

PRESS RELEASE

BETTER FINANCE Urges Industry Innovation: Prache and McGuinness Find EU Financial Industry Proposals Disappointing and Call to Prioritise Consumer Outcomes at EU Retail Investment Roundtable

11 April 2024 – Guillaume Prache, Founder and Senior Advisor at BETTER FINANCE, brought his expertise to the forefront today as he addressed representatives of the financial industry at a roundtable on retail investment in the EU, convened by the European Commission. Prache's intervention at the roundtable emphasised the critical need for innovation in the financial industry to prioritise consumer outcomes over rearguard battles.

Prache began by expressing gratitude to the European Commission for its commitment to a Capital Markets Union (CMU) that truly benefits the people. However, he highlighted a concerning trend of the European industry's failure to acknowledge and address core issues, instead opting for short-sighted defensive strategies, at the expense of its mid-term competitiveness vis-à-vis non-EU players.

His remarks underscored the absence of crucial considerations in the industry's proposals, such as performance, value for money, and conflicts of interest. Prache pointed out that while several individual industry players are making real efforts, like standardising trailing sales commissions, the report fails to recognise these as potential ways forward.

Moreover, Prache challenged the notion of blaming consumer ignorance, stressing the importance of high-quality, independent financial education and advice. He urged industry players to embrace Eurogroup priorities aimed at enhancing retail investor participation through accessible, simple, transparent, and cost-efficient investment products.

While the report of the industry trade associations rightly copied one of the Eurogroup's key proposals – “Facilitate the strengthening of an investor/shareholder culture among EU citizens to increase retail participation” – they ignored the two main ones of the Eurogroup on retail investments:

- “Easy access to simple, transparent and low-cost retail investment products, with appropriate risk-return profiles for all EU citizens, should be facilitated.”
- “Develop attractive cost-effective and simple cross-border investment/savings products for retail investors.”

Prache cautioned against the dangers of preserving the status quo, emphasising the need for European industry players to innovate competitively. He drew attention to the risk of European impoverishment if conservatism persists.

Prache's intervention was followed by [a keynote address from Commissioner McGuinness](#) which, encouragingly, was very much in line with Prache's remarks. McGuinness addressed the industry's report and stated:

“I found the outcome disappointing. [...] I do not see any acknowledgement of shortcomings on your part. [...] I know protecting the status quo is much easier than promoting change. But the status quo is the problem, not the solution.”

She continued reprimanding the industry, which was massively represented in the room, insisting that, despite acknowledging that there are firms implementing good ideas: “You missed an opportunity to show the good things that the industry may be doing,” concluding that “allowing the current market practices to continue does not seem like a wise long-term strategy.”

BETTER FINANCE couldn't have said it better.

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