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To: European Commission
(via Call for Evidence Website)

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Matter: A copy of the Finnish Foundation for Share Promotion's (Suomen Pörssisäätiö) feedback on the Commission's public "Call for evidence" consultation on the Savings and Investment Union

Finnish Foundation for Share Promotion's view on the Savings and Investment Union

We are an independent non-profit organization promoting legislation and market practices that benefit retail investors ensuring that capital markets are safe and transparent platform for them.

Background

The Savings and Investments Union will build upon the successful completion of two action plans on Capital Markets Union and progress on the Banking Union. It aims to connect savings to the most productive investment, with a focus on the Union's strategic objectives including innovation, decarbonisation, digital technologies and defence. It will focus on increasing returns on savings of EU citizens and widening financing opportunities for businesses, improving the competitiveness of the EU.

Statement

Legislative action or some other tool:

The SIU is essential for creating efficient European capital markets, but we need more than legislative action to achieve this. The EU must boost the competitiveness of European companies to make them more attractive investments.

Look into Nordics:

Low household participation in capital markets should be addressed.

We urge the Commission to study the Nordic countries, where household participation in equity markets is higher than the EU average. By understanding their retail investment culture and practices, we can apply these successful strategies across the EU.

Improve financial literacy:



Financial literacy should be promoted among all age groups, learning should start young, and the schools have a vital role. Without proper knowledge of investment opportunities and related risks, citizens are unlikely to participate in the capital markets.

Financial literacy education should be provided by independent non-profits, such as in the Nordics, and incorporated in schools' curriculums to ensure its objectivity.

Increased financial literacy should never be an excuse for reducing investor protection.

Empowering households:

Many European investment products for retail investors are costly and yield low profits. Instead of controlling where and how to invest, we should boost financial literacy, ensure that essential information is provided, and ensure robust fraud protection.

We should recognize that risk and profit usually correlate. Rather than aiming for low risk, investors should understand and diversify their risks. Equity investments are generally suitable as long-term investments.

Households be encouraged to invest directly in publicly traded stock and in equity based UCITS due to great cost and profit ratio. Debt instruments may be low-risk but typically cost more and yield lower profits than equity.

Competitive measures should be introduced in the investment sector, from product development to distribution and advisory services, such as increasing fee transparency, simplifying disclosures, and reducing reporting burdens.

Moreover, attending AGMs across borders remains difficult. Hybrid AGMs with full shareholder rights for remote participants should be encouraged for flexibility. This would promote retail investor participation in corporate governance as reliable long-term investors.

Integration of the financial market infrastructure:

The fragmentation of trading and post-trading infrastructure is a characteristic of EU financial markets compared to the US. Additionally, trading venues, CSDs, and CCPs are supervised at the national level, which can create an uneven playing field.

Also, the Commission should seek market-based options for mergers in the trading and post-trading sectors.

Improve uniform enforcement and supervision:

We have moved towards a single rulebook doctrine, which require that same rules should be supervised and enforced in a uniform manner in the Union. The SIU should focus on uniform supervision and enforcement.

Clarify capital markets legislation while deepening integration of tax and insolvency law:

The SIU should simplify the complex legislation while maintaining good investor protection. Future harmonization should address cross-border investment barriers in insolvency and tax law.



Moreover, the current financial services landscape hinders EU citizens' mobility. Opening or retaining bank and investment accounts when moving between member states is challenging. Introducing an EU-wide investment account with tax benefits for retail investors should be considered, ensuring easy cross-border transfers.

Concluding remark:

If the capital markets are a good place for retail investors to thrive, it also will be an excellent place for other market participants as well.

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