Svensk Värdepappersmarknad
Swedish Securities Markets Association

EU Commission - Have your say on Savings and investment accounts

The SSMA supports the ambition of the Savings and Investment Union to increase retail participation in capital markets and we also agree that introducing Savings and Investment Accounts (SIAs) can help encourage retail investments. SIAs can work as a form of nudging to get people started, and once they do, they hopefully also see the benefits and are encouraged to continue to invest. Having said that, we want to stress that introducing SIAs is no silver bullet and that it is essential to also consider and look at the overall financial ecosystem in each Member State and, if needed, take action to develop that as well. Moreover, if the goal of increased retail participation in the capital market is to be achieved, it must be allowed to develop over time. Improved financial literacy and experience, services surrounding retail investments such as digital tools, enhanced competition and trust in the market as well as in market participants are all examples of pieces to the financial ecosystem-puzzle that are essential for an Investment and Savings Account to be successful. A capital market-oriented pension system (such as the three-pillar system) is also helpful as it makes almost all citizens used to being invested in the capital market.

We want to stress the importance of looking at the experience from countries who have already introduced SIAs. Sweden introduced an Investment and Savings Account (ISK) in 2012 which has been successful looking at the uptake among retail investors. Based on our experience, the SSMA would like to share some of the lessons learnt and make a few recommendations - on what to do as well as what not to do. Please see a number of key points in bullets below. For more detailed information, we refer to the attached documents.

1) We agree that an EU blueprint should aim at encouraging Member States to introduce SIAs but that the specific characteristics of the SIA, including taxation, essentially must be designed and implemented at the member state level. Any specific features should be based on best practices, ensuring that no existing SIA becomes less favorable than it is today, as this would undermine the blueprint's purpose.
2) Our experience is that simplicity is as important as beneficial tax levels, and if both can be applied it increases the likelihood of strong adoption among retail investors. Looking at the Swedish ISK, the simplistic tax treatment where a tax is applied on the total holdings, which are reported to the tax authority by the account provider rather than the by the account holder himself, has made it easier to invest from a tax declaration perspective.
3) The fewer the restrictions, the more likely the account is to be successful. Looking at the Swedish ISK, there are no restrictions on: i) deposits or amount of assets, ii) geographic exposure, iii) holding period, iv) eligible assets - provided that they are (a) investment funds, (b) special funds or (c) financial instruments listed on a regulated market or corresponding outside EEA, or traded on an MTF investments, and (d) cash. This flexibility makes the account less complex, and more investor friendly.
4) The aim of increasing retail participation should be kept separate from the aim of financing Europe, although there is a clear link between the two. By increasing retail participation, it is likely to also help finance European companies, e.g. within the

defense industry and ESG, because in general there is a home bias among retail investors to some extent. Purposely steering retail investors towards, or even limiting them to, European companies might discourage them from investing.

5) Predictability long term regarding the terms and taxation is important for the trust and take up among retail investors if they are to invest their money long-term using an SIA.