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## **AMF position to encourage retail participation in EU capital markets**

**In-line with the AMF's response to the consultation of the European Commission on a retail investment strategy, the regulator outlines its recommendations to meet retail investors' needs. The main objectives is to empower them with adequate knowledge, information and advice, while ensuring investor protection for safe cross-border investments within a digital market.**

In the context of the Capital Markets Union (CMU), encouraging the participation of retail investors in EU capital markets is a key priority. A review of the EU framework for retail investment should aim at breaking barriers to cross-border investments and providing long-term investment options to European households, while making sure that they have access to good quality advice and strong investor protection. The existing European regulatory framework does not need a global overhaul as it is solid, coherent and satisfactorily protective. However some targeted adjustments could be made with the main objective of increasing retail involvement in EU capital markets.

The AMF highlights that it is essential to ensure a high level of investor protection especially in the context of digitalisation and growing cross-border provision of financial services. Although the passport has contributed overall positively to the single market, it is not underpinned, for the time being, by a single supervisory model, leading to regulatory arbitrage between Member States. Improvements should be made to the passporting framework to ensure a higher and more harmonised protection in the absence of unified

supervision. The MiFID II review offers a chance to strengthen coordination measures between home and host authorities in situations where firms infringe the rules in host jurisdictions while acting under the EU passport.

The AMF also recommends adjusting EU rules to facilitate access of retail investors to simple products that are tailored to their needs. Under the MIFID II framework, product governance obligations should be better adapted for vanilla products and in situations where the retail investors proactively seeks to invest in a product without sollicitation by the financial institution. To address the issue of conflicts of interests, investment firms should be strictly prohibited from receiving payment for order flows, ie any remuneration or benefit for routing client orders to a particular trading or execution venue. In the same time, a general ban on inducements would be detrimental for some distribution models and would hinder access to financial advice for some investors. EU citizens need to have trust in the level of protection they will receive, but also to have access to an attractive range of investment products that are diversified and competitive to increase their participation in capital markets.

Offering high quality advice to less expert and autonomous investors is also essential. It could be useful to develop a broad European framework for advisors' certification, defining common themes to test these professionals, while still allowing for specificities of local markets. Currently certification is organised by each member state. The French regulator also supports ESMA's recent technical advice containing proposals to improve the clarity of inducement disclosures by simplifying terms and harmonizing the methodology of disclosures.

Key propositions are also made regarding the empowerment of investors through education at the EU level to support their investments. The objective of improving the offer as well as the access to financial products for retail investors is directly linked to the development of financial literacy. The AMF supports the prioritisation of financial literacy in the European Commission's CMU action plan, and its joint initiative with the OECD.

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