

PRESS RELEASE

## European Parliament Reports on Capital Markets Union and Digital Finance: Retail Investors Finally at the Centre of EU Financial Policy?

**8 October 2020** – Today the European Parliament (EP) voted on the Economic and Monetary Affairs (ECON) Committee’s own-initiative report on the [further development of the Capital Markets Union](#) (CMU).<sup>1</sup> The report calls for specific measures to help finance businesses, promote long-term and cross-border investment, strengthen market architecture and support retail investors.

With more than 15 resolutions proposed or supported by BETTER FINANCE to truly put EU citizens at the heart of the CMU, the report presents a more ambitious take on the CMU than what could be found in the [CMU Action Plan](#)<sup>2</sup> from the European Commission (EC), and is more in line with the good recommendations of the [High Level Forum on the CMU](#)<sup>3</sup> for consumers and individual investors

Among the main strengths of the report, BETTER FINANCE welcomes the proposals on inducements for Packaged Retail Investment and Insurance Products (PRIIPs), on financial education and on Employee Share Ownership. The report also stresses the need to streamline and strengthen consumer and investor protection, as well as rebalancing the debt-equity bias.

Unfortunately, some very good amendments proposed by the ECON members did not pass the vote, among others the strengthened twin-peak EU supervision model, and the proposal to ensure that Collective Redress rules would encompass both direct and indirect individual investors.

Guillaume Prache, Managing Director of BETTER FINANCE, said that he was pleased that *"a great deal of retail investor-oriented resolutions passed that, if adopted, would build a CMU that works for people. However, in light of the Wirecard scandal - a textbook example illustrating the deficiencies at the heart of the EU supervisory system and the lack of enforcement tools to protect retail investors - we are very disappointed to see that, even at this late stage, the EU Parliament was still not convinced of the dire need to stop excluding direct investors from the scope of the Pan-European collective redress mechanism, and the need for a single, EU supervision structure for capital markets."*

Besides the vote on the EP Report on the CMU, the EP also voted on the [recommendations on Digital Finance from the ECON Committee](#)<sup>4</sup>. Here also BETTER FINANCE is pleased to see that many of the proposals it put forward over the years have been included, in the hope still that the need for independent product data bases and independent web comparing tools will also be recognized by EU Public authorities.

*"The FinTech Regulation will strive towards high levels of consumer and investor protection whilst simultaneously upholding fundamental rights with regards to the protection of privacy and personal data"*, Guillaume Prache said.

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<sup>1</sup> [https://www.europarl.europa.eu/doceo/document/A-9-2020-0155\\_EN.html](https://www.europarl.europa.eu/doceo/document/A-9-2020-0155_EN.html)

<sup>2</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM:2020:590:FIN>

<sup>3</sup> [https://ec.europa.eu/info/sites/info/files/business\\_economy\\_euro/growth\\_and\\_investment/documents/200610-cmu-high-level-forum-final-report\\_en.pdf](https://ec.europa.eu/info/sites/info/files/business_economy_euro/growth_and_investment/documents/200610-cmu-high-level-forum-final-report_en.pdf)

<sup>4</sup> [https://www.europarl.europa.eu/doceo/document/A-9-2020-0161\\_EN.html](https://www.europarl.europa.eu/doceo/document/A-9-2020-0161_EN.html)

## Annex 1 – EP CMU Report

The table below aggregates the provisions of the EP CMU Report that comprise policy recommendations made or supported by BETTER FINANCE:

Topic (para. no.)	Provision*
<b><u>INVESTOR PROTECTION</u></b> (general) (45) (47) (53)	<ul style="list-style-type: none"> <li>• “Underlines the importance of enhancing investor confidence in the capital markets, fostered by sound investor protection and supported by financially literate market participants”;</li> <li>• “considers that retail market participants should be easily able to take full advantage of the single market to access retail financial services products on a cross-border basis in order to secure more choice and better products”;</li> <li>• “calls on the Commission to put in place a new Action Plan for retail financial services that sets out an ambitious strategy to remove obstacles for cross-border retail financial services, along with the elimination of unnecessary and excessive fees for such services”;</li> <li>• “Proposes to the Commission that it look into the possibility of establishing an EU Individual Savings Account, as a complement to national regimes, that could overcome the fragmentation of national markets by operating in a uniform manner and across heterogeneous markets, ensuring portability and security of savings”;</li> </ul>
<b><u>PRIIPs</u></b> (48)	<ul style="list-style-type: none"> <li>• “Calls for the improvement of the disclosure and comparability of key information elimination of misleading information”</li> <li>• “(...) notes the importance of ensuring that past performance information is available to investors while also ensuring that past performance cannot be used as an indicator to predict future returns”;</li> </ul>
<b><u>RETAIL DISTRIBUTION and INDUCEMENTS</u></b> (51)	<ul style="list-style-type: none"> <li>• “Calls for amendments to legislation to ensure access to independent advice by financial intermediaries without undue promotion of the financial products manufactured 'in-house' (...) and to ensure a fair and transparent marketing of financial products”;</li> <li>• “the role of inducements in intermediation and distribution should be further examined to ensure that no conflicts of interest arise and that financial advice is fairly, transparently and adequately supplied to investors”;</li> </ul>
<b><u>EMPLOYEE SHARE OWNERSHIP</u></b> (59) (21)	<ul style="list-style-type: none"> <li>• “notes that employee share ownership programmes are amongst the most effective means to increase financial awareness and literacy for EU adult citizens”</li> <li>• “Calls on the Commission to explore initiatives to incentivise employee share ownership, in order to promote the direct involvement of retail savers in the financing of the economy, and also as a tool to improve corporate governance and help develop an equity culture”;</li> </ul>
<b><u>DIRECT PARTICIPATION OF EU CITIZENS AS INVESTORS</u></b> (19)	<ul style="list-style-type: none"> <li>• “Calls on the Commission to promote the direct involvement of retail savers in financing the economy (...)”</li> <li>• “(...) rebalance the equity-debt bias (...) and to incentivise long-term investment opportunities for investors in order to help EU citizens gain better returns on their long-term savings”;</li> </ul>
<b><u>WITHHOLDING TAX PROCEDURE</u></b> (21)	<ul style="list-style-type: none"> <li>• “Asks the Member States to amend their national tax frameworks in order to reduce tax obstacles to cross-border investments, including procedures for a cross-border refund to investors, including retail investors, of withholding tax on dividends where double taxation is at stake”;</li> </ul>
<b><u>SHAREHOLDER PROTECTION</u></b> (23) (60)	<ul style="list-style-type: none"> <li>• “further harmonising rules on corporate governance, including a common definition of ‘shareholder’ to facilitate the exercise of shareholder rights and engagement with investee companies across the EU”;</li> <li>• “Calls on the Commission to use the forthcoming reviews of financial services regulations to foster investor and shareholder engagement through digital tools”;</li> </ul>

<b><u>SINGLE RULEBOOK</u></b> (25)	<i>“Stresses the necessity of advancing further in the implementation and enforcement of a genuine single rulebook for financial services in the internal market, including in relation to common definitions and standards on sustainable finance”;</i>
<b><u>QUALIFIED NON-PROFESSIONAL INVESTORS</u></b> (49)	<i>“requests the Commission to consider if the introduction of a category of semi-professional investors would better respond to the reality of participation on the financial markets and, on the basis of its findings, assess whether the introduction of such a category would be needed or not”;</i>
<b><u>LONG-TERM and PENSION SAVINGS</u></b> (27) (28)	<ul style="list-style-type: none"> <li>• <i>“Underlines the need to promote pension provision, particularly when it comes to second and third pillar pensions (...)”;</i></li> <li>• <i>“recalls that tax treatment will be a key consideration for the take-up of future PEPPs”;</i></li> <li>• <i>“recalls the Commission recommendation of 26 June 2017 inviting Member States to ensure that PEPPs are subject to the same tax treatment as national pension products to become an option for savers”;</i></li> <li>• <i>“Encourages the Member States to promote funded pension systems (...) believes that funded pensions should be revitalised and made more attractive”;</i></li> <li>• <i>encourages the participation of investors in long-term products with tax incentive policies designed to generate a beneficial economic and social impact (...)”;</i></li> </ul>
<b><u>EU EQUITY CULTURE</u></b> (30)	<i>“requests the Commission and EIOPA to assess (...) capital requirements for investments in equity and private debt (...) to ensure that capital requirements for insurers and pension funds do not discourage long-term investments”;</i>
<b><u>SINGLE SUPERVISION for CRYPTO-ASSETS</u></b> (35)	<i>“stresses also the need to appoint a single European supervisor (...) on the basis of a common rulebook and product intervention powers for oversight on crypto-assets related activities with a significant cross-border element in the EU”;</i>
<b><u>SUSTAINABLE FINANCE</u></b> (33) (54)	<ul style="list-style-type: none"> <li>• <i>“Stresses that the CMU should be consistent and coherent with the European Green Deal, and in particular with the Sustainable Europe Investment Plan and the EU taxonomy for sustainable activities”;</i></li> <li>• <i>“Insists that retail investors will be an integral part of the sustainable finance agenda and the EU’s sustainable development agenda; calls on the Commission to ensure that the taxonomy label methodology is clear and understood by retail investors”;</i></li> </ul>
<b><u>ESAs GOVERNANCE and SUPERVISION</u></b> (34)	<ul style="list-style-type: none"> <li>• <i>“recalls furthermore the need to reform the governance structure of the ESAs to make them more independent of national supervisors”;</i></li> <li>• <i>“Calls on the Commission (...) to consider gradually granting ESMA direct supervisory powers, including direct oversight over certain market segments (...)”;</i></li> </ul>
<b><u>TRADING ON REGULATED MARKETS</u></b> (37)	<ul style="list-style-type: none"> <li>• <i>“notes with concern that over the past years an increasing share of trading flows has gone to trading venues with limited transparency requirements, and points out that such trading does not contribute meaningfully to price discovery”;</i></li> <li>• <i>“advocates a genuine shift towards competitive and on-exchange trading in European equity and derivatives markets (...)”;</i></li> </ul>
<b><u>WEB COMPARISON TOOLS</u></b> (43)	<i>“calls for initiatives specifically targeting retail investors, including facilitating the development of independent web-based EU comparison tools, to help retail investors determine the most appropriate products in terms of risk, return on investment and value for their particular needs and preferences, and promoting incentives for competitive Environmental, Social and Governance (ESG) products and for products typically associated with better value for money”;</i>
<b><u>Alignment of investor and consumer protection rules</u></b>	<i>“calls on the Commission to adopt a more horizontal and harmonised approach to consumer and investor protection in EU financial services legislation, adapted to the</i>

(44)	<i>green and digital transformation, in order to ensure effective and consistent levels of protection across all financial products and providers”</i>
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\*Selection based our proposed/supported resolutions from the available text

## Annex 2 – EP Recommendations on Digital Finance

The table below aggregates the EP Recommendations on Digital Finance that comprise policy recommendations made or supported by BETTER FINANCE:

Topic (para. no.)	Resolution
<b>GENERAL CONSIDERATIONS</b>	
(2)	<i>“Considers that digital finance, which plays a key role in developing financial activities, will be integral to the success of the Capital Markets Union (CMU) through increasing financing options for companies and citizens, as well as investment options”</i>
<b><u>FinTech REGULATION</u></b> (8)	<p><i>“(…) any new or updated legislation and supervision in the area of digital finance should reflect the following principles:</i></p> <p>(…)</p> <p>a. the same activities and services and their associated similar risks should be subject to the same rules;</p> <p>b. proportionality and technology neutrality;</p> <p>(…)</p> <p>d. respect for the fundamental rights, specifically the protection of privacy and personal data, as guaranteed by Articles 7 and 8 of the Charter of Fundamental Rights of the European Union;</p> <p>e. high levels of consumer and investor protection;</p> <p>(…)</p> <p>g. an innovation-friendly approach;”</p>
<b><u>INNOVATION HUBS</u></b> (10) (11) (20)	<p><i>“Points out that regulatory sandboxes and innovation hubs have the potential to be useful tools for digital finance companies to test out innovative financial products, financial services or business models in a controlled environment”</i></p> <p><i>“Underlines that any sandbox (… ) should seek to strike a balance between the objectives of fostering innovation and financial stability, investor and consumer protection, (… ) calls on the Commission to establish a common Union framework for a pan-European sandbox for digital financial services (…);”</i></p> <p><i>“(… ) any legislative framework should be designed with a view to empowering further innovation and consumer choice in financial services”;</i></p>
<b><u>SUPERVISION</u></b> (15)	<i>“Stresses the need for stronger regulatory and supervisory convergence, with the aim of developing a common Union framework; highlights the crucial role of the European Supervisory Authorities (ESAs) in facilitating this”</i>

DEFINING A FRAMEWORK FOR CRYPTO-ASSETS	
<p><b><u>TAXONOMY FOR CRYPTO-ASSETS</u></b></p> <p>(18)</p> <p>(19)</p>	<p><i>“Considers that developing a comprehensive pan-European taxonomy for new products such as crypto-assets is a necessary step”</i></p> <p><i>“Considers that developing an open-ended taxonomy template at Union level may be more appropriate taking into account that this is an evolving market segment and such a taxonomy should serve as a basis for appropriate legislative or regulatory actions”;</i></p>
<p><b><u>APPLICABLE LAW</u></b></p> <p>(25)</p> <p>(29)</p> <p>(3)</p>	<p><i>“Considers that all agents and participants engaging in crypto-assets related activity should be subject to the standards of the existing financial regulatory framework, as applicable”;</i> <i>“underlines furthermore that specific rules (...) establishing stringent rules regarding information to potential clients, which should be clear and not misleading, as well as suitability assessments requirements”;</i></p> <p><i>“Stresses the necessity of regulating certain crypto-assets which would not fall under MiFID II provisions in a harmonised manner at the Union level”;</i></p> <p><i>“calls therefore on the Commission to develop a legislative framework that, inter alia, ensures that there is a stable conversion rate between stablecoins and fiat currencies and that the respective stablecoin is re-convertible into fiat currency at par value at any time”;</i></p>
<p><b><u>FINANCIAL LITERACY</u></b></p> <p>(39)</p>	<p><i>“Takes the view that the proliferation of digital finance should leave no-one behind and that the availability of digital finance solutions for consumers and non-professional investors must go hand in hand with greater efforts to ensure transparency, public awareness and access to information; calls on the Commission and Member States to invest in programmes to enhance digital and financial literacy”;</i></p>
DATA	
<p><b><u>DATA PROTECTION</u></b></p> <p>(55)</p> <p>(62)</p>	<p><i>“Points out that the Union is the global standard setter as regards personal data protection; highlights that the transfer and use of personal and non-personal data in the financial services sector should be done in accordance with all relevant Union law”;</i></p> <p><i>“highlights, in particular, the principle regarding the individuals’ right of ownership and control over their data and the right to data portability”;</i></p> <p><i>“emphasises the need for greater accountability, explicability and transparency, with regards to algorithms, data processing and analytics, as essential tools to guarantee that the individual is appropriately informed about the processing of their personal data”;</i></p>