

Europe should introduce a “light” regime to reduce barriers for retail investors – Joint statement on the EU Retail Investment Strategy proposal

The Dutch Banking Association (NVB) and the Dutch Fund Asset Management Association (DUFAS) support the objectives of the EU legislative framework for retail investments, the Retail Investment Strategy (RIS) as published by the European Commission on 24 May 2023. The RIS aims to improve the ability of retail investors to participate in capital markets by having access to reliable information and competitive services at a fair price.

However, some of the proposed measures are quite far-reaching and could lead to unintended side-effects in the Dutch market, especially for new and emerging business models that contribute to reducing the barrier for retail investors. Therefore, we propose to use the RIS as an opportunity to introduce a “light” regime for non-complex investment services.

Value for money

We are concerned about the negative impact of the Value for Money (VfM) concept, including the benchmarking and the pricing process. The core RIS proposals aim at improving VfM and addressing potential conflicts of interests in situation where inducements are being used. However, the VfM proposal has (unintended) negative consequences for the Dutch market, a market where a full inducements ban is already in place and which has plenty of cost efficient retail investment products. Therefore, we would like to propose a more proportionate approach for Member States that have a ban in place, which could be realized through targeted exemptions.

We consider that the proposed measures on product governance and the VfM concept could for certain parts of the market be considered an unjustified product intervention measure that (partially) restricts the free movement of capital within the EU. As a result we are concerned about maintaining a diverse product landscape suitable for catering to a wide range of retail investments needs. We are also concerned that the proposals do not sufficiently recognize the significant structural differences between different national markets. What may work in the Dutch market may not be effective in other markets and vice versa. The proposed amendments by the European Commission aim to ensure that undue costs are not charged and that products deliver VfM. However, the proposed rules aim at a problem that does not exist in Dutch market due to the fact that the market adapted by modernization of the distribution system over the past ten years.

Investment services ‘light’

We support any initiative of the European Commission that contributes to ensuring better suitability and appropriateness tests adapted to retail investors. Currently, suitability requirements form a barrier for retail clients to start investing and therefore, suitability requirements should be recalibrated based on the type of service and level of investor protection. A “light” suitability regime restricted to a sufficient range of diversified and non-complex financial instruments could create positive incentives to increase retail investor participation. Introduction of a “light” suitability regime should not just apply to independent advice, but also to dependent advice and portfolio management services. There should be a proportionate approach for firms who want to offer online portfolio management services to clients

with a relatively small asset-base, in case these are based on diversified and non-complex financial instruments

We have the following concrete suggestions for a proportionate approach, particularly aimed at the retail investor:

1. As a (potential) client's knowledge and experience in the investment field is requested at the origination of the service, we do not see any reasons why information on knowledge and experience can only be omitted in the case of independent advice. We strongly suggest that the same is possible with regard to other service concepts in case of diversified non-complex financial instruments.
2. The obtaining of information on the (potential) client's financial situation, including the composition of any existing portfolios, and its ability to bear full or partial losses, should be at least simplified for the diversified non-complex products, such as pension products and well-spread investment funds. Criteria to be considered for the simplification are the amount of the investment, the investment horizon, typically a long investment horizon such as a pension goal and the use of a digitalized environment. A simplification will increase the participation of retail investors. In the Netherlands, online investment services concepts have been challenged by the Dutch supervisory authority in the past, stating that insufficient information has been requested by financial institutions with regard to the (potential) client's financial situation. As a result, many of these services have been terminated. A less lengthy intake process on e.g. financial position for light advisory or portfolio services for diversified non-complex products could increase participation, while preventing retail investors to take too much risk.

We refer to the detailed individual positions of The Dutch Banking Association (NVB) ([link](#)) and the Dutch Fund Asset Management Association (DUFAS) ([link](#)).
