

JOINT STATEMENT

Retail Investment Strategy: A “compromise” that undermines the Capital Markets Union and harms retail investors.

13 March 2024 | The Retail Investment Strategy (RIS) compromise currently on the table for a European Parliament vote blatantly disregards the interests of retail investors and the establishment of a competitive Capital Markets Union (CMU). Should Ms Yon-Courtin's proposed compromise be approved by the ECON committee on 20th March and subsequently put to a plenary vote one month later, it would signify a capitulation to the interests and pressures of the incumbent financial industry. This decision would neglect the financial well-being of households across Europe and would push the Capital Markets Union further out of reach.

BETTER FINANCE, BEUC and Finance Watch are deeply concerned to learn that the European Parliament's Economic and Monetary Affairs (ECON) Committee plans to vote on 20 March on a series of amendments that will completely wipe out the substance of the European Commission's proposal for a Retail Investment Strategy.

Our organisations, representing the interests of European citizens as consumers, individual investors and savers, have long criticised the lack of advice on, and promotion of, simple, cost-efficient capital market investment products such as ETFs, listed equities and bonds to EU citizens. We have highlighted the opacity, complexity, market fragmentation and conflicts of interest plaguing the dominant distribution system for retail investment products. These issues largely stem from the payment of sales commissions ('inducements') from product manufacturers to retail distributors, even for non-advised sales (“execution-only”).

BETTER FINANCE, BEUC and Finance Watch welcomed the Commission's proposals to ban inducements at least for non-advised sales, and to require investment firms and life insurers to quantify and justify the costs of their products in relation to their expected performance ('value for money').

We are, therefore, extremely disappointed to see that some Parliament negotiators are putting the interests of national financial industry players above that of European citizens. Consumers need higher-quality long-term retail investment products, greater transparency, and, crucially, trustworthy financial advice but the current regulatory framework has failed them. This needs to be addressed to fix the dysfunctional European retail investment market and to boost the Capital Markets Union which would significantly enhance funding opportunities for firms and boost retirement savings.

The outcome of the ECON committee vote on the RIS on 20 March will reveal to all EU citizens whether their representatives prioritise citizens' interests over the profit margins of the financial industry. We call on all members of the ECON Committee to recognise the historic responsibility placed upon them by rejecting the proposals which would unravel the RIS. Instead, we ask ECON to strengthen the Commission's proposal by reducing conflicts of interest, enhancing product quality, and ensuring greater accountability by a ban on inducements for non-advised sales and the introduction of effective value for money rules.