PARIS EUROPLACE

Retail Investment Strategy (RIS): Have your Say

Paris Europlace agrees with the RIS objective of attracting more retail investors to capital markets, but believes that fundamental issues in the proposal should be addressed first.

Several proposals, including cost-centric value for money (VfM) & benchmark tests, an inducement ban for all non-advisory transactions, cheaper but incomplete independent advice, impracticability of a 3-year review clause, will not only disrupt an efficient distribution model (with no tangible evidence of the opposite, confirmed by few complaints relatively to the number of EU households), but will entail serious adverse consequences: advice gap for most EU clients, limited offer (standardized, low-cost, riskier and non-ESG products), a predictably higher dependency toward non-EU players, less capacity to promote and sold ESG products. For many investors, this means more volatility and less investment opportunities. And for companies, especially the smallest ones, far fewer opportunities to finance the green and digital transition.

In short, **this is the opposite of the official objective** to attract more retail clients and develop the CMU.

Thus, we fully support the development of technology and the regulation of social networks particularly for young people. Digitalization enhances our human abilities although robots and IA are far from replacing human advisers, this latter access remaining popular and requested by many customers.

Improving financial education is also key as is the understanding of the variety of European customers' profiles: a substantial proportion of citizens are not financially literate or suffer from limited investment capabilities. As for clients not interested in finance, these investors will not become autonomous thanks to better information, a strengthened appropriateness test, or worse, cheaper and less protective advice. Many of these investors will still need for a while affordable and consistent advice financed by inducements, as this is the only inclusive model from duly supervised professionals, with the primary objective of protecting their savings. Improving the training of advisors with mandatory certification and training is certainly an avenue to prioritize.

Restricting or prohibiting inducements is an option only when conflicts of interests are not manageable and client interests no longer preserved. But, as recommended by the EESC, a serious cost/benefit analysis considering national patterns must first be ran. This analysis has been conducted throughout various Member States and led to different outcomes (cf. AMF recommendation 2013-10 in France). From our point of view, conflicts of interests arising from “inducements” in financing distribution are professionally managed. They are in fact legitimate commissions-sharing, even if there is room for improvement.

We would therefore recommend exploring the following solutions:

- Setting up a VfM including costs (also applied by data providers) embedding services, non-financial characteristics (guarantees, ESG features…) performed, in more detail by producers and by distributors based on benchmarks as a reference where relevant, nationally set up with professionals.

- Giving the possibility to include inducements in the distribution chain to remunerate service providers.

- An effective implementation of existing conduct rules (remuneration, conflicts management…) equally supervised by NCAs.

- A better transparency of inducements.

- Simplified information. If standardizing and harmonizing costs across regulations (PRIIPS, MIFID, IDD…) enhance the client understanding, the number of mandatory information should be reduced, with details provided only on demand. The simplification should be extended to other data such as performance scenarios or customer’s ESG preferences.

Overall, Paris Europlace calls for a deep recalibration of some measures to successfully address the investment needs of every EU citizen.