

PRESS RELEASE

## Examining the Letta and Draghi Reports: Opportunities & Challenges for EU Retail Investors

Brussels, 10 September 2024 – The European Union (EU) stands at a pivotal moment in its financial strategy, with two key reports providing new insights into unlocking the economic potential of mobilising €33.5 trillion in household savings. Former Italian Prime Ministers Enrico Letta and Mario Draghi have both presented crucial perspectives on how the EU can enhance retail investment and build a more robust Capital Markets Union (CMU). These reports, alongside the EU Commission's renewed focus on the Savings and Investments Union and the newly elected European Parliament and not yet fully formed European Commission, present an opportunity to reshape the financial landscape and enhance economic competitiveness. However, these initiatives must address critical gaps highlighted in [BETTER FINANCE's manifesto](#) to ensure EU retail investors truly benefit.

### Letta's Proposal: A Unified Retail Investment Product

Letta advocates the creation of a new retail investment product within the EU, designed with low fees, high diversification, and cross-border availability. This aims to simplify tax handling and boost investment confidence, tackling the issues that hampered previous EU-wide products like the Pan-European Pension Product (PEPP) and the European Long-Term Investment Fund (ELTIF).

#### Alignment with BETTER FINANCE:

- **Access to Simple, Cost-Efficient Investment Products:** Letta's proposal resonates with BETTER FINANCE's call for easy access to listed equities, bonds, and index ETFs. A diversified, low-fee vehicle aligns with BETTER FINANCE's goal of offering EU savers more transparent and cost-effective investment options.

#### Missed Opportunity:

- **Independent Investment Advice:** BETTER FINANCE underscores the importance of independent investment advice to guide consumers towards the right products. While Letta's report centres on product innovation, it lacks provisions to improve access to independent advice, potentially leaving retail investors without the support they need to navigate complex financial decisions.

### Draghi's Report: Channelling Household Savings into Productive Investments

BETTER FINANCE fully supports Mario Draghi's call for a €800 billion fund to strengthen Europe's competitiveness and prevent the EU from falling further behind the US and China in technology, productivity, and income growth. As Draghi cautions, the alternative is "a slow agony" for Europe. However, this alone is not enough. To succeed, Europe must also tap into its vast private capital, including the €33.5 trillion in household savings. Achieving this requires completing Enrico Letta's proposed "Savings & Investments Union", which would address the misallocation of EU savings and direct them towards the real economy—particularly the green and digital transitions.

Draghi's report shares many of BETTER FINANCE's priorities, notably the need to channel household savings more effectively into productive investments. It highlights how, despite the substantial savings of EU households, these funds are not being efficiently directed into

financial markets, resulting in lower returns for European savers compared to their US counterparts.

#### **Alignment with BETTER FINANCE:**

- **Improving Capital Market Efficiency:** Like BETTER FINANCE, Draghi's report stresses the importance of enhancing capital market efficiency and incentivising retail investors through long-term savings products, particularly pension schemes. This is key to building a more investor-friendly financial ecosystem that supports EU savers and fosters sustainable economic growth.

#### **Missed Opportunity:**

- **Focus on Completing the CMU:** BETTER FINANCE is disappointed by the lack of greater focus in Draghi's report on the urgent need for a fully realised Capital Markets Union (CMU). While the CMU is essential for mobilising European savings and fostering long-term growth, Draghi's analysis falls short in exploring how it could reduce fragmentation and improve access for retail investors.

### **A Savings and Investments Union**

President Ursula von der Leyen's commitment to revitalising the CMU aligns with both Letta and Draghi's visions of establishing a more integrated "Savings and Investments Union". This initiative seeks to harmonise regulatory frameworks, attract private capital, and finance the EU's green and digital transitions.

#### **Alignment with BETTER FINANCE:**

- **Strengthening Investor Protection:** Both Letta's proposal and the CMU revival seek to enhance investor protection by improving regulatory oversight and ensuring more effective market supervision. These efforts align with BETTER FINANCE's advocacy for stronger investor protection mechanisms across the EU.

#### **Missed Opportunity:**

- **Digital and Consumer-Centric Transition:** BETTER FINANCE stresses the importance of a consumer-centric digital transition in financial services, including enhanced transparency and accessibility through digital tools. While Letta's report mentions digital enhancements, it does not provide detailed strategies for ensuring comprehensive consumer protection and transparency in digital financial services, which could hinder retail investor confidence in new investment products.

### **Challenges and Considerations**

Despite the promising potential of both the Letta and Draghi reports, challenges to political and regulatory harmonisation persist. Resistance from member states benefiting from current financial practices continues to hinder the seamless integration of EU capital markets and regulatory frameworks.

### **Towards a More Inclusive EU Capital Market**

*"The initiatives presented by Enrico Letta and Mario Draghi, alongside the EU's Capital Markets Union (CMU) revival, represent significant steps towards mobilising household savings for economic growth,"* said Alexandra Mączyńska, Managing Director at BETTER FINANCE. However, she added that calls for changes in competition law enforcement and the potential

outcomes for citizens should be approached with caution, drawing on her experience working for the Polish consumer watchdog prior to joining BETTER FINANCE.

To fully realise the potential outlined in these reports and BETTER FINANCE's manifesto, EU policymakers must prioritise regulatory clarity, consumer-centric digital innovations, and robust investor protections. By addressing these challenges, the EU can foster a more competitive and resilient capital market that empowers retail investors, supports sustainable growth, and secures Europe's position as a global financial leader.

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