as we can to the events unfolding. The Finance Watch family is very happy to have Thierry Philipponnat, former banker and first Secretary General of Finance Watch, back as our new Head of Research and Advocacy.

The current corona crisis clearly shows that the financial system remains fragile and lacks purpose. We cannot rest.

For this we need your continued support and trust in 2020!

Thank you very much,

Benoît Lallemand, Secretary General of Finance Watch
Rainer Lenz, Chair of the Board of Directors of Finance Watch



OUR MISSION & WHO WE ARE

Change Now!



Finance Watch

is a European, non-governmental, membership organisation supported by a permanent secretariat. It was founded in 2011 and is registered in Belgium as an Association Sans But Lucratif (AISBL).



Our mission

is to defend the public interest in the making of financial regulations and policy. Our vision is for a reformed financial system that creates and allocates capital for productive and environmentally sustainable uses, through fair and open markets, in a transparent and sustainable manner, in line with society's needs and without exploiting or endangering society at large.

Our members

include non-profit organisations and expert individuals from Europe. Members can have either full membership (voting) or associate membership (non-voting). Finance Watch's General Assembly of members meet at least once a year to debate and approve Finance Watch's priorities, budget and accounts, to elect the Board of Directors, and approve the membership of the Committee of Transparency and Independence (CTI), which safeguards our independence from the financial industry and political parties.

Finance Watch currently has members in 18 European countries: Austria, Belgium, Bulgaria, Czech, Denmark, France, Germany, Greece, Ireland, Italy, Netherlands, Norway, Poland, Romania, Spain, Sweden, Switzerland, and the UK.

Our funding

comes entirely from our members, philanthropic foundations, public donations, and the EU. A full break-down of funding is provided with our financial statements.

Our staff

help to coordinate networks of members in France, Spain and Italy, while our sister organisation Bürgerbewegung Finanzwende (Finance Watch Deutschland) is building a successful presence in Germany.

Finance Watch's secretariat is recruited mainly from the financial and policy sectors, with strong communications and stakeholder engagement capacities, and includes a full-time staff based mainly in Brussels with support from outside consultants. The team conducts advocacy and provides technical know-how and coordination for our civil society network. Members receive advocacy advice and intelligence, attend events, meet policymakers, and work on common campaigns.

Together, we act as a counterweight to the financial sector lobby. We represent civil society and public interest interests to financial policymakers in the EU.

OUR PEOPLE



We welcomed **19 new members in 2019**. At the end of the year, Finance Watch had 98 members from 18 European countries, including 59 organisations and 39 expert individuals, of which 71 are full members and 27 are associate members (*).

Austria

- ASB Schuldnerberatungen*
- Austrian Federal Chamber of Labour Belgium (AK Europa)

Belgium

- Centre d'Appui des Services de Médiation de dettes de la Région de Bruxelles-Capitale*
- Centrale Nationale des Employés (CNE)
- Financité
- Rym Ayadi
- Yves Mathieu*
- Robert Thys

Bulgaria

- Iskra Christova-Balkanska*

Czech Republic

- Poradna*

Denmark

- Sandy Madar - in 2019

EU

- COFACE Families Europe (COFACE)*
- Bureau Européen des Unions de Consommateurs (BEUC)
- European Trade Union Confederation (ETUC)
- Heinrich Böll Stiftung – EU
- Housing Europe
- Oxfam International
- Transparency International – EU Office (TI-EU)
- UNI Europa
- Positive Money EU* - in 2019
- Age Platform* - in 2019

France

- Attac France
- Centre des Jeunes Dirigeants
- Confédération Générale du Travail (CGT)
- Fédération CFDT des Banques et Assurances
- Fédération des métiers de la Finance et de la Banque/CFE-CGC (FFB CFE-CGC)
- Fédération Européenne des Cadres des Établissements de Crédit (FECEC)
- Fondation Crésus*
- Institut Veblen pour les réformes économiques

- Les Economistes Atterrés*
- Secours Catholique - Caritas France
- UNSA Banques et Assurances
- Consommation, logement et cadre de vie (CLCV) - in 2019
- Christian Chavagneux
- Grégori Colin
- Rainer Geiger
- Dominique Perrut
- Laurence Scialom
- Yamina Tadjeddine* - in 2019
- Jean Hetzel - in 2019

Germany

- Deutscher Gewerkschaftsbund (DGB)
- MONNETA
- SÜDWIND e.V. - Institut für Ökonomie und Ökumene
- Vereinte Dienstleistungsgewerkschaft (VERDI)
- Verbraucherzentrale Bundesverband (vzbv)
- Weltwirtschaft Ökologie & Entwicklung (WEED)
- Finanzwende - in 2019
- Stefan Calvi
- Markus Duscha
- Ingrid Groessl
- Christian Kellermann
- Rainer Lenz
- Udo Philipp
- Suleika Reiners
- Hans-Joachim Schwabe
- Nadine Strauss - in 2019

Greece

- EKPIZO*
- Union of Working Consumers of Greece (EEKE)* - in 2019

International

- International Movement for Monetary Reform (IMMR)* - in 2019

Ireland

- Centre for Co-operative Studies - University College Cork (UCC)*
- Stuart Stamp* - in 2019

Italy

- FABI
- FIRST Cisl
- FISAC CGIL
- Fondazione Finanza Etica
- Movimento Difesa del Cittadino (MDC)

- Marcella Corsi* - in 2019

Netherlands

- Stichting Onderzoek Multinationale Ondernemingen (SOMO)
- Consumentenbond
- National Institute for Family Finance Information (NIBUD)*

Norway

- Norwegian Confederation of Trade Unions (LO.NO)
- National Institute for Consumer Research (SIFO)*

Poland

- Krzysztof Grabowski
- Maria Aluchna
- Marta Götz

Romania

- Monica Calu - in 2019
- CREDERE* - in 2019

Spain

- Asociación de Usuarios Financieros (ASUFIN) - in 2019
- Asociación de Comunidades Autofinanciadas (ACAF)*
- revo Prosperidad Sostenible* - in 2019
- Novact* - in 2019
- Observatori del Deute en la Globalització (ODG)* - in 2019
- Fundación Finanzas Éticas

Sweden

- Nordic Financial Unions (NFU)
- Fredrik Tjulander* - in 2019
- Richard Ahlström*

Switzerland

- Bärbel Bohr
- Marc Chesney
- Michel Santi

United Kingdom

- New Economics Foundation (nef)
- Positive Money
- Jay Cullen
- Nicholas Dorn
- Deepa Govindarajan Driver
- Stephany Griffith-Jones
- Paul A. Jones*
- Thomas Lines
- Donald Mackenzie

Interested in becoming a member? Please visit our website for more information: www.finance-watch.org/members/

TESTIMONIALS



Gilbert Louet,
Finance Watch
Facebook Follower

I highly recommend Finance Watch, because I finally find people who are at the heart of the system and understand all the more clearly where the malaise in our society comes from. Even our politicians - who should be the guarantors of a fair society that protects the citizen - do not have the courage to point the finger at these abuses. ”

“ After more than a decade in which I have been involved in finding solutions to problems that affect large masses of people as insolvency, inequality on various grounds, gender pay gap, climate change, aging population, I realized that, if we want our communities to be strong and healthy we must establish connections with similar organizations across the European Union and across the world, joining our forces. In that sense, I believe that Finance Watch is a unique forum, bringing together the diversity of expertise which is needed to profoundly discuss actual disruptions in social, economic, and financial policies and finding the best solutions to serve the common good. ”



Monica Calu,
Individual Member,
Romania



Anna Maria Romano,
FISAC CGIL, Italy

“ We are living in an unprecedented global crisis that requires a deep reflection, rethinking and dialogue among activists, organizations and social movements around the world. More than ever we need to share analyses, experiences, ideas and alternatives in the face of growing health, social, economic, political and environmental crises, starting from the financial sector, pushing it to be part of the solution and not a source of discrimination. I think Finance Watch is the right organization to raise different points of views in a free, propositive way. ”

OUR TEAM



The Finance Watch staff are organised into three teams: research & advocacy, outreach (including communications, campaigns, membership and network) and operations, supported by a group of regular advisors and interns:

Advisors



Greg Ford,
Senior Advisor



Duncan Lindo,
Senior Policy
Advisor



Christian M. Stiefmüller,
Senior Research &
Advocacy Advisor



Juan M. Viver Gargallo,
Spanish
Network Advisor

We are also grateful for the contributions of our interns:
Maxime Duval, Louis Fonteneau, Nicolas Hercelin, Lin Mao, Tuan Nguyen and Kamila Rokošová.

The **Board of Directors** includes six full members elected from the General Assembly and two external directors from outside the organisation:

- **Rainer Lenz,** Chair
- **Morten Clausen (NFU),** Vice-Chair
- **Simone Siliani (Fondazione Finanza Etica),** Director
- **Rachel Oliver (Positive Money),** Director
- **Erwan Malary (Secours Catholique – Caritas France),** Director
- **Rainer Geiger,** Director
- **Alexandra Andhov,** External Director
- **vacant position,** External Director

Staff



Samuel Bossart,
Head of Operations
and Projects



Paul Fox,
Research and
Advocacy Officer



Charlotte Geiger, Head of
Communications
and Networks



Christophe Gilson, Finance &
Operations Officer



Pablo Grandjean,
Digital
Communications
Officer



Olivier Jérusalmy,
Senior Research
and Advocacy
Officer



Shonan Kothari,
Campaigns and
Communications
Officer



Benoît Lallemand,
Secretary General



Nina Lazic,
Research and
Advocacy Officer



Thierry Philipponnat,
Head of Research
& Advocacy



Giulia Porino,
Network
Coordination &
Development
Officer



Ludovic Suttor-Sorel,
Research and
Campaign Officer

The **Committee of Transparency and Independence (CTI)** has three to five members from outside the organisation and advises the Board on safeguarding the independence of Finance Watch's advocacy and avoiding conflicts of interest concerning membership and funding:

- **Jérôme Cazes,** Chair
- **Robin Jarvis**
- (currently vacant)

Note: all details about members, board directors, CTI and staff were correct as at 31 December 2019; all updates can be found on our website www.finance-watch.org/who-we-are/

NO LIBRA! CAMPAIGN

In June 2019, social media giant Facebook unveiled plans to create a new global “digital currency” to be called **Libra**, and an associated payment system.

Finance Watch studied the proposals and quickly reached some alarming conclusions: if Libra were allowed to go ahead as proposed, it could pose a significant threat to users, financial stability and democracy.

In July 2019 we published a short technical assessment [“Libra: Heads I win – tails you lose - Ten reasons why Libra is a bad idea”](#).

Our concerns included that:

- people who use Libra could lose money,
- Libra could escape regulation,
- it could be a target for speculative attack and spread financial instability,
- it would be a privately controlled fiat currency with no democratic oversight,
- it creates risks for data privacy,
- it could be used for money laundering.

The report was translated into French, promoted in blogs and on social media, presented at a roundtable hosted by l’Observatoire de la finance and the University of Fribourg. It was widely commented on in the European press.



Over the summer, we teamed up with our German sister organisation Bürgerbewegung Finanzwende and the petitions specialist, WeMove.eu, to create a public awareness campaign called [“Stop Libra!”](#). This resulted in a petition distributed in French, German, Polish, Italian, and Spanish that has gathered more than 80,000 signatures.

**NO STOP
facebook
libra money**

Demand EU policymakers to stop Libra before it is too late.

Since then, several key members of the Libra consortium have pulled out, including Paypal, eBay, Mastercard, Visa and Vodafone. Facebook still aims to introduce a digital currency but is reported to be rethinking its plans.

For 2020, the EU is planning its response to the emergence of crypto-assets, including so-called stablecoins such as Libra, and the effect these new technologies will have on how financial assets are issued, exchanged, shared and accessed.

EU ELECTIONS CAMPAIGN



How to vote for a fair financial system?

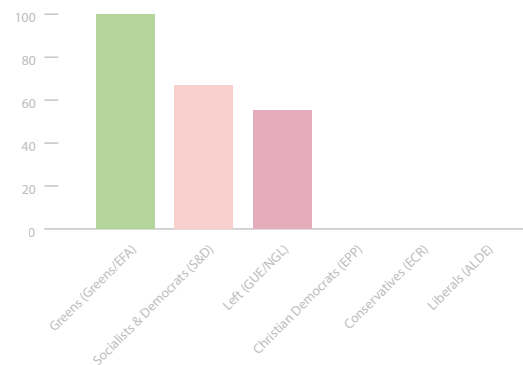
The ninth European elections took place between 23 and 26 May 2019. Some 751 MEPs were elected (later reduced to 705 after Brexit) from among the thousands of candidates who stood.

As the election date approached in early 2019, Finance Watch considered how it could help citizens to vote for a fairer financial system. Drawing on the vision of our membership, we produced a manifesto of financial reforms that Finance Watch members would like to see, under the title [“Vision for a Reformed Financial System”](#). We then compared this with the manifesto offers from the main political groups standing in the EU elections.

This led to a 66-page analysis document that showed what each political group had to say about each financial reform, grouped in four areas:

- Stabilize the financial system,
- Democratise financial institutions and policymaking,
- Re-direct capital to a sustainable economy,
- Prepare for a future financial crisis.

A user-friendly summary of this was published as an interactive webpage under the title [“A Finance Watch Guide to the #EUElections2019”](#) to help voters choose a party that best matches the kind of financial system they would like to see. The guide was made available in [English](#), [French](#), [German](#) and [Italian](#).



This provoked a variety of reactions from the political groups, some of which acted quickly to improve their policy offerings on financial reform or to clarify what was meant in their manifestos. Two weeks later - around ten days before polls opened - we were able to update our guide with the parties' improved policy offerings, showing a welcome **race to the top** among political groups.

In the weeks before the 2019 elections to the European Parliament, the Change Finance coalition¹ asked candidates to sign a [pledge to roll back the power of the financial lobby](#). We then asked citizens across Europe to write to their candidates asking them to sign the pledge. By election day, 576 prospective members of the European Parliament had signed. Of them, 76 were elected – more than a tenth of the new Parliament. We are now working with those MEPs to address the lobby imbalance.

Here is what candidate MEPs pledged:

If elected to the European Parliament (EP), I pledge to

- work to counter the overwhelming influence of the financial sector by restricting the interactions of financial lobbyists with parliamentarians and decision-makers;
- ensure transparency when interactions occur;
- ensure a strong presence of views other than those of the finance industry on financial reform;
- reject formal bonds and membership of clubs or associations that link the financial industry to decision-makers;
- work for stronger rules regarding conflicts of interest and revolving doors for officials and politicians in all European Union institutions.

¹ Change Finance is a platform for people and organisations with an interest in financial reform; Finance Watch supports the coalition as coordinator.

CHANGE FINANCE LOBBY CAMPAIGN

**TOBACCO
LOBBYISTS
CAN'T
WRITE
THE RULES
ON HEALTH**

*WHO - ART. 5.3
(WORLD HEALTH ORGANISATION)



Why lobbying?

The financial sector has changed little since the 2008 crisis, thanks to the army of 1,700 lobbyists working on its behalf, who vastly outnumber other representatives. As a result, many of the reforms needed to make finance serve society have been watered down or abandoned.

The situation is made worse by the infamous revolving door of senior men and women (but mostly men) who move between financial firms and the institutions created to oversee them.

Weaker regulation can lead to exploitation and financial crises, with huge human, economic and political costs. Reducing the lobby imbalance is the first step in breaking this cycle.

CONFERENCE 2019

Ten Years after Pittsburgh: Changing Finance for Good? Stability – Sustainability – Inclusion.

On 19 November 2019, Finance Watch hosted a public conference, with keynote speeches from Philippe Lamberts, MEP (Greens/EFA), Martin Hellwig, Max Planck Institute for Research on Collective Goods, Sandrine Dixson-Declève, The Club of Rome, and Mario Nava, DG FISMA, European Commission. 17 high-level speakers were debating in **three panels**:

- **Retail / Inclusion** - How can we achieve a safe and inclusive single market for EU financial services?
- **Financial Stability** - Post crisis regulation: Old and new challenges to financial stability
- **Sustainability** - Moving towards a sustainable financial system: What's next?



Mario Nava



Myriam Vander Stichele



Martin Hellwig



Sandrine Dixson-Declève



Philippe Lamberts



Patricia Suárez



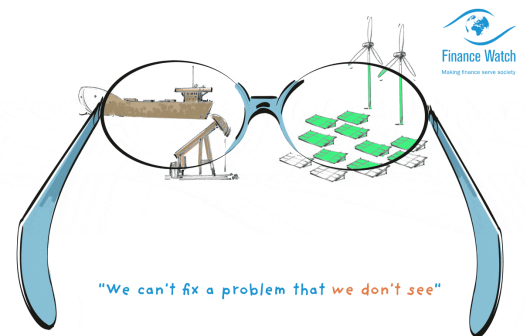
Benoît Lallemand





SUSTAINABLE FINANCE

#1. FINANCE WATCH OUTPUTS



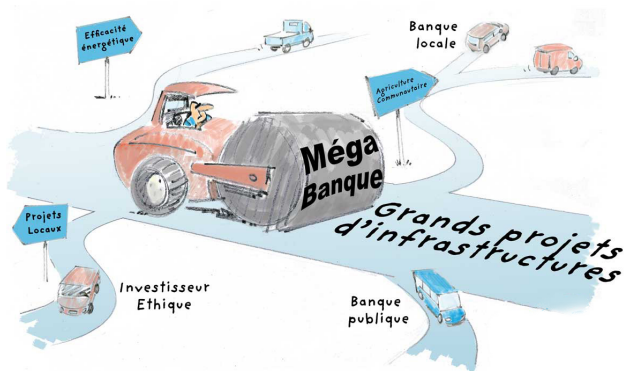
Our main priorities in sustainable finance in 2019 were the TEG and making finance serve nature.

As a member of the EC's **Technical Expert Group** (TEG) subgroup on taxonomy, Finance Watch attended dozens of calls and meetings. The EU Green Taxonomy is a huge project and a cornerstone of the EU's sustainable finance action plan. The purpose of this taxonomy is to give a common language to companies, investors and public authorities. By clarifying what is an environmentally sustainable activity for each of the main sectors of the economy, the taxonomy is expected to facilitate the redirection of private and public investments towards sustainable activities. Finance Watch assumed a special role developing technical screening criteria for the manufacture of chemicals. We also provided feedback on the TEG's initial proposals for an EU Green Bond Standard, which we said should be backed by enforcement. We lobbied policymakers ahead of key votes on the taxonomy (see next page) and published a critical blog about

the efforts by some member-states to delay parts of the taxonomy by two years.

Our other priority was a report about **nature and finance**, "[Making Finance Serve Nature](#)", which was published in May 2019 after a live-streamed workshop. The key message was not to rely too much on private finance to fund conservation and restoration projects, because nature is a public good and most projects in these areas are not bankable. The report recommends scaling up public banks; using monetary and macroprudential tools; and promoting mission-oriented, purpose-driven financial institutions such as ethical and stakeholder banks to fund nature projects.

The report calls on governments to use natural capital methodologies in their policymaking and calls on companies to disclose the impact of their activities on natural capital. As part of this, we co-organized a workshop with the ACCA on environmental accounting.



The sustainable finance team responded to three [ESMA consultations](#): we called for credit rating methodologies to include climate risks, we responded on the integration of sustainability risks and factors to Level 2 MiFID rules, and we called for UCITS and AIFMD supervision to consider negative environmental externalities as well as financial materiality when assessing sustainability risks.

In a consultation response to the EC's Joint Research Centre, we called for the [EU Ecolabel](#) to be used only for retail financial products that fully finance environmentally sustainable activities.

The team prepared a briefing on our positions on sustainable finance and those of our members, which was presented to new MEPs in September.

Our other communications focused on the link between environmental sustainability and the reform of the financial system itself. Two blogs looked at how the financialisation of the economy is accelerating environmental degradation. Guest blogger Tuan Nguyen wrote about the need to redefine the mission of the financial system before discussing any Green Deal or Just Transition. Finance Watch member Andrea Baranes wrote about how financial short termism drives environmental damage and why ESG disclosure will not be enough to make the financial system sustainable on its own terms.



Infographic for climate activists and school strikers about nine financial reforms that would make climate action easier



SUSTAINABLE FINANCE

#2. JOINT ACTIONS

Ahead of a key vote on the **taxonomy regulation** in March 2019, Finance Watch, ActionAid International, Global Witness, ShareAction, WWF, and E3G wrote an [open letter urging Parliamentarians](#) to support a framework that would actively discourage unsustainable investment, not just increase green investment. In particular, we called for a “brown” taxonomy and proper disclosure requirements.

By December 2019, the Parliament and Council had agreed a promising compromise text that included mandatory data disclosure for large companies. There was no brown taxonomy as such but the compromise included a “do no significant harm” principle and a mandate for the Commission to work on defining environmentally harmful activities in the future. There is also a review clause to check that the taxonomy is meeting its objective of shifting investment in a sustainable direction.

In September 2019, Finance Watch joined with the European Environmental Bureau, CAN Europe, WWF Europe, Greentervention, Positive Money Europe and the Fondation Nicolas Hulot to publish a briefing on how to finance the **European Green Deal**. The briefing contains a long list of ideas for shifting private finance from brown to green and mobilising public finance to help fund the transition.

The briefing, [“Game-changer: Financing the European Green Deal”](#), recommends measures to help the EU move to a more sustainable economy. These include creating a brown taxonomy, penalizing brown bank lending, adapting bank stress tests and the ECB’s collateral framework, linking the European Semester to environment targets, increasing the ‘InvestEU’ fund and the EIB’s capital, and many others.



Finance Watch made in 2019 its last contribution to the **Global Green Finance Index**, which measures perceptions of the quality and depth of green finance in financial centres around the world. GGFI 3 was launched in Paris in March and reported that a majority of finance professionals surveyed favoured regulatory intervention to support fossil fuel disinvestment. GGFI 4 was launched to an audience of asset managers and other finance professionals in Luxembourg in September and included a supplement on the investment consequences of biodiversity loss.



Like many others, we are convinced that the European Central Bank should act on climate change, instead of subsidising polluting multinationals through its quantitative easing strategy. To support the new ECB’s president, Christine Lagarde, in her ambition to put the protection of the environment at the core of the ECB’s mission, we signed an [open letter](#), together with more than 160 NGOs and academics in Europe. With our help, it was published on 28 November in several major newspapers in Europe: [Financial Times](#), [Bloomberg](#), [Tagesspiegel](#), [Les Echos](#), [La Repubblica](#), [El Pais](#). And just a few days later, we handed over the letter directly to Christine Lagarde in Brussels.



STABILITY

#1. BANKS



The Council adopted a **Banking Package** just ahead of the May 2019 elections, with new rules on leverage, resolution, and loss absorbing capital. As the text was going through Parliament the previous month, we commented on some of the technical shortcomings in a blog “Banks still running on a shoestring”.

In November 2019, our report [“Three reforms to strengthen the Banking Union and the euro area”](#) highlighted three **risk factors for the euro area**: an asymmetry in the way market discipline is applied to debtors and creditors, the fiction that sovereign bonds are riskless assets, and the continuing absence of a European deposit insurance scheme.

[We responded in December 2019 to a piece of lobbying on bank capital](#) sponsored by the European Banking Federation on the finalisation of the Basel III framework in the EU. The report by Copenhagen Economics had argued that better capitalised banks would be bad for the EU’s economy, a claim that has been debunked by regulators many times.

Our response [“How can safer banks hurt the EU economy?”](#) questioned the view that so-called “output floor” rules would disadvantage EU banks in relation to the US (actually the playing field tilts the other way); we questioned the wisdom of using an economic model to prove an outcome that is already programmed into the model; and noted the report’s under-estimation of the huge human and economic costs of a financial crisis.

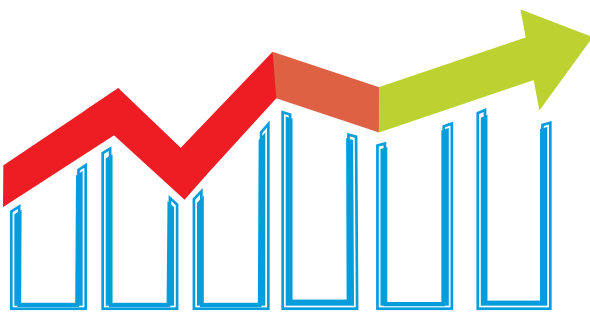
Unusually for a bank lobby report, it admitted that too-big-to-fail banks enjoy substantial implicit and explicit funding subsidies. We suggested that the EU should quantify these transfers when assessing the relationship between the banking sector and society at large.

Other blogs included one from Finance Watch member Sonja Schneeweiss of AK Europa with 12 propositions to reform the financial system, and from Michel Crinetz on why economics cannot forecast crises. We also wrote about how a merger of Deutsche Bank and Commerzbank would dramatically increase systemic risk.

In January 2019, the European Parliament proposed some improvements to the **European System of Financial Supervision** that included recommendations made by Finance Watch and other CSOs. The proposal would improve consumer protection, aim to make stakeholder groups more balanced and less dominated by industry representatives, and add sustainability criteria to the work of supervisors. Unfortunately, the review did not strengthen the power of the ESRB to recommend capital buffers.

Our staff and members continued to represent civil society in **expert and stakeholder groups** during the year, including:

- EC Financial Services User Group
- EC Technical Expert Group on Sustainable Finance (TEG)
- EC Expert group “Support to Circular Economy Financing”
- ESMA Stakeholder Group
- EIOPA Insurance and Reinsurance Stakeholder Group
- EIOPA Consultative Expert Group on Digital Ethics



STABILITY

#2. MARKETS

In October 2019, [Finance Watch wrote to the chair of the European Banking Authority](#) about the issue of **revolving doors**, after the EBA approved a planned move by its former executive director, Adam Farkas, to a top job at the bank lobby group AFME. The issue was also taken up by Change Finance, a coalition of civil society groups, who filed an ombudsman complaint and succeeded in bringing the case to the attention of the European Parliament.

In November 2019, [Finance Watch responded to a European Banking Authority](#) consultation to oppose the idea of a Simple Transparent Standardised (STS) framework for **synthetic securitisations**. Synthetic securitisations are bundles of derivatives that banks put together and sell in slices to investors. Finance Watch has previously warned about the dangers of these instruments, which allow banks to sidestep capital rules. We recommended not to introduce an STS synthetic securitisation framework because it would significantly increase financial systemic risk without any benefit to the real economy.

One focus of our consumer protection work was **financial exclusion**, which can lead to social exclusion among vulnerable groups.

Our blueprint on retail financial services, [“Towards inclusive, safe and sustainable financial services for consumers”](#) from April 2019, asks why the financial sector does not provide better consumer products. It argues for a basket of simple and standardised financial products to meet the basic needs of all citizens, including fair, low-cost, transparent payment accounts, insurance policies, loans and savings. These would provide a fall-back option for citizens and challenge the sector to raise its game.

We presented the blueprint to policymakers and met with officials from DG FISMA to discuss the Payment Accounts Directive and from DG EMPL to prepare the Annual Convention on Inclusive Growth.

We also carried out an EU-wide survey and a series of workshops to research which groups are most at risk of financial exclusion, with help from our growing network of consumer and debt specialists around Europe.

Pensions

In February 2019, lawmakers reached a final agreement on a Pan-European Personal Pension Product (PEPP). The text includes consumer protection measures that we had called for, including a basic product and a cap on costs. We welcomed these while reminding policymakers that private products cannot compensate for inadequate state and occupational pensions.

Insurance

We released a policy briefing on the use of customer profiling and discrimination in the insurance industry. [“The importance of guaranteeing citizens full and equal access to the basic kinds of insurance”](#) warns that letting insurance companies decide who to insure based on gender, age and physical ability will undermine the concept of mutuality on which insurance is based. We proposed alternative ways that insurers could use big data to improve fairness. These points were promoted to industry bodies and to DG JUST and DG FISMA, and by blog and video.

RETAIL & FINANCIAL INCLUSION

#1. BLUEPRINT ON RETAIL FINANCIAL SERVICES



In September 2019, we joined the consultative Expert Group on Digital Ethics in Insurance, which was established to assist the European Insurance and Occupational Pensions Authority (EIOPA) in the development of digital responsibility principles in insurance.

RETAIL & FINANCIAL INCLUSION

#2. CREDIT & DEBT COLLECTION

Our other focus was the **consumer credit market** and what happens when people get into too much debt. The context for this is the increase in **over-indebtedness** among EU citizens and the loss of human dignity when debt collection is badly managed.



In April 2019, Finance Watch responded to an EC public consultation on the 2008 Consumer Credit Directive (CCD), along with five other civil society organisations. We met with policymakers and recommended that the protections be extended to all types of consumer credit, including payday lending, hire-purchase and fintech credit, with no exceptions.

We argued that credit checks should be based on borrowers' actual incomes and outgoings rather than algorithms, and that the credit check process should promote responsible lending, so that lenders say 'no' when someone is unable to service a loan rather than tempting them further into debt.

We argued that the CCD should ban exploitative terms and conditions, such as very costly pay-day loans, and that when the Commission considers what is exploitative it should consider the human and social costs of over-indebtedness, including stress and poor health.

In June 2019, we responded to an [EC consultation on distance marketing of financial services](#) and in September to an [EBA consultation on draft guidelines on loan origination and monitoring](#).

We took a step back from the legalities in the summer and published a more contemplative paper on **the development of consumer credit markets from ancient times to the present**. "[What makes credit so risky? A consumer perspective](#)" looks at how societies over the past 4,500 years have addressed the asymmetry of power between creditors and borrowers and how well this age-old problem is being managed today. The report draws the provocative conclusion that regulating consumer credit has something in common with regulating toxic chemicals and addictive drugs and could benefit from some of the same approaches.



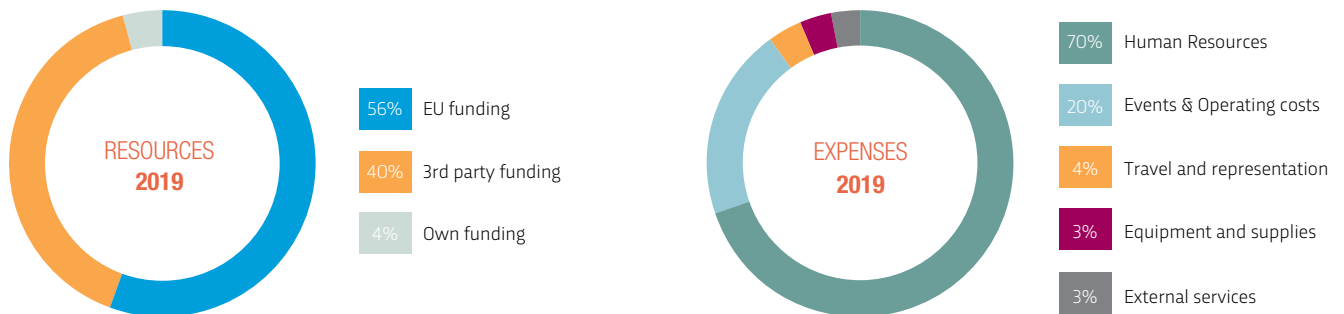
FINANCIAL STATEMENT

Finance Watch, supported financially by its members, philanthropic foundations, public donations and the European Union, acts as a counterweight to the powerful financial sector lobbies and remains more than ever a key resource for public interest advocacy on financial matters. Finance Watch provides a wide variety of expertise within our activities in research, advocacy, communication and network development.

Our financing goal is to grow and diversify our funding sources in order to increase our impact and resilience. However, funding for NGOs such as ours is not easy to find and we are always open to new funding opportunities.

Resources 2019	in euros
Own funding	69,845
Membership fees	48,545
Conference fees	9,250
Subrent	12,050
3rd party funding	697,593
MAVA Foundation	525,226
Fondation Charles Léopold Mayer	60,000
European Climate Foundation	52,337
Open Society Foundation	44,655
Donations by private individuals	15,375
EU funding	964,477
European Union	964,477
Total resources	1,731,915

Expenses 2019	in euros
Human Resources (incl.salaries, pension and insurance)	1,207,046
Staff	1,037,976
Consultants	169,070
Representation (incl. travel costs)	65,707
Equipment and supplies	58,435
External services	49,654
Events & Operating costs	349,026
Rent & office expenses	146,666
Subscriptions	24,012
Meetings & events	68,334
Financial expenses	14,927
Miscellaneous goods & services	95,087
Total expenses	1,729,868



Finance Watch's resources were 298,992 € (- 14.7%) lower than in 2018 and closer to our resources in 2017, reflecting that our resources in 2018 had been boosted by the full deployment of two new MA-VA-funded projects.

The main source of public funding in 2019 was the European Union with €964,477, down by 12.3 % (- €135,523) compared to the previous year. EU funding is provided as match-funding and therefore falls with any reduction in third party funding.

Our major non-public funder in 2019 was the MAVA Foundation, which provided continued support for our work on biodiversity and ecosystems (natural capital) financing and our last contribution to the Global Green Finance Index, totalling €525,226.

The Open Society Foundation renewed its support to Finance Watch to convene and build civil society capacity on finance reform issues, including by developing national networks of members in several countries.

A new 12-month grant from the European Climate Foundation started at the end of 2019 in relation to our work on the EU Sustainable Finance agenda..

Donations by private individuals dropped by €6,597 (- 30%) due to a reduction in dedicated resources to call for small donations.

Overall, Finance Watch's expenses fell by €282,229 (- 14%) compared to 2018, in line with the related reduction of our income.

Our Human Resources cost was lower than planned and lower than 2018 by €261,727 for employees and by €59,100 for expert consultancy. External services increased by €15,638 in order to subcontract part of the work to ensure timely delivery of our work program.

Depreciation costs are higher (+ €21,641) than in 2018 due to an increase in investment, especially on our new website and its continuous improvement.

Office rent is lower as the accounting impact of commitments related to our previous office space has decreased. Fundraising for general costs is often more difficult than for specific outputs.

Miscellaneous goods and services increased in 2019 as we are improving our IT and communications tools. Part of this higher cost relates to the purchase of a technical dataset to help our analysts in their advocacy work.

The result for the year is an accounting surplus of €2,048.

Finance Watch

Making finance serve society

We advocate public interest outcomes in European financial policy and regulation.

We build the capacity of civil society to represent its interests, especially the views of citizens and financial services end-users.

Our vision is an inclusive, fair and sustainable financial system designed around society's and the planet's needs.



Finance Watch

Making finance serve society

Rue Ducale 67 b3
1000 Brussels

Tel: + 32 (0)2 880 0430
contact@finance-watch.org
www.finance-watch.org



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