

# Position Paper on the European Retail Investment Strategy

**More retail participation based on transparency and trust, that is what the European retail investment strategy can and should deliver, according to DUFAS. The European Commission's proposal, published in May 2023, is a good first step. European consumers still highly prefer to save, instead of investing their money in capital markets. In the Netherlands, we have a long history of institutionalized and private pensions savings.**

**Therefore, we do see the high potential of boosting retail investments throughout Europe. Based on the knowledge and experience of our members, we are determined to constructively contribute to the discussion about how to create a solid European framework for retail investments, based on transparency and trust.**

In the Netherlands, a full inducements ban for intermediaries and extended to investment firms has been implemented in respectively 2013 and 2014. The aim was to build a solid framework for retail investments, highly inspired by the ambition to regain trust from the retail investor. Consequently, the introduction of a full European inducements ban would have led to a level playing field from a pure Dutch perspective.

Though we have some concerns about the impact of certain elements that are part of the strategy as proposed, we do see the possible advantages of benchmarks for transparency purposes, as well as the possible added value of simplified investments services. In sum, our priorities relate to:

1. Value for Money / Benchmarks
2. Simplified Investment Services, and
3. Alignment of existing European legislation.



***DUFAS: Dutch Fund and Asset Management Association***

*Sinds 2003 zet DUFAS zich in voor een gezonde vermogensbeheersector in Nederland. DUFAS telt ruim 50 leden: van grote assetmanagers die de Nederlandse pensioen- en verzekeringsvermogens beleggen tot kleinere, specialistische vermogensbeheerders. DUFAS vergroot het bewustzijn van de maatschappelijke relevantie van beleggen, helpt mee met het ontwikkelen van sectorstandaarden en vertegenwoordigt de sector bij de invoering van nieuwe wet- en regelgeving. Daarnaast zet DUFAS zich in voor één Europese markt met gelijke regelgeving.*

Randy Pattiselanno  
manager strategy & regulatory affairs  
rp@dufas.nl

Evelien Alblas  
manager EU regulatory & public affairs  
ea@dufas.nl

## Value for Money

We see an increased focus on performance and costs. Because of this focus, we believe that the RIS proposal disregards the broad concept of 'value' that an investment product can offer to an investor. We are therefore concerned about the **Value for Money** (VfM) concept and the benchmarking mechanism set forth in EU regulation.<sup>1</sup> We believe that the VfM concept, the way it is proposed by the European Commission, could effectively be perceived as price interference, even if it has not been intended as such. As a result, we are concerned about maintaining a diverse product landscape suited for catering the wide range of possible (retail) investments needs. We are also concerned that the markets – what may work in the Dutch market may not be applicable in other markets or indeed vice versa. Additionally, it is unclear how the VfM concept interacts with the **undue costs** concept as developed within the UCITS and AIFMD framework. Furthermore, we question the proposed compensation rights granted to retail investors for undue costs. Instead, we believe that full **transparency via a benchmarking system** as proposed is a far better way to deal with retail investors rights rather than such compensation rights.

<sup>1</sup> We refer to the Markets in Financial Instruments Directive (MiFID) product governance rules and undue costs rules in the Alternative Investment Fund Managers Directive (AIFMD) and Undertakings for Collective Investment in Transferable Securities (UCITS).

### Costs benchmarking for transparency purposes

Notwithstanding our concerns about the benchmarking as part of the VfM concept included in the European Commission proposal, if done properly we do see merit in costs benchmarking as a transparency tool for the retail investor. More transparency creates trust. We support any establishment of such costs benchmarking for this purpose only, provided that:

- benchmarking includes costs only, not performance which as a concept should be represented separately, and
- establishment of benchmarks is done with utmost due care and with input from and dialogue with the investment industry.

We acknowledge the complexity and challenge of creating relevant benchmarks. Benchmarking and maintenance thereof will necessitate a solid governance process including appropriate IT governance.

## Simplified Investment Services

We support any initiative of the European Commission ensuring that suitability and appropriateness tests are better adapted to retail investors. Limiting suitability and appropriateness requirements for certain investment services and financial products could have a positive effect on access of retail clients to capital markets. We do recommend developing so-called 'light' or 'simplified' investment services which are more suitable for mass retail investors, especially where investors are investing on a regular / preprogrammed basis or where they invest relatively small amounts.

### Simplified investment services

may be offered to a group of retail investors that may be defined as investors that wish to

- invest in well-spread and diversified non-complex investment products, such as well spread and diversified investment funds
- periodically with small amounts, say e.g. EUR 50-100, or at a certain maximum on an annual basis, which may possibly even vary depending on the percentage of average national wages in any member state
- in a digital environment, and
- with a long investment horizon, e.g. pension goal, but also possibly without a specific investment objective, other than growth.

## Alignment of existing European legislation

### Alignment sector legislation

We very much support the proposal of the European Commission to align the Insurance Distribution Directive (IDD) with the MiFID, but also to align the MiFID with the UCITS directive and the AIFMD. We do think that a level playing field amongst sectors is very important to achieve the goals under the RIS, but more importantly, it helps the retail investor to compare financial products and services within the financial sector.

### PRIIPs improvement

We also welcome improvements to the Packaged Retail and Insurance based Investment Products (PRIIPs) Key Information Document (KID) where more flexibility is provided to displaying key information to retail investors such as presenting information from the PRIIPs KID in a layered way and in a personalized manner. As a result of opportunities provided by digitalization, a more customized and flexible approach is needed to facilitate retail investors to consume the information contained in the PRIIPs KID rather than consuming information based on a three-pager pdf format. Nevertheless, a few key operational issues which still need to be addressed.

[View DUFAS extensive consultation response](#)

