

# Press Release

## Retail Investment Strategy: Draft legislation does not meet EU Commission's objectives

Berlin, 24 May 2023 – The European Commission today presented its draft legislation for a retail investment strategy. As a key element of capital markets union, its aim is to strengthen trust in the capital markets and thereby promote investment by retail investors.

“The EU Commission’s decision not to propose a full ban on inducements as originally intended sends an important signal for German banks,” said Daniel Quinten, a Member of the Board of Managing Directors of the National Association of German Cooperative Banks on behalf of the German Banking Industry Committee (GBIC). In the EU Commission’s opinion, a ban of this nature would have unpredictable consequences for markets and consumers.

Nevertheless, we are opposed to the EU Commission’s proposed ban on inducements for non-advisory business, which is widespread in Germany. In addition, the Commission is proposing a large number of individual measures which, taken together, would make the securities business considerably more complex. “An honest cost/benefit analysis is needed,” cautioned Daniel Quinten. Overall, the draft legislation would not achieve the Commission’s original objectives, which were to simplify access to the capital market for retail investors, to cut superfluous information and make the processes more efficient and therefore more attractive for retail investors.

In addition, many requirements are vague and to be concretised at a later stage by the European Commission (level 2) or by European supervisory authorities (level 3), meaning that the consequences of the new rules cannot be fully assessed by clients and financial institutions.

However, GBIC expressly welcomes the European Commission’s intention to improve financial literacy in its proposed draft. Financially well-informed citizens are aware of the need for private pension provision, recognise the opportunities and risks of capital markets and are able to make sound investment decision. GBIC has therefore been committed to improving financial literacy for many years. The German Federal Government, which called for improvements in financial literacy to be included in the Commission’s draft, is also aware of the importance of this topic, as shown by its recent Financial Literacy Initiative.

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