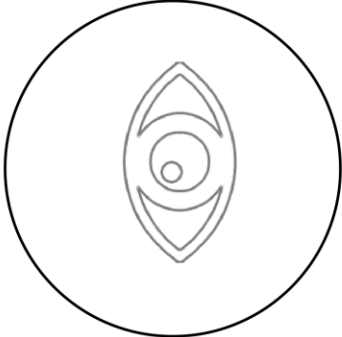
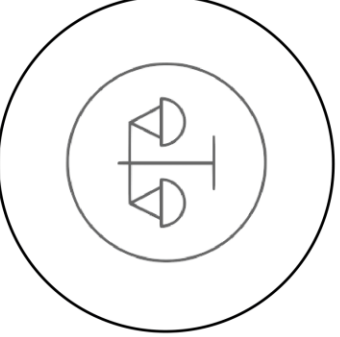
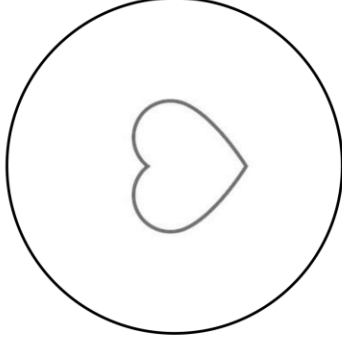

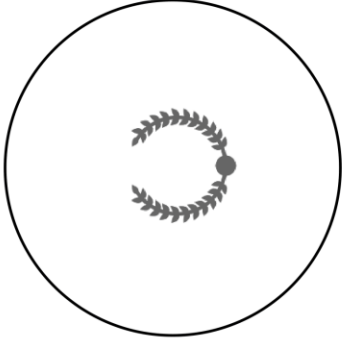
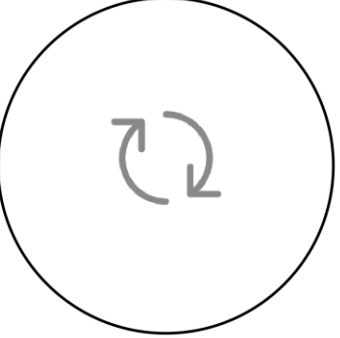
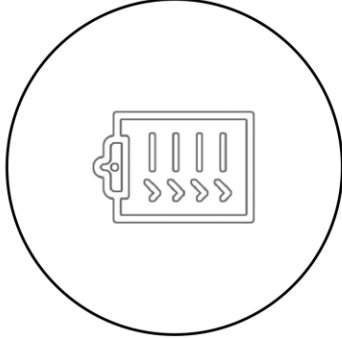
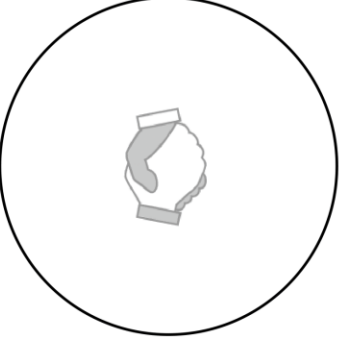

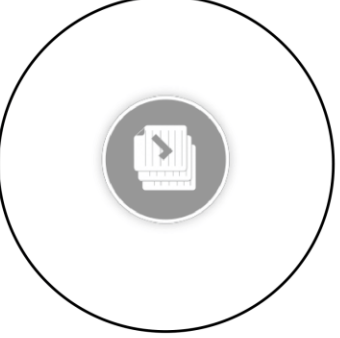


## Key Priorities for the Next Five Years | 2019-2024

2019 European Elections: BETTER FINANCE calls for a NEW DEAL for EU Citizens as Savers and Investors! To this end it has outlined [10 key financial policy priorities for 2019 – 2024](#) and is asking EU Politicians to address the critical issues we are confronted with through this [online questionnaire](#).

|   |                        |  |  |                    |  |
|---|------------------------|--|--|--------------------|--|
|  | <b>Transparency</b>    | Better access to simple and transparent products                 |  | <b>Fairness</b>    | Ensure fair and equal access to redress                                    |
|  | <b>Attractiveness</b>  | Make European capital markets more attractive for EU citizens    |  | <b>Knowledge</b>   | Promote investor education as key to the success of a real CMU             |
|  | <b>Competitiveness</b> | Improve the competitiveness of European capital markets for SMEs |  | <b>Consistency</b> | Ensure the consistency of all EU financial user protection rules           |
|   | <b>Clarity</b>         | Better access to comparable, fair, clear and non-misleading info |   | <b>Support</b>     | Sustain EU support for the involvement of financial users in policy making |
|    | <b>Sustainability</b>  | Improve long-term and sustainable value creation                 |    | <b>Efficiency</b>  | Increase the efficiency of EU institutions' procedures                     |

## **BETTER FINANCE Key Priorities for the Next Five Years | 2019-2024**

### **A NEW DEAL FOR INVESTORS AND FINANCIAL SERVICES USERS**

A strong European Capital Markets Union (CMU) requires the **trust** of citizens as individual investors, policy holders, pension savers and other savers. And defusing the **pensions time bomb** requires positive and decent real long term returns to pension savers. Those can only be reached by **increasing the attractiveness of the EU capital markets** to the benefit of all market participants. BETTER FINANCE therefore sees a need for a real **renaissance of the CMU, especially as Brexit is looming**, and, following CMU 1.0 in 2015 and CMU 2.0 which added several “Actions” in 2017, **recommends** the following “CMU 3.0” actions for 2019 and beyond:

#### **1. Better access to simple and transparent products**

One main aim of CMU 1.0 (2015) was to improve the funding of the EU economy and to offer better returns to EU long-term and pension savers by fostering retail investments into capital markets. BETTER FINANCE recommends the following measures:

- a. Direct access to **simple** investment products (such as **equities, bonds, index ETFs and UCITS funds**) that are getting EU citizens as investors closer to real economy assets, instead of estranging them further into more packaged, complex, opaque and fee-laden products. In particular, at least one alternative investment option in PEPP should allow for the direct investment in equities, bonds and plain vanilla index ETFs. MIFID II should clearly allow intermediaries to advise clients on such simple and direct products and PRIIPs should not apply to plain vanilla corporate bonds and the like as those are already subject to the prospectus disclosures.
- b. A better alignment of distributors’ incentives with clients’ returns by **minimizing conflicts of interests** in the distribution, in particular by following-up on the retail investment markets assessment conducted by the EC in 2017 with an Action Plan, and by addressing short-termism.

#### **2. Make the European capital markets more attractive for EU citizens as savers and investors**

The CMU can only succeed if individual investors invest more into the real economy. BETTER FINANCE recommends the following measures:

- a. **Ensure proper enforcement of EU rules against mis-selling.** As European Parliament’s and BETTER FINANCE’s studies show, several key EU rules regarding retail investors’, policyholders’, savers’ and mortgage borrowers’ protection are not adequately and consistently enforced. European Supervisory Authorities (ESAs) must use their new product intervention powers.
- b. **Use taxes as an incentive, not as a punishment:** Provide tax incentives for long term and pension investors and eliminate existing tax discriminations for individual investors in the EU such as double taxation of dividends etc.
- c. **Increase the responsibility of institutional investors** e.g. by establishing a fiduciary duty to exercise all voting rights, disclose securities lending/collateralization and short selling to

- the end investor/ beneficial owner, and ban the re-lending or re-collateralization of securities.
- d. Impose **consistent investor protection and level playing field between the regulated capital markets and the “dark” venues** generated by MiFID I and that now capture more than half of capital market transactions.
  - e. **Introduce cost free cross-border voting for retail investors within the EU** reflecting the increasingly international portfolios of individual investors to help regain their trust and to ensure a stronger governance of companies.
  - f. Introduce the same level of shareholder protection as a standard all over the EU. **Introduce common delisting rules for all EU-Member States.**

### **3. Improve the competitiveness of European capital markets for SMEs**

Despite the benefits of public listings, EU markets struggle to attract new issuers. BETTER FINANCE recommends the following measures:

- a. **Increase the attractiveness of EU stock exchanges for EU SMEs in general, e.g. through tax incentives.** EU stock markets are still struggling to attract IPOs and London is still the most important market for IPOs in the EU. Therefore, BETTER FINANCE suggests that the Commission builds on the experience and expertise built up in well-established capital markets to find out how to make EU stock exchanges more attractive.
- b. **Strengthen the IPO market in Continental Europe.** The Commission should review the regulatory barriers to small firms for their admission to trading on public markets to ensure that the regulatory environment for the SME Growth Markets is fit for purpose.

### **4. Better access to comparable, fair, clear and not misleading information**

To be an individual investor is not a full-time job. Therefore, essential information should be provided in the easiest way possible to allow individual investors to understand and compare investment offers. BETTER FINANCE recommends the following measures:

- a. **Improve transparency on performance and fees** of all investment products by developing the initial work of the ESAs, and by **urgently reviewing the PRIIPS Regulations**: reinstate the comparable disclosure of long term past performances relative to the benchmarks of the providers, eliminate the unreliable future scenarios, reinstate intelligible, comparable and comprehensive disclosures on costs and fees.
- b. For **Insurance-Based Investment Products (IBIPs)**, key cost disclosures should distinguish between performance-related ones and risk coverage ones, and disclosures on annuities (pay-outs) must be much clearer and include if/how they will protect clients against inflation.
- c. **Simplify** and standardize as much as possible the information included in the various key information documents (KIID, KID, PBS, summary prospectus, etc.), which should be short, simple and comparable and thereby easy to understand for investors. It is also the prerequisite for reliable web comparing tools.
- d. Create public or at least independent **EU-wide web-based comparison tools**, to enable an objective comparison of all investment products.
- e. **Differentiate between inexperienced and experienced investors.** MIFID rules led to an **overprotectiveness** of investors regardless of their experience. Experienced investors should be able to act as semi-professionals and should be able to opt out of the high protective mechanisms introduced for inexperienced investors.

## 5. Improve long-term and sustainable value creation

Scientists, governments, companies and investors first need to have a common understanding about which economic activities are deemed sustainable. BETTER FINANCE recommends the following measures:

- a. Introduce a clear and compulsory **taxonomy** for “green” products, and progressively widen the taxonomy; not be limited to only “E” (Environment) but also extended to the “S” (Social) and “G” (Governance) criteria.
- b. Adopt a well-designed and controlled **ecolabel** based on the taxonomy.
- c. Improve the long-term engagement of asset managers (“other people’s money”) with investee companies and introduce a better alignment of asset managers’ and distributors’ incentives with clients’ long-term returns.
- d. “Green” products must deliver decent returns for long-term and pension savers and a high degree of transparency on how the money invested has been used. In particular, insurers’ Asset /Liabilities Management (ALM) must end its over-reliance on Sovereign debt investing and provide decent real long-term returns (“value for money”) to pension savers, including during the pay-out phase.
- e. Follow up on **employee share ownership best practices** with a CMU “Action”.

## 6. Ensure fair and equal access to redress

Creating a more favourable environment for companies to list on EU public markets needs to go in line with a strong protection of EU citizens investing in listed companies – not only during the listing but also where companies seek to exit the public markets via a delisting. BETTER FINANCE recommends to:

- a. **Introduce common rules for collective redress for all EU investors: Improve the EC’s “New Deal for Consumers”** and the new collective redress mechanism by including direct investors in the proposed collective redress scheme,
- b. Introduce compulsory collective redress schemes comparable to the Dutch system across all Member States.

## 7. Promote investor education as key to the success of a real CMU

OECD surveys on financial literacy show that less than 40% of the adult population is able to understand very basic notions such as compound interest or return. BETTER FINANCE recommends the following measures:

- a. **Provide basic financial math and investment education already at school.**
- b. **Require the distributors of retail investment products** to improve the financial education of their staff members, especially with respect to equities, bonds and ETFs, and minimize their conflicts of interests with regard to more indirect, more complex and more commission-laden investment products.
- c. Financial education efforts from the industry should be monitored and supervised by independent bodies.
- d. **Introduce an investors’ license** as an important tool for investing.

## 8. Ensure the consistency of all EU financial user protection rules

The various new regulations, e.g. MiFID II, PRIIPs, IDD, Solvency II, IORP II, and rules applicable to banking products (savings accounts, structured notes, etc.) led to inconsistent standards of

disclosure which creates confusion among investors and unnecessarily increases the workload for distributors and manufacturers and by that costs for investors. BETTER FINANCE recommends to:

- a. Eliminate inconsistencies between existing investor and policyholder protection rules (e.g. between MIFID II and PRIIPs, IDD and IBIPs) as well as between various conduct of business rules, in particular on conflicts of interests (“inducements”) and on cross-selling.
- b. Harmonize all pre-contractual key information documents of substitutable investment, insurance and pension products at the points of sale.

## **9. Sustain the EU support to the involvement of financial services users in EU policy making**

BETTER FINANCE recommends:

- a. To fairly assess and sustain the EU support - started following the 2008 crisis - to better involve investors and other users of financial services in the EU financial policy making process.
- b. To ensure that independent experts from User Organizations are **adequately represented and compensated** at all expert consultative groups of the EU institutions (especially ESAs and Commission).

## **10. Increase the efficiency of EU institutions’ procedures**

The legislative process of PRIIPs illustrates the difficulties of introducing effective EU regulations and reduces the credibility of the work of the EU Authorities vis-à-vis its citizens. BETTER FINANCE recommends the following **steps to increase the efficiency** of the work of the EU institutions:

- a. Enhance supervision of Product Oversight and Governance requirements: The ESAs should be encouraged to fully use their new product intervention powers and sanction any kind of mis-behaviour by manufacturers and distributors.
- b. Introduce the possibility to give certain EU institutions, such as ESMA or EIOPA, **the right to ask for minor corrections of a directive** when it becomes clear that there are practical obstacles coming up once a directive is implemented.
- c. **Solve fundamental and structural problems during the Level 1 procedure**, not postponed to the Level 2 and Level 3 discussions.
- d. The European Commission, Parliament and Council should regularly **publish the state of their “Triologue”** negotiations in order to inform the public in a timely manner and prevent any possible unilateral lobbyism by the industry.
- e. **Provide for reasonable transition periods for each EU legislative measure.**