State Street Global Advisors
Europe Limited
78 Sir John Rogerson's Quay
Dublin 2
Ireland

statestreet.com

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Unit B1 Capital Markets Union
DG FISMA,
European Commission,
Rue du Spa 2, 1000 Brussels
Belgium

Unit D2, Direct Tax Policy & Cooperation
DG TAXUD,
European Commission,
Rue Joseph II 79, 1049 Brussels
Belgium

Submitted via: online submission

Re: Call for Evidence - Recommendation on Savings and Investment account

Dear Sir/Madam:

State Street[1] welcomes the European Commission's initiative to develop a blueprint for Savings and Investment Accounts (SIAs) as part of the broader Savings and Investments Union (SIU). State Street supports policies that create incentives for responsible retail investor participation in capital markets and this initiative is timely and essential to unlocking the full potential of European household savings, helping build citizens long term financial health and channeling savings into productive long-term investments for the European economy.

We welcome the opportunity to respond to the call for evidence bringing our long history with indexing and ETFs, retirement solutions, product innovation and cost-effectiveness. We have for decades pursued a mission of supporting a more democratic access to capital markets by offering a variety of ETFs and model portfolios and leveraging our partnerships with intermediaries such as wealth managers, private banks and new digital distribution channels.

[1] State Street Corporation is one of the world's leading providers of financial services to institutional investors including investment servicing, investment management and investment research and trading. With $46.7 trillion in assets under custody and/or administration and $4.7 trillion* in assets under management as of March 31, 2025, State Street operates globally in more than 100 geographic markets and employs approximately 53,000 worldwide.

In Europe, our views are informed in particular by our expanding digital distribution, based on partnerships with retail and self-directed platforms, and on our experience with ETF-based savings plans which are transforming what was traditionally a market of wholesale and institutional clients into a low-cost, simple and easy to access option for mass retail investors. These partnerships are key in driving the next stage of democratization of EU capital markets and should be part of the solution to building a more inclusive and accessible EU savings framework.

In light of this, we would like in this letter to: propose some foundational principles and features for a successful SIA framework, point to some long-standing issues that prevent ETF accessibility more widely in Europe and stress the importance of emerging digital distribution channels as an alternative to traditional engagement with individual investors. Overall, we support the European Commission decision to promote the adoption of SIAs via a non-legislative Recommendation, in the hope that this will accelerate the rollout of SIAs at Member State level.

A flexible, simple and attractive framework for EU Savings and Investment Accounts

Simplicity of design – A successful SIA framework should remain flexible enough to allow each Member State to adapt it to the specific investment needs of its market and investors. The goal of this initiative should be to create the bottom-up launch across all 27 member states of SIAs with the fastest possible uptake among retail investors. To be successful, the SIA should remain simple to understand, easy to open, and frictionless to use. The Swedish ISK, the US 401(k) and IRAs, the Japanese NISA, and the UK ISA all demonstrate that simplicity in account structure, tax treatment, and digital access drive fast adoption. We recommend that simplicity and ease of access is built around:

- A streamlined digital onboarding process,
- Automated tax reporting by the institution providing the account and integration with national tax systems,
- Clear, jargon-free communication to build trust and encourage uptake.

Tax-free allowances – Moreover, attractive and equitable tax incentives are the most powerful tool to encourage long-term investing. There is an array of possible ways to design a successful tax incentive while minimizing the impact on public finances, and we would like to point to the response by ICI Global for a detailed analysis of options for different tax structures. We believe that the specific choice of tax incentive should remain with Member States, but the Recommendation should encourage a meaningful tax incentive coupled with a tax-free allowance – this in particular has been

proven to kick-start retail participation notably among first-time investors. The tax incentives should be linked to the account and not be product-specific, so to avoid distorting market competition.

Meaningful annual limits and liquidity – To maximize impact, SIAs should also set annual deposits high enough to encourage meaningful retail participation, and allow for liquidity with no penalties for early withdrawal, as seen in the UK ISA and Swedish ISK. Instead of hard limits set by regulation, behavioral nudges (e.g. "use-it-or-lose-it" annual allowances) have proven to be most effective in encouraging regular contributions.

Broad investment choice – Retail investors should be free to invest in a wide range of regulated products, including ETFs and investment funds. We would like to warn against geographic restrictions or mandatory allocations that may have the unintended effect of limiting returns and deter participation. Evidence shows that the most successful SIAs in terms of take-up are those without geographical mandates. We recommend instead a transparent disclosure of asset allocation to monitor home bias organically.

SIAs and pensions – To scale adoption, Member States should consider integrating SIAs into workplace benefits. Drawing on the success of the US 401(k) and Japan's NISA, the Recommendation should consider how to integrate the SIAs in the boarder SIU pension agenda. We suggest encouraging automatic enrollment built on employers contributions and default strategies which balance capital growth and capital preservation (e.g. lifecycle funds).

Financial literacy – Public awareness and a robust educational campaign are essential for the success of SIAs. We would encourage the EU Commission to work with Member States on co-branded campaigns, while in certain Member States awareness campaigns could build on existing programs for retail government bonds. To instill early habits around investments, next to financial education in schools, the Recommendation should also support emerging initiatives in some Member States on Junior accounts seeded at birth.

Action on SIAs should be accompanied by an improved ETF accessibility across the EU

Across the EU, ETF adoption is accelerating driven by online brokers and ETF saving plans. As outlined in the latest State Street 2025 Global ETF outlook[2], retail investors using ETFs are typically younger than those investing in other investment vehicles, and in their prime earnings (and savings)

[2] State Street, "2025 Global ETF Outlook: The expansion accelerates", February 2025.

years. As one of the world's largest ETF providers and a pioneer in this space, we see continued momentum driven by cost sensitivity, scalable advice, and evolving product innovation. As a result, powered by a continued sensitivity to costs and evolution in distribution and advice, the amount of ETF assets held will also continue to raise.

As the SIU agenda progresses, and building on the momentum behind ETF, it is important that the regulatory framework remains supportive. Underlying issues in market structure in particular can have knock-on impacts on end investors. One of such issues is the continued ETF trading fragmentation across EU markets, driven to a large extent by local requirements which restrict intermediaries to only offer locally listed funds. As a consequence, multiple listings lead to additional costs, reduced liquidity and an unlevel playing field depending where the ETFs is listed and the investor is based.

Other operational barriers to the full accessibility of ETFs are inefficiencies in the national tax systems, which in some countries continue to penalize ETFs compared to other mutual funds, and the lack of harmonization on rules on fractional shares, which limit the full reach of ETF savings plans. On the flip side, the establishment of an effective consolidated tape will increase ETF trading transparency around transaction costs, thereby improving trade execution particularly for retail investors. We continue to encourage EU authorities to take an ambitious approach in the implementation of the consolidated tape for equity, ETF and bonds.

A regulatory framework that supports emerging distribution channels

In the medium term, the primary goal of the Blueprint on SIAs should be that of reaching a fast implementation at the national level. However, the EU Commission should not lose sight of the longer term goal of building a pan-European market with full portability. In order to lay the foundations for this end state of SIU it is important to foster an innovation-friendly environment that enables a wide range of providers to participate in distribution, and recognize the recent emergence of digital platforms and neo brokers as one of the key drivers in the increased retail participation, particularly among young, first-time investors.

The business model of these new distribution channels for investment funds (and perhaps SIAs in the future) requires in some circumstances subsidization of trading costs by product manufacturers which help retail investors access the market at lower cost. Where the use of payment for order flows is present in certain markets, it should go hand in hand with disclosure on routing practices and potential conflict of interests with the objective of promoting a level playing field among

platforms. Provided that conflict of interests, best execution requirements and full transparency on costs are respected at all times, regulation should continue to support the emergence of these distribution models. Fostering innovation and competition among providers will support the goal of enabling savers in the future with portable cross-border investment solutions.

Finally, the popularity of ETF savings plans in Germany has demonstrated the use of fractional share ownership as an additional driver for retail participation. As noted by ESMA[3], the qualification of fractional shares under MIFID II is still not coherently regulated across the EU, and we would like to encourage the EU Commission to provide clarity and best practices on the qualification of fractional shares in the context of the EU retail investment agenda. This regulatory clarification will support the further scalability of ETFs savings plans in the context of harmonized, cross-border frameworks for low-denomination investing, helping retail investors develop regular saving habits.

Savings and Investment Accounts are a powerful tool to foster a culture of long-term investing, enhance financial wellbeing, and deepen EU capital markets. By combining simplicity, flexibility, and attractiveness, the EU can empower citizens to save better and invest for their future. We stand ready to support the Commission and Member States in refining and implementing the upcoming Blueprint on SIAs.

Yours sincerely,

Matteo Andreetto,

Senior Vice President
Head of Intermediary Clients Coverage, Europe

Andrew Keegan

Managing Director
Head of Product, International

[3] ESMA, Letter to DG Fisma on "Qualification of fractional shares under MiFID II", April 2025.