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AFG's answer to EC's Call for Evidence on Citizens' Omnibus



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AFG'S ANSWER TO EC'S CALL FOR EVIDENCE ON CITIZENS' OMNIBUS

The French asset management association (AFG) welcomes the EC's call for evidence on citizens' omnibus initiative and fully supports the objective of reducing administrative burdens and regulatory complexity in existing EU legislation, rules and processes affecting EU citizens, especially with respect to asset management products and services. Indeed, we must emphasize a growing concern: the current regulatory framework is inadvertently deterring retail investors from participating in European financial markets and above all, from investing in European companies, which should be the ultimate goal of EU financial markets.

While the EU asset management industry is already highly regulated, the cumulative effect of recent regulations has made the investment journey highly complex and risk-adverse, regardless of the investment horizon. This complexity discourages distributors of financial products as well as retail investors from participating in European Financial markets and undermines the Single market's objectives. To be noticed that the upcoming Retail Investment Strategy will add yet another layer of administrative burden on all actors in the value chain, ultimately affecting retail investors by reducing the investment opportunities in the EU.

The financial returns expected by retail investors following purchases of securities issued by companies localized in other EU Member States are reduced by the costs of recovering tax credits from other EU tax administrations (the expected results of implementing the FASTER Directive are still too timid because they still depend too much on the choices made by the respective Member States).

For instance, current mandatory questionnaires covering financial situation, investment objectives, risk tolerance, investment knowledge and experience, sustainability preferences of the retail investors have become lengthy and complex, creating a significant burden for EU citizens seeking to invest in regulated financial products. In addition, regulation requires continual inclusion of overly cautionary disclaimers every time an investment vehicle is mentioned. For instance, the risk level remains the same regardless of the investment horizon. It should be adjusted according to the length of the investment period. Consequently, EU citizens may be discouraged from investing in such products, while alternative products such as crypto assets are far more accessible. Streamlining and simplifying the documentation can also concur to reduce this administrative burden. In particular, recent PRIIPS developments have not improved the clarity, comparability and usability of information for retail investors, thereby falling short of the European Commission's objectives.

Moreover, persisting discrepancies across Member States, such as diverging national requirements regarding marketing communication to retail investors create market fragmentation and practical barriers that hinder EU citizens' access to broader savings and investment opportunities.

Simplification should also ensure greater consistency across different pieces of EU regulation affecting retail investors, including MiFID II and PRIIPS, through better alignment of concepts, definitions and reporting requirements.

We caution that the accumulation, complexity, and lack of coordination among legislative initiatives can weaken the European regulatory framework, burden EU enterprises, and increase costs for EU citizens. Streamlining existing rules, applying subsidiarity and proportionality principles, and better assessing the impact of new regulatory initiatives, particularly regarding EU competitiveness, is essential.

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Overall, we believe that reducing regulatory complexity EU citizens, while maintaining high standards of investor protection, would help restore confidence in financial markets but also help mobilizing European savings towards long-term investment in the EU.



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Ensemble, s'investir
pour demain