



## Keynote Speech Joint ESAs Consumer Protection Day 2023

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Ladies and Gentlemen,

It is an honour to be able to celebrate the tenth edition of the ESAs Consumer Protection Day in our country in one of the most emblematic museums of Spain.

I would first like to first thank the 3 ESAs for choosing Madrid and to salute the constant work of EBA, ESMA and EIOPA in pursuing consumer protection, one of the key objectives for a healthy financial system that serves society. I also have the ESAs, especially ESMA, very close to my heart and it is very rewarding to see how far they have gone since those early days.

I will not go into the key topics of the panels. Let me take a more general perspective on the concept of investor protection from a securities markets point of view and make some reflexions on the key ingredients for this.

Consumer protection or investor protection (in securities markets) depends on many items and components and the system to ensure that protection is complex, as complex is human behaviour. Hence, easy solutions are usually not the right solutions. In order to advance in the road towards more protected and more empowered consumers, we need at least five ingredients: competition, regulation, supervision, handling of complaints and financial education.

- First, we need to empower retail investors to make investment decisions that are aligned with their needs and preferences. In this sense, competition between different markets and sectors is crucial.

Investors are the main beneficiaries of increased competition and well-functioning markets. It is probably in investment services where we have the highest level of cross-border competition (meaning intra-EU) in terms of volumes of pure cross border provision of services. For instance, 50% of the

investment funds that Spaniards had in 2021 were non-Spanish (EU) funds. Now that figure has gone towards 30%, but it is still quite significant and probably unequalled on any other type of financial service.

- Second, regulation should be both intended to ensure the stability, strength and resilience of the financial system and the protection of investors and the EU has been working for years on a single capital market (CMU) in all Member States to unlock finance to stimulate growth and open up investment opportunities for citizens while maintaining a high level of protection for investors.

But we need to improve the investment experience of retail investors and the proposal for a Retail Investment Strategy is trying to do so.

- We need to significantly extend investment in financial instruments by Europeans if we want to maximize the return of our savings. And for that we need simpler, cheaper and stable products. The Retail investment strategy proposed by the European Commission is proving very controversial and two of its key components, the extension of the ban on inducements and the value for money approach, are under fire as we speak. I am not sure if the package could still be called a “strategy” if these two elements are taken out by co-legislators.
- As for supervision, I am convinced about the fundamental role of each of the national competent authorities and also the relevant role of the ESAs in harmonizing financial supervision in the EU. Member States must continue to have robust supervisory bodies, with relevant powers, so that there continues to be a plurality of markets and financial centres with critical mass in Europe, which is essential to achieve a European capital market with greater penetration.
- But we also need a stronger ESMA, with more powers. A power to bring national supervisors really accountable when they do not apply Union law correctly. Through tougher peer reviews, with an effective name and shame. Through breach of union law procedures. Bringing real convergence of supervision through incisive opinions and guidelines. If you have observed closely in the last two years, that is already happening and I hope we continue that path.
- And we need an ESMA with higher capabilities in terms of its role and place in the EU institutional setting. I am referring to items like real no-action letters; like a more a more meaningful space for the parameters enshrined in Level 2 regulation or like empowering ESMA to adjust some of these parameters over time in a similar manner to what the UK FCA has got under the UK market reforms.

- The fourth element I mentioned was a robust complaints system. The current complaints numbers in Spain point at very low levels of unrest in investment services, I'm not referring to banking or insurance. From a total of more than 12 million clients, only 750 complaints (that is 6 out of 100.000 clients) reach CNMV every year, and the vast majority are solved linked to the CNMV involvement, many times before we even rule on them. But this should not lead to complacency: we need to ensure that investors do use their right to complain and are aware of how to do that and this has an EU dimension too, since cross-border services are quite important, with the host authority being responsible for handling those complaints.
- Finally, and this is especially relevant, we must improve the financial knowledge of citizens to enable them to understand the financial products offered to them and to be able to adequately manage their personal finances. The current average level of financial literacy (as shown by the recent Eurobarometer figures) is clearly sub-optimal.

In Spain we have taken some initiatives, for instance, rules to regulate the advertising of cryptos, with very clear warning of what are the risks within those products.

- It is also important to be aware of how to protect us from attempted frauds. In the CNMV we are launching several initiatives to fight fraud in financial services through a National Action Plan against financial fraud. The idea is to better anticipate the detection of fraud episodes, slow down their propagation and limit their damage. Nineteen public institutions and private entities have signed the plan.
- I am convinced that we can do much more on those two fronts (financial education and fighting fraud) in the EU, collectively and with the coordination and leadership of the ESAs and the joint committee, because financial fraud is rampant, knows no frontiers and with the expansion of digital technology it is reaching all kinds of investors.
- It is evident that the best antidotes against bad financial services are, in the short term, supervision and regulation but in the long term, financial education. And it is also well known that when a person has been the victim of a financial fraud, that person and his or her closer circle of relatives and friends become skeptical or even hostile towards financial services, which acts against their financial well being in the long run.

And since it is such a long term effort, the sooner we start, the better.

I conclude here my remarks, but now, looking back at the short-term, let's take a break and enjoy a meal at Jeronimos Cloister. It is a beautiful cloister belonging to the old monastery of San Jerónimo (nowadays disappeared). When this museum was enlarge 15 years ago the objectives were: to preserve, to enlarge and to modernize. To preserve what was already working well, to have more capacity and welcome more visitors, and also to modernize the services.

And I think that, on retail financial regulation we have the same objectives, we want to preserve the key elements of the regulation that has brought us here, which has been a long journey, we need to enlarging in sense of attracting many more investor to financial markets and we also need to modernize, to adapt, to the two main changes the green and the digital transformation.

Thank you very much for your attention.