



# Capital Markets Union (CMU) and Retail Investment Strategy (RIS)

## ■ Why does it matter to intermediaries?

The EU **Capital Markets Union (CMU)** is a plan to create a Single Market for capital. The aim is to get money - investments and savings - flowing across the EU to benefit consumers, investors and companies, regardless of where they are located.

A first **Green Paper** on CMU was published in 2015, followed by various follow-up measures, a key one being the 2020 **CMU Action Plan** setting out 16 legislative and non-legislative measures, including actions of importance for intermediaries, such as increasing the quality of financial advice and an assessment and review of the rules related to inducements, investment advice and information disclosure.

Regarding the latter, the Commission has prepared a **Retail Investment Strategy (RIS)** which should focus on the interests of individual investors:

*"An individual investor should benefit from: (i) adequate protection, (ii) bias-free advice and fair treatment, (iii) open markets with a variety of competitive and cost-efficient financial services and products, and (iv) transparent, comparable and understandable product information. EU legislation should be forward-looking and should reflect ongoing developments in digitalisation and sustainability, as well as the increasing need for retirement savings."*

The RIS looks in parallel at IDD (IBIPs chapter), MiFID II and PRIIPs (see also articles on these EU texts).

## ■ State of play

The publication of the RIS was postponed several times. It was finally published on 24 May 2023 and consists of:

- a proposal for an Omnibus Directive amending the IDD, MiFID II, Solvency II, AIFMD and UCITS (see *IDD and MiFID articles for more information on the changes to IDD and MiFID*);
- a proposal for a Regulation amending the PRIIPs Regulation (see *PRIIPs article for details*).

BIPAR published a statement following the publication of the RIS and has been following the discussions in Parliament and the Council closely together with its members. It will continue to do so during the new EP/Commission mandate and during trilogue negotiations.

The European discussions on the CMU have evolved over the past year as well.

### Eurogroup (Finance Ministers)

On 11 March 2024, the Eurogroup issued a Statement on the future of the CMU. Preparing for the next European legislative term of 2024-2029, the Statement identifies three priority areas for action, where measures are necessary to improve the functioning of European capital markets:

- 1) **Architecture:** develop a competitive, streamlined and smart regulatory system, allowing funds to be better channelled into innovative EU businesses, with greater liquidity, risk taking and risk sharing together with higher resilience and financial stability. The proposed measures here include reassessing the regulatory framework to reduce regulatory burden and transaction costs for market participants.

- 2) **Business:** ensure better access to private funding for EU businesses to invest, innovate and grow in the EU.
- 3) **Citizens:** create better opportunities for EU citizens to accumulate wealth and improve financial security, by increasing direct and indirect retail participation through access to profitable investment opportunities. The proposed measures here include supporting sufficient complementary income streams for an ageing population through wider use of longer-term savings and investment products, including through occupational and personal pension schemes. Eurogroup leaders invite the Commission to review and consider whether to further develop and improve the pan-European pension product (PEPP) to offer all citizens attractive options for their pension income and to ensure that pension savings are invested productively. Another proposed measure is to develop attractive cost-effective and simple cross-border investment/savings products for retail investors.

The Commission is invited to develop a **pension dashboard**, in collaboration with EIOPA and Member States, to follow the evolution of pension coverage across Member States and to report back to them on developments (see the Statement of the Eurogroup in inclusive format on the future of CMU).

On 13 May 2024, Ministers endorsed a **high-level roadmap on the CMU** which will ensure that the implementation of the March agreement remains on the top of the agenda. This roadmap contains both measures at national and European (initiatives to be brought forward by the European Commission over the course of the next legislative cycle)



level. Ministers also took the opportunity to discuss the recommendations for developing European capital markets put forward by the French task force led by Christian Noyer, who presented his report. They exchanged further on ongoing national initiatives and the Commission shared initial thoughts on aspects of the Eurogroup statement that require initiatives on its part.

## ECB Statement

Parallel to the Eurogroup Statement, the European Central Bank (ECB) also issued a Statement on the CMU on 7 March 2024, which calls, amongst others, for **integrated supervision** of EU capital markets, by ensuring the European Supervisory Authorities (especially ESMA and EIOPA) have a European and independent governance, sufficient resources and comprehensive oversight powers, and to **directly supervise the most systemic cross-border capital market actors** – in cooperation with their national supervisors.

## French “Noyer” Report

On 25 April 2024, the French “Noyer” report was published on: “Developing European capital markets to finance the future - Proposals for a Savings and Investments Union”. In January 2024, French Finance Minister Bruno Le Maire had entrusted a committee of experts chaired by Christian Noyer with the mission of formulating concrete proposals to revitalise the CMU. This report proposes four key recommendations:

- 1) to develop **long-term European savings products** to increase flows into European capital markets;
- 2) **to relaunch the securitisation market** to strengthen the lending capacity of European banks and create deeper capital markets;
- 3) **integrated supervision** of capital market activities to build a true European Single Market and guarantee financial stability. This implies reforming the governance of ESMA and extending its supervisory powers on a mandatory basis for the most cross border and systemic market infrastructures and on a voluntary basis for asset managers and their funds;
- 4) to consider measures to reduce the **fragmentation of settlement of financial transactions** in Europe.

The “Noyer” report was presented to the Eurogroup in April 2024 (see closing remarks by the Eurogroup President at the presentation of the French task force report on the reboot of the CMU).

## Letta’s report on the Single Market

Another recent interesting report that touches on the CMU is Enrico Letta’s report on the Single Market: “*Much more than a market – Speed, Security, Solidarity - Empowering the Single Market to deliver a sustainable future and prosperity for*

*all EU Citizens*”. The report looks at creating an ecosystem for European investments. It proposes, amongst others, creating an **auto-enrolment EU Long-Term Savings Product** and **simplifying and upgrading the PEPP**; and also **strengthening financial literacy** and creating a **harmonised European framework for recognising qualified investors**. Regarding insurance, the report also calls for increasing the coherence between Member States’ frameworks (and the existence of such frameworks) for approving internal models to calculate capital requirements for large insurance groups. This could help unlock more insurance company capital by tailoring the risk profile to each undertaking within the group. It could be achieved by enhancing supervisory convergence and fostering collaboration among national authorities, for example, through the establishment of joint supervisory teams with the relevant European national supervisors and EIOPA.

## EIOPA’s Statement

On 25 April 2024 EIOPA also published a Statement: “*How European insurers and pension funds can contribute to further strengthen the Capital Markets Union*”.

In anticipation of the new policy cycle, EIOPA identified the following areas where further attention could enhance the CMU and the Single Market:

- **Better consumer protection** in retail financial services, including cross-border. They explain that this can be achieved via simpler, safer and more accessible savings products, by ensuring investment products offer value for money, by strengthening the quality of financial advice, by enhancing regulatory focus on the governance of conduct risks, and by reinforcing supervision at all stages of the product lifecycle, particularly for cross-border business.
- **Increased cross-border operation** by insurers and pension funds
- Greater use of pension **dashboards and auto-enrolment** in occupational pension schemes to address protection gaps.

EIOPA also calls for **more integrated supervision** for higher consumer protection: moving at a gradual pace towards more centralised supervision in insurance makes sense to ensure consistent protection for consumers across the EU. Similarly, consumers need to be better protected in the event of the **failure of an insurance** company operating **cross border**. Here, further progress to achieve a minimum harmonisation of **Insurance Guarantee Schemes** will help to address fragmentation and trust in the Single Market. Finally, addressing the current fragmentation in the **approval of internal models** for insurance companies will help to increase the competitiveness of large insurance groups.



## ESMA's position paper

On 22 May 2024, ESMA published its Position Paper on *"Building more effective and attractive capital markets in the EU"*. It organised a webinar to launch the paper, which the BIPAR Secretariat attended. The replay of the 50-minute webinar can be viewed (see link below). The ESMA Paper includes **20 recommendations** for the next legislative period to strengthen EU capital markets and is addressed at ESMA members, EU Member States, the European Commission and EU co-legislators as well as to the financial industry. It focuses on **three dimensions**:

- 1) EU citizens (broadening their investment options),
- 2) EU companies (enhancing their financing),
- 3) and the EU regulatory and supervisory framework (improving regulatory agility, supervisory consistency and global competitiveness).

The 20 recommendations include proposals such as:

- a voluntary **EU-label** for basic and simple investment products,
- a **simple advice category** for basic investment products,
- supporting **digital solutions** for retail investors,
- reviving the **Pan-European Personal Pension product**,
- promoting EU capital markets as a hub for **green finance**, for instance by simplifying the disclosure of sustainability information,
- modernising the EU's regulatory framework for financial services – for example, by using **regulations** rather than directives or by **phased or staggered implementation** of the rules,
- evaluating the **centralisation of supervision** at EU level.

## ■ Links

- [Green Paper on CMU](#)
- [CMU Action Plan](#)
- [Statement of the Eurogroup in inclusive format on the future of Capital Markets Union](#)
- [High-level roadmap on the CMU](#)
- [Statement by the ECB Governing Council on advancing the Capital Markets Union](#)
- [French "Noyer" report - Closing remarks by the Eurogroup President](#)
- [Enrico Letta's report on the Single Market](#)
- [EIOPA's Statement "How European insurers and pension funds can contribute to further strengthen the Capital Markets Union"](#)
- [ESMA's position paper "Building more effective and attractive capital markets in the EU"](#)
- [Replay of ESMA's 50-minute webinar](#)
- [All documents of the Retail Investment Package](#)
- [BIPAR's Statement](#)

ESMA will continue to engage and collaborate with all stakeholders regarding the implementation of the recommendations outlined in its paper.

## ■ BIPAR's position / key messages

BIPAR's overarching key points with respect to the RIS are:

- the existing legislative framework is sufficient,
- insurance is not investment,
- need for regulatory stability, choice regarding remuneration/inducements/advice,
- BIPAR supports improved financial literacy,
- need for a level playing field (open finance / digital innovation),
- need for a broad study of consumer behaviour and influence of disclosures on consumer decision-making,
- regarding sustainable investment, intermediaries are willing to assist retail investors but need information from manufacturers.

## ■ Next steps

The RIS proposals were sent to the European Parliament and the Council for their amendments and adoption. The Parliament has voted on the ECON reports and on the mandate to start trilogue discussions. The Council is still discussing the files. Once the Parliament and Council have both adopted their respective positions, the trilogue discussions can start. The whole procedure typically takes a minimum of 12 months before a final text is adopted.