

**MEMO# 32879**

October 30, 2020

# ESMA's Chair Speech on Capital Markets Union

[32879]

October 30, 2020 TO: ICI Global Members  
ICI Global EU Capital Markets Union Task Force  
ICI Global Regulated Funds Committee SUBJECTS: COVID-19  
Disclosure  
Distribution  
Fees and Expenses  
Financial Stability  
International/Global  
Investment Advisers  
MiFID, EMIR, AIFMD, UCITS V RE: ESMA's Chair Speech on Capital Markets Union

Steven Maijoor, Chair of the European Securities and Markets Authority (ESMA), delivered a speech, *Retail investors and asset management are the pillars of a successful Capital Markets Union*, laying out his recommendations for measures to make CMU successful – from investor protection, to enhancing financial education and reforming private pension systems.[\[1\]](#)

## Investor protection

Discussing high costs of retail investment products in the European Union (EU), Maijoor gave an example of a ten-year investment in a UCITS fund, averaging across asset classes, that can expect to see costs reduce gross returns by over a quarter. Concerned about high fees, ESMA launched a specific supervisory initiative in the funds' costs throughout next year.

Maijoor expressed his concern about inducement payments, noting that he fully supports “a fundamental assessment of the role of inducements in the distribution of investment products in the EU, in which the experience of countries that have banned the use of inducements should be carefully considered.”

To help retail investors make informed investment decisions, Maijoor supports alignment of the MiFID II and the PRIIPS frameworks, and the technical proposals to improve the PRIIPS KID, including simpler future performance scenarios and the introduction of past performance information. Although he caveated that –

...if the past performance information will not become part of a revised PRIIPs

KID, I would not support any more bringing UCITS in the scope of the PRIIPS Regulation, because this would be detrimental to retail investors.

Further, Maijor emphasised his belief in the research unbundling provisions from the investor perspective, expressing scepticism about the proposal to introduce a market capitalisation-based exemption.

To protect investors during the severe stress in capital markets (such as COVID-related March events), ESMA coordinated with the National Competent Authorities and it is also working on finalising the work related to the May recommendation by the European Systemic Risk Board (ESRB) on supervisory engagement with investment funds that have significant exposures to corporate debt and real estate.

### **Non-regulatory recommendations**

Maijor stressed the need for financial education and more robust retirement systems, noting the role of automatic enrolment, as factors that can help drive the growth of household participation in capital markets.

Anna Driggs  
Director and Associate Chief Counsel  
ICI Global

#### **endnotes**

[1] See [https://www.esma.europa.eu/sites/default/files/library/esma71-99-1421\\_steven\\_maijor\\_speech\\_irish\\_fund\\_industry\\_association.pdf](https://www.esma.europa.eu/sites/default/files/library/esma71-99-1421_steven_maijor_speech_irish_fund_industry_association.pdf).