CONSULTATION DOCUMENT

A RETAIL INVESTMENT STRATEGY FOR EUROPE

EBF RESPONSE

CONSULTATION QUESTIONS

1. GENERAL QUESTIONS

Current EU rules regarding retail investors (e.g. UCITS (undertakings for the collective investment in transferable securities), PRIIPs (packaged retail investment and insurance products), MiFID II (Markets in Financial Instruments Directive), IDD (Insurance Distribution Directive), PEPP (Pan European Pension Product) or Solvency II (Directive on the taking-up and pursuit of the business of insurance and reinsurance)) aim atempowering investors, in particular by creating transparency of the key features ofinvestment and insurance products but also at protecting them, for example through safeguards against mis-selling.

Question 1.1 Does the EU retail investor protection framework sufficiently empower and protect retail investors when they invest in capital markets?

Yes/no/don't know

Please explain your answer and provide examples

While the EBF considers that the current framework provides benefits regarding investor protection and that, in particular, the MiFID II/MiFIR framework ensures more information and transparency to non-professional clients and a higher level of commitment from the financial institutions, we also believe that in the context of the CMU, and of the post-COVID recovery, what is required is a more flexible approach regarding investor protection requirements. If a high level of protection is obviously needed, investors should not be disincentivized from investing in corporates via financial markets.

Moreover, the current EU framework is already sufficiently effective in protecting retail investors thanks to a balanced combination of product disclosure requirements, which have to be satisfied by manufacturers, and additional disclosure (mainly focused on the services provided) and conduct rules which have to be satisfied by intermediaries.

We therefore believe that there is no need to further strengthening the EU retail investor protection framework by the issuance of new rules.

We would rather suggest some adjustments in order to broaden the professional client category under MiFID II as the current client categorization criteria are too strict and often difficult to be satisfied, with the consequence that an excessively small portion of clients can be considered as professional or professional on request. This strict approach implies that many wealthy and well experienced clients must be considered as retail clients and are consequently unable to access investment products which are restricted to professional clients. The inevitable negative result is that retail clients are excessively limited in diversifying their investments and that their savings cannot be used to efficiently support the real economy and the growth of EU capital markets.

In view of the above, the EBF considers that the following key elements should be taken into consideration when developing a European Retail Investment Strategy:

- **While ensuring regulatory stability, avoid information overload and ensure that the pre-contractual information is understood by retail clients. To this end, the EBF supports a simplification of the investor protection rules in combination with measures to increase clients' level of financial literacy.**
- **EU rules should be technology neutral, i.e. work regardless of distribution channel**

such as face-to-face meetings or digital communication (internet bank or apps).

- **With the above principles in mind, the EBF supports a targeted alignment of MiFID, UCITS and PRIIPs – in particular as regards pre contractual information and rules on electronic communication per default.**
- **In order to ensure retail access to investment products, the EBF supports a review of the product governance requirements in MiFID II, in particular the approach taken for non-complex financial instruments (e.g. UCITS, ETFs, etc.). We also support amendments to the criteria for opting-up retail clients to elective professional clients. The EBF opposes a full ban on inducements as we believe that this will have negative consequences such as limiting the products that are offered to retail clients and restrict investment advice.**
- **Improvement of the use, alignment and timeliness of Q&A for different legislation requirements (MAR, MiFID, UCITS, PRIIPS), thus allowing market players to achieve a deeper understanding of the applicable legislation. While ESMA Q&A are good for showing examples of particular events which are then better understood also by non-legal readers, it should be ensured that such examples are provided with proportionality assumptions.**
- **Make sure that any new information requirements should be made subject to client/consumer testing. We would also like to underline that firms get sufficient time to implement amendments. Moreover, it is important that goldplating of requirements at national level be avoided**

While aimed at protecting retail investors, some rules may require specific procedures to be followed (e.g. the need to use invfestment advice and complete a suitability assessment) or may limit investment by retail investors (e.g. by warning against purchaseof certain investment products or even completely prohibiting access).

Question 1.2 Are the existing limitations justified, or might they unduly hinder retail investor participation in capital markets?

Yes, they are justified
No, they unduly hinder retail investor participation
Don't know

Please explain your answer

EBF members have noticed that the product governance framework has brought regulatory burdens that have made investment firms reduce the variety of products available to customers. We agree that requirements on the target market tend to guarantee that investors have access to financial instruments that suit their needs, but this is also preventing retail investors to freely intervene on capital markets and access other financial instruments. This may be adequate to categorize mass market clients and an efficient way to present them with new products. However, it becomes less efficient for wealthier clients with a higher knowledge level, where specific objectives/needs can change and may not fall in the target market they were previously categorized in (and reflects how clients see themselves in the medium/long term). In this situation, it will be more difficult for financial institutions to approach these clients with product ideas that are not currently in the scope of the client profile, although they would make sense, for instance, in terms of portfolio diversification. We would then propose to narrow down the scope of target market requirements to exclude simple products such as shares and bonds. In addition, we also believe that doubts arising from the integration

of the frameworks into national legislation have hampered the implementation process as well as national regulation specificities. This is especially relevant regarding complex products, since national competent authorities tend to apply a broad interpretation of the "complex product" concept in order to provide an adequate protection to retail investors, resulting in a situation where almost every product offered has a complex attribute which makes them unsuitable for this client category.

We also believe the cost & charges requirements in MiFID II has created a barrier to entry. The rules require firms to obtain data from third parties which are not subject to the MiFID II rules. When reliable data could not be obtained, many investment firms stopped distributing the products – to the detriment of clients.

Moreover, the current interpretation of the PRIIPs requirements has led many manufacturers to restrict products only to professional investors e.g. corporate bonds. This has created a barrier for retail investors which no longer have access to these products. Moreover, the current drafting of the opt-up possibilities in annex II makes it very difficult for even sophisticated investors to opt-up to professional investors in order to buy those products. The EBF generally supports the ESAs statement regarding PRIIPs scope but consider that additional guidance from the Commission would be welcome in order to bring additional legal certainty as regards the meaning of a "packaged product". Unlike ESAs, we consider that convertible bonds and hedging derivatives should be out of scope.

The EBF supports the MiFID Quick-fix alleviations on product governance for debt instruments with make whole clauses as well as plain vanilla bonds. The interaction between MiFID and PRIIPs could benefit from some clarification in order to ensure supervisory convergence.

The above reality contravenes the CMU intention to foster retail investments into capital markets and, accordingly, the European Commission's objective to improve the direct access to simple investment products by retail investors.

Question 1.3 Are there any retail investment products that retail investors are prevented from buying in the EU due to constraints linked to existing EU regulation?

Yes/no/don't know

Please explain your answer

As mentioned in our reply to question 1.2, the issue mainly regards the NCAs` excessively broad interpretation of "complex products", which results in many products being wrongly identified as "complex", therefore rendering them inaccessible to a broad range of investors. Similarly, the very strict criteria provided by MiFID II in order to categorize clients imply that several undertakings and persons must be considered as retail clients even though they are really large or wealthy and well experienced, with the consequence that they are not able to access investment products that are restricted to professional clients

Moreover, as already stated, the interpretation of PRIIPs requirements has led to certain products being only accessible to professional investors, for example corporate bonds.

Question 1.4 What do you consider to be factors which might discourage or preventretail investors from investing?

	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
Lack of understanding by retail investors of products?				X	
Lack of understanding of products by advisers?		X			
Lack of trust in products?			X		
High entry or management costs?		X			
Lack of access to reliable, independent advice?	X				
Lack of access to redress?		X			
Concerns aboutthe risks ofinvesting?			X		
Uncertainties about expected returns?			X		
Lack of available information about products inother EU Member States?		X			
Other					

Question 1.5 Do you consider that products available to retail investors in the EU are:

	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
Sufficiently accessible		X			
Understandable for retail investors			X		
Easy for retail investors to compare with other products				X	
Offered at competitively priced conditions				X	
Offered alongside asufficient rangeof competitive products				X	
Adapted to modern (e.g. digital) channels				X	
Adapted to Environmental, Social and Governance (ESG) criteria			X		

Question 1.6 Among the areas of retail investment policy covered by this consultation, in which area (or areas) would the main scope for improvement lie in order to increase the protection of investors?

Select all applicable choices:

- financial literacy
- digital innovation,
- disclosure requirements,
- suitability and appropriateness assessment,

- reviewing the framework for investor categorisation,
- inducements and quality of advice,
- addressing the complexity of products,
- redress,
- product intervention powers,
- sustainable investing,
- other, and if so what area?

Please explain your answer.

In general, the low level of investment and the mistrust in capital markets by retail clients could be caused by the lack of knowledge and of investment opportunities.

In addition, however, rules on disclosure of costs under MiFID and PRIIPs are also sometimes confusing clients.

2. FINANCIAL LITERACY

For many individuals, financial products and services remain complex. To empower individuals to adequately manage their finances as well as invest, it is of crucial importance that they are able to understand the risks and rewards surrounding retail investing, as well as the different options available. However, as shown by the OECD/INFE 2020 international survey of adult financial literacy, many adults have major gaps in understanding basic financial concepts.

While the main responsibility for financial education lies with the Member States, there is scope for Commission initiatives to support and complement their actions. In line with the 2020 Capital Markets Union Action Plan, DG FISMA published a feasibility assessment report and will, together with the OECD, develop a financial competence framework in the EU. In addition, the need for a legislative proposal to require Member States to promote learning measures that support the financial education of individuals, inparticular in relation to investing will be assessed.

Question 2.1 Please indicate whether you agree with the following statement. Increased financial literacy will help retail investors to …

	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
Improve their understanding of the nature and main features of financial products					X
Create realistic expectations about the risk and performance of financial products					X
Increase their participation in financial markets					X
Find objective investment information				X	
Better understand disclosure documents					X
Better understand professional					X

advice					
Make investment decisions that arein line with their investment needs and objectives					X
Follow a long-term investment strategy					X

Question 2.2 Which further measures aimed at increasing financial literacy (e.g. in order to promote the OECD/Commission financial literacy competence framework) might be pursued at EU level?

Please explain your answer (taking into account that the main responsibility for financial education lies with Member States).

The EBF is amongst the top proponents of financial literacy at European level. This has been demonstrated through our active role in a variety of initiatives including the European Money Week and European Money Quiz programmes and our report "Financial Literacy Playbook for Europe", which provides an overview of the banking industry's financial education initiatives in the EU. Moreover, we have also expressed our concern about the inadequacy of financial literacy on the part of savers as well as entrepreneurs through our "Markets4Europe: Transforming Europe's Capital Markets" campaign. We do, in fact, believe that investment culture can only evolve with investors and entrepreneurs who are comfortable with their choices and we, therefore, need a major EU campaign for financial literacy to educate those who access capital markets.

In this context, the EBF has openly expressed support for the launch of the joint EC/OECD-INFE project to develop a financial competence framework for the EU. We strongly encourage the development of a common curriculum to be introduced within the EU for formal education in order to give exposure at a young age. However, we believe that given the urgency stemming from the post-pandemic crisis, it is fundamental that today's generation of investors be provided with the tools necessary to understand investment products and the functioning of capital markets as soon as possible as to encourage investors to access capital markets confidently, contributing to a faster post-pandemic recovery. This is especially true in a dynamic and shifting environment characterized by strong digitalization and an array of new sustainable investment products. In fact, we recognise that the pandemic has inarguably made financial literacy more urgent, but so have the digitalization of financial services and developments in the field of sustainable finance. The latter have indeed both added complexity to the financial system as well as new risks, decreasing investors' confidence and trust in capital markets. It is important to act on this as to facilitate the digital and green transition, which both rely on investments, which in turn depend on confident and informed investors.

With regards to digitalization in the financial sector, there are a wide range of tools which can potentially contribute to facilitating access to capital markets. An example is robo-advice,

which significantly simplifies the process of investing in capital markets. On the other hand, one must note that, although a useful tool, it deals with products and services that still require clients to be highly financially literate to fully understand the value of the services provided. To fully harness the benefits arising from digitalization, it is, moreover, important to address the distrust of investors in financial services and new tools, like robo-advice. This can only be achieved through a programme which also aims at strengthening financial literacy on the functioning of such digital services and tools.

Regarding developments in the field of sustainable finance, there is a wide range of new sustainable products being introduced into capital markets. However, it is important to note that ESG data may at times be less transparent or reliable, and the understanding of these products clearly depends on the level of investor literacy. For this reason, it is important, from the outset, to promote Sustainability Literacy among all stakeholders, and develop special literacy programmes for groups such as retail investors. In light of the ambitious targets set by the European Union, it is especially crucial that clients understand what is being offered in terms of sustainable products. This is the case, for instance, with green bonds, which have grown eightfold in the EU since 2015.

In terms of measures aimed at the promotion of the OECD/Commission financial literacy competence framework, we believe the EU should coordinate the efforts of the ministries of education by providing model curricula, promoting best practice and training teachers in collaboration with the private sector and academic experts. It would, moreover, be useful to have dedicated websites, possibly developed by NCAs under the coordination of ESMA, to promote financial literacy for the entire population, with age specific curricula ranging from young students to adult investors, and provide a credible, official and harmonized source of knowledge for current and future investors all across the European Union. In addition, it is essential that the content of the financial literacy programmes be updated regularly in accordance with recent developments, such as those in the fields of digitalization and sustainable finance. Investors will not be able to participate in financial markets fully and efficiently if they do not have reliable information concerning the functioning, characteristics and risks linked to the most recent services and products characterizing capital markets.

3. DIGITAL INNOVATION

Digitalisation and technological innovation and the increasing popularity of investment apps and web-based platforms are having profound impacts on the way people invest, creating new opportunities (e.g. in terms of easier access to investment products and capital markets, easier comparability, lower costs, etc.). However technological change can also carry risks for consumers (e.g. easier access to potentially riskier products). These changes may pose challenges to existing retail investors, while investor protection rules may no longer be fit for purpose.

Open finance, (i.e. giving greater access to customer data held by financial institutions to third party service providers to enable them to offer more personalised services) can, in the field of investment services, lead to better financial products, better targeted advice and improved access for consumers and greater efficiency in business-to-business transactions. In the September 2020 digital finance strategy, the Commission announced its intention to propose legislation on a broader open finance framework.

Question 3.1 What might be the benefits or potential risks of an open finance approach (i.e. similar to that developed in the field of payment services whichallowed greater access by third party providers to customer payment account information) in the field of retail investments (e.g. enabling more competition, tailored advice, data privacy, etc.)?

Please explain your answer

The benefits and potential risks of an open finance approach in the field of retail investment will strongly depend on how an open finance policy is implemented in the EU and whether the initiative is limited to data that is now held by banks instead of all the data that is useful in the financial ecosystem. Where an open finance policy is not implemented as part of a broader cross-sectoral framework to enable data sharing across different types of firms, this will place existing financial services firms at a disadvantage in terms of access to data, with possible impacts on future competition and European competitiveness, particularly in light of the growing dependence among financial service providers vis-a-vis digital platforms and ecosystems. The Digital Markets Act takes a step towards addressing this, but more work needs to be done.

Regarding the approach in payment service, policies such as PSD2 can expand the ecosystem of providers with whom users are able to interact in order to access financial services. However, we have recognised several weaknesses and challenges with the approach in the areas such as data protection and security related issues and the liability framework:

- **With regards to data protection, we would like to emphasize the fact that applications for deposit accounts aggregation allow customers to visualise their assets in each of the banks where they have an account, which is undeniably convenient for them. However, this type of application does not benefit banks, which do not have this comprehensive vision and therefore are not able to improve the services offered to the relevant clients. Hence these applications result in providers, and not only clients, having access to personal data and making a broad use of it. Extended to securities accounts, such a system might give those app providers a competitive advantage in particular if they also offer robo-advice services. In this context, we would like to remind that EBF calls for cross-sectoral data sharing and level playing field among stakeholders.**

- **In terms of the liability framework, where rules regarding responsibilities and liabilities are unknown, unclear, or undefined, this can significantly complicate the ease with which users can resolve any issues that may arise and receive any appropriate compensation. In many cases users may revert to their primary financial institution,**

even if the problem lies elsewhere, generating additional overhead and risks for those firms. Therefore, particular attention should be given to investor protection and the need to ensure an even application of the applicable regulatory framework for all types of providers.

Any new initiative in the area of data sharing should therefore not be based on the PSD2 framework as such. In addition, costs and benefits have to be distributed equally across all market participants; to cover the costs for setting up necessary infrastructures, some sort of cost recovery should be possible.

It should also be observed that retail investment service offerings are highly dependent on the actual set-up, reliability, accuracy, and granularity of data processing and tailored to the needs and the complexity of the services offered, the internal organization of the service provider and/or the context of the client relationship. Data sharing could enhance certain vulnerabilities and competitive disadvantages, stemming from differences in risk-based approaches applied by market participants to the identification of clients, to the collection of their consents or to updates of client data. We would therefore recommend focusing on data sharing across sectors, with the consent of users, for the maximum benefit for them and with mutual benefits for businesses. This would give users the opportunity to have an entire view of their arrangements and optimise their financial situation.

Open finance must therefore be considered in the broader context of an Open Data Economy. For an example of the more innovative and convenient services for investors, please see question 3.2.

Question 3.2 What new tools or services might be enabled through open finance or other technological innovation (e.g. digital identity) in the financial sector?

Please explain your answer

The opportunity to combine data from other sectors with financial data can create new opportunities in the field of retail investment, such as in improving asset allocation. A lack of information or individual expertise has resulted in individual investor portfolios which are not always balanced with their future needs and actual preferences. Financial information, together with customer interviews, is the basis on which current portfolios have been built, yet this composition does not always offer the best picture. For example, the current composition could be more linked to the last occasion the customer spent time to review the portfolio or recommendations in investment newsletters or media, instead of financial needs of the customer. Current roboadvisors are facing the same issue since they rely on the same kind of financial information.

Other information sources can help to refine portfolio allocation. Data that could be used to improve portfolio allocations includes data from social platforms (particularly on consumer behaviour and risk aversion), search engines (particularly useful for understanding consumer knowledge on available investment products) marketplaces and utilities (for expected consumption), and public data (for future public pension streams). It must be stressed that access and or transfer data must always be done on behalf of and be authorised by the customer, and in line with the GDPR.

The direct potential benefit for the customer is a holistic view of their future financial needs and resources which helps make better asset allocation decisions for the future. It could also have a broader economic impact, helping to channel funds to long term investments, which is one of the objectives of the Capital Markets Union.

By making the contents of publicly available documentation machine-readable, the data within them can be easily extracted and used for various purposes, such as aggregation, comparison, or analysis. In the field of retail investment, examples would include portfolio management apps, robo advisors, comparison websites, pension dashboards,etc. DG FISMA has already started work in this area in the context of the European Single Access Point. Machine-readability is also required by newly proposed legislation, such as the Markets in Crypto-Assets Regulation (MiCA), whilst legacy legal framework will need adaptation.

In the field of retail investment, applicable EU legislation does not currently require documents to be machine-readable. However, some private initiatives are already demonstrating that there is interest from market actors in more standardisation andmachine-readability of the data provided within existing retail investment information documents, such as the PRIIPs KID or MiFID disclosures. Requiring machine readabilityof disclosure documents from scratch could help to open business opportunities for third

parties, for example by catering to the needs of advisers and retail investors who prefer direct access to execution only venues.

Question 3.3 Should the information available in various pre-contractual disclosure documents be machine-readable?

Yes/no/don't know

Please explain your answer

The EBF believes determining whether to have machine-readable information requires a careful cost/benefit analysis.

Some recipients may find it useful if certain types of highly standardized information documents were made machine readable as this would allow them to extract the data and use it for various purposes, such as aggregation, comparison, or analysis. In the field of retail investment, examples would include portfolio management apps, robo advisors, comparison websites, pension dashboards, etc. DG FISMA has already started work in this area in the context of the European Single Access Point. Machine-readability is also required by newly proposed legislation, such as the Markets in Crypto-Assets Regulation (MiCA), whilst legacy legal framework will need adaptation.

However, EBF strongly doubts the usefulness of a general requirement that pre contractual documents should be machine-readable for the following reasons:

- **The documents are not sufficiently standardized;**
- **retail clients do not need to work on or process the content/data;**
- **the implementing costs would be very high and disproportionate to the added value of this technological innovation.**

In fact, for an average retail client, it is much more important that the information is human readable and easy to understand and access regardless of distribution channel (i.e. face-to-face meetings or internet bank/online platform).

Rules on marketing and advertising of investment products remain predominantly a national competence, bound up in civil and national consumer protection law, although the 2019 legislative package on cross-border distribution of investment funds does remove some cross-border national barriers.

Question 3.4 Given the increasing use of digital media, would you consider that having different rules on marketing and advertising of investment products constitutes an obstacle for retail investors to access investment products in other EUmarkets?

Yes/no/don't know

Please explain your answer

Generally, the EBF believes that the current EU framework already provides some important provisions to ensure fairness and correctness of marketing practices. In addition, we do not believe lack of harmonization to be the primary obstacle to retail investors' access to

investment products. Obstacles to cross-border investments stem from differences in culture, languages and tailored products for the national market. In our view, investment firms generally make their business decision to enter or not enter a foreign market based on issues other than marketing and advertising rules.

Under MiFID product governance rules, which also regulate marketing communication, firms are prevented from presenting products in ways which might mislead clients (e.g. the information should not disguise, diminish or obscure important items, the informationshould give a fair and prominent indication of any relevant risks when referencing any potential benefits of a financial instrument, all costs and charges should be disclosed, the nature of the product must be explained, etc.).

Question 3.5 Might there be a need for stricter enforcement of rules on online advertising to protect against possible mis-selling of retail investment products?

Yes/no/don't know

Please explain your answer

The EBF does not consider that there is a problem of mis-selling that needs to be addressed with stricter enforcement rules for regulated entities. In our view, the current legal framework regarding online advertising is adequate. However, we are concerned with the fact that many of these rules do not apply to providers that are not licensed or supervised and carry out financial activities on the EU capital market. For the sake of investor protection and in order to create a level playing field, the current regulatory framework should apply to all financial providers.

Question 3.6 Would you see a need for further EU coordination/harmonisation of national rules on online advertising and marketing of investment products?

Yes/no/don't know

Please explain your answer, including which rules would require particular attention

The EBF does not consider that there is a problem of mis-selling that needs to be addressed with increased harmonization for regulated entities. In our view, the current legal framework regarding online advertising is adequate. However, we are concerned with the fact that many of these rules do not apply to providers that are not licensed or supervised and carry out criminal activities on the EU capital market. For the sake of investor protection and in order to create a level playing field, the current regulatory framework should apply to all financial providers.

In February 2021, in the context of speculative trading of GameStop shares, ESMA issued a statement urging retail investors to be careful when taking investment decisions based exclusively on information from social media and other unregulated online platforms, if they cannot verify the reliability and quality of that information.

3.7 How important is the role played by social media platforms in influencing retail

investment behaviour (e.g. in facilitating communication between retail investors, but also increasing herding behaviour among investors or for large financial players to collect data on interest in certain stocks or financial products)?

Not at all important	*Rather not important*	*Neutral*	*Somewhat important*	*Very important*
				X

Please explain your answer

With the rise of social media applications such as Facebook, LinkedIn, Twitter, Telegram, YouTube, there are now quicker, and more efficient means of dissemination of data and information that can influence investors' judgement.

Question 3.8 Social media platforms may be used as a vehicle by some users to help disseminate investment related information and may also pose risks for retail investment, e.g. if retail investors rely on unverified information or on information not appropriate to their individual situation. How high do you consider this risk?

Not at all significant	*Not so significant*	*Neutral*	*Somewhat significant*	*Very significant*
				X

MiFID II regulates the provision of investment advice and marketing communication suggesting, explicitly or implicitly, an investment strategy. Information about investment opportunities are increasingly circulating via social media, which can prompt people to decide to invest on the basis of information that is unverified, may be incorrect or unsuited to the individual customer situation. This information may be circulated by individuals without proper qualification or authorisation to do so. The Market Abuse Regulation (MAR) also contains provisions which forbid the dissemination of false information and forbid collaboration between persons (e.g. brokers recommending atrading strategy) to commit market abuse.

Question 3.9 Do the rules need to be reinforced at EU level with respect to dissemination of investment related information via social media platforms?

Yes/no/don't know

Please explain your answer

The EBF considers current legislation (MiFID, MAR) to be appropriate and therefore we can rely on such measures without the need to reinforce them. What is needed is for such rules to be extended to non-regulated firms, which often explicitly employ social media to influence retail investors decisions. Extending the scope would not only reduce the dissemination of unreliable information via social media, but also ensure a level playing field for all players involved.

On-line investment brokers, platforms or apps, which offer execution only services to retail investors, are subject to the relevant investor protection rules for such servicesunder the MiFID framework. While such on-line investment platforms may offer advantages for retail investors, including a low level of fees and the ease of access to a large variety of investment products, such platforms may also present risks, e.g. in caseof inadequacy of appropriateness checks, lack of understanding of individual investors lack or inadequate disclosure of costs.

Question 3.10 Do you consider that retail investors are adequately protected when purchasing retail investments on-line, or do the current EU rules need to be updated?

Yes, consumers are adequately protected
No, the rules need to be updated
Don't know

Please explain your answer

Current EU legislation is sufficiently strict to ensure retail investor protection. Any change to the current framework should aim to (i) relieve some rules, in order to balance the high level of investor protection and the need to attract retail investors, and (ii) harmonize rules applied in the EU to different financial providers.

Related regulation of MAR lays down some points regarding use of social media: given the rise in the use of websites, blogs and social media, it is important to clarify that disseminating false or misleading information via the internet, including through social media sites or unattributable blogs, should be considered, for the purposes of this Regulation, to be equivalent to doing so via more traditional communication channels.

Question 3.11 When products are offered online (e.g. on comparison websites, apps, online brokers, etc.) how important is it that lower risk or not overly complex products appear first on listings?

Not at all important	*Rather not important*	*Neutral*	*Somewhat important*	*Very important*
X				

Please explain your answer

4. DISCLOSURE REQUIREMENTS

Rules on pre-contractual and on-going disclosure requirements are set out for different products in MiFID II, the Insurance Distribution Directive, AIFMD (Alternative Investment Fund Managers Directive), UCITS, PEPP and the Solvency II framework, as well as in horizontal EU legislation (e.g. PRIIPs or the Distance Marketing Directive) and national legislation. The rules can differ from one instrument to another, which may render comparison of different products more difficult.

Question 4.1 Do you consider that pre-contractual disclosure documentation for retail investments, in cases where no Key Information Document is provided, enables adequate understanding of:

	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
The nature and functioning of the product					X
The costs associated withthe product		X			
The expected returns under different market conditions				X	
The risks associated withthe product				X	

Please explain your answer

Question 4.2 Please assess the different elements for each of the following pieces of legislation

4.2.1 PRIIPs Key Information Document

a) Is the pre-contractual information provided to retail investors sufficiently understandable so as to help them take retail investment decisions?

We hope that the upcoming PRIIPS RTS will simplify the distribution process and make the information clearer for the client. Clear and simple information will incentivise the client to invest in a safe way.

From a general point of view, the industry needs regulatory stability when it comes to PRIIPs regulation. The European Commission will publish next September a new RTS that should fix some issues by modifying the content of the KID. The UCITS exemption will concurrently end, which will bring asset managers under the scope of the regulation. In this context, it is preferable to give some time to the industry to implement those new changes and look at their

impacts before reopening the level 1.

b) Is the pre-contractual information provided to retail investors sufficientlyreliable so as to help them take retail investment decisions?

The information given is reliable and financial service providers have dedicated lots of resources to make it. However, clients are not willing to read such exhaustive information based on current legal framework.

c) Is the amount of information provided for each of the elements below insufficient, adequate, or excessive?

The EU retail investor protection framework can seem complicated and the requirement to provide information too excessive. MiFID II, IDD and PRIIPS increased the amount of information to be provided to and requested from retail investors. The amount of information can be broad (e.g. info about inducements, several pre-contractual information based on these regulations, detailed reporting, information about sustainability in the future) and the retail investors cannot digest all the relevant information that is needed for them to assess financial services they are receiving and the risk of their investment. We refer to answer 1.2 regarding the prolonged time for serving one client.

	Understandability (please assess on a scale of 1-5)	Reliability (please assess on a scale of 1-5)	Amount of the information (please assess as insufficient, adequate, or excessive)	Please explainyour answer
PRIIPs Key Information Document *(as a whole)*	4	4	Excessive	
Information about the type, objectives and functioning of the product	4	4	Excessive	PRIIPs rules are not sufficiently calibrated to the characteristics of the financial instruments e.g. difference between OTC-derivatives for investment purposes and hedging purposes.
Information on the risk-profile of the product, and the summary risk Indicator	5	4	Adequate	
Information about product performance		4	Excessive	
Information on cost and charges	4	4	Adequate	
Information on sustainability-aspects of the product	1	3	Insufficient	There is currently no information on ESG aspects in current KID's framework
Insurance Product Information Document *(as a whole)*				Out of EBF scope
Information about the insurance distributor and its services				
Information on the insurance product (conditions, coverage etc.)				
Information on cost and charges				
PEPP Key Information Document *(as a whole)*	3	3	adequate	The scope of PRIIPs needs to be addressed in order to more clearly clarify products which should be deemed to be out of scope. The clearest example here is OTC derivatives without an investment purpose
Information about the PEPP provider and its services	3	3	adequate	
Information about the safeguarding of investments	3	3	adequate	
Information on cost and charges	3	3	adequate	
Information on the pay-out phase	3	3	adequate	

Question 4.3 Do you consider that the language used in pre-contractual documentation made available to retail investors is at an acceptable level of understandability, in particular in terms of avoiding the use of jargon and sector specific terminology?

Yes/no/don't know

Please explain your answer

According to EBF members, the focus should be to ensure that the information to retail clients is understandable and to avoid over-prescriptive EU legislation. In our view, the current EU framework (MiFID, PRIIPs, PEPP, UCITS, IDD) already requires banks and investment firms to provide clients with information in a comprehensible form to allow the clients to make an informed decision. Moreover, PRIIPs, PEPP and UCITS regulations standardize many narrative descriptions. Therefore, no new rules are needed as regards the use of jargon and sector specific terminology. Measures in order to increase clients' financial literacy is more important.

Question 4.4 At what stage of the retail investor decision making process should the Key Information Document (PRIIPs KID, PEPP KID, Insurance Product Information Document) be provided to the retail investor?

Please explain your answer

We believe the Key Information Document should be provided in "good time". We would here rely on level 1 text and this should be interpreted in a flexible way, depending on the type of distribution channel and the type of service provided. EU rules should be neutral from a technical perspective whether the intermediary meets the client physically or not. This approach should apply both under PRIIPS and MIFID.

Question 4.5 Does pre-contractual documentation for retail investments enable a clear comparison between different investment products?

Yes/no/don't know

Please explain your answer

The current pre-contractual documentation is enough to enable a clear comparison of similar products. The PRIIPs KID is typically conceived as a standardized document which covers all packaged retail and insurance-based investment products with the aim, inter alia, of facilitating the comparison between different products. This is particularly true for comparable products (e.g. fund vs. fund – but not fund vs. PRIIP).
Moreover, we believe that the application of the requirement to draft KIDs also to UCITS products (for which, at the current stage, the requirement to draft a KIID is envisaged) will make it even simpler for retail investors to compare different products. As of today, the substantive content of KID and KIID differ in relation some sections thereby preventing a straightforward comparison of the two products.

Question 4.6 Should pre-contractual documentation for retail investments enable as far as possible a clear comparison between different investment products, including those offered by different financial entities (for example, with one product originating from the insurance sector and another from the investment funds sectors)?

Yes/no/don't know

Please explain your answer
The current pre-contractual documentation should be enough to enable a clear comparison between products when they are similar.

The PRIIPs KID covers both financial investment product and insurance products (IBIP) in order to ensure a clear and fair comparison between different products. The current detailed regulation of the content of the KID provided by the Delegated (EU) Regulation 2017/653 well balances the different relevant aspects in order to ensure a fair and correct comparison of different types of PRIIPs.
As a general comment, we believe it is more important to ensure that the information is relevant for the type of instrument and client in question than to impose identical rules. The understandability of the information is more important than the comparability and comparability at the cost of precision and adequate information must not be the result.

Question 4.7 Are you aware of any overlaps, inconsistencies, redundancies, or gaps in the EU disclosure rules (e.g. PRIIPS, MiFID, IDD, PEPP, etc.) with respect to theway:

a) Product cost information is calculated and presented?

Yes/no/don't know

Please explain and indicate which information documents are concerned.
We generally support a closer alignment between MiFID II and PRIIPs in particular regarding pre contractual information.

We, as well as ESMA, have noticed discrepancies between frameworks with regards to cost

transparency obligations, that are burdensome for firms and are counterproductive to the objective of better investor protection and transparency for (retail) clients.

Some examples:
1) MiFID ex-ante costs and charges disclosure illustrates costs expressed both as a cash amount and as a percentage, while the PRIIPs KID illustrates costs in terms of Reduction in Yield (RIY);
2) Costs in PRIIPs are split in One-Off, Ongoing, Incidental, and only related to the product.
2) Costs in MIFID II (Q&A nr. 13) are Service Costs, Inducements received, and Product Cost without differentiation between one-off/ongoing/incidental

b) Risk information is calculated and presented?

Yes/no/don't know

Please explain and indicate which information documents are concerned.

The current EU regulatory framework properly standardizes the methodologies and the way in which PRIIPs/UCITS/PEPP manufacturers must calculate and present risk information for each relevant investment/pension product, requiring distributors to provide retail investors with the KID/KIID drawn up by manufacturers.

There should be an overall and harmonized definition of risk categories which is applicable for all financial institutes in the EU (harmonized risk classes with given rules for categorization).

c) Performance information is calculated and presented?

Yes/no/don't know

Please explain and indicate which information documents are concerned.

In this regard the main issue is represented by the fact that the regulatory framework presents some inconsistencies regarding the type of performances illustrated within the PRIIPs KID, the UCITS KIID and the PEP KID. In fact, the UCITS KIID illustrates only past performances except for structured UCITS (for which are illustrated future performances scenarios); the current PRIIPs KID considers only future performances illustrated through performances scenarios. The new draft RTS (which will also apply to UCITS) propose to require relevant PRIIP (only those types of products really having past performances) manufacturers to publish past performance information separate from the KID and to refer to this disclosure within the "Other relevant information" section of the KID;
the PEPP KID illustrates only future performances, but PEPP manufacturers are required to provide also information on past performances in a separate document.

We believe that the new draft PRIIPs RTS and the PEPP RTS have properly identified when (for which products) is relevant to illustrate also past performances in addition to future performances scenarios. But some improvements could be useful to better link this additional information to the KID.

d) Other

Question 4.8 How important are the following types of product information when considering retail investment products?

Information about:	Not relevant	Relevant, but not crucial	Essential
Product objectives/main product features			
Costs			
Past performance			
Guaranteed returns			
Capital protection			
Forward-looking performance expectation			
Risk			
Ease with which the product can be converted into cash			
Other (please specify)			

Please explain your answer.

From our point of view, all the product information listed above are important to facilitate consumers' understanding and comparability of products. Below, we will focus just on some relevant aspects:

- **Costs are a key determinant of the net return an investor will receive on investment. Among many retail investors, however, the effect of costs on investment returns may not be understood well enough. Consequently, fees and costs are often overlooked or may not be given enough importance in the investment decision-making process;**

- **Risks of the product should incorporate its volatility (that shall be intended both as the volatility in case of disinvestment before the expiry date of the product and volatility at maturity). If the volatility cannot be assessed, the provider of investment services should at least provide the clients (on ex ante and ex post basis) for adequate narrative disclosure of risk;**

- **Past performance information is relevant for products where it can be calculated. Hence, past performance information should be limited to those products that have sufficient actual performance history. Proxy performance data, or simulated performance data, should not be used instead of, or linked to, actual performance history. In case the performances are illustrated through proxy, intermediaries shall clearly inform clients that the scenario presented has been defined by the investment firm according to some underlying assumptions and that data presented do not represent past performance of the product.**

Investors with different kind of risk profile appreciate the different kind of information e.g. guaranteed returns and capital protection might be relevant for some of the retail investors while the others find it no relevant at all.

MiFID II has established a comprehensive cost disclosure regime that includes requiring that appropriate information on costs in relation to financial products as well as investment and ancillary services is provided in good time to the clients (i.e. before any transaction is concluded and on an

annual basis, in certain cases).

Question 4.9 Do you consider that the current regime is sufficiently strong to ensurecosts and cost impact transparency for retail investors? In particular, would an annual ex post information on costs be useful for retail investors in all cases?

Yes/no/don't know

Please explain your answer

The disclosure requirements envisaged by MiFID II regulatory framework currently into force meet the need to provide retail clients with all necessary information relating to investment products.

Namely, under Article 50(9) of the MiFID II Delegated Regulation, investment firms are required to provide annual ex-post information about all costs and charges related to both the financial instrument(s) and investment and ancillary service(s) i) where they have recommended or marketed the financial instrument(s) or ii) where they have provided the client with the KID/KIID in relation to the financial instrument(s) and they have or have had an ongoing relationship with the client during the year (such as portfolio management or an ongoing advisory relationship). Such information shall be based on costs incurred and shall be provided on a personalized basis.

On the basis of the first three years of implementation of MiFID II, investment firms have developed strong procedures in order to face the many complex aspects related to the provision of this important information.

However, if the current regime is sufficiently strong, we believe it is not efficient enough because too complex.

As an example, the EBF questions whether the illustration of cumulative effects on return has any benefits for the clients or if it only leads to confusion. We therefore support the deletion of this requirement.

Also, for some services it is very unclear how to calculate the cost as a percentage (%). It does not make sense to calculate the customer's total cost as a percentage of the total "investment amount" on an aggregated level, mixing different types of trades and costs (equity, derivatives used for hedging etc.).

Studies show that due to the complexity of products and the amount of the aggregate pre-contractual information provided to retail investors, there is a risk that investors are not able to absorb all the necessary information due to information overload. This can lead tosuboptimal investment decisions.

Question 4.10 What should be the maximum length of the PRIIPs Key Information Document, or a similar pre-contractual disclosure document, in terms of number of words?

Please explain your answer.

We believe that the KID or similar pre-contractual disclosure document should be kept very short to ensure the investor can focus and understand the key elements of the product. Indeed, our stance on this topic is in line with the approach taken by the EU Co-Legislators aimed at providing retail investors with a concise document but without depriving these investors of information which could be fundamental for them to take informed investment decisions and without hindering the readability of the document and the understandability of the information included therein.

This approach has been materialized in Regulation 1286/2014 and Delegated Regulation 2017/653 which, as general rule,

- **requires that the exclusive focus of KID shall be on the key information which retail investors need;**
- **mandates the separate and stand-alone nature of the KID as a document, prohibit cross-references to marketing material from which KID is clearly distinct and allow for cross-references to other documents including a prospectus where applicable and only where the cross-reference is related to the information required to be included in the key information document by this Regulation (derogation to this rule is admitted exclusively in those cases where PRIIP offers retail investors a range of options for investments) and**
- **allows for the provision of other relevant information in summary format and even through a link to websites where further details can be made available to investors and**
- **last but not least, prescribes a maximum length of three sides of A4-sized paper when KID is printed and, at the same time, require that the size of the characters used and the overall lay-out of the document must be readable and the language must be clear and comprehensible.**

In the Draft RTS amending KID submitted to the European Commission last February, the European Supervisory Authorities (ESAs) have proposed additional requirements to integrate KIDs with narrative indications relating to both the performance scenarios and the cost tables risks making extremely challenging for manufacturers to comply with the maximum limit of three A4 sheets of the KID.

However, we believe the rules on the length of the PRIIPS KID should be more flexible and adaptable to different types of instruments. Restrictions on the current model may lead to insufficient information being provided to investors (e.g. in a structured product KID), regarding the desired balance between the used terminology and the documentation dimension.

We would also like to underline that the number of words seems to be inappropriate, because it is dependent on the language used and the structure of the languages differs from each other (e.g. English has more "short words" than Finnish for example). On the other hand, number of pages does not work either especially in the digital environment. Instead, it is more useful to define the main headings and the content of the different sections without limiting the words or pages.

Another difficulty is, that even if the length (like PRIIPS) has been properly calibrated when introduced there can be requirements for additional information which may prove difficult to incorporate in the structure. This goes back to our point on flexibility.

Question 4.11 How should disclosure requirements for products with more complex structures, such as derivatives and structured products, differ compared to simpler products, for example in terms of additional information to be provided, additional explanations, additional narratives, etc.?

Please explain your answer.

We believe that the KID, as it is designed as of today pursuant to the rules currently in force, already addresses this requirement, since it is an extra document only due for packaged (i.e. complex) products.

In this respect, we believe i) that disclosure requirements should be proportionate to the complexity of the instruments, meaning that products with complex structures shall be required the disclosure of information other than those envisaged for simpler ones and ii) that adding too many disclosures can bring to the unwanted effect of introducing too many details in the document, shifting the investor's attention towards non-core details.

Moreover, on the basis of the PRIIPs experience, the relevant regulation should provide a clear definition of products included in each "complexity cluster", in order to enable manufacturers to understand what obligations apply to each type of product.

The EBF is in favor of a more flexible approach where the harmonization is limited to the headings and main contents and where the investment firm can adapt the information to the type of instrument in question. The main policy objective from an investor protection perspective should be that the information is understandable and relevant in order for the client to make a well-informed investment decision.

As regards instruments which are classified as complex under EU legislation it is important to note that

- Complex relates to the structure of the instrument and does not necessarily mean that the instrument has more risk or that it is more difficult for the investor to understand what determines the return of investment.

- Too much information on complex products leads to information overload and increases the risk that the client does not read the information at all.

Question 4.12 Should distributors of retail financial products be required to make pre-contractual disclosure documents available:

- **On paper by default?**
- **In electronic format by default, but on paper upon request?**
- **In electronic format only?**
- **Don't know**

Please explain your answer

We support moving away from paper based documents in favour of a digital format. However, the challenge this entails should be kept in mind with regards to existing clients and in particular elderly clients or clients who do not have access to the internet. It is important both firm investment firms and their client that there is a sufficiently long transitional period before electronic communications become mandatory.

Question 4.13 How important is it that information documents be translated intothe official language of the place of distribution?

Not at all important	*Rather not important*	*Neutral*	*Somewhat important*	*Very important*
				The translation in the official language of the place of distribution is essential in order to allow retail clients to understand the pre-contractual information required by PRIIP and IDD. **However, if the investment firm communicates with a client in English, it should be possible to provide the product information in English.**

Question 4.14 How can access, readability and intelligibility of pre-contractual retail disclosure documents be improved in order to better help retail investors make investment decisions?

Please explain your answer

Given that the amount of information is vast, the pre-contractual information should only be focused on the most important product information. As mentioned in 4.7 and 4.9 above for example, focus should be on removing features like "zero" costs, acknowledging differences between different types of products when it comes to content in disclosures and limiting the ambition of comparability to products which share similar features. The amount of information should be reduced e.g by cross-checking the different requirements due to the different relevant legislation that apply to the investment products.

Question 4.15 When information is disclosed via digital means, how important is itthat:

	Not at all important	*Rather not important*	*Neutral*	*Somewhat important*	*Very important*
There are clear rules to prescribe presentation formats (e.g. readable font size, use ofdesigns/colours, etc.)?					
Certain key information (e.g. fees, charges, payment of inducements, information relative to performance, etc.) is displayed in ways which highlight the prominence?					
Format of the information is adapted to use on different kinds of device (for example through use of layering)?					
Appropriately labeled and relevant hyperlinksare used to provide access to supplementary information?					
Use of hyperlinks islimited (e.g. one click only – no cascade of links)?					
Contracts cannot be concluded until the consumer has scrolled to the end of thedocument?					
Other (please explain)?					

Please explain

5. THE PRIIPS REGULATION

In accordance with the PRIIPs Regulation, and as part of the retail investment strategy, the Commission is seeking views on the PRIIPs Regulation. In February 2021, the ESAs agreed on a draft amending Regulatory Technical Standard aimed at improving the delegated regulation. The Commission is now assessing the PRIIPS Regulation level 1 rules, in line with the review clause contained in the Regulation.

Core objectives of the PRIIPs Regulation

Question 5.1 Has the PRIIPs Regulation met the following core objectives:

	Yes/no – Please explain your answer
Improving the level of understanding that retail investors have of retail investment products	Yes - In general, the answer is yes, but KIDs requirements are not aligned with characteristics of certain bespoke products, such as OTC derivatives and Structured Deposits, and this reduces the level of understanding for a retail client From a general point of view, the industry needs regulatory stability when it comes to PRIIPs regulation. The European Commission will publish next September a new RTS that will probably fix some issues by modifying the content of the KID. The UCITS exemption will concurrently end, which will bring asset managers under the scope of the regulation. In this context, it is preferable to give some time to the industry to implement those new changes and look at their consequences before reopening the level 1.
Improving the ability of retail investors to compare different retail investment products, both within and among differentproduct types	Yes – some of the information works well in practice. This is especially true for descriptive sections, like “basic information” and “what is this product”. On the other hand, other sections, like the numerical information on scenarios and costs, are less successful. The comparison of different product types is difficult. Specifically, the costs and charges information are difficult to understand, and the documentation lacks important details of the product.
Reducing the frequency of mis-selling of retail investment products and the numberof complaints	Yes – however, it is not possible to define the effect of PRIIPS legislation, because at the same time changes were also made to IDD and MiFID. A reduction of mis-selling products to retail clients due to complexity of the rules and/or lack of legal certainty.
Enabling retail investors to correctly identify and choose the investment productsthat are suitable for them, based on their individual sustainability preferences, financial situation, investment objectives and needs and risk tolerance	Yes – the PRIIPS documentation is not personalized, but the individual preferences should be taken into account in the investment advice process given according to MiFID/IDD

Question 5.2 Are retail investors easily able to find and access PRIIPs KIDs and PEPP KIDs?

Yes/no/don't know

Please explain your answer
KIDs of distributed PRIIPs are always available in internet sites and branches of financial institutions. They can be found via web search engine just inquiring the ISIN, or the name of the product.

5.2.1 What could be done to improve the access to PRIIPs KIDs and PEPP KIDs?

	Yes/no
Requiring PRIIPs KIDs and PEPP KIDs to be uploaded onto a searchable EU-wide	

Database	No, the EBF does not support the development of an EU data base, as: • it would determine high costs for manufacturers in order to provide the relevant administrator with the KIDs/KIIDs/prospectuses or other documents/information and any updated version. In this case the EU data base would result in a new heavy obligation for manufacturers which overlaps with those already provided for by relevant national regime applicable to KID/KIID/prospectus. It is therefore evident that such approach would not be desirable. Since all these documents are already available online, this data base could be implemented without any further activity required by Manufacturers; • it would have limited value for clients considered that the relevant precontractual documentation (KID/KIID/prospectus) provides only the maximum admitted costs (which can differ from those concretely applied consistently to the commission brakes applicable by intermediaries or negotiated by clients), and it does not include the costs of the relevant services provided by intermediaries.
Requiring PRIIPs KIDs and PEPP KIDs tobe uploaded onto a searchable national database	No
Requiring PRIIPs KIDs and PEPP KIDs tobe made available in a dedicated section on manufacturer and distributor websites	No as the current rules regarding provision of KID are sufficient. There is no need for publication of the document on a "dedicated" webpage and it should be possible for distributors to use links to manufacturers webpages. Also, it should be noted that KID for bespoke PRIIPs products on a dedicated website does not make sense but should be provided directly to end client electronically or on paper-based document.
Other	

Please explain your answer.

The PRIIPs KID

Question 5.3 Should the PRIIPs KID be simplified, and if so, how (while stillfulfilling its purpose of providing uniform rules on the content of a KID which shall be accurate, fair, clear, and not misleading)?

Yes/no/don't know

Please explain your answer

The PRIIPs rules for KID should be more flexible to allow the calibration between the mandatory information to be provided (minimum level of protection) and the possibility of providing further information upon investor request and considering specific risks and complexity levels of the financial instrument sold and the nature of the investment service provided. The presentation of costs could also be improved in order to make it simpler and easier to understand for retail investors.

Implementation and supervision of the PRIIPs Regulation

Question 5.4 Can you point to any inconsistencies or discrepancies in the actual implementation of the PRIIPs Regulation across PRIIPs manufacturers, distributors, and across Member States?

Yes/no/don't know

Please explain your answer

Current PRIIPs regulatory framework allows EU Member States to impose specific requirements upon investment firms established on their national territory and which manufacture PRIIPs products. These "optionalities" have, so far, generated misalignments and inconsistencies in the way the PRIIPs regulatory framework is actually applied across the EU. We deem it necessary to review the rules regarding optionality so as to promote more uniform implementation of the PRIIPs regulatory framework within each EU Member State.
2.Specific examples: ex ante notification of KIDs to NCAs.
Under Article 5 paragraph 2 of Regulation 1286/2014 any Member State may require the ex-ante notification of the key information document (KID) by the PRIIP manufacturer or the person selling a PRIIP to the competent authority for PRIIPs marketed in that Member State. As far as we know, some EU Member States have decided to exercise the option provided for by the above-mentioned Article 5 par. 2 PRIIPs Regulation. To the best of our knowledge, the relevant national rules differ as to many respects and, namely, in relation to: i) scope of the notification obligations and related exemptions ii) deadline for filing iii) entities subject to this obligation iv) technical modalities for filing v) language requirements.

As a matter of example:

- **KIDs have to be transmitted to the relevant National Competent Authority (as required by Consob in Italy), while a similar requirement is not implemented in other EU Countries**
- **Portugal opted for the prior notification of the KIDs to the National Competent Authority (CMVM), besides demanding a fee of € 1.000 for each notification. In addition, it is required, for non-professional investors, a handwriting statement in the subscription form.**

These aspects represent clear inconsistencies in the implementation of PRIIPs Regulation across Member States, and result in an uneven playing field for distributors.

Question 5.5 In your experience, is the supervision of PRIIPs KIDs consistent acrossMember States?

Yes/no/don't know

Please explain your answer

Question 5.6 What is in your experience as a product manufacturer, the cost of manufacturing:

	Cost in € per individual product
A single PRIIPs KID	
A single PEPP KID	
A single Insurance Product Information Document	

Please explain your answer

There are one-off and ongoing costs to be considered, which can vary depending on the frequency of significant changes that trigger the PRIIPs KID revision and are aggravated by continuous regulatory changes.

Any changes to the PRIIPs KID will result in significant costs for PRIIPs manufacturers. Indeed, the costs of implementation of a regulatory review include:

- **Cross-functional work to interpret the new requirements**
- **New data to be gathered**
- **Actuarial and financial calculations**
- **IT software changes**
- **Re-design of the PRIIPs KID template**
- **Test of calculations and design**
- **Legal assessment of the texts and numbers**
- **Potential translation into different languages**
- **Drafting of new documents and distribution to agents and customers**
- **New training for distributors, including training to explain the new requirements and changes compared to documents already distributed under previous applicable texts**
- **Update of the website, etc.**

Question 5.7 What is in your experience as a product manufacturer the cost ofupdating:

	Cost in € per individual product
A single PRIIPs KID	
A single PEPP KID	
A single Insurance Product Information Document	

Please explain your answer

It is not possible to quantify per single document/individual product. The costs can vary depending on the frequency of significant changes that trigger the PRIIPs KID revision and are aggravated by continuous regulatory changes.

Question 5.8 Which factors of preparing, maintaining, and distributing the KID arethe most costly?

- **Collecting product data/inputs**
- **Performing the necessary calculations**
- **Updating IT systems**
- **Quality and content check**
- **Outsourcing costs**

- **Other**

Please explain your answer

In the context of PRIIPS and related regulation, the major costs assumed by financial institutions are by far those relating with IT systems updating and outsourcing costs.

Multiple Option Products

For PRIIPs offering the retail investor a range of options for investments (MultipleOption Products) the PRIIPs Regulation currently provides the manufacturer with two different approaches for how to structure the KID:

- A separate KID can be prepared for each investment option (Article 10(a))A generic KID covering in general terms the types of investment options offered andseparate information on each underlying investment option (Article 10(b))

According to feedback, both of these options present drawbacks, including challenges forretail investors to compare multiple option products with each other, in particular regarding costs.

An alternative approach would therefore be to require the provision of only one information document for the whole Multiple-Option Product, depending on the underlying investment options that the retail investors would prefer.

Question 5.9 Should distributors and/or manufacturers of Multiple Option Products be required to provide retail investors with a single, tailor-made, KID, reflecting thepreferred underlying portfolio of each investor? What should happen in the case of ex-post switching of the underlying investment options?

Yes/no/don't know

Please explain your answer

As recognized by the ESAs in their Draft Final Report, respondents from the financial industry were critical of the proposal focused on the four most commonly selected investment options for various reasons outlined as follows

i) the approach is not meaningful in the case of products where the investment selection is left entirely to the retail investor

ii) the proposal would introduce a new type of document in addition to the generic KID and specific information

iii) the (four) options selected are likely to be taken as recommended options;

iv) It is not clear how to apply some aspects of the proposals in practice, such as how the most commonly selected options could at the same time reflect the diversity of investment objectives

v) it will increase the number of KID, and this was a particular concern where the PRIIP manufacturer had already decided to prepare several KIDs for the same product, such as reflecting different possible holding periods; vi) in the absence of consumer testing it is not possible to know whether the proposals will be an improvement.

We also know that most respondents expressed criticism also towards the proposal to provide a range of costs per asset class within the generic KID since, as also acknowledged by the ESAs in their consultation paper, this proposal would introduce significantly more figures in the generic KID thereby resulting in an overload of information for certain types of retail

investor.

We would like to note, that there are major differences between MOP products and markets in Europe. In an open hearing organised by ESAs an industry association of a member state said that 90% of their insurance PRIIPs are guaranteed products, while another association from another member state described quite the opposite. Vast majority of new products are unit-linked products, where the client has tens or even hundreds of options to choose from.
Therefore, we are strongly in favour of the current regulation, which give PRIIPS manufacture the choice of two options. Current rules have worked well, and we are not aware of consumer complaints.
In our view the proposal of a "preferred choice" includes the following drawbacks:
- There is a clear risk of confusing the client between PRIIPs product information and personal recommendation.
- For a number of clients, entirely unsuitable options would be presented.
- If one (or more) most favoured option(s) are presented, the client easily sees them as the best one(s).
- Presenting One (or more) options would be detrimental for consumer choice as the other options would naturally get less attention.
- The proposal is too complex and costly to implement and to maintain from a compliance point of view, especially for smaller companies. There are also significant practical challenges to determining which option(s) to choose, further complicated by the need to keep the selection relevant as consumer behaviour changes
Specifically, as for Multiple Option Products, when switching among the multiple options, no separate KID should be needed.

Scope

The scope of the PRIIPs Regulation currently excludes certain pension products, despite qualifying under the definition of packaged retail investment products. These include pension products which, under national law, are recognised as having the primary purpose of providing the investor with an income in retirement and which entitle the investor to certain benefits. These also include individual pension products for which a financial contribution from the employer is required by national law and where the employer or the employee has no choice as to the pension product or provider.

Question 5.10 Should the scope of the PRIIPs Regulation include the followingproducts? If so, why?

Product	*Should be in PRIIPs Regulation scope [include/exclude]*
Pension products which, under national law, arerecognised as having the primary purpose of providing the investor with an income in retirement and which entitle the investor to certain benefits;	exclude
Individual pension products for which a financial contribution from the employer is required by national lawand where the employer or the employee has no choice as to the pension product or provider.	exclude
Other	For the sake of legal certainty, more clarity is needed on scope of PRIIPs and the interpretation of "packaged investment

	product". OTC-derivatives should be excluded, if those are used only for hedging purposes and not investments. Some bonds (as in more detail covered by ESAs) should also be excluded, e.g. convertible bonds which are not packaged.

The ability to access past versions of PRIIPS KIDs from a manufacturer is useful in showing how its product portfolio has evolved (e.g. evolution of risk indicators, costs, investment strategies, performance scenarios, etc.) that cannot be understood from simplylooking at the latest versions of PRIIPS disclosure documents of currently marketed products.

Question 5.11 Should retail investors be granted access to past versions of PRIIPs KIDs?

Yes/No/don't know

Please explain your answer

There is usually no need to analyse past version of PRIIPS KIDs. The present versions of PRIIPS kids available to everyone should be enough, because the number of documents is vast. If past version of PRIIPs KID is needed for some reason, it could be provided by request. The availability of current and past documents bears the risk that investors use outdated versions. Access to past versions would also create an overload of information to the investors and an investor would need analytical skills to reach any meaningful conclusions when comparing the past and current PRIIPS KIDs. Offering access to past versions would also increase costs which might at the end be borne by the investors.

Question 5.12 The PRIIPs KIDs should be reviewed at least every 12 months and if the review concludes that there is a significant change, also updated.

5.12.1 Should the review and update occur more regularly?

Yes/no/don't know

Though KIDs should be regularly reviewed, they should be updated only when significant changes occur. (f.i. investment strategy changes, rating changes, significant changes in the economic environment etc.)

Namely, we believe that the triggers envisaged by the regulatory framework currently in force i.e. moderate performance scenario, SRI, liquidity and RIY are already sufficient to ensure that a KID is updated when significant changes in the quantitative sections happen.

Even with respect to high volatility instruments, a more frequent update would not necessarily ensure more accuracy in the contents as scenarios for instance are the result of statistical simulations.

In the light of the above, we do not believe any change shall be made to the current PRIIPs regulatory framework.

5.12.2 Should this depend on the characteristics of the PRIIPs?

Yes/no/don't know

Though KIDs should be regularly reviewed, they should be updated only when significant changes occur (f.i. investment strategy changes, rating changes, significant changes in the economic environment etc.).

5.12.3 What should trigger the update of PRIIP KIDs?

Please explain your answer

Please explain answer to 5.12

6. SUITABILITY AND APPROPRIATENESS ASSESSMENT

Under current EU rules, an investment firm providing advice or portfolio management to a retail investor must collect information about the client and make an assessment that a given investment product is suitable for them before it can recommend a product to a client or invest in it on the client's behalf. Similar rules exist for the sale of insurance- based investment products and of Pan-European Pension Products. The objective of theserules is to protect retail investors and ensure that they are not advised to buy products thatmay not be suitable for them. The suitability assessment process may however sometimes be perceived as lengthy and ineffective.

Question 6.1 To what extent do you agree that the suitability assessment conducted by an investment firm or by a seller of insurance-based investment products serves retail investor needs and is effective in ensuring that they are not offered unsuitable products?

Strongly disagree	Disagree	Neutral	Agree	Strongly agree
			X	

Please explain your answer

We believe the suitability test is a useful test which works well and an efficient tool for intermediaries to assess which product is suitable for the considered clients. However, we should make sure the process doesn't become too burdensome and too intrusive for some clients. As an example, a proportionate approach (as stated in MIFID level 1) should be taken when the client intends to invest a small amount of money.

Question 6.2 Can you identify any problems with the suitability assessment and ifso, how might they be addressed?

Yes/no/don't know

We believe suitability assessment works fairly well. We would like to highlight that the suitability test should be applied in a proportionate way as stated in MIFID level 1. It is therefore important that excessively detailed rules are introduced on level 2 and 3 which will not allow firms to adapt the suitability test to the type of client and investment service at hand. Suitability tests for simple products and small amounts should not require the same level of detail as more complex instruments.

Question 6.3 Are the rules on suitability assessments sufficiently adapted to the increasing use of online platforms or brokers when they are providing advice?

Yes/no/don't know

Please explain your answer

In the Guidelines on certain aspects of MiFID II suitability requirements issued by ESMA in 2018, ESMA aimed, inter alia, at considering recent technological developments of the advisory market, i.e. the increasing use of automated or semi-automated systems for the provision of investment advice or portfolio management (so called 'robo-advice).

In this regard, the Authority expressed a fundamental "neutrality principle" which, in our view, deserves to be properly underlined in the context of this response: these guidelines

apply to all firms offering the service of investment advice and portfolio management, irrespective of the format used for the provision of these services, i.e the means of interaction with clients.

This is the reason why few adaptations are required by ESMA Guidelines and are expressly identified.

The EBF considers that technology neutral rules and proportionality in the suitability requirements are important elements in order to support increasing demand for online platforms and robo-advise.

Question 6.4 To what extent do you agree that the appropriateness test serves retail investor needs and is effective in ensuring that they do not purchase products they are not able to understand or that are too risky for their client profile?

Strongly disagree	Disagree	Neutral	Agree	Strongly agree
			X	

Please explain your answer

The MiFID II appropriateness and execution-only framework is an important element of investor protection in the case of the provision of services other than investment advice or portfolio management (''non-advised services'' e.g. reception and transmission of orders, execution of orders on behalf of clients, dealing on own account).

While the appropriateness and execution-only framework confirms the regime already applicable under MiFID I, some aspects of the requirements have been further strengthened in MiFID II. In particular, this regards record-keeping obligations related to appropriateness and an improvement of the conditions for the provision of services under the execution-only exemption.

In January 2021, ESMA issued for consultation draft Guidelines in order to enhance clarity and foster convergence in the application of certain aspects of the appropriateness and execution-only requirements.

As also recognized by ESMA in the above-mentioned Guidelines, i) although both tests share some commonalities and requirements and ii) although ESMA used the Guidelines for suitability as starting point for drafting the draft Guidelines on appropriateness, the level of investor protection afforded by the suitability assessment is higher compared to the appropriateness assessment and the execution-only exemption.

We believe that the appropriateness assessment i) is fit for the purpose it aims at achieving and ii) offers a considerable degree of protection to the benefit of clients.

Question 6.5 Can you identify any problems with the test and if so, how might they be addressed (e.g. is the appropriateness test adequate in view of the risk of investors purchasing products that may not be appropriate for them)?

Yes/no/don't know

Please explain your answer

Rules on the appropriateness test are well structured to properly evaluate that retail investors understand the essential characteristics of the financial instruments offered or requested as well as the risks involved therein.

Question 6.6 Are the rules on appropriateness tests sufficiently adapted to theincreasing use of online platforms or brokers?

Yes/no/don't know

Please explain your answer

In the Guidelines on certain aspects of MiFID II appropriateness and execution-only requirements which were issued on 29 January 2021 by ESMA for subsequent consultation with stakeholders (the consultation ended on 29 April 2021), ESMA expressed a fundamental "neutrality principle" insofar as it clarified that the proposed Guidelines are due to apply in full to all firms providing non-advised services, irrespective of the means of interaction with clients.

That is the reason why the only adaptations required by the proposed ESMA Guidelines regard the need for disclosing information to clients in a way congruent with the peculiarities of the method/tool chosen to interact with clients. In other words, the level of effectiveness should be evaluated and found to be compatible and commensurate with the specific manner chosen to communicate with clients.

Question 6.7 Do you consider that providing a warning about the fact that a product is inappropriate is sufficient protection for retail investors?

Yes/no/don't know

Please explain your answer

We believe that selling to negative markets should be possible as long as the client is warned.

More specifically, we believe that in those cases where an investment firm has completely fulfilled its legal obligations in respect of the service provided (pre-trade information, management of conflicts of interest, etc.).This kind of warning is sufficient to properly protect retail investors We believe that retail client is able to understand the warnings that are issued by the service providers. Client has to have a possibility to make own choices for investment products and warning for unsuitable products should be enough in regulation. Direct bans on selling the products restrict the free choice of the retail customer and lower their interest to invest in the capital markets and therefore harming an increase in retail participation.

In case of the execution of orders or transmission and reception of orders of certain non- complex products, at the initiative of the client, no appropriateness test is required. The investment firm must only inform the client that the appropriateness of the service or product has not been assessed and that he/she does not benefit from the protection of the relevant rules on conduct of business.

Question 6.8 Do you agree that no appropriateness test should be required in such situations?

Yes/no/don't know

Please explain your answer

We believe that an appropriateness test is not needed in such cases and in general we suggest narrowing down the scope of target market requirements to exclude simple products like shares and bonds all together (aligned scope with PRIIPs).

Non-complex products are simple products. It should be possible for the retail clients to purchase this kind of simple products and execution only-products without lengthy testing process in order to make the customer experience "smooth" without unnecessary burden. If this is not possible, possibilities for one-line trading are limited and these investments might be replaced by unregulated investment products like crypto assets.

The execution regime is conceived by MiFID to allow avoiding any client's protection in some very limited cases, which are strictly identified by law. In any case investment firms can decide whether to adopt or not this regime. So the regime does not require any change.

MiFID II requires that when investment firms manufacture financial instruments for sale to clients, they must make sure that:

- those instruments are designed to meet the needs of an identified target market of endclients
- the strategy for distribution of the financial instruments is compatible with theidentified target market
- and they must take reasonable steps to ensure that the financial instrument isdistributed to the identified target market

The investment firms that offer or recommend such financial instruments (the distributors) must be able to understand them, assess their compatibility with the needs oftheir clients and take into account the identified target market of end clients.

Question 6.9 Does the target market determination process (at the level of both manufacturers and distributors) need to be improved or clarified?

Yes/no/don't know

Please explain your answer

We believe that there is currently an issue regarding cross sectoral alignment. More precisely, the MiFID/Delegated Directive relates to investment services and in principle not to the offering/issuance of investment products. Only manufacturers are in the scope to qualify as investment firms, meaning investment firms that produce an investment product and provide an investment service regarding to that same investment product. However, most investment products (shares, bonds and funds) are not manufactured by investment firms, but by companies that issue bonds/shares or management companies of investment funds such as UCITS and AIF's. The result is that most producers of investment products are not legally required to provide target market information, or information on transaction costs within the fund. This puts the burden on distributors to collect target market and cost information from the issuers of investment products, without the requirement for these issuers to provide the same information.

For some (mass retail and non-complex) investment products the distributor can derive the target market criteria from the type of the investment product, the exchanges where these products are listed/traded. Thanks to ESMA Guidelines on MiFID II product governance

and the experience gained by investment firms both as manufacturers and distributors since the implementation of MiFID II, the target market determination process works well. As explained above, product governance obligation should apply to any manufacturers, included asset managers, and have a uniform approach within MiFID II, IDD and the suggested changes to UCITS and AIFM directives.

Demands and needs test (Specific to the Insurance Distribution Directive (IDD))

Before selling an insurance product or insurance-based investment product, insurance distributors are obliged to have a dialogue with their customers to determine their demands and needs so that they are able to propose products offering adequate characteristics and coverage for the specific situation of the customer. Any products proposed must be consistent with the customer's demands and needs. In the case of insurance-based investment products, this requirement comes in addition to the suitability assessment.

Question 6.10 To what extent do you agree that, in its current form, the demands and needs test is effective in avoiding mis-selling of insurance products and in ensuring that products distributed correspond to the individual situation of the customer?

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

Please explain your answer

Question 6.11 Can you identify any problems with the demands and needs test, in particular its application in combination with the suitability assessment in the case of insurance-based investment products? If so, how might they be addressed?

Yes/no/don’t know

The IDD does not contain detailed rules on the demands and needs test and leaves it to Member States to decide on the details of how the test is applied in practice. This results in differences between Member States.

Question 6.12 Are more detailed rules needed in EU law regarding the demands andneeds test to make sure that it is applied in the same manner throughout theinternal market?

Yes/no/don’t know

Please explain your answer.

Question 6.13 Is the demands and needs test sufficiently adapted to the onlinedistribution of insurance products?

Yes/no/don’t know

Are procedural improvements or additional rules or guidance needed to ensure the correct and efficient application of the test incases of online distribution?

Yes/no/don’t know

Please explain your answer.

7. REVIEWING THE FRAMEWORK FOR INVESTOR CATEGORISATION

As announced under Action 8 of the capital markets union action plan, the Commission intends to assess the appropriateness of the existing investor categorisation framework and, if appropriate, adopt a legislative proposal aimed at reducing the administrative burden and information requirements for a subset of retail investors. This will involve thereview of the existing investor categorisation (namely the criteria required to qualify as a professional investor) or the introduction of a new category of qualified investor in MiFID II.

Currently, under MiFID II, retail investors are defined as those that do not qualify to be professional investors. Where investors choose to opt into the professional category, the intermediary must warn the investor of the level of protection they will cease to have andthe investor must comply with at least two of the three following criteria:

- the client has carried out transactions, in significant size, on the relevant market for the financial instrument or for similar instruments with an average frequency of atleast 10 transactions per quarter over the previous four quarters

- the size of the client's financial instrument portfolio composed of cash deposits and financial instruments must be larger than €500,000

- the client currently holds or has held for at least one year a professional position in thefinancial sector which requires knowledge of the envisaged financial transactions or services

Retail investors are currently subject to a number of additional investment protection measures, such as prohibition to acquire certain products as well as additional disclosure information. Some stakeholders have argued that for certain investors that currently fall under the retail investor category, these protections are not necessary. The creation of a new client category or the modification of the existing requirements for professional clients on request could thus give a subset of investors a broader and more comprehensive access to the capital markets and would bring additional sources offunding to the EU economy.

A well-developed set-up could allow the preservation of the necessary investor protectionwhile improving the engagement in the capital markets.

The 2020 consultation on MiFID already addressed the Question of a possible new category of semi professional investor, and the following questions follow-up on themain findings.

Question 7.1 What would you consider the most appropriate approach for ensuring more appropriate client categorisation?

	Yes/no
Introduction of an additional client category (semi-professional) of investors.	No
Adjusting the definition of professional investors on request	Yes
No changes to client categorisation (other measures, i.e. increase	No

product access and lower information requirements for all retail investors)	

Please explain your answer to question 7.1:

The current MiFID II regime is not well-adapted to the needs of more experienced retail clients but limits their ability to invest in certain investment products. We therefore fully support that this issue is made part of the CMU/Retail Action Plan.

However, see a number of challenges with the idea to introduce a new and additional semi-professional client category as this would require quite large IT system and process changes, as well as changes to the industry's self-regulation initiatives like the EMT etc. In our view, it is a better solution to amend the definition of professional clients on request in Annex II to MiFID in order to better reflect the nature of the service, the transaction, and the financial instrument.

Additional amendments that should be considered:

- **Ability to bear loss could be based on market conditions and at a given frequency rather than at each and every transaction.**
- **Removal of Loss Threshold Reporting for leveraged instruments (article 62 delegated regulation)**

Question 7.2 How might the following criteria be amended for professional investors upon request?

"*the client has carried out transactions, in significant size, on the relevant market at an average frequency of 10 per quarter over the previous four quarters*"	
No change	
30 transactions on financial instruments over the last 12 months, on the relevant market	
10 transactions on financial instruments over the last 12 months, on the relevant market	
Other criteria to measure a client's experience: please specify	
"the size of the client's financial instrument portfolio, defined as including cashdeposits and financial instruments exceeds EUR 500,000"	
No change	
Exceeds Euro 250,000	
Exceeds Euro 100,000	
Exceeds Euro 100,000 and a minimum annual income of EUR 100,000	
Other criteria to measure a client's capacity to bear loss: please specify	
"the client works or has worked in the financial sector for at least one year in aprofessional position, which requires knowledge of the transactions or servicesenvisaged"	
No change	
Extend definition to include relevant experience beyond the financial sector (e.g. in a finance department of a company).	

Adjust the reference to the term ‘transactions’ in the criteria to instead refer to ‘financial instruments’	
Other criteria to measure a client’s financial knowledge: please specify	
Clients need to qualify for 2 out of the existing 3 criteria to qualify as professionalinvestors. Should there be an additional fourth criterion, and if so, which one?	
No change	
Relevant certified education or training that allows to understand financial instruments, markets and their relatedrisks.	
An academic degree in the area of finance/business/economics.	
Experience as an executive or board member of a company of a significant size.	
Experience as a business angel (i.e. evidenced by membership of a business angel association).	

Other criteria to assess a client's ability to make informed investment decisions: please specify.		

Companies below the thresholds currently set out in MiFID II (2 of 3: turnover of €40 mln, balance sheet of €20 mln and own funds of €2 mln) would also qualify as retailinvestors.

Question 7.3 Would you see merit in reducing these thresholds in order to make iteasier for companies to carry out transactions as professional clients?

- **No change.**
- **Reduce thresholds by half.**
- **Other criteria to allow companies to qualify as professional clients: pleasespecify.**

Please explain your answer

The definition of "other institutional investor" stated in Annex II point I. (4) of MiFID II (EU 65/2014) should be changed. We believe the current criteria are too strict and outdated in particular the number of transactions per year. we also believe the criteria regarding knowledge and experience do not make sense. We would favour a flexible approach depending on clients and products (including innovative products such crypto assets).

8. INDUCEMENTS AND QUALITY OF ADVICE

EU legislation sets out requirements on the provision of investment advice and around the payment of commissions and other forms of inducements to sellers of financial products. In the case of investment services and activities, investment firms must, for example, inform the prospective client whether any advice provided is on an independentbasis, about the range of products being offered and any conflicts of interest that may impair independence. Use of inducements is restricted (i.e. any payment must be designed to enhance the quality of the relevant service to the client and it must not impair compliance with the investment firm's duty to act honestly, fairly and professionally in accordance with the best interest of its clients). Any payments to investment firms for thedistribution of investment products must also be clearly disclosed. The rules slightly differ for the sale of insurance-based investment products: inducements may only be received if they do not have a detrimental impact on the quality of the service to the customer. However, there is no general prohibition on the payment of inducements if the seller declares that advice is given independently. Under UCITS and AIFMD, asset managers are also subject to rules on conflict of interests and inducements.

However despite these rules, concerns have been expressed that the payment of inducements may lead to conflicts of interest and biased advice, since salespersons may be tempted to recommend products that pay the highest inducements, irrespective of whether or not it is the best product for the client. For this reason, the Netherlands has banned the payment of inducements. On the other hand, other stakeholders have argued that the consequence of banning inducements might be that certain retail investors would be unable or unwilling to obtain advice, for which they would need to pay. Questions on inducements have also been asked in the MiFID/R consultation which was conducted at the beginning of 2020.

Question 8.1 How effective do you consider the following measures to/would be in protecting retail investors against receiving biased advice due to potential conflicts of interest?

	Not at all effective	***Rather not effective***	***Neutral***	***Somewhat effective***	***Very effective***
Ensuring transparency of inducements for clients					X
An obligation to disclose the amount of inducement paid				X	
Allowing inducements only under certain conditions, e.g.if they serve the improvement of quality				X	
Obliging distributors to assess the investment products they recommend against similar products available on the	X				

market in terms of overall cost and expected performance					
Introducing specific record-keeping and reporting requirements for distributorsof retail investment productsto provide a breakdown of products distributed, thus allowing for supervisory scrutiny and better enforcement of the existing rules on inducements			X		
Introducing a ban on all forms of inducements for every retail investment product across the Union	X				

Please explain your answers

We consider that the current MiFID II framework on inducements is consistent with the requirement for investment firms to operate in the best interest of clients as it provides a balanced combination of effective requirements, represented by:

- **detailed ex-ante disclosure obligations regarding the existence and amount of the payment or benefit received by the investment firm, linked to the ex-ante disclosure on costs and charges;**
- **detailed ex-post reporting obligations regarding the amount of inducements received by investment firms calculated with regard the investments of each investor, linked to the periodic ex post disclosure on costs and charges;**
- **detailed rules regarding the obligation to justify the inducements received through the provisions of additional services respect to those required by law, which are able to enhance in a proportionate way the quality of the services provided to retail clients;**
- **the obligation to avoid that the provision of relevant services to the client is biased or distorted as a result of the inducements.**

The disclosure regime on inducement as per MiFID II and further detailed by Delegated Directive (EU) 2017/593 (which requires both ex-ante and, in certain circumstances, ex-post disclosures of permitted inducements) currently in force is characterized by a high degree of clarity, understandability and comprehensiveness.

Therefore, we would also advise against i) introducing additional rules, for example, introducing a ban on all forms of inducements as well as ii) further detailing the existing ones.

Most of investors refuse advisory services if they have to pay a fee for the service.

Question 8.2 If all forms of inducement were banned for every retail investment product across the Union, what impacts would this have on:

- **The availability of advice for retail investors?**

- **The quality of advice for retail investors?**

- **The way in which retail investors would invest in financial instruments?**

- **How much retail investors would invest in financial instruments?**

Please explain your answers (one reply box per question)

Based on more than three-years' track record of application of MiFID II, it is fair to say that:

a) the rules on inducements have successfully managed i) to fulfil the needs of various categories of clients insofar as they have encouraged the offer of a wide and heterogenous range of financial instruments suitable for them as well as ii) to stimulate the provision of investment advice services to any client (including "mass market") and

b) that the inducements, as such, have been used as a way to cover the costs that intermediaries have incurred i) in the provision of execution services and ii) in the implementation of measures aimed at protecting clients.

Another important point to highlight is that inducements have been used so far to enhance the quality of services for clients. Namely, inducements currently finance various services which are cost-free for clients and offer them added value e.g. multi-channel solutions enabling clients to "switch" from online to personal advice; "at home" services for clients etc.

In the light of the above, we would warn against:

• the unintended consequences of the introduction of an outright ban on inducements for all retail products across the EU level and

• the adoption of a "one-size-fits-all" approach for all the EU in this specific area. As a matter of fact, the ban on all inducements drastically reduces the availability of investment advice for retail investors. In fact, inducements allow investment firms to:

- **cover the costs of investment advice and to provide it to all retail clients (included those possessing very small portfolios) without requiring additional fees to clients for investment advice;**

- **provide on a massive basis investment advice of a high quality.**

The complete prohibition of inducements would have the following unintended consequences with regard to the availability of investment advice:

• the intermediaries would be forced to charge commission/fees for their investment advice services and

• the majority of clients would refuse to receive investment advice.

In the final analysis, investment advice would no longer be available for relatively large sections of investors. There are two particularly problematic aspects associated to this outcome, which are related each other.

First, access to investment advice risks being impaired to those retail investors who mostly need it i.e. retail investors with small portfolios and relatively low financial literacy thereby depriving them of the opportunity to save optimally for later consumption or retirement.

Second, an inducement ban risks creating an "advice gap" to the detriment of low-wealth clients since they would either not afford advise or it would be too expensive compared to their investments i.e. such proposal would have redistributive and asymmetric effects being socially inequal and thereby penalizing the above-mentioned clients.

The ban on all inducements would also drastically reduce the quality of investment advice as

it would become very difficult, if not impossible, for investment firms to cover all the costs incurred to provide the current service level of non-independent advice, by applying explicit fees to the few wealthy retail clients able to afford them.

In the scenario of a total ban on inducements there should not be difference in practice between the service model of "independent investment advice" and "not independent investment advice", in contrast to the framework defined in the MiFID II directive which has been already implemented by the financial industry with huge costs and efforts

We believe that an outright ban on inducements would reduce the range of instruments available for clients. A substantial tightening of the existing legal framework would mean the end of the widespread provision of investment advice. Large sections of the population, particularly retail investors, would have no access in future to qualified investment advice.

Retail investors in particular are unable or unwilling to pay the higher fixed costs associated with fee-based advice or fee -based services. This is shown by the still very low demand for independent (fee-based) investment advice even when it is clearly available after MIFID II. Ultimately, there is the danger that investment advice may no longer be available as a service to many investors.

Clients who cannot afford fee-based services would likely have access to a very limited range of products or be limited to a few standardized products. Any tightening of the existing legal framework would ultimately mean that the provision of services in the single European financial market would be seriously restricted. This could mean the exclusion from financial support to a lot of clients, when there is no such a need since the current regime is working (it allows the financial entities to dedicate resources to the offer of an important range of products, to provide relevant information to the clients, etc. while giving added value tools, when applicable, and, in any case, full disclosure).

Another factor to be considered is the need of a definition for inducements that do not involved other payments from clients, like placing investment service payments. Although firms should assess all payments or benefits received against the inducement rules, in the specific context of a firm providing placing services to an issuer, and also distributing new financial instruments to investment clients, it should be agreed that the fees received by the firm from the issuer client directly relate to the provision of a MIFID investment service. These payments would constitute a client fee or payment. They should not be considered as a third-party payment or benefit under the inducements rules in Article 24(7), (8) or (9) of MiFID II. Regarding these payments, conflicts of interest rules will apply, including the need to identify and manage potential conflicts between the interests of different groups of clients or different activities that the firm carries out. Moreover, MiFID II has extended these rules as regards to the identification, management, disclosure of conflicts of interest.

Question 8.3 Do the current rules on advice and inducements ensure sufficientprotection for retail investors from receiving poor advice due to potential conflictsof interest:

	Yes	***No***
In the case of investment products distributed under the MiFID II framework?	X	
In the case of insurance-based investment products distributed under the IDD framework?	X	
In the case of inducements paid to providers of online platforms/comparison websites?	X	

Please explain your answers

Question 8.4 Should the rules on the payment of inducements paid to distributors ofproducts sold to retail investors be aligned across MiFID and IDD?

Yes/no/don't know

Please explain your answer

We do not support any ban on inducements on any product neither under MIFID nor under IDD.

Question 8.5 How should inducements be regulated?

	Yes/no	
Ensuring transparency of inducements for clients	Yes	
Ensuring transparency of inducements for clients, including an obligation to disclose the amount of inducement paid		
Allowing inducements only under certain conditions, e.g. if they serve the improvement of quality	Yes	
Obliging distributors to assess the investment products they recommend against similar products available on the market	No	
Introducing specific record-keeping and reporting requirements for distributors of retail investment products to provide a breakdown of products distributed, thus allowing for supervisory scrutiny and better enforcement of the existing rules on inducements	No	
Introducing a ban on all forms of inducements for every retail investment product across the Union	No	

Please explain your answer

The use of payments for order flow (PFOF), where a broker (or an investment firm) directs the orders of its clients to a single third party for execution against remuneration, appears to be increasingly popular as a business model, in particular in the context of on- line brokerage. This practice is raising concerns in terms of potential conflicts of interest due to payment of inducements and possible breach of the obligations surrounding best execution of the client's orders (i.e. an obligation to execute orders on terms that are mostfavourable to the client).

Question 8.6 Do you see a need for legislative changes (or other measures) toaddress conflicts of interest, receipt of inducements and/or best execution issues surrounding the compensation of brokers (or firms) based on payment for order flow from third parties?

Yes/No/don't know

We would like to underline that financial intermediaries are subject to strict conflict of interest rules and inducement rules. Payments for Order Flow are used to enhance the quality of financial services and are reported to clients. This market practice should not be considered as an impediment to compliance with these rules.

Question 8.7 Do you see a need to improve the best execution regime in order to ensure that retail investors always get the best possible terms for the execution of their orders?

Yes/no/don't know

Please explain your answer

The best execution rules in MiFID II generally work well and EBF does not see a need of amendments.

However, we do question the value of the RTS 27 and RTS 28 reports and consider that they can be deleted from MiFID II.

Financial advisors play a critical role in the distribution of retail investment products, however standards (levels of qualifications, knowledge, skills, etc.) differ across MemberStates. In order to reduce the risk of mis-selling, increase individual investors' confidencein advice and create a level playing field for market operators offering advice in different Member States, the 2020 CMU action plan proposed that certain professional standards for advisors should be set or further improved.

Question 8.8 Would you see merit in developing a voluntary pan-EU label forfinancial advisors to promote high-level common standards across the EU?

Yes/No/don't know

Please explain your answer and indicate what would be the main advantages and disadvantages.

If yes, what would you consider the essential characteristics of such a label and how should it be similar to or different from those that already exist in the market?

We disagree with the need to develop a voluntary pan-European label for financial advisors in that there is already an appropriate qualification requirement for persons giving investment advice or information about financial instruments, investment services or ancillary services to clients.
This is especially true in light of ESMA Guidelines on Knowledge and Experience, which already require that:

- **intermediaries ensure that staff providing relevant services to clients are assessed through the successful completion of an appropriate qualification.**
- **National Competent Authorities publish a list of the specific appropriate qualifications that meet the criteria of the guidelines or, alternatively the criteria and the characteristics that an appropriate qualification needs to meet in order to comply with those criteria.**

Robo-advisors, i.e. online platforms providing automated investment advice (and inmany cases also portfolio management) are in principle subject to the same investor protection rules as traditional "human" advisors under the MiFID and IDD frameworks. While robo-advisors may offer advantages for retail investors, in particular lower fees, accessible investment thresholds and in principle often impartial advice (unbiased by payment of inducements), robo-advisors may also present risks resulting from, e.g. simplistic non-dynamic algorithms which may not create efficient investment portfolios.

Question 8.9 Are robo-advisors (or hybrid advisors) regulated in a manner sufficient to protect retail investors?

Yes/no/don't know

Please explain your answer

We believe that the above mentioned ESMA Guidelines on suitability already provides important guidance on the adoption of robot for advisors and robo-advice.
In addition we would also like to underline that our stance on this topic is also justified i) by what is indicated by ESMA in its Guidelines and, in particular, ii) by the circumstance that robo-advisors represent a way to provide the services of investment advice which is subject – pursuant to the fundamental "neutrality principle" enshrined in the above-mentioned Guidelines – to the same safeguards which are required in relation to the provision of the above-mentioned services (for additional details on this topic, please see our answers to questions 6.3. and 6.6. above regarding suitability and appropriateness assessment).

The EBF considers that technology neutral rules and proportionality in the suitability requirements are important elements in order to support increasing demand for online platforms and robo-advise.

Question 8.10 The use of robo-advisors, while increasing, has not taken off as might have been expected and remains limited in the EU. What do you consider to be the main reason for this?

- **Lack of awareness about the existence of robo-advisors**
- **Greater trust in human advice**
- **Other**

Please explain your answer

The experience gained by investment firms highlights that:

- **robot for advisors can support the activity of human resources providing investment advice;**
- **retail investors are more confident if they interact with the persons who provide investment advice.**

With specific reference to certain member States, another reason that we would consider for this is their modest degree of digitalization.

Question 8.11 Are there any unnecessary barriers hindering the take-up of robo- advice? If so, which measures could be taken to address them?

Yes/no/don't know

Please explain your answer

9. ADDRESSING THE COMPLEXITY OF PRODUCTS

Financial products, including those targeted at retail investors, are often highly complex and often not properly understood by retail investors. Consumer representatives have therefore been regularly calling for simple, transparent and cost-efficient products. Less complex products suitable for retail investors exist in different areas, such as UCITS and certain Exchange Traded Funds (ETFs), and have been set as the default option of PEPP.

Question 9.1 Do you consider that further measures should be taken at EU level to facilitate access of retail investors to simpler investment products?

Yes/no/don't know

Please explain your answer

We believe that retail clients` access to simple investment products would be facilitated with amendments to the MiFID/MiFIR requirements. In particular, product governance rules should be simplified for non-complex products and should not apply in respect of products provided to only eligible counterparties and professional clients.

Given the characteristics of some non-complex financial instruments, (ordinary shares, investment funds (UCITS) or bonds traded in secondary markets) Product Governance must be applied in a more proportionate way:

- No need to include negative target market: Ordinary shares are not 'manufactured' by the issuer and are not issued for a designated target market. As a base case, ordinary shares are deemed eligible for all distribution channels. The Commission should revise recital 15 of the delegated directive.

This is in line with ESMA statement on its Final Report on MiFID II (2014/1569) "For simpler, more mainstream investments, such as ordinary shares, it is likely that the target market will be identified with less detail. In many cases, it is understood that such products can be considered compatible with the mass retail market in addition to sales to investors who meet the criteria of professional clients and eligible counterparties".
- The product governance requirement related to the periodic review of the financial instrument is designed to provide benefits for final clients as shares do not change their structure.
Distributors' role and obligations should be limited to a marginal control of manifest inconsistencies with the needs, objectives and preferences of a target market for more complex products and the identification of an appropriate distribution strategy.
Lastly, costs and charges requirements and information obligations should be simplified according to greater proportionality.

Question 9.2 If further measures were to be taken by the EU to address the complexity of products, should they aim to:

	Yes/no/don't know (please explain)
Reinforce or adaptexecution of orders rules to better suit digital andonline purchases of complex products by retail investors	**No. The current rules relating to complex products are sufficient. No specific rules are needed for online purchases.**

Make more explicit the rules which prohibit excess complexity of products that are sold toretail investors	**No, however a more uniform definition of complex products would be welcome considering that currently national competent authorities tend to attribute a broad interpretation of "complex product" in order to provide an adequate protection to retail investors, resulting in a situation where almost every product offered has a complex attribute making them unsuitable for this client category.**
Develop a new label for simple products	**No**
Define and regulate simple, products (e.g. similar to PEPP)	**No**
Tighten the rules restricting the sale of very complex products tocertain categories ofinvestors	**No, we believe that investor protection provided by the current frameworks is sufficient. In our opinion, what is needed is a simplification of the investor protection rules, rather than more detailed rules.**
Other (please explain)	

10. REDRESS

There will be occasions when things go wrong with an investment, e.g. if products have been mis-sold to the retail investor. Retail investors have the possibility to address their complaint directly to the firm: MiFID, for example, requires investment firms to establish, implement and maintain effective and transparent complaints managementpolicies and procedures for the prompt handling of clients' complaints and similar provisions are contained in the recent Crowdfunding Regulation. Redress can also be sought through non-judicial dispute resolution procedures or can be obtained in national courts. In certain cases, where large numbers of consumers have suffered harm, collective redress can also be obtained.

Question 10.1 How important is it for retail investors when taking an investment decision (in particular when investing in another Member State), that they will haveaccess to rapid and effective redress should something go wrong?

Not at all important	*Rather not important*	*Neutral*	*Somewhat important*	*Very important*
		X		

Please explain your answer

Access to rapid and effective redress is important both for retail investors and for the investment firm. A good level of trust in the financial market, in fact, encourages investments, also in the cross-border dimension, and broadens the relevant market for the manufacturer/distributor of investment products.

Question 10.2 According to MIFID II, investment firms must publish the details of the process to be followed when handling a complaint. Such information must be provided to the client on request or when acknowledging a complaint and the firm must enable the client to submit their complaint free of charge. Is the MiFID II requirement sufficient to ensure an efficient and timely treatment of the clients' complaints?

Yes / No / don't know Please

explain your answer

As the complaints are reported to the supervisor and in terms of product governance policy may impact in the distribution strategy model, we think that the current requirements are sufficient.

Question 10.3 As a retail investor, would you know where to turn in case youneeded to obtain redress through an out of court (alternative dispute resolution) procedure?

Yes/no/don't know

Please explain your answer

Question 10.4 How effective are existing out of court/alternative dispute resolution procedures at addressing consumer complaints related to retail investments/insurance based investments?

Not at all effective	*Rather not effective*	*Neutral*	*Somewhat effective*	*Very effective*

Please explain your answer

Question 10.5 Are further efforts needed to improve redress in the context of retail investment products:

- **Domestically?**
- **In a cross border context?**

Please explain your answer

Redress mechanisms are already dedicated in other EU initiatives, particularly focused on consumers and without additional safeguards for particularly vulnerable individuals. The MiFID review should not derogate in that respect.

Certain groups of consumers (e.g. the elderly, over-indebted or those with disabilities)can be particularly vulnerable and may need specific safeguards. If the process of obtaining redress is too complex and burdensome for such consumers and lacks a specially adapted process (e.g. assistance on the phone), redress may not be an effective option for them.

Question 10.6 To what extent do you think that consumer redress in retail investment products is accessible to vulnerable consumers (e.g. over-indebted, elderly, those with disabilities)?

Not accessible at all	*Rather not accessible*	*Neutral*	*Somewhat accessible*	*Very accessible*

Please explain your answer

11. PRODUCT INTERVENTION POWERS

ESMA has been given the power to temporarily prohibit or restrict the marketing, distribution or sale of financial instruments with certain specified features or a type of financial activity or practice (these are known as "product intervention powers"). EIOPA has similar powers with regard to insurance-based investment products. These powers have been used by ESMA in the past for certain types of high risk product e.g. binary options and contracts for differences (CFDs).

Question 11.1 Are the European Supervisory Authorities and/or national supervisory authorities making sufficiently effective use of their existing product intervention powers?

Yes/no/don't know

Please explain your answer

Question 11.2 Does the application of product intervention powers available to national supervisory authorities need to be further converged?

Yes/no/don't know

Please explain your answer

Question 11.3 Do the product intervention powers of the European Supervisory Authorities need to be reinforced?

Yes/no/don't know

Please explain your answer

12. SUSTAINABLE INVESTING

Citizens are today increasingly aware of the serious economic, environmental and social risks arising from climate change. As retail investors, they are also becoming consciousof the potential contribution they might make towards mitigating those risks by making more sustainable choices when investing and managing their savings. The 2018 European Commission's Action Plan on Financing Sustainable Growth set the basis for increasing the level of transparency on sustainability investments, through disclosure rules (e.g. Sustainable Finance Disclosure Regulation) and labels (e.g. EU Ecolabel), thereby substantially reducing the risk of greenwashing. In addition, the integration of retail investors' sustainability preferences as a top-up to the suitability assessment and financial advice in IDD and MIFID II delegated acts will ensure that clients are offered financial products and instruments that meet their sustainability preferences.

Question 12.1 What is most important to you when investing your savings?

	Please rank your answers (1, 2, or 3)
An investment that contributes positively to the environment and society	
An investment that reduces the harm on the environment and society (e.g. environmental pollution, child labour etc.)	
Financial returns	

Question 12.2 What would help you most to take an informed decision as regards a sustainable investment?

	Please indicate on a scale of 1-5
Measurements demonstrating positive sustainability impacts of investments	5
Measurements demonstrating negative or low sustainability impacts of investments	3
Information on financial returns of sustainable investments compared to those of mainstream investments	3
Information on the share of financial institutions' activities that are sustainable	3
Require all financial products and instruments to inform about their sustainability ambition	2
Obligation for financial advisers to offer at least one financial product with minimum sustainability ambition	3
All financial products offered should have a minimum of sustainability ambition	1

Question 12.3 What are the main factors preventing more sustainable investment?

	Please indicate on a scale of 1-5 (1= least important, 5 = most important)
Poor financial advice on sustainable investment opportunities	3
Lack of sustainability-related information in pre-contractual disclosure	3
Lack of EU label on sustainability related information	3
Lack of financial products that would meet sustainability preferences	4
Financial products, although containing some sustainability ambition, focus primarily on financial performance	2
Fear of greenwashing (i.e. where the deceptive appearance is given that investment products are environmentally, socially or from a governance point of view, friendly)	3
Other, please explain Some of other reasons preventing sustainable investment are: • Lack of truly sustainable companies to invest in. It is important to rule out non-green companies; • The previous point is linked to the absence of homogeneity in the concept of sustainability across entities and investment solutions (to be partially solved by the SFDR).	

Question 12.4 Do you consider that detailed guidance for financial advisers wouldbe useful to ensure simple, adequate and sufficiently granular implementation of sustainable investment measures?

Yes/no/don't know

Please explain your answer

The EBF believes that with regards to sustainable investment, sustainability issues should not be included until there are consolidated regulations in place; or, where appropriate, they should be considered as good practice without any requirements that could clash with ongoing developments in this area.

In particular, we believe that sustainability factors would be more related with the investment objectives of a client and, therefore, would be more appropriately considered in the context of the suitability assessment. This would be consistent with the Draft Commission Delegated Regulation amending Delegated Regulation 2017/565 as regards the integration of sustainability factors, risks and preferences into certain organizational requirements and operating conditions for investment firms published by the European Commission ("EC") which pursues, amongst other objectives, the integration of clients' sustainability preferences into the suitability assessment so that investment firms take, where relevant, these sustainability preferences into account in the selection process of financial instruments. In this regard, it should be noted that in the EC's proposal the sustainability factors/preferences are included within the information about the investment objectives of the client.

In addition, the upcoming update of ESMA Guidelines on suitability assessment, which will take into account the new MiFID II provisions integrated with ESG factors/preferences, will be, in our view, sufficient to properly clarify how investment firms shall integrate the new ESG factors/preferences in conduct rules regarding investment advice and portfolio management.

Finally, in our opinion, the standardization of metrics and concepts should be the first step towards a clear advisory/distribution service for financial institutions and clients' knowledge. We welcome all EU efforts towards regulation development on this front, but we also estimate that regarding the importance of the concepts included on these developments clients' familiarity with discussing these issues in depth when considering their investments will still take some time. Therefore, our focus currently is on specializing bankers and advisors on sustainability and ESG concepts to start establishing instructive conversations with our clients.

MiFID II regulates the way investment firms produce or arrange for the production of investment research to be disseminated to their clients or to the public. This concerns investment research i.e. research or other information recommending or suggesting an investment strategy, explicitly or implicitly, concerning one or several financial instruments or the issuer of financial instruments. In the context of the COVID-19pandemic, the research regime has been reviewed in order to facilitate the production of research on the small and medium enterprises and encourage more funding from the capital markets. In order to also encourage more sustainable investments, it is fundamental that investment research consider the E (environmental,) S (social) and G (corporate governance) factors of the Issuers and financial instruments covered by that research.

Question 12.5 Would you see any need to reinforce the current research regime in order to ensure that ESG criteria are always considered?

Yes/no/don't know

Please explain your answer

The upcoming update of ESMA Guidelines on suitability assessment in order to take into account the new MiFID II provisions integrated with ESG factors/preferences will be sufficient to properly clarify how investment firms shall integrate the new ESG factors/preferences in conduct rules regarding investment advice and portfolio management.

13. OTHER ISSUES

Question 13 Are there any other issues that have not been raised in this questionnaire that you think would be relevant to the future retail investments strategy?

Please explain your answer

We would like to draw attention to the structure of the online questionnaire, which was considered particularly challenging by many EBF members. This is especially true with regards to ranking (from 1-5). In our view, there is a considerable risk that these responses would be interpreted differently by respondents. It is, therefore, important that the Commission take a cautious approach when analysing the responses.