



JOINT INDUSTRY STATEMENT ON THE EU RETAIL INVESTMENT STRATEGY

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On 24 May 2023, the European Commission unveiled the most extensive reform of the EU legislative framework for retail investment to-date. As representatives of the European financial and insurance sector, we (AMICE, EACB, EAPB, EBF, EFAMA, ESBG, EUSIPA, Insurance Europe) are still assessing the full range of impacts and changes put forward in the Retail Investment Strategy (RIS) across multiple pieces of regulation: MiFID II, the Insurance Distribution Directive, the UCITS Directive, the Alternative Investment Fund Managers Directive, the PRIIPs Regulation and the Solvency II Directive. Ahead of the completion of our full analysis, we wish to already make some high-level remarks and set out our initial reasons for concern about the proposals.

We strongly support the objective of boosting retail participation in financial markets, and are appreciative of the European Commission's comprehensive work in this field. In particular, we are pleased to see the encouraging shift towards '**digital-by-default**' communication, as well as the effort to **streamline disclosures** and to further promote **financial literacy**.

However, **we note that many measures in the proposals are far-reaching and raise multiple concerns.**

1) Although the Commission declared it had abandoned its original plan to fully prohibit commissions in the distribution of investment products and insurance-based investment products due to potential disruption to the market, there are **many prohibitions to the payment of commissions in the RIS proposals**, and these would still have major disruptive consequences for the European financial sector and consumers' access to investment and insurance protection.

We also hold substantial reservations on the new "best interest of the client" test. The proposed approach, which disproportionately focuses on costs, may lead clients to prioritise the "cheapest" product over others that could potentially offer them greater value. We note that such an outcome would be, in fact, contrary to the client's best interest.

2) The significant number of new processes, policies, organisational requirements, technical disclosures and compliance obligations introduced by the proposals **deviates from the stated goals** of i) reducing the information overload on clients, and ii) making access to financial services simpler. In fact, the overwhelming volume of requirements adds complexities that **are highly likely to discourage**

consumer engagement, as the laudable ambition of turning European depositors into investors would be impeded by an even **longer, more complex and more burdensome investment process**.

3) The proposed introduction of one-size-fits-all, quantitative “value for money” **benchmarks** contradicts the core goal of the investment process, which is to offer tailored solutions to different clients’ needs. Indeed, **value encompasses more than just costs** and has diverse meanings for different consumers, depending on their circumstances, objectives and personal values.

Not only would such a benchmarking exercise be extremely complex to execute, with limited benefits for clients (a cost-centric rather than investor-centric approach), but it essentially establishes a regulation-driven price intervention into capital markets. We therefore question the need, legal basis and consequences, in particular in terms of market competition, of such a policy choice. Additionally, pricing intervention through benchmarks would pose significant threats to the development of innovative products, especially in the many emerging investment areas that lack historic price data, and would not be compatible with the ongoing efforts to foster a more sustainable offering. All of this will clearly have a detrimental impact on the international attractiveness of the EU’s capital market.

4) We are equally concerned about the unfeasible **timeline** for the implementation of the new requirements. The industry needs adequate time to apply any new requirements in the millions of diverging contractual relationships it holds with retail investors and customers. Hence, the timeline needs to carefully consider the point at which all the necessary Level 2 specifications and national provisions are published. At present, the transposition dates proposed in the current draft would make it impossible for the industry to comply, as it can already be predicted that by then not even the Level 2 specifications will have been published.

As the financial and insurance industry representatives, we remain fully committed to **contributing in a constructive manner to the debate** over how to empower retail investors. We will continue this dialogue with the EU institutions and are keen on further **discussing the proposed measures once we have completed our assessment**.

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