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Competition: Europe seeks the most dangerous financial product

Submit your proposals now

During their establishment in 2011 the new European Supervisory Authorities (ESAs) in charge of the supervision of Banks (EBA), Financial Markets & Investment Funds (ESMA) and Insurance Institutions (EIOPA) were given the power to ban certain products from the markets. Some months ago, there was a ban on “naked short selling”, but based on a special law. The new power, however, has not been used even though it is known that many products are dangerous.

They are opaque and complex and thus threaten consumer protection with concealed risks and high costs. They harm third parties such as the global poor, particularly in developing countries, through speculation over food and land. They put the stability of the financial system and sustainable development at risk because in some cases they cannot even be sufficiently analysed by financial markets experts or regulators and because they exacerbate price volatilities (also for currencies, credit etc.). Other products might harm the environment by inefficient investments in non-sustainable industries or resource consumption. They might also endanger development policy by channeling funds through tax havens which have severe consequences for much needed revenue in particular in the developing world but also in Europe.

So far, regulators could only make use of product bans under very strict conditions. However, if the new EU directive on financial markets (“MiFID”) will be decided on in 2013, ESMA probably will be able to ban dangerous products more easily. In this context we want to take note that dangerous products are not only the most risky ones. Risk is not per se a problem. Often only risky investment decisions can help young companies or new technologies to get started. But it is important that risks have to be transparent to the investor, are fairly compensated for and are not effectively shifted to third parties.

Therefore, we launched this competition to find the most harmful and dangerous financial product traded on the markets. ([Submit your proposals here.](#)) With your input and the help of an expert jury the most dangerous financial product shall be determined and brought to the awareness of the supervisory authorities. We then expect them to scrutinise the product and limit its application or ban it totally from the markets if necessary. We are happy to receive any contribution from citizens, organisations, corporations, consumer protectors and financial markets experts. All [proposals](#) can be discussed in a public forum after expiration of the deadline of submissions on 15 February 2013. Subsequently, a jury of experts will analyse and rate all proposed products. In a public vote one out of three very harmful financial instruments nominated by the jury will be elected the “winner”.

- [Submit your proposals here \(deadline is the 15 February 2013\)](#)

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