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THE RISE OF (NEW) SAVINGS PRODUCTS ON THE MARKET

Save Now Buy Later

Apple Card's Savings Account

High-Yield Saving Products

With the current rise of interest rates, savings products are gaining traction again on the market across the globe, including in Belgium and Europe. We observe the return of some very traditional savings products as well as the rise of certain innovative FinTech-oriented features.

Overall, offering savings products seems interesting to boost clients' loyalty or – for new market entrants – to quickly attract a sizeable client base.

SAVE NOW BUY LATER (SNBL)

Among the most noticeable new trends are the so-called "Save Now Buy Later" ("SNBL") products. These products already entered the European market with for example the recent partnership of online retailer Zalando with *Savrr*, whereby its German customers have the possibility to use SNBL schemes as of this summer.

Not to be confused with "Buy Now Pay Later" ("BNPL") products, SNBL schemes typically enable consumers to save money towards a specific purchase. Although both products aim at helping consumers obtain goods that may be too expensive to acquire directly, they are essentially different: BNPL allows consumers to buy goods immediately by providing a short-term credit (and is therefore often criticized as pushing people into debt) whereas SNBL revolves around incentivising saving up to a desired acquisition.

In a nutshell, the majority of SNBL schemes are structured along the following lines:

- consumers want to purchase a certain product but do not dispose of sufficient funds to make the purchase immediately (or want to deliberately benefit from potential advantages of the SNBL schemes, such as cash back rewards);
- consumers open a bank account linked to a savings account (in most cases, accessible through a mobile app);
- the SNBL service provider offers customised features to help consumers save (e.g. a calculation tool to determine how long it will take to save for certain products);
- once the necessary funds are saved, depending on the SNBL offer, consumers may (i) make the contemplated purchase through a dedicated catalogue available through the SNBL app or (ii) purchase the contemplated goods with a merchant partnering with the SNBL service provider.

As additional incentives and again depending on the SNBL-solution concerned, we see features such as (i) helping consumers save for their next purchase by setting up automatic payments (ii) providing potential rewards (e.g. discounts on their next purchase, guaranteed interest rates, bonuses to spend on next purchases) and (iii) guaranteeing full access to their funds in case consumers wish to withdraw from their initial saving idea / acquisition.

APPLE CARD'S SAVING ACCOUNT

On the US market, Apple has made a lot of noise with its "new high-yield Savings account", offered in collaboration with Goldman Sachs. Apple's move is yet another illustration of Big Tech companies' interest in the financial sector.

CLASSIC SAVINGS ACCOUNTS

On the banking side, credit institutions are starting to increase the return on their savings products, although with a cautious approach. In Belgium specifically, the Federal Government is even contemplating the issuance of profitable one-year term bonds to incentivise Belgian banks to increase interest rates on their savings accounts and remain competitive with the Government's offer.

THE BELGIAN REGULATORY FRAMEWORK ON SAVINGS PRODUCTS

Savings products rarely fall within the scope of a (fully harmonised) EU instrument, meaning that the regulatory landscape is likely to vary from one country to another.

In Belgium, the legislator has since long created a regulatory framework for a specific savings product well known to Belgians, i.e. the regulated savings account ("RSA"). This very traditional Belgian product offers two different kinds of returns to its users: a base rate applicable almost immediately on all amounts deposited and a fidelity premium only applying to amounts that remained untouched for a year. While strictly regulated, RSAs benefit from favourable tax treatment and tax exemptions.

Alongside the traditional RSAs, the Belgian regulatory framework allows in principle for a great deal of innovation in savings products and there are few limitations to market creativity.

However, product distributors and their partners (e.g. retailers offering savings products to their customers) need to be mindful of the Belgian "transversal" royal decree of 25 April 2014. This royal decree – which takes its nickname from its broad scope of application – almost automatically applies to any kind of savings product targeting the Belgian retail market. While not regulating the nature and content of savings products as such, the "transversal" royal decree requires that any marketing material (TV, mailing, webpage, mobile app, etc.) pertaining to savings products entails a series of minimum compulsory information covering aspects such as return, applicable law, tax treatment,

risks, etc. It is a key piece of legislation to bear in mind when marketing any savings product on the Belgian market.

Finally, another important aspect relates to the determination of the role of partners involved in the distribution of savings products in Belgium. As they are often the ones directly facing the consumers, they play a crucial role in safeguarding consumer interests. Their role thus must be adequately assessed to determine whether they qualify as intermediaries.

THE BELGIAN MARKET AS AN OPPORTUNITY

The Belgian Government's favourable views on savings products and on RSAs, in particular, are no coincidence. Indeed, Belgian consumers are considered excellent savers, with around EUR 300 billion available in their accounts in 2023 (according to the National Bank of Belgium) for a country of ca. 11,6 million.

All in all these features have the potential to make Belgium an interesting "test country" for (innovative) savings products.

Any questions on savings products and their regulatory framework? Please reach out to our Digital Finance team

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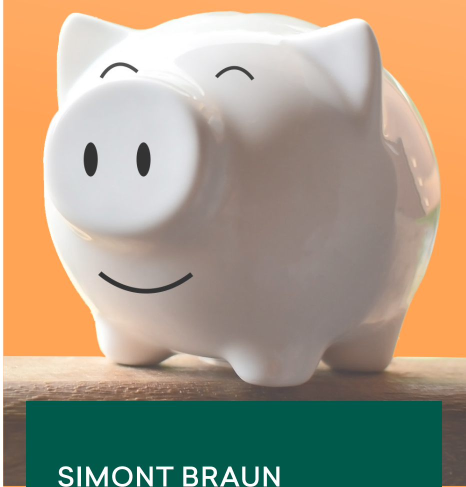

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