



Hellas 2022 | A New Era of Investor Protection, Sustainability & Pension Reform

16 June 2021 – Draft Programme

Venue: Royal Olympic Hotel of Athens

09h00 – 09h30	Registration & Welcome Coffee
09h30 – 09h45	Welcome - John Kyriakopoulos, Chairman, Hellenic Investors Association (Helinas) - Guillaume Prache, Managing Director, BETTER FINANCE
09h45 – 10h00	Keynote Speech Fausto Parente, Executive Director of the European Insurance & Occupational Pensions Authority (EIOPA) <i>“The Pan-European Personal Pension Product: Challenges & Opportunities in Europe & Greece.”</i>
10h00 – 11h15	Panel 1 Building a Capital Markets Union and Enhancing Investor Confidence & Protection For the Capital Markets Union (CMU) to succeed, European citizens as individual investors and savers, should be at the heart of the project. Of course, inviting EU citizens to partake more directly in capital markets comes with a certain responsibility and the need to ensure adequate investor protection. As things stand, different standards of investor protection across sectors and product categories, combined with the extreme difficulty in obtaining (collective) redress for individual investors, leave individual investors vulnerable to malpractice and mis-selling. This problem is further exacerbated by the inadequate disclosure of key investor information, leaving individual investors in the dark or dependent on biased advice. If a CMU is to stand any chance of succeeding, it will be essential to restore retail investor trust through increased transparency and disclosure of information, coupled with better investment advice. The “Retail Investment Strategy for the EU” constitutes the ideal opportunity to do so and move towards “a CMU that works for people”.

Moderator: Nectarios Notis, Journalist

Panellists:

- Natasha Cazenave, Executive Director of the European Securities and Markets Authority (ESMA)
- Nikolaos Porfyrakis, Development Officer (CBDO) & Board Member of the Athens Exchange Group
- Rainer Riess, Director General, Federation of European Stock Exchanges (FESE)
- Jean-Paul Servais, Chairman, Belgian Financial Services & Markets Authority (FSMA)
- Anastasia Stamou, Vice-Chair of the Hellenic Capital Market Commission (HCMC)

**Panel 1- Building a Capital Markets Union and Enhancing Investor Confidence & Protection:
interventions**

BY JEAN-PAUL SERVAIS

Good morning to everyone and thank you for inviting me to participate in this interesting panel.

I will focus my thoughts today on three main topics that I believe should play a central role in the CMU.

I. Proper information of investors to make sound financial decisions in a digital environment

Retail investors face an increased information **overload** which is counterproductive. **Rationalisation** is the order of the day: overlaps and discrepancies between legislations create confusion for retail investors and should be eliminated. However, this should not serve as an excuse to withhold essential information to retail investors. I particularly welcome the fact that both EIOPA and ESMA's recent technical advices to the Commission suggest possible improvements in this regard.

But obviously, we shouldn't stop there! **"We live in a digital world"**: investors want to access services (including financial ones) anytime, everywhere and using various types of devices. The regulatory framework needs to be fit for the digital age. Disclosure requirements should be paperless, "smartphones fit" and future proof from a technological perspective. Innovation and technology bring real opportunities to inform retail investors in a more meaningful way, using techniques such as layering: the most vital information (i.e. the information investors "must know") being disclosed in a first layer and in a visually attractive way, layer 2 including information that investors "should know" and layer 3 "nice to know" information. This new approach to disclosure should be supported by appropriate consumer testing.

However, there is no point in improving mandatory disclosure requirements if nothing is done in the field of **marketing**. Marketing communications are often the first message investors are confronted with and they play a key role in their financial decisions. There should be a strong regulatory framework in place to regulate advertisings, whatever the form they take (in particular on social media) with the possibility for NCAs to intervene ex-ante.

Last but not least, **simplification** should also be on the agenda!

This is all the more important when considering new concepts such as ESG products' features. The development of simpler products and/or the design of a specific label for simple products could also be food for thought for the Commission to consider in its upcoming retail investor strategy.

II. Cross-sectoral alignment & challenges of online trading

I very much welcome the **holistic view and investor centric approach** the Commission is taking in shaping its retail investment strategy. We should look at the broad picture, especially in the field of investor protection. No more silos approaches and regulatory differences that stem from historical considerations or political compromises: investor's interest should be the core concern. We should strive at achieving a real level playing field: products that are substitutable should be treated the same way and rules aligned cross-sectorally as much as possible.

Policy actions should be driven by investors' concerns and needs!

This is exactly what the FSMA did in 2011 in enacting a **moratorium on particularly complex structured products** with the aim to limit their distribution to retail investors because they were deemed to

complex for them, and this whatever the sector concerned. Distributors from the banking, investment and insurance sectors who have voluntarily signed on to the moratorium commit not to distribute to retail investors products that are considered particularly complex under the criteria of the moratorium. **What have we observed?** The introduction of the moratorium didn't kill the market and in the last ten years, the complexity of the structured products has significantly decreased and no teasers can be incorporated in the structured products.

The **recent advice issued by ESMA's SMSG** following the surge in **inflation** and its impact on investor protection is another illustration of this investor centric approach. This initiative starts from actual investors' concerns leading to recommendations for all sectors (banking, investment, funds, insurance and pension). For instance, the SMSG recommends clarifying that existing information requirements should be interpreted in such a way that investment firms have to inform clients, where relevant, in a clear, non-misleading and comprehensible form of risks of rising inflation while interest rates remain low and the possible effect this may have on the real long term value and return of their investment.

Today more than ever, I strongly believe in the effectiveness of this type of initiative which places investors' interest in the centre, in particular considering that **some key topics are cross-sectoral** (for instance, sustainable finance, digital finance ...).

At the same time, we must keep an eye on **investors' needs and concerns, as those are evolving. Risks are emerging from new trends and forms of trading.** Digitalisation increases access to capital markets, especially through the use of trading apps. Those are easy accessible and are mainly used by new types of investors who tend to be younger and take more risks. Non-regulated persons such as influencers provide (misleading) marketing messages and investment recommendations to investors on social media. Copy trading (where investors are invited to copy trade from other investors) is also developing. Not to mention the hype around crypto's.... In this regard, I very much welcome the recent legislative initiative in Spain to empower the CNMV to control crypto-assets advertising, and besides, a similar action is also under discussion in Belgium. All these trends deserve proper attention and appropriate regulatory safeguards. In particular, firms shall ensure to comply at all times with their loyalty duty (the basic rule of conduct) in their relationship with retail clients. With this objective in mind, they should also monitor the impact nudging techniques have on client behavior. With regard to social trading, it is also worth recalling that firms remain fully liable for communications disseminated on their behalf or for their account (for instance, by influencers) and shall ensure compliance with relevant MiFID provisions.

III. Financial education as a keystone of the CMU

The CMU should encourage the safe participation of informed, financially literate retail investors. At the moment, **financial education is still under-developed** in Europe. Though it is essential for mainly two reasons:

- Firstly, **retail investors need to be empowered to benefit from digitalization and sustainable innovation.** Recent events and evolutions, for instance the increased retail participation in markets during the Covid-crisis, the GameStop case, the hype around crypto-currencies ... all emphasise the relevance of some key principles of financial education such as diversification. Enhanced financial literacy could also contribute to correct the investment biases in favour of saving accounts, at the expense of more long-term investment.
- Secondly, **financial education is a complementary tool to regulation and supervision to enhance investors' awareness, critical sense and rational behaviour.** But it should not be used to shift responsibility solely onto the consumer for making sound decisions. Financial literacy must go hand in hand with appropriate investor protection measures, fair advice, supervision

and enforcement of rules. By ensuring that investors are financially literate, well protected and treated fairly, we can build up their trust in the markets, and help them meet their long-term financial needs.

How to achieve this goal, you may ask?

- **Concrete coordination initiatives** by the ESAs could be a first step toward strengthening investor education at a pan-European level.
- As a second step, and as proposed by EIOPA in its Technical advice to the Commission on certain retail investor protection aspects, EU directives could be modified horizontally in order to follow the model of the Mortgage Credit Directive and **enshrine the task of consumer education in the mission statements of the NCAs and the ESAs.**

Both actions could lead to the development of best practices in order to increase the financial awareness and literacy of consumers to the benefit of EU citizens and more broadly of the internal market and the CMU in particular.

IV. Conclusion

To build up a successful CMU, we need to remove our blinders and acknowledge that something needs to be changed. We should look at the broad picture from the investor perspective, even if it means reversing the paradigm.

We need to shape a clear strategy in the field of retail investment, identify weak points in the retail investor's journey and explore ways to improve them. In performing this exercise, no stone should be left unturned. Cross-sectoral alignment should be the watchword: policy actions should be driven by investors' needs and concerns and unjustified sectoral specificities should be removed. This is essential as some key topics, such as sustainable finance, are cross-cutting by nature and as Mrs Lagarde was saying last year *"the green transition offers us a unique opportunity to build a truly European capital market that transcends national borders – or what I would call green capital markets union (CMU)."*

In the field of disclosure, rationalisation and simplification should be the motto: information overload needs to be tackled. We should keep up with the times and take advantage of digitalisation: techniques such as layering should be increasingly relied on to present information in a more meaningful and attractive way, based on consumer testing. Obviously this shouldn't come at the expense of more vulnerable people: no one should be left behind and financial inclusion should be ensured.

And above all, if Europe doesn't want to miss the point, financial education should be the keystone of the CMU!

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Annex- Background information on FSMA's mandate and achievements in the field of financial education

Since 2011, the FSMA has a legal mandate to “contribute” to financial education. In 2013 we launched our **Wikifin-programme** for financial education. It is a comprehensive programme, based on three foundations.

1. The first one is directed towards the general public. The most visible initiative is our Wikifin-website which offers free and reliable information about money matters in an easy to understand language. A series of handy tools is also made available to the public, such as a heritage simulator and savings account comparative tool. Very recently, we also launched an online tool to assist the public in calculating the impact of inflation on investments and savings.
2. The second foundation is the collaboration between the FSMA and the educational system. On the Wikifin-site, we created a dedicated platform for teachers where they can find and download educational materials free of charge to use during their lessons about money matters. Digital educational tools are also under development.
3. Last but not least, our Wikifin Lab which is the centre for financial education we launched in September 2020 and which is located next to the FSMA building in Brussels. The Wikifin Lab is an interactive and digital centre for financial education where secondary school students can experience a variety of financial situations from everyday life.

Since its opening, the Wikifin Lab has been consistently fully booked and every year, our Wikifin-website is visited approximately 4 million times. This shows the interest and demand there is for financial education.

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