EPISODE 9: GROWTH – Reshaping EU/UK Investor Mindset

00:01

MANDY, CITI

Welcome back to the Industry Perspectives Podcast Series. I'm Amanda Hale and I'm joined by my co- host Andrew Newson.

In our first two episodes we covered a lot of ground – from global forces reshaping the retail participation agenda, the US private markets access story, to a deep-dive across Asia-Pacific - looking at Hong Kong, Singapore, mainland China, Japan and India.

In today's episode we cross to the other side of the world.

00:31

ANDY, CITI

Europe and the UK are both grappling with the same fundamental question that inspired this mini-Growth series: How do you turn a population of savers into a population of investors?

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MANDY, CITI

At the same time, the political and regulatory momentum behind change feels more focused and urgent than it has for a long time.

To navigate all of this, ICI joins us again.

So, let's get into the questions.

00:54

ANDY, CITI

Europe has spent more than a decade discussing how to deepen its capital market so mobilise more savings for investment. Yet many Europeans continue to keep a significant proportion of their wealth and deposits rather than capital markets.

Elizabeth what do you see as the biggest barriers to greater retail investor participation in Europe today and what should policymakers prioritise if they want to change that?

01:13

ELIZABETH, ICI

Europe does continue to struggle with turning savers into investors and in strengthening its capital markets. Just late last year they branded an initiative called the savings and investments union that's intended to build momentum around answering those questions.

So, for an individual household the question is very simple though. Not how do we build capital markets or mobilise all of this capital but how easy is it for me to become an investor and do I feel confident in doing so? The challenge in the European Union especially is that trust is often undermined by a range of practical barriers. For many households investing still feels complicated and difficult to access. Advice can be expensive or unavailable. Distribution models can create friction.

Tax frameworks differ significantly across member states and can be confusing for investors to navigate. The result is that moving from saving to investing often feels more complex than it should.

If policymakers want to change that they should focus on making investing simpler and more accessible. The objective should not be to create entirely new investment products. Europe already has highly successful regulated products such as UCITS.

The focus should be instead on creating simple pathways that help people access those products supported by digital tools, simplified advice and incentives that encourage long-term participation. Access should be tackled hand in hand with financial literacy.

The way the policymakers talk about investing plays an important role in building a culture of investing. If policymakers want households to participate more, they need to communicate clearly that investing is a tool for helping individuals achieve their own long-term financial goals. That message can sometimes get lost when discussions focus primarily on how savings can support broader economic priorities.

If I do identify one priority it would be creating an environment where investing feels simpler more accessible and more relevant to ordinary households. The real measure of success is not how much capital policymakers want to mobilize. It's whether more people feel confident enough to participate in capital markets in the first place and this is not only an issue that we struggle with in the European Union, but also in the UK.

03:31

MANDY, CITI

Elizabeth, the distinction that you have drawn between the policymaker's framing and the household's framing is interesting. When the conversation is framed around mobilising capital, deepening liquidity or financing the green transition, it's an entirely legitimate set of objectives – but those same objectives may have

nothing to do with why an individual household would choose to invest their savings rather than leave them in a deposit.

Eva, what about the UK?

03:58

EVA, ICI

Like the EU the UK similarly does struggle with suboptimal retail investor engagement where the single biggest barrier is not a lack of savings or even the lack of financial education. It's the absence of an easy trusted path from saving to investing.

Many UK consumers understand that investing may be beneficial, but they do not feel sufficiently confident to take that first step. So, the challenge for policymakers is therefore to create an ecosystem of clear information, effective guidance, suitable products, and a simple investor journey that helps people convert savings into long-term investment.

UK policymakers have recognized this. A central theme of the UK's growth and competitiveness agenda is that too many households remain outside of the capital markets and so the policy response has been to make investments more accessible and understandable through disclosure reform, targeted support, and efforts to build a stronger retail investment culture.

05:04

MANDY, CITI

Eva, going back to your phrase – "absence of an easy, trusted path from saving to investing", in my mind, to remove that absence, it means:

- **The path must be easy – that is frictionless in practical terms;**
- **It must be trusted - meaning the individual has confidence that the system is working in their interest; and**
- **It must exist, in as much as there should be a clear, well-signposted route that someone with no prior investment experience can navigate.**

05:32

ANDY, CITI

Yes, and applying that to the UK would have had its own set of obstacles, as the pre-existing advice gap meant that many people had no professional guide for that journey.

That is already changing though, given the Advice Guidance Boundary Review, which was launched as a direct response to a growing concern that most consumers in the UK were not getting the financial help they need.

05:51

MANDY, CITI

Back to Europe, the savings and investments union has become the EU's flagship initiative for growth and competitiveness.

What would success look like from an investor's perspective do you think?

06:03

ELIZABETH, ICI

Success would look very simple. More Europeans investing, earlier life, more often, and with better long-term outcomes.

One of the most interesting things about the European debate is that we sometimes treat retail participation as though it remains an unsolved mystery, but it isn't. In fact, ICI provided the European Commission with a roadmap toward a successful savings and investments union based on lessons from jurisdictions that have already achieved meaningful retail participation such as Japan.

Europe does not need to reinvent the wheel. It needs to identify the features that these successful systems have in common and adapt that proven playbook to a European context.

If you look at Sweden's ISK, Japan's NISA, the UK's ISA, and the US retirement investment account framework, the details differ but the common themes are remarkably consistent. Simple account structures, broad investment choice, straightforward incentives, digital accessibility, and long-term focus.

Those systems have succeeded in bringing millions of households into capital markets.

Just as importantly they're designed around the investor's financial goals rather than broader policy objectives. The starting point is helping people build wealth, financial resilience, and retirement security.

The broader economic benefits followed from that. I would also broaden the discussion beyond investment accounts alone. The most successful systems typically combine accessible retail investment accounts with strong pillar two and pillar three frameworks.

Workplace participation, auto-enrolment, and simple investment accounts reinforce one another.

Japan's recent expansion of NISA is a good example of a broader effort to make household assets from cash into long-term investment. The lesson for Europe is that retail participation is not driven by a single policy measure. It's created through an ecosystem that makes investing easy, accessible, and part of normal everyday financial life. What's particularly encouraging is that we are starting to see new European examples emerge.

Germany's planned private retirement account reforms are receiving significant attention in our industry because they seek to expand household participation and long-term investing including through wider use of diversified investment products such as ETFs. If implemented successfully, Germany could become an important European case study for how policy reform can broaden participation and strengthen long-term savings.

Ultimately, success should not be measured by how much legislation is adopted in Brussels. It should be measured by whether a significantly larger share of European households are participating in capital markets and building long-term financial security for themselves and their families.

However, I'm optimistic because for the first time in a long time, we're really starting to see momentum behind this objective.

08:48

ANDY, CITI

Thanks, Elizabeth. One of the most closely watched discussions in Brussels concerns supervision and market integration. As the EU looks to strengthen its capital markets, how should policymakers think about the relationship between greater market integration and the allocation of supervisory responsibilities across Europe?

09:03

ELIZABETH, ICI

Yeah, building deeper and more liquid capital markets is only part of the equation. Europe also needs a regulatory supervisory framework that allows the single market to function as intended. The debate in Brussels often starts with supervision, but I think it should start with the sources of fragmentation.

If you look at what actually creates friction in Europe's single market for funds, it's not the absence of a European supervisor. It's the divergent implementation, gold plating, which is national add-ons to European level regulation, or inconsistent supervisory practices across European member states. There are different approaches to authorizations and barriers to cross-border distribution of funds. These are the practical

issues that firms encounter every single day. That is why ICI has argued that the focus should be on achieving more consistent supervisory outcomes across Europe rather than simply reallocating supervisory authorities.

Greater market integration absolutely requires greater supervisory convergence. The question is how to achieve that most effectively. In our view, the European regulator ESMA should play a stronger role as a facilitator of convergence by promoting cooperation, sharing data, comparing supervisory approaches, identifying divergences, and helping authorities address these inconsistencies.

At the same time, day-to-day supervision of funds and asset managers should remain with national competent authorities which have the legal responsibilities, the market knowledge, and proximity necessary to supervise firms and protect retail investors effectively.

The risk in the current debate is that policy makers spend too much time discussing institutional architecture and not enough time addressing the actual barriers preventing capital from moving efficiently across Europe.

Investors ultimately care about outcomes. They benefit when funds can scale, operate efficiently across borders, and deliver lower costs and greater choice.

If supervisory reforms help achieve those outcomes, they're worth pursuing, but if they simply create another layer of complexity, they risk moving Europe farther away from the objectives of the savings and investments union.

11:19

ANDY, CITI

Like the EU, the UK is also focused on implementing reforms that promote growth and competitiveness, and in July 2025, as you mentioned Eva, published the Financial Services Growth and Competitiveness Strategy, setting out a 10-year plan for the UK to be the world's centre of choice for financial services investment. How does what the UK is doing align with the EU's reforms? And is it something ICI is supportive of, or are there concerns?

11:43

EVA, ICI

Yes, well there is a great deal of alignment in the objectives of the reforms being undertaken in the UK and in the EU. Like the EU, the UK is also seeking to mobilise more long-term investment, increase retail participation, deepen capital markets, promote innovation, and make the regulatory environment more competitive. We strongly support the UK's financial services strategy, and we're particularly pleased that the strategy recognises asset management as a priority growth sector.

It's clear that the asset management industry can play a critical role in helping households invest for the future and channel capital to business and the wider economy.

The UK and the EU also share an important conceptual shift in the regulatory approach. Both are recognising that an excessively defensive regulatory culture can carry an opportunity cost.

About a year ago, a new tagline emerged from the FCA, "Rebalancing risk to facilitate innovation and growth". And this has really driven a lot of what the FCA is doing. This reflects the FCA's view that regulation should not solely focus on risk mitigation, but should also facilitate appropriate risk-taking that supports innovation, investment, and economic growth. And notably, like I said, this concept underpins many recent FCA initiatives on retail investing, capital markets, and other asset management reforms.

Overall, we support this agenda and this approach, but our support is not unqualified. As we look at what UK policymakers are doing, what we consider is three things.

First, does what is being proposed produce meaningful operational change that works for global asset managers? Firms do not want change for the sake of change or divergence from the EU with no significant benefit.

The second question we ask is, does the UK remain open? A growth strategy that directs investors toward domestic assets or treats foreign firms less favourably undermines the UK's strength as an international financial centre.

And third, are investor protections made more effective rather than simply weakened? Rebalancing risk should mean more proportionate regulation and clearer responsibility. It should not mean transferring poorly understood risks to consumers.

So yes, ICI is broadly supportive. Our concerns are principally about execution, openness, and ensuring that growth reforms produce genuine benefits for investors rather than simply attractive policy announcements.

So however, while the UK and the EU are aiming at many of the same outcomes, the UK does have a potential advantage with agility. But this is a true advantage only if reforms are implemented coherently and produce measurable change.

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MANDY, CITI

So continuing with the UK, it's an interesting position post Brexit. It now has less constraints on how it charts its legislative and regulatory course. Can you talk further about ICI's principal areas of engagement as regards UK financial services regulation? And also, do you see evidence that the UK is indeed using its new

political freedom to its advantage? Is it a leader, a follower, or something else entirely in the global race to engage retail investors?

15:20

EVA, ICI

Yes, Mandy, there's a lot to unpack in that question. Well, first, the UK is indeed in a fascinating position post Brexit. It has the freedom to revisit legacy EU rules and take a more tailored approach to regulation. But it's also trying to do something bigger than that.

The UK is increasingly positioning itself as an active contributor to global regulatory debates, seeking to shape the direction of policy rather than simply follow it. We've seen this mindset reflected across reforms designed to boost retail investment, encourage innovation, and enhance market competitiveness, all focused on ensuring that the UK remains one of the world's leading financial centres.

So, when we look to ICI's areas of engagement, we have been actively engaged across many of these key reforms. Our strategy for engagement with the UK is centred on supporting the government's growth and competitiveness agenda, while ensuring the UK remains a leading global hub for asset management and portfolio management.

We work to ensure regulatory reforms deliver their intended outcomes, preserve the UK's openness to global capital and investment opportunities, and address unnecessary frictions that can make the UK a less attractive place for global managers to operate.

We also focus on maintaining a strong environment for UK investment firms to provide portfolio management services to clients around the world, recognising that this is one of the UK's key strengths as an international financial centre.

17:00

One area of focus for us has been the new Consumer Composite Investment, or CCI, Retail Disclosure Regime, where we successfully advocated for disclosure requirements that provide investors with more meaningful information while maintaining comparability and avoiding misleading methodologies. We've also engaged on fund tokenization reforms and the broader digital asset initiatives, supporting innovation while emphasizing the need for technology neutral regulation, legal certainty, and international operability.

Beyond these issues, we've contributed to reforms on transaction reporting, liquidity management tools, securitization, as well as other topics. Across all of our engagements, our consistent objective has been to support outcomes that are proportionate, internationally aligned, and workable for fund managers and investors.

So, when looking at the question of whether the UK is a leader or a follower post-Brexit, I would say that, you know, the UK is using its post-Brexit flexibility effectively. We've seen the UK move beyond simply adapting inherited EU frameworks and becoming more willing to develop its own regulatory approaches in areas such as retail disclosure, securitization, and more broadly on financial services reforms.

The UK is, I feel, increasingly seeking to reclaim its position not just as a rule taker, but as a contributor to and a shaper of the international regulatory discussions. That doesn't mean acting in isolation. In many cases, the UK has recognized that its influence comes precisely from being an active participant in the conversation globally and working closely with other jurisdictions.

A recent example of this is the work on money market fund regulatory guidance. The leadership and engagement of UK authorities with their counterparts in Europe throughout this process was critical to achieving greater alignment between the UK and EU approaches, both in terms of timing and substance. While the UK and the EU ultimately operate under separate frameworks, it's demonstrated that the UK is playing a meaningful role in helping to inform policy outcomes outside of the UK that impact global asset managers.

So, I think rather than characterizing the UK necessarily as a leader or a follower, I would say it's increasingly an influential participant in global regulatory debates. The UK's willingness to experiment domestically, combined with its engagement outside of the UK, positions it as an important source of ideas and a jurisdiction whose policies are increasingly watched and considered by others.

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MANDY, CITI

And on that note, I think this third episode has taken us through some of what could be described as the most substantive and consequential reform conversations happening right now in the global capital markets landscape.

The Savings and Investment Union is not solely a capital markets project. It’s also like a financial wellbeing project. One which asks whether European households, who have savings to invest but not yet the confidence or the infrastructure to do so, can be brought into capital markets in a way that improves their long-term financial outcomes.

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ANDY, CITI

What also came across during today's conversation is the importance of not conflating the reform agenda with a deregulatory one.

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MANDY, CITI

In our fourth and final episode with our guests from ICI, we'll be bringing the threads of this growth conversation together – this time with a focus on innovation and what it might mean for the investor of the future.

We will also be asking our guests from ICI the big question – the single most important thing policymakers globally need to get right if they want to grow retail participation meaningfully and sustainably. And as we'll hear, the answer is perhaps simpler – and more profound – than you might expect.

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