



European Banking Industry Committee

European Banking Federation (EBF) • European Savings Banks Group (ESBG) • European Association of Cooperative Banks (EACB)
European Mortgage Federation (EMF) • European Federation of Building Societies (EFBS)
European Federation of Finance House Associations (Eurofinas)/European Federation of Leasing Company Associations (Leaseurope)
European Association of Public Banks (EAPB)

Commissioner David BYRNE
European Commissioner Health
and Consumer Protection
European Commission,
B 1049 Brussels

Brussels, 28 June 2004

Re: Implementation of the Code of Conduct for Home Loans

Dear Commissioner Byrne,

We should like to thank you for your letter dated 10th May, to which we have the pleasure to respond under the industry's new common EBiC logo. The European Banking Industry Committee (EBiC) was established on 15 January 2004 by the main banking industry federations. Its aim is to allow market participants to provide advice and ensure a representative and coordinated industry view throughout the process of drafting, adopting, implementing and enforcing EU-financial legislation.

As you highlight in your letter, the industry's implementation of the Code of Conduct has encountered some problems. The industry does however believe that the uptake so far is very encouraging in terms of both the number of adhering credit institutions – over 3800 - and the market shares. The level and quality of implementation has significantly improved since September 2002. Indeed, uptake and implementation of the Code in the French market in September 2003 constituted a noticeable increase in the uptake of the Code. From 31 October 2004 onwards, new regulatory requirements being introduced in the UK will equally enable lenders to comply fully with the Code. In this respect, the industry should like, once again, to emphasize its strong and continued commitment to the Code of Conduct.

This being said, the industry has indeed acknowledged shortcomings, which emerged from the practical implementation of the Code in national systems and which were reported by both credit institutions and the consumers. These issues are currently being discussed at two levels, i.e. in the Commission Forum Group on Mortgage Credit, which is to present its final Recommendations by September 2004, and at industry level in the EBiC, which groups all the Code signatories on the industry side.

The main problem which you raise, the need to specify the timing for the disclosure of the ESIS, was also mentioned by the Forum Group. EBiC is currently assessing the problem and will make efforts to further clarify the timing of the delivery of the ESIS. Industry discussions have not yet reached a final conclusion but we will endeavour to come back to you as soon as possible.



Your letter also raises the issue of staff training. Staff training is carried out by the credit institutions themselves, and we are currently collecting further information as to how they conduct their training.

Regarding the audit you suggest in your letter, we would like to stress that national associations have firmly committed themselves to encouraging their members, especially in the new Member States, to adhere to and implement the Code of Conduct. At this stage, the Estonian Banking Association intends to implement the Code from mid 2005 onwards. Similarly, Hungarian banks are taking the first steps in this direction, while Poland and Latvia are examining the issue.

We would very much appreciate it if the Commission's attitude towards the Code were to remain positive, so as to permit further improvements in implementation. If the Commission signals its lack of support for the Code, this would make it very difficult for the industry to encourage its members – especially in the new Member States - to invest and comply with it.

In this respect, we believe that it would be helpful if the Commission were to send to the New Member States the same letter sent to the 15 Member States in 2001, in which it communicated its recommendation of endorsement dated 5 March 2001 and invited them to comply with the terms of the Code of Conduct.

Considering the above and the need to collect further information and data, we would be very obliged if you would accord us the time necessary to respond in more detail to your questions.

Let us assure you of our continued and full commitment to the Code. We are looking forward to discussing these issues with you, your services and your colleagues from DG Markt after the summer break.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'I. Mullen', is written over a horizontal line.

Ian Mullen
EBIC Chairman

A handwritten signature in black ink, appearing to read 'Alberto Constantini', is written over a horizontal line.

Alberto Constantini
Chairman EBIC Working Group Mortgage Credit

Copy: Commissioner Frits Bolkestein.