

**PRESS RELEASE**

**The Report of the High-Level Forum on the European Capital Markets Union (CMU):**

**European Savers one step closer to getting Sustainable Value for their Money**

**Brussels, 10 June 2020** – A little over 6 months after the European Commission (EC) launched its High-Level Forum (HLF) on the Future of CMU, the group of 28 experts has now published its [“New Vision for Europe’s Capital Markets”](#) with a list of key recommendations. Several of those have been proposed by BETTER FINANCE and endorsed by the Group, which is good news for EU Citizens as Financial Users.

BETTER FINANCE’s Managing Director, Guillaume Prache, was one of the only two representatives of EU Citizens as Savers and Investors out of the 28 HLF members. Despite being dwarfed by the at least 18 members representing financial intermediaries or working for them (including six executives of extra-large US financial institutions), BETTER FINANCE is pleased, and grateful for the EC’s help, that it could get through - at least partly - many of its [Key Priorities](#) published last year.

***A CMU that works for people***

Achieving “a CMU that works for people” has been a priority for BETTER FINANCE since 2015, when the European Union (EU) laid the foundation for a CMU that would at long last create the single market for capital and investment services decided more than 60 years ago in the Treaty of Rome, develop more direct funding for the real economy and provide better returns for EU citizens as pension savers:

***“European citizens as long-term savers and individual investors - who are one of the primary funders of the capital markets and of the economy - too often get poor net long-term real returns. Providing cross-border access to simple, comparable, cost-efficient and transparent products that provide sustainable value for money is key for savings, and key for investments.”*** (The Chair’s preface of the HLF Report)

Some of the recommendations are outlined below, while the entire list can be consulted in the annex to this press release.

***Curbing conflicts of interests in Distribution***

The most important step in giving EU citizens as investors access to simple and cost-efficient investment products, is to ensure they get fair financial advice. To this end, the HLF stops short of recommending a ban on kickbacks (“inducements” in EU jargon) to “non-independent “ (sic) retail distributors - as the Netherlands and the UK did - but asks the European Commission to examine, in particular, “*the role of inducements for the adequacy of advice*” and “*how the inducement rules under IDD can ensure a sufficient level of consumer protection consistent with the investor protection standards applicable under MiFID II for insurance-based investment products* “. These studies should be followed-up by appropriate legislative proposals.

***Towards clear, fair, non-misleading and comparable key information disclosures***

In addition, the report heeds BETTER FINANCE’s long-standing calls to improve the disclosure of key information for packaged retail and insurance-based investment products (“PRIIPs”) by asking the European Commission “*to review as soon as possible, and in sufficient time to avoid a conflict with the expiry of the exemption for UCITS, the PRIIPs Regulation to address the issues raised by most stakeholders regarding intelligibility and comparability of information and the coherence with MIFID information rules, in particular for performance and cost disclosures.*” Proper and clear disclosure documents are a prerequisite to enable consumers to compare products and make informed investment decisions.

### ***Restore people's trust in equity markets***

The HLF also recommends to stop excluding individual investors in listed equities and bonds from the current EU collective redress regulatory project, and to promote employee share ownership plans (ESOPs) as a powerful way to better fund SMEs (to date, US ESOPs have invested ... one hundred times more into unlisted SMEs than European ones) and to revive the equity culture, damaged by decades of biased retail advice. The exercise of voting rights by individual shareholders should also become less of a struggle.

### ***Other people's money***

*“Although we are pleased to see that EU Citizens as savers are discreetly finding their rightful place at the heart of the Capital Markets Union,” stresses Guillaume Prache, “a fundamental misunderstanding of the “raison d’être” of capital markets, and who they are for, remains: they are not primarily for financial intermediaries, they are for the real economy users and providers of capital: the businesses in need of capital to grow and the end investors who provide this capital. And who are these providers of capital, investing directly or via pension funds, investment funds or insurance-based investment products? The EU citizens as savers.”*

Mr. Prache also emphasises the need for a robust political backing of these recommendations: *“it is too early to declare victory. Restoring much-needed trust amongst individual investors will only be possible if policymakers take this report into account and seriously engage with its “game changing” proposals.”*

BETTER FINANCE will closely follow and monitor the progress.

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➔ [See next page for Annex: “HLF CMU Final Report’s Recommendations compared to BETTER FINANCE Key Priorities \(2019-2024\)”](#)

**PRESS RELEASE ANNEX**

**HLF CMU Final Report’s Recommendations compared to BETTER FINANCE Key Priorities (2019-2024)**

This table lists the BETTER FINANCE key priorities (in bold) and the way they are taken on board in the concrete recommendations put forward by the Final Report of the High Level Forum on the Future of the Capital Markets Union (HLF CMU) side-by-side.

The HLF CMU final report covers all BF Key Priorities put forward in order to create a CMU that restores trust of citizens in the financial industry, defuses the pensions time bomb and increases the attractiveness of EU capital markets. HLF CMU’s recommendations endorsed 16 out of our 35 key measures.

The list below is not exhaustive but focuses on the most relevant (the “must-haves”) for individual investors.

BF Key Priorities 2019 - 2024	HLF CMU recommendations
<p><b>Better access to simple and transparent products</b> 1) “A better alignment of distributors’ incentives with clients’ returns by minimising conflicts of interests in the distribution...”</p> <p><b>Ensure the consistency of all EU financial user protection rules</b> 2) “Eliminate inconsistencies between existing investor and policyholder protection rules (e.g. MiFID II and PRIIPs, IDD and IBIPs) (...) in particular conflicts of interests”</p>	<p><b>Issues &amp; Game changers:</b></p> <ul style="list-style-type: none"> <li>• “need for the Commission to investigate the role of inducements” ⇒ “study on the role of inducements for the adequacy of advice.”</li> <li>• “more harmonised rules on inducements in sectorial legislation” ⇒ “Amendments to IDD, MiFID II to improve the fairness and quality of financial advice”</li> </ul>
<p><b>Make the European capital markets more attractive for EU citizens as savers and investors</b> 3) “ensure proper enforcement of EU rules against mis-selling” 4) “use taxes as an incentive, not as a punishment” 5) “increase the responsibility of institutional investors”</p> <p><b>Ensure fair and equal access to redress</b> 6) “Introduce common rules for collective redress for all EU investors”</p>	<p><b>Issues &amp; Game changers:</b></p> <ul style="list-style-type: none"> <li>• “The citizens’ trust in capital markets should be further strengthened by ensuring that instruments for collective redress have the appropriate scope and are effective” ⇒ “The HLF calls on co-legislators to not discriminate individual direct investments by retail investors in equity and fixed income instruments, by including them in the scope of the Directive on representative actions for the protection of the collective interests of consumers (...) through the inclusion of MAR, and SRD in its Annex I.”</li> <li>• “lack of harmonisation and standardisation across Member States of rules governing the attribution of entitlements to and shareholders’ exercise of voting rights” ⇒ “put forward a proposal for a Shareholder Rights Regulation to provide a harmonised definition of a ‘shareholder’ at EU level”</li> <li>• “management of complex and divergent corporate action processes across Member States also remains inefficient and costly” ⇒ “amend the Shareholders Rights Directive 2 (SRD 2) and its Implementing Regulation to clarify and further harmonise the interaction between investors, intermediaries including CSDs and issuers/issuer agents with respect to the exercise of voting rights and corporate action processing”;</li> <li>• “the use of new technology has the potential to deliver efficiency improvements (...) and facilitate the exercise of shareholder rights in a cross-border context”</li> </ul>

	<ul style="list-style-type: none"> <li>⇒ <b>“facilitate the use of new digital technologies to (i) enable wider investor engagement (...) and (ii) make corporate action and general meetings processes more efficient”.</b></li> <li>• <b>“A single EU system would allow to get an immediate relief at source on withholding taxes for investment income”</b> <ul style="list-style-type: none"> <li>⇒ <b>“The Commission is invited to set out in EU law common definitions, common processes, and a single form, relating to withholding tax relief at source procedures and their streamlining”</b></li> </ul> </li> <li>• <b>“The EU has been suffering from a chronic shortage of financing for companies that have a potential to grow into global players as well as for long-term investments required for environmental sustainability”</b> <ul style="list-style-type: none"> <li>⇒ <b>“The Member States are invited to simplify the tax rules applicable to European Long-term Investment Funds (ELTIFs) and/or preferential tax treatment for ELTIFs. In addition, Member States should consider tax incentives to promote long-term investment into SMEs through ELTIFs.”</b></li> </ul> </li> </ul>
<p><b>Improve the competitiveness of European capital markets for SMEs</b></p> <p>7) <b>“Increase the attractiveness of EU stock exchanges for EU SMEs”</b></p> <p>8) <b>“Strengthen the IPO market in Continental Europe...”</b></p>	<p><b>Issues &amp; Game changers:</b></p> <ul style="list-style-type: none"> <li>• <b>“Ensuring that SMEs do not face a disproportionate administrative burden and costs of compliance with listing requirements, including market abuse, will reduce their reluctance to list on public markets”</b> <ul style="list-style-type: none"> <li>⇒ <b>new definition for SMEs (“Small and Medium Capitalisation Companies”);</b></li> <li>⇒ <b>“IPO transitional periods”,</b> through alleviating listing requirements to <b>“benefit from a transition period of up to maximum of 5 years for the application of certain elements of relevant legislation”</b></li> <li>⇒ <b>“Creation of a pan-EU Public-Private IPO Fund backed by the EU”</b></li> <li>⇒ <b>“Exempt research in SMEs from unbundling rule in MiFID II”</b></li> <li>⇒ <b>“Alleviations to Prospectus”</b> in terms of deadlines, length, thresholds and passporting.</li> </ul> </li> <li>• <b>“The lack of easily accessible, reliable, understandable and comparable public information is one of the reasons why companies (...) struggle to attract investors”</b> <ul style="list-style-type: none"> <li>⇒ <b>“Propose legislation for ESMA to establish an EU-wide digital access platform (EU Single Access Point, or “ESAP”) to companies’ public financial and non-financial information, as well as other financial product or activity-relevant public information”</b></li> </ul> </li> </ul>
<p><b>Better access to comparable, fair, clear and not misleading information</b></p> <p>9) <b>“(…) urgently review the PRIIPs Regulation”</b></p> <p>10) <b>“Simplify and standardise the key information documents”</b></p> <p>11) <b>“create public or at least independent EU-wide web-based comparison tools”</b></p> <p>12) <b>“differentiate between inexperienced and experienced investors...”</b></p>	<p><b>Issues &amp; Game changers:</b></p> <ul style="list-style-type: none"> <li>• <b>“disclosure rules need to be re-assessed with a view to making them more coherent, more understandable for retail investors and accessible in a digitally friendly way”</b> <ul style="list-style-type: none"> <li>⇒ <b>“The Commission is invited to review as soon as possible, and in sufficient time to avoid a conflict with the expiry of the exemption for UCITS, the PRIIPs Regulation to address the issues raised by most stakeholders regarding intelligibility and comparability of information and the coherence with</b></li> </ul> </li> </ul>

	<p><i>MIFID information rules, in particular for performance and cost disclosures</i></p> <p>⇒ <i>“The Commission is also invited to carry out an in-depth analysis and assessment of all relevant rules in place and their implementation,”</i></p> <p>⇒ <i>“Commission should ensure that disclosure under the PRIIPS KID is adequate and meaningful to allow for reasonable comparisons of key product features, including long term past performance of the investment products and of their benchmark”</i></p> <ul style="list-style-type: none"> <li>• <i>“streamlined rules on disclosure could facilitate the creation of more effective investment product databases and comparison tools”</i> <ul style="list-style-type: none"> <li>⇒ <i>“The Commission should consider ways to promote the development of independent web-based comparison tools for investment products”</i></li> </ul> </li> <li>• <i>“A new category of qualified investors or a possibility to opt in as professional investors would provide more experienced clients with better tailored disclosure of information”</i> <ul style="list-style-type: none"> <li>⇒ <i>“create a new category of non-professional qualified investors [...] or amends the definition of professional investors under MiFID II”</i></li> </ul> </li> </ul>
<p><b>Improve long-term and sustainable value creation</b> 13) “Follow-up on <b>employee share ownership best practices</b> with a CMU ‘Action’”</p>	<p><b>Issues &amp; Game changers:</b></p> <ul style="list-style-type: none"> <li>• <i>“the use of Employee Share Ownership schemes should be promoted in the EU as a way to encourage citizens’ participation in capital markets and develop an equity culture”</i> <ul style="list-style-type: none"> <li>⇒ <i>“The Commission is invited <b>to promote together with Member States the use of ESO across the EU.</b> To this end, the Commission should explore which EU funds could be used to support this objective”</i></li> </ul> </li> </ul>
<p><b>Promote investor education as key to the success of a real CMU</b> 14) “<b>require distributors</b> [...] to improve the financial education of their staff members”</p>	<p><b>Issues &amp; Game changers:</b></p> <ul style="list-style-type: none"> <li>• <i>“A certificate for financial advisors – and their better training – would ensure the adequate level of qualifications, knowledge and skills for professional advisors”</i> <ul style="list-style-type: none"> <li>⇒ <i>“The Commission is invited to table a proposal for establishing <b>a pan-European quality mark (label) for European financial advisors</b>”</i></li> </ul> </li> <li>• <i>“Increased financial literacy, including through mechanisms, such as Employee Share Ownership schemes, and nudges at important stages of life (..) helps empower citizens...”</i> <ul style="list-style-type: none"> <li>⇒ <i>“The Commission is invited to promote together with Member States the use of ESO across the EU “</i></li> </ul> </li> <li>• <i>“Member States should also support measures that support financial guidance to consumers in relation to investing and pension saving”</i> <ul style="list-style-type: none"> <li>⇒ <i>“Member States should set up national financial guidance bodies for consumers”</i></li> </ul> </li> <li>• <i>“Increased financial literacy would result in higher retail investor participation which would help EU capital markets grow”</i> <ul style="list-style-type: none"> <li>⇒ <i>“The Commission should propose to <b>review the Council Recommendation “Key Competences on</b></i></li> </ul> </li> </ul>

	<p><i>Lifelong learning</i>” to introduce financial competence<sup>27</sup> as a stand-alone key competence”</p> <p>⇒ “The Commission should set up an <b>EU competence framework</b> on financial competence and <b>facilitate its uptake in working groups for Member States</b>”.</p>
<p><b>Sustain the EU support to the involvement of financial services users in EU policy making</b></p> <p>15) “ensure that independent experts from user organisations are <b>adequately represented and compensated...</b>”</p> <p><b>Increase the efficiency of EU institutions’ procedures”</b></p> <p>16) “enhance supervision of Product Oversight and Governance requirements...”</p>	<p><b>Issues &amp; Game changers:</b></p> <ul style="list-style-type: none"> <li>• “The HLF supports strengthening ESMA and EIOPA’s rule making powers (...) including by reforming their governance and strengthening their powers and toolkit...”       <ul style="list-style-type: none"> <li>⇒ “strengthening or, where appropriate, introducing powers to prohibit or restrict the marketing, distribution or sale of certain financial products, instruments or activities”</li> <li>⇒ “ensuring that there is balanced representation in the stakeholder groups between industry representatives and retail user/consumers, and enforce the “adequate compensation “rule for not for profit non-industry representatives (Article 37)”</li> <li>⇒ “introducing new or additional provisions in (...) and the relevant Union sector legislation (...) to put ESMA/EIOPA in charge of further <b>harmonising national approaches regarding administrative practices</b>”</li> <li>⇒ “strengthening ESMA’s existing sanctioning powers to ensure that they are effective”</li> </ul> </li> </ul>