

**FOR IMMEDIATE RELEASE****RETURN CAPITAL MARKETS TO THEIR NATURAL PARTICIPANTS**

**Brussels, 06 May 2015** – Ever since the idea of a European Capital Markets Union (CMU) was revived in July 2014, there seems to be a consensus across the board that broadening and deepening EU Capital Markets - in order for these to complement the struggling and costly banking sector in the financing of the European economy – will be key to achieve the hitherto elusive growth Europe seeks. Views on what the CMU might finally look like diverge significantly though, as it remains to this day “a concept under construction”.

As European policymakers start hammering out the details, Guillaume Prache, managing director of Better Finance, points to the fact that “*for the Capital Markets Union to succeed, European citizens, as individual investors and savers, should be at the heart of the project*”.

The European Commission itself stated that EU households are the main source of long-term financing for the real economy. Despite this recognition, individual European citizens run the risk of being sidelined and dismissed by the future architects of the CMU as being too risk averse and short-term oriented.

Nonsense says Prache: “*with 62% of financial savings by EU households invested in long-term investment products and a significantly larger share of individual investors in small and mid-caps than large caps, European households, by comparison and contrary to conventional wisdom, prove themselves to be less risk-averse and more long-term oriented than institutional investors are*”.

Over the years the European economy degenerated into a financial type of capitalism where the link between owners and issuers of securities (the real economy) has been severed, and where decision-making power finds itself increasingly in the hands of financial intermediaries as “agency” owners. Better Finance believes that it is time to “return capital markets to their natural participants” if the CMU is to stand any real chance of reinforcing the real economy.

We’re at a crossroads where we must choose between leaving capital markets in the sole hands of a few financial institutions or seize this unique opportunity we’re presented with, to rethink how capital markets work, bring the different market participants together and restore much-needed trust.

For too long individual investors and savers have been crowded out of equity markets and pushed into under-performing packaged products. The fragmentation of equity markets has meant that individual savers and investors have, for all intents and purposes, been limited to data on, and transactions in, regulated venues, while the

larger part of transactions are now being executed in the 'dark' by "professional" players.

To ensure long-term growth it will be crucial to rehabilitate equity investment across the board and ensure a level playing field for all market participants. A Capital Markets Union is a potentially great idea that deserves input by all stakeholders involved. If it can help reconnect those companies and projects that need capital with those who have it and want to invest it, then it may well succeed in what it set out to accomplish in the first place.

Naturally, restoring easy access to equity markets for individual investors in Europe will not eliminate the need to improve the long term net returns of intermediated - "packaged" - investment products. With a view on diversifying risk and benefitting from asset management expertise, such products will - and should - remain the main vehicles for individual long term investments. In this light it will be indispensable to address the acute lack of adequate, clear and reliable information on the price of packaged investments (total fees) and real net performance... future and past.

Better Finance supports the creation of a Capital Markets Union that will restore equities to their rightful place, whilst simultaneously help reduce the costs charged by intermediaries who stand between the investor and the companies operating in the real economy.

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**INTERNATIONAL CONFERENCE - A CAPITAL MARKETS UNION FOR GROWTH, JOBS AND CITIZENS:** Better Finance invited stakeholders to discuss the concept of a Capital Markets Union at its international conference on 6May in Brussels. Lord Hill, Commissioner for Financial Stability, Financial Services and Capital Markets Union, addressed the conference, as well as other prominent speakers such as MEPs Philippe de Backer, Markus Ferber, Elisa Ferreira, Sven Giegold and Morten Messerschmidt and Olivier Guersent (DG FISMA), Rainer Riess (FESE), Richard Wane (Vanguard Group), David Wright (IOSCO) and Manuela Zveimüller (EIOPA).

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Briefing Paper: "An EU Capital Market Union for Growth, Jobs and Citizens" - please find the briefing paper in attachment.

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