

## TOWARDS A SINGLE EUROPEAN REGISTER OF FINANCIAL ADVISERS

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In the Action Plan document towards the Capital Market Union (CMU), published on 24 September, the European Commission announced its intention to introduce important changes for financial advisors.

The Commission will introduce the obligation of a European certification for financial advisors certifying their level of knowledge, qualification and lifelong learning. Furthermore, by the first quarter of 2022, the Commission will assess the feasibility of creating a label applicable to financial advisers across the EU.

The creation of professional qualification standards and a common identification label for all financial advisors operating in the EU will make it possible to move towards a single European register of financial advisors which, by breaking down national anachronistic barriers, provides a passport for the provision of the service in all Member States.

According to the Commission, financial advisors play a key role in the financial system. However, their level of qualifications, knowledge and skills continue to differ between Member States.

In order to reduce the risk of mis-selling, including in relation to sustainability, increase individual investor confidence in advice and create a level playing field for market participants offering advice in different Member States, it is considered appropriate to further set or improve professional standards for financial advisors.

The Commission's initiative represents one of the actions indicated in the broad CMU project with the objective of making the EU a safer place in which people can save and invest in the long term.

Europe has one of the highest individual savings rates in the world. However, the level of participation of retail investors in capital markets remains extremely low today compared to other economies. This deprives EU companies and the EU economy in general of much needed long-term investment.

The reasons for the limited participation of retail investors in capital markets are, according to the Commission, numerous. Among these the following can be identified:

- Retail investors do not benefit sufficiently from the investment opportunities offered by capital markets and cannot adequately address their retirement needs.
- The limited comparability of similar investment products, which are regulated by different laws and consequently subject to different disclosure requirements, does not allow individual investors to make informed investment choices.
- The current structure and characteristics of distribution systems are not sufficiently competitive and cost-effective.

The legislative and regulatory framework will therefore have to help create a fair environment for investors, help build confidence in capital markets and drive their participation. Greater investor participation will allow long-term savings to be directed to businesses, improving their access to finance, accelerating economic recovery as well as green and digital transition.