



RIS: Safeguard the access of retail investors to advice and diversification

We fully support the Commission's ambition to boost retail investor participation in capital markets to finance EU economic development, the digital and sustainable transitions and the strengthening of EU sovereignty. However, we consider that the proposal only partially fulfils these objectives and may even have detrimental consequences. We believe efficient distribution models ensuring access to a broad range of added-value services for all investors should be maintained.

Inducements: The impact assessment shows no simple correlation between remuneration models and retail investment levels: funds, stocks, bonds are less prevalent in the Netherlands than in France or Germany, and Sweden has the highest investment rate while highly commission-based. The same conclusion can be applied to the US market, where no inducement ban is in place. Moreover, no reliable data support the assumption made that inducements may generate conflicts of interest in execution services. The proposed partial ban is therefore not justified - and would negatively affect the quality of products and personalized advice provided. Extra cost would also be generated by the proposed enhancement of appropriateness tests on RTO.

Value For Money is a worthy goal and should go beyond mere product cost/performance benchmarking by incorporating qualitative elements. Benchmarks should remain references only and be provided by the industry to ensure sufficient accuracy and to take into account the specificities of each product and market. There is a risk that RIS might overly promote low-cost products that may not offer the best value, and not pay adequate attention to clients' personalized needs. This would have a counter-productive effect, reducing the range of products offered to many investors and increasing concentration risk.

Advice: The investor's advice journey should be easy. The newly created obligation to propose "a product without additional features" is not only difficult to implement for many products but erroneously assumes that advised products are unnecessarily complex. This requirement also seems redundant with VFM. For us, actively managed and structured products have by design a variety of features that can respond to investors' needs in terms of return, diversification and ESG preferences. The provision of advice based on an appropriate range of insurance-based investment products is also problematic for many countries where most intermediaries distribute IBIPs from a single insurer.

Transparency and financial literacy: Improvement of the retail investor journey should be at the heart of RIS, so we support the principle of measures enhancing transparency and financial literacy. The 'digital by default' approach is an opportunity for investors who seek easier access to product information and interaction with investment firms. Nonetheless, trustworthy human intermediation and access to a wide network of advisors should remain a possibility in personalized investment services. As financial education is mainly provided at the time of investment, a policy effort in favour of investment advice should also be supported.

The RIS proposal contains certain provisions that look impracticable: a) the requirement for advisors to obtain the composition of any existing portfolios of their clients; b) the standardized format of suitability and appropriateness reports, which promotes a 'one size fits all' approach that contradicts the bespoke nature of these assessments; c) the short implementation deadline after publication of Level 2 texts.

Finally, we call for restraint regarding **PRIIPs**, as the proposal lacks robust cost/benefit analysis and may introduce information overload and an unnecessary administrative burden.

An overall review of these elements is therefore necessary. BNP Paribas is committed to engage in dialogue to amend the initial proposal to meet its objectives while avoiding the serious risks entailed by it.

Have Your Say - August 2023