

LONG TERM RETAIL INVESTMENT PRODUCTS



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Long-term products must be simple and cost-efficient to fill the investment gap

The urgency that is currently felt across Europe is an opportunity for member states to make serious work of stimulating citizens to improve their prosperity by investing for the long term. They can do this by organising second pillar, occupational pension systems, or by creating simple, cost efficient and diversified long-term investment products, or a combination. This will increase future prosperity of European citizens and provide our economy with the necessary capital funding.

Member States can take different routes depending on their preferred economic model and other national characteristics. Whichever option they choose, however, low costs, high trust, and a long-term nature will be key features. The European Commission and European institutions can support Member States.

For those who have been following the Retail Investment Strategy closely

over the past four years, the problem diagnosis and recommended solutions in the Draghi, Letta and Noyer reports frankly feel like a déjà-vu. Political will to fix major deficiencies in the European retail landscape has been insufficient in the face of national interests. Hopefully, the new discussions on the Savings and Investments Union can ensure that products are of high quality and advisors work in the interest of their clients.

Collective pensions decrease costs for investors

The Dutch experience with large, mandatory occupational pension funds has shown how a collective approach can bring down costs, improving outcomes for consumers, and invest more directly in young and dynamic companies and small and medium enterprises. The large amount of assets owned by pension funds gives them a better bargaining position vis-à-vis asset managers. Moreover, the large number of participants leads to relatively low fixed costs. Although costs vary per fund, the large Dutch pension funds have total annual costs of about 50 basis points, which includes investment management, transaction fees and pension administration. This is much more attractive than the 2.1% average annual costs that non-ETF UCITS funds charge to investors (Source: ESMA Cost and Performance of EU Retail Investment Products 2024).

Products must be simple and offer value for money

The above route may not be desirable or feasible for each Member State. Instead, long-term products can fill the investment deficit if they are cost efficient, diversified and relatively simple. A label for simple products can help (potential) investors make sense of the sometimes overwhelming supply of different kinds of products and funds available on the market. Products that qualify for this label must primarily be in the client's interest through cost efficiency, adequate diversification and a relatively simple nature. Investing in EU assets can be a secondary goal, but not at the expense of necessary diversification and long-term returns.

Consumer behaviour and the demand-side

There is no lack of products available to European investors, ranging from personal pension products to investment funds and investment-based insurance

products. Developing more types of products may offer little additional benefit. Rather, insights from consumer behaviour should be applied to entice potential investors. A recurring financial fitness check, which happens every five years or at major life events, can help raise awareness of the necessity to invest, for yourself or for your children.

Even with recurring check-ups, however, the average citizens will postpone difficult decisions, sometimes until they are too late. Auto-enrolment is a far-reaching but effective policy option to diminish the risks associated with suboptimal consumer behaviour. **When it comes to long-term investing, either through a pension plan or a long-term product, small steps will yield big results.** Even small percentages, e.g., in terms of gross wages, will make a big impact.

PEPP review

A lot has been said about the one percent cost cap of the basic PEPP. With sufficient scale, offering a PEPP below this cap should certainly be possible. The problem is the start-up phase, where firms need to make expenses and scale has not been achieved yet, making PEPP unprofitable. Because of the importance of low costs, however, I would argue against letting go of the cost cap. It remains to be seen whether costs will really go down in later phases of the product, once scale has been achieved. This hypothetical decrease may come too late to be of use for early investors. Instead, the PEPP could be made simpler and less burdensome to offer.

When it comes to long-term investing, small steps will yield big results.

The Commission has committed to propose (legislative) initiatives the coming years that address these issues. The ambition looks promising. Member States, supervisors and other European institutions will have to match that ambition to ensure that capital markets fulfil their promise for future prosperity.



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Empowering citizens on their investment journey

Europeans are good savers. They tend to favor bank deposits and low-risk, liquid products to safeguard and grow their savings¹. Since inflation typically outpaces low (or no) yields on such instruments, savers are often faced with a net-loss. The 2025 ESMA Cost and Performance Report² demonstrated that a current account with EUR 10 000 in 2014 would only be worth around EUR 7 900 after 10 years. This not only undermines the potential wealth generation of European households it also reduces the pool of capital that could fund growth in the real economy. The ECB estimated that EUR 350 billion could flow annually into long-term market-based investments, if households were to better diversify their assets³.

However, the opposite extreme is also observed as the new generation of investors increasingly eyes high-risk crypto-assets. Against this background, questions sometimes arise whether some of the investor protection requirements led to unintended complexity that deters investors or, on the contrary, whether factors unrelated to regulation, such as social media, may have contributed to retail investors' hesitation or otherwise lead them towards risky choices.

The momentum on the Savings and Investments Union (SIU) sparked renewed discussions on ways to build an investment culture and stimulate participation in capital markets amongst EU citizens. The experience of retail investors wishing to invest their savings, or the investor journey, plays an important role here. It spans from the initial engagement with an investment firm through to post-sale interactions. Adapting the tools and conditions surrounding this journey and making them conducive to a smooth entry and continuous engagement in markets are indispensable steps towards more retail participation and the SIU.

Investors need to get a good deal on their investment.

When it comes to the conditions, complexity of products offered, concerns over high fees, or past experiences of low returns are all on the radar. Potential improvements to the investor journey, may be found by taking a second look at firm practices and regulatory requirements. Digitalisation⁴, for example, can facilitate access for some types of investors and streamline the provided information. Further simplification efforts could already be pursued in the context negotiations of the Retail Investment Strategy. However, it will be important to ensure that changes to the existing rules do not compromise on the essential safeguards protecting investors, when they decide to invest for their future.

To empower investors, many stakeholders highlighted the importance of having in place the right incentives and products. Tax-incentivized investment accounts at national level and a new EU-wide label for “simple” investment products emerged among the most debated policy options. The former, already available in several EU Member States, can provide an efficient way to encourage retail investors to invest in financial markets and promote financial education. The latter could help investors easily identify products with certain features such as simplicity and low costs. Such a product could benefit from a streamlined distribution process thus making for a simpler investor journey as well. Given the potential fiscal implications of the public incentives that could be attached to these options, the choice is ultimately for Member States to make. ESMA is supportive of equipping investors with tools that will simplify their journey. In any scenario, it will be important to

ensure the chosen approach supports diversified asset allocation i.e. a variety of financial instruments could be accessible under the account or qualify for the label.

Investors will only remain engaged, if they can reap the benefits from participating in the markets. The effort here must be twofold.

First, investors need to get a good deal on their investment. Transparency helps investors assess the past performance and costs of products. One of the ESMA's Common Supervisory Actions revealed, however, that the layout, level of detail, terminology and costs percentages often differ from firm to firm and thus make it hard to compare this information. Going forward, investors could therefore benefit from a free and independent comparison tool for investment products. It would provide additional support in navigating through offers on the market. Second, investors need to be able to interpret the information, assess the investment options, and understand they enter the market for the long run. Without intensifying financial education, no tools or products can guarantee their financial success.

1. AFME, *CMU KPIs*, November 2024
2. ESMA, *Costs and Performance of EU Retail Investment Products 2024*, January 2025
3. ECB, *Follow the money: channeling savings into investment and innovation in Europe*, November 2024
4. ESMA, *Discussion paper on MiFID II investor protection topics linked to digitalisation*, December 2023



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Fostering retail investment through a two-sided approach ?

As part of the newly called Savings and Investments Union, the need to promote long-term investments by European households, both in order to optimize their allocation of savings and as a complement to the development of deep European capital markets, particularly in equity, has been raised.

There are many options to achieve these goals. For instance, the May 2024 position paper of the European Securities Markets Regulator (ESMA) on *'Building more effective and attractive capital markets in the EU'* proposed the introduction of a voluntary European label to distinguish certain financial products as 'basic', based on cost and complexity criteria. The EU Council in April 2024, the European Central Bank in November 2024, and the Commission in January 2025 have on their side advocated for a simple, cross-border savings and investment product at the EU level. In their reports, Christian Noyer and Enrico Letta have also emphasized the need for long-term investment products to finance the European economy, rather than simple products.

Although theoretically appealing, the concept of a product tailored for retail investors raises many questions. Designing such products would necessarily be complex. For example, the very first idea of what 'basic' entails would be problematic – should it bear a certain level of risk and to which extent? Should it mean simple to understand?

Above all, a basic product would not necessarily have the right properties in terms of supporting longer term investments by European households. It also seems problematic to introduce a bias in distribution regulation in favour of a given product, on the basis of *ex ante* properties and without considering the needs of investors.

The reason for these difficulties is that different objectives are implicitly or explicitly pursued in the course of that discussion. Facilitating long-term investments by households implies both : on the supply side, making sure that attractive products are available, some of which will not be simple or basic; and on the demand side, making sure that access to these products is easy and cheap.

If the investor journey is properly streamlined, there is no specific need for a basic product.

It seems therefore much better to use two different instruments. On the one hand, the development of pan-European long-term investment "schemes" or "frameworks" should be explored. Such pan-European investment schemes or frameworks could have a greater impact than an additional classification of basic products. Any new scheme/framework should be product-neutral while having the appropriate features to allow for European long-term financing. Such a scheme or framework could therefore alleviate the complexity of having to define a specific product, but still be oriented towards the main objective of the Savings and Investments Union.

In the same time, in order to remove undue impediments to investing, the focus on the regulatory side should be on streamlining the investor journey. The focus should be on assessing to which extent the investor journey could be simplified in order to facilitate products' distribution. The underlying objective would still be to promote long-term investments in order to turn European households' savings into a competitiveness asset for the

European economy, but it would be achieved by facilitating the investor experience. This is also in line with the European Commission's objectives of simplification and burden reduction. Several reflexions could be conducted on this matter, such as reconsidering whether product governance is absolutely necessary for all products, and/or assessing the degree of complexity for investors of the appropriateness and suitability tests. Therefore, simplifying advisory processes would appear as a relevant and meaningful initiative.

Finally, as part of this debate, the Retail Investment Strategy should not be overlooked. Indeed, its ultimate objective is to enable European retail investors to make investment decisions that are aligned with their needs and to encourage more retail participation in capital markets, while ensuring that investors are treated fairly and duly protected. As such, the Retail Investment Strategy package contains a series of concrete proposals that can make a positive contribution towards the Savings and Investments Union and the co-legislators should try to strike a consensus on this initiative.

In summary, if the investor journey is properly streamlined, there is no specific need for a basic product, as all the simplifications of advice associated with any basic product will already be embedded in the work on investor journey.



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Citizens will be central to the success of the Savings and Investments Union

Increasing retail investor participation in the EU is essential to fostering a more dynamic and inclusive Savings and Investments Union (SIU). Retail participation in capital markets is significantly lower in the EU than elsewhere. Household savings are concentrated in low-yield bank deposits within the EU and there is significant untapped potential to channel these funds into investment products that can offer better long-term returns. There is a need for individuals to build savings and investments, including pensions, for life events and for a proportion of those savings and investments to be used to support real economic activity. The need is even greater given recent trends including longer average life expectancy, less secure retirement funding and the changing nature of work – more jobs through an individual's working life, more self-employment and more work across multiple countries.

The recent period of high inflation, which saw the value of money held on deposit gradually diminish, highlights the value of diversifying savings. By

investing savings in a range of financial instruments, including investment funds, it may be possible to generate a high-enough return to counterbalance the impact of inflation. While such investments offer the opportunity to grow savings and generate wealth, they also entail different degrees of risk and may be more or less appropriate depending on an individual's capacity for risk, their investment horizon and financial goals.

The low retail participation in EU capital markets can be attributed to a combination of structural, regulatory factors and cultural factors including a higher risk-aversion of Europeans, thus favouring bank deposits which are perceived safer option even if they offer low returns. Other factors contributing significantly to low retail investors' participation in capital markets are investors' perception of value for money and understanding of risk and return. As a result, many investors can not envisage clear benefits in shifting their savings from traditional bank savings to other products. Product complexity, fees and charges, lack of understanding of cost and performance also lower retail investors' appetite. Furthermore, many investors struggle to understand risk-reward relation, often myopically associating investing solely with the risk of losing money rather than the opportunity to earn higher returns over time. A lack of sufficient financial literacy, skills and knowledge to navigate through various investment choices also pose a hurdle for retail investor in making more informed choices.

SIU should centre on pragmatic delivery and agility to unlock greater retail participation.

There are no quick fixes to improving retail participation in EU capital markets, this is a complex endeavour that requires long term and sustained efforts at national and EU level. Encouraging broader retail participation requires structural reforms to shift the deep-rooted preference for low-risk saving and a limited understanding of investment products. Experience with PEPP and IORPs also highlights important lessons for shaping the future of retail investment initiatives. A key lesson is that no single reform can unlock retail participation, rather a holistic set of measures at national and EU level is required to increase retail investor participation. Key to this debate will be issues of value for money for investors,

which can impact on both the demand and supply factors that drive investment decisions. With that in mind, there are a suite of SIU measures that Ireland can support, specifically in the retail space, such as simplified access to financial products, increased competition among distribution channels, the development of a pan-European long-term savings and investment label and fixing shortcomings in existing frameworks. Bottom-up measures are also crucial, with the sharing of national experiences and best practices among Member States key in this regard.

As highlighted earlier, the financial culture which has traditionally favoured savings over investment has been firmly entrenched in many parts of the EU for decades – Irish households have followed the same preference, opting for deposits, pensions and insurance products over direct participation in capital markets. In Ireland, we have recently conducted a review into the sector (Funds Sector 2030) which has provided us with a number of key recommendations to improve the investor landscape and thus increase participation in capital markets. These measures will complement work at EU level on SIU.

The next step for the SIU should centre on pragmatic delivery and agility to unlock greater retail participation. The primary goal of our work should be to understand and improve the outcomes for investors. This in turn should lead to increasing retail investor participation which is a core component to fostering a more dynamic and inclusive market.



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Unlocking retail investments: Setting the right framework for long-term growth

Facilitating long-term investments is a cornerstone of the Capital Markets Union (CMU) and the Savings and Investments Union (SIU). Well-functioning and efficient markets are key to bridging the gap between investments and capital. Long-term investments should be financed by long-term and risk-tolerant capital to provide stability and absorb market fluctuations. This is lacking today in many markets in the EU.

The pitfalls of product-level regulation

Fostering long-term retail investment is essential, but difficult. There are no shortcuts or quick fixes. Our experience as a supervisor points to the fact that attempts to create specific investment products through regulation often has had limited success. An example is the European Long-Term Investment Fund (ELTIF) regulation, which has had limited uptake in many Member States so far, including in Denmark. A key takeaway is that instead of designing specific products, we should set the boundaries and let the actual

market participants fill out the details and suit the products to the investors' preferences and needs. The regulatory boundaries should then ensure a high level of investor protection when distributing products to retail investors.

Similarly, the Pan-European Personal Pension Product (PEPP) is intended to connect long-term savers with long-term investments. Despite its good intentions, the product has seen very limited demand – there are currently only eight PEPPs sold in the EU – due to cost structures, tax treatment discrepancies, and a lack of alignment with national pension frameworks.

These examples highlight the shortcomings of pursuing a product-centric regulatory approach.

Beyond designing specific products: a framework-based approach

Rather than designing specific products, regulators should focus on setting the right framework conditions for long-term retail investments. This includes ensuring low costs, transparency, and strong investor protection. Therefore,

**Strong regulatory
frameworks, not rigid
product design, drive
long-term investments.**

a successful regulatory framework should focus on the following notions:

- establishing uniform and transparent rules across investment markets, prioritizing low costs and clear and simple disclosures.
- basing the framework on structural reforms that make European businesses even more competitive.
- creating favorable conditions for pension savings, that enables European individuals to invest in long-term instruments.
- maintaining a well-functioning supervisory environment that protects investors while avoiding excessive regulatory burdens. These elements combined can accommodate regional differences in investor culture and products.

We should also focus on creating a more efficient regulatory landscape that does not overwhelm European businesses with complexity. Regulatory

simplification is crucial to fostering competitive capital markets that attract retail investors while keeping focus on the essential parts of the regulation.

How autoenrollment pensions build national and regional capital markets

Experiences show that autoenrollment pension schemes play a crucial role in building long-term capital within a country. By ensuring widespread participation in pension savings, these schemes generate a stable pool of capital that benefits both national and European capital markets. Since pension funds often exhibit a degree of home bias—investing a significant portion of their assets domestically or regionally e.g. EU—this mechanism can help strengthen national capital markets, providing businesses with a reliable source of long-term funding. In turn, this contributes to economic stability and growth.

The Draghi report highlights that the combined share of the Netherlands, Denmark and Sweden in EU pension assets amounts to 62 pct. of the EU total. These Member States also have well-developed capital markets which is linked to their access to long-term investment capital. A measured level of home bias, facilitated by robust pension schemes, can thus serve as a stabilizing force for local markets while also integrating into the broader European capital landscape.

Long story short...

Regulators should prioritise measures which bring real benefits to citizens and businesses. Instead of focusing on bureaucratic ideas and steps, focus should be on fostering framework conditions for natural market driven development of attractive, long-term retail investment options. By ensuring transparency, reducing complexity, and creating an environment conducive to investment, the EU can unlock the full potential of retail savings for economic growth and financial stability.



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Empowering retail investors and increasing financial resilience

Mobilizing capital and investment for Europe is a pressing priority. However, persistent barriers, such as remaining distrust in financial markets and financial illiteracy, prevent European citizens and companies from truly benefiting from the internal market. The fragmentation of Europe's capital market reduces competitiveness and productivity while holding back the green, digital, and security transition.

At Zurich Insurance, we believe that the Savings and Investments Union (SIU) can play a crucial role in promoting a culture of savings and investments, increasing the financial resilience of citizens and supporting the growth of European companies. The Competitiveness Compass that the Commission recently adopted sets the direction of travel to regain growth and correctly identifies the SIU as a key enabler of that growth.

To be successful, the SIU must be aligned with the principle of regulatory simplification and designed to enable rather than direct market development.

A key foundation for success of the SIU will be the completion of the

EU Retail Investment Strategy (RIS) which aims to empower citizens to start investing and make investment decisions that are aligned with their needs and preferences, ensuring that they are treated fairly. Zurich Insurance strongly supports these objectives, and we are hopeful that the momentum of current SIU discussions will lead to a streamlined RIS that provides effective tools for the protection of European investors, while keeping administrative cost to a minimum. That includes simple but efficient rules for inducements and a gradual approach towards benchmarking, starting with national benchmarks, as supervisory tool only.

We believe our sector is well placed to help make the SIU a European success story: insurers offer a wide range of products that combine investment with insurance protection. Insurance-based investment products (IBIPs) represent the largest portion of retail investment in Europe (70% according to EIOPA estimates), thus having a crucial role in deepening capital markets and advancing integration. This is even more important as Europe also needs to address widening pensions gaps.

Considering both the last phase of deliberations on the RIS strategy and the SIU Communication, it is clear that innovative approaches are required with respect to (digital) customer disclosure, the supervisory framework, and tax incentives.

To foster retail investment, it is important to improve customer disclosure ('better, not more'): Zurich supports a 'digital-by-default' approach, allowing for innovation in disclosure with use of evolving digital techniques, the removal of duplicative disclosure requirements, and more transparency to prospective customers on cost structures.

**The SIU can play a
crucial role in promoting
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supporting the growth
of European companies.**

A more agile and modern regulatory and supervisory framework should be embraced. In addition to the regulatory approach of the RIS, we believe it is essential to also take policy measures to enable European citizens to become investors.

To establish a true retail investment culture, reforms of national taxation - ideally in a coordinated way - will be essential, in particular when it comes to long-term retail investment products. Successful domestic experiences from several Member states show that this may be the most promising policy avenue. Taxation being the remit of Member states, it is crucial that they closely cooperate and share best practice in designing their respective long-term retail investment schemes. For this reason, the Noyer report advocates for EU-wide monitoring to encourage national reforms while building on common principles to develop long-term savings products with similar features.

Successful national experience in implementing tax packages and employee benefits as well as appropriate capital requirements for long-term savings and pensions provide the templates to fuel long-term retail investment in the EU. Next to providing accessible investment opportunities and promoting initiatives such as pension tracking systems and auto-enrolment, this should yield higher returns for EU citizens in comparison to the status quo. At the same time, the European economy and society will benefit from channeling funds into the EU's most strategic sectors.

Still, regulatory and policy initiatives fostering retail investment on their own may not suffice in shifting the balance towards widespread retail investment. For European citizens to truly engage in this arena, they must be given the tools to appreciate the nuances and opportunities of financial markets. This is where both financial advice and education play a pivotal role, starting at an early age.

By improving disclosure, refining the regulatory and supervisory framework for greater agility and balance, and by leveraging tax incentives, the EU can enhance the attractiveness and effectiveness of its capital markets while empowering citizens to take sound decisions about their financial future.



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From savings to returns: Boosting retail investment in the EU

Europe needs huge financing, not only for its digital and environmental transitions, but also to boost the competitiveness of its economy, finance the pensions for its aging population and ensure its strategic autonomy. Mario Draghi's report highlighted that the European Union (EU) should invest up to €800 billion annually to remain competitive on the global stage¹. Over the past decade, the EU's level of productive investment has lagged behind that of the United States by 1.5 to 2 percentage points of GDP annually. This disparity underscores the ongoing investment gap.

In terms of savings, as of recent data, EU households hold almost €11.5 trillion in cash and deposits². This conservative approach to savings means capital is not being channeled into higher-yielding market-based investments, which could stimulate economic growth and innovation whilst delivering higher return for investors. Due to a lack of financial literacy, risk culture and awareness of the need for them to invest to avoid capital erosion and finance their retirement, European retail investors dearth the essential knowledge to understand and assess investment products and opportunities. As a result, many tend to go for safer lower-yielding assets. Also, national pension systems

in some EU countries reduce incentives for individuals to invest in long-term private pension products.

In this context, it is imperative to foster retail investors participation in capital markets as well as ensuring that more savings are invested in the EU economy. Policy makers have the opportunity to take structuring decisions to deliver on this issue leaning on the new EU Political mandate and the fast changing geopolitical context.

Therefore, some very concrete actions should be taken.

First, drawing interest on incentives for long-term investment is paramount in order to develop EU's competitiveness. Helping retail investors get higher returns implies addressing the overly liquid nature of their savings. The ELTIF Regulation reviewed in the last mandate was already a good step. However, further efforts have to be deployed to promote investments with a long-term horizon. And notably to ensure that European citizens understand the need to shift from saving to investing. Financial literacy, awareness campaigns and concrete tools such as pensions dashboards need to be made available throughout Europe.

A range of incentives need also to be developed. Investment products should be easily accessible, for instance via auto-enrollment at the workplace, an opportunity for retail investors to have their first acquaintance with financial markets and learn by doing. In this respect, tax incentives play a key role in investments decision and should be calibrated to foster investments.

Measures which deter EU citizens to become investors should be urgently reviewed.

In addition, measures which deter EU citizens to become investors should be urgently reviewed. In this respect, the ongoing discussions on the Retail Investment Strategy (RIS) are key. Complexity should be avoided, and additional tests and processes as proposed should be removed.

Second, Amundi as an asset manager plays a crucial part in channeling savings into the financing of the real economy. Our role is to offer investment solutions to all categories of investors to meet different purposes in terms of investment horizons, liquidity,

diversification. Our experience is that the EU framework and products is composed of high-quality flagships such as UCITS, AIFs and ELTIFs which are already sufficient to deliver on the needs of investors and the EU economy.

Then, ensuring that a significant portion of savings is channeled towards EU productive investments will happen by making investments in Europe more attractive, notably through appropriate incentives. That's why Amundi stands for the development an 'Invest EU' label signaling long-term investments predominantly invested in the EU via products or wrappers supported by ambitious tax incentives (see Noyer report proposal). This focus on investing in the EU should make larger pools of liquidity available to the economy at large to finance the specific challenges mentioned above.

Conversely, promoting simple and low-cost investment products would be counterproductive, as it would go against the objective to address the diversity of needs of European investors and could lead to uniformise offers through a race to the bottom. Similarly, the very cost-centric approach of the Value for Money provisions in the current RIS proposal puts at risk the development and availability for retail investors of products investing in the EU economy with a long-term perspective. Indeed, such products tend to be more expensive to manufacture (e.g. research, data, management costs) and then should not be benchmarked with funds which can be produced at a low cost by nature.

1. *The future of European competitiveness, September 2024*
2. *ECB figures, 2024*



CHRISTIAN STAUB

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EU Savings and investment: Balanced regulation and smart incentives

The European Union stands at a financial crossroads. Despite abundant savings, there is a significant shortfall in investments in market-based instruments that could generate substantial long-term returns for individuals and bolster the levels of productive capital in the EU. This discrepancy can be attributed to a blend of cultural risk aversion, financial literacy issues, overzealous investor protection regulations, and a lack of ease of access to investment products. Addressing these issues requires a nuanced approach that balances investor protection with the need to foster a robust investment culture. The result would support positive outcomes for EU citizens and the EU economy.

One of the primary factors contributing to the reluctance of EU citizens to invest is the cultural attitude towards risk, which impacts both regulators and potential customers. While the intention behind stringent regulations is to safeguard investors, the outcome has often been counterproductive. Complex disclosures and excessive risk warnings,

as mandated by regulations like PRIIPs and MiFID, have inadvertently heightened risk aversion among potential investors. These measures, designed to inform, often overwhelm and deter individuals, steering them towards the perceived safety of savings accounts.

Moreover, the regulatory framework has made it cumbersome for investors to navigate their investment journeys. Simplifying the purchasing process and reducing the complexity of information provided can significantly change the EU's investment culture. Ensuring easy access to investment products and quality information, while avoiding information overload, is crucial. The opportunity cost of not investing must be clearly communicated, emphasising the long-term benefits over the short-term security of savings.

Financial literacy also plays a pivotal role. Many individuals lack the necessary knowledge to make informed investment decisions, which exacerbates their risk-averse nature. The EU's strategy to improve financial literacy should be complemented by initiatives aimed specifically at investor education. Ongoing initiatives, such as the Retail Investment Strategy (RIS), have the potential to contribute significantly to this effort by providing a framework that balances the need for investor protection with the facilitation of investment activities.

EU's investment landscape requires a delicate balance between protection and encouraging investment.

Contrary to the belief that a lack of investment products is the issue, the EU already boasts a plethora of high-quality investment options. UCITS is a prime example of a successful, world-leading investment product. The real challenge lies not in the simplicity of products, which is already there, but in the accessibility and attractiveness of these products to retail investors. The industry also needs to take some responsibility for attractiveness through better communication and engagement, which would be easier if there weren't such levels of prescription and constraints from retail regulation.

To foster a more investment-friendly environment, several measures can be implemented. First, tax incentives for

long-term savings products can play a crucial role. Drawing on successful examples like Sweden's ISK savings plans, member states can introduce Investment Savings Accounts that offer savers access to a broad range of investment options, including UCITS, ELTIFs, and both listed and non-listed securities. These ISAs should be structured under national tax rules, with incentives aligned to encourage long-term investment in EU assets.

A second critical factor is the relaxation of the advice rule. A "suitability light" regime for all types of investment advice, as proposed by the RIS, can facilitate access to professional guidance, making the investment process less daunting for retail investors. Simplifying the advisory framework and promoting digital solutions can further streamline the investor journey, making it more user-friendly and less intimidating. Highlighting the constructive aspects of the RIS, such as this suitability light assessment, ensures the industry remains constructive in these discussions.

A third consideration is the role of nudges and the use of auto-enrolment mechanisms in shifting the behaviour of EU citizens from saving to investing. Auto-enrolment in pension schemes and investment plans can significantly increase participation rates.

Ultimately, the EU's investment landscape requires a delicate balance between protecting investors and encouraging investment. Overly stringent regulations have created an environment of risk aversion, while the abundance of high-quality investment products remains underutilised. By simplifying the regulatory framework, enhancing financial literacy, providing tax incentives, relaxing advice rules, and employing behavioural nudges like auto-enrolment, the EU can transform its savings culture into a dynamic investment culture. Such measures would not only benefit individual citizens but also contribute to the EU's economic health, growth and stability.



CHRISTIAN NOYER

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A European savings label could be a game changer

Between now and 2030, Europe will need to invest close to €1000 billion each year just to meet its environmental targets (€700 billion for decarbonization, net-zero, biodiversity, circular economy) and digital transition endeavors (representing additional €125 billion per year). On top of that, the outbreak of war on Europe's doorstep also necessitates substantial investment in the European Defense Industrial and Technological Base. Those main priorities underline the urgent need to mobilize domestic investment to achieve common strategic goals.

This situation is all the more frustrating given that European households hold abundant savings—€35 trillion—yet a significant share is placed in foreign assets, and nearly one-third (31%) of financial savings remain in bank deposits. Almost half (47%) of these financial savings are allocated to liquid and guaranteed products such as bank deposits and life insurance. While this dynamic is concerning, Europe has all the necessary tools to reverse the trend but it must act now.

Saving allocation largely depends on product characteristics, making the development of long-term savings accounts in Europe essential. The Pan-European Personal Pension Product

(PEPP), though based on relevant objectives, resulted in a compromise whose complexity and constraints severely limit its chances of success. This is why the expert group I had the honour to lead advocated for a different approach relying on an intergovernmental dynamic: rather than attempting to create a one-size-fits-all European savings product, it would be more effective and efficient to establish a European label which Member States would apply to existing or new domestic savings accounts, provided they comply with key principles: a long-term investment horizon, no permanent capital guarantee, an attractive tax regime, and a predominant allocation in European assets.

Encouraging long-term savings accounts would also strengthen Europe's investor base, leading to deeper, more integrated, and more profitable capital markets. This is a major factor behind the competitiveness and profitability of U.S. financial institutions, beyond differences in macroeconomic conditions, banking business models or regulatory frameworks. At the same time, it presents a significant opportunity for European savers to achieve higher returns—an increasingly critical issue as Europe's aging population makes long-term savings more necessary than ever.

A European savings label, based on strong incentives and clear principles, could be a game changer.

For the European label to promote a new class of savings accounts, several fundamental principles should guide its implementation. First, the label must apply exclusively to products with a long-term investment horizon. Restricting liquidity is a necessary condition for fostering long-term investment, particularly in equities, which naturally carry higher risk but are crucial for innovation, competitiveness, and economic growth. This requirement is feasible given that European savers already have access to long-term products such as retirement savings, employee savings schemes, and brokerage accounts. The challenge now is to expand the reach of such products.

Second, products/accounts carrying the European label should not offer a permanent capital guarantee. Guaranteeing full capital preservation indefinitely constrains financial

intermediaries' ability to invest in high-risk assets, particularly equities—especially when the product is liquid and savers can withdraw funds at any time.

Third, tax incentive will be a decisive factor in the success of a European savings label. Experience shows that the tax regime largely determines a product's attractiveness. It is therefore crucial that labeled accounts benefit from preferential tax treatment, making them appealing to a broad base of savers while generating the capital needed for long-term investments. While fiscal constraints in some Member States are well known, this should not be an obstacle. Implementing a favorable tax regime for these products could, in fact, prove to be highly profitable for public finances, whether through tax deductions or credits on contributions, tax exemptions on capital gains, or inheritance tax benefits.

A logical counterpart to these tax advantages should be a strong European bias in asset allocation. Given that the objective is to channel European household savings toward EU investment needs, it is reasonable to set a minimum threshold for investment in European assets. More broadly, tax incentives should be linked to saving products that finance opportunities for all EU businesses, including those more innovative, with higher risk and higher returns.

Europe has the savings, the financial infrastructure, and the investment needs. What is lacking is decisive action. Establishing a European savings label, grounded in strong incentives and clear principles, could prove to be a game-changer.