

## **Promoting Savings and Investments Accounts in the EU**

Flexibility and incentives for investors are key success factors

Experience shows that Savings and Investments Accounts (ISAs) have promoted capital market investments in a number of countries. See for example the Swedish Investeringssparkonto (ISK) as a securities account that is taxed annually at a flat rate, which currently amounts to slightly more than one per cent. The ISK has become widely accepted and is now used by more than one in three Swedes. Even though fund investments dominate ISK, many Swedes invest in individual shares in Swedish growth companies via ISK.

The Swedish example shows that ISAs are for the benefit of people attracting higher returns for their savings and also promote capital market development serving the financing of companies. We thus welcome the initiative of the EU Commission to provide a recommendation on the design of ISAs which can serve as an orientation and motivation for EU member states which have not yet implemented such accounts.

With regard to the areas of interest of the EU Commission please see below our specific comments:

### **Possibility to access a wide range of products through the account**

One of the goals of a savings and investments account rightly mentioned by the EU Commission is the mobilisation of capital needed to finance the EU's broader policy goals including competitiveness, innovation, green, digital and defence investments.

Increasing the number and volume of capital raised by initial public offerings (IPOs) and subsequent secondary offerings will play a crucial role in that respect. An active IPO market is particularly relevant for growth companies. Furthermore, a well-functioning stock market provides an exit strategy via IPOs, which is an important part of a well-functioning venture capital ecosystem.

Therefore, asset classes that provide companies with equity capital like shares, funds and ETFs should be prioritised in the account's concept. Introducing a minimum quota for equity investments would signal political support for equity saving.

Generally, we support a broad range of eligible products in order to ensure a high flexibility of the accounts for savings. Thus, financial instruments as recognized under MiFID should be eligible. In addition, the accounts should also allow for long-term savings in equity which is not publicly traded. In this regard, it is useful to also include European Long-Term Investment Fund (ELTIF) in the range of products. Furthermore, risk mitigation of assets held in the account should be possible via exchange traded derivatives.

## **Eligibility of products that could be accessed via a savings and investments account**

See our answer to the questions above.

## **Easy access to the accounts and to investments including through digital means**

A low barrier, cost-efficient and digital access is highly important. Take for example the Swedish ISK, which can be opened easily via digital financial services. We recommend exploring the Swedish model and take this as role model.

## **Pre-conditions and limitations on the ability to provide savings and investments accounts to residents in other member states in order to foster competition and pan-European investments**

A key feature of any securities account is that the provider of the account can be changed by the account holder based on existing procedures. If this happens cross-border (e.g. because people move from one EU country to another) it should be based on a resident principle, meaning that the legal framework of the country of residence is applied.

However, whether or not access to the accounts is granted to non-residents should, however, be optional to the provider of the accounts. Setting up customer relations and supporting IT, legal and tax processes are much more complicated in cross-border situations so that a mandatory access to non-residents might discourage market entries. This again shows that the success of the Savings and Investment Union also depends on being successful in simplifying documentation and reporting requirements. In addition, more efficient tax procedures in cross-border situations are also a prerequisite. If this was the case, it would be much easier for providers to offer access to non-residents.

## **Tax simplification and tax advantages to be granted to the accounts**

Tax advantages are indispensable. This shows the experience in countries like Sweden, where tax incentives have helped to increase the interest in securities investments significantly thus overcoming the suboptimal structure of savings. Without tax incentives the concept of savings and investments accounts would be superfluous, as there would be no difference to a “normal” securities account.

## **Any other incentives/encouragement to open a savings and investments account.**

To incentivise the opening of the accounts, maximum flexibility should be granted.

For this reason the upcoming Recommendation

- should not include minimum holding periods, minimum investment amounts or even defined payout guarantees,
- should not limit the maximum amount that can be invested per annum or over the account's lifetime,
- should leave it to investors' choice whether they wish to invest on a monthly basis or not, and
- should not recommend withdrawal restrictions to ensure competition between providers and allow investors to adjust their choice (e.g. because of changes in investment preferences)

In addition to that, the Recommendation should avoid additional obligations for the providers of the accounts all being supervised financial service providers in order to encourage the supply of the accounts.

Furthermore, to promote the use and attractiveness of the accounts among all citizens further incentives should be considered (such as additional transfers leveraging own investments). As an example, accounts could start with a one-time or recurring subsidy for children to incentivize them to start as early as possible with a long-term capital market investment and thus to benefit as much as possible from long-term higher returns.

And finally, the recommendation of the EU Commission should be supplemented by a commitment of the member states to promote capital markets savings by different means. Besides introducing savings and investment accounts member states should in particular commit themselves to make pensions systems more capital-market oriented and balanced. This should be supported by a common target, e.g. for the public pensions systems: Similar to the Paris climate target or the NATO GDP target, member states should agree to invest an equivalent of 2 % of gross wages annually in a capital stock in the existing public pension systems. Member States would have flexibility in achieving this target. For example, they could finance it through employee contributions, similar Sweden's Premium Pension, or through the public budget allocations. Countries that already meet the target would not have to make additional efforts, but their experiences could offer valuable insights for other countries.

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