[ESMA receives mandate on fund performance from European Commission]

The request supports the action, included in the EC's Mid Term Review of the Capital Markets Union of 8 June 2017, on recurrent reporting by the ESAs of cost and performance of the main categories of retail investment, insurance and pension products.

ESMA will now embark on a large-scale study assessing the reporting of costs and past performance of retail investment products, in order to increase investors' awareness of the net return of these products, and the impact of fees and charges. The implementation of MIFID II and PRIIPS, which will both increase the transparency on costs and charges, provide the right framework for such a study. For securities markets it will initially focus on the costs and performance of UCITS funds. In that context, it will also examine the differences between active and passive investing, and the impact on costs and charges, and long-term return.

The work will contribute to the objective of the CMU Action Plan to foster the participation of retail investors in capital markets by supporting the assessment of the net return of retail investment products and the impact of diverse fees and charges.

ESMA has recently published an article in its latest *Trends, Risks and Vulnerabilities No.2 2017* on *[The impact of charges on mutual fund returns]* which included a preliminary analysis of the impact of ongoing fees, one-off charges and inflation on the returns of mutual funds, ahead of the EC mandate.

The impact of charges on mutual fund returns

ESMA carried out a first analysis on fund performance measures, developing initial metrics to analyse the impact of ongoing fees, one-off charges and inflation on the returns of mutual funds. Key preliminary results for the EU fund industry show: Substantial reduction in net returns available to investors, especially in the retail sector and weakly cost- or price-sensitive investment decisions by retail investors

On average ongoing fees and one-off charges and inflation-reduced returns available to investors by 29% of gross returns between 2013 and 2015. These reductions apply to all market segments, while varying across jurisdictions, asset classes and client types. Relative return reductions range from 11% for passive equity fund shares to 44% for retail fund shares in bond mutual funds. Relative and absolute return reductions for actively managed and retail fund shares tend to exceed those of passively managed and institutional fund shares. Despite the impact of fees and charges on the net outcome to investors, these do not seem to be reflected in investor choices.

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[Taxation of the collaborative economy requires genuine European cooperation]

EU Member States must work together and make every effort to achieve common international regulations for truly digital businesses

The EESC calls on the European Commission and the Member States to apply existing fiscal regulatory systems and tax regimes to the collaborative/digital economy. “The legal framework must lead to a **fair and balanced tax system for all** economic activities and business models, without limiting the collaborative economy’s potential to provide jobs and growth,” says **Giuseppe Guerini**, rapporteur of the EESC opinion on taxation of the collaborative economy, which was adopted at the October plenary session.

The collaborative economy is growing rapidly, finding its way into more and more business sectors. However, current tax regulations do not properly take new business models and economic activities into account. This creates legal and tax-related uncertainty, distorts competitiveness, and leads to tax avoidance and revenue loss for EU Member States. To tackle these issues, the EESC urges national authorities to **step up their cooperation and adapt their regulations** to the new economic environment, providing a clear set of rules on tax obligations.

At the same time, from the Committee’s point of view, only a **genuinely European approach** – one that creates a common and integrated legal framework with coordinated and harmonised regulations – will be able to properly address the digital economy since its actors often operate across borders or even without an established organisation in Europe. A common framework would also strengthen the European single market.

“Tax regulation must be in line with the Commission’s overall objective to **tax profits where they are made**. Businesses in the **collaborative economy should be taxed the same way** as other businesses in the Member States. European authorities must establish channels of cooperation beyond Europe in order to lay down some ground rules for a truly digital economy,” says **Krister Andersson**, co-rapporteur of the EESC opinion.

In its opinion, the Committee examines direct and indirect taxes. It believes that the introduction of a reasonable income threshold could help to regulate the taxation of revenue and considers that **more information about tax obligations** should be communicated to the general public.

Moreover, the advisory body urges EU and national legislators to follow the **principle of neutrality** in order to guarantee market access and fair conditions for conventional and new forms of businesses. Although new technologies facilitate and boost the collaborative economy, the EESC thinks it is important to assess it in its entirety, without equating it with the digital economy.

“When it comes to adapting current regulations, we must not forget that the collaborative economy involves different actors and business models with different activities and payment methods,” says **Krister Andersson**, referring, for example, to the fact that the collaborative economy involves professionals and non-professionals as well as monetary and non-monetary transactions.

Giuseppe Guerini further explains that “on the one hand there are big players like **Google** that trade with collected data and advertisements on digital platforms, and intermediary platforms like **Uber** that match demand and supply, creating benefits for service providers and the platform itself. On the other hand, you have **peer-to-peer activity**, such as the exchange of goods, which normally does not imply a monetary transaction. It is **important to make a clear distinction** between businesses in the collaborative economy that merely make use of existing value and those that actually create shared social value by increasing citizen participation.”

The diversity of the collaborative economy is a challenge not only for tax and fiscal law but also for labour law and social security systems. EU policy-makers and legislators have to **ensure that consumers, workers and service providers – as well as privacy and personal data – are protected.** The EESC recommends involving civil society and relevant stakeholders in further debates on these issues. The Committee itself aims to further assess tax policy requirements, as well as the impact and outcomes of the taxation of the digital economy.

Background

The EESC uses the term “collaborative economy” to refer to business models where activities are facilitated by collaborative platforms that enable the temporary use of goods or services, often provided by private individuals. Its transactions generally do not involve a change of ownership and can be carried out on a for-profit or not-for-profit basis.

The collaborative economy has already transformed various sectors such as short- and long-distance transport, together with the hotel sector and house and room rental management. Other sectors, such as certain financial services, personal care and health services, are also increasingly falling within its scope. More sectors are expected to join in the coming years. In 2015, income related to the collaborative economy in the EU was estimated at some EUR 28 billion. The previous year, it stood at only half that amount. It is estimated that in future, the collaborative economy could create turnover of between EUR 160 billion and 572 billion across the EU.

Related opinions

Sharing economy and self-regulation (05/2016 – rapporteur: Jorge Pegado Liz)

Collaborative or participatory consumption, a sustainability model for the 21st century (01/2014 – rapporteur: Bernardo Hernández Bataller)

Effects of digitalisation on the service sector and employment (09/2015 – rapporteur: Wolfgang Greif, co-rapporteur: Hannes Leo)

Compliance table for the Guidelines on the calibration of circuit breakers and publication of trading halts under MiFID II (ESMA70-872942901-63)

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Strengthen Europe's economic foundations and its social dimension, the EESC urges Vice-President Timmermans

The European Commission Vice-President **Frans Timmermans** thanked the EESC members for their contribution to the Commission's 2018 work programme, which was presented in July 2017. He stressed that **the EESC's contribution had had an impact on the programme** he would be presenting next week. "*We are pleased that you have involved us in the decision-making process but we will be even happier if you involve us even more*", commented **Georges Dassis**, President of the EESC. "***We need more unity and solidarity in Europe****. We have a responsibility to face the challenges in front of us.*" In his speech at the EESC's October plenary session, Vice-President **Timmermans** pointed out that even though the economic climate in Europe was better than it used to be, many people were still dissatisfied. The reasons for this were the increasing disparities within European society as well as the loss of control over our destinies, both collectively and individually. "*The only way I believe that we can, with reason and not just by symbolic gestures, fulfil the promise of convergence, the only way I honestly believe we can portray the vision of a society where people regain control over their destinies individually and collectively, is if we tackle problems that are of a global nature together as Europeans on a European scale*", said **Timmermans**. "*The need for collective European action today is greater than ever before.* ***It is about time we acted together***." Using the opportunities of the circular economy and the Digital Single Market, creating an Energy Union and building a strong Social Pillar were some of the things the Commission was planning to focus on in 2018.

Gabriele Bischoff, President of the Workers' Group, welcomed the fact that the Commission had given prominence to the Social Pillar: *"We as a Committee have done a lot of work to make it clear that this is one of the last chances the EU has to win back the trust of its citizens."* **Gabriele Bischoff** referred to the opinion being adopted at the EESC plenary session on the Impact of the social dimension and the European Pillar of Social Rights on the Future of the European Union urging the Commission to do all it can to prevent the Pillar from being hollowed out at the national level.

Jacek Krawczyk, President of the Employers' Group, emphasised the need to focus on issues where EU action had an added value. *"The EU must aim for an attractive ecosystem for investing, for operating and for trading which serves the needs of all businesses. We need a strong culture of entrepreneurship, a well-functioning Single Market, an efficient industrial policy and an active and strong European trade agenda."* He stressed the need for the Commission not only to have clear priorities but also to be able to deliver on them.

Luca Jahier, President of the Various Interests' Group, welcomed the 300 Citizens' Dialogues organised by the Commission in 27 Members States but stressed the need to go further. "*The EESC can become an important ally of the Commission, working in partnership on the EU Dialogues*." On the Sustainable Development Goals, **Luca Jahier** stated that *"it is our responsibility to deliver the 2030 Agenda and to lead by example, with a coordinated and systematic approach which includes sustainable development in all EU programmes, policies, actions and financial instruments".*

Background:

The EESC adopted its contribution to the Commission's 2018 Work Programme on 5 July. The Committee called on the Commission to adopt sustainable development as an overarching approach to its work, making reference to the three "pillars" of sustainability: i) strengthening the economic foundations of Europe; ii) fostering its social dimension; and iii) facilitating the transition towards a low-carbon and circular economy. The EESC made detailed recommendations and proposals for action structured around six priority policy areas:

- further development of the single market;
- promotion of entrepreneurship, innovation and industrial development;
- the social dimension of the EU;
- focusing public finances on sustainable growth, innovation, employment and cohesion;
- protecting Europeans against security threats;
- and the development of a structured civil dialogue.