

BLICK AUS BRÜSSEL

DIE EU

IN EINER VOLATILEN WELT


Wien, Januar 2025

Thomas Wulf, EUSIPA Generalsekretär



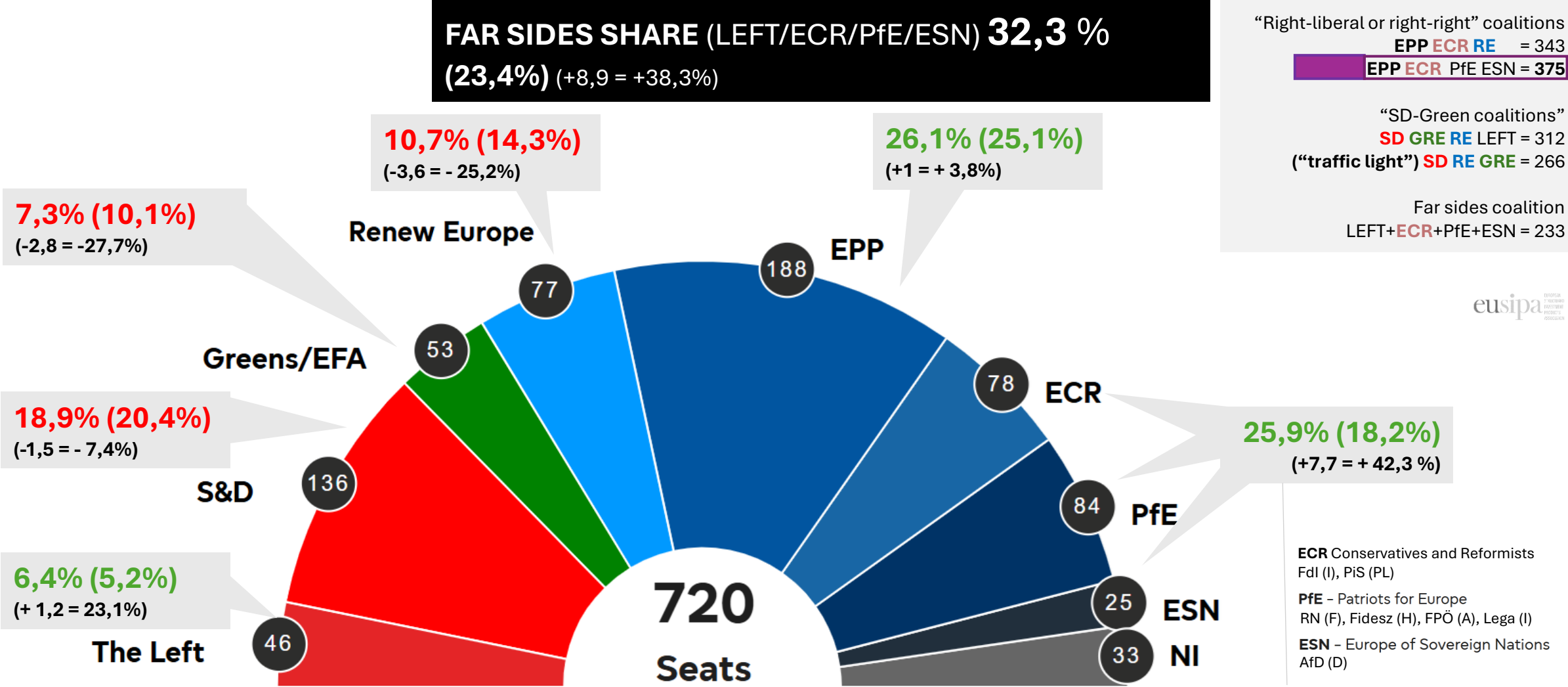
Lookback

EU 2024 elections – new Commission



EP election results 2024 (DELTA 2019)

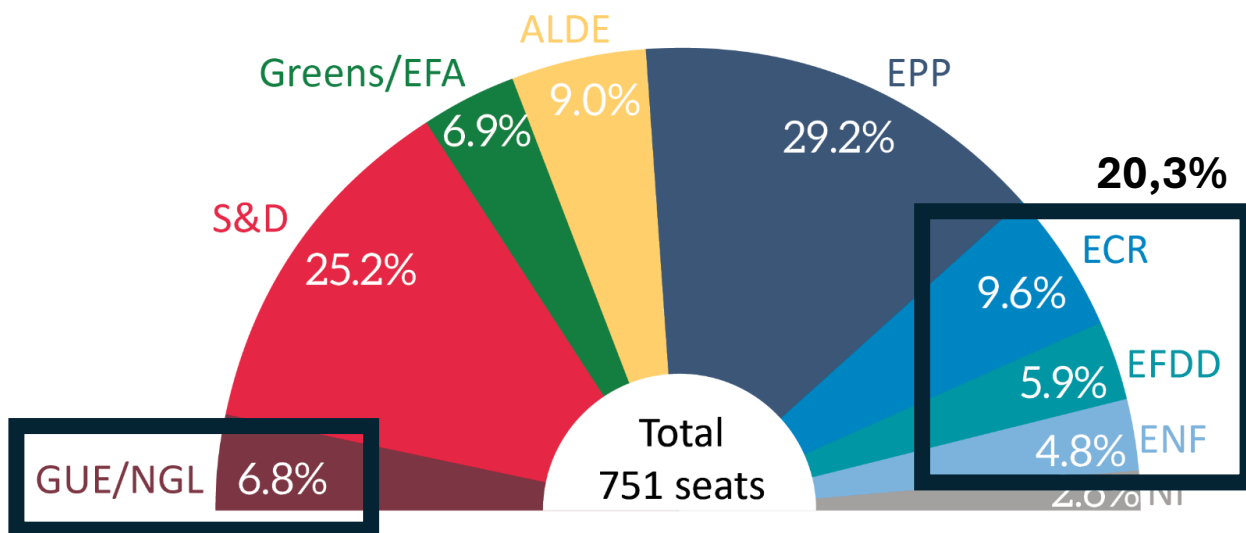
Latest update 21 August 2024



Eurosceptics / “far sides” – a familiar sight

EU parliament 2014-2019

OVERALL 27,1 %

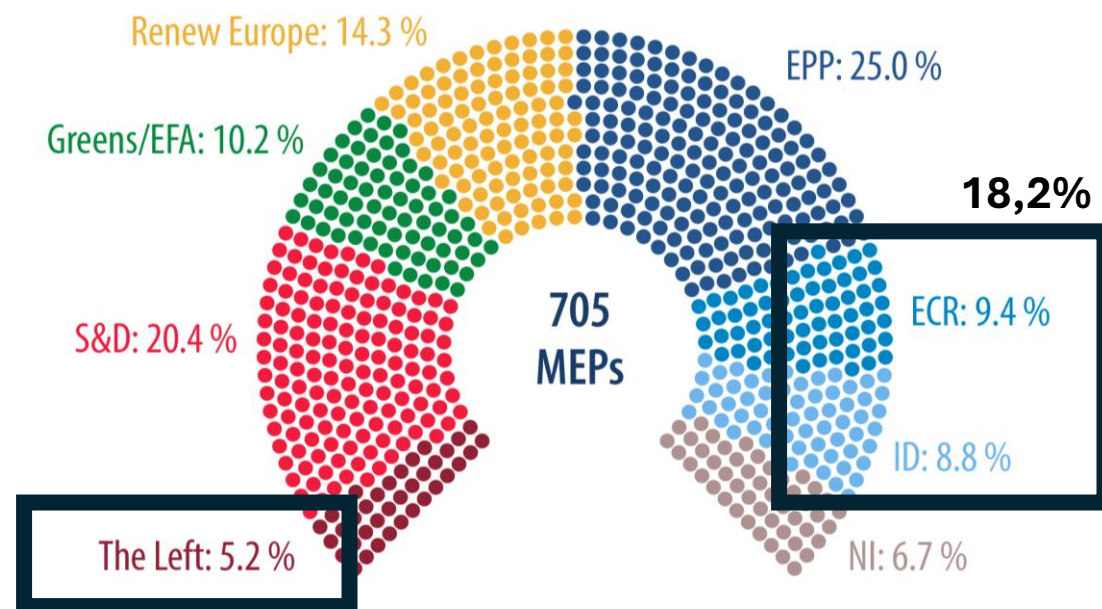


ECR - European Conservative and Reformist Group / prominent: UK Tories
EFDD - European Freedom and Direct Democracy / prominent: UKIP and M5S (IT)
ENF - Europe of Nations and Freedom / prominent: Rassemblement National (F)

Data and graphics: European Parliament Research Service, own research

EU parliament 2019-2024

OVERALL 23,4 %



ECR / prominent: VOX, Fratelli d'Italia, PiS, NVA
ID - Identity and Democracy: AfD, FPÖ, Lega Nord, RN, PVV, VB
The Left / prominent: La France Insoumise, Die Linke / also: Podemos, Syriza

SEPTEMBER 2024





New EU Commissioner for financial services

Maria Luís Albuquerque

(„Margaret Thatcher of Portugal“)

-
- **Secretary of State for Treasury and Finance** in the Portuguese Government (2011–2013)
 - **Minister of Finance** of Portugal (2013–2015)
 - Member of the **Portuguese Parliament** (Social Democrats / 2015–2017)
 - Non-Executive Director at **asset management firm** Arrow Global Group PLC (since 2016)
 - Director at Energias de Portugal (since 2019)

Played a key role in managing **Portugal's bailout** during the Eurozone debt crisis (2011–2014)

Spearheaded financial reforms and fiscal consolidation as Finance Minister





2025 - Into the unknown



Regulation – a balancing act.

**Example:
Refusal of US to fully
implement BASEL III**



**Competitiveness
boost through
de-regulation**

**Global (financial)
sector - crisis
protection**

**Upcoming:
Artificial Intelligence
(EU Act since July 2024)**

A step back – the challenges.



TRADE RELATIONS IN A
FRACTURING GLOBAL
ECONOMY



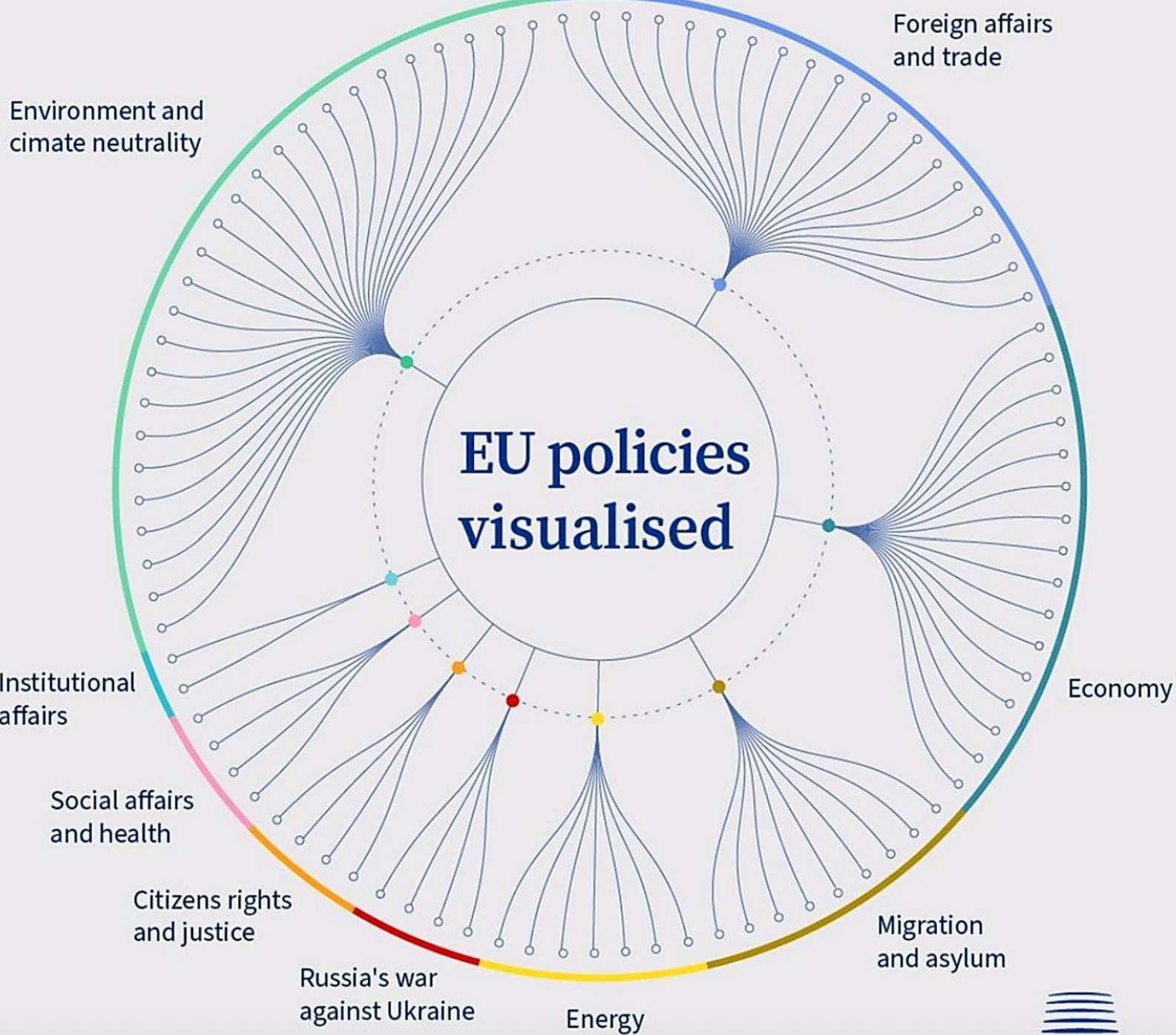
SECURITY AND
DEFENCE



IMMIGRATION AND
SOCIAL COHESION



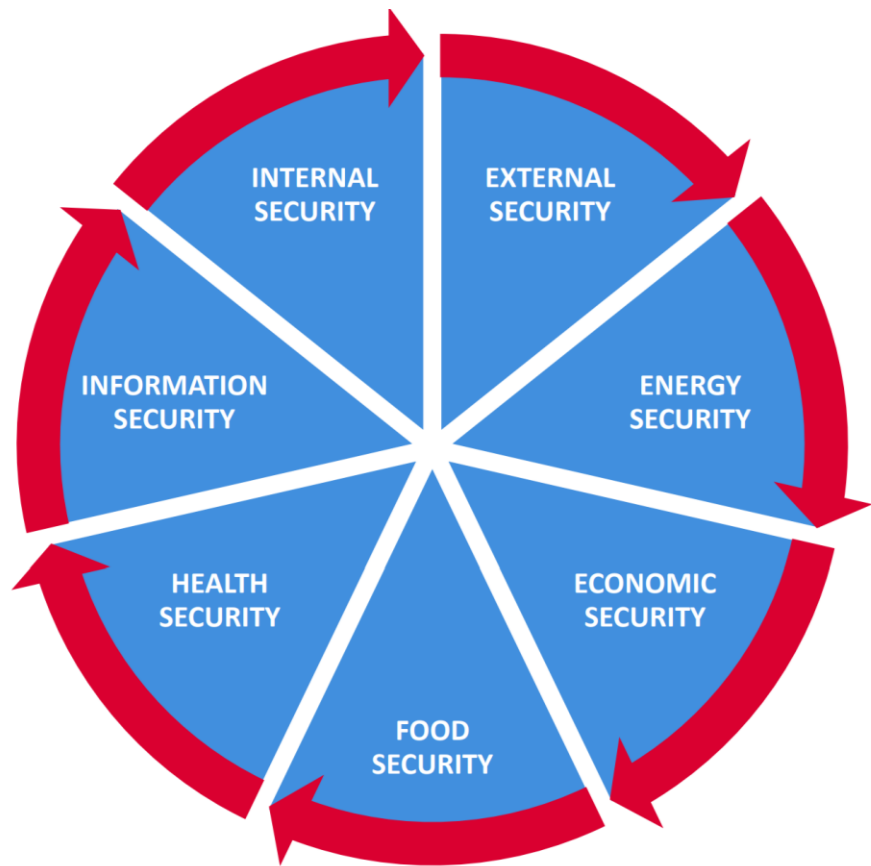
NEW TECHNOLOGIES
AND INFRASTRUCTURE



Situation ... as is:

Policy examples for the financial sector:

- Capital Markets Union
- Sustainable Finance and Green Deal
- Banking Union
- Digital Finance Strategy



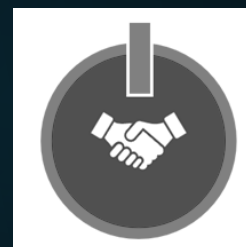
Polish presidency motto:
SECURITY, EUROPE!



POLAND25.EU



Partners in trade?



EU's top 4 export / import destinations (2024 July / latest figures)

Free trade... always had limits.



World Trade Organisation (WTO), founded in 1995

- EU is a full member (as are the single EU countries)
- US agreed to China joining WTO in 2001



What it is **not** ► “trade for free”

What it is ► treating WTO partners **at equal terms**
(called **MFN** / “(same as our) **most favoured nation**” approach)

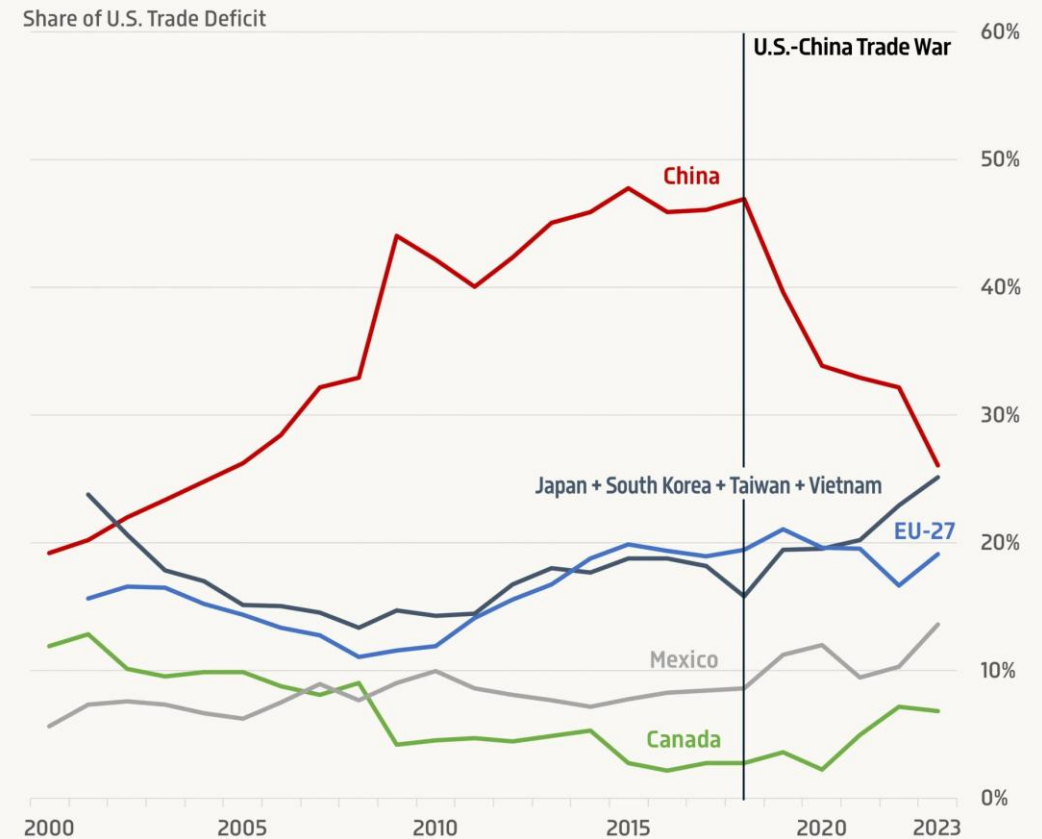
Exemptions to MFN (customs, quota restrictions) exist already today

Allowed for **specific purposes** like regional integration, development support, national security, or temporary (e.g. resource) needs.



Loosing US
favors ...

China's Share of U.S. Trade Deficit Shrinks from 47% to 26% Amid Trade War



Source: Comtrade

Research and visualization: Ehsan Soltani www.econovis.net

@econovisuals





EU – Mercosur

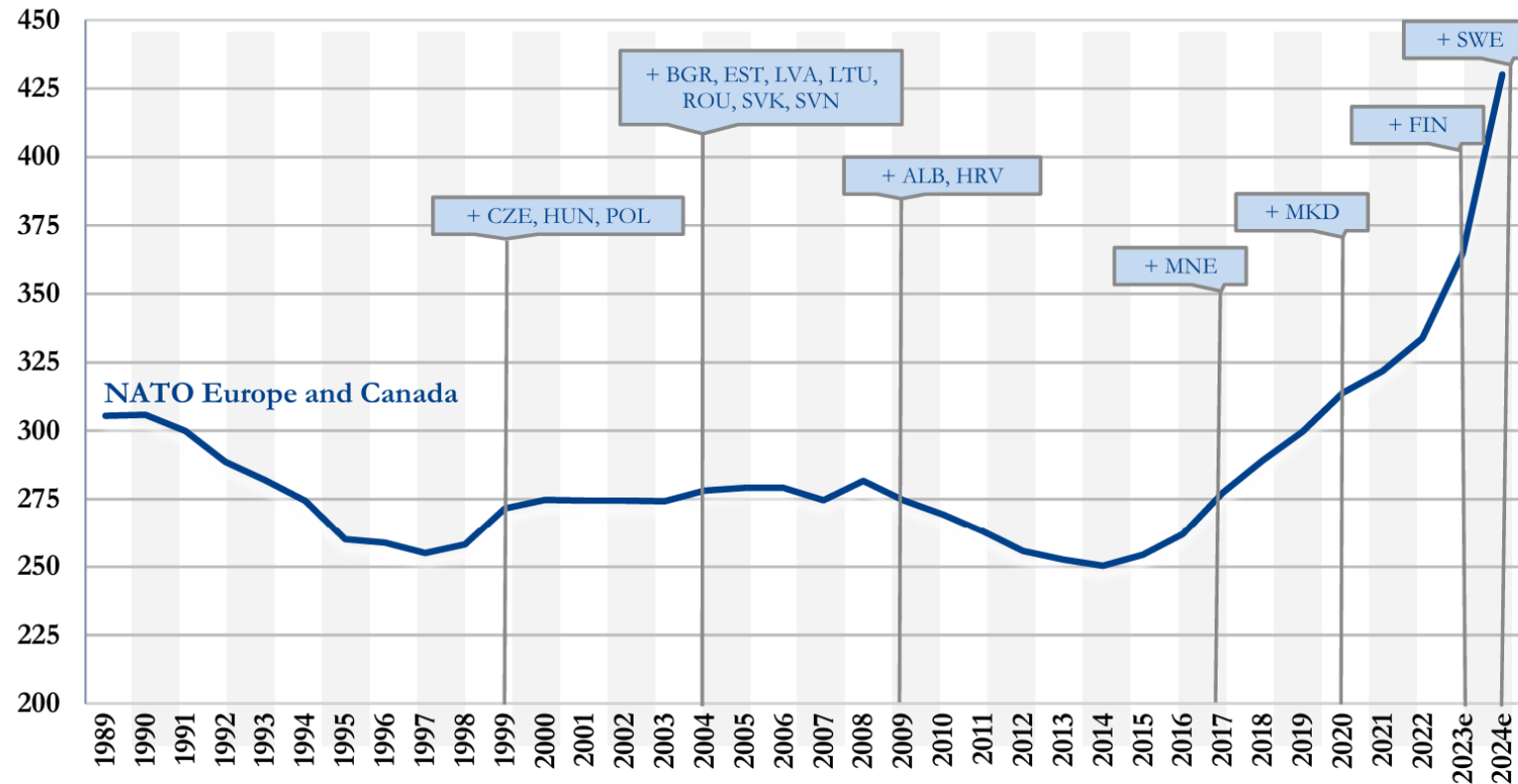
(signed on 06 Dec 2024
after 25 years haggling)

- Eliminates tariffs on over 90 percent of bilateral trade, saving European exporters (estimate) EUR 4 billion annually
- Supposed to give EU players access to high level public procurement projects
- Also rolls out a number of ESG standards
- Granting South American products preferential access to EU, particularly for agricultural goods.

Enforcement / EU council unanimous approval and EU PARL simple majority

Can defence needs bridge trade politics?

Graph 7 : NATO Europe and Canada - defence expenditure
(billion US dollars, based on 2015 prices and exchange rates)



Source:
NATO publication Dec 2024
https://www.nato.int/nato_static_fl2014/assets/pdf/2024/6/pdf/240617-def-exp-2024-en.pdf

Defence deals & policy initiatives 2024

- **UK-Germany meeting** on defence cooperation (focus **maritime overseas and underwater surveillance**)
- EU Defence Industry Program with focus on **cyber defence and AI-based defence technology**
- **IRIS space project** launch (EU secure satellite system / EUR 10.6 bn – plan: 290 satellites by 2030)
- ESSI – European **Sky Shield** Initiative (collective air defence, incl. CH, A)
- **European Defence Agency (EDA) cooperation schemes** on
 - Integrated Air and Missile Defence (ESSI support)
 - Electronic Warfare
 - Loitering (long-range & precision) Ammunition
 - New Combat Surface Vessel





FN HERSTAL

BAE SYSTEMS

KMW
KRAUSS-MAFFEI WEGMANN



THALES



Talk of the
town



Dec 9, 2024

Rheinmetall and Auterion are working together on drone technology and developing standard operating system for military industries

Transatlantic cooperation (example)



The EU governments perspective



Major uncovered funding needs in EU (2025-2031)

Strategic autonomy (defense)

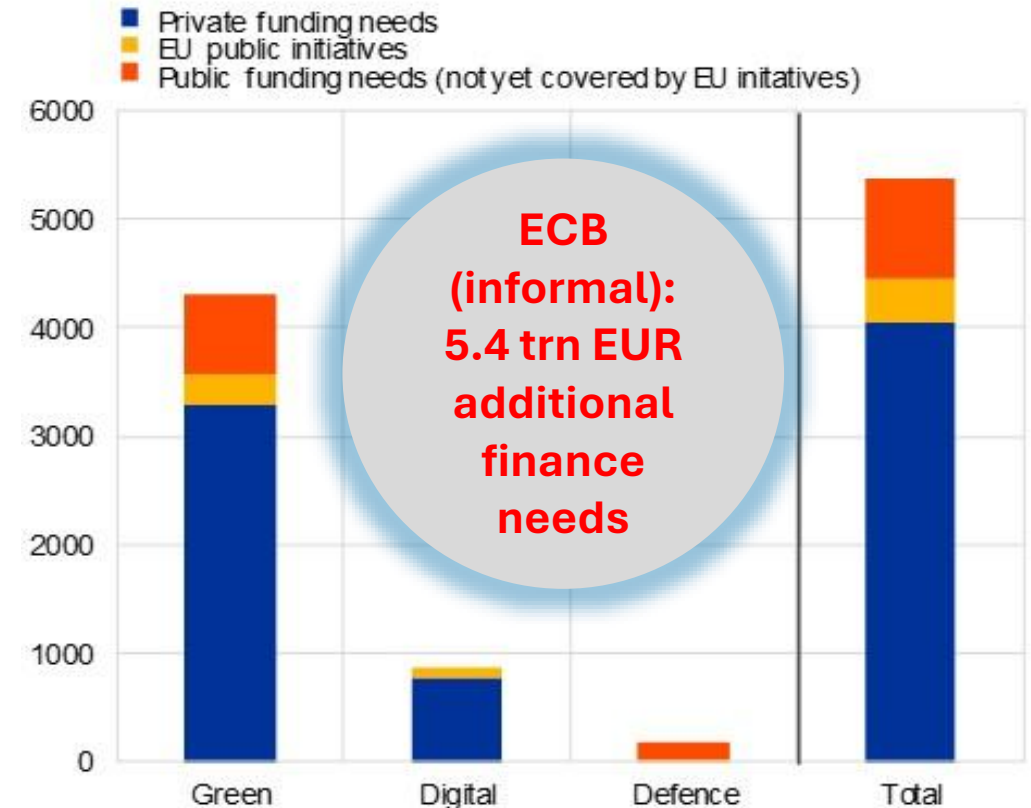
Example:
NATO 2023 defense spending gap EUR 56bn
(non-US NATO countries' spent against 2% GDP target, now minimum)

Battling climate change | achieving carbon neutrality

EU Green Deal investment commitment EUR 1 trillion by 2030
(ex. CBAM + phase-out of free carbon emission certificates)

Digital infrastructure upgrade

Example:
Full EU 5G coverage by 2030 requires around EUR 200bn investment



Source/link: Mind the gap: Europe's strategic investment needs and how to support them (europa.eu)

“The lion’s share [of 5.4 trillion] has to be borne by private firms, investors and households, (...) [while only] a substantial share of around €1.3 trillion Euros, will have to be funded via public sources.”

Source: ECB experts in “Mind the gap: Europe’s strategic investment needs and how to support them ([europa.eu](https://www.europa.eu))”



EUROPEAN CENTRAL BANK

Finding the money.

2023 retail “savings” in EU

EUR 1.67 trillion

(notional maximum, incl. financial investments, payments into pension schemes already deducted, excl. real estate loans received)

Gross Household Adjusted Disposable Income (GHI)

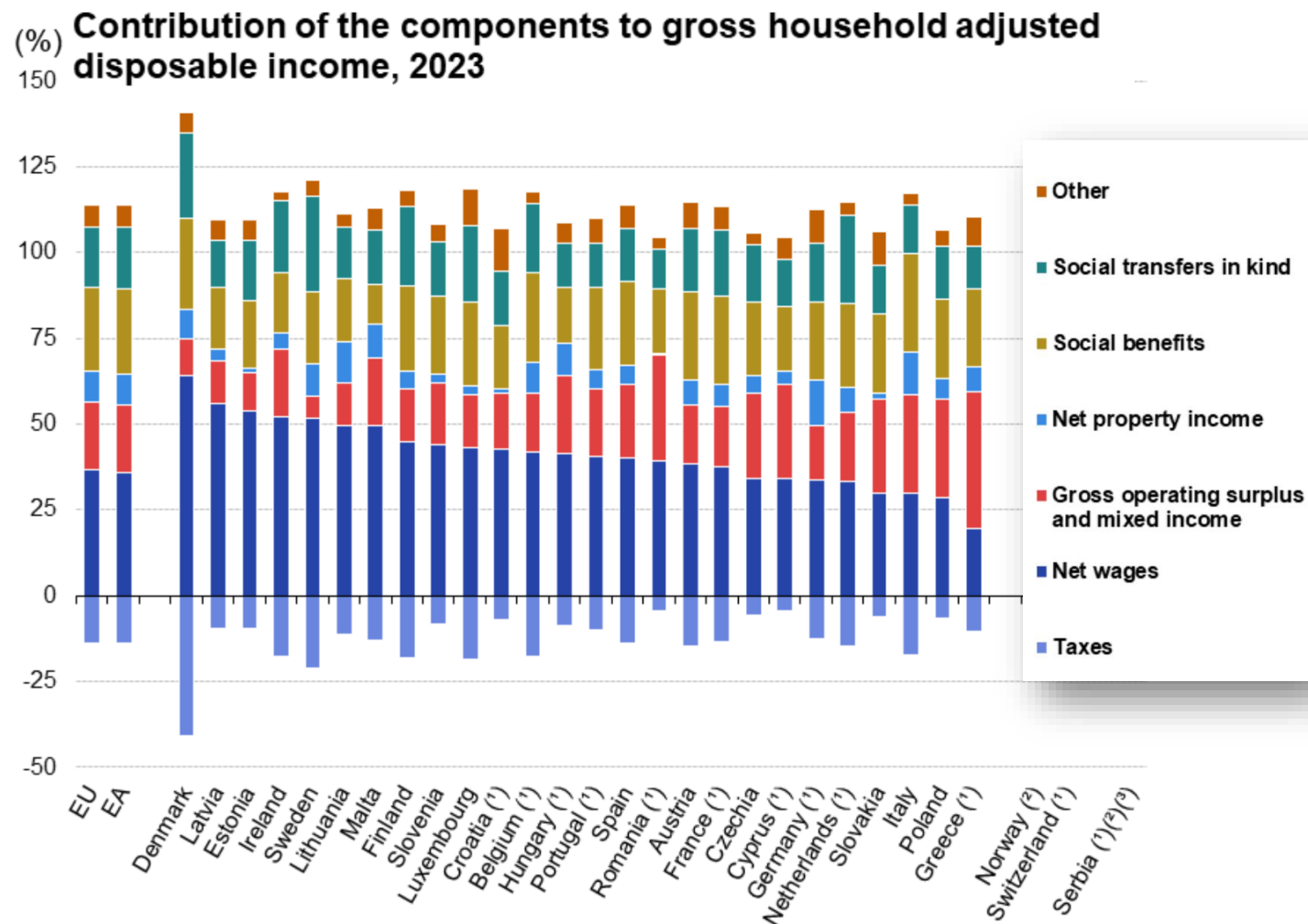
EUR 12.6 trillion (2023)

EU household saving rate 13.2% (2023)

GHI = total amount of income available to a household after accounting for taxes, social transfers, and adjustments, such as the cost of living

GHI 2023 = 74% of EU GDP

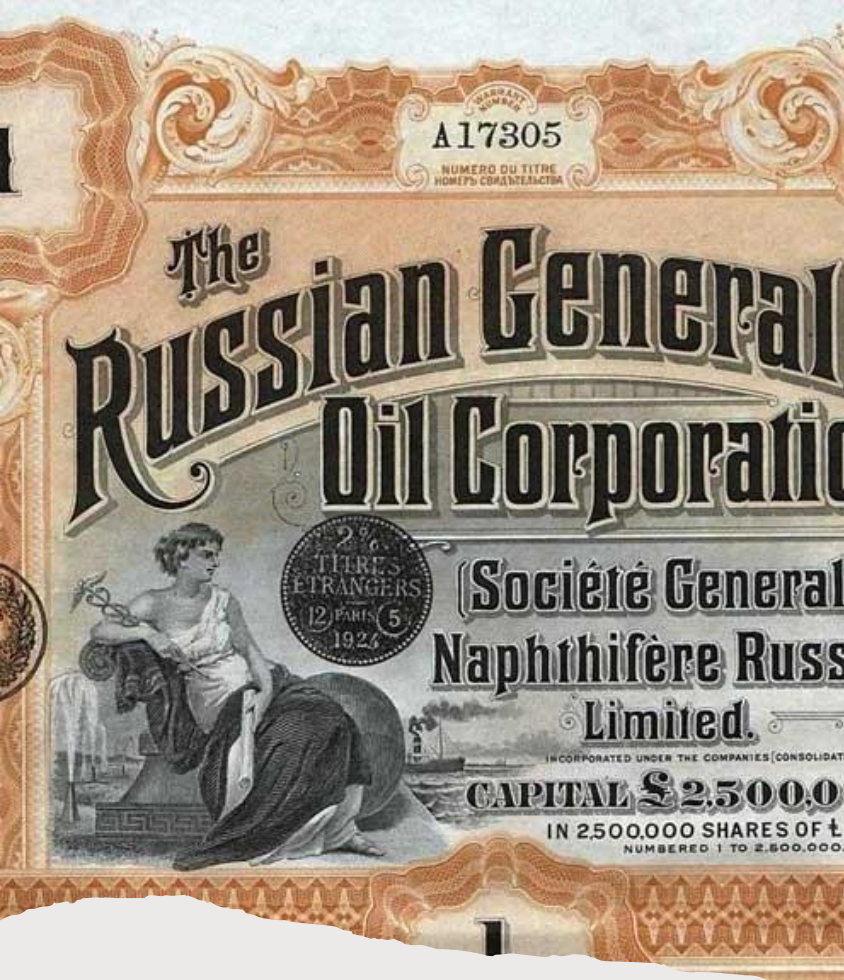
(sources all information: EU Commission, ECB)





The retail finance challenge





The art of the deal

Incentivizing retail investments without misallocating retail assets



Taxation and retail
investment -
An ignored reality.



Tax impact on retail investment

Example 1

The French PEA (“Plan d’Epargne en Actions”)

Banking version (insurance version exist)

- **Investment limit (excluding gains) EUR 150k per person**
- Eligible assets: **EU/EEA shares and UCITs/ETFs funds** (if $\geq 75\%$ EU/EEA)
- General lock-in period 5 years
- **No capital guarantee**
- **Capital gains, incl. reinvested dividends, are tax-exempt (WHT/CGT) $> 5y$**
- Social security charges (17,3%) apply on any drawdown
- **Invested volume 2023: 115 billion Euros**
- Number of PEAs (only one per person allowed): **6.631.627** (Q4 2023)

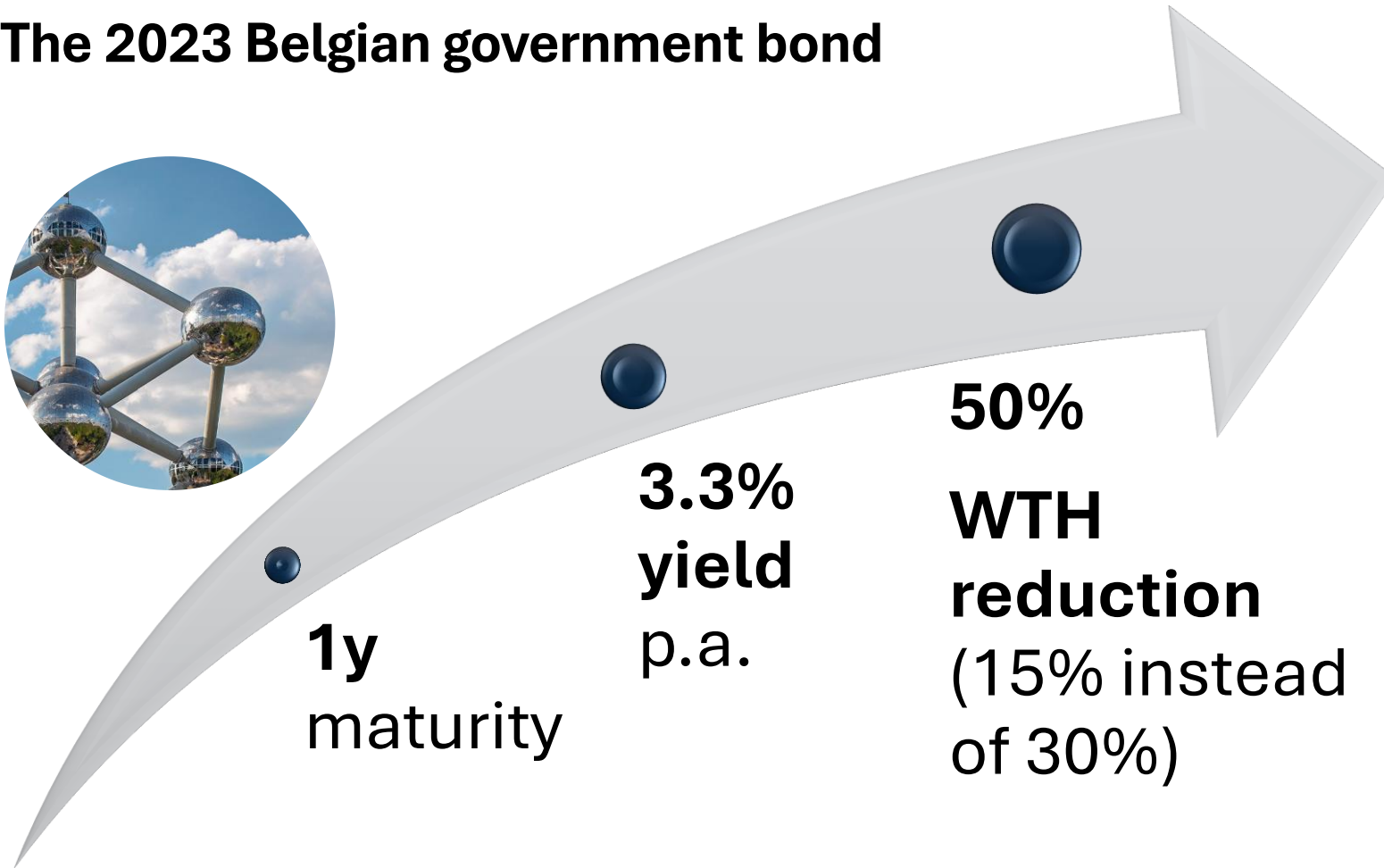


Adobe Stock | #403229304

Tax impact on retail investment

Example 2

The 2023 Belgian government bond



1y
maturity

3.3%
yield
p.a.

50%
WTH
reduction
(15% instead
of 30%)

22 bn EUR
in 10 days

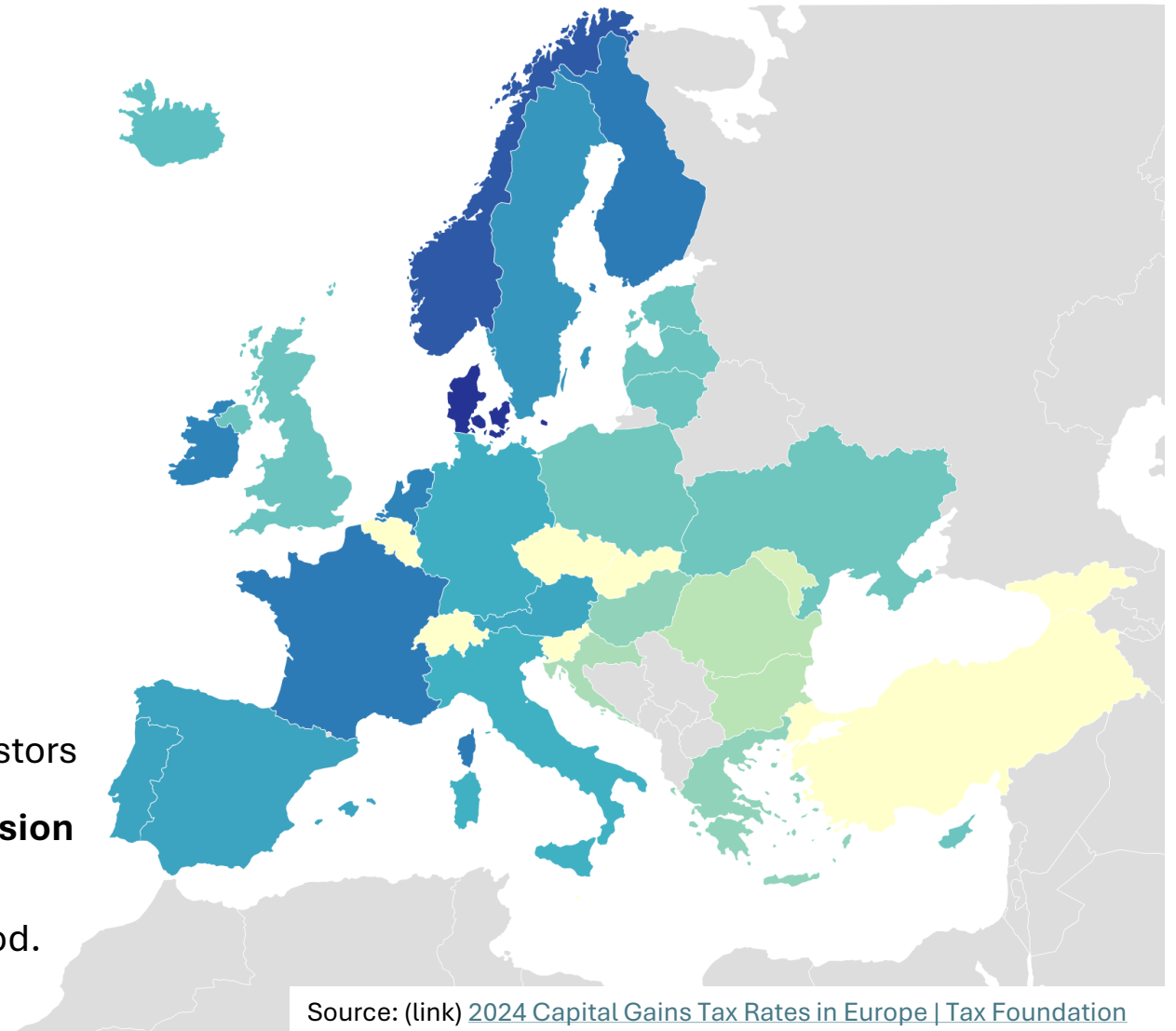
- Bond massively subscribed
- MoF closed offer prematurely
- Liquidity drain from Belgian banking sector

Top Capital Gains Tax Rates on Individuals in 35 Major European Countries, 2024



Capital Gains Tax rates in Europe 2024

- EU average CGT rate on share investments 18,2%
- **Only partial investment loss off-setting** for retail investors
- **CGT relief in most countries partially granted on pension products withdrawals**
- Ultralow or 0%-rate may require minimum holding period.

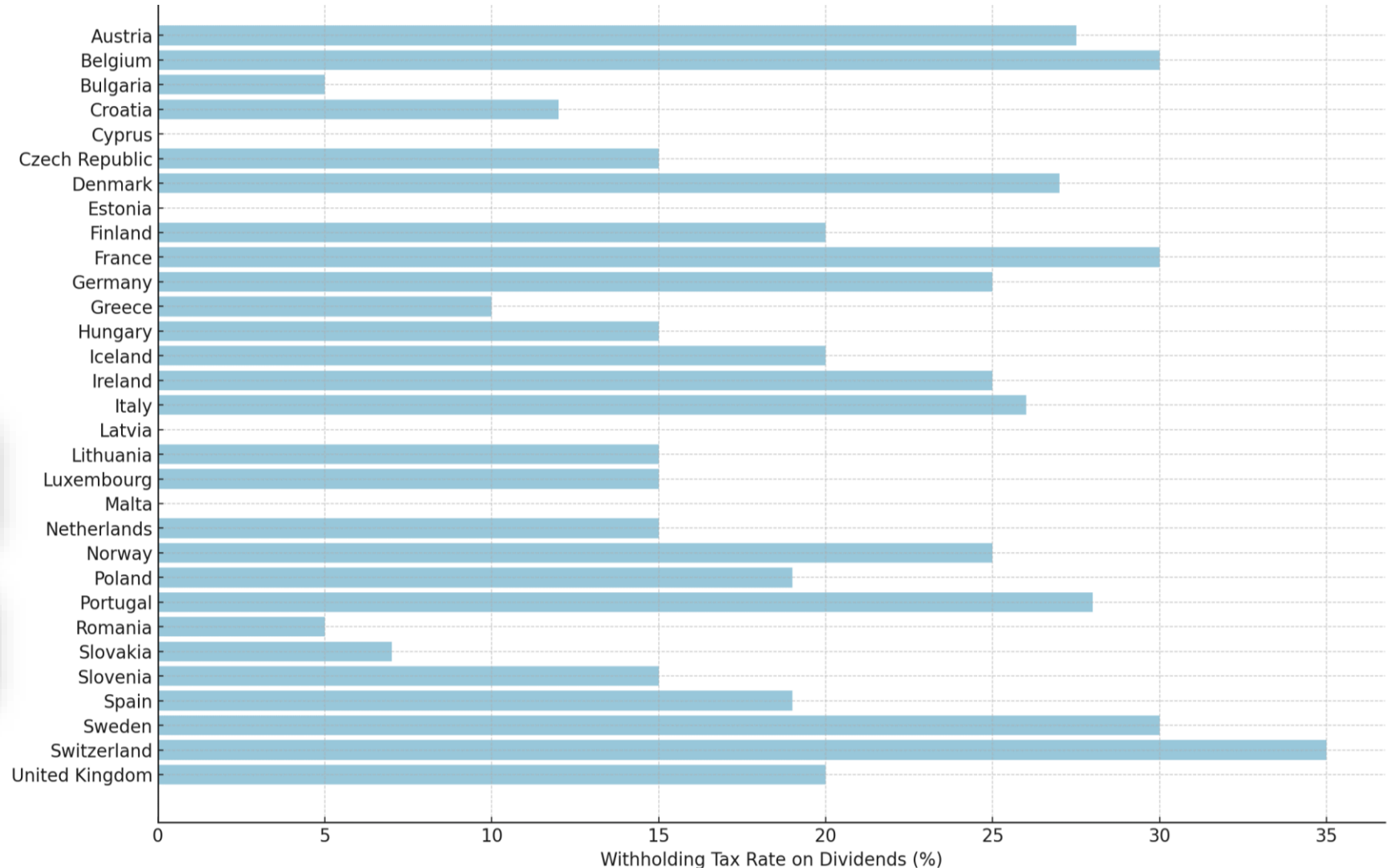


Source: (link) [2024 Capital Gains Tax Rates in Europe | Tax Foundation](#)

Note: If the capital gains tax rate varies by type of asset sold, the tax rate applying to the sale of listed shares by an individual without substantial ownership after an extended period of time is used. Capital gains tax rates shown include surtaxes.

Withholding Tax rates (on interest / dividends) in Europe 2024

- EU average WHT rate (on dividends) 17,3%
- WHT exemptions reductions sporadically granted for political reasons





And outside tax
incentives?

The Retail Investment Strategy

Heavily refined and tightened inducements conditions

Value for Money (benchmarks / peer-to-peer comparisons)

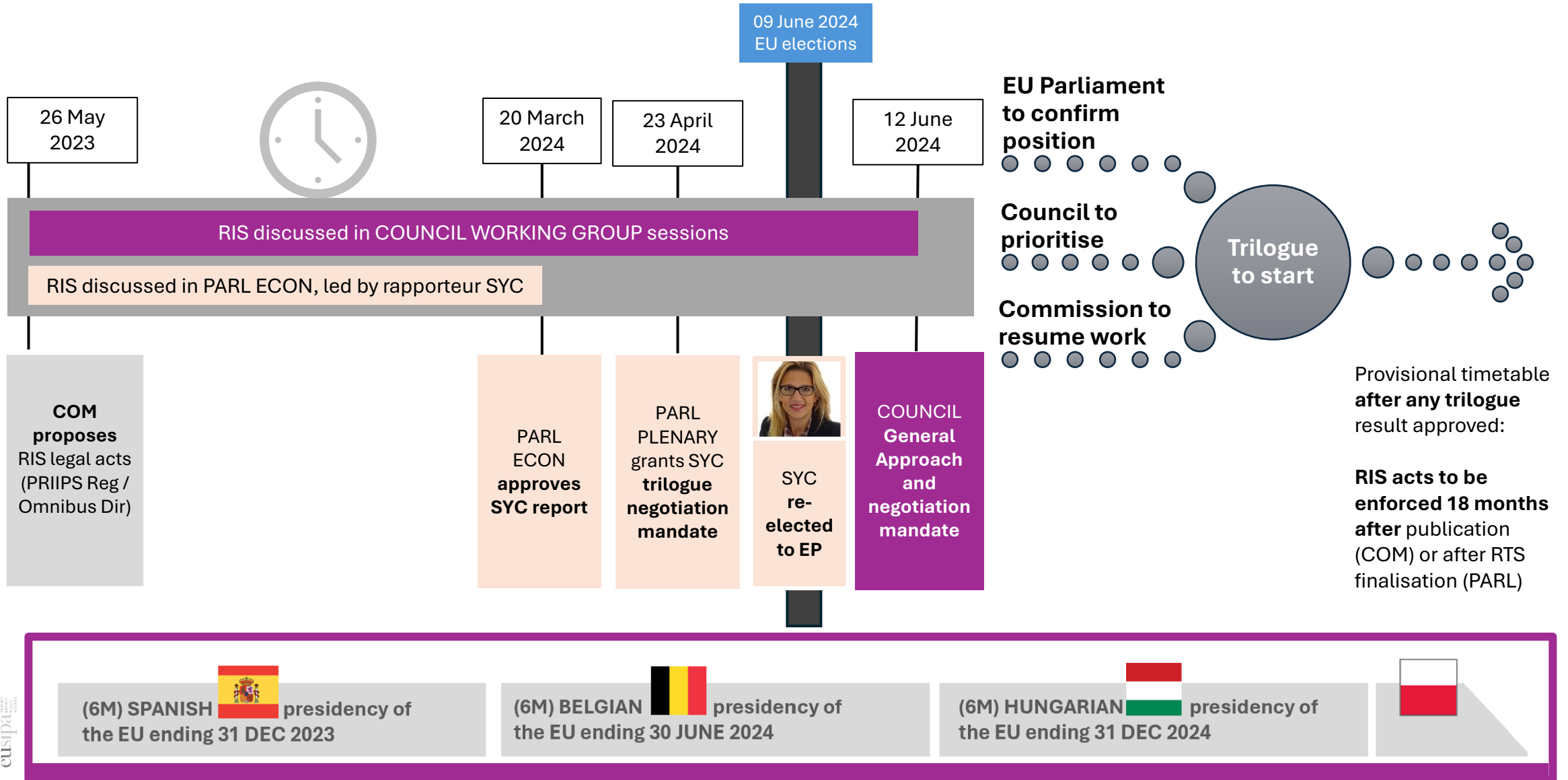
Stricter marketing governance

ESG criteria in PRIIPs KID

Client categorisation upgrade changes

More reporting obligations on POS interaction

RIS timeline post-elections (July/Dec 2024)



RIS - under massive pressure



FOR IMMEDIATE RELEASE

Finance sector calls for co-legislators to reassess the Retail Investment Strategy in light of the European Commission's competitiveness goals.

Brussels, 28 November 2024 - The undersigned associations welcome the new European Commission's objectives to boost the EU's competitiveness, focus on the enforcement of existing legislation and simplify regulatory frameworks. We appreciate that this was also echoed by the Commissioner-Designate Maria Luis Albuquerque during her confirmation hearing in the European Parliament.

In light of this and the need to urgently advance a Savings and Investments Union, it is essential to subject the Retail Investment Strategy (RIS) to a "competitiveness check". As it currently stands, the RIS will not achieve its initial goal of increasing retail participation in European capital markets.



13. November 2024
ESMA24-450544452-2484

Mairead McGuinness
Commissioner in charge of Financial services, Financial stability, and Capital Markets Union

Maria Luís Albuquerque
Designated Commissioner in charge of Financial services and the savings and the Investment Union
European Commission

Aurore Lalucq
Chair of the Committee on Economic and Monetary Affairs
European Parliament

Mihály Varga
President-in-Office of the Economic and Financial Affairs (ECOFIN) Council

Ref: Retail Investment Strategy

Dear Mmes. McGuinness, Albuquerque, and Lalucq, dear Mr. Varga,

We are writing to you regarding the Retail Investment Strategy ("RIS") proposal, which rightly aims to mobilise capital held by European citizens into investment and pension products offering value for money, and thereby enhance consumers' financial health and contribute to deepening European capital markets.



Joint Statement by the Finance Ministers of Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Ireland, Lithuania, Luxembourg and Slovenia on building a Capital Markets Union in support of European Competitiveness

Commissioner-designate Maria Luís ALBUQUERQUE
Directorate-General for Financial Stability, Financial Services and Capital Markets Union
European Commission
BE-1049 Bruxelles/Brussel

15 November 2024

Dear Commissioner-designate Albuquerque,

We are writing to you in relation to the development of Capital Markets Union (CMU) policy during the forthcoming European legislative cycle.

We wish to acknowledge the significant progress made in implementing the 2020 CMU Action Plan. Nevertheless, further deepening of the Union's capital markets will be crucial for improving European competitiveness and supporting the digital and green transitions.



Paschal Donohoe



Enrico Letta



Christian Noyer

Thoughts, ideas and recommendations

Next dishes and menus on the round CMU table

Few new thoughts ...

New EU investment vehicles with **harmonised minimum tax benefit**


Pension products using auto-enrolment schemes

Freeing up insurance assets by adjusting prudential capital rules



Creating an EU “Deep Tech” Stock Exchange

Better securitisation standards

ESMA/EIOPA governance changes (smaller boards, majority decisions)



Our industry's perspective





Main challenges for us.

- **Inclusion of Structured Products as eligible assets** in tax-privileged investment schemes
 - **Value-for-Money** demonstration (“beyond tax benefit”) to investors
 - **Tax efficiency** of a product structure (also **long-term**)
 - Offering **long-term but also sufficiently flexible** investment solutions (competing with bond markets’ different maturities)
 - **Appropriate guidance to investors** on today’s “**political markets**” (as started already with ESG)
-

Thanks for listening.
Questions and comments.

Danke für die Aufmerksamkeit.
Gerne Fragen und Kommentare.

