ROADMAP TOWARDS A SUCCESSFUL SAVINGS AND INVESTMENTS UNION

The Investment Company Institute (ICI) strongly supports the European Commission's efforts to foster deeper, more integrated capital markets for the benefit of European citizens. A well-functioning Savings and Investments Union (SIU) would broaden access to long-term investing opportunities for individuals across Europe, bolstering the region's economic resilience and global competitiveness.

ICI's mission is to strengthen the foundation of the asset management industry for the ultimate benefit of the long-term individual investor. Our members have significant experience and expertise in serving more than 100 million retail investors in jurisdictions around the world, including in the EU. These investors rely on regulated funds, like UCITS,[1] to achieve important financial goals, including saving for retirement and education. By supporting the financial health and wellbeing of individual EU investors, the asset management industry also contributes to broader economic growth by investing client assets in capital markets, providing a critical source of long-term funding for companies and projects.

ICI looks forward to working collaboratively with the European Commission and Member States to engage in comprehensive discussions on building a successful European SIU.

A successful SIU will empower European households to grow their long-term wealth through investing in the capital markets.

European citizens have commendably high savings rates, which are predominantly in bank deposits or guaranteed products.[2] As a result, many individuals miss the opportunity for higher returns available through long-term investing in the capital markets.[3] Vibrant capital markets efficiently channel investment into businesses and, with long-term rates of return historically higher than bank accounts, are a compelling driver of household wealth creation. By reallocating some of their savings into capital markets investments, European citizens could

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[1] Undertakings for Collective Investment in Transferable Securities Directive (Directive 2009/65/EC, "UCITS").

[2] Retail investors hold approximately two-thirds of their wealth in bank deposits (EUR 9.15 trillion, or 34,1 percent) or in pension or insurance products (27.8 percent) that tend to have very defensive/low-risk asset allocation. *See* European Commission Eurostat, Households: Statistics on Financial Assets and Liabilities (October 2024), available at https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Households_-_statistics_on_financial_assets_and_liabilities.

[3] For example, the Noyer Report observes that a financial portfolio reflecting the average stock of the most common savings products in France significantly underperformed the main European and global indices over the ten-year period between 2012 and 2021. See "Developing European Capital Markets to Finance the Future: Proposals for a Savings and Investments Union," Christian Noyer, Honorary Governor, Banque de France (April 2024), p.30, ("Noyer Report"), available at https://www.tresor.economie.gouv.fr/Articles/2024/04/25/developing-european-capital-markets-to-finance-the-future.

enhance their savings over time. This shift would also reinforce the SIU providing businesses around the world with greater access to funding and stimulating economic growth in the EU.

ICI strongly supports the European Commission's objective of strengthening the SIU and fostering greater retail participation in the capital markets. To achieve these objectives, and while acknowledging that the SIU is a long-term project and will consist of a series of actions, ICI strongly recommends the creation of a European Savings and Investment Account (ESIA).[4] Removing regulatory barriers will ensure the usability and ability to scale up the ESIA. ICI is committed to collaborating with the European Commission to support a regulatory ecosystem where financial markets can thrive, thereby contributing to both individual and broader economic growth in Europe.

Roadmap towards achieving a successful SIU

- **Empowering Citizens:** The SIU must prioritise the financial well-being of European households, fostering long-term wealth creation through investing in capital markets.
- **Building on Success:** Leverage proven global models (Sweden's ISK, Japan's NISA, US 401(k) and IRA, and UK ISA) and trusted EU investment products (e.g., UCITS) to create a European Savings and Investment Account (ESIA).
- **Choice and Flexibility:** Facilitate a broad range of investment options within the ESIA, ensuring freedom of choice to meet individual financial goals without geographic or policy-driven restrictions.
- **Digital Accessibility:** Ensure a seamless digital experience for ESIA set-up and management, supported by provider choice, simplified advice and comparison tools, cross-border portability, and investor education and guidance.
- **Simple Tax Structure and Clear Incentives:** Agree on a simple, efficient, and accessible tax structure for the ESIA that minimizes administrative burdens for account holders.
- **Workplace Integration:** Consider the introduction of automatic enrollment through employers, leveraging payroll deductions to build a culture of investing and habits that support financial well-being and the uptake of the ESIA.
- **Long-Term Focus:** Promote long-term investing with programs and incentives for the ESIA that discourage short-term withdrawals.
- **Regulatory Ecosystem to Support Economic Growth:** Eliminate regulatory barriers and foster a regulatory ecosystem where financial markets can thrive, thereby contributing to both individual and broader economic growth in Europe.

[4] For ease of reference, we are using the term "ESIA" throughout this letter, noting that it is intended as a placeholder for any individual investing account framework the European Commission may determine to develop in the future.

I. Fostering an Investment Culture to Empower European Citizens

At this critical stage in the development of the SIU, communication of policy intentions is key. Policymakers must join together in articulating that the SIU's primary objective is to empower retail investors, foster financial literacy, and create a resilient, risk-tolerant investment culture. This is not only foundational to build public trust but also for ensuring the long-term success of both the ESIA and the broader European capital markets ecosystem.

The central policy goal of the ESIA should be to cultivate an investment culture that encourages European citizens to become more comfortable with investing in the capital markets—an essential shift for wealth creation. Building this trust depends on avoiding any doubt that the financial empowerment of European households is a first-order priority. While the greater depth and liquidity that enhanced retail participation will bring to EU capital markets will inevitably benefit companies seeking to scale, in turn driving strategic priorities across defense, climate, and digital transition, it must be made clear that citizens' wealth is not sought for this purpose. Investors must know the ESIA is designed to help them as individuals, not subsidize the cost of capital for domestic companies or state spending needs.

Building a foundation of trust demands a substantial investment in financial literacy. Only by educating citizens about the opportunities and risks of capital markets can the EU nurture a generation of investors who are confident, informed, and comfortable with investing. This literacy is essential to building an investment mindset that complements statutory pensions and savings accounts, positioning capital markets as a key pillar of personal financial well-being.

As this culture of investing takes root, the benefits will extend beyond individual households. Citizens with greater wealth resulting from long-term investments will drive economic growth through increased consumption, reduce reliance on social safety nets, and contribute to fiscal stability. Moreover, a broader base of private investors will strengthen the EU's capital markets, enhancing competitiveness and increasing the availability of private finance to support European enterprises.

II. Looking to Global Models in order to Build on European Success

Critical to the success of an ESIA is the framework design. At the outset, it is essential to distinguish between an investment account and an investment product. An investment account designed to facilitate easy investing will help address the challenges and barriers that currently hinder retail investors from accessing existing investment products, such as UCITS. While European financial market participants have successfully established a robust range of investment products designed for retail investors, the traditional distribution models, which serve as the primary means of accessing these products, remain an obstacle. Many consumers face frictions in navigating these models, often due to complex requirements, limited availability of investment advice, and concerns about fees and accessibility.

By creating an investment account, rather than focusing solely on the development of a new financial product or product label, the European Commission can provide a streamlined and accessible vehicle that connects retail investors with a broad range of investment products to meet individuals' unique financial goals. Such an account can bridge the gap between consumers and available investment options, simplifying the process of investing, overcoming distribution challenges and creating economies of scale—critical for fostering deep pools of liquidity in EU capital markets.[5]

The European Commission should look to successful models from Sweden, Japan, the United States and United Kingdom, where programs have demonstrated significant increases in retail investor participation in capital markets.[6]

Sweden–Investment Savings Account (ISK): Introduced in 2012, Sweden's ISK aims to simplify retail investment in financial instruments. Rather than being an investment product, the ISK is an account structure that allows individuals to hold a wide range of investment products[7] under a simple tax regime with minimal administrative burdens. This ease of use has driven widespread adoption: nearly 40 percent of Swedish citizens (3.8 million individuals) now hold an ISK, with total assets in these accounts amounting to nearly 30 percent of Sweden's GDP.[8]

Japan–Nippon Individual Savings Account (NISA): Japan's NISA system is a fully tax-exempt investment initiative designed to shift household savings from cash deposits to long-term investments.[9] Enhanced in 2024, the NISA now offers higher annual contribution limits of ¥3.6 million per year (€22,440) and broader investment options, permanent tax exemptions, and greater digital accessibility and investor education resources. These improvements have spurred remarkable growth. Annual NISA purchases last year surpassed ¥17 trillion (€110 billion), with cumulative totals exceeding ¥52 trillion (€330 billion) at year-end 2024.[10]

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[5] While the ESIA is envisioned primarily as a Pillar Three option, Member States should consider linking the ESIA framework to employment benefits to encourage participation and foster long-term investing habits. Integrating the ESIA structure with Pillar Two could be highly beneficial for Member States facing pension gaps, as it would support individual retirement savings. For example, the Japan NISA, with its Workplace Tsumitate option, is an account structure that can be utilised for both Pillar 2 and Pillar 3 investing. The US IRA is also used by some employers instead of the 401(k).

[6] See "The investment savings account in focus," Swedish Investment Fund Association (October 2024), available at https://www.fondbolagen.se/globalassets/faktaindex/studier-o-undersokningar/isk/isk-rapport-okt-2024_eng.pdf. See also "Japan NISA Landscape: Year-end 2024," Morningstar (January 2025), available at https://www.morningstar.com/en-hk/lp/japan-nisa-investment-market.

[7] For example, individuals may hold in their ISK: financial instruments, such as shares, that are admitted to trading on a regulated market (e.g., Nasdaq Stockholm) or equivalent market outside the EEA; financial instruments traded on an MTF in the EEA; units in a mutual fund or a special fund; and money (cash), even in foreign currency. *See* "Investeringstillgångar i ISK," Swedish Tax Agency (Skatteverket) (January 2025), available at https://www4.skatteverket.se/rattsligvagledning/edition/2025.1/2829.html#h-Investeringstillgangar

[8] "The investment savings account in focus," supra note 8.

[9] "The basics of asset formation," NISA website, Japan Financial Services Agency (JFSA), available at https://www.fsa.go.jp/policy/nisa2/invest/.

[10] "Statistics of NISA Accounts, Preliminary Figures as of December 31, 2024", JFSA (February 2025), available at https://www.fsa.go.jp/policy/nisa/20250213.html.

Crucially, NISA has succeeded in attracting first-time investors, expanding Japan's retail investor base. In the first half of 2024, over three million new NISA accounts were opened.[11]

United States–401(k) and Individual Retirement Account (IRA): The US offers two prominent investment accounts: the employer-sponsored 401(k) and the individually opened IRA. Both provide access to a wide range of investment options—primarily mutual funds—enabling individuals to build diversified, long-term financial portfolios.[12] Key features include broad investment choices, including domestic and international funds,[13] and tax-advantaged growth opportunities. In 2025, individuals can contribute up to $23,500 to their 401(k) and $7,000 to their IRA.[14] The 401(k) and IRA structures have been instrumental in securing the financial future of millions of middle-class Americans,[15] demonstrating the power of long-term, tax-advantaged investing.

United Kingdom–Individual Savings Account (ISA): Introduced in 1999, the UK ISA is a tax-advantaged savings and investment account available to UK residents. Each tax year, individuals can contribute up to £20,000 across various types of ISAs that allow individuals to invest without paying taxes on capital gains.[16] The 2024 update shows a rise in ISA subscriptions, increasing from 11.8 million to 12.4 million accounts from 2022-2023 and total ISA holdings remain substantial at £725.9 billion.[17]

III. Designing an Effective European Savings and Investment Account Framework

From these global examples, we can draw out the critical features the European Commission should consider incorporating into the foundation of the ESIA framework to ensure it can promote retail investors' access to capital markets: investor choice of products and providers, simplified advice and digital accessibility. By combining the most effective elements of global best practices and integrating them with the EU's digital and cross-border initiatives, the ESIA can become a successful investor program that drives retail participation, promotes long-term investing, and strengthens the EU capital markets.

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[11] "Household financial assets at record highs, individual investment gains momentum on new NISA opportunity," Japan Exchange Group, Market News & Insights (June 2024), available at https://market-news-insights-jpx.com/tse/article007480/.

[12] See "FAQs on 401(k) Plans," Investment Company Institute (2021), available at https://www.ici.org/faqs/faq/401k/faqs_401k_basic. See also "FAQs about IRAs," Investment Company Institute, (2021), available at https://www.ici.org/faqs/faq/iras/faqs_iras.

[13] "Retirement Keys: Investment Choice," Investment Company Institute (June 2024), available at https://www.ici.org/system/files/2024-06/24-retirement-keys-investment-choice.pdf.

[14] See "401(k) limit increases to $23,500 for 2025, IRA limit remains $7,000," IRS, (November, 2024), available at https://www.irs.gov/newsroom/401k-limit-increases-to-23500-for-2025-ira-limit-remains-7000

[15] "The US Retirement System: Working for America's Middle Class," Investment Company Institute (February 2024), available at https://www.ici.org/24-retirement-system-works.

[16] Among the ISA options available to UK citizens (depending on their financial goals), include Stocks & Shares ISAs, ETF ISAs, Ready Made Investment Portfolio ISAs, or Self Select ISAs, among others. See "Individual Savings Accounts (ISAs)," UK Government, available at https://www.gov.uk/individual-savings-accounts/print.

[17] "Commentary for Annual Savings Statistics September," UK Government (2024), available at https://www.gov.uk/government/statistics/annual-savings-statistics-2024/commentary-for-annual-savings-statistics-september-2024.

Once a viable account framework has been designed at the European level, Member States will be the driving force behind the ESIA's success. Member States must be committed to fostering a robust investment culture, bridging the pension gap, ensuring the long-term financial well-being of their citizens, and ultimately, employing several strategic measures to promote the use of the ESIA and contribute to its overall success. When implementing the ESIA framework, Member States should consider the benefits of agreeing on a simple, efficient, and accessible tax process that minimizes administrative burdens for account holders. Utilising workplace integration and leveraging tools to promote long-term investing will also play a leading role in kickstarting and maintaining retail investor participation in the capital markets.

Throughout the legislative and implementation process, highly integrated vertical and horizontal collaboration will be essential. The success of the ESIA hinges on its ability to function as a truly European account. Member States should aim to work together to ensure the framework is adaptable to their individual systems while maintaining consistency at the EU level. Likewise, the European Commission must play an active role in coordinating ongoing guidance and support to facilitate measures that will require agreement among Member States, such as the simple tax structure and clear incentives. Only through this continuous and constructive cooperation can the ESIA achieve its full potential and effectively serve the interests of European citizens.

Essential Features of a Successful ESIA

- **Choice and Flexibility:** Facilitate a broad range of investment options within the ESIA, ensuring freedom of choice to meet individual financial goals without geographic or policy-driven restrictions.
- **Digital Accessibility:** Ensure a seamless digital experience for ESIA set-up and management, supported by provider choice, simplified advice and comparison tools, cross-border portability, and investor education and guidance.
- **Simple Tax Structure and Clear Incentives:** Agree on a simple, efficient, and accessible tax structure for the ESIA that minimizes administrative burdens for account holders.
- **Workplace Integration:** Consider the introduction of automatic enrollment through employers, leveraging payroll deductions to build a culture of investing and habits that support financial well-being and the uptake of the ESIA.
- **Long-Term Focus:** Promote long-term investing with programs and incentives for the ESIA that discourage short-term withdrawals.

By incorporating these proven elements, the ESIA can become a cornerstone of financial empowerment—expanding access to capital markets, increasing retail investment participation, and supporting long-term wealth building for European citizens.

A. Investor Choice and Flexibility

The ESIA should be designed to empower European citizens to make informed investment choices according to their individual financial goals, risk appetites, and time horizons. Whether saving for retirement to supplement pension income, buying a house, or building wealth for future generations, EU citizens should have the freedom to choose from a diverse range of well-regulated investment products.

Rather than imposing restrictions on eligible investment products, the framework should build on the EU's existing, robust regulatory regime-including the UCITS Directive and MiFID to uphold suitability standards and ensure investor protection. UCITS are widely recognised and trusted by EU citizens, making them a natural foundation for the ESIA and enhancing the program's likelihood of success.[18] By leveraging this well-established and successful framework, the ESIA can cater to a diverse range of investor preferences and risk appetites while maintaining the highest levels of transparency and upholding important investor protections.

It will be critical to avoid policies that direct individuals toward specific assets, such as geographically limited investments, under the pretense of supporting broader policy goals. For example, some influential voices have suggested incentivising retail investors to move their savings to investments in only European companies.[19] Tax incentives, if available, should be applied equitably to the ESIA across all eligible investments, allowing EU citizens to make investment decisions based solely on their financial objectives—without influence from other policy goals or agendas. This will ensure the best financial outcomes for European citizens. In fact, tax or other incentives that do not align with an individual's financial goals would be likely to deter retail participation from the outset.[20]

Evidence shows that European households benefit from global diversification. For example, while European stocks have performed relatively well to date in 2025, over a longer period of time from 2009 to present, an investment in the US-based S&P 500 index would have grown to be nearly four times as large as an equivalent investment in the EURO STOXX 50 index.[21]

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[18] We note that adopting a more expansive approach to asset eligibility for the ESIA, potentially including ELTIFs, in addition to UCITS, would expand investor choice while encouraging a long-term approach to investment.

[19] "Since the goal of these products is to more effectively channel European household savings towards EU investment needs, it seems only logical to set a minimum threshold – of 80% or more – for investment in European assets." See "Noyer Report", supra note 5, at p.41.

[20] In the United States, nearly all 401(k) plans offer domestic equity funds, international equity funds, and domestic bond funds. Target dates funds (also known as lifecycle funds) are also a common option. See Fact 7 in "Ten Important Facts About 401(k) Plans," Investment Company Institute (July 2024), available at https://www.ici.org/system/files/2023-10/ten-facts-401k.pdf. US 401(k) participants welcome these choices. In 2024, 83 percent of DC-account owners agreed that their plan offers "a good lineup of investment options" and 92 percent agree that "It is important to have choice in, and control of, the investments in my retirement plan account." See Figure 2 in "American Views on Defined Contribution Plan Saving, 2025," *ICI Research Report*, Investment Company Institute (January 2025) ("American Views"); available at https://www.ici.org/system/files/2025-01/25-rpt-am-views-dc-plans.pdf.

[21] Source: Investment Company Institute calculations of Refinitiv data, 2009 to year-end 2024.

Moreover, policies that limit international investment opportunities can hinder investor participation.

One such example is the French individual investment account, the Plan d'Épargne en Actions (PEA), which requires investors to allocate 75 percent of their investments to shares issued by EU or EEA headquartered firms. These geographical restrictions may have had the unintended effect of limiting the PEA's broader success. Despite being introduced seven years prior to the UK ISA, the PEA has achieved a much smaller market value, with €113bn compared to the UK ISA's £725.9bn.[22] By contrast, the NISA underscores the benefits of a more open investment approach. Japanese citizens have increasingly used NISA to diversify internationally, in 2024 purchasing approximately ¥10.4 trillion (€65 billion) in overseas equities—marking the highest level since 2015. This investor desire for global investment has helped drive the success of the NISA, enabling Japanese households to build wealth and benefit from broader market opportunities.

As EU citizens become more engaged and comfortable with investing, anecdotal evidence suggests they often develop a stronger interest in supporting their local economics and communities though investing.[23] Fortunately, UCITS products currently available to retail investors provide access to both international and domestic markets enabling individuals to pursue their financial goals by contributing to local growth and economies, if they choose.

B. Digital Accessibility, Simplified Advice, Portability, and Investor Education

The ESIA should be designed with the user experience at top of mind—from setting up an account, choosing providers, accessing guidance and advice, selecting investment options, moving within the EU, and eventually withdrawing from the account. How easily retail investors are able to engage with the ESIA, and the experience of that investor journey, will play a definitive role in its uptake and ultimate success. The investor journey should be considered alongside initiatives that will build a foundation of investment culture among EU citizens.

Digital Accessibility: For the ESIA to achieve widespread adoption, it must be simple, user-friendly, and digitally accessible. The recent improvements of Japan’s NISA and the success of Sweden’s ISK highlights how ease-of-use can encourage engagement and long-term investment. The ESIA should replicate this approach, offering a seamless digital experience that empowers individuals to manage their investments with confidence. The European Commission should design the ESIA to promote the use of market-driven innovation and tools.

[22] “Reprise des encours de PEA en 2023,” Banque de France (Avril 2024), available at https://www.banque-france.fr/system/files/2024-06/Plan-d-epargne-en-actions-2023.pdf.

[23] In practice, investors tend to invest with a home bias anyway, as Sweden has found in its program. See e.g., “Mapping Swedish cross-border links to the investment fund sector,” Sveriges Riksbank, Staff Memo (April 2023), available at https://www.riksbank.se/globalassets/media/rapporter/staff-memo/engelska/2023/staff-memo-mapping-swedish-cross-border-links-to-the-investment-fund-sector.pdf.

Simplified Advice: The ESIA framework must address the complexities of financial advice within the European regulatory environment. Currently, retail investors face a choice between comprehensive, often costly, financial advice and execution-only services with no guidance. This gap discourages participation, particularly among less experienced investors. Introducing a simplified advice regime—both for the investment account and more broadly across Europe—would help retail investors make informed decisions without the cost or complexity of full-service advice.

Simplified advice would streamline retail investors' accessibility to financial advisory services that target specific financial needs or goals (e.g., child's university education or first-time home buying). When paired with digital innovation, simplified advice could effectively remove many of the barriers that currently hinder retail investor participation in the capital markets. For example, an online platform offering the ESIA could present retail investors with a curated selection of diversified investment options based on their risk profile and financial goals. This model, inspired by digital advisory tools in other markets, would provide accessible, affordable guidance that encourages broader participation and inclusive access to investments and financial wellness.

The success of a simplified advice framework will also require active participation from the asset management industry. Financial market participants can help retail investors navigate their choices through interactive tools, educational content, and transparent disclosures. By adopting these proven elements from global models, the ESIA can become a trusted, accessible, and widely used savings vehicle—empowering citizens to achieve their financial goals while strengthening Europe's capital markets.

Portability: The ability to easily select and switch account providers is equally important. Portability allows investors to consolidate their savings, simplifies their financial management, and fosters healthy market competition—driving innovation, lowering costs, and enhancing service quality. A competitive market for the ESIA, where individuals can transfer their holdings freely, will incentivise providers to deliver better outcomes for investors.

Portability is a proven feature in successful savings and investment systems globally. In the US, 401(k) retirement accounts offer multiple rollover options, enabling workers to move their investment savings between plans or into IRAs when they change employers.[24] This flexibility promotes continuity of investing and greater competition in the retirement market. Under the Japanese NISA program, investors can choose among various financial institutions when opening an account, including banks and online brokers, and can switch providers annually—offering choice, flexibility, and competitive service standards. Investors using the UK ISA have

[24] US households typically research the rollover decision and often indicate a preference to consolidate assets. Some traditional IRA–owning households with rollovers indicated they wanted the wider range of investment options available in an IRA or to access investments through a different financial services firm, attesting to the competitive pressures at play. See Figure 5 in "The Role of IRAs in US Households' Saving for Retirement, 2023," *ICI Research Perspective,* Investment Company Institute (February 2024); available at https://www.ici.org/system/files/2024-02/per30-01.pdf.

broad choice among types of providers,[25] and balances can be transferred from one provider to another at any time.[26] The EU should follow these successful examples by ensuring that the ESIA is fully portable, allowing savers to change providers without penalties or administrative barriers.

Investor Education: Building a culture of investing in the EU will ensure the long-term success of the ESIA and SIU. From the outset, this will require the European Commission to develop and implement a comprehensive and forward-looking financial literacy campaign about the benefits of the ESIA. Only by educating citizens about the opportunities and risks of capital markets can the EU nurture a generation of investors who are confident, informed, and comfortable with investing.

Industry initiatives centered on financial literacy will obviously play a large role in the uptake of the ESIA, but it will be equally important for the European Commission to have a say in how the ESIA is communicated to citizens. By way of example, the Japan Financial Literacy and Education Council (JFLEC) has played a pivotal role in promoting financial literacy among Japanese citizens, aligning with government initiatives to encourage a shift from traditional savings to investment practices.[27] The JFLEC's contributions to financial literacy include (i) educational programs tailored to improving financial literacy across various demographics, including students, working adults, and retirees; and (ii) public awareness campaigns about the importance of investment and the benefits of programs like NISA through seminars, workshops, and media collaborations.

The synergy between JFLEC's educational initiatives and the government's policy reforms has fostered a more investment-savvy population. This collaboration has contributed to the successful uptake of the enhanced NISA program, facilitating a cultural shift from savings to investment and promoting long-term financial well-being among Japanese citizens. The European Commission could look to this model when developing its own financial literacy campaign.

C. Simple Tax Structure and Clear Incentives

For the ESIA to achieve widespread adoption, Member States must agree on a simple, efficient, and accessible tax structure that minimizes administrative burdens for account holders. While specific tax incentives will ultimately be determined at the national level, a coordinated approach to taxation is essential for cross-border success. The European Commission should play a central role by providing recommendations—drawing from successful international

[25] Available ISA providers include banks, building societies, credit unions, friendly societies, stockbrokers, peer-to-peer lending services, crowdfunding companies and other financial institutions. See "Individual Savings Accounts (ISAs)," supra note 17.
[26] Id.
[27] See "Overview of the J-FLEC," J-FLEC, available at https://www.j-flec.go.jp/wpimages/uploads/overview-of-the-J-FLEC.pdf.

models—to ensure that national frameworks facilitate, rather than hinder, cross-border cooperation.[28]

Sweden–ISK: Sweden's ISK uses a simple flat-rate taxation model. Instead of taxing each transaction (e.g., dividends or capital gains), ISK applies an annual flat-rate tax based on the account's average value. In order to reduce administrative burdens for investors, ISK account holders are not required to calculate their taxes. The institution providing the account (such as a bank or asset management company) automatically calculates the annual taxable amount and reports it to the Swedish Tax Agency.[29] Intermediaries typically charge little to no fees for this service, and assets remain directly owned by the individual. This streamlined approach has contributed to the ISK's popularity by reducing administrative complexity for both investors and tax authorities.[30]

Japan–NISA: Japan's NISA offers the simplest tax structure, because it is a fully tax-free model (i.e., an "exempt, exempt, exempt" or EEE model). Individuals can invest in NISA eligible financial products without paying tax on contributions, interest, dividends or capital gains.[31] Recent reforms have expanded annual contribution limits to ¥3.6 million per year (€22,440) and made the tax-free holding period indefinite, boosting household investment income and participation.[32]

United States–IRA: The US offers both Traditional and Roth IRAs, each with distinct tax benefits. Traditional IRA contributions are tax-deductible, and taxes on gains are deferred until withdrawal (i.e., an "exempt, exempt, taxed" or EET model).[33] Roth IRAs use after-tax contributions but allow for tax-free growth and withdrawals (i.e., a "taxed, exempt, exempt" or TEE model). The vast majority, over 85 percent, of Americans invested in these accounts agree that the "tax treatment of my retirement plan is a big incentive to contribute."[34]

United Kingdom–ISA: The UK ISA tax structure allows tax-free growth on interest, dividends, and capital gains (i.e., TEE model), depending on the type of ISA.[35] Each tax year, individuals can invest up to £20,000, and balances can be withdrawn at any point in time.[36]

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[28] As a general recommendation, we strongly urge the European Commission and Member States to leverage on existing frameworks instead of creating additional rules wherever possible, as this would not only streamline the establishment of the account but also enhance its ease of use. For example, it is worth exploring ways to leverage the Faster and Safer Tax Relief of Excess Withholding Taxes (FASTER) Directive. The eTRC (electronic Tax Relief Certificate) under the FASTER Directive could potentially be leveraged to address tax-related challenges within the ESIA framework, making it easier for individuals to invest within the EU without facing complex withholding tax procedures.

[29] "The investment savings account in focus," supra note 8.

[30] Id.

[31] "Eligible product lists for Tsumitate (installment) NISA," available at https://www.fsa.go.jp/policy/nisa2/products/ and "Products list for Growth NISA," available at https://www.toushin.or.jp/static/NISA_growth_productsList/.

[32] "NISA2: Understanding the New NISA," JFSA, available at https://www.fsa.go.jp/policy/nisa2/know/.

[33] The Traditional IRA follows an "exempt, exempt, taxed" (EET) mode. See "IRA deduction limits," US Internal Revenue Service (August 2024); available at https://www.irs.gov/retirement-plans/ira-deduction-limits.

[34] See "American Views," supra note 21 at Figure 2.

[35] "Individual Savings Accounts (ISAs)," supra note 17.

[36] Id.

To maximize the appeal and effectiveness of the ESIA, Member States should adopt a clear and consistent tax structure that incentivises long-term investing and reduces administrative burdens on account holders. Promising approaches would be to follow a TEE or EET model. ICI encourages the European Commission to closely coordinate and support Member States to adopt similar tax efficient models for the ESIA to reduce distortions in the single market.

TEE (Taxed-Exempt-Exempt)	EET (Exempt-Exempt-Taxed)
♦ **Contributions Taxed:** Contributions subject to normal income tax ♦ **Growth Tax-Free:** Investments grow tax-free, with no taxes on interest, dividends, or capital gains ♦ **Withdrawals Tax-Free:** Individuals would pay no taxes when withdrawing funds, even in retirement	♦ **Contributions Tax-Free:** Contributions are made with pre-tax income ♦ **Growth Tax-Free:** Investments grow tax-free, with no taxes on interest, dividends, or capital gains ♦ **Withdrawals Taxed:** Withdrawals are taxed as ordinary income
The TEE model, followed by the US Roth IRA and UK ISA, offers simplicity, transparency, and strong incentives for long-term investment. The TEE model provides clarity for investors, reduces administrative complexities, and encourages cross-border portability within the EU, as tax liabilities are settled upfront. The TEE model would not impact current fiscal income of Member States, as contributions to the ESIA would be subject to ordinary income tax.	The EET structure is commonly seen in pension plans and tax-deferred investment accounts, such as the Traditional IRA in the United States. The EET model facilitates larger contributions since they are taken pre-income tax. It promotes long-term investing by disincentivising early withdrawals subject to taxes. The EET model would result in reduced short-term fiscal income for Member States, but higher fiscal income in the long-term.

The European Commission can support Member State coordination on tax treatment of the ESIA by leveraging existing and planned initiatives. For example, through the European Semester,[37] the Commission can issue specific non-binding recommendations to ensure that the ESIA is portable across Member States and facilitates cross-border investment within the

[37] The European Semester is an annual exercise that coordinates the EU's economic and social policies. EU Member States align their budgetary and economic policies with the objectives and rules agreed upon at EU level. It allows the European Commission, along with other EU institutions, to monitor and provide recommendations on various aspects of economic governance. See European Commission, available at https://commission.europa.eu/business-economy-euro/european-semester_en.

EU. Through this forum, European Commission could suggest eliminating withholding taxes on interest and dividends from cross-border investments or at least providing clear guidelines to avoid double taxation.[38] In addition, the Competitiveness Coordination Tool (CCT)[39] could serve as a benchmarking mechanism where Member States could compare their tax systems against others in the EU, helping identify best practices and areas for improvement. Although the role of the CCT in tax coordination is still evolving, it could encourage voluntary alignment of tax policies to enhance the functioning of the internal market.

a. Additional Tax Incentives: Kick-starting Retail Investor Participation

In addition to agreeing a simple tax structure for the ESIA, EU Member States should use additional tax incentives to encourage retail investment, especially among first-time investors. However, it is essential that these additional incentives are applied at the account level rather than to specific financial products, to ensure that investors can choose the appropriate investments to meet their financial goals. We note that in many European countries, tax benefits granted to specific types of products (e.g., life insurance/annuities) effectively limit competition, creating an unlevel playing field between different products. Providing tax incentives equitably to account holders will enhance competition and ultimately promote more retail investment across a broad array of products.

Member States should consider tax incentive programs that have consistently proven to be effective in encouraging investment, as they provide individuals with tangible benefits that make investing more attractive and accessible, ultimately fostering a culture of long-term financial growth.

Sweden–ISK: In Sweden, the government has introduced a package that intends to strengthen households' purchasing power by allowing tax-free contributions to the ISK up to certain limits (150,000 SEK for 2025 and 300,000 SEK for 2026).[40]

United States–401(k) and IRA: Tax advantages such as the tax-deferred growth in 401(k) accounts and tax-free withdrawals in Roth IRAs incentivise participants to stay invested for the long term, maximising the power of compounding over time. Americans overwhelmingly support maintaining these tax incentives. Nearly 90 percent of Americans disagree with

[38] As a general recommendation, we strongly urge the European Commission and Member States to leverage on existing frameworks instead of creating additional rules wherever possible, as this would not only streamline the establishment of the account but also enhance its ease of use. For example, it is worth exploring ways to leverage the Faster and Safer Tax Relief of Excess Withholding Taxes (FASTER) Directive. The eTRC (electronic Tax Relief Certificate) under the FASTER Directive could potentially be leveraged to address tax-related challenges within the ESIA framework, making it easier for individuals to invest within the EU without facing complex withholding tax procedures.
[39] The Commission will introduce a Competitiveness Coordination Tool, which will work with Member States to ensure implementation at EU and national level of shared EU policy objectives, identify cross-border projects of European interest, and pursue related reforms and investments. The CCT complements the European Semester, focusing more specifically on the competitiveness of EU member states' economies. See "Communication on A Competitiveness Compass for the EU," European Commission (January 2025), available at 10017eb1-4722-4333-add2-e0ed18105a34_en.
[40] "The investment savings account in focus," supra note 8.

proposals to remove or reduce these incentives, reflecting widespread recognition of their importance for long-term financial security and importance of the tax treatment of their retirement plans as an incentive to contribute.[41]

Japan–NISA: Japan's NISA also serves as a compelling example, offering a fully tax-exempt model designed to increase retail investor participation in capital markets.[42] Significant increases in tax-free contribution limits, up to ¥3.6 million per year (€22,440) have demonstrably boosted individual investments and serves as a model for jurisdictions seeking to increase retail investment.

We encourage Member States to examine these successful models and strongly support introducing clear and robust tax incentives to stimulate uptake of the ESIA and encourage first-time investors to take steps to support their financial well-being through long-term investing in the capital markets.

D. Workplace Integration

While the ESIA is envisioned primarily as a Pillar Three option, Member States should consider linking the ESIA framework to employment benefits to encourage participation and foster long-term investing habits.[43] Integrating the ESIA structure with Pillar Two could be highly beneficial for Member States facing pension gaps, as it would support individual retirement savings.[44]

By introducing automatic enrollment into the ESIA through workplace schemes, Member States can eliminate common barriers to entry, such as inertia and lack of financial knowledge, and help millions of Europeans citizens begin their investment journeys. As the Financial Services Committee has noted, automatic enrollment has already been broadly adopted in many Member States.[45]

Workplace integration is a proven strategy for encouraging individuals—especially those who might otherwise overlook or postpone investing—to start saving regularly and build their long-term wealth.

Japan–Workplace Tsumitate NISA: Japan's experience with workplace integration clearly illustrates the impact of integrating investing with employment benefits. In 2017, the Japanese Financial Services Agency (FSA) introduced the Workplace Tsumitate NISA, aiming to make

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[41] Id. See also "Tax Treatment is Key to Retirement Saving Success," Investment Company Institute (June 2024), available at https://www.ici.org/system/files/2024-06/24-retirement-keys-tax-treatment.pdf.
[42] See "NISA2: Understanding the New NISA," supra note 33.
[43] The Japan NISA, with its Workplace Tsumitate option, is an example of an account structure that can be utilised for both Pillar Two and Pillar Three investing. The US IRA is also used by some employers instead of the 401(k).
[44] Note that a well-designed account framework could complement personal pension products, such as the Pan-European Personal Pension Product (PEPP), and could potentially be used to invest in these products. If the European Commission were to develop another distinct product or product label, this could be viewed as competitive rather than complementary to the PEPP.
[45] "Financial Services Committee's contribution to the follow-up work to the Eurogroup statement on the future of the CMU," Council of the European Union (November 2024), ("FSC contribution"), p.47, available at https://data.consilium.europa.eu/doc/document/ST-15378-2024-INIT/en/pdf.

investing accessible to individuals who had never invested before. By leveraging familiar settings—the workplace—this initiative successfully encouraged participation among first-time investors, promoting asset formation and fostering long-term investment habits.[46] The simplicity of payroll deductions, employer-facilitated enrollment and employer-provided investor education materials removed common barriers and made investing a routine part of financial planning for many Japanese workers.

United States–401(k): The success of US workplace retirement plans underscores the effectiveness of automatic enrollment. In 2024, 64 percent of mutual fund–owning households reported that their first mutual fund purchase was made through a workplace investment account, such as a 401(k).[47] The widespread adoption of automatic enrollment and payroll deductions has been instrumental in establishing consistent saving habits. Contributions are automatically withdrawn from employees' paychecks, making saving effortless and habitual. Over time, 401(k) plans have helped millions of Americans accumulate significant retirement savings while fostering a culture of long-term investing.[48]

Integrating the ESIA into workplace benefits programs, supported by automatic enrollment and payroll deductions, would create a straightforward, scalable mechanism to drive participation across Member States. The benefits of this approach are clear:

- **Increased Participation Rates**: Automatic enrollment has a proven track record of significantly increasing participation, particularly among younger and lower-income workers.
- **Long-Term Investing Habits**: Regular contributions through payroll deductions encourage disciplined, long-term investing.
- **Guaranteed Access**: Offering the ESIA as a workplace benefit removes complexity and administrative burdens for individuals, making investing more accessible.
- **Financial Literacy Gains**: Workplace settings provide an ideal environment for delivering financial education alongside enrollment, improving understanding and engagement.

To maximize participation, Member States should explore offering incentives to employers who provide the ESIA as part of their benefits package, or support employee participation through programs such as matching contributions or providing educational resources to employees. This could include tax incentives for employers who contribute to employees' ESIA accounts.

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[46] "NISA Workplace Savings Program," JFSA, available at https://www.fsa.go.jp/policy/nisa2/workplace/.
[47] "Characteristics of Mutual Fund Investors, 2024," Investment Company Institute, *Research Perspective* (October 2024), available at https://www.ici.org/system/files/2024-10/per30-09.pdf.
[48] See Figure 2 in "American Views," supra note 21. See also "Encouraging Automatic Enrollment is Key to Retirement Saving Success," Investment Company Institute (June 2024), available at https://www.ici.org/system/files/2024-06/24-retirement-keys-autoenroll.pdf.

Workplace-linked automatic enrollment could be particularly impactful in expanding access to investing for populations that have traditionally been unlikely to invest, including women, younger workers, and those in non-traditional employment arrangements. By embedding the ESIA within existing payroll systems and making participation the default,[49] Member States can close participation gaps and promote broader financial inclusion.

E. Long-Term Focus

Encouraging long-term investing habits is critical to ensuring both individual financial security and broader economic stability. This will be an important part of the mindset shift away from savings which guarantee immediate access to liquidity, but do not preserve or grow wealth, to investments which can appreciate in value over time. To promote long-term investing, tax or other incentives could encourage retail investors to hold investments for a particular length of time or until a particular age, or for an important life event (e.g., a first home purchase or retirement). Some programs impose a penalty on investors for withdrawing funds prior to the end of a holding period or reaching a particular age.

United States–401(k) and IRA: In the US, withdrawals taken from a 401(k) account or IRA prior to age 59½ are typically subject to a 10 percent penalty on the taxable portion of the withdrawal, subject to some exceptions.[50] Over time, this long-term incentive has shaped investor behavior. Data shows that US investors generally remain invested in their retirement plans, even in times of market volatility.[51] Indeed, 89 percent of employer-sponsored investment account owners indicate that their account helps them think about the long term, not just their current needs, and 79 percent indicate that knowing that they are investing from every paycheck makes them less worried about the short-term performance of their investments.[52]

France–PEE: France's company-sponsored plan, the Plan d'Épargne Entreprise (PEE), a collective savings scheme that allows employees to make investments with the help of the company and a tax advantage,[53] requires a minimum 5-year holding period before withdrawals can be taken tax-free.[54]

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[49] In Member States with automatic enrollment schemes, individuals may opt out at will. In three Member States, enrollment is repeated after a certain number of years for employees that previously opted out. It is also possible to enroll again on a voluntary basis at any time. *See* "FSC contribution" supra note 45, at p.47.

[50] "Exceptions to Tax on Early Distributions," Internal Revenue Service, available at https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-exceptions-to-tax-on-early-distributions.

[51] "Retirement Savers Stick with the Stock Market," Investment Company Institute (November 2022), available at https://www.ici.org/news-release/22-news-recordkeeperq3; See also "Defined Contribution Plan Participants' Activities, First Three Quarters of 2022," Investment Company Institute, *Research Report* (November 2022), available at https://www.ici.org/system/files/2022-11/22-rpt-recsurveyq3.pdf.

[52] See Figure 2 in "American Views," supra note 21.

[53] République Français, Plan d'épargne entreprise (PEE) website, available at https://www.service-public.fr/particuliers/vosdroits/F2142.

[54] Ministère de l'Économie, des Finances et de la Relance, Plan d'Épargne Entreprise (PEE), available at https://www.economie.gouv.fr/particuliers/plan-epargne-entreprise-pee.

IV. Ensuring the Regulatory Ecosystem Supports Economic Growth

Developing an effective ESIA framework for retail investors to access the capital markets is only half the battle. The European regulatory ecosystem must be aligned with the goals of the SIU. Creating a regulatory ecosystem where capital markets can thrive will require refocusing the objectives of financial services regulation. The negative unintended consequences of the EU's prolific regulatory agenda for financial services over the last several years are now coming to light. Costs and burdens have proven to be higher when: (i) there is a lack of harmonisation across legislation; (ii) the rulemaking process creates confusion for those complying with new legislation and, ultimately, investors; (iii) legislation and accompanying rules change every few years; and (iv) Member States impose different requirements and supervisory practices.

The European Commission must ensure that financial services legislation is guided by a foundational objective to strike the appropriate balance between fostering economic growth and safeguarding investor protection. It is essential that the financial services regulatory framework is designed to foster economic growth and innovation. This can be done without impinging on investor protection. Getting the balance right is crucial to the success of the SIU.

The current mandate is an opportunity, not only to ensure current regulations are fit for purpose, but to take steps to ensure that future regulations are not undermining the success of the European capital markets. Moving forward, ICI encourages the European Commission to conduct impact assessments of new or amended financial services legislation based on the final rules agreed by the co-legislators, taking into account the holistic costs and benefits of the rules when combined with related regulatory frameworks.

The removal of single market barriers requires action at both EU and Member State levels. Member States must work together with a commitment to greater harmonisation of the rulebook. This will require eliminating regulatory and supervisory divergence among Member States and reducing gold-plating to the extent possible.

Gold-plating by Member States imposes additional regulatory hurdles on financial market participants, going beyond regulatory obligations agreed by the co-legislators. These hurdles frequently include increased approval requirements, more extensive disclosure obligations, and burdensome licensing and authorisation processes. Some Member States have introduced independent regulatory measures for investment funds and their management companies, such as higher capital requirements, enhanced due diligence, redundant suitability assessments for key personnel, and additional reporting obligations.[55]

These gold-plating measures force fund managers to tailor products to individual markets, driving up costs and preventing scalability. Consistent with this, ICI research shows that UCITS funds distributed across multiple Member States tend to be more expensive than those

[55] "Gold-plating in EU Capital Market Law: Regulatory Practices in Select Jurisdictions," CFA Society Poland (December 2024), available at 2024-gold-plating-in-eu-capital-markets.pdf.

sold in a single Member State.[56] This is diminishing the growth of the UCITS regime in a manner that not only dampens retail investor participation but also impedes the objectives of the EU single market. These facts underscore the unintended consequences of regulatory divergence at the national level.

The asset management industry operates on a global scale, offering European citizens access, via UCITS, to international and domestic markets. The UCITS regime was developed to provide a harmonised regulatory framework facilitating the development and management of investment funds and their distribution to retail investors across any EU Member State. It is perhaps one of the greatest success stories of the EU single market in financial services. However, for the benefits of UCITS to be fully realised, Member States must eliminate regulatory and supervisory divergence and significantly reduce gold-plating by working together to come to common consensus on regulatory interpretations, as well as supervisory and regulatory approaches.[57]

To increase coordination at EU and national level, ICI recommends that the European Commission utilize existing tools such as the European Semester and the CCT to provide tailored recommendations to Member States. This would foster a more efficient and cooperative implementation of EU rules, promoting a cohesive approach to policy execution at both the EU and national levels. Such an approach would not only benefit the implementation of existing and future frameworks but also contribute significantly to the seamless creation and adoption of an ESIA. By reducing barriers and ensuring alignment across Member States, these tools can help facilitate the smooth introduction of this new initiative, ensuring that it is as effective and accessible as possible for citizens and businesses alike.

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ICI strongly supports the European Commission's efforts to foster deeper and more integrated capital markets, ultimately benefiting European citizens by providing opportunities for higher returns on savings and greater long-term financial security.

Building a culture of investing through the SIU initiative will empower EU citizens to realise the wealth-building potential of capital markets. From global examples, we can draw out the critical features the European Commission should consider incorporating into the foundation of an ESIA framework, including investor choice of products and providers, simplified advice and digital accessibility. By combining the most effective elements of global best practices and leveraging the well-established UCITS framework, the ESIA can become a successful investor

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[56] "Ongoing Charges for UCITS in the European Union, 2023," Investment Company Institute, *Research Perspective* (December 2024), available at https://www.ici.org/system/files/2024-12/per30-10.pdf.

[57] Gold-plating of UCITS exists not only in Member State-specific supervisory reporting regimes, but also among other regulations that impact UCITS advice, marketing and distribution. For example, sustainability-related labelling, marketing, and distribution frameworks, such as the so-called AMF Doctrine, have created variation among Member States for which funds can be marketed and distributed as sustainable. See e.g., AMF Position/Recommendation DOC 2020 03, available at https://www.amf-france.org/sites/institutionnel/files/doctrine/Position/Information%20to%20be%20provided%20by%20collective%20investment%20schemes%20incorporating%20non-financial%20approaches.pdf.

program that drives retail participation, promotes long-term investing, and strengthens the capital markets.

When implementing the ESIA framework, Member States should consider the benefits of agreeing on a simple, efficient, and accessible tax structure that minimizes administrative burdens for account holders. Utilising workplace integration and leveraging tools to promote long-term investing will also play a leading role in kickstarting and maintaining retail investor participation in the capital markets.

ICI is committed to collaborating with the European Commission and Member States to help eliminate regulatory barriers to ensure the usability of the ESIA and its ability to scale. We strongly support working toward a regulatory ecosystem where financial markets can thrive, thereby contributing to both individual and broader economic growth in Europe.

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