

From Market Failures to Modernisation Opportunities

*A Retail Deposit Case Study
for the World Bank's Convergence Program*

February 2010

Pietro Scabellone
ABI, Head of Impact Assessment Dept.
p.scabellone@abi.it

Fabiana Gallo
Consultant to the project
f.gallo@consulenti.abi.it

Introduction

Since 2005, the World Bank's **Convergence Program** has invested considerable resources to assist public and private financial sector stakeholders in identifying and processing financial modernisation opportunities. It has been active in Albania, Bulgaria, Croatia, Romania and Serbia.

Its aim is to create a practical **methodological framework** within which countries can identify legislative and regulatory initiatives to modernise their banking sector. With this study, Convergence has stepped it up even further, trying to define a **“search engine”** for regulatory interventions in the retail deposit market.

After identifying some market failures, the “search engine” applied to the **case study of retail deposit services** suggests several specific actions to take into consideration. In the future, similar case-studies could be prepared for other market segments (e.g. SME loans, residential mortgage loans, infrastructure finance, etc).

Click on the links in the “search engine” table at page 4, or simply unfold the presentation.

The “retail deposit services”: a case study

Analytical Steps

1. Identification of market failures;
2. Main remedies by intervention entry point;
 - ❑ Supply, demand or market infrastructure
3. Possible legislative, regulatory or self-regulatory instruments;
4. Variables to take into account:
 - ❑ Nature of the action proposed
 - ❑ 3 levels: 1) Remedial area, 2) legislative or regulatory initiative; 3) technical intervention
 - ❑ **Impact indicator:** it suggests the importance of the intervention to reach the efficiency goals (1- low, 2- medium, 3-high);
 - ❑ **Complexity indicator:** it suggests the degree of effort the intervention requires in terms of consensus building (1- low, 2- medium, 3-high);
 - ❑ **Self-regulation:** can the intervention be put into action through self-regulation initiatives?

The “retail deposit services” modernisation “search engine” table

Main Remedies

		MARKET FAILURE				
		ASYMMETRIC INFORMATION	INCOMPLETE MARKETS	CONTRACTUAL UNCERTAINTY	COST INEFFICIENCY	MARKET POWER
INTERVENTION ENTRYPOINT	SUPPLY SIDE	Product comparison and understanding	Range of services available	Legal protection	Reduction of administrative burdens	Enhance competition in current accounts markets
	DEMAND SIDE	Increase of credit history disclosure Reducing risk		Crime prevention	Reduction of administrative burdens Non-cash payments	
	MARKET INFRASTRUCTURE	Fraud prevention Legal protection Product comparison and understanding	Legal protection	Modernisation of legal systems/ procedure Support of national / international competition Fraud prevention	Enhance competition in current accounts markets	Antitrust supervision Modernisation of antitrust regulation



Market Failure:

ASYMMETRIC
INFORMATION

INCOMPLETE MARKETS

CONTRACTUAL
UNCERTAINTY

COST INEFFICIENCY

MARKET POWER

Main Remedy:

SUPPLY SIDE

DEMAND SIDE

MARKET INFRASTRUCTURE

Product comparison and understanding

Possible Legislative, Regulatory or Self-Regulatory Instruments:

Transparency of pricing

Customer care

Internal procedures

Illustrative Technical Interventions:

ID	Interventions	Efficiency indicators	Impact indicator	Complexity indicator	Self-regulation	Notes
1	Charges are published by the banks on their websites. Also, specific algorithms are available on the web for current account charges comparison.	Access to instruments which allow the comparison among different products	2	2	X	Pre-contractual
2	Provision of ex ante transparent and comparable information index on charges (for current accounts and overdraft facilities).		2	1	X	Pre-contractual

Targeted market participant surveys and detailed policy analysis will help identify a much broader range of possible interventions

Market Failure:

ASYMMETRIC
INFORMATION

INCOMPLETE MARKETS

CONTRACTUAL
UNCERTAINTY

COST INEFFICIENCY

MARKET POWER

Main Remedy:

SUPPLY SIDE

DEMAND SIDE

MARKET INFRASTRUCTURE

Product comparison and understanding

Possible Legislative, Regulatory or Self-Regulatory Instruments:

Transparency of pricing

Customer care

Internal procedures

Illustrative Technical Interventions:

ID	Interventions	Efficiency indicators	Impact indicator	Complexity indicator	Self-regulation	Notes
3	Set up of internal procedures and initiative with the aim to provide money advice and support, help with savings facilities, affordable loans and access to basic banking services.	Full time staff or equivalent	1	2	X	Pre-contractual
4	Sending employees on one to one business counselling courses to improve their productivity and effectiveness at work.	Total hours per year	2	2	X	Pre-contractual / contractual

Targeted market participant surveys and detailed policy analysis will help identify a much broader range of possible interventions

Market Failure:

ASYMMETRIC
INFORMATION

INCOMPLETE MARKETS

CONTRACTUAL
UNCERTAINTY

COST INEFFICIENCY

MARKET POWER

Main Remedy:

SUPPLY SIDE

DEMAND SIDE

MARKET INFRASTRUCTURE

Product comparison and understanding

Possible Legislative, Regulatory or Self-Regulatory Instruments:

Transparency of pricing

Customer care

Internal procedures

Illustrative Technical Interventions:

ID	Interventions	Efficiency indicators	Impact indicator	Complexity indicator	Self-regulation	Notes
5	Set up of a self-regulatory framework and internal procedures to ensure transparency in offering banking services.	Full time equivalent staff or equivalent	1	1	X	Pre-contractual
6	Set up common document redaction criteria with regard to the structure, syntax and lexicon. Example: simplification of bank statements.		1	2	X	Pre-contractual / contractual

Targeted market participant surveys and detailed policy analysis will help identify a much broader range of possible interventions

Market Failure:

ASYMMETRIC
INFORMATION

INCOMPLETE MARKETS

CONTRACTUAL
UNCERTAINTY

COST INEFFICIENCY

MARKET POWER

Main Remedy:

SUPPLY SIDE

DEMAND SIDE

MARKET INFRASTRUCTURE

Increase of credit history disclosure

Reducing risks

Possible Legislative, Regulatory or Self-Regulatory Instruments:

Credit bureau

Illustrative Technical Interventions:

ID	Interventions	Efficiency indicators	Impact indicator	Complexity indicator	Self-regulation	Notes
7	(Among others) Soften personal data protection rules to allow easier credit history access. Promoting the development of positive and negative reporting. Design credit bureaus' governance according to international best practices. Membership criteria: allow access to non-credit providers (credit card and finance companies, etc.).	Market coverage of a credit register: number of individual retail clients on whom data is held over total number of potential retail banking clients	3	1		Possible increase in public expenditure
8	Provide access to non-bank lenders' and creditors' data set.		3	3		Possible increase in public expenditure

Targeted market participant surveys and detailed policy analysis will help identify a much broader range of possible interventions

Market Failure:

ASYMMETRIC
INFORMATION

INCOMPLETE MARKETS

CONTRACTUAL
UNCERTAINTY

COST INEFFICIENCY

MARKET POWER

Main Remedy:

SUPPLY SIDE

DEMAND SIDE

MARKET INFRASTRUCTURE

Increase of credit history disclosure

Reducing risks

Possible Legislative, Regulatory or Self-Regulatory Instruments:

Personal guarantees

Illustrative Technical Interventions:

ID	Interventions	Efficiency indicators	Impact indicator	Complexity indicator	Self-regulation	Notes
9	Promote personal guarantees recourse.		2	2		Country's competitiveness

Targeted market participant surveys and detailed policy analysis will help identify a much broader range of possible interventions

Market Failure:

ASYMMETRIC
INFORMATION

INCOMPLETE MARKETS

CONTRACTUAL
UNCERTAINTY

COST INEFFICIENCY

MARKET POWER

Main Remedy:

SUPPLY SIDE

DEMAND SIDE

MARKET INFRASTRUCTURE

Fraud prevention

Legal protection

Product comparison and understanding

Possible Legislative, Regulatory or Self-Regulatory Instruments:

Public database

Illustrative Technical Interventions:

ID	Interventions	Efficiency indicators	Impact indicator	Complexity indicator	Self-regulation	Notes
10	Set up electronic archives with stolen credit cards and checks.	Stolen credit cards/check registered in the electronic archives over total thefts reported	2	1		Possible increase in public expenditure
11	Set up an electronic archive with fraudulent transactions. Design public warning/alert service to fight debt/credit cards frauds.		2	1		Possible increase in public expenditure

Targeted market participant surveys and detailed policy analysis will help identify a much broader range of possible interventions

Market Failure:

ASYMMETRIC
INFORMATION

INCOMPLETE MARKETS

CONTRACTUAL
UNCERTAINTY

COST INEFFICIENCY

MARKET POWER

Main Remedy:

SUPPLY SIDE

DEMAND SIDE

MARKET INFRASTRUCTURE

Fraud prevention

Legal protection

Product comparison and understanding

Possible Legislative, Regulatory or Self-Regulatory Instruments:

ADR (Alternative Dispute Resolution)

Illustrative Technical Interventions:

ID	Interventions	Efficiency indicators	Impact indicator	Complexity indicator	Self-regulation	Notes
12	Introduction of a body in charge of solving disputes between customers and banks. People with disputes which would normally go to trial could opt for an alternative. Where alternative dispute resolution has been introduced, legal costs have been cut and those involved have indicated a greater satisfaction with the outcome.	ADR disputes over total disputes	3	1	X	Possible increase in public expenditure

Targeted market participant surveys and detailed policy analysis will help identify a much broader range of possible interventions

Market Failure:

ASYMMETRIC
INFORMATION

INCOMPLETE MARKETS

CONTRACTUAL
UNCERTAINTY

COST INEFFICIENCY

MARKET POWER

Main Remedy:

SUPPLY SIDE

DEMAND SIDE

MARKET INFRASTRUCTURE

Fraud prevention

Legal protection

Product comparison and understanding

Possible Legislative, Regulatory or Self-Regulatory Instruments:

Financial consumer education

Illustrative Technical Interventions:

ID	Interventions	Efficiency indicators	Impact indicator	Complexity indicator	Self-regulation	Notes
13	Include financial education at school. Undertake surveys of financial literacy/capability to inform national strategies and programmes of financial education. Availability of financial products guides from financial authorities websites.	Financial education monitor	3	1		Possible increase in public expenditure

Targeted market participant surveys and detailed policy analysis will help identify a much broader range of possible interventions

Market Failure:

ASYMMETRIC
INFORMATION

INCOMPLETE MARKETS

CONTRACTUAL
UNCERTAINTY

COST INEFFICIENCY

MARKET POWER

Main Remedy:

SUPPLY SIDE

DEMAND SIDE

MARKET INFRASTRUCTURE

Range of services available

Possible Legislative, Regulatory or Self-Regulatory Instruments:

Supply of simple products

Supply of services

Distribution channels

Illustrative Technical Interventions:

ID	Interventions	Efficiency indicators	Impact indicator	Complexity indicator	Self-regulation	Notes
14	Introduction of "basic bank accounts": simple and cheap for customers with elementary needs such as depositing and accessing basic payment facilities. It offers no overdraft or cheque book.	Number of accounts per thousand adults	2	2	X	Promote financial inclusion
15	Facilitate access to services for disabled people.		2	2	X	Promote financial inclusion

Targeted market participant surveys and detailed policy analysis will help identify a much broader range of possible interventions

Market Failure:

ASYMMETRIC
INFORMATION

INCOMPLETE MARKETS

CONTRACTUAL
UNCERTAINTY

COST INEFFICIENCY

MARKET POWER

Main Remedy:

SUPPLY SIDE

DEMAND SIDE

MARKET INFRASTRUCTURE

Range of services available

Possible Legislative, Regulatory or Self-Regulatory Instruments:

Supply of simple products

Supply of services

Distribution channels

Illustrative Technical Interventions:

ID	Interventions	Efficiency indicators	Impact indicator	Complexity indicator	Self-regulation	Notes
16	Supply of: (examples) - sight and time deposits - saving deposits - internet deposit accounts and banking - deposits for underage people - phone banking	Number of such kind of deposits per thousand adults	3	1		Country's competitiveness
17	Supply electronic payment instruments (credit/debt/prepaid cards)	Average monthly electronic transactions.	3	1		Promote financial inclusion
18	Tax payment through specific interface and web based software		1	1		

Targeted market participant surveys and detailed policy analysis will help identify a much broader range of possible interventions

Market Failure:

ASYMMETRIC
INFORMATION

INCOMPLETE MARKETS

CONTRACTUAL
UNCERTAINTY

COST INEFFICIENCY

MARKET POWER

Main Remedy:

SUPPLY SIDE

DEMAND SIDE

MARKET INFRASTRUCTURE

Range of services available

Possible Legislative, Regulatory or Self-Regulatory Instruments:

Supply of simple products

Supply of services

Distribution channels

Illustrative Technical Interventions:

ID	Interventions	Efficiency indicators	Impact indicator	Complexity indicator	Self-regulation	Notes
19	Ensure access to banking services through cash points	Number of locations that have easy access to ATMs.	1	1	X	
20	Reduce working days needed to securities portfolio portability		1	1	X	
21	Overdraft facilities rules, mainly for those customers who slip into the red without prior agreement	Percentage of deposit account holders that uses overdraft facilities	2	1		

Targeted market participant surveys and detailed policy analysis will help identify a much broader range of possible interventions

Market Failure:

ASYMMETRIC
INFORMATION

INCOMPLETE MARKETS

CONTRACTUAL
UNCERTAINTY

COST INEFFICIENCY

MARKET POWER

Main Remedy:

SUPPLY SIDE

DEMAND SIDE

MARKET INFRASTRUCTURE

Legal protection

Possible Legislative, Regulatory or Self-Regulatory Instruments:

Financial protection

Illustrative Technical Interventions:

ID	Interventions	Efficiency indicators	Impact indicator	Complexity indicator	Self-regulation	Notes
22	Design insurance schemes to fight debt/credit cards frauds		3	2		Country's competitiveness
23	Design insurance schemes for online transactions		3	2		Country's competitiveness

Targeted market participant surveys and detailed policy analysis will help identify a much broader range of possible interventions

Market Failure:

ASYMMETRIC
INFORMATION

INCOMPLETE MARKETS

CONTRACTUAL
UNCERTAINTY

COST INEFFICIENCY

MARKET POWER

Main Remedy:

SUPPLY SIDE

DEMAND SIDE

MARKET INFRASTRUCTURE

Legal protection

Possible Legislative, Regulatory or Self-Regulatory Instruments:

Compliant management

Financial protection

Data security

Illustrative Technical Interventions:

ID	Interventions	Efficiency indicators	Impact indicator	Complexity indicator	Self-regulation	Notes
24	Set up of complaint management procedures to ensure early replies		2	1	X	Contractual

Targeted market participant surveys and detailed policy analysis will help identify a much broader range of possible interventions

Market Failure:

ASYMMETRIC
INFORMATION

INCOMPLETE MARKETS

CONTRACTUAL
UNCERTAINTY

COST INEFFICIENCY

MARKET POWER

Main Remedy:

SUPPLY SIDE

DEMAND SIDE

MARKET INFRASTRUCTURE

Legal protection

Possible Legislative, Regulatory or Self-Regulatory Instruments:

Compliant management

Financial protection

Data security

Illustrative Technical Interventions:

ID	Interventions	Efficiency indicators	Impact indicator	Complexity indicator	Self-regulation	Notes
25	Design public guarantee schemes for depositors		3	1	X	Pre-contractual / contractual

Targeted market participant surveys and detailed policy analysis will help identify a much broader range of possible interventions

Market Failure:

ASYMMETRIC
INFORMATION

INCOMPLETE MARKETS

CONTRACTUAL
UNCERTAINTY

COST INEFFICIENCY

MARKET POWER

Main Remedy:

SUPPLY SIDE

DEMAND SIDE

MARKET INFRASTRUCTURE

Legal protection

Possible Legislative, Regulatory or Self-Regulatory Instruments:

Compliant management

Financial protection

Data security

Illustrative Technical Interventions:

ID	Interventions	Efficiency indicators	Impact indicator	Complexity indicator	Self-regulation	Notes
26	Innovative training and awareness campaigns that focus on the financial crime risks arising from poor data security, as well as the legal and regulatory requirements to protect customer data. Robust procedures for logging visitors and ensuring adequate supervision of them while on-site.		1	3		Pre-contractual / contractual

Targeted market participant surveys and detailed policy analysis will help identify a much broader range of possible interventions

Market Failure:

ASYMMETRIC
INFORMATION

INCOMPLETE MARKETS

CONTRACTUAL
UNCERTAINTY

COST INEFFICIENCY

MARKET POWER

Main Remedy:

SUPPLY SIDE

DEMAND SIDE

MARKET INFRASTRUCTURE

Crime prevention

Possible Legislative, Regulatory or Self-Regulatory Instruments:

Legal protection

Illustrative Technical Interventions:

ID	Interventions	Efficiency indicators	Impact indicator	Complexity indicator	Self-regulation	Notes
27	If a cheque turns out to be fraudulent or stolen, it is possible that the paying bank will not realise this until after you have received funds, so they have always reserved the right to withdraw it. Considering a payment system/rule that will not enable money to be cleared from one bank account to another in such events.		1	3		

Targeted market participant surveys and detailed policy analysis will help identify a much broader range of possible interventions

Market Failure:

ASYMMETRIC
INFORMATION

INCOMPLETE MARKETS

CONTRACTUAL
UNCERTAINTY

COST INEFFICIENCY

MARKET POWER

Main Remedy:

SUPPLY SIDE

DEMAND SIDE

MARKET INFRASTRUCTURE

Modernisation of legal systems/procedures

Support of national/international competition

Fraud prevention

Possible Legislative, Regulatory or Self-Regulatory Instruments:

Regulation

Judicial procedures

Dialogue with public authorities

Illustrative Technical Interventions:

ID	Interventions	Efficiency indicators	Impact indicator	Complexity indicator	Self-regulation	Notes
28	Regulate distance selling.	Number of concluded distance contracts	1	3		
29	Regulate e-commerce.		2	2		Promote financial inclusion
30	Find and remove financial products and services restrictions.		1	3		

Targeted market participant surveys and detailed policy analysis will help identify a much broader range of possible interventions

Market Failure:

ASYMMETRIC
INFORMATION

INCOMPLETE MARKETS

CONTRACTUAL
UNCERTAINTY

COST INEFFICIENCY

MARKET POWER

Main Remedy:

SUPPLY SIDE

DEMAND SIDE

MARKET INFRASTRUCTURE

Modernisation of legal systems/procedures

Support of national/international competition

Fraud prevention

Possible Legislative, Regulatory or Self-Regulatory Instruments:

Regulation

Judicial procedures

Dialogue with public authorities

Illustrative Technical Interventions:

ID	Interventions	Efficiency indicators	Impact indicator	Complexity indicator	Self-regulation	Notes
31	Introducing a system of electronic justice.		3	2		Possible increase in public expenditure

Targeted market participant surveys and detailed policy analysis will help identify a much broader range of possible interventions

Market Failure:

ASYMMETRIC
INFORMATION

INCOMPLETE MARKETS

CONTRACTUAL
UNCERTAINTY

COST INEFFICIENCY

MARKET POWER

Main Remedy:

SUPPLY SIDE

DEMAND SIDE

MARKET INFRASTRUCTURE

Modernisation of legal systems/procedures

Support of national/international competition

Fraud prevention

Possible Legislative, Regulatory or Self-Regulatory Instruments:

Regulation

Judicial procedures

Dialogue with public authorities

Illustrative Technical Interventions:

ID	Interventions	Efficiency indicators	Impact indicator	Complexity indicator	Self-regulation	Notes
32	Enhance information exchange between public authorities and private subjects, minimizing information obligation (IO).		3	2		Country's competitiveness

Targeted market participant surveys and detailed policy analysis will help identify a much broader range of possible interventions

Market Failure:

ASYMMETRIC
INFORMATION

INCOMPLETE MARKETS

CONTRACTUAL
UNCERTAINTY

COST INEFFICIENCY

MARKET POWER

Main Remedy:

SUPPLY SIDE

DEMAND SIDE

MARKET INFRASTRUCTURE

Modernisation of legal systems/procedures

Support of national/international competition

Fraud prevention

Possible Legislative, Regulatory or Self-Regulatory Instruments:

Regulation

Market liberalization

Illustrative Technical Interventions:

ID	Interventions	Efficiency indicators	Impact indicator	Complexity indicator	Self-regulation	Notes
33	Harmonize to international anti-money laundering rules.		3	3		Country's competitiveness

Targeted market participant surveys and detailed policy analysis will help identify a much broader range of possible interventions

Market Failure:

ASYMMETRIC
INFORMATION

INCOMPLETE MARKETS

CONTRACTUAL
UNCERTAINTY

COST INEFFICIENCY

MARKET POWER

Main Remedy:

SUPPLY SIDE

DEMAND SIDE

MARKET INFRASTRUCTURE

Modernisation of legal systems/procedures

Support of national/international competition

Fraud prevention

Possible Legislative, Regulatory or Self-Regulatory Instruments:

Regulation

Market liberalization

Illustrative Technical Interventions:

ID	Interventions	Efficiency indicators	Impact indicator	Complexity indicator	Self-regulation	Notes
34	Harmonize to international antiterrorism rules.		3	3		Country's competitiveness

Targeted market participant surveys and detailed policy analysis will help identify a much broader range of possible interventions

Market Failure:

ASYMMETRIC
INFORMATION

INCOMPLETE MARKETS

CONTRACTUAL
UNCERTAINTY

COST INEFFICIENCY

MARKET POWER

Main Remedy:

SUPPLY SIDE

DEMAND SIDE

MARKET INFRASTRUCTURE

Modernisation of legal systems/procedures

Support of national/international competition

Fraud prevention

Possible Legislative, Regulatory or Self-Regulatory Instruments:

Security of transactions

Illustrative Technical Interventions:

ID	Interventions	Efficiency indicators	Impact indicator	Complexity indicator	Self-regulation	Notes
35	Certification of the level of security of a product or system by acknowledged certification bodies, generally operating under the oversight of an evaluation authority.		2	2		
36	Promotion of initiatives aimed at tackling computer crime, fraud and counterfeiting involving noncash payment instruments.		3	2		Possible increase in public expenditure
37	Amend national penal legislation to adequately cover the new category of cyber crimes.		1	2		Country's competitiveness

Market Failure:

ASYMMETRIC
INFORMATION

INCOMPLETE MARKETS

CONTRACTUAL
UNCERTAINTY

COST INEFFICIENCY

MARKET POWER

Main Remedy:

SUPPLY SIDE

DEMAND SIDE

MARKET INFRASTRUCTURE

Reduction of administrative burdens

Possible Legislative, Regulatory or Self-Regulatory Instruments:

Standardization and simplification

Customer mobility

Illustrative Technical Interventions:

ID	Interventions	Efficiency indicators	Impact indicator	Complexity indicator	Self-regulation	Notes
38	Standardize transactions on an inter-bank network		1	1	X	

Targeted market participant surveys and detailed policy analysis will help identify a much broader range of possible interventions

Market Failure:

ASYMMETRIC
INFORMATION

INCOMPLETE MARKETS

CONTRACTUAL
UNCERTAINTY

COST INEFFICIENCY

MARKET POWER

Main Remedy:

SUPPLY SIDE

DEMAND SIDE

MARKET INFRASTRUCTURE

Reduction of administrative burdens

Possible Legislative, Regulatory or Self-Regulatory Instruments:

Standardization and simplification

Customer mobility

Illustrative Technical Interventions:

ID	Interventions	Efficiency indicators	Impact indicator	Complexity indicator	Self-regulation	Notes
39	Switching regulations: provisions requiring banks to observe certain procedure and deadlines when transferring a customer's account details to a new bank	Working days needed to change provider; Costs associated with the procedure; Rate of service provider change	2	2	X	Pre-contractual / contractual

Targeted market participant surveys and detailed policy analysis will help identify a much broader range of possible interventions

Market Failure:

ASYMMETRIC
INFORMATION

INCOMPLETE MARKETS

CONTRACTUAL
UNCERTAINTY

COST INEFFICIENCY

MARKET POWER

Main Remedy:

SUPPLY SIDE

DEMAND SIDE

MARKET INFRASTRUCTURE

Reduction of administrative burdens

Non-cash payments

Possible Legislative, Regulatory or Self-Regulatory Instruments:

Compliance to information requirements

Standardization and simplification

Illustrative Technical Interventions:

ID	Interventions	Efficiency indicators	Impact indicator	Complexity indicator	Self-regulation	Notes
40	<p>Among others:</p> <ul style="list-style-type: none"> - avoid duplication in mandatory documentation - allow electronic information documents - put beyond doubt electronic signatures - remove existing laws which insist on paper by allowing e-mail as an option - ensuring that minimum standards of quality and service are met by providers offering cryptography services 	Resources dedicated to comply with information requirements	2	2		Promote financial inclusion

Targeted market participant surveys and detailed policy analysis will help identify a much broader range of possible interventions

Market Failure:

ASYMMETRIC
INFORMATION

INCOMPLETE MARKETS

CONTRACTUAL
UNCERTAINTY

COST INEFFICIENCY

MARKET POWER

Main Remedy:

SUPPLY SIDE

DEMAND SIDE

MARKET INFRASTRUCTURE

Reduction of administrative burdens

Non-cash payments

Possible Legislative, Regulatory or Self-Regulatory Instruments:

Compliance to information requirements

Standardization and simplification

Illustrative Technical Interventions:

ID	Interventions	Efficiency indicators	Impact indicator	Complexity indicator	Self-regulation	Notes
41	Simplify bank account opening procedures for individuals		1	2		Promote financial inclusion

Targeted market participant surveys and detailed policy analysis will help identify a much broader range of possible interventions

Market Failure:

ASYMMETRIC
INFORMATION

INCOMPLETE MARKETS

CONTRACTUAL
UNCERTAINTY

COST INEFFICIENCY

MARKET POWER

Main Remedy:

SUPPLY SIDE

DEMAND SIDE

MARKET INFRASTRUCTURE

Reduction of administrative burdens

Non-cash payments

Possible Legislative, Regulatory or Self-Regulatory Instruments:

Electronic payments

Illustrative Technical Interventions:

ID	Interventions	Efficiency indicators	Impact indicator	Complexity indicator	Self-regulation	Notes
42	Reduce the security risks (and costs) of handling cash.	Number of cashless payments per person	3	2		Promote financial inclusion

Targeted market participant surveys and detailed policy analysis will help identify a much broader range of possible interventions

Market Failure:

ASYMMETRIC
INFORMATION

INCOMPLETE MARKETS

CONTRACTUAL
UNCERTAINTY

COST INEFFICIENCY

MARKET POWER

Main Remedy:

SUPPLY SIDE

DEMAND SIDE

MARKET INFRASTRUCTURE

Enhance competition in current accounts
markets

Possible Legislative, Regulatory or Self-Regulatory Instruments:

Taxation

Illustrative Technical Interventions:

ID	Interventions	Efficiency indicators	Impact indicator	Complexity indicator	Self-regulation	Notes
43	Reduce stamp duty rates applying to current accounts		1	2		

Targeted market participant surveys and detailed policy analysis will help identify a much broader range of possible interventions

Market Failure:

ASYMMETRIC
INFORMATION

INCOMPLETE MARKETS

CONTRACTUAL
UNCERTAINTY

COST INEFFICIENCY

MARKET POWER

Main Remedy:

SUPPLY SIDE

DEMAND SIDE

MARKET INFRASTRUCTURE

Enhance competition in current accounts
markets

Possible Legislative, Regulatory or Self-Regulatory Instruments:

Customer mobility

Illustrative Technical Interventions:

ID	Interventions	Efficiency indicators	Impact indicator	Complexity indicator	Self-regulation	Notes
44	Among others: - reduce exit costs; - avoid delays due to credit cards bill charge schedule	Annual switching rates	2	2	X	Pre-contractual / contractual

Targeted market participant surveys and detailed policy analysis will help identify a much broader range of possible interventions

Market Failure:

ASYMMETRIC
INFORMATION

INCOMPLETE MARKETS

CONTRACTUAL
UNCERTAINTY

COST INEFFICIENCY

MARKET POWER

Main Remedy:

SUPPLY SIDE

DEMAND SIDE

MARKET INFRASTRUCTURE

Antitrust supervision

Modernisation of antitrust regulation

Possible Legislative, Regulatory or Self-Regulatory Instruments:

International antitrust criteria

Illustrative Technical Interventions:

ID	Interventions	Efficiency indicators	Impact indicator	Complexity indicator	Self-regulation	Notes
45	Define monitoring / enforcement powers of the Antitrust Authority consistently with international best practices		2	2		Country's competitiveness

Targeted market participant surveys and detailed policy analysis will help identify a much broader range of possible interventions

Market Failure:

ASYMMETRIC
INFORMATION

INCOMPLETE MARKETS

CONTRACTUAL
UNCERTAINTY

COST INEFFICIENCY

MARKET POWER

Main Remedy:

SUPPLY SIDE

DEMAND SIDE

MARKET INFRASTRUCTURE

Antitrust supervision

Modernisation of antitrust regulation

Possible Legislative, Regulatory or Self-Regulatory Instruments:

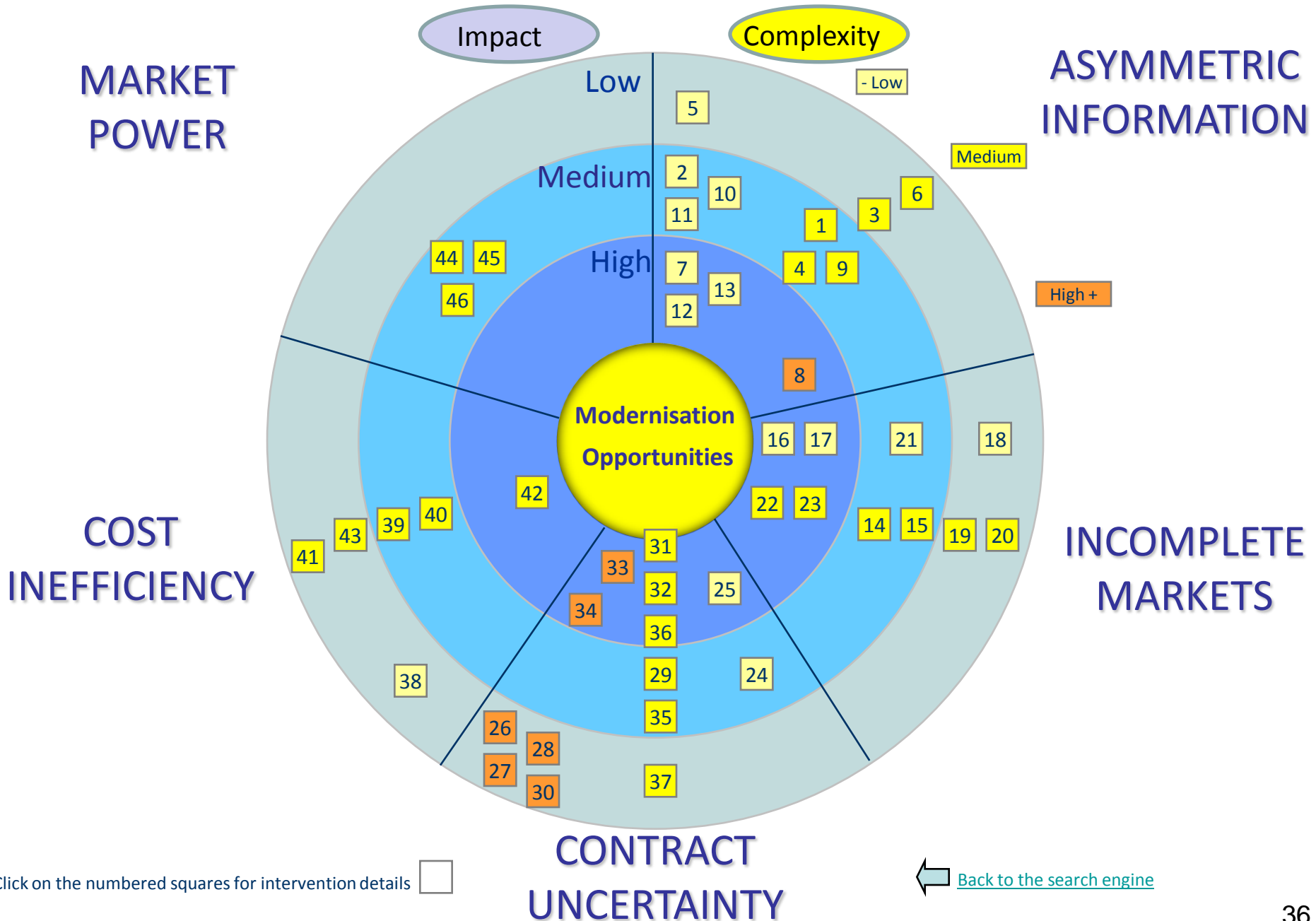
International antitrust criteria

Illustrative Technical Interventions:

ID	Interventions	Efficiency indicators	Impact indicator	Complexity indicator	Self-regulation	Notes
46	Define transparent criteria to assess the existence of (among others): - entry barriers; - market abuse; - market concentration; - efficient licensing procedures for prospective national/ foreign financial institutions.		2	2		Country's competitiveness

Targeted market participant surveys and detailed policy analysis will help identify a much broader range of possible interventions

Summary of illustrative interventions



Conclusions

Based on a previous Convergence Program's study (["How to Improve Financial System Efficiency through a Modernisation Program"](#)) - which in turn is inspired by the European Central Bank taxonomy of market failures -, this study examines several aspects of retail deposit services market.

Based on the EU and Italian experiences, it suggests a broad sample of initiatives (45) as **a starting point in tackling main market failures**. It is worth to remember that market participant surveys and detailed policy analysis will help to identify a much wider range of possible solutions.

Main results show that **the number of actions suggested** is particularly dense in the "asymmetric information, incomplete markets and contract uncertainty" areas if compared with those in the "cost inefficiency and market power" failures. Actually, the underlying reason is that the latter two kinds of failures require more structural interventions, as they are quite independent from a single market segment.