

Ref: European Commission Consultation Call for Evidence for an Evaluation and Impact Assessment Run in Parallel
Date: 31 May 2022

Link: https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/13395-Retail-investment-new-package-of-measures-to-increase-consumer-participation-in-capital-markets_en

BETTER FINANCE Feedback

BETTER FINANCE welcomes the European Commission's call for evidence on retail investor protection but questions the efficiency of the exercise as it seems to duplicate efforts and it is not focused on all key areas of concern for individual, non-professional ("retail") investors.

To begin with, the 2021 public consultation on the EU Strategy for Retail Investments sought the views and supporting evidence from stakeholders on a broad range of issues and with the five key objectives already spelled out in the 2020 CMU Action Plan. According to the EU Commission's consultation document, the retail investment strategy "will seek to ensure that retail investors can take full advantage of capital markets and that rules are coherent across legal instruments. An individual investor should benefit from:

- (i) **adequate protection,**
- (ii) **bias-free advice and fair treatment,**
- (iii) **open markets with a variety of competitive and cost-efficient financial services and products, and**
- (iv) **transparent, comparable and understandable product information."**

This consultation was followed by calls for technical advice from the European Securities and Markets Authority (ESMA) and the European Insurance and Occupational Pensions Authority (EIOPA). To provide the advice, the aforementioned also launched calls for evidence on "retail" investor protection topics, which also run in parallel with a consultation on the review of the suitability and appropriateness assessments by the European Commission. In the meantime, the "comprehensive study in the area of retail investments conducted by a consortium of external consultants" (tendered in 2020) is still not made public albeit the delivery timeline was by 2021 (II.2.7 - <https://ted.europa.eu/udl?uri=TED:NOTICE:107711-2020:TEXT:EN:HTML>). Prior to this, the 2020 Final Report of the High-Level Forum on the Future of the Capital Markets Union (HLF CMU) and the European Parliament's Resolution on the "Further Development of the Capital Markets Union" put forward evidence and clear recommendations on building the CMU, including for retail investments.

In this line of reasoning, it seems that there is sufficient evidence and arguments to date as to what is needed to build the CMU and create an economy "that works for people" as to not further postpone rolling-out the EU Strategy for Retail Investments, or otherwise be unclear about the envisaged policy options.

Nevertheless, the current call for evidence and impact assessment run in parallel focus on financial literacy, distribution, and digitalisation of financial services (such as open finance). Unfortunately, it obliterates the topics of conflicts of interests ("biasfree advice"), product oversight and governance, the general duty of care (acting in the best interests of clients), the coherence and level playing field of legislation between retail investment product markets, trading for "retail" investors, collective redress for retail investors in listed stocks and bonds, market transparency, availability and accessibility of data, as well as shareholder rights and engagement, , sustainable corporate governance, and employee share ownership.

We hope that the evaluation and impact assessments that will be produced by the EU Commission services for the EU Strategy for Retail Investors will keep addressing its five key objectives quoted above, and take into account all the abovementioned issues. BETTER FINANCE has researched all of them extensively and wishes to submit the following (hyperlinks included for the digital version, full links included for the print version):

1. BETTER FINANCE [MiFID II and PRIIPs Implementation Study](#) (2020);
<https://betterfinance.eu/publication/mifid2-and-priips-implementation-study-are-the-new-rules-serving-their-purpose/>
2. BETTER FINANCE [Evidence Paper on Detrimental Effects of Inducements](#) (2022);
<https://betterfinance.eu/publication/better-finance-evidence-paper-on-the-detrimental-effects-of-inducements/>
3. BETTER FINANCE Report on [Consumer Access to EU Equity Trade Data](#) (2021);
<https://betterfinance.eu/wp-content/uploads/BETTER-FINANCE-Report-Consumer-Access-to-EU-Equity-Trade-Data-25032021.pdf>

4. BETTER FINANCE Report on [The New Retail Investing Environment: Expectations and Challenges Ahead](#) (May 2022)
<http://betterfinance.eu/publication/the-new-investing-environment-for-retail-investors-expectations-and-challenges-ahead/>
5. BETTER FINANCE [Robo-Advice Report 6.0](#) (2021);
<https://betterfinance.eu/publication/robo-advice-automated-yes-intelligent-not-so-much/>
6. BETTER FINANCE and CFA Institute Report on [Sustainable Value for Money](#) (2019);
<https://betterfinance.eu/publication/better-finance-cfa-institute-report-on-sustainable-value-for-money/>
7. BETTER FINANCE Report on [The Real Returns of Long-Term and Pension Savings](#) (2021);
<https://betterfinance.eu/publication/real-return-of-long-term-and-pension-savings-report-2021-edition/>
8. BETTER FINANCE Securities Lending report ([Efficient Portfolio Management Techniques: Attribution of Income Derived from Securities Lending in EU Equity Retail UCITS ETFs](#), 2019);
<https://betterfinance.eu/publication/fund-research-efficient-portfolio-management-techniques-attribution-of-profits-derived-from-securities-lending-by-ucits-exchange-traded-funds/>
9. BETTER FINANCE Report on the [Future of Annual General Shareholders' Meetings](#) (2020);
<https://betterfinance.eu/wp-content/uploads/Virtual-AGMs-in-the-EU-FINAL-2.pdf>
10. BETTER FINANCE Report on [Barriers to Shareholder Engagement 2.0](#) (2022);
<https://betterfinance.eu/wp-content/uploads/Barriers-to-Shareholder-Engagement-2.0-SRD2-Implementation-Study-20220106.pdf>
11. BETTER FINANCE and BdV Report on [Solvency II Capital Requirements for Insurers](#) (2021);
<https://betterfinance.eu/publication/the-body-mass-index-of-the-life-insurance-industry-a-close-look-at-the-sfcrs/>

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About BETTER FINANCE

BETTER FINANCE, the European Federation of Investors and Financial Services Users, is the public interest non-governmental organisation advocating and defending the interests of European citizens as financial services users at the European level to lawmakers and the public in order to promote research, information and training on investments, savings and personal finances. It is the one and only European-level organisation solely dedicated to the representation of individual investors, savers and other financial services users.

BETTER FINANCE acts as an independent financial expertise and advocacy centre to the direct benefit of European financial services users. Since the BETTER FINANCE constituency includes individual and small shareholders, fund and retail investors, savers, pension fund participants, life insurance policy holders, borrowers, and other stakeholders who are independent from the financial industry, it has the best interests of all European citizens at heart. As such its activities are supported by the European Union since 2012.