

An EU Capital Market Union for Growth, Jobs and Citizens

“To succeed, the Capital Markets Union initiative must involve and attract EU citizens as individual investors”

Briefing paper

“The CMU will not be successful if its design focuses solely on financial institutions’ needs. It must also add value to investors. Diversifying the funding of our economy can only be achieved if investors have an incentive to take part in this initiative.”

“It makes no sense to create a fully integrated market for professional investors and maintain a separate less efficient and less integrated market for retail investors.”

“The protection of investors should play a major role in building the CMU.”

Steven Maijoor, Chair of ESMA¹

Executive Summary

Better Finance, the European Federation of Financial Services Users, welcomes the European Commission initiative and the Green Paper on Building a Capital Markets Union (CMU). Indeed - if properly articulated - it would help the European economy to revive growth and jobs.

We fully agree that:

- Europe needs to “find ways of linking investors and savers with growth”,
- the cost of capital needs to be lowered, in particular for SMEs²,
- “capital markets need to play a larger role in channeling financing to the economy”,
- Europe needs to “boost the flow of institutional and retail investment into capital markets”.

However, Better Finance is concerned that only one page of the Green Paper is devoted to individual (“retail”) investors, and that there is nothing for them in the short-term priorities, although EU

¹ Steven Maijoor’s speech “Investor Protection and an integrated EU-Capital Market” at the Better Finance International Conference on “Shareholder Rights in Europe 2020”, 9 December 2014.

² “I believe we should complement the new European rules for banks with a Capital Markets Union. To improve the financing of our economy, we should further develop and integrate capital markets. This would cut the cost of raising capital, notably for SMEs, and help reduce our very high dependence on bank funding.” Jean Claude Juncker, Opening Speech in the European Parliament Plenary Session - Political Guidelines for the next European Commission, 15 July 2014: http://ec.europa.eu/priorities/docs/pg_en.pdf, page 7.

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households are the main source of long-term financing for the real economy³; and despite the severely damaged investors' trust as measured by the EU Commission itself⁴.

Direct involvement of individual investors in capital markets

In particular, the Paper does not include any analysis of the decline of direct individual ownership of securities (shares and bonds) in Europe, nor any proposal that would again enable EU individual investors to invest more directly into capital markets, the way they did a few decades ago, and to revive an equity culture in Europe. Better Finance designed such proposals (section two: how to make capital markets – shares and bonds – more accessible and attractive again to individual investors), and dispels inaccurate judgements of EU individual investors as supposedly being shorter-term oriented and more risk averse than other investors (section one: The predominant role of individual investors in the long term financing of the economy).

Such proposals include (full list on page 22):

- a single and effective market in the EU for shares ownership, emphasizing shareholders' rights and engagement
- a level-paying field for shares and bonds versus "packaged" products in "retail" distribution
- easily accessible and transparent capital markets for individual investors and real economy issuers, SMEs in particular.

Indirect ("intermediated") involvement of individual investors in capital markets

Investor protection measures should also be taken to ensure that "institutional" investments – which, on the whole, merely package EU households' savings while increasingly leaving investment risks to the savers – do actually provide transparent and decent returns to EU long term savers, net of costs and fees. A future CMU has to improve trust, comparability and consumer satisfaction in investment products. Better Finance made detailed proposals to this end (section 3: how to better focus on long term capital markets, on the real economy and on SMEs in particular).

Such proposals include (full list on page 27):

- For EU citizens and supervisors to know the actual long term returns and total fees of all "packaged" investment products, including, most importantly, pension products, either insurance regulated or not;
- Simplify, standardize and streamline the bewildering and costly range of product offerings (funds alone are 4 times more numerous and 8 times smaller than in the US);
- Tax financial transactions (forex, derivatives, high frequency trading) but not real economy investments (non-financial equities and corporate bonds).

Finally, **supervision and enforcement** – both public and private – of investor protection rules must become more effective and harmonized throughout the EU to restore the damaged investors' trust in the long run.

³ As recognized by the European Commission itself in its Green Paper on the long term financing of the economy issued in March 2013.

⁴ The 10th Consumer Markets Scoreboard from June 2014 ranks again Investment Products, Private pensions and Securities as the worst consumer market of all :

http://ec.europa.eu/consumers/consumer_evidence/consumer_scoreboards/10_edition/docs/consumer_market_brochure_141027_en.pdf



As pointed out by the Chair of ESMA, European authorities will not be capable of building an effective capital markets union without involving and attracting EU citizens as individual investors.

Individual savers and investors are the main source of funding for investments; long term ones in particular (section 1).

They fund long-term investments in two ways:

- directly by investing in capital market products (shares, bonds), although less so than a few decades ago (section 2);
- indirectly through investment products “packaged” by the financial industry (investment funds, life insurance, pension funds, banking products, etc.): section 3.

For each of these sections, we will analyse:

- how individual savings and investments have been reaching the real economy and responding to its needs, especially in the case of SMEs;
- why they have sometimes failed to do so;
- what remedies Better Finance proposes within the framework of the Capital Market Union initiative.

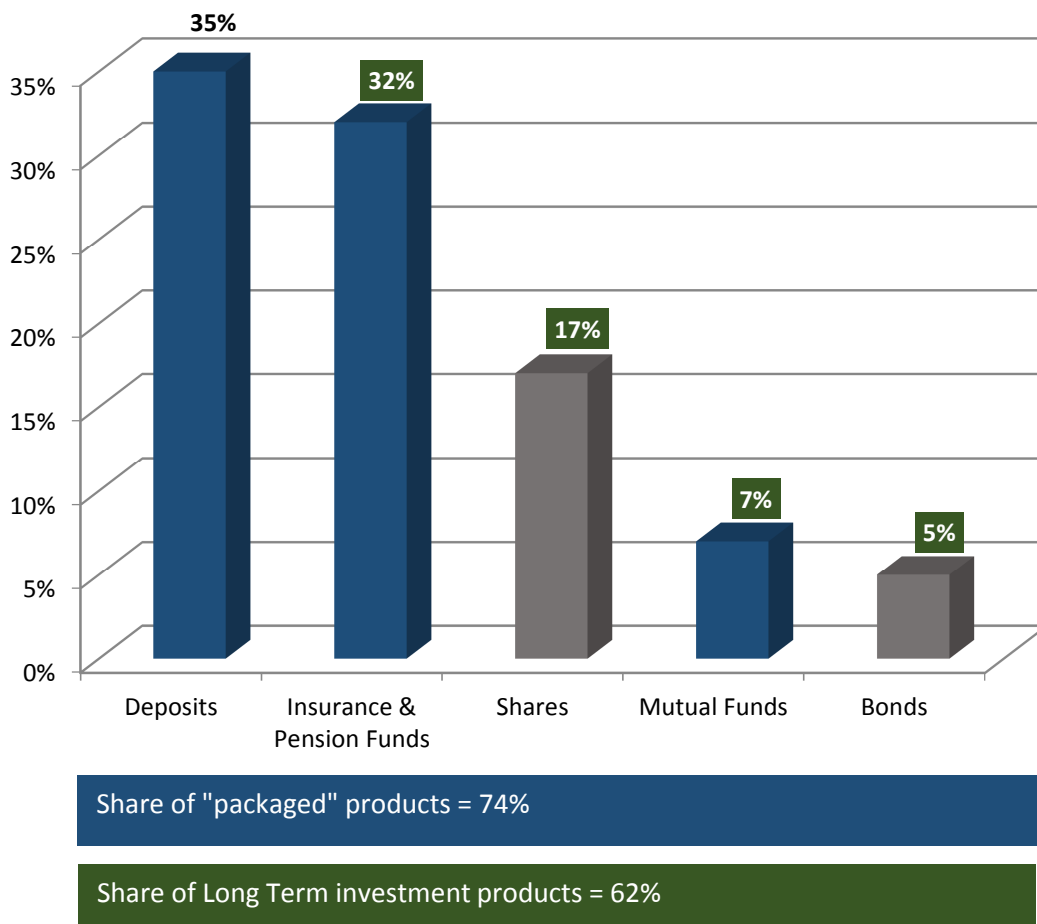
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1. The predominant role of individual investors in the long term financing of the economy

The Commission itself points out that *“households are the main source of funds to finance investment”*⁵ and that *“European households are direct owners or indirect beneficiaries of 60% of financial assets.”*⁶

➔ Individual investors are not “short termist”: 62% of their financial assets are invested in long term investment products

Table 1: EU household financial savings per product category



Source: ESMA⁷

⁵ Green Paper on the long-term financing of the European economy; European Commission; March 2013

⁶ EC Staff Working Document on the CMU, page 32, February 2015.

⁷ ESMA Report on Trends, Risks and Vulnerabilities, No. 1, 2014,

Contrary to what one too often reads in official papers or speeches⁸, individual investors do not have a preference for short-term investments.

As table 1 shows, 62% of EU households' financial savings are typically long term: pension funds, life insurance, shares, funds and bonds. In addition, in the EU, financial savings are often not the biggest part of households' savings: when one takes property assets into account as well, the long term orientation of individuals is even more obvious, with probably at least 90% of their total savings in long term investments⁹. This does not come as a surprise since individual investors have predominantly long term goals: retirement, home purchase, children's education, etc.

Also, one could say that individual investment products tend to be "sold" more than "bought" and the relative importance of bank savings can partly be explained by universal banks promoting the switch from capital guaranteed life insurance savings to term deposits, as has been the case recently in France for example, for profitability and prudential reasons. Furthermore, tax incentives to sight bank savings accounts also partly explain the amounts saved via these products (in France and in Belgium for example).

When one looks specifically at equity holdings – the long term financial asset by excellence – the average holding period by individual shareholders is much longer than that for "institutional" ones, as tables 5, 6 and 8 on the long term evolution of the equity markets show. EU statistics - if available – would certainly show a very similar evolution.

By comparison and on the contrary, "institutional investors" appear less long-term oriented and more risk averse than individual investors. As shown in table 2 below, Western European insurers have reduced their own equity holdings from 22% to 8% of their total investments¹⁰ from 2001 to 2010. Real estate investments are also likely to have been reduced from what was already a low level, as "other investments" went down from 10% to 5% over the same period. And these trends started before the Solvency II Directive. It is unfortunate that one cannot find more recent data than 2010: we suspect the downward trend for investments in equities by insurers continued further.

http://www.esma.europa.eu/system/files/trv_201401_may_republished.pdf

⁸ For example: "with very low interest rates, retail investors may have incentives to adjust their liquidity preferences which are orientated to the shorter term." EU Commission 06/11/2015 CMU Conference programme

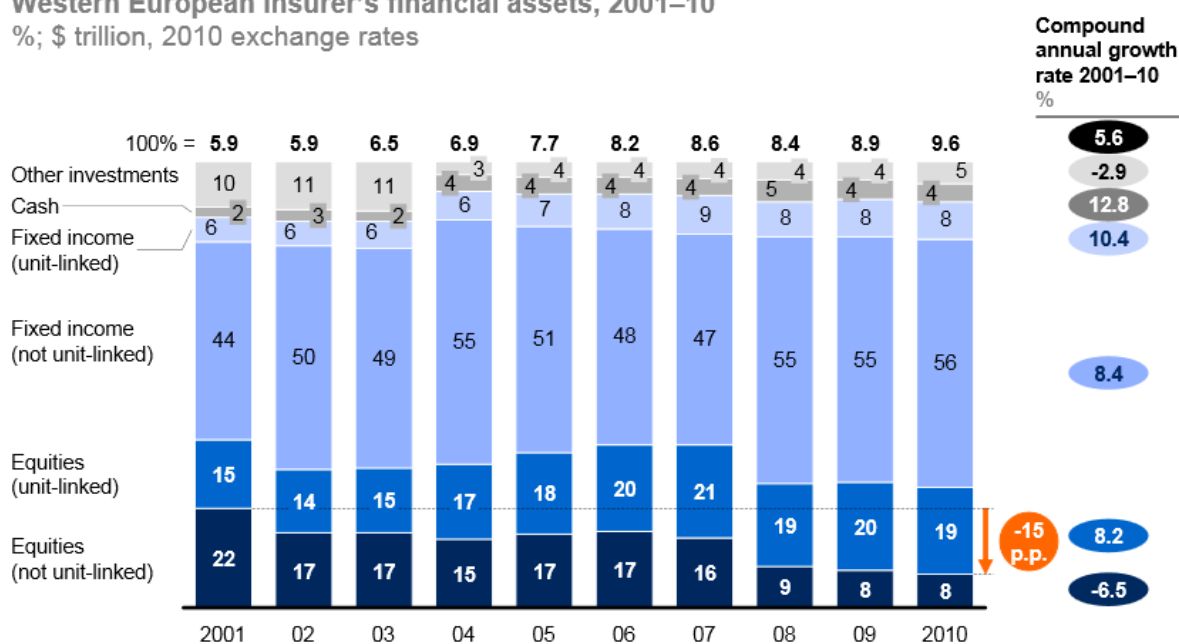
⁹ According to the EC Staff Working Document on the CMU, real assets constitute 85% of the gross total assets of households in the euro area. Financial assets represent only 15% of total.

¹⁰ Insurers are not the economic owners of Unit-linked investments as the investment risk is totally or mostly borne by their clients – mostly individual ones - in that case.

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Table 2: Western European insurer's
financial assets, 2001-2010

Western European insurer's financial assets, 2001–10
%; \$ trillion, 2010 exchange rates



Source: Roxburgh C., Lund S., Dobbs R., Manyika J., and Wu H., *The emerging equity gap: Growth and stability in the new investor landscape*, McKinsey Global Institute, exhibit A15, page 79, quoted by the EU IPO Report, March 2015

For pension funds - the other large European “institutional” investor category - we note that UK pension funds have reduced their overall corporate equity holdings from close to 50 % to below 25 % from 2000 to 2013¹¹, despite the long average maturity of their pension obligations. Likewise, the Bulgarian and the biggest French pension funds (RAFP, Prefon, Corem) have invested less than 20% of their assets in equities.

By contrast, in DC (defined contribution) pension plans where individual participants have a choice of asset allocation and bear the investment risk (“*instivdual*” DC plans, as they are called in the US) the allocation to equities is often much higher: the € 60 billion national Swedish DC pension plan PPM is invested for 80% in equities. Likewise, the participants in the French corporate DC plans (PEE and PERCO) have allocated 57 % to equities (including employee stock).

¹¹ Pension Savings: The Real Returns, 2014 Edition, Better Finance, Table 104 “Breakdown of self-administered pension fund asset holdings”, page 181.

http://www.betterfinance.eu/fileadmin/user_upload/documents/Research_Reports/en/Pensions_Report_2014_FINAL_-_EN_FOR_WEB.pdf

EU citizens as individual investors need positive incentives (“carrots”), and not “sticks”, to channel savings into long term investments for the real economy, since they are already suffering from the “financial repression” which – together with excessively high fees from financial institutions – currently too often destroy the real value of their savings.

In particular, tax incentives for direct equity investments (e.g. share savings plans) would support further growth, especially if channelled to growth companies and connected to a long-term holding period. We point for example to the UK Finance Act 2013 and its consequences for the Alternative Investment Market (AIM) which enables individual investors to invest in AIM companies through their Individual Savings Accounts (ISAs). ISAs are tax efficient since an individual pays no tax on the income received from ISA savings and investments or capital gains up to an annual limit of GBP 15,000 (for 2015). In addition, further tax exemptions (e.g. stamp duty) apply to investments in growth companies as well. Another example is the French PEA (“*Plan d’Epargne en Actions*” or Equity Savings Plan) which exempts individual investors from income and capital gains taxes if they hold their equity (or equity funds) investments for more than eight years. We are aware that tax incentives should not be considered as the principal reason for investment. However they can enhance financial returns if the tax incentives are not “captured” by the providers in higher fees and commissions. And there should be no tax bias in favour of short term investments over equity.

➔ **Individual investors are not as risk averse as too often asserted¹²**

Better Finance found no convincing evidence to assert that individual investors would be more risk averse than other categories of investors. Actually, we found quite the contrary:

For example, the share of individual investors in the primary (IPOs) and secondary market transactions for SMEs (small and mid-caps) is at least twice than that in the big caps markets. Inversely, the share of “institutional” ones is significantly lower for SMEs. Who is more risk averse?

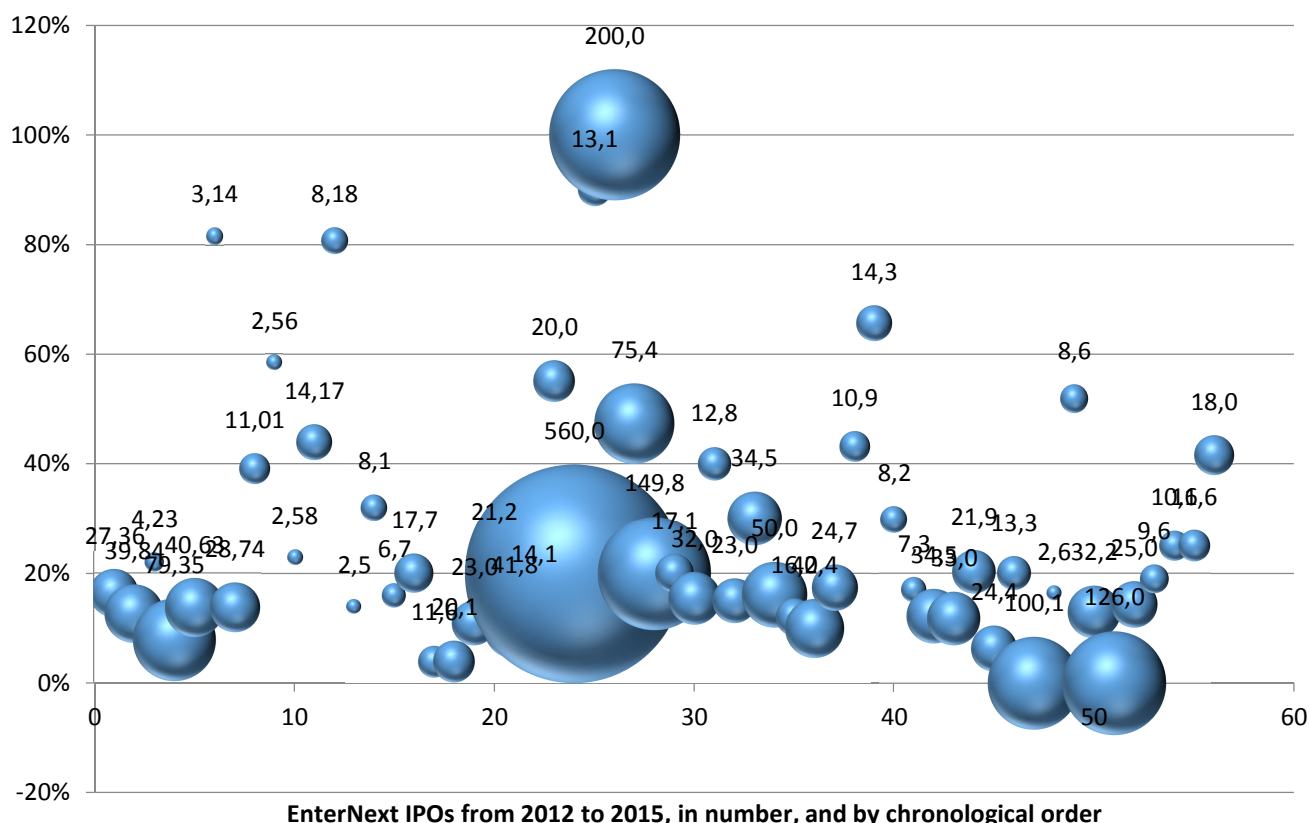
Below Graph 1 provides some evidence on the higher participation on average of retail investors in small-cap IPOs according to EnterNext (alternative listing venue provided by EuroNext). The **weighted average retail allocation** in the 56 EnterNext IPOs between 2012 and 2015 was **26,15%**.

¹² European Commission’s Green Paper on the Long Term Financing of the European Economy: “Households generally prefer liquidity and easy redemption. Stability is preferred and risk-aversion is now widespread”. http://eur-lex.europa.eu/resource.html?uri=cellar:9df9914f-6c89-48da-9c53-d9d6be7099fb.0009.03/DOC_1&format=PDF

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Graph 1: IPOs on EnterNext, 2012 - 2015, Allocation to
Retail vs Issue Size in Eur. Million

Allocation to Retail
Segment as of total
IPO volume



Source: Better Finance from Euronext data

What individual investors are actually averse to are **“high risk, low return” investment offerings**. For example, looking at the number one financial savings product in France (€ 1500 billion of assets), French individual investors are often criticized for preferring capital guaranteed life insurance contracts (€ 1200 billion) to “unit-linked” ones (€ 300 billion), which are more often invested in equities (indirectly) and other riskier assets; and this despite heavy promotion and advertising by retail intermediaries to try and push individual investors into the far more profitable (with fees three to four times those charged on capital guaranteed contracts) unit-link contracts. As recent research on the real performance of long-term savings in Europe¹³ by Better Finance shows (table 3 below), they have been quite wise to do so since the beginning of this century:

¹³ Pension Savings: The Real Returns, 2014 Edition, Better Finance:
http://www.betterfinance.eu/fileadmin/user_upload/documents/Research_Reports/en/Pensions_Report_2014_FINAL_-_EN_FOR_WEB.pdf

Table 3: Long-term performance of capital guaranteed and unit-linked insurance contracts in France

Real returns of French life contracts 2000-2013		
	14 year-return	Average yearly return
Capital guaranteed contracts	+19.47%	+1.28%
Unit-linked contracts	-14.35%	-1.10%
All contracts (weighted avg.)	+9.47%	+0.91%

Source: Better Finance, Report on the real return of pension savings, 2014

➔ **Long term investment products for individuals are consistently the most poorly rated of all EU consumer markets**

EU individuals play a predominant role in the long term financing of the economy; they are mostly long-term oriented investors and they are not as risk averse as some pretend. But they have indeed very little confidence in the long term investment services offered to them by the financial industry as the annual EU Consumer Scoreboard¹⁴ shows. Since 2010, this scoreboard has been ranking “investment products, private pension and securities” at the very bottom of 31 consumer services markets.

According to the EU Consumer Scoreboard, the main reasons for this lowest score of all consumer markets are poor rankings in terms of:

- *trust,*
- *comparability,*
- *ease of switching*
- *and overall consumer satisfaction.*

This lack of investor confidence is confirmed by the recent CFA survey on investor confidence¹⁵, and is still acute in 2014 despite the financial regulation reforms enacted by the EU since the financial crisis of 2008.

The reasons for this lack of confidence of EU citizens in the providers and distributors of investment products are analysed further in sections 2 and 3 below.

¹⁴ 10th Consumer Scoreboard - June 2014 -

http://ec.europa.eu/consumers/consumer_evidence/consumer_scoreboards/10_edition/index_en.htm

¹⁵ Global Market Sentiment Survey, CFA Institute, 2014

http://www.cfainstitute.org/Survey/gmss_2015_report.pdf?WPID=GMSSReportText&PageName=Main

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2. EU capital markets and the role of individual investors

2.1. The role of capital markets versus bank financing in the EU is still overstated

As table 4 below shows, not only does 76 % of the funding of the EU economy come from banks, they have also seized a very important share of the European capital markets: half of fixed income securities and 23 % of the market capitalisation of equities. This is considerably more than in the much larger US capital markets. This massive presence of banks in the European capital markets is crowding real economy issuers further out.

Table 4: Bank-based versus
Market-based financing in the EU and USA

	EU	USA
Share of bank funding	76%	27%
Share of capital market funding	24%	73%
Share of financial institutions in bonds	50%	40%
Share of financial institutions in equities	23%	16%

Sources: Better Finance, Deutsche Börse, ECMI

One of the reasons for this extreme reliance of the EU economy on bank funding is the “Too Big to Fail” syndrome or the importance of European “SIFIs” (Systemically Important Financial Institutions). In fact, SIFIs are by far the biggest issuers among all financial institutions in the European fixed income and equity markets. Basel III and CRD IV rules – by incentivising SIFIs to raise more equity and quasi-equity funding on capital markets - can only further favour such a crowding out of the real economy by the SIFIs from EU capital markets. This is one important reason why – among others – Better Finance recommends to go forward with a meaningful reform of banking structures in the EU and thus reduce the size of SIFIs - especially by downsizing their re-intermediation of European capital markets - in order to in turn reduce the crowding out effect on the real economy.

2.2. A narrow vision of equity markets which is detrimental to SMEs and to investors

Most of the time, when politicians, regulators, financial industry players and the media mention “equity markets”, they are actually referring to the blue chips ones rather than the global equity market. This is quite obvious when they explicitly refer to equity indices: those are always large cap and narrow (a few dozen listed companies) indices, and not global and broad (large, mid and small cap) ones. Some even refer only to “price” indices, which dramatically understate the equity market performances by not taking dividends into account.



This “cultural” misnomer and bias has a detrimental impact on investors as shown by graph 2 below, illustrating the example of the French equity market. Since the beginning of the XXIst century, mid and small caps have outperformed large caps to such an extent that – despite their small share of the total equity markets capitalisation – “all tradable” equity indices significantly outperformed the blue chips ones that constitute the reference for most public communications.

In addition, in the case of France, the total listed equity market is the only one to have beaten inflation since 2000, not the “blue chip” and narrow (“CAC40”: only 40 companies) one.

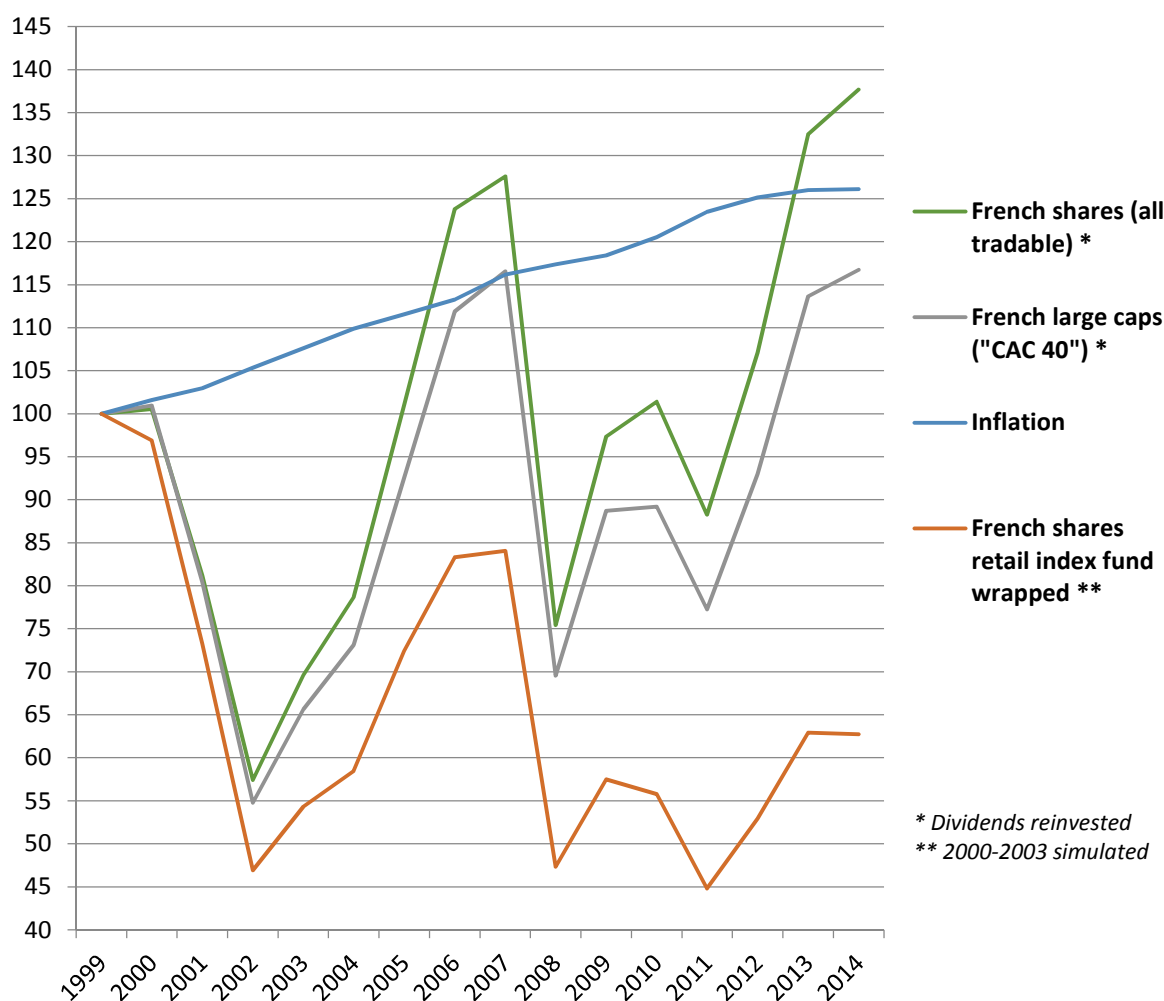
Similar conclusions can be drawn for other developed equity markets. For example, over the last ten years, the US S&P 500 index (500 large cap stocks) has returned + 71%, while the MSCI US Investable Market 2500 index (2500 stocks) has returned +123 %¹⁶, although the former captures approximately 80% of the US available market capitalization.

¹⁶ As of 13 March 2015

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Graph 2: Divergence of the returns of equity markets versus equity

Returns: savings products have little in common with "capital markets" (index equity fund example)



Source: Better Finance

This lost opportunity for investors is not only the consequence of higher long term performance, but also comes from the lack of communication, promotion, marketing and "education" of individual investors on the benefits of total equity market investing and of SME market investing. Individual investors learn almost only of narrow large cap indices and not of "all tradable" ones, and are mostly offered investment choices (funds, ETFs, etc.) based on the former solely. Likewise, EU SMEs suffer from this misnomer, as it excludes them de facto from the "equity markets" as publicly advertised and marketed.

The tools do exist and could be further developed for the EU "total" equity markets: these broad, "all tradable" indices already exist and investment products could be much more developed, the way they

have been in the US¹⁷. Ending this cultural bias would therefore eventually channel much more investor interest and flows to listed - or to be listed - SMEs. This measure would not require any new regulation to be put in place.

2.3. Why is there a decline of the historically important role of individual investors in capital markets?

Today's real but reduced direct involvement of individual investors in EU capital markets is not a question of "retail" investors supposedly having a "small appetite"¹⁸ for investing directly into capital markets. Actually, one cannot exercise any "appetite" for a specific option if it is not on the "menu": these options are not promoted, not communicated and not explained to them. Indeed, a few decades ago, EU citizens as individual investors directly held close to 40 % of the shares of EU domiciled listed companies: a "strong appetite" indeed!

➔ **Individual investors have been pulled away from capital markets by financial intermediaries**

Table 5 below is based on recent research produced at the request of the European Commission's FSUG (Financial Services User Group)¹⁹. It illustrates the fact that the decline in the direct ownership of EU domiciled listed businesses is correlated to the rise of the ownership by investment funds from about 5% forty years ago to 25% today. Indeed, from the 1970s on, "retail" financial intermediaries gradually stopped communicating and promoting shares (and bonds) to individual investors, and stopped educating them about equities, bonds and capital markets, switching to the advertising, promotion and communication of "packaged" investment products, especially investment funds, but also more complex ones such as unit-linked insurance contracts. Table 6 shows that a similar - although less dramatic - evolution occurred in the US over the last decades:

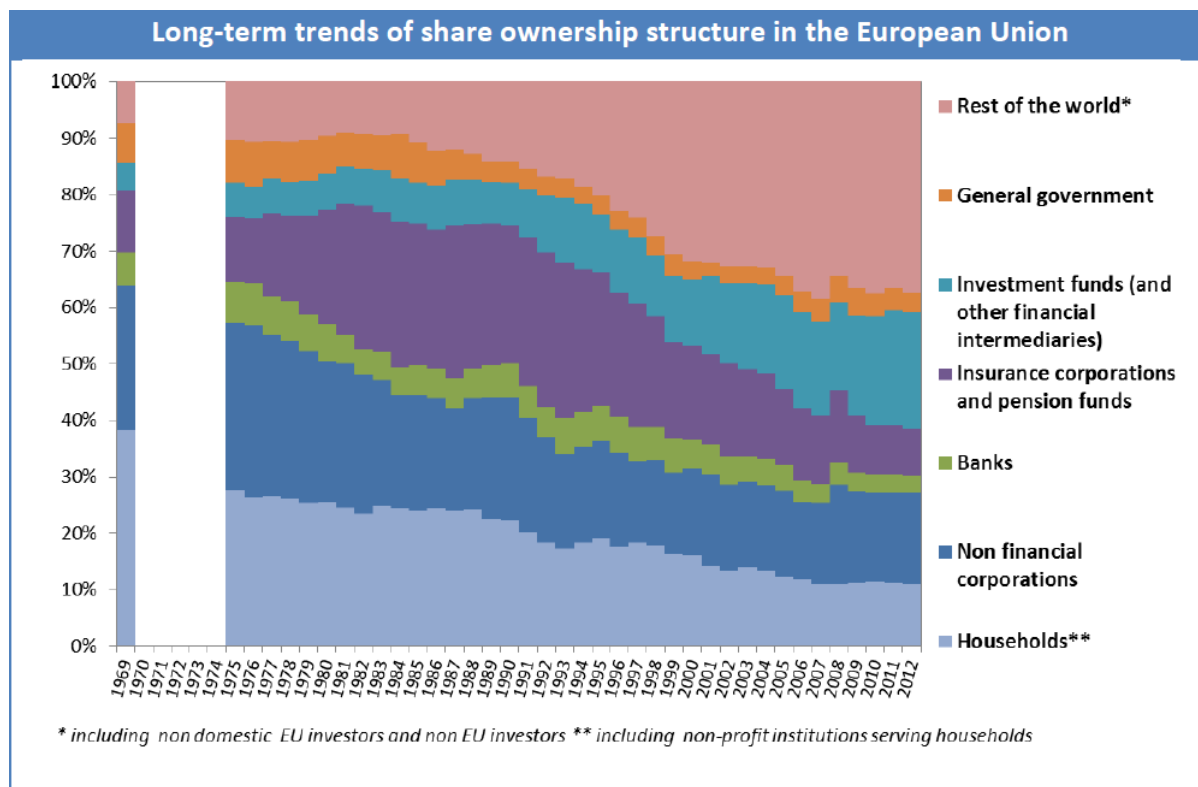
¹⁷ For example, assets gathered in the US total stock market index fund from the Vanguard Group alone (one of the major index and ETF players) amount to US\$ 406 billion, and US\$ 44 billion in the Vanguard extended market index fund comprising only small and mid-cap stocks, including a lot of individual investors' money. Indexing broader indices is of course more difficult than replicating narrow indices of very liquid shares, but such techniques as sampling smaller and less liquid shares can generate very good results in terms of tracking error.

¹⁸ European Commission, CMU Green Paper, page 19: «Retail investors' appetite for investing directly into capital markets is generally small across the EU».

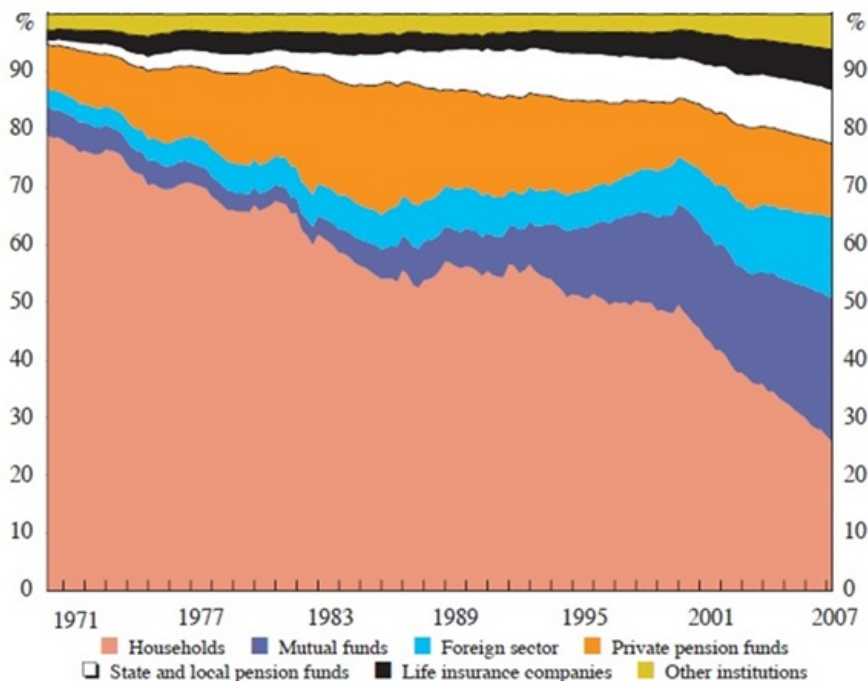
¹⁹ "Who owns the real economy? Evolution of the ownership of EU-listed companies between 1970 and 2012." INSEAD – OEE, August 2013. http://ec.europa.eu/finance/finservices-retail/docs/fsug/papers/1308-report-who-owns-european-economy_en.pdf

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Table 5: Long-term evolution of share ownership in the EU²⁰



²⁰ This graph overstates the growth of the “rest of the world” and understates the growth of “investment funds”. By taking non domestic but EU resident investors outside of the “rest of the world” investors to get a pan-EU perspective, the growth of investment funds is better reflected as it also captures in particular investment in funds from EU domiciles such as Luxembourg and Ireland, by EU investors from other EU Member States. The share of EU investment funds has gone up from about 5% in 1970 to 25% (instead of 14% from a national perspective as in Table 5) in 2011. Likewise the share of the “Rest of the World” in 2011 is then only 22% (instead of 44%) in 2011. See “Who owns the European economy” (op. cit.) page 34.

Table 6: Long-term evolution of share ownership in the US


The key driver for the switch by EU individual investors from direct equity and bond ownership to indirect ownership via “packaged” investment products is the relative profitability of these two investment product categories for the financial industry and distributors: “packaged” products such as investment funds and life insurance. The latter generate much more commission and fees than the former: “retail” entry fees for packaged products are typically much higher than brokerage fees for shares and bonds. More importantly, the direct ownership of shares and bonds does not generate any of the annual asset-based fees that provide the bulk of revenues for the providers and distributors. Of course, packaged products can provide benefits for individual investors such as diversification and access to professional asset management, but as already mentioned, such products are most often “sold rather than bought”. Therefore, these features are most probably not the main explanatory factor for the switch.

The providers’ profitability factor also explains why plain vanilla index ETFs²¹ – which are low cost and simple listed investment products allowing investors to own diversified portfolios of a given market or market segment – are for 90 % bought by institutional investors in Europe (versus only 50 % in the US). They are altogether not communicated about, explained or promoted by “retail” financial intermediaries in Europe, depriving individual investors of an easy, simple and often performing opportunity to invest into capital markets.

But there are other reasons for individual investors having shied away from capital markets in recent decades:

²¹ ETF: Exchange traded funds

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→ The extreme market fragmentation is detrimental to individual investors and to real economy issuers

The MiFID I Directive, which was implemented in 2007, triggered the fragmentation of the EU securities markets. Nowadays “regulated markets” (the former Stock Exchanges) capture only about 40 % of listed equity transactions, the larger part being executed by “MTFs” (Multilateral Trading Facilities), “SIs” (Systematic Internalisers) and “OTC” (over the counter) venues (including “dark pools”). At the same time, trade data (“pre trade” ones: best offers and best bids; and “post trade” ones: latest executed trades) became fragmented too. Compared to the larger US equity market (see table 7 below), not only is the number of “market venues” in Europe five times higher, but, until this day, trade data from venues outside of regulated markets remain inaccessible to individual investors and to issuers except at an extremely high price or not at all. The provision of easily accessible, free and comprehensive delayed pre- and post-trade data for individual (non-professional) equity investors was available in the pre-MiFID era, since before MiFID, the vast majority of trades were executed in regulated markets. MiFID II was also the cause of pre and post-trade data fragmentation. Some new venues trading significant volumes no longer even show pre-trade data at all (e.g. dark pools). As regards fixed income instruments – an OTC dominated space – hardly any data at all is available to retail investors, unless they are traded on a regulated market. What’s more is that MiFID II will not provide for sufficient fixed income data in a timely fashion either. Most of the fixed income data available to the public will be substantially older than 15 minutes. This situation is particularly unfavorable to retail investors: they have no direct access to data from most market “venues” other than those of regulated markets, which remain virtually the only easily accessible and transparent markets. SIs, OTC and even some MTFs are not transparent for retail customers at all. The provision of trade data for all securities (shares and bonds), and for all trade venues – not only regulated markets - is mandatory in the US and falls under the supervision of the SEC, the US securities regulator.

Table 7 : EU equity markets fragmentation

	EU	USA
Equity markets transactions (USD trillion per annum) ²²	14	44
Number of equity markets	66	13

Sources: WFE, ESMA and the SEC

EU capital markets are opaque and complex for EU retail investors due to fragmentation. However, fragmentation in the EU is different from fragmentation in the US, and in fact more intense. While the US markets also have multiple competing trading venues, they do not have to cope with different legal and tax rules across fragmented markets at the same time. Neither is language a barrier to the extent it is experienced in the EU. Significant fragmentation of markets and the persistent lack of comprehensive trade data across the EU for non-professional investors are holding back capital market investments in

²² WFE, 2014 Annual Statistics Market Highlights: figures respectively for Europe-Middle East-Africa and Americas.

Europe in general, as pointed out by a recent survey conducted by AFME and the BCG²³.

This situation is particularly unfavorable to individual investors: they have no direct access to most market “venues” other than the regulated markets, which can be said to be the only remaining easily accessible and transparent markets to individual investors. MTFs, SIs and OTC are mostly unknown to them. Capital markets have been made much more complex and opaque for them. Also, investor protection and transparency rules have been considerably weakened for SI and OTC even when those “venues” are marketing their services to individual investors.

In addition, brokerage fees for individual investors have not been reduced significantly, and remain much higher than in the US. For example, the European Commission reported²⁴ that “US online brokers are cheaper than their EU counterparts for domestic trades and in most cases also cheaper for cross-border trades” in pre-MiFID I times. According to data from OXERA; commission rates charged by retail brokers to retail investors in major financial centers were still 19bp in 2009, and 30bp in other financial centers in 2009²⁵. Better Finance member associations have not experienced any significant reduction of brokerage fees for retail investors in the EU versus the lower US ones.

➔ **“Equity markets demonstrated a perverse sense of fairness, blatantly favouring the technologically empowered over the retail investor”²⁶**

As pointed out above by the Governor of the Bank of England, MiFID and later regulations have obviously targeted “professional” capital markets investors to the detriment of individual ones, who are nowadays more or less ignored as such by the industry and by the Public Authorities. The fact that individual investors were included in the “market participants” category of stakeholders by the former CESR (Committee of European Securities Regulators) and that today its successor ESMA (the European Securities and Markets Authority) excludes them from that category and includes them in the “consumers” one illustrates this trend.

What’s more, even regulators have recognized the challenge to identify and sanction large **market abuses**. These have certainly deterred individual investors from participating more in capital markets. It remains to be seen how the new MAD/MAR regulations on market abuse will be implemented and enforced in the EU. Market abuse redress is much better enforced in the US than in Europe: public enforcement has witnessed the jailing of several high profile financial executives in the US, and private enforcement (collective actions) has also allowed many US investors to obtain indemnifications for market abuses. The EU still seems very far behind despite significant investments by certain national supervisors (market abuse tracking tools developed in recent years by the FSA/FCA in the UK in

²³ “65% of the investors surveyed, who represent around €9tn of assets under management, identified market fragmentation, i.e. lack of information and understanding of differences across markets, as a factor which is holding back investments.” (‘Bridging the growth gap: investor views on European and US capital markets and how they drive investment and economic growth’, March 2015)

²⁴ Cost of Execution of retail equity trades in Europe in 2005

http://ec.europa.eu/internal_market/financial-markets/docs/clearing/draft/annex_3_en.pdf

²⁵ “Monitoring prices, costs and volumes of trading and post-trading services”. Report prepared for the European Commission, DG Internal Market and Services. OXERA, May 2011 http://ec.europa.eu/internal_market/financial-markets/docs/clearing/2011_oxera_study_en.pdf

²⁶ Mark Carney, Governor of the Bank of England (Conference on Inclusive Capitalism, London 27 May 2014).

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particular).

*“Market fraud and integrity of **financial reporting** generally rank as the most serious concerns for global markets.”* ([Global Market Sentiment Survey](#), CFA Institute 2015)

Regarding **financial reporting**, EFRAG (the European Financial Reporting Advisory Group), which is predominantly funded by public authorities led by the European Commission, is still the only EU financial advisory group that does not allow any representation of individual investors on its board, despite the recommendations of the Maystadt Report²⁷.

Also regarding information for investors, the **“summary prospectus” for shares and bonds remains extremely user-unfriendly**: it is not formatted, not standardized, sometimes very long and risks are not weighted. It is presented in legal rather than plain English language, and thus is produced as an exemption from liability rather than for the information of the investor. Finally it is not comparable at all with key information documents (KIDs) for other individual investment products, and is sometimes missing key information (like the interest rate for a fixed rate bond). Unfortunately, the latest Prospectus Directive review and the “PRIIPs” Regulation failed to address this problem, but the new and current consultation on the Prospectus Directive does²⁸.

➔ Barriers to individual shareholder engagement and corporate governance

While the Shareholders Rights Directive is still under review by the EU authorities, there is still no real single market for shareholders rights within the EU as evidenced by Better Finance’s recent research²⁹. Individual shareholder engagement can appear quite low as measured by their participation to the issuers’ general meetings, but this is largely because the engagement processes are particularly unfriendly. The exercise of cross-border voting rights by individual investors within the EU at times still remains difficult and is very often too costly due to an antiquated and complex custody chain, and to fees sometimes charged by intermediaries for cross-border voting. Double taxation of dividends in many cases, as well as very cumbersome procedures for individual investors to withhold taxes on dividends and interests for cross-border refunds, also deter private investors from investing cross-border.

First step measures could be:

- Cross-border voting inside the EU should be free for individual shareholders;
- the EU should generalize the few existing good practices that exist to eliminate barriers to exercise voting rights such as Banca Monte dei Paschi di Siena in Italy which allows its customers to obtain the voting certificate via their electronic platform “PasKey”³⁰.
- and an EU-wide refund form for withholding taxes on dividends and interests, a common proxy voting form as well as a uniform record date across the EU should be introduced.

²⁷ Recommendation 7 of the report *Should IFRS standards be more “European”?*

²⁸ Questions 27 and 28 of the 18/02/2015 Consultation: http://ec.europa.eu/finance/consultations/2015/prospectus-directive/docs/consultation-document_en.pdf

²⁹ Barriers to Shareholders Engagement, Better Finance report, 2012
http://www.betterfinance.eu/fileadmin/user_upload/documents/Research_Reports/en/FINAL_Barriers_to_Shareholder_Engagement.pdf

³⁰ “Agreement between Banca Monte dei Paschi di Siena on one side, CONAPA and the MPS individual shareholders’ associations on the other side.” http://www.conapa.eu/conapa/upload/files/20140210_Protocollo_Intesa_MPS.pdf

Retail intermediaries, in the UK in particular, also at times direct the shareholdings of individual investors to nominee or omnibus accounts, thus de facto depriving those individual shareholders from their voting rights. It is surprising to hear that some financial intermediaries blame the difficulty of identifying the owners of shares for forwarding voting material on time, while those same intermediaries face no difficulty at all in identifying the very same owners to forward the dividends they are due. At the same time, it is quite unclear who authorizes and who profits from the lending or “the use as collateral” of those shares lodged in these omnibus accounts³¹.

Individual shareholders in nominee accounts who receive the dividends must also be able to freely and easily exercise their voting rights.

The engagement of individual shareholders would also benefit from the removal of existing barriers to the creation and running of associations of shareholders of a given issuer. These associations should also have the right to vote on behalf of their members without being confused with commercial proxy voting agents for regulatory purposes. Shareholder associations should benefit from the same shareholder identification information as issuers enjoy, as they represent co-owners of the issuing company.

Last but not least, we consider that a standardization of common minimum corporate governance standards across the EU would rebuild private investors trust in corporate boards.

2.4. Why is this evolution detrimental to the EU economy and to individual investors?

As demonstrated by the Kay Review³² in the case of the United Kingdom, **the rise of “agency” owners** (persons who legally own shares, but who are not their economic or beneficial owners) and the short termism of asset managers (as measured by their portfolio turnover rate) are damaging the engagement of investors in the businesses they own, and therefore have an unfavorable impact on corporate governance and on the sustainability of the businesses they invest in.

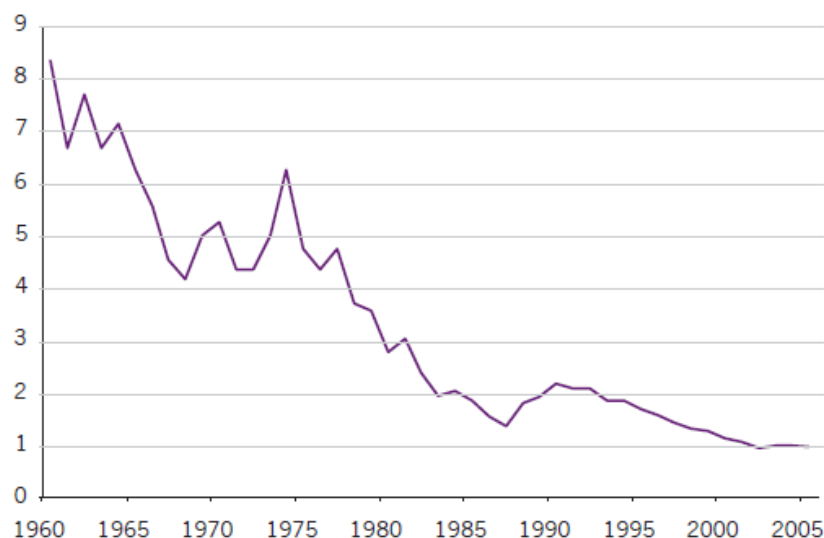
Table 8 below shows that **the decline of the average holding period of shares** in the US (NYSE) has paralleled the decline of individual direct ownership of those same shares. This should come as no surprise since individual investors are primarily long term ones and on average have a much lower portfolio turnover rate than other investor categories. A similar evolution should normally be observed in the EU.

³¹ Such practices are now much more clear and protective of investors’ interests when they invest in UCITs funds and ETFs: ESMA now requires that 100 % of profits generated by any securities lending from the funds’ portfolios be returned to the funds.

³² The Kay Review of UK Equity Markets and Long –Term Decision Making, July 2012. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/253454/bis-12-917-kay-review-of-equity-markets-final-report.pdf

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Table 8: Average Holding Period for a Stock on the NYSE³³



In today's environment of very low interest rates and of financial repression, direct investments into equities, bonds and index ETFs would provide EU households with better possibilities of getting a **decent return on their long-term savings**, i.e. to at least protect their real value after inflation. For example, the outlook for retail bond funds does not look appealing with 10-year government bonds currently yielding between 1% and 2% in Western Europe and average retail bond fund annual fees (excluding entry fees) between 0.40% and 1.00% or more. Direct bond investments might be more appropriate in case transparency is guaranteed and access is granted to bond markets.

The decline of direct ownership by EU citizens of their economy has deeper economic and political implications: Europe has transitioned to a **financial type of capitalism** where the link between owners and entrepreneurs/managers has been severed, and where decision power finds itself increasingly in the hands of financial institutions. Direct individual ownership of securities should be encouraged again rather than discouraged, like it was in the last decades, in order to better align the interests of capital markets participants with those of the real economy and to boost growth and jobs.

The recent evolution from direct securities ownership to packaged investment products has also had a very negative effect on **financial literacy**, in particular on the knowledge of what are shares, bonds and capital markets, and what their benefits are for the economy and for investors³⁴.

Indeed, there are two main opportunities for EU adult citizens to be informed and educated about equity and bonds and capital markets: when they are in contact with their financial intermediary or at the workplace. As we saw above, the "retail" intermediary himself is today far less knowledgeable about

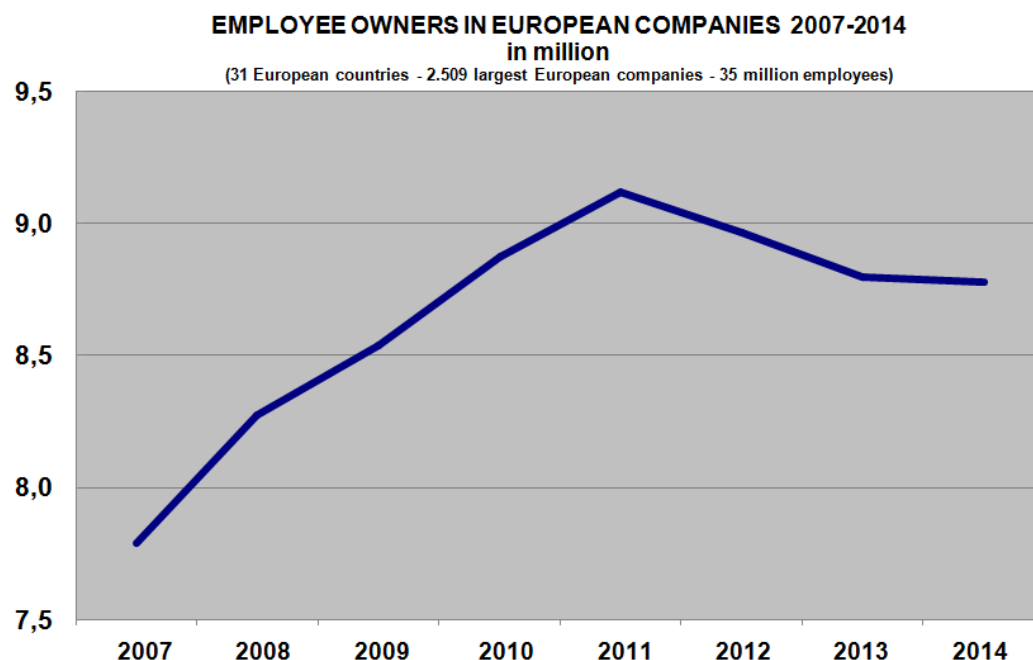
³³ Source: Bolton P and Samama F. "Loyalty-Shares: Rewarding Long-term Investors" Journal of Applied Corporate Finance, Volume 25, page 75 (Summer 2013).

³⁴ For more reading on this issue: "An Investor Viewpoint: The Fall of Financial Literacy" by Guillaume Prache, in the EFAMA Report "Building Blocks for Industry Driven Investor Education Initiatives", March 2014.
http://www.efama.org/Shared%20Documents/EFAMA_Investor_Education_Report.pdf
<http://www.efama.org/Pages/EFAMA-Investor-Education-Report-Uncovers-Widespread-Financial-Illiteracy-across-Europe.aspx>

capital markets, equity and bonds, since in most cases he stopped promoting and selling them a long time ago in favour of more complex and fee-laden packaged products. A level-playing field for shares and bonds needs to be put back in place in retail financial distribution.

The workplace can be the other important opportunity to educate adult EU citizens, in particular via the promotion of **employee share ownership**. This now constitutes a sizable share of individual equity portfolios in aggregate, and has grown in the past although it seems to have lost some momentum lately (table 9 below). Employee share ownership should be encouraged while preserving diversification of employee savings.

Table 9: Employee Owners in European Companies



Source: EFES, European Federation of Employee Share ownership

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➔ *Better Finance proposals for making capital markets (listed shares and bonds) more accessible and attractive to individual investors:*

1. Restore investor confidence and trust in capital markets: much stronger emphasis on EU market abuse and MiFID (best execution, conduct of business rules, misleading information, etc.) rules enforcement.
This means improving further supervisory effectiveness and convergence, setting up collective redress mechanisms for all EU private investors (private enforcement), improving tracking and sanctioning of market abuses.
2. Rehabilitate equity investing (in particular for SMEs) – as the simplest, most effective and most liquid long term investment product - and individual share ownership (including employee share ownership), by ensuring a level-playing field for simple securities at the retail point of sale.
3. For politicians, policy makers, industry and media to stop confusing “equity markets” with their large cap component only, by referring from now on to broad - “all-tradable” - indices instead of narrow - blue chip - ones, e.g. including small and mid-cap issuers, and not only the big ones.
4. Eliminate barriers to individual shareholder engagement; in particular ensure free, simple and easy cross-border voting for individual investors, enforce actual voting rights for shareholders in nominee/omnibus accounts, and full rights of association for individual shareholders of any EU domiciled listed company.
5. Improve the summary prospectus for shares and bonds by making it as user-friendly, formatted, short and comparable as the KID for funds and as the future KID for PRIIPs and possible “PBS” for pension fund participants (IORP review proposal from the EC) and KID for personal pension products (current EIOPA work for the EC). The ESMA proposal for having a centralised database for all prospectuses would then be more useful.
6. Reduce market fragmentation, “dark” and OTC trading; impose same transparency requirements that currently apply to Regulated Markets to the new market venues (example: SIs – typically big banks - selling equity warrants without the best execution rules applying to Regulated Markets to unaware individual investors), or ban any promotion to individuals of those venues.
7. Easily accessible, free and comprehensive trade³⁵ data for individual (non-professional) equity investors within a reasonable time delay not only from regulated markets (who have always been providing those), but also from the other - post MiFID I – market venues such as “MTFs”, “SIs”, “dark pools” and “OTC” which together now represent more than half of equity trades.
8. Ensure easy and free access for retail investors to all major capital markets: market transparency is correlated to retail access (see 2007/2008 fixed income markets crisis): improve fixed income markets transparency and retail access to bond trade data.
9. Any resumption of securitisation must be highly standardized and kept as simple as possible; banks should keep significant “skin in the game”.
10. Align securities lending disclosure and profit sharing rules for share ownership with those applicable to UCITS funds ownership. Re-lending of lent securities should be banned, as well as the re-pledging of securities as collateral, following the Canadian example.
11. Quickly harmonise crowd lending and crowd investing rules in the EU to create and develop a single and strong market for crowdfunding, while ensuring fair competition with other capital markets.

³⁵ Regulated markets data have always been available to individual investors with a reasonable time delay; free for post trade data and additionally as an extract from their order books: typically the five or ten best bids and offers at a given time.

12. An EU Capital Market Union for Growth, Jobs and Citizens should contribute to boost employee share ownership as an important basis of individual share ownership in Europe, through effective tax incentives like recently adopted in the UK.
13. Greater harmonisation in the areas of financial reporting –IFRS-, insolvency law and taxation (namely ending the double taxation of dividends and other investment income for cross-border investors within the EU).

3. EU intermediated (“packaged”) investment products: how to better focus on long term capital markets, on the real economy and on SMEs in particular

“Other reasons for not saving long-term are the often poor performance of financial intermediaries to deliver reasonable return, and costs of intermediation”. (European Commission Staff Working Document for the Green Paper on the long term financing of the EU economy, 2013). However, the current Commission staff working document on the CMU³⁶ fails to identify returns and prices (fees) among the *“barriers to household investment in capital markets”*. Actually the term “fees” are never mentioned in the Green Paper itself.

Rehabilitating equity and bond investing for EU individual investors will not eliminate the need to improve the long term net returns of intermediated - “packaged” – investment products which will - and should - remain the major vehicles for individual long term financial savings. Indeed, a majority of EU citizens must rely on professional management and advice to save and invest for the long term. Even professional asset managers use packaged investment products to invest in assets or asset classes they are not familiar with.

The CMU is about minimizing intermediation costs for long-term borrowers and about providing decent returns for long-term investors. This will create jobs since fewer saving will be required in order to reach the same objective (pension, etc.): more consumption, and wealth effect. Otherwise, it will certainly fail.

➔ **Financial regulators are largely un-informed of the past performance and fees of packaged investment products.**

One main reason of the appalling ranking of investment products in all EU consumer markets is the lack of adequate clear and reliable performance information, not only on the future performance but also on the past one! EU supervisors themselves have been struggling to collect, analyse and report data on the past performance of packaged investment products. Actually, so far, they have not been able to provide any. This is quite exceptional across the entire spectrum of consumer markets. Only ESMA reports on “retail investor returns”³⁷, but those are actually capital markets returns, not packaged products (funds, life insurance, etc. as featured in table 1 above) ones. EBA and EIOPA have not reported any performance data for the savings and investment products under their scope of supervision yet.

³⁶ *“Initial reflections on the obstacles to the development of deep and integrated EU capital markets”* accompanying the Green Paper on the CMU, February 2015 <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52015SC0013&from=EN>

³⁷ <http://www.esma.europa.eu/page/Trends-risks-and-vulnerabilities-financial-markets>

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Any future success in fulfilling this legal duty will require an adequate level of resources for the ESAs to increase their data collection capacities: one can manage effectively only what one can measure.

➔ Recent independent research confirms often poor returns

Two recent independent research reports have tried to fill the gap left by supervisors and public authorities to assess the past performance of “retail” investment products. They both struggled to collect all relevant data. For example, researchers could not find any published consolidated data on average actual entry fees charged to individual investors. They had to estimate those. Both studies validate and confirm the European Commission’s staff document quoted above.

The most comprehensive is – since 2013 - the annual report on the real return of long term and pension savings produced by Better Finance, produced with the help of independent experts and academics³⁸. It now covers 75 % of the EU population, and a vast range of long term packaged products (occupational pension funds, life insurance, personal pension plans, etc.). It shows how different, and much lower, the returns of packaged products can be from those of the underlying capital markets. A lot of these products have failed to protect the real value of EU savings (net of inflation) since the beginning of this century, as the example in table 10 below shows.

Table 10: Example: Long-term returns of a Belgian “group pension insurance” product

Capital markets vs. Belgian occupational pension fund 13 year performance (2000 to 2012)	
Capital markets (benchmark index*) performance	
Nominal performance	+48%
Real performance (before tax)	+11%
Fund performance	
Nominal performance	+8%
Real performance (before tax)	-19%

*50% equity / 50% bonds (MSCI World Equity index and JPM Euro Bond Index)

The other research was sponsored by the European Commission’s FSUG (Financial Services User Group) in 2014 and focused on investment funds³⁹. It shows that a majority of UCITS funds have failed to match the performances of their capital market benchmarks over the last ten years. In addition, this research could not distinguish funds that are promoted and sold to individuals from those which are offered to bigger

³⁸ Pension Savings: The Real Returns, 2014 Edition, Better Finance:
http://www.betterfinance.eu/fileadmin/user_upload/documents/Research_Reports/en/Pensions_Report_2014_FINAL_EN_FOR_WEB.pdf

³⁹ Study on the Performance and Efficiency of the Asset Management Industry, commissioned by the Financial Services Users Group (FSUG) of the European Commission to Insead OEE Data Services, August 2014.
http://ec.europa.eu/finance/finservices-retail/docs/fsug/papers/1410-eu-asset-management-industry_en.pdf

“institutional” investors only. If the study had been capable of isolating the past performances of the former alone, the results would have probably been even worse on average.

Both reports point out to the costs and fees as the major explanation for the disappointing average performances.

➔ The oversupply of packaged investment products and high fees in Europe

Looking at packaged investments sold to EU individuals (table 1 above), investment funds represent only 7 % of individuals’ financial assets. This share is underestimated from the economic point of view, as it records only direct ownership of funds by households. But – often for tax reasons - individuals hold funds via wrapper products such as “unit-linked” insurance products. For example, French households subscribe to about as many funds via such insurance contracts (with which they bear all the risks and returns of the funds selected) as they do directly, thus their reported fund holdings are under-estimated by about 50 %.

Even then, funds alone have proliferated in Europe, much more than in the US as table 11 below show.

**Table 11: Number, size and fees of mutual funds
EU versus US**

	Number of funds	Average Size (€ million)	Average fee (equity funds only, bps)
EU	32.750	222	170 (2011)
US	7.886	1.568	74 (2013)
	Q3, 2014	Q3, 2014	

Sources: ECMI, EFAMA, ICI

Despite the creation and the success of the pan-European UCITS funds, **the mutual fund market in Europe is very fragmented**, leading to a very small average size: over four times smaller than US domiciled funds. There are about 12,000 UCITS and the majority of EU funds are the less transparent and less regulated AIFs (Alternative Investment Funds). Contrary to what their name could suggest, hedge funds are not the majority of AIFs. The majority of AIFs are promoted and sold to EU individual investors, who hold more AIFs than UCITS, in particular in Germany and in France. AIFs tend to be designed and sold in only one member state.

There are probably more equity funds in Europe than listed shares, removing one potential benefit of this collective investment tool: to lower the overall cost of research and product selection.

The very low average asset size of EU domiciled funds is also one explanation for the relatively high cost of these funds. As for average past performance, **public information on average fees and costs is also**

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very hard to find. The latest rather comprehensive⁴⁰ data we found date back from 2011 and are coming from the fund industry itself, only for equity funds and not from an independent source. To our knowledge it has not been updated since. Also, it does not take entry fees into account and does not distinguish between “retail” funds and institutional ones. This is particularly relevant with regard to index ETFs, which are very low cost funds, but are sold almost only to “institutional” investors in Europe (90% of them).

It appears that **EU equity funds are much more expensive than US ones**, and would most probably prove to be even more expensive if one could isolate “retail” funds only. Their much lower average size of course partially explains this. Other reasons are the distribution models (more direct sales in the US) and the proportion of index funds, which are cheaper to manage (more in the US). It is also unfortunate that fee disclosure at an aggregate level is very limited in the EU: the most recent data we could find is from 2011, and we could not find any annual series to identify any trends. In the US, the trade association discloses quite detailed aggregate fund fee data every year.

However, the reality is often worse for EU households as entry fees are not included and many of these funds are then wrapped into other packaged products such as unit-linked insurance contracts or pension funds, which add another layer of fees. Graph 2 above (section 2.2) shows one example of the devastating impact on long term performance of such high “retail” fees: the long term performance of a retail “index” product is very far removed from the one of the index it is supposed to replicate.

The CMU has to **reduce the cost charged by intermediaries** who stand between the investor and the real economy companies.

Better Finance has been asking the industry and the Public Authorities (ESAs) to **collect and report information on aggregate past performances and prices** (fees and commissions) of individual investment products in the EU, with little progress so far, although this is a legal obligation.

Product complexity is on the rise despite post crisis industry acknowledgments: “... *complexity and the fact that some instruments couldn’t be easily bought or sold compounded the effects of the crisis*” (Lloyd Blankfein, CEO of Goldman Sachs, US Senate testimony, 27 April 2010). Financial investment products are still hardly standardised. CMU’s transparency must be **highly standardized**. We believe in harmonising the transparency policy. Trust and transparency attract more investors.

It will be difficult to justify further additional categories of long term funds such as ELTIFs, European Venture Capital (EuVECA) and European Social Entrepreneurship Funds (EuSEF), and of a Pan-European personal pension plan (“29th regime”) on the EU market, unless the industry and/or the regulators start streamlining, **standardising and simplifying the other long term funds and individual investment product offerings**. For example, in France alone, there are already nine legal long-term AIF categories, most of which are marketed to individual investors, all with special tax provisions⁴¹.

⁴⁰ Excluding however entry and exit fees

⁴¹ FCPR, FCPI, FCPE, FIP, OPCI, SICAF, SICAVAS, SCPI, SPPICAV

➔ The governance of investment funds in Europe

“The single most important firm-level action needed to bolster investor trust is to improve alignment of investment management incentives with investor objectives.”⁴²

Many so-called “institutional investors” are not really investors themselves, as they merely manage other people’s money: they are agency owners. This is the case of fund managers. It is therefore important to ensure a proper governance of investment funds to better align their objectives to those of the end investors.

➔ Asset Allocation Issues

Better Finance research mentioned above on the real return of long term and pension savings, identified **ineffective asset allocation as another explanatory factor for poor performance**. For example, UK pension funds returned on average negative real returns since 2000. One reason for this is that over the same period their equity allocation went from 50 to 25 %. Similarly the biggest French pension funds allocate 75 % or more to fixed income although the duration of their liabilities is very long. Solvency rules need to be tailored to the duration of pension liabilities for pension savings products, therefore allowing those to invest more in equities.

➔ Better Finance proposals to attract individual investors to “packaged” “retail” investment products that are more invested in capital markets:

1. Further improve and **harmonize disclosures for all long term and retirement savings products**:
 - PRIIPs⁴³, KID principles extended to all retail long-term and pension investment products, including shares and bonds (for which it could favourably replace the current ineffective “summary prospectus”) and pension savings products
 - Standardized disclosure of past performance compared to objective market benchmarks⁴⁴: long term historical returns after inflation; after all charges to the investor; and after tax
 - Disclosure of total fees and commissions charged to the end investor, both direct and indirect
 - Disclosure of funding status
 - Disclosure of transfer/exit possibilities;
2. **The European Supervisory Authorities (ESAs) must better comply with their legal duty to analyse and report on long term and pension investor trends**, including actual net performance and fees of all retail long term and pension products;
3. **Simple retirement savings vehicle to protect long-term purchasing power of savings**
 - readily accessible, without need for advice (and no related fees)
 - supervised by public bodies.

⁴² Global Market Sentiment Survey, CFA Institute 2015

⁴³ Packaged Retail and Insurance-based Investment Products – EC Regulation: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L:2014:352:FULL&from=EN>

⁴⁴ This requirement which is now in place for all UCITS funds in the EU (a benefit of the UCITS IV Directive) has very unfortunately been eliminated in the recent PRIIPs Regulation; it must be reinstated, otherwise individual investors will not even know if the products has lost money or not.

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- a pan-European Personal Pension Plan;
4. **Simplify, standardize and streamline the range of product offerings**
 - Forbid the use of non-UCITs funds (the 20 000 or so “AIFs”) in all packaged long-term and pension products promoted to individual investors.
 - Reduce the excessive number of UCITs on offer in the EU
 - Replace the specific and nationally incentivised long term investment funds by the pan-European ELTIFs
 - ESAs to make full use of their product intervention powers in order to ban any toxic investment product targeted at individual investors.
 - ESAs to ensure EU individual investors have full access to low cost index ETFs;
 5. Establish **EU-wide transparent, competitive and standardised retail annuities markets**; and grant more freedom to pension savers to choose between annuities and withdrawals (but after enforcing a threshold for guaranteed life time retirement income);
 6. **Improve the governance of collective schemes**: at least half of the schemes’ supervisory bodies should be designated directly by the pension schemes’ participants;
 7. **End biased advice** at the point of sale and guarantee competent advice on long term investments, including equities and bonds; more powers to supervisors to ban “retail” distribution of toxic packaged investment products;
 8. Special treatment by **prudential regulation** of all long term & pension products allowing for an effective asset allocation;
 9. **Taxation** to incentivize long-term retirement savings and investment over consumption and short term savings; **ELTIFs** will not emerge significantly unless they get the most favourable tax treatment already granted to numerous other nationally sponsored long term investment products. The **FTT** (financial transactions tax) should be reviewed in order to actually meet its stated goal: tax the transactions of financial institutions (the largest ones by far being the Forex ones, and then derivatives) instead of those from the real economy (end-investors in non-financial equities and corporate bonds, individual ones in particular). To this aim, a FAT (Financial Activities Tax) may be more fit for purpose;
 10. Basic **financial mathematics and capital markets (shares and bonds) basics** to be part of school curricula; financial institutions to have at least a part of the use of their financial education resources supervised by independent foundations.

10.08	18.1579	30 ↓	18.59	20.42
10.48	15.2375	7 ↓	25.61	25.10
10.67	48148	25 ↓	35.58	34.52
10.88	92878	796 ↓	29.44	29.00
10.78	22.8575	4 ↑	44.50	43.58
10.48	33404	43 ↓	26.07	26.17
10.78	74870	15 ↑	10.19	10.15
10.84	75212	7 ↑	16.00	15.72
10.95	81925	23 ↑	15.32	15.30
10.21	22081	68 ↓	6.07	6.25
6.42	49.23万	12 ↑	33.71	33.50
10.95	10.64万	2 ↑	26.22	25.86
10.80	22661	1 ↓	32.06	31.98
11.71	10158	177 ↓	58.99	58.10
12.00	15652	10 ↓	6.20	6.51
6.51	16070	15 ↓	21.48	20.82
12.90	48476	7 ↑	116.15	115.50
121.65	9373	2 ↑	74.12	74.00
77.41	9840			
5.42	12.725			