

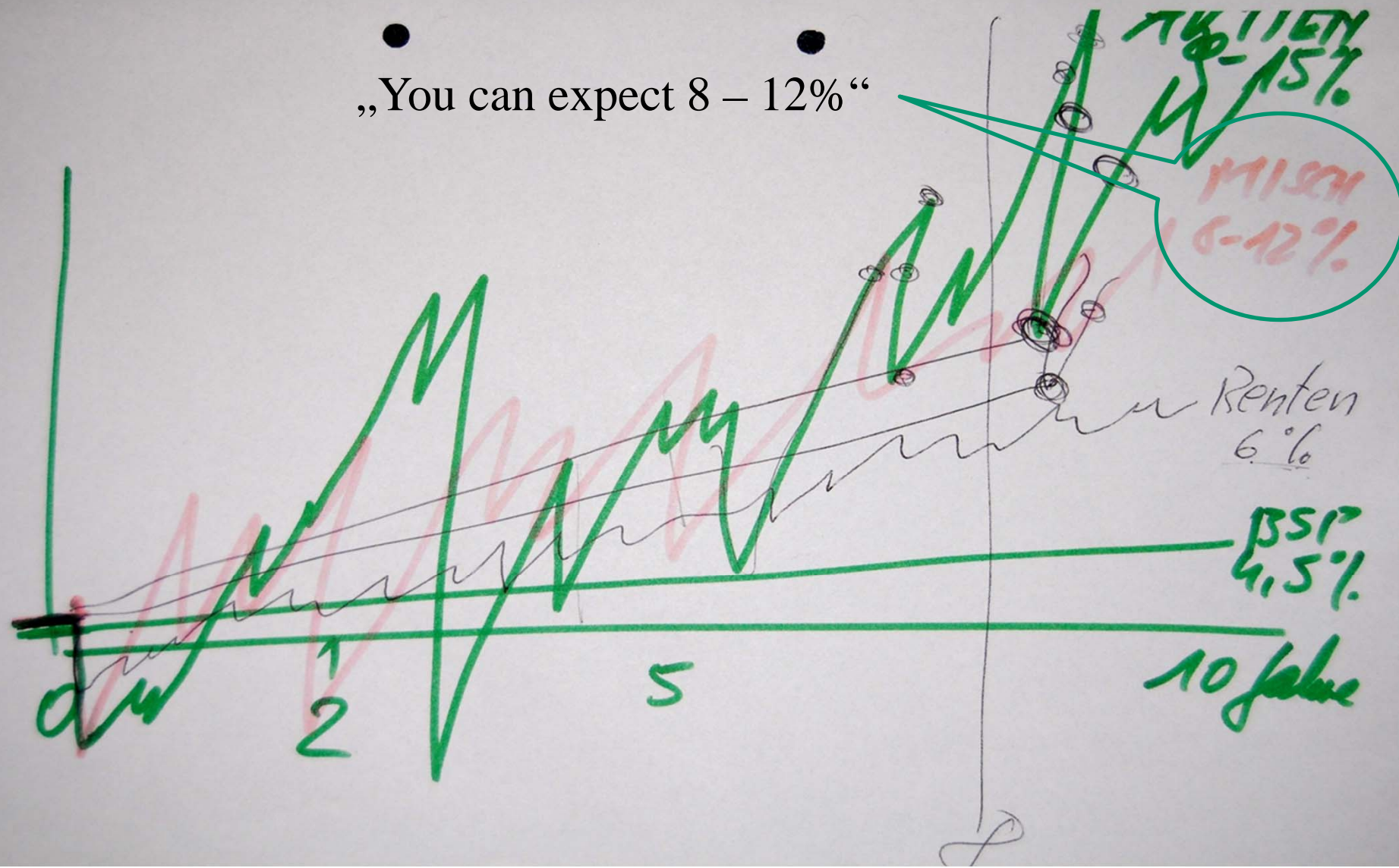
# Lessons from financial crisis:

Lessons from **a typical case study** -

**Strengthening consumer protection**

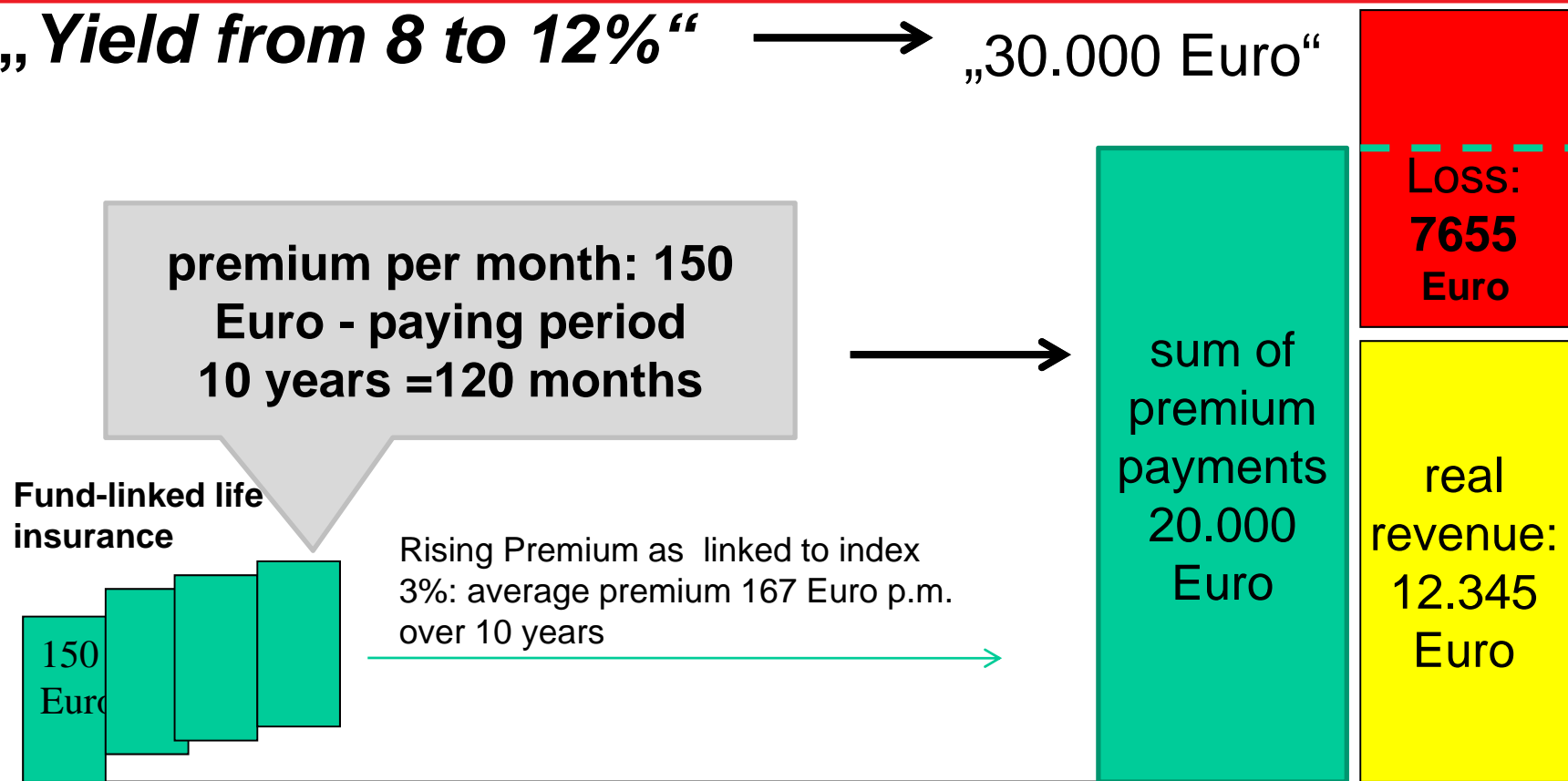
# Lessons from financial crisis – case study

• „You can expect 8 – 12%“



# Lessons from financial crisis – case study – elements of problem

„Yield from 8 to 12%“ → „30.000 Euro“



1999: policy period: 10 years due for payment: 2009

# Lessons from financial crisis – lessons from case study

- **Too complex product** – not understandable for Ms. Retail Investor (*„I don't know what I really own“*)
- **Real bad advice**, because ..
  - unsuitable product (Ms. RI = risk-avers)
  - Exaggerated yields: *„In any case more than with a savings deposit“*
  - Grossly negligent belittlement of risks
- **Poor information**: no prospectus, no inv. Profile
- **Sales commission rules!**

# Some key answers:

14.02.2011

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## Strengthening consumer protection!

- **More Consumer rights** in key areas (right of withdrawal from credit intermediary agreements, tightening of liability provisions, better access to court in case of mass damages)
- **Simplifying products** – by ban of unsuitable products
- **Understandable information** must reach consumer. KIIDs for all investment products (Yield, cost, duration/cancellation, risks)
- **Sales rules in investment advice:** High sales commissions induce excessive sales. First step: High standard in transparency of cost
- **Investor compensation scheme:** Speeding up the settlement of compensation cases

