

WEBINAR BETTER FINANCE AND EFAMA

OPENING REMARKS: INVESTOR EDUCATION IN TIMES OF HIGH INFLATION, FINANCIAL REPRESSION AND MARKET VOLATILITY.

First of all, I would like to thank Better Finance and EFAMA for organizing this interesting session. I congratulate them for their initiative and their commitment with investors all across Europe.

This conference is essential at this moment that we are living in our countries. In my opinion, there is no culture of financial education in Europe. This is the source of many of the problems in the markets, but essentially two that are particularly important to me:

- i) the participation of retail investors in the capital markets is low
- ii) entrepreneurs rely too much on bank lending as a way of financing their projects not taking into account all other available financial instruments. There is no equity culture in Europe.

Since 2020, two big crisis have hit our continent and economies. However, COVID-19 pandemic and the war in Ukraine have not only demonstrated the importance of restructuring our markets and strengthening the single market, but also have accelerated the process of European integration and participation of the investors.

In this sense, the importance of financial education has become even greater if we take into account some elements of the current financial environment such as: the inflation, high interest rates or pensions systems that will have to be largely compensated by private savings.

However, there is still a long way to make financial services mainstream and accessible to European citizens. Financial education plays a key role in achieving this goal.

It is key to build a better, more educated and more independent decision-making society. Investor literacy is an instrument that makes our societies stronger and more democratic, where individual citizens are empowered to manage their personal finances and make their own investment decisions. A skill that leads to freedom. It is the way to not only depend on a salary but on an investment or a saving plan made with determination over a period. A higher investor education allows citizens and companies to make informed decisions to face the risks of managing their assets or their growth.

Markets are often seen as something unpredictable and capricious, most of the times seen as a ground where to earn money easily and quickly on the stock markets. This is the superficial part of the markets. Behind every financial asset, there is a company, a business with its particular dynamics.

This approach is taken mainly because investing requires time and patience. Investing, unlike speculating, is based on supporting our return on the good evolution of business, the foreseeable part of investment, leaving aside the obsession with making money with short-term fluctuations in prices. Hence, the long-term orientation, to the extent that companies need time to grow their profits.

The institutions and politicians who are part of the financial system have the responsibility to contribute to achieve this objective, developing or supporting initiatives that allow citizens to increase their knowledge of economics and finance. In addition, we must do it by trying to reach all levels and ages of society. The earlier, the better. That is why it is important to celebrate events like this one and talk about investors' education.

Financial education makes possible to ensure better access for all citizens to their finances. Moreover, the digitalisation of finance has led to finance becoming a more familiar, closer and more attractive option for many citizens. In addition, I consider that our goal needs to be an investor culture which allows responsible investment behaviour. One of the main causes of the absence of investors' education in Europe is our risk aversion. This leads, among others, to the bank lending bias that our companies and households suffer. It is the time to open our minds and take the challenge to foster retail participation in our capital markets.

Investor education is a key tool for the completion of the long-desired Capital Markets Union in Europe. Retail investors play a key role in strengthening this Union and their participation in the market is indispensable. The lack of retail investor initiative is based on fears, mistrust and insecurities about the market. This is due, in a large majority of cases, to a lack of training and knowledge about the functioning of the capital and investment market. The client, who does

not know the details of financial products, is afraid to invest its capital and take risks. It is essential to establish a stronger capital market orientation among market participants, especially to retail investors, which have risk aversion.

Silicon Valley Bank case or even Credit Suisse situation need to serve for a purpose. It is the perfect timing for making us, as decision-makers and stakeholders, the activists of the strength that financial markets have in Europe.

We live in a global world and the European Union must be able to compete in it. For our European capital markets to be strong and attractive to international eyes, it is essential to strengthen the confidence of retail investors. This confidence often comes with better, clearer and more independent information. Digitalisation can enable this process of educating and informing consumers to take place in a more efficient, attractive and universal way.

However, we should not forget that financial education is not something new and it has been discussed before. For several decades, European countries have been aware of the absolute lack of investors' literacy. However, there has been neither the political will nor the resources to address this gap. I truly believe that we are at a turning point that can provide the real impetus that this important tool needs.

We are facing coming years marked by a higher inflation rates and market volatility. A very demanding context that demonstrates the

importance of knowing how to develop good investment behaviour, an objective that can only be achieved through proper financial education given to all ages.

I believe that now is the time for everyone, from the public to the private sector, to join forces and take advantage of the impetus that the European Commission is giving to raising awareness of the importance of financial education. It is important that we continue walking towards the Capital Markets Union, in which, as we have realised today, many of us see the solution and the strengthening of our economy. This will also lead us to improve financial knowledge and retail investments that will make us more competitive.

Only with the involvement of all stakeholders (Member States, European and international institutions, and the industry) we will be able to ensure that the two problems I mentioned at the beginning of my speech are no longer a reality in Europe. I therefore call on the Commission and the policymakers to continue advancing for the Capital Markets Union.

Thank you for the invitation. I believe we are on the right path.