

Ref: European Commission Public Consultation on the EU Strategy for Retail Investors (“Retail Investments Strategy”)

Link to consultation:

- https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12755-EU-strategy-for-retail-investors/public-consultation_en
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ANNEX 2

Individual investor behaviour during the COVID-19 crisis in selected jurisdictions

In the first edition of the half-annual report on *Trends, Risks, and Vulnerabilities* (no. 1, 2021) on EU capital markets, ESMA observed “*large increases in stock buying and volume traded by retail investors, a trend confirmed by studies in different countries*” such as Belgium, France, or Italy. ESMA highlighted several reasons for this increased participation of retail investors in capital markets, such as additional savings due to consumption constraints or “*increased time spent online during lockdowns, with ready access to online trading and investment tools*”.¹

Indeed, the global lockdowns and restrictive measures prompted increased use of digital tools and extra savings, which brought many new, young investors to capital markets. Based on BETTER FINANCE’s research on six EU Member States², the most notable increase in retail investments is the acquisition of listed shares, which was observed throughout these jurisdictions, albeit at different intensities.

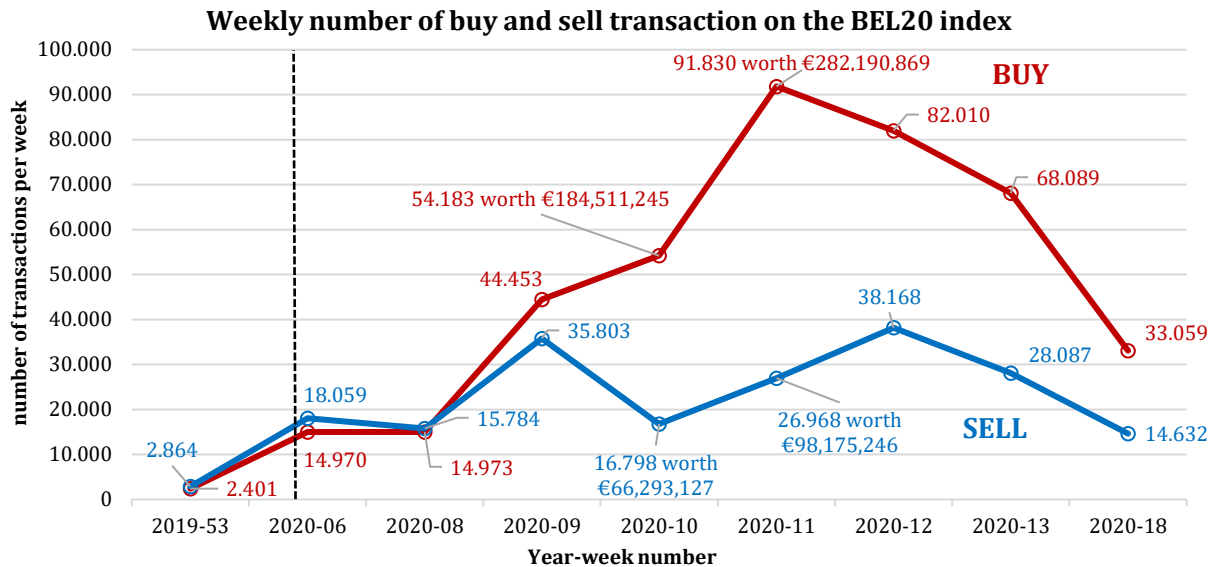
This increase gives momentum for the EU equity investing culture, but also for shareholder activism in EU listed companies. At the same time, it opens the appetite for investing of many previously inactive EU savers, which represents and will represent an important stimulus for the EU economy and for the post-COVID recovery.

Belgium

A quantitative study undertaken by the Belgian financial supervisory authority (FSMA) in 2020 based on MiFIR regulatory reporting revealed that, starting with the first COVID-19 lockdowns, the “retail” investor sector intensified and increased significantly its trading activity on the BEL20 (Belgian large cap) index, with the most active investors being, by age cohort, those aged between 50 and 60 years old, followed by those aged between 60 and 70 years old, and lastly by those aged between 35 and 50 years old. However, the number of transactions increased exponentially:

¹ ESMA TRV no. 1 2021 p. 34 available at: https://www.esma.europa.eu/sites/default/files/library/esma50-165-1524_trv_1_2021.pdf.

² Belgium, Denmark, France, Germany, Italy, the Netherlands



Source: Belgian FSMA 2021 ([link](#)), p. 8 and 9

Amid this peak of trading, the Belgian FSMA points that younger investors (aged between the **18 and 35 years old**) were significantly more active during the crisis period. This can be attributed to catching up with the “Gamestop” effect, according to the Belgian supervisor, with “many young, new and occasional investors” having “(re)found their way to the Brussels Stock Exchange during the Coronavirus crisis”.³

A more recent study (June 2021) of the Belgian FSMA showed that in the first quarter of 2021 the number of private investors in Belgium has doubled compared to the same period in 2019. At the same time, the BE FSMA shows that Belgian investors have also gained an appetite for investing in exchange-traded funds (ETFs).⁴

According to a report by the National Bank of Belgium, Belgian households increased their financial savings, allocating €24.1 billion in cash and deposits and €5.5 billion and €5.6 billion in equities and investment fund units respectively. This allocation of savings was done in the detriment to debt securities and insurance products that lost €3.6 billion and €1.2 billion compared to their 2019 values. In the graph excerpt from the NBB report of 2020 it can be observed that the equity and investment fund unit holdings of Belgian households increased significantly compared to the values of the previous 5 years.⁵

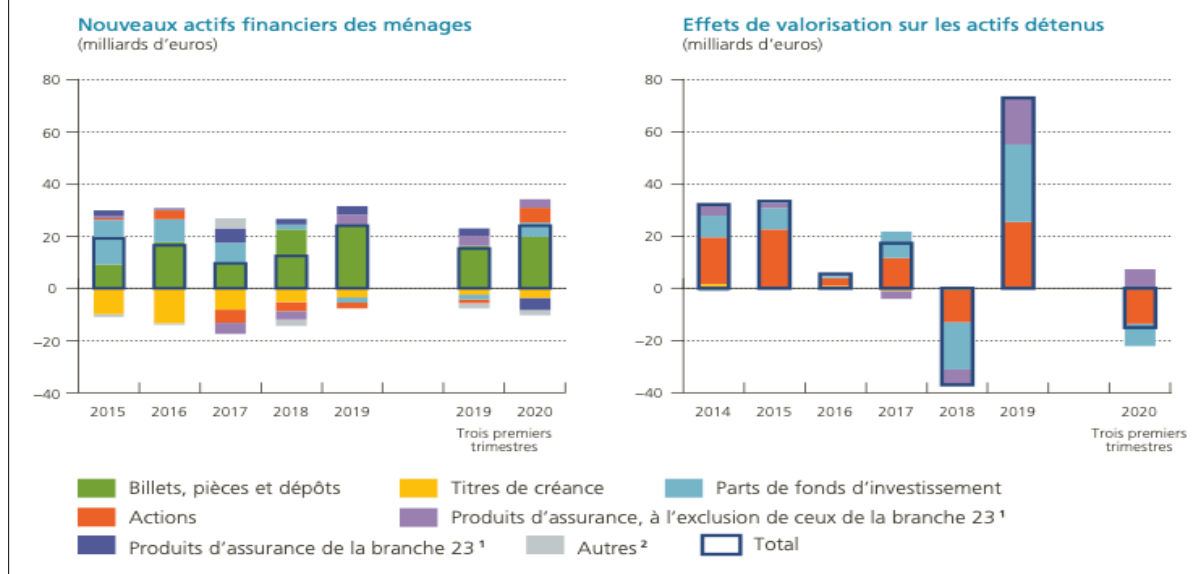
³ Belgian Financial Services and Markets Authority (FSMA), *Les achats et ventes d’actions du Bel20 effectués par des investisseurs privés pendant la crise du coronavirus : Étude quantitative réalisé sur la base des déclarations de transactions MIFIR* (27 Mai 2020), available at: https://www.fsma.be/sites/default/files/legacy/content/Presentation/etude_transactions_crisecoronavirus_fr.pdf.

⁴ Presentation of the President of the Belgian FSMA, *Webinaire Investisseurs de détail sur la bourse* (21 June 2021) available at: https://www.fsma.be/sites/default/files/media/files/2021-06/20210621_etude_investisseursdetail.pdf.

⁵ Banque Nationale de Belgique, *Rapport 2020 : Développements économiques et financiers* (12 February 2021) p. 175-176, *Graphique 63*, available at : <https://www.nbb.be/fr/articles/rapport-2020-developpements-economiques-et-financiers-0>.

Graphique 63

Faute d'opportunités et à titre de précaution, les ménages ont principalement constitué des actifs liquides



Source: Belgian National Bank, 2021 ([link](#)); **Translation title:** "In absence of choice and due to caution, households have mainly built liquid savings"; **left-hand side graph title:** "New financial assets of households"; **Legend:** (green) currency and deposits; (yellow) debt securities; (turquoise) investment fund units; (orange) equities; (purple) insurance products, except branch 23; (blue) branch 23 insurance products; (grey) other; (white) total.

Denmark

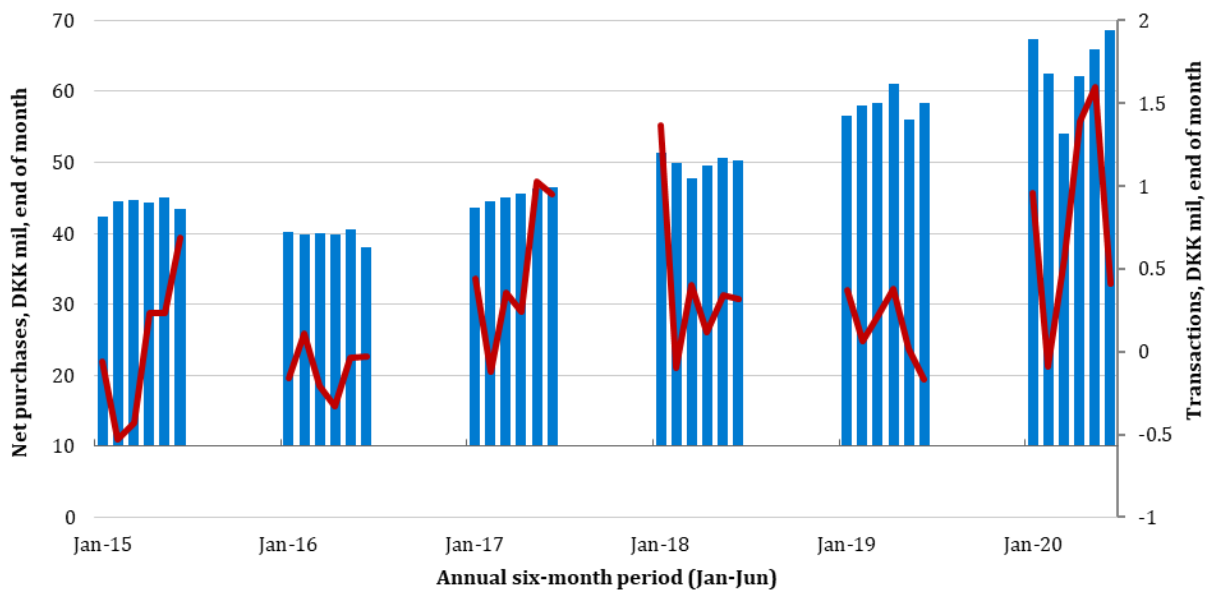
Input from BETTER FINANCE's member association in Denmark (the Danish Shareholder Association, DAF) reports also a high increase in the number of individual, non-professional investors in listed equities.

Data from VP Securities (part of Euronext) shows that in March 2020 the trading activity of Danish private investors increased by 163% compared to the same period last year, and during the six month period ending in August, the total trading activity of private investors increased by 89%, from DKK 39 bln in 2019 (March – August) to DKK 73.6 bln in 2020 (March – August).⁶

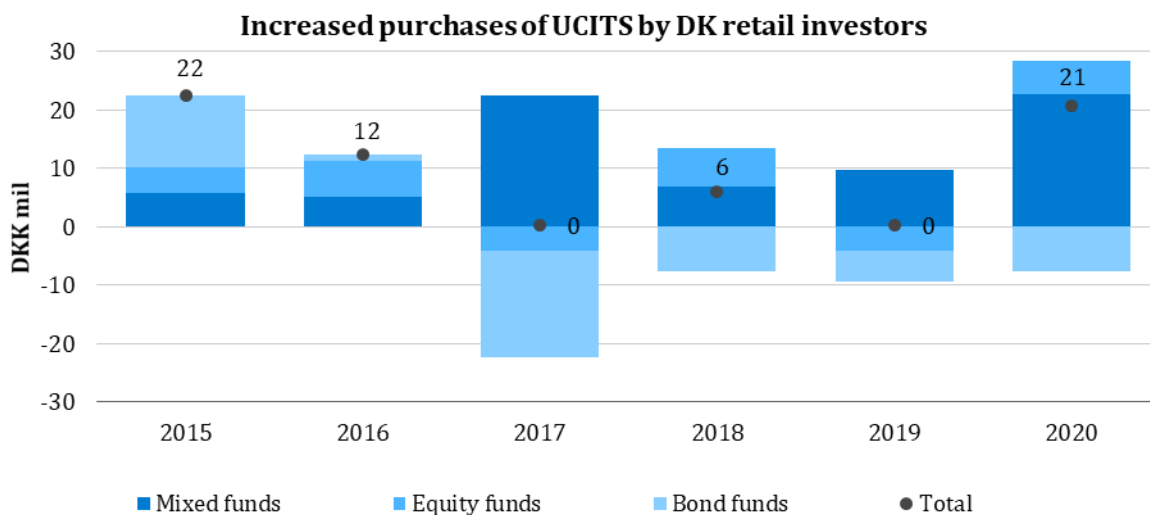
Data from the Danish Central Bank also reveals interesting findings on the behaviour of Danish private investors during the first waves of the COVID-19 pandemic. First, Danish private investors had an increased appetite for foreign shares in the first months of health-related restrictions, with the value of transactions and net holdings (at the end of the month) increasing significantly.⁷

⁶ Bjorn Stendorph Crepez, Nino Ziino, *What's driving the increased trading activity amongst Danish private investors?* (vp.dk, 9 October 2020), accessed 26 July 2021, available at : <https://www.vp.dk/News-and-Insights/News-List/2020/10/What-is-driving-the-increased-trading-activity>.

⁷ Danish Central Bank, *Stor Appetit Efter Udenlandske Aktier Under Coronakrisen* (2020), available at: https://www.nationalbanken.dk/da/statistik/find_statistik/Sider/2020/Portefoljeinvesteringer-20200728.aspx.



Source: National Banken DK



Source: National Banken DK, 2020; Note: Accumulated transactions of private Danes on an annual basis in Danish UCITS investment funds, excluding hedge funds.

The increased appetite for investing of Danish retail investors was observed also on the investment fund market. Data from the Danish Central Bank shows increased net purchases of Danish UCITS units.

France

According to the French National Statistics Institute (INSEE), the financial savings rate of French households almost tripled between 2019 and 2020 and set a new historical high, reaching 12.2% in 2020, or 5.2 p.p. higher than the previous record of 1975 (7%). In fact, the financial savings rate of French households in 2020 was the highest of the last 71 years (1950 – 2020), as shown in the graph below. Whereas in 1950, French households allocated around 6.9% of their net disposable income to financial assets, rate which was only topped 15 years later and which retracted to even 0% in 1987, it almost doubled by 2020.

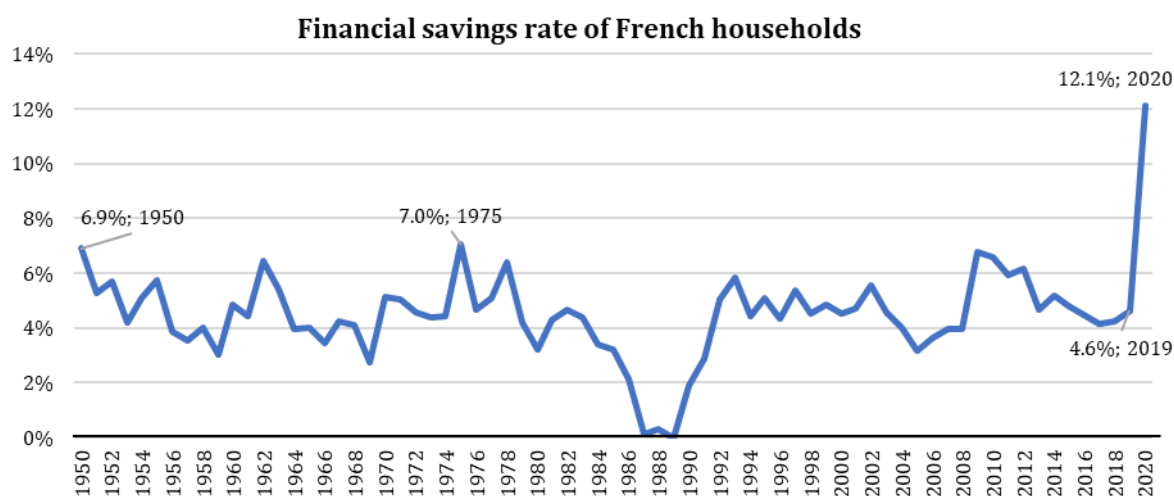
Not all these new savings went to direct capital market investments: according to the French Central Bank (Banque de France), the majority (87%) of net capital flows of French households

were directed to banking products (currency, current accounts and term deposits, €162.6 billion) and unit-linked insurances (€16.8 billion). However, equity investing saw a strong and significant increase in 2020: the net capital flows to listed equities stood at €13.1 billion in 2020, compared to the net value of € -2.3 billion in 2019 (divestment).⁸

Net capital flows of FR households	Annual amounts (€ bln)	
	2019	2020
Total	129.7	205.2
Currency and current accounts	48.5	95.8
Term deposits	40.2	66.8
Money market fund units (UCIs)	-0.9	-0.3
Capital guaranteed life insurances	39.5	-2
Direct held debt securities	-4.5	-1.6
Indirect held debt securities (UCIs)	-0.3	-0.2
Listed shares	-2.3	13.1
Other equities	19	18.5
Unit-linked life insurances	2	16.8
Indirectly held shares (UCIs)	-6.7	-1.8
Other	-4.8	0.1

Source: Banque de France 2021 ([link](#))

Nevertheless, most savings of French households were directed at banking products (term deposits, current accounts and currency holdings), representing 79% of net flows in 2020, followed by other equities (€18.5 billion) and unit-linked life insurances (€16.8 billion). It is worth mentioning the sharp increase of net flows in unit-linked insurances between 2019 (€2 billion net flows) and 2020 (€16.8 billion).



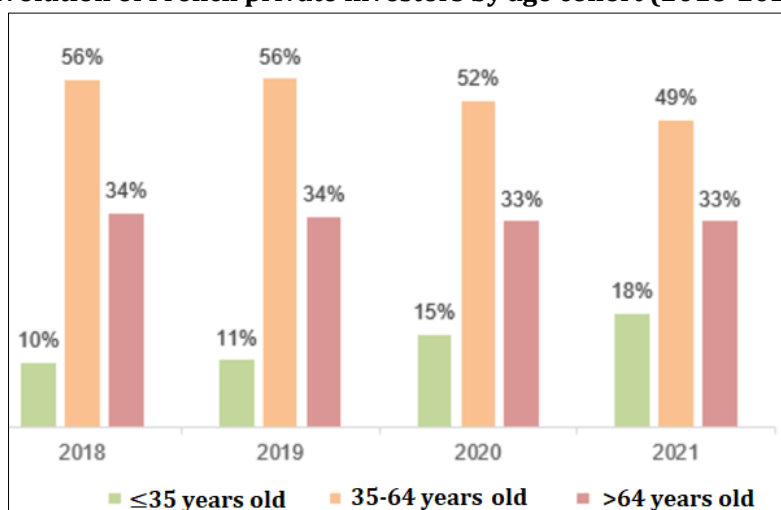
Source: INSEE 2021 ([link](#))

A study conducted for the French securities markets supervisor (AMF) revealed a 7 p.p. increase in the share of younger (≤ 35 years old) investors in French capital markets (from 11% to 18%), investor category which also increased its equities exposure from 2.3% to 4.4% in 2021 compared to 2019. The arrival of the younger generation to capital markets, sparked by the March-April 2020 volatility due to COVID-19 restrictions, brought down the median age of French individual investors from 58 years old in 2019 to 46 years old.⁹

⁸ Banque de France, *Présentation Trimestrielle de l'Épargne des Ménages* (2020Q4), 01/06/2021, available at : <https://www.banque-france.fr/statistiques/epargne-et-comptes-nationaux-financiers/epargne-des-menages/presentation-trimestrielle-de-lepargne-des-menages>.

⁹ AMF France, *La Lettre de l'Observatoire de l'Épargne de l'AMF* (43) July 2021, available at : https://www.amf-france.org/sites/default/files/private/2021-07/loe-43_2.pdf.

Evolution of French private investors by age cohort (2018-2021)

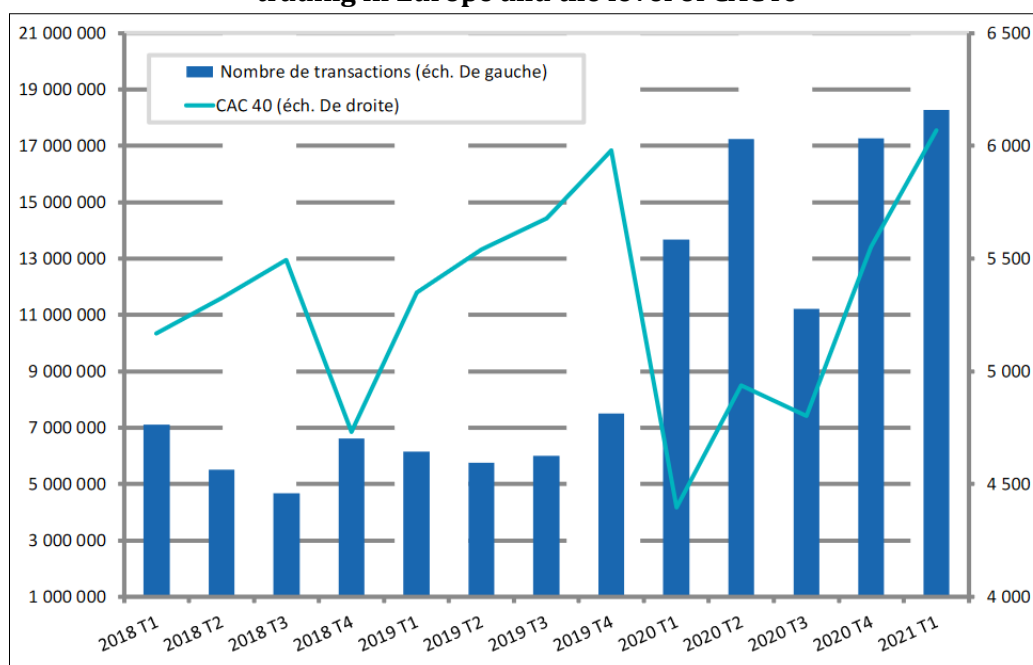


Source: AMF France 2021 ([link](#)), p. 2; legend replaced and translated by BETTER FINANCE

The number of French investors (i.e. those either holding a unit-linked contract or other securities) increased from 17.8% in 2019 to 19.1% in 2020,

However, compared to three years ago (2018) the trading activity of French non-professional shareholders increased significantly (ca. +140%) in 2020, reaching around 60 million trades in EU-listed shares, out of which around 25,000 were on the CAC40 (French large cap) index. Out of the 60 million equity trades executed in 2020, almost a quarter were transmitted only in the months of March and April 2020.

Quarterly number of trades executed for French individual investors on equities listed to trading in Europe and the level of CAC40



Source: AMF Report 2021 ([link](#)), p. 92

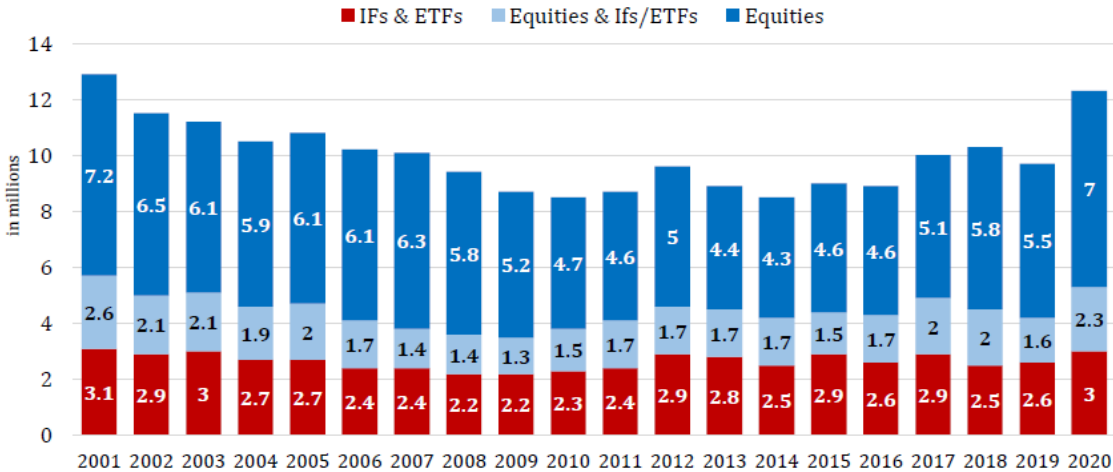
Another analysis on the trading activity of retail investors during the first wave of COVID-19 lockdowns shows an increase in stock acquisition from the SBF 120 during the period of 24/02 – 03/04/2020: around 580,000 retail clients bought on average three (3.3) new stocks, of which “more than 150,000 retail clients who had not made any direct financial investment transactions in 2018 and 2019” (these new investors were

significantly younger compared to the usual ones, i.e. 10-15 years younger).¹⁰ This represents a significant improvement considering that the weekly average net flow in 2019 was negative (divestment of €115 million, amounting to a decrease of €5.4 billion throughout the year), while the six weeks under observation in the first lockdown aggregated a net capital flow to SBF 120 equities of €3.24 billion.¹¹

Germany

According to figures published by Deutsche Aktieninstitut, the number of individual German shareholders reached the highest level of the past 19 years. In 2020, slightly below 12.4 million citizens in Germany owned individual stocks or equity-based investment funds (incl. ETFs). Compared to 2019, this is an increase of 27 per cent (2.7 million new savers overall). This corresponds to 17.5 percent of the population aged 14 and over in Germany, which is the highest number since 2001. The biggest increase came from ownership of mutual funds. 9.3 million citizens owned at least one investment fund (incl. ETFs), representing a 31 per cent increase to 2019 (2.2 million additional savers in this category). In 2020, 5.3 million Germans owned at least one individual stock, which is a 1.2 million increase compared to 2019 and represents a total of around 7.6 per cent of the population aged 14 years and over.

Evolution of capital market investments by private German investors



Source: BETTER FINANCE based on data from Deutsche Aktieninstitut, 2020 (link), p. 5

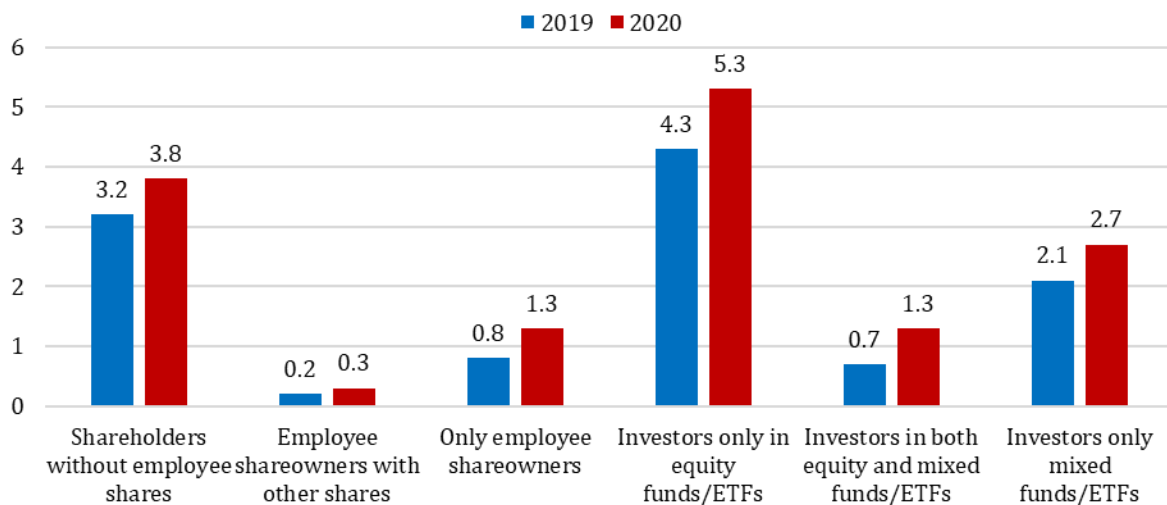
Another study about the *stock exchange hype* estimated that the German capital market welcomed at least 4 million new investors in 2020, and also pointed out to a record number of weekly downloads of a trading application (brokerage platform for retail investors) starting with the last quarters of 2020 and reaching a peak in the first quarter of 2021.¹²

Data from Deutsches Aktieninstitut¹³ also shows significant increase in the number of employee shareowners in Germany in 2020 compared to 2019. Around 1.6 million of direct shareholders

¹⁰ Autorité des Marchés Financiers, 'Retail Investor Behaviour During the COVID-19 Crisis' (April 2020) Markets Directorate, p. 5, 7 and 8, available at: https://www.amf-france.org/sites/default/files/2020-04/retail_investors_equities_march_2020_en.pdf.
¹¹ AMF study (above), p. 5.
¹² John Stanley Hunter, 'Börsenhype 2020: Mindestens vier Millionen Deutsche sind neu am Aktienmarkt' (financefwd.de, 11 February 2021) accessed 16 July 2021, available at: <https://financefwd.com/de/civey-boersenhype/>.
¹³ Methodological note: Deutsches Aktieninstitut refers to all women and men as "equity savers" who participate in the development of the equity market either directly with individual stocks or indirectly with funds or exchange traded funds (ETFs). Furthermore, Deutsches Aktieninstitut only collects data for individuals and not for households. Because of the possible overlap of the two groups - an investor can hold individual stocks as well as units in funds/ETFs - the two groups cannot be simply be added together. Therefore, the statistics of Deutsches Aktieninstitut distinguish: (1) Persons who only hold shares, but not fund units. ("shares only"), (2) persons who own only fund units but not shares ("funds/ETFs only"), and (3) persons who own both shares and units in equity funds ("shares and funds/ETFs"). Overlaps can also be found within the groups of shareholders and the group of investors in funds/ETFs.

are employee shareholders. This means that in 2020, around 550.000 more employees took the opportunity to buy shares of their employer at favorable conditions.

Evolution of the number of German private investors by asset type



Source: Deutsche Aktieninstitut, 2020 ([link](#)), p. 6

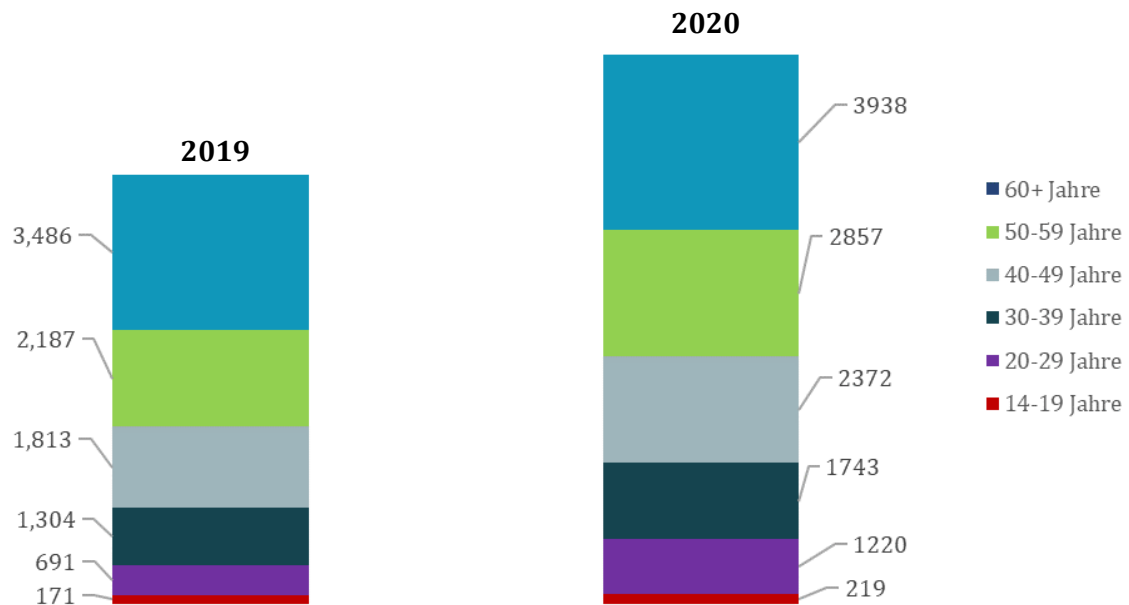
Data from the German Stock Institute also shows, distinguishing by asset type and source, significant increase in the number of employee shareowners in Germany in 2020 compared to 2019: around 500,000 more savers with only employee stock ownership plans, as well as around 500,000 new shareholders that do not hold at all employee equities. At the same time, the largest increase is observed in the numbers of investors that hold only units in equity funds or equity exchange-traded funds (ETFs), i.e. approximately 1,000,000 new investors.

In terms of age cohorts, the highest increase was observed with the youngest generation (14-29 years old), where the number of shareholders grew by 67%, followed by those aged between 30-39 years old, where 400,000 new savers bought shares (34% increase compared to 2019).¹⁴

Young people in particular started investing in the stock market as well. Almost 600,000 young adults under the age of 30 invested individual stocks or investment funds (incl. ETFs) – an increase of almost 70% compared to the previous year. This is by far the strongest increase of all age groups.

¹⁴ Deutsche Aktieninstitut, *Deutschland und die Aktie: Eines neue Liebesgeschichte?* (2020), p. 10, available at: https://www.dai.de/fileadmin/user_upload/210225_Aktionaerszahlen_2020.pdf.

Development of share ownership in Germany by age group



Source: Deutsches AktienInstitut, 2020

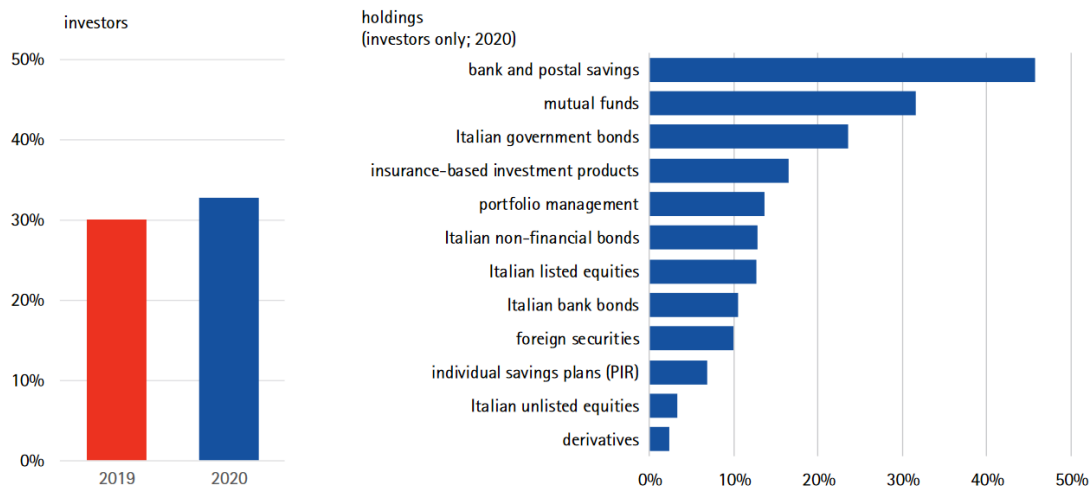
Italy

Although the situation in Italy has been more difficult due to the much stronger impact of the global health pandemic on the economy, there are still similarities in the behaviour of households during the first wave of lockdowns, reflecting an increased number of retail investors arriving to capital markets. The participation rate of Italian households in financial markets increased by 4 p.p. between 2019 and 2020 (from 30% to 34%),¹⁵ while the new investors (in 2020) represented 7% of the total active investors between 2018 and 2019.¹⁶ However, the most frequently held products by Italian non-professional investors are bank and postal savings, mutual funds, and Italian Government bonds, whereas listed equities are invested in by just above 10% of Italian individual investors.

¹⁵ Figure 6.1 of the CONSOB Report, p. 41, available here: <https://www.consob.it/documents/46180/46181/rf2020.pdf/ccfe7ad2-810f-4490-bd7e-413daa24c391>.

¹⁶ CONSOB Report, p. 19, available here: <https://www.consob.it/documents/46180/46181/rf2020.pdf/ccfe7ad2-810f-4490-bd7e-413daa24c391>.

Fig. 6.1 – Financial market participation and financial asset holdings

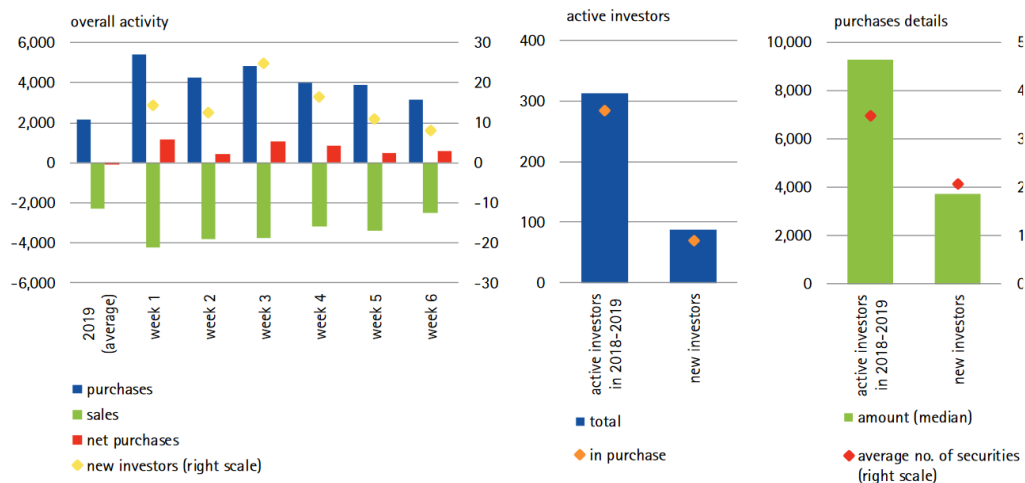


Source: CONSOB Report 2020 ([link](#)), p. 41.

In terms of retail trading, the first quarters of 2020 saw an increased trading activity of Italian retail investors on the equities of Italian companies included in the FTSE AllShare index between 24 February and 3 April 2020.

Fig. 2.13 – Italian retail investors activity on domestic equities during high volatility weeks due to the Covid-19 crisis

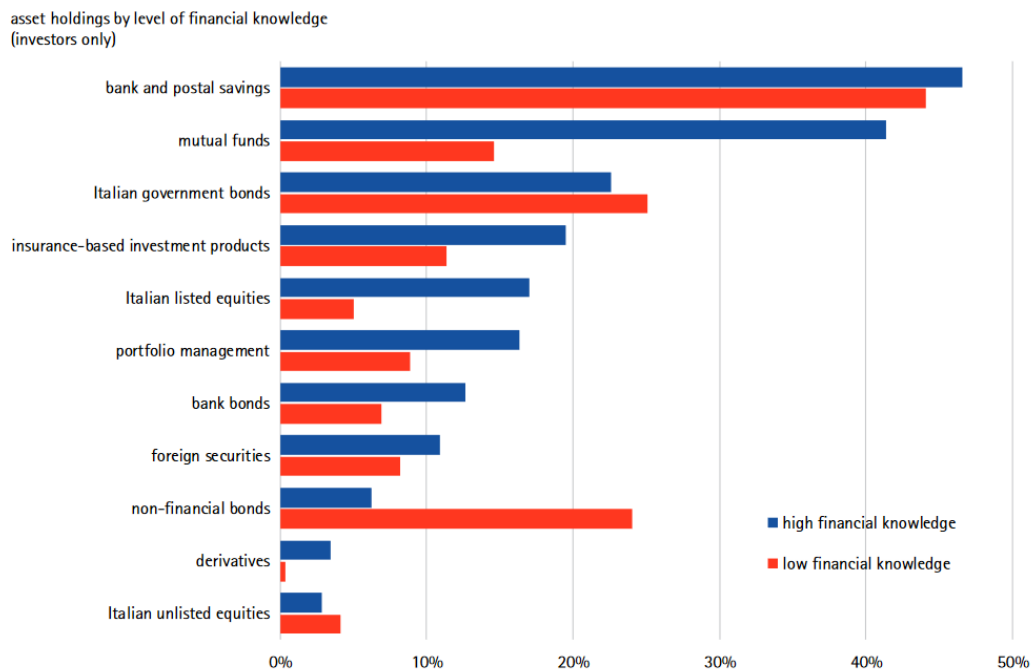
(24 February 2020 – 3 April 2020; weekly data; amounts in millions of euro; number of investors in thousands)



Source: CONSOB Report 2020 ([link](#)), p. 19

During the period under observation by CONSOB, Italian retail investors reached a net flow of capital into Italian equities of €4.5 billion (net purchases), which is considerably higher than the 2019 average (which is negative). Also interesting from the CONSOB survey is the acquisition and holding of financial assets by level of financial knowledge (self-assessment).

Fig. 6.2 – Asset holdings by financial knowledge



Source: CONSOB Report 2020 ([link](#)), p. 42

It seems that Italian retail investors who self-assessed as more financially literate (*high financial knowledge*) hold much more Italian listed shares and units in investment funds, but also more insurance-based investment products (IBIPs) and derivatives, while investors with a lower level of financial knowledge hold considerably more non-financial bonds (i.e. bonds issued by non-financial corporations), unlisted shares and Italian Government bonds.

Netherlands

Although data is not available for 2019, the health restrictions in 2020 have caused a surge in account openings in the Netherlands as well: as the data in the graph below shows, the number of private (individual, non-professional) investors in the Netherlands has reached the second highest value in the last 24 years (since 1997, with the exception of 2000-2001, which marked the start of what later became the dotcom bubble). Putting in a different perspective, the number of “retail” investors in the Netherlands has reached the highest point of the last 19 years, representing a 17% increase compared to 2018 (1.75 million vs. 1.5 million).