

IMPROVING RETAIL INVESTMENT IN THE EU

Key points by civil society on the RIS trilogues from the individual investors' perspective

Why it matters to consumers

The Retail Investment Strategy was launched in May 2023, due to the realisation that consumers (i.e. individual investors and policyholders) in the EU keep much of their financial savings in bank accounts and in other nominal capital guaranteed products instead of investing them. This is not only unfavourable for the creation of a strong EU capital markets union, but also undermines consumers' own financial interests as un-invested savings are more impacted by inflation and earn very small or negative real returns. The lack of investment also exacerbates the pensions gap (i.e. what consumers need for a comfortable retirement and what they actually receive). Measures to enhance the trustworthiness and independence of investment advice would have contributed greatly to solving this issue by increasing trust in the market and improving product quality. While the political discussion on this key point has now unfortunately closed, a number of other policy options may still improve the status quo for the coming years.

This two-pager summarises the recommendations of BEUC, BETTER FINANCE and Finance Watch on the available positions of the European Parliament and Council regarding the Retail Investment Strategy.

ISSUE

Harmonisation of EU rules on inducements

CONSUMER POSITION

A ban on inducements at least on non-advised sales (e.g. when a consumer independently buys a product online) was a key ask from the retail investor side in this process. It has been removed from the European Parliament's position entirely and without any replacement. The European Council's position, on the other hand, at least offers an inducements "test" and "overarching principles".

Recommendation: Endorse the Council's version.

Influencer marketing

The Parliament's position is the only one of the co-legislator's positions that includes any language on influencer marketing.

The proposed rules are limited in scope, applying only to those influencers who promote financial products in cooperation with a regulated market participant instead of also covering independent operators. Still, it would be preferable to have at least some rules on so-called "finfluencers".

Recommendation: Endorse the Parliament position.

Financial performance in the PRIIPs KID

Future performance scenarios are usually misleading for individual investors, but the reference to "scenarios" in the PRIIPs Regulation prevents the use of alternative ways to provide "appropriate performance information" to individual investors.

Recommendation: Remove mentions of "scenarios" in the PRIIPs Regulation.

Value for Money

Both co-legislators endorse the idea – the Council's version, however, features more specific language and robust criteria. The Council's version also includes investment products, rather than being limited to insurance products, which is necessary to maintain a level playing field and symmetric consumer information.

Recommendation: Endorse the Council position.