

Retail Investment Strategy (RIS)

Legal Affairs Committee
Thursday, 19 October 2023
Agnes Freise



Proposal by the European Commission (24 May 2023)



1. Proposal of an amending regulation (COM(2023)278)

amending the Regulation (EU)1286/2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs)

2. Proposal of an omnibus directive (COM(2023)279)

amending e.g the following directives regarding retail investor protection rules:

- Directive 2009/138/EC on the taking up and pursuit of the business of insurance and reinsurance (Solvency II)
- Directive 2014/65/EU on Markets in Financial Instruments (MiFiD)
- Directive 2016/97 on Insurance Distribution (IDD)

➤ Covering retail and insurance-based investment products



Impact Assessment



Problem = Low financial participation of retail investors

- Household assets held in financial securities – EU: 17%, US: 43 %

Reasons:

- Some information provided for retail investors is useless or irrelevant
- Retail investors are influenced by misleading marketing e.g on social media
- Unjustifiably high costs of products and/or low value for retail investors
- Conflicts of interest caused by payment of inducements for intermediaries

Objectives of the proposal:

- 1. Provision of clearer and more relevant information**
- 2. Protection from misleading marketing**
- 3. Reduction of the costs of products**
- 4. Mitigation of conflicts of interest**
 - “Full ban on inducements would be the most effective measure”



Proposal of an Omnibus Directive



1. **Partial ban on inducements**

Ban on inducements for execution-only transactions (MiFID) and for non-advised sales of insurance-based investment products (IDD)

2. **Criteria for best interest test**

Advice on an appropriate range of products, mostly focused on costs

3. **Value for money assessment**

Cost and performance benchmarks developed by ESMA/EIOPA against which the manufacturers and distributors must compare their products prior to offering them on the market

4. **Regulation of finfluencers**

Responsibility of investment firms and insurance distributors for marketing communications relying on third parties

5. **Revision clause**

3 years after the adoption - assessment of the inducements and possible proposal of alternative measures including a full ban on inducements



Draft Report of EP (2 October 2023)

Rapporteur Stéphanie Yon-Courtin



1. **Deletion of proposed partial ban on inducements**

Partial ban on inducements does not address issues of conflict of interest and may constitute a first step towards a full ban

2. **Amendment of proposed criteria for best interest test**

Advice should also focus on the quality of a product, not only on costs

3. **Deletion of proposed value for money assessment**

No methods set for the development of benchmarks by EIOPA/ESMA, benchmarks would reduce diversity of products and suppress innovation

4. **Stronger rules for the regulation of finfluencers**

Firms should be obliged to sign a contract with finfluencers in order to ensure transparency and to determine responsibility

5. **Amendment of the proposed revision clause**

5 years after the end of the transposition period, revision not only of the inducements but of all elements of the directive



RIS - Next Steps

- **European Council**

- Discussions within the Council began on 16 June 2023
- Last meeting was on 4 and 5 October 2023



- **ECON Committee /European Parliament**

- Deadline for amendments is 26 October 2023
- Draft report will be discussed in ECON Committee
- ECON vote could take place at the end of January 2024
- European Parliament will cease its work in April 2024 to prepare for the June 2024 elections.



- **Begin of trilogue negotiations?**

