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Protecting savings for all: France's financial community comes together to better adapt the Retail Investment Strategy

On May 24th, the European Commission published its Retail Investment Strategy (RIS) aimed at improving citizens' participation in capital markets. This project raises crucial challenges for retail investors, particularly in terms of access to relevant financial products and appropriate advice.

We, French stakeholders ⁽¹⁾, representatives of companies, notably SMEs, producers, and distributors of savings products, share the ambitions of this strategy and welcome the provisions aimed at promoting financial education. However, we would like to express our great concern about the text finally proposed by the Commission.

Indeed, we support the need for a dual distribution model to coexist - one based on commissions, the other on fees - which will enable us to maintain a broad product offering as well as local and personalized advice for investors.

The European Commission claims that it is ruling out a general ban on commission-based remuneration, but in practice the new obligations which would apply to this kind of remuneration make it essentially inapplicable to securities accounts and life insurance, and more broadly risks undermining the entire distribution of savings products. As it stands, this would virtually eliminate the commission-based model, effectively depriving the most modest investors of access to advice (*advice gap*) while also depriving many investors of financial products that are no longer available from financial intermediaries.

These provisions would also affect French and European SMEs, which are considered as retail customers. Their cash management investments, as well as longer-term investments, would be particularly impacted. Access to financial markets as well as investment procedures for SMEs would be limited, leading to the risk of an investment gap.

The text also contains several extremely restrictive provisions on the governance and sales process for savings products:

- It imposes constraints on prices by setting up a benchmark for costs and performance, thereby creating a real price control in what is currently a highly competitive market. We are in favour of increasing price transparency and training for advisers; thus, we maintain that the value for money principle may be relevant, provided that:
 - o transparency goes beyond simply benchmarking the price of a product, since price is only one element in the selection of a product for an investor;
 - o it includes qualitative data and concerns all players in the value chain, including data suppliers, in a proportionate manner.

Some professional stakeholders have put forward more realistic and pragmatic proposals based on those principles.

- It strengthens the obligations governing the provision of execution of orders and reception and transmission of orders, while prohibiting commission-based remuneration of distributors for these same services. This

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clear imbalance between increased constraints on one hand and a shaken business model on the other will inevitably have an impact on the services provided to customers.

The very large number of Level II measures (delegated acts, technical regulatory standards, or guidelines) planned for the governance and distribution of savings products also raises concerns of unjustified inflation in applicable regulations. It will make the regulatory framework more complex, to the detriment of all stakeholders.

It would be deeply regrettable if the Retail Investment Strategy were to become an obstacle to the very objective it set itself: to stimulate productive investment by European citizens to finance the green and digital transitions. This would be particularly detrimental at a time when it is vital to increase the financing capacity of the French and European economies.

For all these reasons, we are open to dialogue with all European regulators to ensure that the Retail Investment Strategy truly achieves its objectives of protecting and advising investors as well as financing the economy and its transitions.



⁽¹⁾ AFG ; AFPDB ; AFECEI ; AGEA ; AMAFI ; ANACOFI ; ASF ; ASPIM ; CNCEF ; CNCGP ; COMPAGNIE DES CGP ; CPME ; FBF ; France Assureurs ; France Invest ; MEDEF ; Paris Europlace ; PLANETE CSCA ; UNAPL

