

PRESS RELEASE

EU CAPITAL MARKETS 2019-2024: A NEW DEAL FOR INVESTORS AND USERS OF FINANCIAL SERVICES

7 December 2018 - For too long now individual investors and savers have been gradually crowded out of equity markets and pushed into frequently under-performing packaged products. To ensure long-term growth it will be crucial to rehabilitate equity investment across the board and ensure a level playing field for all market participants. If the CMU can help reconnect those companies and projects that need capital with those who have it, then it may well succeed in what it set out to accomplish in the first place.

But even the Commission's CMU flagship seems to be at risk of having the wind taken out of its sails by the latest tendency to put "Sustainable" Finance initiatives first. Whereas BETTER FINANCE firmly believes that it is essential to promote a cleaner and fairer economy, this should never happen at the expense of long-term and pension savers. The concept of sustainable finance should translate into products that are exemplary in complying with EU investor protection rules, especially in terms of fair, transparent, clear and non-misleading investor information.

With the current European Commission (EC) and European Parliament (EP) already wrapping up, BETTER FINANCE is looking ahead at the priorities in matters of finance for the next five years (2019-2024). At the 'EU Capital Markets 2024' conference held on 5 December 2018 by BETTER FINANCE and FESE (the Federation of European Stock Exchanges), BETTER FINANCE's President Jella Benner-Heinacher underlined that *"EU Citizens as Savers and Investors need a real renaissance of the CMU Project, not only despite the Brexit but because of it"*.

Increasing the attractiveness of EU Capital Markets for all market participants remains a challenge, but many things can still be done to regain the trust of EU citizens. For a start, more should be done to tackle mis-selling and ensure robust investor protection as well as access to collective redress. As shown by several studies by the EP and BETTER FINANCE, rules pertaining to the protection of financial services users are not being adequately and consistently enforced. The European Supervisory Authorities (ESAs) must make it a priority to use their new product intervention powers.

The development of a Capital Markets Union is also the opportunity to forge a more direct and stronger link between the savings of European citizens and the real assets they are invested in.

To ensure a coherent and consumer-friendly approach to financial policy at EU level, it is imperative that the EU continue to improve its engagement with investors and other users of financial services in the EU financial policy making process. After all, *"EU households are the main source of long-term financing for the real economy"*¹. In fact, the majority of the audience at the conference voted for the access to simple investment products (such as equities, bonds, index ETFs and UCITS funds) as the preferred measure to "boost retail investments into capital markets and enhance individual confidence".

In his closing remarks Olivier Guersent (Director-General for a Capital Markets Union at the European Commission) stated that the EC has the mandate to provide all the building blocks for a Capital Markets Union and that it delivered 31 out of the 33 initiatives from its CMU Action Plan. The problem is the evident lack of ambition of the Member States, apparent in their negotiations over files such as the Pan-European Pension Product or the ESAs review. *"The EC did its homework. Yet, some will say there is not much more CMU than a few years ago, and it is true. Only 3 of the 13 legislative proposals that were part of these initiatives were adopted, because they are locked in the legislative procedure. There is a true lack of ambition in the Council and since the crisis is over, complacency has settled in."*

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¹ FAQ on the European Commission's Green paper on long-term financing of the European economy - [http://europa.eu/rapid/press-release MEMO-13-280_en.htm](http://europa.eu/rapid/press-release_MEMO-13-280_en.htm)