RETAIL INVESTMENT STRATEGY

NATASHA CAZENAVE

Executive Director - European Securities and Markets Authority (ESMA)

Building a sound Capital Markets Union for retail investors

The time has come to put retail investment at the core of the Capital Markets Union project. In this respect, initiatives to empower retail investors and foster their participation in EU capital markets are welcome. Not only to offer them affordable options tailored to their preferences and to help them save for their retirement, but also to contribute to the Union's shift towards a more sustainable economic model.

Through its legislative proposals on the creation of a European Single Access Point and the establishment of a consolidated tape, the European Commission has already demonstrated its willingness to serve the needs of investors by easing access to information and improving market transparency.

ESMA is also strongly supportive of legislation that will allow retail investors better understand the true level of sustainability of their investments and avoid greenwashing.

Going forward, the EU strategy for retail investors will be crucial to address structural challenges. Minimising conflicts of interests shall therefore be a priority and we are eager to see issues related to the role of inducements and the practice of payment for order flow properly addressed.

Furthermore, in a context of increased engagement of young people in capital markets coupled with a concerning frenzy around cryptos, the strategy will have to embed rules fit for the next generation of retail investors and provide future-proof safeguards adapted to the digital age.

At ESMA, we believe that a safe environment is essential for retail investors to make sound financial decisions, whether they choose to use their smartphone or rely on face-to-face advice.

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In this regard, we have recently published a comprehensive set of recommendations to the European Commission in support of enhanced disclosure requirements. We are indeed convinced that ergonomics matters in information sharing, as an overload of information is not necessarily conducive to well-informed investment choices. In this spirit, we have proposed to define minimum 'vital information' that investors need to be able to make informed decisions and to use 'layering', frequently offered in user friendly apps, to provide relevant information step by step to investors and hence address overload and complexity.

As business models evolve, it is also ESMA's duty to ensure that retail investors embark on a trustworthy journey while taking full advantage of innovation. Our view on 'gamification', i.e., the use of game-like elements in non-game contexts, illustrates the balance we aim to strike when monitoring online marketing and distribution strategies, including on social media. In our assessment, gaming tools should be authorised as long as they are in the best interest of customers. They can convey information in a simple and understandable way, demystify trading, and thus facilitate informed investment decisions. On the contrary, these features may also blind investors to risks and harm them, e.g. where gamification nudges retail clients to take on undue risk. To protect investors, ESMA notably advises on how to improve and implement legislation, checks firms' conduct, and, if necessary, ban toxic practices.

More broadly, beyond bringing further alignment and consistency across legal instruments, we expect the Retail Investment Strategy to reflect a change of paradigm: instead of primarily relying on products' characteristics, progressing towards an investor centric model would notably ensure that consumers are provided with clear and comparable information, thereby pushing costs downwards and increasing confidence, which is key to well-functioning markets.

Finally, to be successful, the Retail Investment Strategy will have to be supported by strong and effective supervision on the ground to ensure that investors are protected wherever they invest in the EU. This especially calls for upgraded supervision of cross-border activities in the traditional MiFID retail space and beyond, where rules are gradually being built to deal with the mounting risks associated with cryptos.

Retail investor protection is obviously a challenge to be tackled collectively in the current tense geopolitical and macroeconomic context. Whatever the future holds, retail investors can be assured that ESMA is committed to playing its part by using its supervisory convergence toolkit, whether through facilitating data sharing between home and host countries, coordinating supervisory exercises, or, where appropriate, resorting to our product intervention powers to prevent significant consumer detriment.

TSVETELINA PENKOVA

MEP, Committee on the Internal Market and Consumer Protection - European Parliament

Retail Investor Strategy as a long-term social strategy

The Retain Investor Strategy is one of the most important long-term social strategy that the Commission is working on. All the priorities are underpinned by the need to secure a better financial income for the retail investors while preserving their fundamental rights of access to information and access to education.

With no doubt the main priority for the Commission should be to improve the financial literacy of the retail investors. Currently most of the savings in the EU are held in deposit bank accounts. They have increased significantly during the COVID-19 pandemic. However, currently with the rising inflation, savings are losing their monetary value.

This has a negative impact on the financial stability of citizens and on the EU economy. The regular circulation of currency on the market is one if its fundamental economy purposes – investments in new projects, technologies, innovation, etc. Higher participation in retail investment leads to better ratio between the GDP and the market capitalization.

Yet, in order to fulfil this purpose people need to be aware of why and how they can make the most of their savings and turn them into additional income. Citizens have to be informed in a clear and precise manner that their retail investments are a long-term investment that guarantees financial stability in their pension years.

Once our society understands the importance of the retail investments, people will subsequently seek for digital tools to get information and advisors about different products offered on the market. However, the fundamental first step is to improve the financial literacy of our citizens.

When talking about retail, the holistic approach is the best path one can take. Legislative amendments, harmonization of the capital market regulations should be coupled with information campaigns, increased effort to maintain and develop high level of cybersecurity and low level of fake news in the digital environment.

In addition, one key aspect that also needs to be addressed when we talk about the holistic approach is the protection of the interest not only of the retail investors but also of the financial advisors. It is beneficial.

Retail investment will secure people's financial stability during pension years.

Policy makers should strike the balance between the interest of the financial advisors and the retail investors so that the incentive of both stakeholders is mutually beneficial. Working only on the protection of retail investor will increase the so called "principal agent conflict".

The policy regarding the Retail Investor Strategy cannot avoid, neither eliminate the principal agent conflict since it is within the human psychology to act biased. Therefore, it is obligatory to create a policy in which the biased perspective of both stakeholders aims at one and a same goal.

Incremental improvements might lead to even further complication and fragmentation of the legislative basis concerning the retail investors. Right now, we have various legislative instruments to regulate the market and to impose variety of requirements. Such are for example the UCITS Directive, the ELTIF Regulation, the PEPP, and the MIFID II. All of these legislative tools, albeit concrete and construed in favor of the investors are fragmented, complicated and hard to work with.

When talking about Retail Investment Strategy we need to consider two major factors that play a role in deciding the way forward. Firstly, this Strategy is part of the goal to set up a real and effectively working Capital Markets Union. Second, Retail Investors usually do not have a financial background, nor work in the financial sector. They do not have the time, the knowledge or the research capacity to dig into all the various tools and instruments in order to grasp an understanding of the opportunities in front of them. Retail investors are crucial participants in a properly functioning Capital Markets Union. Thus, we need to make sure to be inclusive and protective of them.

The retail investment strategy for Europe can be crucial for the development of the Capital Markets Union (CMU) and to tackle the economic effects not only of the COVID-19 pandemic, but as well as the current geopolitical crisis that European Union is currently facing. Europe needs investment strategies that further encourage retail investors that will support our economy and hasten the sustainable recovery.

However, there needs to be a rapid shift in the approach taken by the EU. The legislative basis for retail investors needs to be structured in a codified, non-burdensome way. In other words – rules are simple and they are there to protect our consumers so it is better to be followed.

JEAN-PAUL SERVAIS

President - Financial Services and Markets Authority, Belgium (FSMA)

A new protective framework for retail investors

From a supervisor's perspective, it is to be welcomed that the European Commission is planning to take an investor-centred approach to shaping its Retail Investment Strategy (RIS). A renewed focus on the demand side is needed so that citizens can reap the benefits of the CMU via increased retail investor participation, including on a cross-border basis.

A number of recent game-changing developments have strengthened the need for a focus on a new protective framework for retail investors.

Firstly, since the outbreak of the COVID crisis, we have witnessed increased retail participation in the equity markets. This trend was illustrated in Belgium by research by the FSMA on the behaviour of Belgian retail investors over the past four years, based on a data analysis of the reporting of stock exchange transactions. One of the main trends identified was that the stock market continues to attract new and young retail investors.

In addition, technological developments are greatly influencing the retail investor landscape. Investors want to access financial services anytime, anywhere and using various types of devices, platforms and apps. Trading apps are easy accessible and are used mainly by new types of investors who tend to be younger and take more risks. Investment choices are often made based on the information available on apps, websites and social media platforms, and rely less on regulated financial advisors. Social media are used by non-regulated persons, such as influencers, to send marketing messages and provide investment recommendations to investors.

Thirdly, EU citizens need the necessary tools and the trust to put their savings to work by investing in sustainable capital markets and being part of the climate transition.

The RIS should focus on the following priorities: streamlining disclosure rules, digital and sustainable investing, cross-sector consistency and financial literacy.

Retail investors face an information overload that is not conducive to their protection. It is therefore a priority to streamline the different disclosure requirements stemming from the various regulatory pieces, where appropriate. However, this should not serve as an excuse to withhold essential information from retail investors. Both EIOPA and ESMA's recent technical advice to the Commission suggest possible improvements in this regard.

RIS should focus on digital and sustainable investing, cross-sector consistency & financial literacy.

The regulatory framework needs to be fit for the age of digital and sustainable finance. Disclosure requirements should be digital-friendly. Innovation and technology bring real opportunities to inform retail investors in a more meaningful way, using techniques such as layering: the most vital information (i.e. the information investors "must know") being disclosed in a first layer and in a visually attractive way, layer 2 including information that investors "should know" and layer 3 "nice to know" information.

Flexible rulemaking should be enhanced by empowering the use of Level 2 measures to make it possible to regulate how the clients' best interests can be promoted when they are offered services via trading apps.

Building on its sustainable finance strategy and using feedback from the ESAs or NCAs on possible greenwashing practices, the EC should be constantly looking for areas of improvement of the current regulatory framework regarding the Green CMU.

It is also important to ensure a level playing-field among comparable products, including crypto-assets. The single rulebook should guarantee consistency in the rules applicable to economically equivalent products, in order to avoid regulatory arbitrage between sectors.

The 2020 CMU Action Plan puts forward a number of measures that seek to enhance the financial literacy of retail investors, including regarding sustainable finance, in order to enable them to make better financial decisions as well as to finance the climate transition, and leverage the possibilities provided for by capital markets. On this front, the RIS can provide a boost, complementing consumer protection. As proposed by EIOPA in its Technical Advice to the Commission on Retail Investor Protection, EU directives could be modified horizontally in order to follow the model of the Mortgage Credit Directive and enshrine the task of consumer education in the mission statements of the NCAs and the ESAs.

Over the longer term, it may be appropriate to engage in further reflection on the future of retail investing, taking into account developments in the US (e.g. SEC work on digital engagement practices) or the UK (FCA's initiative on a new 'Consumer Duty') as well. Such reflection may examine a number of key questions (e.g. the possible development of simpler products) with a view to an optimal and holistic investor protection.

BARBARA ANTONIDES
Manager Public and International Affairs - Dutch Authority for the Financial Markets (AFM)

Retail investment strategy must help nudge financial well-being

The retail investment strategy is a key component of the Capital Markets Union, one that is aimed at promoting sustainable financial well-being of citizens. This is as close to the AFM's core mission as it gets. The AFM promotes fair and transparent financial markets, protection of consumers in vulnerable situations and ensuring long-term financial well-being.

The retail investment strategy addresses several issues. One is to unlock capital that is needed for the digital and green transformations. With increased access to capital, European companies are in a better position to take advantage of digital and sustainable opportunities. Second, the strategy aims to improve consumer outcomes by making capital markets accessible.

Recently, AFM published a paper[1] demonstrating that about half of Dutch citizens have adequate buffers to invest responsibly but currently do not. Depending on, among others, individual trading behaviour, this could offer returns of several hundred euros per year.

Value for money

In the Netherlands, approximately 85% of citizens already participate in capital markets through occupational pension schemes. The Netherlands has one of the lowest old-age poverty rates globally. This contrasts with the broader EU situation where one in seven EU citizens have inadequate pension savings. For this group, and for the self-employed, additional pension savings, sensibly invested in the long-term, may be necessary to supplement old-age income. There need to be ample products that offer value for money and cater to financial needs of citizens and society.

There is plenty of work to do in this regard. EIOPA[2] has repeatedly conducted research showing consumer detriment. This detriment can take the form of high-commissions which mis-align the incentives of advisors and clients, high fees (sometimes in excess of 4% per year, as also shown in ESMA's recent research[3]), or highly complex products that are simply not suitable for the majority of retail investors. All this substantially hurts the legitimate interest of retail investors and will ultimately lead to a decline in trust in the financial sector.

Half of Dutch citizens have adequate buffers to invest but do not.

Nevertheless, supervisors are not price police. While we can address excessive costs, firms should be able to offer competitive and fair market prices for their services. Similarly, supervisors neither can or ought to tell consumers which products to invest in, as long as firms operate within the consumer protection framework. Speculation has always been part of financial markets; while we can combat excesses, consumers should have a fundamental freedom to choose.

Financial literacy and behaviour

An increase in financial literacy may seem a win-win situation. Indeed, there is nothing against education and better understanding of finance and economics. Financial markets are inherently complex and difficult to navigate for average citizens, hence financial literacy can never be your only shot. Expectations on the real impact of increased education should be managed. Increased financial literacy does not change that consumers (even those with high levels of education) are not the rational homo economicus that economics textbooks presume. They will remain prone to exploitations of behavioural biases and unfair commercial practices by firms. Especially in a highly digitalized financial sector.

Choice environment

Nudging consumer behaviour happens all around us but is especially potent in a digital environment. Particularly in the financial sector, mis-selling can lead to long-term detriment. Traditional protection measures, such as disclosures and transparency, are not effective in the face of irrational consumer behaviour. A more powerful tool would be to require the design of the choice environment of trading apps and platforms promotes sensible decision-making by consumers or at least prohibits promotion of the products that have the highest risk of mis-selling.

A truly successful Retail Investment Strategy considers the supply-side of the market, i.e., the products. Making sure they offer value for money through strengthened product governance norms, by aligning the interest of the advisor and the client and taking away perverse incentives in the advisor-client relationship and making sure that digital distribution models work in the interest of the client by offering suitable products that meet demands as well as needs at a reasonable cost.

[1] AFM, "Meer Nederlanders zouden kunnen beleggen in plaats van sparen," 24 maart 2022, https://www.afm.nl/nl-nl/nieuws/2022/maart/meer-nederlanders-beleggen-sparen.
[2] See for example EIOPA's annual Cost and Past Performance Report for costs of IBIPs and UL products.
[3] See also ESMA's research on performance and costs https://www.esma.europa.eu/system/files_force/library/esma_50-165-1677_asr_performance_and_costs_of_eu_retail_investment_products.pdf?download=1.

FAUSTO PARENTE

Executive Director - European Insurance and Occupational Pensions Authority (EIOPA)

The Retail Investment Strategy: unlocking its full potential for life insurance

The Retail Investment Strategy is a key plank of the European Commission's Capital Markets Union and aims to promote more transparency, simplicity, fairness and cost-efficiency for retail investment products across the internal market.

EIOPA strongly supports these objectives. Insurance-Based Investment Products (or IBIPs) are often the first, if not only, retail investment product which consumers buy. Life insurance, because of its societal benefits, is often connected to tax and inheritance-related incentives, leading many investors to opt for insurance over other available retail investment products.

Therefore, firms must actively engage with consumers and support them on their investment and savings journey to address growing protection gaps. The EU regulatory framework for retail financial services can assist by:

- Driving appropriate longer term investment behaviours and opportunities;
- Creating a safe environment for consumers that enables them to make the right choices, and ensure products are suited for the proposed target market;
- Promoting further the principle that investment products should be cost-efficient and simple to understand and contribute to improve consumers' overall finance health; and
- Enabling a risk-based approach to conduct of business supervision.

At the end of April 2022, EIOPA delivered technical advice to the Commission on Retail Investor Protection where we set out our views in a number of areas such as enhancing consumer disclosures, tackling damaging conflicts of interest in the sales process and addressing complexity in the retail investment market.

Improving the quality of consumer disclosures is a critical first step. We see the need for a shift towards truly consumer-focused disclosures, built upon an enhanced supervisory framework that fits the digital age. The starting point when designing consumer disclosures should be behavioural research and consumer testing.

Giving due consideration to the unique structure of insurance distribution could bring real benefits.

More needs to be done to tackle damaging conflicts of interest arising throughout the product lifecycle, including the product design phase when underlying funds are selected for unit-linked products. We think improvements to the existing rules on inducements are necessary and a combination of different policy options could also bring specific benefits. Too often the debate is a binary one between banning or not banning commissions.

To address cost-efficiency and complexity in the retail investment market, there needs to be more coherence in the current regulatory requirements to identify which products are complex. We would like to see a clearer notion of the objectives when considering product complexity and cost-efficiency of IBIPs and take due account of the level of complexity in the different stages of the product lifecycle. Furthermore, improvements to the Key Information Document can bring greater transparency on the impact of the costs of "wrapper" products.

There is also scope for making the sales process for life insurance products simpler and more affordable, but this should not be at the expense of a lower level of consumer protection. The ongoing digital transformation in the sale of financial products and further automation of the sales process such as more enhanced portability of the suitability assessment, can help in this respect, but we need to make sure that any risks (such as misuse of customer data) are also effectively supervised.

Recent ideas put forward to amend the existing suitability/appropriateness assessments with a more portfolio-style approach need, in our view, to consider the specific nature and structure of the products involved. The goals which the customer seeks to achieve may be fundamentally different when comparing, for example, a sophisticated investor buying equities and seeking to maximise return with a consumer buying life insurance seeking to secure some savings for retirement, and coverage for risk of death, critical illness or disability.

Some IBIPs are associated often with long recommended holding periods of 20-30 years with limited possibilities for customer intervention during the contract period. This can present challenges for consumers purchasing such products to properly assess the true cost of those products and their risk. Therefore, consumers may often require ongoing advice from an intermediary because their personal circumstances may change during that period.

In conclusion, if we really want to unlock the full potential of the CMU and the Retail Investment Strategy, it is important that the EU regulatory framework sufficiently takes into account the relative size and structure of the European insurance market, its existing heterogeneity and the way consumers engage in this market. Insurance distribution is one of the most important ways that allows small savers and investors to participate in capital markets. Therefore, a more consumer-focused approach which gives due consideration to the unique structure of insurance distribution could bring real benefits in this respect.

MATTHEW HOLMES

Group Head Political and Government Affairs - Zurich Insurance Company Ltd

A retail investment strategy to empower consumers and protect tomorrow

The Capital Markets Union set out an ambition of mobilising investments and savings within the EU to support green growth, the digital transition and a more inclusive and resilient society. The EU retail investment strategy offers a critical opportunity to realise that ambition through modernization of regulation and empowerment of consumers.

The bulk of EU citizens' savings is currently sitting in saving accounts, providing limited return, and not actively contributing to investments which are needed to help transform the EU economy for a green, digital future. A retail investment strategy that makes it easier and simpler for consumers to invest in EU financial markets with confidence could help transform that picture. It could also help close the significant gap in pension saving across the EU, by supporting take up of long-term savings products, such as insurance-based investment products.

To achieve these goals and foster EU retail investment, Zurich believes that there is work to be done in 3 areas:

1. **Digital first:** More and more customers are expressing the wish to receive communications in a digital format. Digital formats offer the opportunity to present information in a way that customers might find more intuitive and understandable. Whether it is through techniques such as layering, where consumers are able to access more detail or explanations with a simple 'click' or touch of screen, or dashboard summaries available at any time, digital channels offer a raft of opportunities. Moreover, digital disclosure could save a lot of paper, contributing to environmental sustainability objectives. Unfortunately, local and EU rules often require that information to customers is provided on paper. Zurich believes it's time for EU conduct regulation to make digital disclosure the default option, whilst ensuring that customers who prefer paper-based communication are not excluded.

This EU strategy offers a critical opportunity to modernize regulation and empower consumers.

2. **Information tailored to customer needs:** To empower customers to make confident, informed financial decisions, all customer information must be tailored to customer needs. Ex-ante consumer testing, to ensure that customer information is meaningful and fit for purpose, is key. No new retail disclosure requirements in EU financial markets should be enacted without it. The work done by EIOPA to outline duplicative disclosure requirements, that are not only unnecessarily costly, but may also lead to confusion, is an important first step. Regarding the Key Information Document (KID), customers could be further empowered by giving more prominence to essential information on the existence or lack of insurance cover, payment flexibility and other benefits. The industry can, and already does, contribute by actively listening to customer feedback, continuously improving its products and its customer communication.

   In addition to improved information, expert advice contributes to customers' awareness of available investment options and potential risks. The more complex, or longer-term products are, the more expert advice is important. By nature, insurance-based investment products are more complex than pure investment products as they provide additional benefits, such as in form of insurance cover. Zurich firmly believes that all customers should have easy access to expert advice, taking into account their level of financial education, life circumstances and preferences as well as major differences in the financial culture across European countries.

3. **Financial education:** The final step towards customer empowerment is to increase investment in financial education. Financial literacy levels in the EU vary, but every EU citizen should have at least a basic understanding of financial services, to enable informed financial decision making. We are proud to have worked together with Oxford university, during a research cooperation in 2015 to 2021, and have gained practical insights to support improving people's financial protection. We also note that there are a number of national initiatives in place that aim to provide guidance to citizens in making financial decisions. Zurich believes that there would be benefit in promoting public-private cooperation to scale and potentially improve such initiatives to ensure that they are accessible for all European citizens.

A future-oriented approach in these three areas, with joint effort from regulators and the industry has the potential to enhance consumer confidence and retail investment in the EU financial markets.

SIMON JANIN
Head of Group Public Affairs - Amundi

Meaningful information paired with qualified advice is key for retail investors

As all OECD countries are facing a dramatic resurgence of inflation, ensuring a better allocation of households' assets is more than ever essential. This not only to finance sustainable growth and digital transition, but also to allow investors to have access to more diversification and then achieve higher return for their savings, in order to preserve them from capital erosion.

Against this backdrop, the forthcoming Retail Investment Strategy (RIS) should be properly calibrated with a focus on creating a favorable environment to foster investor participation, without jeopardizing distribution models, which are contributing to a sound diversification of investors' savings. The future RIS should then follow three priorities.

First, it should ensure that a retail investor receives information that can easily be understood and fit for the purpose of making the right choice. Less sophisticated investors should not be overflown with large quantity of information, which have a deterrent effect and drive retail investors away instead of helping them to make an informed choice. These investment decisions are essential for households financial future and the realization of their life financial goals, such as, acquiring a house or means of transport for they family, paying for education or planning for their retirement and addressing the future pension-gap. In order for investors to make these important choices, information needs to be readable and meaningful.

New regulations, such as MiFID2, are also requiring investors not only to make investment decision that work for them, but also to take into consideration their potential impact on environment and on the broader society. While we are strongly supporting these initiatives, it is essential that retail investors benefit from an understandable information on these issues to help them navigate among all these new requirements.

Secondly, the future RIS should maximize the possibilities offered by digitalization hand in hand with an increase of financial knowledge. As highlighted by various studies, investors may miss many opportunities when they are not adequately educated on financial matters. A striking evidence is the fact that the vast majority of European retail investors keep most of their financial wealth in bank deposits, therefore missing out opportunities to receive higher returns and to protect their savings against inflation. As underlined in a comprehensive study, the financial wealth of European households would have been EUR 1.2 trillion higher had they had gradually reduced the share of deposits in their financial wealth from 41% to 30% by investing in equity and bond funds during the 2008-2019 period[1].

A portfolio approach allows to achieve a more balanced overall risk-return profile for an investor.

We are very supportive of any initiative the European Commission (EC) and Member States are working on in the field of financial education – it is a win-win for both consumers and industry. In addition to these measures, we also believe that the best way for investors to learn to invest is to drive them closer to investment experiences (i.e. learning by doing). In this respect, it would make sense to explore the possibility to boost employees' share ownership by harmonizing legislations across the EU.

Thirdly, we praise the EC's intention to have a more investor-centric approach. To this end, we are supportive of the initiative of enhancing the current suitability and appropriateness test including a portfolio approach, which allows to achieve at a macro level a more balanced overall risk-return profile for an investor. However, we would invite the EC to consider the practical implications of both the personalized asset allocation and the portability of the assessment. Indeed, while in our view the standardized asset allocation will be detrimental to the investors since it will reduce the competition between firms, the portability raises a number of questions with respect to both the financing of the exercise by firms and responsibility to keep the assessment always up to date.

Last but not least, we strongly recommend the European legislators to avoid initiatives that may endanger the current distribution models that are supporting clients in Europe, including the retrocessions model. Under the 'commission-based' model, the mass retail investors are all given access to advice at a reasonable cost and can benefit from added value services.

In sum, to be a success, the RIS will have to focus on initiatives enhancing retail investors experience and easing their access to financial education and products, whilst preserving their protection. In the meantime, measures that may have the opposite effect, such as reducing retail investors access to financial advice or overflowing investors with information, should be avoided.

[1] See EFAMA, Household Participation in Capital Markets, September 2020 https://www.efama.org/sites/default/files/files/KPI%20Report_FINAL%20version%20%281%29_1.pdf

GUILLAUME PRACHE

Managing Director - Better Finance

The EU Strategy for retail investors must not drop its own key objectives

Since the launch of the Capital Markets Union Action Plan (2015), much has been said about better outcomes for investors and increasing retail investments into capital markets . Two Action Plans and three high-Level reports later, EU households – as the main source of long-term and sustainable funding for the Green Transition and EU economy – see no real improvement of their situation.

Financial repression at a historical high, widespread and highly damaging biased advice (both for retail investors and for capital markets), inadequate disclosures, and lack of enforcement characterise the "retail" investors' journey through EU capital markets.

The EU Strategy for Retail Investments announced by the EU Commission in 2020 set out very relevant objectives to improve investor protection, and to ensure:

- "that rules are coherent across legal instruments", and that retail investors benefit from:
  - "adequate protection,
  - bias-free advice and fair treatment,
  - open markets with a variety of competitive and cost-efficient financial services and products, and transparent, comparable and understandable product information.

EU Commission pressured to give up the main objectives of the Retail Investments Strategy

However, it all seems now just a noble wish without any chance to see the light of day given the strong backlash from a large number of stakeholders including influent Member States. In particular, the crucial objective of ensuring "bias-free advice"will most likely be replaced with another soft promotion of adult financial education.

Indeed, EU policy makers too often turn back to financial education as a panacea to improve investor protection, instead of identifying and reprieving practices that are harmful to non-professional savers, EU decision-makers promote financial literacy to empower investors to make "informed investment decisions". As such, responsibility is shifted from providers to non-professional investors as the latter are asked to get educated and fend for themselves. Also, it not realistic to assume that adults will go back to school for getting investment education.

EU Commission pressured to give up the main objectives of the Retail Investments Strategy.

Being a "retail" investor is not a full-time job, nor is it expected from consumers in any other market to level the expertise or knowledge of traders in order to filter products and challenge services that are not suitable for them. Moreover, investment services and products have the particularity of being credence goods, meaning that consumers must trust that the provider is competent and acts in their best interests.

The EU Commission seems to be now exploring an alternative option: to introduce value for money in the product governance and distribution processes of retail investment products. It is an interesting approach already used by the UK FCA and being looked at by the EIOPA. But it may be too late, as the long overdue review of the major EU investor protection rules cannot be postponed much further.

To avoid consumer detriment, the retail investor strategy - likely failing to get closer to its most critical goal of ensuring bias-free advice - must at least better protect "retail" clients' interests by:

- ensuring a coherent standard of investor protection across all sectors, by harmonizing the rules from investment products within MiFID scope (a minority) to those (the majority) in the scope of other EU sectoral rules;
- achieve its goal of ensuring clear and comparable key disclosures, in particular by at last disclosing the long-term real returns (net of the impact of inflation), and the investment objectives of the provider alongside the largely fictitious nominal returns;
- enabling supervisory authorities to enforce value for money, by eliminating regulatory loopholes with clear definitions of key concepts (best interests, undue costs, greenwashing, etc.);
- improving the enforcement of existing conduct of business rules by the ESAs, in particular by using their product intervention and "breach of EU Law" powers – very seldom if at all used for investor protection so far, and actually fulfil their duty of promoting simplicity, i.e. simple products;
- and enabling investors to obtain compensation and redress against breaches of their rights.

"Putting people at the heart of the financial system is part of my vision" (EU Commissioner Mairéad McGuinness).

How many mis-selling scandals, financial crises or other harmful practices do we need until we take action to truly protect EU "retail" savers? In 2022 alone, EU savers are likely to lose more than one trillion euros in real value (purchasing power) due mainly to the "financial repression" orchestrated by policy makers, but also due to their over reliance on fixed income-linked, intermediated and fee-laden packaged products, that are selected with biases.

The time to learn has passed, the EU needs swift and impactful measures to attract and motivate households to invest and stop destroying the real value of their pension savings.