Position Paper

Retail Investment Strategy
Time for a reset

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Position Paper
Retail Investment Strategy Time for a reset

The European Parliament's vote against key elements of the Retail Investment Strategy (RIS) demonstrated that the RIS is not fit for purpose! We must therefore now draw the right conclusions from this recognition.

Rather than being amended through further renegotiations, the RIS should be fundamentally reconsidered and withdrawn. Even an amended compromise would add new burdens and complications for the financial sector and its customers, without improving consumer protection or encouraging more retail investment in capital markets.

The German financial sector continues to support the Commission's original objectives of the RIS. The goal is precisely to encourage more retail clients to build long-term wealth and participate in European capital markets. However, this also demands more streamlined regulatory requirements for the securities and insurance sectors, modelled on the Commission's efforts in other areas of financial services regulation. Retail investors are already overwhelmed and deterred by the wide range of existing rules and obligations. Adding further requirements that increase complexity would therefore prove counterproductive in the current context. Yet the latest RIS compromise would increase complexity by introducing additional tests, checks, reporting requirements and documentation obligations. This approach runs counter to the Commission's and co-legislators' commitment to reducing red tape and strengthening competitiveness. What is needed instead are simple, clear and reliable rules that make advisory services and product offerings attractive and easily accessible.

The European Parliament's vote should therefore prompt a shift away from the current compromise towards targeted streamlining and simplification of existing rules.

The revised PRIIPs Regulation should also be withdrawn following the rejection of the RIS directive, as it is substantively aligned with, and depends on, the RIS directive to achieve its objectives.

Why this approach fails to deliver on the objectives

Value for Money: The additional value-for-money requirements envisaged in the compromise would lead to a substantial increase in bureaucracy. Existing product governance rules already require product manufacturers to align products with the target market and retail clients' needs. Additional requirements, such as European peer-group comparisons and benchmarks, would create an even more complex regime. In particular, this risks additional red tape through new data collection and reporting obligations, as well as duplicate product-related checks by manufacturers and distributors. The burden is disproportionate, as benefits for retail investors remain unproven. The Level II empowerment to establish criteria for justified and proportionate costs also poses a risk of direct intervention in pricing. Price formation must be left to the market.

Inducement test: The additional test envisaged in the latest compromise would impose further extensive justification and proportionality assessments, as well as disclosure requirements, for permitted inducements. This would create a disproportionately high administrative burden. At the same time, far-reaching Level II empowerments would allow subsequent tightening of regulatory requirements. This would make it even more difficult to provide widely accessible insurance and investment advice to customers, particularly those with smaller amounts to invest.

Information, reporting and documentation requirements: Further standardised information, reports and supporting documentation would add to the already considerable volume of information. More

information does not automatically lead to better investment decisions. Instead, it can impair clarity, prolong advisory and investment processes, and deter retail investors from capital markets. Retrospective information requirements for millions of existing contracts would also generate high costs without delivering a corresponding benefit to retail clients.

The requirement to archive all advertising materials and social media posts for several years, together with annual management reports on marketing activities, would equally create a significant burden without offering any discernible benefit to customers. Additional reporting on cross-border business to supervisory authorities is also unnecessary in view of existing reporting obligations.

The RIS should aim to make capital markets more accessible to retail clients without adding administrative burdens.

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