BF BETTER FINANCE
The European Federation of Investors and Financial Services Users
Fédération Européenne des Épargnants et Usagers des Services Financiers

Lord Jonathan Hill
Commissioner for Financial Stability, Financial Services and Capital Markets Union
European Commission
Rue de la Loi 200
1049 Brussels – Belgium

Brussels, 26 June 2015

Re: **The proclaimed focus on EU citizens as savers and individual investors must be translated into the Priorities for action on the Capital Markets Union**

Dear Commissioner,

You very rightly pointed out that "*EU households are the main source for the long term funding of the European economy. **This is why savers and individual investors must be placed at the heart of the CMU initiative***"[1]. You also mentioned that the CMU cannot succeed if it does not succeed for savers and individual investors.

There are still major obstacles to effectively channel savings and individual investments to the real economy, a main one being <u>trust, as you mentioned as well</u>. Indeed, the EU consumer scoreboard ranks investments as the worst consumer market in the whole EU every year.

But Better Finance is very concerned that the recent public speeches from the EC still refer exclusively to the five priorities for the short term already listed in the CMU Green Paper (i.e. the review of the Prospectus Directive, credit information on SMEs, securitisation, ELTIFs and private placements). Unfortunately none of these five priorities is focusing on savers and individual investors.

Better Finance believes that in order to restore trust, the CMU must extend its stated short term priorities to retail investors by adding the following five "low hanging fruits", to the Priorities for Action of the upcoming CMU Action Plan:

1. **EU citizens (and Supervisors) should get comprehensive and comparable information on the historical returns and on the prices (fees) of all investment products**: the recent PRIIPs Regulation has most unfortunately eliminated the requirement for investment funds to disclose their past performance and that of their benchmarks in a comparable and standardised way: this requirement must be at the very least reinstated for all retail investment products. Also, the European Supervisory Authorities should collect, analyse and report data on the performance and prices of retail investment products as

[1] Better Finance Conference "A Capital Markets Union for Growth, Jobs and Citizens" on 6 May 2015 in Brussels

required by article 9.1 of the ESAs Regulations, but they haven't so far. To fulfil this duty, the ESAs need more resources, not less.

2. **Investor protection rules and their enforcement should be the same for all investment products including life insurance, pension products, shares and bonds**. This simply means to harmonise investor information and protection rules, supervision and enforcement by aligning those of life insurance (IMD 2 Directive), pension products (IORP 2 Directive and European Personal Pension Plan project), and shares and bonds (Prospectus Directive) to those more protective ones on funds (MiFID and UCITS IV Directives); and by further harmonising pre-contractual summary information documents for all investment products. This long awaited harmonisation would also fit very well with the "Better Regulation" or "REFIT" Commission's priority.

3. **"Retail" investment product offerings should be streamlined to allow Pan-European, simpler, more transparent and more cost-effective products (UCITS funds and Personal Pension Plans) to be more actively promoted to individuals.** Currently EU savers are mostly sold the less transparent purely national and smaller non-UCITs funds ("Alternative Investment Funds" or AIFs) and - even more - "packaged" products wrapping those funds in yet another layer of fees. To help the industry rationalise and optimise its offerings, Better finance calls for a ban of AIFs in all retail packaged investment products to make room for the Pan-European UCITS funds and hopefully for the future Pan-European Personal Pension Plans.

4. **Public authorities should stop equity markets to "*blatantly favour the technologically empowered over the retail investor*"** (as stated by Mark Carney, Governor of the Bank of England). In particular, Public Authorities should ensure that the new "market venues" generated by the "MiFID I" Directive are submitted to the same transparency and investor protection rules as the more individual investor-friendly regulated markets if/when they compete directly or indirectly with those.

5. Last but not least, **the Shareholders Rights Directive must not be turned into an "*Intermediaries Rights Directive*"** (as feared as well by Markus Ferber, MEP and ECON Vice-chair). Better Finance proposed few and modest amendments to the Shareholders Rights Directive (SRD) currently discussed at the European Parliament to allow millions of individual shareholders to truly be able to exercise their voting rights – in particular through free cross-border voting within the EU. But those have fallen on deaf ears so far. They are however very easy to incorporate to make the SRD consistent with the CMU. Recognising that you shareholder rights are not a part of your portfolio – despite their crucial role in the CMU initiative – we also copy this letter to European Commission Vice-President Katainen and Commissioner Jourová.

Please note that the Securities & Markets Stakeholder Group (SMSG) of ESMA also advocates for almost all these priorities for the CMU, as their dedicated recent SMSG presentation to the ESMA Board of Supervisors showed[2].

Looking forward to your feedback, we remain at your disposal for any clarifications or further specifications you may need.

I thank you for your attention.

Yours faithfully,

Guillaume Prache
Managing Director
Better Finance

c.c. Jyrki Katainen, European Commission Vice-President for Jobs, Growth, Investment and Competitiveness
Věra Jourová, Commissioner for Justice, Consumers and Gender Equality

[2] SMSG Advice on the Commission's Green Paper « Building a Capital Markets Union », 25 June 2014, pages 4, 17, 18 and 19.