BETTER FINANCE FOR ALL
The European Federation of Financial Services Users
Fédération Européenne des Usagers des Services Financiers

FOR IMMEDIATE RELEASE

"Effective consumer and investor protection will need to be at the heart of the CMU"

(EU Commissioner Hill at the Better Finance Conference on the CMU, 6 May 2015)

The Capital Markets Union is about attracting household savings to put them to work for the long term financing of the European economy.

Brussels, 19 May 2015 – European companies have been struggling to attract funding as a result of an excessive reliance on diminishing bank financing.

Yet, there is an abundance of investable private capital in Europe, with households desperately looking for positive real returns on their savings in an ongoing climate of low interest rates, high fees, high complexity of investment products and financial repression.

This reality has not gone unnoticed and in 2013 the European Commission acknowledged that European "*households are the main source of funds to finance investment*". Individual investors and savers should therefore be at the centre of the Capital Markets Union, the European initiative to reduce over-reliance on banks, find alternative sources of funding and foster the supply of long-term financing.

In his speech at the Better Finance CMU conference, **Commissioner Hill** - responsible for Financial Stability, Financial Services and the Capital Markets Union – personally stressed that "***the Capital Markets Union will not work unless it works for individual savers and investors***".

In order to make it work for them, policy makers should start by getting rid of the high barriers to individual shareholder engagement in the real European economy. Sadly however, and despite the efforts of Better Finance, the current parliamentary discussion on the revised Shareholders Rights Directive (SRD) seems to blatantly ignore this CMU priority, as pointed out at the conference by the vice chair of the European Parliament's **ECON Committee Markus Ferber**: "***I am concerned that the Shareholders Rights Directive is turning into the*** "***Intermediaries Rights Directive***".

Besides restoring easy access to equity markets for individual investors in Europe, the Capital Markets Union will need to look at improving long term net returns of intermediated – 'packaged' – investment products as a matter of urgency. As it stands, dismal returns are largely to blame on the high – and often not properly disclosed - fees charged by intermediaries who stand between the individual investor and the companies. According to **Sven Giegold, the Green MEP spokesman,** "***when you have,***

say, a fund investing in shares, and you demand from a consumer 1,5% in fees per year [...], then this is simply a form of organised robbery."

After all is said and done, without trust in the financial system, capital markets will simply fail to attract individual savers and investors back. "*How do we rebuild trust?*" asks **David Wright, Chair of IOSCO**[1], the worldwide organisation of financial supervisors. His answer "*won't please everybody:* ***for those who miss-sell products deliberately, it should be jail****. Jail! I'm tired of listening to people whose lives have been ruined by deliberate miss-selling of products*."

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Interviews & Conference video: Watch "**An EU Capital Market Union for Growth, Jobs and Citizens"** video here.

EC Consultation: Read the Better Finance Response to the European Commission consultation on "**Building a Capital Markets Union**" here.

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

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[1] IOSCO: The International Organization of Securities Commissions