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European Commission's Call for Evidence re. Savings- and Investments Union

The **Swedish Securities Markets Association (SSMA)** welcomes the initiative of the European Commission (EC) to establish a Savings and Investment Union (SIU).

EU competitiveness

We support the new EC focus on competitiveness. In fact, a main characteristic of the well-functioning capital market in Sweden is its high degree of competition, between big and small market participants, providing clients with a broad range of investment services (advice, execution only etc.) and investment products (funds, shares etc.). This competitive environment is one reason why Swedish investment funds have amongst the lowest fees in the EU.

Market-based approach – bottom up rather than top-down

We think that the EC should in its work on the SIU take a more market-based approach (bottom up, not top down) than in the CMU. Convergence may be needed in some areas e.g. to facilitate cross-border activities but at the same time capital markets in the EU are different, e.g. as regards currency, T2S, number and types of active retail investors, level of digitalization, and financial literacy. We must avoid a one-size-fits-all approach and should facilitate for Member States (MS) to learn from each other (best practice), as many actions must be taken at MS level.

New EU investment labels/products will not deliver the SIU

We agree that increased retail (and institutional) engagement is crucial for the development of EU capital markets. However, we do not believe that new EU investment products (with or without labels) will necessarily achieve this objective. Previous experiences of EU products such as the PEPP have not been very successful. The design of investment products should be left to market participants and not legislators. We even see a risk that such proposals could have a distorting effect on competition.

The Swedish Investment Savings Account (ISK) – tax incentives and simplification

A properly designed tax incentive can be a good way of encouraging households to invest. As mentioned by Draghi, the Swedish ISK could serve as a model (but is not a “silver bullet”) for other MS. A main feature of the account, besides a certain tax advantage, is that it makes it very easy for retail clients to invest. There is no need to declare transactions or profits/losses relating to trading on the ISK. It also allows clients to invest in different financial instruments,

e.g., investment funds and shares, without geographical restrictions and regardless of type of distribution.

Regulatory complexity and information overload

A sufficiently high level of investor protection is essential for the engagement of retail clients. However, the complexity of the EU regulatory framework creates barriers of entry for retail clients and operational risks for investment firms. SIU should serve to simplify investor protection rules, e.g. as regards disclosures, client categorization, onboarding, and reporting. Existing incl. ongoing legislation such as RIS, as well as future proposals should be part of a simplification review.

Financial literacy

Financial literacy is crucial for retail investors' engagement on capital markets and should be prioritized both at MS and EU level. Our experience is that financial literacy is best achieved when education is combined with learning by doing. Building on the work done by the OECD and EC, we suggest the establishment of a platform at EU-level where public and private actors can share information on initiatives to improve financial literacy.

Market infrastructure

To improve European market infrastructure, we would support further increasing the interoperability between infrastructure providers and to continue the ongoing work to further increase harmonization of post-trade processes in the EU, considering where relevant national specificities. As regards exchanges, a key issue is how to best encourage trading, improve market liquidity, and tackle barriers to cross-border investments, e.g., withholding tax.

Legislative process and supervisory convergence

We support the ambition to simplify the EU-rule book and consider that the SIU should include an analysis and review of the legislative process. It is important to improve impact assessments at all levels, include consumer testing, avoid gold-plating at MS level, and limit the number and complexity of measures at level 2 and 3. Implementation problems are often caused by EU rules not being sufficiently analysed in advance as regards scope and how they interact at a horizontal level.

We support giving the ESAs power to issue no-action letters and would support increased supervisory convergence which does not necessarily mean more centralisation of the EU supervisory system.