

Retail Investment Strategy (RIS) - European Parliament mapping of further SIU and simplification driven adjustments to be assessed by the European Commission

Objective of this paper: This paper outlines a set of proposals to be considered in the ongoing negotiations on the Retail Investment Strategy. Those proposals have two primary objectives: simplifying the existing framework and introducing adjustments to align with the goals of the Savings and Investments Union.

Request for technical input: This paper presents a set of proposals on which the European Parliament seeks technical feedback from the Commission. The European Parliament invites the Commission to provide a brief technical analysis on these proposals, focusing on their feasibility and their relevance in the context of simplification and the SIU agenda within the RIS framework.

CONSUMER JOURNEY (MiFID, IDD):

- Analyse the idea of shifting the consumer journey approach to be more consumer centric by suggesting adjustments that enhance the product design requirements and lighten the point-of-sale requirements in MiFID and IDD. The idea in this scenario would be that if a product would be considered to offer value to a broad target market, certain point of sale requirement could be dropped/reduced without materially impacting consumer protection.

Suitability/appropriateness test:

- For IDD (and look at relevance for MiFID) - Analyse the idea of ensuring that assessments are based on proportionate and necessary information by building on wording in the IDD Level 2 legislation, to ensure that the amount of customer information required varies based on investment size and product range. The suitability assessment could consider whether advice covers the whole portfolio or just a part, and whether the investment strategy is set by the customer or the distributor.
- Analyse the idea of simplifying Article 25 IDD underlining the principle of proportionality and following a principle-based approach, without detailed regulation at Level II and III.
- Analyse the idea of standardising templates for sustainability assessments through level II or level III measures (if relevant, this idea can be extended to suitability and appropriateness tests). This would aim at ensuring legal certainty and clarity, reducing the complexity of the questions but also improving the dialogue between financial advisors and retail investors across Europe when it comes to sustainability preferences. Given that some stakeholders have already started working on this - for example the 2^o Investing Initiative (French stakeholders of sustainable finance including financial institutions, NGOs and academics) - consider looking at their approach. Having level III measures could help small actors to have templates for the sustainability assessment or the appropriateness and suitability tests. Further ideas on proportionality measures for smaller actors are welcomed.
- Analyse the idea of better delineating between information requirements for retail and professional investors, including the possibility of explicitly exempting from certain RIS provisions managers, which are marketing exclusively to professional clients.

Simplified advice (for all advisors):

- Analyse the possibility to enable/facilitate in RIS the distribution of simple savings and investments accounts or products (with an EU-label), which will be presented by the European Commission in a future SIU proposal.
- Analyse the idea of creating a simplified suitability assessment for all advisors in MiFID and IDD.
 - For MiFID - In situations where well-diversified and non-complex financial instruments are advised (as defined in article 25(4)(a) MiFID and in article 57 Delegated Regulation (EU) 2017/565), a simplified suitability assessment could lower the barrier for citizens to start investing, contributing to the desired increase of retail participation. Other elements, like cost efficiency and risk mitigation techniques could also be relevant to take into account.
 - For IDD: As the nature of insurance products are different, the approach outlined above for MiFID cannot be applied to insurance product (“non-complex products” do not cater for the specificities of IBIPs, for example guarantees, biometric risk coverage etc.). One of the ideas put forward is the possibility to reduce the scope of the current suitability assessment under IDD to facilitate a new “fast-track” advice framework for the sale of IBIPs so that the amount of information gathered on two out of three elements of the suitability assessment - (i) the customer's knowledge and experience and (ii) their financial situation - would be reduced. The use of a “fast-track suitability assessment” could apply to the sale of all IBIPs where:
 - i. the customer expresses straightforward demands and needs at the point of sale (e.g., need for additional pensions provisions) and wants to invest without a potentially time-consuming and deterring sales process.
 - ii. The product being sold has a broad target market which has been identified by the product manufacturer during the product approval process, e.g. products which are designed for the mass market so characteristics that could be, for example, low risk of total loss, contractually guaranteed final minimum maturity sum or guaranteed annuity, standard asset allocation, cost-efficiency or clear and transparent cost and return structure/information.¹
- Analyse the idea of streamlining advice services in the online environment, notably by creating a guided investment process for non-advised investments (i.e., for execution-only investments).

¹ Further context to this idea: The three stages to any personalised advisory service for the sale of an IBIP (1. Gathering of information in relation to the specific customer - which is typically the most time-intensive; 2. Assessing and analysing that information; 3. Delivering and explaining the personal recommendation) currently cause additional time and cost in the sales process as they are not properly calibrated according to the complexity of customers' needs, potentially discouraging prospective customers with relatively simple demands and needs - particularly in a digital environment where the customer's attention span may be much shorter than face-to-face, from otherwise beneficial savings/investment choices. EIOPA's recent mystery shopping work on IBIPs shows that there is a strong potential for further simplifying the customer journey, as lengthier processes do not necessarily correspond to better consumer outcomes as processes.

Easier online advice:

- Analyse the idea of clarifying the notion of what is considered to be advice and what is not considered to be advice (which is determined in more detail at level 2). This could enable to better delineate the cases where the suitability or appropriateness test is to be applied, and thus avoid suitability assessments when not needed. This could be particularly relevant for the online investment environment.

Client categorisation:

- Analyse the idea of streamlining the client categorisation criteria to be based on education and experience only (provided these are tailored to the specific characteristics of different sectors, like venture capital). This would mean maintaining the criteria linked to education and experience only (i.e. trading frequency, experience, education) and considering deleting the wealth criterion (which is not linked to experience or education).

SUPERVISION/ENFORCEMENT (MiFID, IDD, PRIIPs):

- Analysing whether minor adjustments to existing frameworks—such as Solvency II and the PRIIPs KID—could generate the necessary data without imposing additional reporting burdens. This can be facilitated through digital, automated, and clear regulatory reporting.
- Analyse the idea of explicitly including mystery shopping among the powers granted to Member States (and possibly to be extended to ESMA and EIOPA). Mystery shopping is a valuable supervisory tool for identifying outliers and detecting market conduct issues. However, not all Member States currently have the authority to carry out such activities. By explicitly incorporating this power into the MiFID and IDD, all national supervisory authorities would be provided with a clear legal basis to conduct mystery shopping.
- Analyse the idea of identifying and strengthening additional intervention powers for national and European supervisory authorities beyond mystery shopping, with a view to enhancing the effectiveness and consistency of supervisory enforcement across Member States. Certain stakeholder mention the possibility to give national competent authorities (NCAs) the powers to take all necessary actions to remediate past and future consumer detriment and to give NCA more explicit intervention powers in case of infringement.
- Analyse the idea of strengthening the supervisory powers of the European Supervisory Authorities (ESAs) in situations where the action taken by a NCA is either absent or insufficient. The wording could be clarified to explicitly state that both a lack of action and insufficient/inadequate action by an NCA could give the ESAs more powers to act.

DISCLOSURE REQUIREMENTS (MiFID, IDD, PRIIPs):

- Analyse the idea of making the MiFID Quick Fix for professional clients and eligible counterparties permanent.
- Analyse the relevance and effectiveness of “product-level warnings” as compared to “information pop-ups or alerts”, in order to determine which approach is better suited to support informed consumer decision-making.

- Analyse the idea of streamlining cost disclosures to consumers in MiFID and IDD, as to make it more simple and understandable for them. Furthermore, analyse the idea of limiting the obligation to disclose certain cost information to retail investors only.
- Analyse the idea of avoiding disclosing overly complex cost calculation methodologies, which may overwhelm clients and hinder their understanding due to the excessive complexity and volume of information.

PRIIPs:

- Analyse streamlining the Key Information Document (KID) section on performance and risks, notably the narrative information on risks; and to allow the ESAs to conduct consumer testing on the effectiveness of different narrative explanations when drafting the Regulatory Technical Standards (RTS).
- Analyse the idea of ensuring machine readability of the PRIIPs KIDs (prior to the introduction of ESAP) to possibly facilitate the reliable constitution of peer groups.
- Analyse the idea of simplifying cost disclosures in the KID by focusing on total costs, with additional details made available through digital layering. In this context, stakeholders have also highlighted the relevance of annualised total costs and reduction in yield as clearer indicators of overall cost impact.
- Analyse the need to better account for the specific characteristics of certain products in the KID, such as allowing greater flexibility and explanatory space for products in the venture capital sector or IBIPS, and having more room for notes in the template designed by the ESAs.
- Analyse the idea of exempting members of management teams or similar positions in a given company from the KID requirement when investing in venture capital and private equity funds managed by their own company. This is based on the rationale that such individuals possess sufficient knowledge of the funds and should not be treated as retail clients.
- Analyse the idea of limiting the scope of the KID requirements to investment products only (i.e., products with an investment purpose/objective).

OTHER POSSIBLE SIMPLIFICATION/SIU DRIVEN ADJUSTMENTS:

- Analyse the idea of addressing inconsistencies in the RIS concerning the use of terms such as “client”, “retail client”, “retail investor” and “investor”, which are applied inconsistently throughout the text. This includes exploring the option of standardizing terminology by using a single term - specifically “consumer” - and considering the need for a clear definition aligned with the existing one in EU consumer legislation (Directive 2011/83/EU on consumer rights).

- Analyse the idea of enhancing proportionality within the MiFID framework, tailored to the complexity of the financial product or the investment/ancillary service involved. Examples outlined by stakeholders include simplifying rules by eliminating the obligation to use specific technical and legal terminology when communicating with clients and reassessing the volume of mandatory information that must be disclosed.
- Analyse the idea of consolidating companies' reporting requirements to NCAs under IDD and MiFID II, to minimise the use of multiple reporting channels to a single authority.
- Analyse the idea of eliminating overlapping reporting obligations on cross-border business in IDD (specifically Article 9a IDD-new), which duplicates existing requirements such as those under Articles 4 and 6 of IDD and Article 159 of Solvency II.
- Analyse the idea of allowing clients to agree with their bank on a loss threshold that differs from the so-called 10% depreciation obligation. This requirement has received mixed feedback from stakeholders. While some have presented arguments in favor of maintaining the rule, others argue that it could generate fear among clients (especially if they receive multiple notifications within a day or a short period) which might lead to irrational investment decisions, including "panic selling". This is particularly relevant for long-term investments.
- Analyse the idea of allocating greater human and financial resources to consumer organisations and civil society groups in order to support and expand their role in delivering financial education across the EU.