

## **European Commission’s Consultation on a Retail Investment Strategy ICI Global’s Response**

**2 August 2021**

### **Contents**

1. GENERAL QUESTIONS .....	2
2. FINANCIAL LITERACY .....	8
3. DIGITAL INNOVATION .....	10
4. DISCLOSURE REQUIREMENTS .....	14
5. THE PRIIPS REGULATION .....	25
6. SUITABILITY AND APPROPRIATENESS ASSESSMENT .....	28
7. REVIEWING THE FRAMEWORK FOR INVESTOR CATEGORISATION .....	31
8. INDUCEMENTS AND QUALITY OF ADVICE .....	33
9. ADDRESSING THE COMPLEXITY OF PRODUCTS .....	40
11. PRODUCT INTERVENTION POWERS .....	43
12. SUSTAINABLE INVESTING .....	44

## 1. GENERAL QUESTIONS

### Question 1.1: Does the EU retail investor protection framework sufficiently empower and protect retail investors when they invest in capital markets?

Yes    No    Don't know/no opinion/not applicable

The EU regulatory framework for retail investment contains broadly the right protections but does not sufficiently empower retail investor engagement in EU capital markets, particularly on a cross-border basis and when using digital technology. We recommend the following enhancements:

- **Empower all EU investors to invest in the capital markets** by taking forward the European Commission/OECD-INFE's project for a financial competence framework to enhance financial literacy and investor understanding of investing, including sustainable finance, and markets more generally, supported by effective access to financial advice and guidance (*see response to question 2.2.*)
- **Broaden the range and choice of UCITS for all EU retail investors** by removing remaining impediments to the cross-border distribution of UCITS through the development of a pan-European marketing regime and the removal of inefficient notification procedures (*see response to question 3.6.*)
- **Improve investors' experience of fund subscription by enabling funds to utilise digital innovation and technology** including making digital medium the default for disclosures and information, enabling investor disclosures to be delivered in either document form (e.g., as a PDF) or non-document form (e.g., on a mobile phone app or webpage), and enabling the use of initiatives such as open finance and digital identity standards, to the benefit of investors (*see responses to questions 3.1, 3.2, 3.10 and 4.15.*)
- **Enable EU investors to access a broad range of suitable investment products by** (*see responses to questions in section 6*):
  - **converging Member State approaches to applying and supervising the suitability rules**, including distributors' assessment of whether equivalent investment products they offer can meet investor needs.
  - **clearly highlighting the range of investment products available to investors** by requiring distributors to disclose whether they offer a restricted range of products, including mainly or only in-house products or closely linked third-party products.
  - **requiring distribution related fees to be in the best interest of investors** including fees paid to intra-group entities for the distribution of in-house products or closely linked third-party products.
  - **enabling distributors to give partial advice on investment products they offer** while recommending that investors seek products from other providers to meet remaining needs.

- **Ensure all EU investors have appropriate access to investment services by** (*see responses to questions in section 8*):
  - **continuing to enable investors to pay for a range of appropriate advice services through commissions or fees** while allowing Member States to limit inducements where appropriate considering local distribution systems and the maturity of the market.
  - **harmonising the interpretation and application of the inducement rules** across the internal market for all product types and distribution architectures, including open and closed structures and in respect of MiFID and IDD products.
- **Provide EU investors with useful information to compare products and make informed investment decisions** by: (i) using harmonised terminology across UCITS, PRIIPs, MiFID and IDD disclosures; (ii) splitting out service costs from product costs in ex-ante MiFID disclosures (e.g., for bundled services); and (iii) including past investment performance information, reformed transaction costs calculations, and a renamed risk indicator in the PRIIPs KID (*see responses to questions 4.1, 4.2.1 and 4.14 and questions in section 5.*)
- **Enable EU investors to efficiently access investment products** by refining product governance obligations: (i) to better take account of how investors use funds to achieve investment goals; and (ii) to provide enhanced access to funds (*see responses to questions in section 9.*)

Against the backdrop of ongoing implementation and further development of sustainable finance measures, we recommend that the Commission allows time for existing measures to become fully implemented and for their effects to become widely understood before adopting any new changes (*see responses to questions in section 12.*)

**Question 1.2: Are the existing limitations justified, or might they unduly hinder retail investor participation in capital markets?**

- Yes, they are justified
- No, they unduly hinder retail investor participation
- Don't know/no opinion/not applicable

The EU's regulatory framework for retail investment should have investor empowerment at its heart – enabling investors to meet their needs and plan their future by investing in a range of products and solutions. Evolving the current framework's focus on individual product features to take a more holistic view of retail investment will enhance investor empowerment and participation in the capital markets. For instance, developing financial competence, removing impediments to UCITS cross-border distribution, enabling funds to utilise digital innovation and technology, providing useful investment information, and enhancing suitability assessments, can all support greater investor empowerment.

**Question 1.3: Are there any retail investment products that retail investors are prevented from buying in the EU due to constraints linked to existing EU regulation?**

Yes     No     Don't know/no opinion/not applicable

EU retail investors may be prevented from buying cross-border UCITS due to distribution impediments arising from divergent Member State approaches to implementing EU regulation (e.g., marketing rules), inefficient cross-border notification procedures, and additional Member State requirements.

**Question 1.4: What do you consider to be factors which might discourage or prevent retail investors from investing?**

	1 (Strongly disagree)	2 (Rather disagree)	3 (Neutral)	4 (Rather agree)	5 (Strongly agree)	Don't know/no opinion/not applicable
Lack of understanding by retail investors of products?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Lack of understanding of products by advisers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lack of trust in products?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
High entry or management costs?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Lack of access to reliable, independent advice?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lack of access to redress?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Concerns about the risks of investing?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Uncertainties about expected returns.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Lack of available information about products in other EU Member States?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Other	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

**Question 1.5: Do you consider that products available to retail investors in the EU are:**

	1 (Strongly disagree)	2 (Rather disagree)	3 (Neutral)	4 (Rather agree)	5 (Strongly agree)	Don't know/no opinion/not applicable
Sufficiently accessible	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Understandable for retail investors	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Easy for retail investors to compare with other products	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Offered at competitively priced conditions	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Offered alongside a sufficient range of competitive products	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Adapted to modern (e.g., digital) channels	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Adapted to Environmental, Social and Governance (ESG) criteria	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Question 1.6: Among the areas of retail investment policy covered by this consultation, in which area (or areas) would the main scope for improvement lie in order to increase the protection of investors?**

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Financial literacy                         | <input checked="" type="checkbox"/> Inducements and quality of advice     |
| <input checked="" type="checkbox"/> Digital innovation                         | <input checked="" type="checkbox"/> Addressing the complexity of products |
| <input checked="" type="checkbox"/> Disclosure requirements                    | <input type="checkbox"/> Redress  |
| <input checked="" type="checkbox"/> Suitability and appropriateness assessment | <input type="checkbox"/> Product intervention powers                      |
| <input type="checkbox"/> Reviewing the framework for investor categorisation   | <input checked="" type="checkbox"/> Sustainable investing                 |
| <input type="checkbox"/> Other   |   |

Please explain your answer to question 1.6:

**Financial literacy** - enhancing EU citizen's understanding of investing and markets more generally should empower citizens to become capital markets investors and engender greater confidence in financial services and products. The Commission should move forward with its financial competence framework, including exploring additional opportunities for public and private sector collaboration and providing the European

Supervisory Authorities with a role to coordinate Member State level initiatives for financial literacy.

**Digital innovation** - enabling funds to utilise digital innovation and technology through regulatory reform has the potential to spur competition and enable retail investors to access more easily tailored, value add services, which should engender great confidence and participation in the capital markets. The Commission should pursue initiatives to support the use of digital means for UCITS subscription, including open finance related concepts and ensure regulatory requirements (e.g., disclosure obligations) take advantage of the opportunities presented by technology while managing any related risks (e.g., cybercrime.)

**Disclosure requirements** - it is imperative that investors have the right information with which to make investment decisions. The Commission should make digital medium the default for disclosures and information (i.e., replicating the approach for the PEPP KID) and enable information in investor disclosures to be delivered in either document form (e.g., as a PDF) or non-document form (e.g., on a mobile phone app or webpage).

**Suitability and appropriateness assessment** - enable EU investors to access a broad range of suitable investment products the Commission by:

- **converging Member State approaches to applying and supervising the suitability rules**, including distributors' assessment of whether equivalent investment products they offer can meet investor needs.
- **clearly highlighting the range of investment products available to investors** by requiring distributors to disclose whether they offer a restricted range of products, including mainly or only in-house products or closely linked third-party products.

**Inducements and quality of advice** - ensure all EU investors have appropriate access to investment services by:

- **continuing to enable investors to pay for a range of appropriate advice services through commissions or fees** while allowing Member States to limit inducements where appropriate considering local distribution systems and the maturity of the market.
- **requiring distribution related fees to be in the best interest of investors** including fees paid to intra-group entities for the distribution of in-house products or closely linked third-party products.
- **enabling distributors to give partial advice on investment products they offer** while recommending that investors seek products from other providers to meet remaining needs.
- **harmonising the interpretation and application of the inducement rules** across the internal market for all product types and distribution architectures, including open and closed structures and in respect of MiFID and IDD products.

**Addressing the complexity of products** - the Commission should: align the definition of simple and non-complex products; only apply target market assessment requirements to complex retail funds sold on an execution-only basis; and clarify the obligations on fund managers to define the characteristics of products and on distributors to ensure appropriate products are recommended to investors. These changes should enhance retail investor understanding of investment products. Negative target market investors should be permitted to invest upon request to reflect the different ways in which investors use funds and ensures investors are not prevented from accessing a fund that may contribute positively to their overall portfolio (e.g., through diversification, hedging/offsetting to reduce volatility, downside risk, etc.)

**Sustainable Investing** - at the time of this consultation, many of the sustainable finance measures the European Union has recently adopted to help investors with investing in sustainable products are in the process of being implemented (e.g., Sustainable Finance Disclosure Regulation, Taxonomy Regulation, changes to the suitability assessment requirement under Markets under the Financial Instruments Directive II (MiFID II)). More specifically, the Commission has not yet adopted Regulatory Technical Standards (RTS) for the SFDR and for the disclosure provisions of the Taxonomy Regulation. We recommend that the Commission allow time for these measures to become fully implemented and for their effects to become widely understood before adopting any new changes. The market needs time to adapt and respond before impacts on retail investment are clear. Also, see our responses to Questions 12.3 and 12.4.

## 2. FINANCIAL LITERACY

**Question 2.1:** Please indicate whether you agree with the following statement. Increased financial literacy will help retail investors to ...

	1 (Strongly disagree)	2 (Rather disagree)	3 (Neutral)	4 (Rather agree)	5 (Strongly agree)	Don't know/no opinion/not applicable
Improve their understanding of the nature and main features of financial products	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Create realistic expectations about the risk and performance of financial products	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Increase their participation in financial markets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Find objective investment information	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Better understand disclosure documents	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Better understand professional advice	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Make investment decisions that are in line with their investment needs and objectives	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Follow a long-term investment strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>



**Question 2.2: Which further measures aimed at increasing financial literacy (e.g., in order to promote the OECD/Commission financial literacy competence framework) might be pursued at EU level?**

We welcome the joint European Commission/OECD-INFE project to develop a financial competence framework in the EU. We encourage the Commission to continue its work to enhance financial literacy and investor understanding of investing, including sustainable finance, and markets more generally. Enhancing financial literacy has the potential to engender an investment culture in the EU, support investor confidence and enhanced outcomes through better-informed investment decisions. The Commission should develop a framework for providing EU citizens with access to financial advice and guidance. Such a framework could include the provision of free generic advice complemented by periodic financial health checks at key life stages provided by qualified professional advisors. In developing such a framework, we encourage the Commission to seek other opportunities for collaboration and to enhance the role of the European Supervisory Authorities in coordinating EU level and Member State level initiatives (e.g., building on the annual investor day established by ESMA). We also encourage initiatives with industry that also are working to assist investors in better understanding investing, including sustainable finance, and markets more generally.

### 3. DIGITAL INNOVATION

**Question 3.1: What might be the benefits or potential risks of an open finance approach (i.e., similar to that developed in the field of payment services which allowed greater access by third party providers to customer payment account information) in the field of retail investments (e.g., enabling more competition, tailored advice, data privacy, etc.)?**

“Open finance” related measures that allow investors to provide third parties with secure and efficient access to their financial data can support innovation and spur competition. Innovative open finance tools, supported by the use of technologies such as digital IDs, can enable retail investors to access tailored value add services (e.g., consolidation services or targeted advice) and create a more engaging investor experience.

**Question 3.2: What new tools or services might be enabled through open finance or other technological innovation (e.g., digital identity) in the financial sector?**

Technology is revolutionising various aspects of the fund value chain, including: (i) the way in which funds, asset managers and investors engage; and (ii) the way in which operations are conducted. Examples of the innovations are listed below:

#### **Automation of investment subscription and advice**

Growth in the use of online and mobile technology to access funds and investment solutions and to obtain investment advice (e.g., robo-advice) is changing the relationship between investors and funds, including the way in which funds are distributed and the way in which investments are made. While not necessarily a substitute for human advice, these developments may facilitate improved access to, and delivery of, information to investors, thereby reducing costs and helping investors obtain more tailored information in a timely, accessible manner.

#### **Distributed Ledger Technology (DLT)**

Developments in DLT have the potential to drive efficiencies in various aspects of the value chain for funds managers and service providers. These changes include: (i) fund administration processes for subscriptions, redemption, and transfer agency; and (ii) the trading, settlement, and safekeeping of securities. The impact of DLT developments for funds and asset managers is likely to be closely linked to the development and take-up of DLT across other parts of the financial sector, including the banking and market infrastructure sectors.

#### **Robotics and Artificial Intelligence**

The use of robotic process automation (RPA) and artificial intelligence is driving changes to various aspects of fund operations including fund administration processes such as identity checking for AML.

#### **Electronic identity verification**

FinTech solutions for electronic identity verification to undertake Know Your Customer (KYC) checks offer several potential benefits and reduce cost. These benefits include: (i) reducing the risk of money laundering and fraud; and (ii) enhancing the efficiency of subscription and redemption for fund investors. Electronic identity verification also more generally supports growth in the use of online and mobile technology by fund investors.

#### **Risk Analytics**

Tools are available to investment advisors which allow the aggregation of investment products held by a retail investor, including looking through to underlying constituents. Such tools enable risk to be assessed across an investor's portfolio and outcomes to be optimised for investors (e.g., exposure to underlying issuers) as part of the suitability assessment process.

#### **Question 3.3: Should the information available in various pre-contractual disclosure documents be machine-readable?**

Yes    No    Don't know/no opinion/not applicable

Pre-contractual disclosure documents should be made machine readable if this does not adversely impact the utility of documents to an investor and can be developed without undue IT implementation costs (e.g., if a single format can be agreed upon building on existing industry templates.) Machine readability can enable the more efficient use of data that has been extracted from existing disclosure documents.

The Commission should make digital medium the default for disclosures and information enabling investor disclosures to be delivered in either document form (e.g., as a PDF) or non-document form (e.g., on a mobile phone app or webpage), thereby also supporting machine-readability.

#### **Question 3.4: Given the increasing use of digital media, would you consider that having different rules on marketing and advertising of investment products constitutes an obstacle for retail investors to access investment products in other EU markets?**

Yes    No    Don't know/no opinion/not applicable

The Commission should build on reforms in the cross-border distribution of funds package to develop a pan-EU marketing and advertising regime, including a harmonised approach to marketing communications that is tailored to the medium of communication (e.g., digital.)

#### **Question 3.6: Would you see a need for further EU coordination/harmonisation of national rules on online advertising and marketing of investment products?**

Yes    No    Don't know/no opinion/not applicable

**Please explain your answer to question 3.6, including which rules would require particular attention:**

The Commission should develop a harmonised marketing regime for the cross-border sale of UCITS, including through digital channels, to complete the UCITS single market. Divergence in Member State approaches to the definition of marketing communications (e.g., financial promotions, advertisements, investor letters) and differing “pre-approval” of such communications creates uncertainty and burdens to the efficient provision of information to investors and distributors. Different Member State approaches add to the complexity of complying with the regulations on cross-border distribution. Building on the recent guidance published by ESMA, a harmonised definition of “marketing communications” and a single set of requirements for the content of these communications, including those delivered through digital means, would allow for more consistent information, and reduce costs that would benefit all EU investors.

In addition to developing a harmonised EU marketing regime for cross-border UCITS, we urge the Commission to promote convergence of Member State approaches to applying investment terms and restrictions to cross-border funds. Furthermore, developing a rationalised and harmonised approach to Member State disclosures that are provided in addition to obligatory investor disclosures (e.g., UCITS KIID and PRIIPs KID) would improve the consistency of information provided to fund investors and reduce the time and complexity of marketing cross-border UCITS, particularly those distributing into multiple host Member States.

**Question 3.10: Do you consider that retail investors are adequately protected when purchasing retail investments on-line, or do the current EU rules need to be updated?**

- Yes, consumers are adequately protected       No, the rules need to be updated       Don't know/no opinion/not applicable

**Please explain your answer to question 3.10:**

The current EU rules for online fund subscriptions can lead to inefficiencies and complexities that may deter retail investors from subscribing to UCITS. The Commission should make digital medium the default for disclosures and information (i.e., replicating the approach for the PEPP KID) and allow information in investor disclosures to be delivered in either document form (e.g., as a PDF) or non-document form (e.g., on a mobile phone app or webpage). Digital delivery of information presents opportunities to introduce:

- interactivity (e.g., enabling investors to use a sliding scale to see the costs and charges and performance scenarios over adjustable investment amounts and holding periods); and
- tailoring and personalisation (e.g., using layering, pop-ups, hyperlinks etc.)

Innovations resulting from the digital delivery of information may, in turn, engender greater engagement and enhance investor understanding.

**Question 3.11: When products are offered online (e.g., on comparison websites, apps, online brokers, etc.) how important is it that lower risk or not overly complex products appear first on listings?**

- Not at all important
- Rather not important
- Neutral
- Somewhat important
- Very important
- Don't know/no opinion/not applicable

**Please explain your answer to question 3.11:**

Risk and complexity are only two of several factors that may be relevant to investors when selecting an appropriate UCITS and therefore should not be the only arbitrary factors in determining the appropriate order in which UCITS are listed online. The suitability and appropriateness of a UCITS for a particular investor depends on the investor's knowledge, experience, investment objectives, risk tolerance etc. and how the investor intends to use the UCITS (e.g., asset allocation or as part of a portfolio). Ideally, online product listings of UCITS should enable investors to filter and list available funds by various criteria (e.g., risk indicators, past investment performance, investment approach etc.)

## 4. DISCLOSURE REQUIREMENTS

**Question 4.1: Do you consider that pre-contractual disclosure documentation for retail investments, in cases where no Key Information Document is provided, enables adequate understanding of:**

	1 (Strongly disagree)	2 (Rather disagree)	3 (Neutral)	4 (Rather agree)	5 (Strongly agree)	Don't know/no opinion/not applicable
The nature and functioning of the product	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
The costs associated with the product	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
The expected returns under different market conditions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
The risks associated with the product	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

**Please explain your answer to question 4.1:**

The Commission should improve pre-contractual disclosures for investment products by:

- harmonising the terminology used across UCITS, PRIIPs, MiFID and IDD disclosures, for instance to enable investors to more easily reconcile the costs shown on individual product disclosures (e.g., UCITS KIID or PRIIPs KID) with the aggregated costs shown on MiFID ex-ante disclosures.
- splitting out service costs from product costs in MiFID ex-ante disclosures (e.g., for bundled services), for instance showing the service cost as a component of the product cost, thereby enabling an investor to identify and compare inducements more easily.
- reforming the transaction cost calculation for the PRIIPs KID to address the practical challenges and suitability issues arising from the application of the current methodology to multiple asset classes (e.g., slippage cost).
- including past investment performance information in the PRIIPs KID and completing work to identify whether future performance scenarios can be calculated in a manner that is not misleading to investors and enables comparison across different types of investment products.
- renaming the "summary" risk indicator (SRI) to avoid investors misinterpreting this as a comprehensive indicator or summary of the overall risk of a fund, whereas it is just a measure of market risk and credit risk (i.e., relating to price volatility). The SRI does not

cover other risks which a particular fund may be subject to and in some cases which may be more significant than market and credit risk (i.e., covered by the SRI.)

**Question 4.2: Please assess the different elements for each of the following pieces of legislation:**

**Question 4.2.1: PRIIPs Key Information Document**

**a) PRIIPs: Is the pre-contractual information provided to retail investors for each of the elements below sufficiently understandable and reliable so as to help them take retail investment decisions? Please assess the level of understandability.**

	1 (very low)	2 (rather low)	3 (neutral)	4 (rather high)	5 (very high)	Don't know/no opinion/not applicable
PRIIPs Key Information Document (as a whole)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Information about the type, objectives and functioning of the product	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Information on the risk-profile of the product, and the summary risk indicator	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Information about product performance	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Information on cost and charges	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Information on sustainability-aspects of the product	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**b) PRIIPs: Is the pre-contractual information provided to retail investors for each of the elements below sufficiently reliable so as to help them take retail investment decisions? Please assess the level of reliability.**

	1 (very low)	2 (rather low)	3 (neutral)	4 (rather high)	5 (very high)	Don't know/no opinion/not applicable
PRIIPs Key Information Document (as a whole)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Information about the type, objectives and functioning of the product	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Information on the risk-profile of the product, and the summary risk indicator	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Information about product performance	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Information on cost and charges	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Information on sustainability-aspects of the product	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**c) Is the amount of information provided for each of the elements below insufficient, adequate, or excessive?**

	1 (insufficient)	2 (adequate)	3 (excessive)	Don't know/no opinion/not applicable
PRIIPs Key Information Document (as a whole)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Information about the type, objectives and functioning of the product	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Information on the risk-profile of the product, and the summary risk indicator	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Information about product performance	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Information on cost and charges	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Information on sustainability-aspects of the product	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

**Please explain your answer to question 4.2.1:**

**PRIIPs Key Information Document (as a whole):** Reforms to the calculation and presentation of transaction costs and investment performance should be completed to enable the PRIIPs KID to fulfil its objective of providing fund investors with the information to compare investment products and make informed investment decisions.

**Information about the type, objectives and functioning of the product:** The KID achieves broadly the correct balance in requiring disclosure of the type, objectives and functioning of funds.

**Information on the risk-profile of the product, and the summary risk indicator:** The "summary" risk indicator (SRI) should be renamed to avoid investors misinterpreting this as a comprehensive indicator or summary of the overall risk of a fund, whereas it is just a



measure of market risk and credit risk (i.e., relating to price volatility). The SRI does not cover other risks which a particular fund may be subject to and in some cases which may be more significant than market and credit risk (i.e., covered by the SRI.)

**Information about product performance:** Past performance information should be included in the KID and ongoing work should be completed to identify whether future performance scenarios can be calculated in a manner that is not misleading to investors and enables comparison across different types of investment product.

**Information on cost and charges:** The methodology for calculating transaction costs for the PRIIPs KID should be reformed to address the practical challenges and suitability issues arising from the application of the current methodology to multiple asset classes (e.g., slippage cost.)

**Information on sustainability-aspects of the product:** The SFDR and the Taxonomy Regulation draft RTS set out the templates that must be included in pre-contractual disclosures. As drafted, they are overly detailed, which has been confirmed by the consumer testing exercise conducted by the European Supervisory Authorities (ESAs) and shared at the public hearing on 29 April 2021. The testing illustrated that most investors find the information in the templates "too detailed". (See Slide 17 of the ESAs' presentation, available at [https://www.esma.europa.eu/sites/default/files/library/open\\_hearing\\_on\\_taxonomy-related\\_product\\_disclosures\\_cp.pdf](https://www.esma.europa.eu/sites/default/files/library/open_hearing_on_taxonomy-related_product_disclosures_cp.pdf)).

**Question 4.3: Do you consider that the language used in pre-contractual documentation made available to retail investors is at an acceptable level of understandability, in particular in terms of avoiding the use of jargon and sector specific terminology?**

Yes    No    Don't know/no opinion/not applicable

**Please explain your answer to question 4.3:**

**Question 4.4: At what stage of the retail investor decision making process should the Key Information Document (PRIIPs KID, PEPP KID, Insurance Product Information Document) be provided to the retail investor?**

Existing rules require the KID to be *made available* to retail investors in *good time* before subscription. The current requirements are appropriate and we do not believe reforms are required. Furthermore, the derogation for a KID to be provided after subscription without undue delay where various conditions are met, including with the investor's consent, is also appropriate. The derogation for a KID to be provided post-subscription enables investors to subscribe to a PRIIP in a timely manner in cases where the investor is otherwise unable to access a KID at the point of subscription.

**Question 4.5: Does pre-contractual documentation for retail investments enable a clear comparison between different investment products?**

Yes    No    Don't know/no opinion/not applicable

**Please explain your answer to question 4.5:**

Reforms to the calculation and presentation of transaction costs and investment performance should be completed to enable the PRIIPs KID to fulfil its objective of providing fund investors with the information to compare investment products and make informed investment decisions.

**Question 4.6: Should pre-contractual documentation for retail investments enable as far as possible a clear comparison between different investment products, including those offered by different financial entities (for example, with one product originating from the insurance sector and another from the investment funds sectors)?**

Yes  No  Don't know/no opinion/not applicable

**Please explain your answer to question 4.5:**

To allow retail investors to effectively compare products, the Commission should:

- harmonise the terminology used across UCITS, PRIIPs, MiFID and IDD disclosures (e.g., product costs); and
- split out service costs from product costs in MiFID ex-ante disclosures (e.g., for bundled services) – showing service costs as a component of product costs – thereby enabling an investor to identify and compare inducements more easily when reviewing product disclosures (i.e., the UCITS KIID or PRIIPs KID) and MiFID disclosures.

**Question 4.7: Are you aware of any overlaps, inconsistencies, redundancies, or gaps in the EU disclosure rules (e.g., PRIIPS, MiFID, IDD, PEPP, etc.) with respect to the way:**

**a) Product cost information is calculated and presented?**

Yes  No  Don't know/no opinion/not applicable

**Please explain your answer to question 4.7 a), and indicate which information documents are concerned:**

We recommend two changes to the calculation and presentation of product cost information:

- The methodology for calculating transaction costs for the PRIIPs KID should be reformed to address the practical challenges and suitability issues arising from the application of the current methodology to multiple asset classes (e.g., slippage cost).
- The terminology used across UCITS, PRIIPs, MiFID and IDD disclosures should be harmonised to enable investors to more easily reconcile the costs shown on individual product disclosures (e.g., UCITS KIID or PRIIPs KID) with the aggregated costs shown on MiFID ex-ante disclosures.

**b) Risk information is calculated and presented?**

Yes    No    Don't know/no opinion/not applicable

**Please explain your answer to question 4.7 b), and indicate which information documents are concerned:**

The "summary" risk indicator should be renamed to avoid investors misinterpreting this as a comprehensive indicator or summary of the overall risk of a fund. The summary risk indicator is just a measure of market risk and credit risk (i.e., relating to price volatility) and does not cover other risks which a particular fund may be subject to and in some cases which may be more significant than the market and credit risk captured in the risk indicator.

**c) Performance information is calculated and presented?**

Yes    No    Don't know/no opinion/not applicable

**Please explain your answer to question 4.7 c), and indicate which information documents are concerned:**

Past performance information should be included in the KID and ongoing work should be completed to identify suitable future performance scenarios that are not misleading and enable comparison across different types of products.

**Question 4.8: How important are the following types of product information when considering retail investment products?**

	1 (not relevant)	2 (relevant, but not crucial)	3 (essential)	Don't know/no opinion/not applicable
Product objectives/main product features	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Costs	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Past performance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Guaranteed returns	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Capital protection	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Forward-looking performance expectation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Risk	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Ease with which the product can be converted into cash	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Other	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

**Please explain your answer to question 4.8:**

Investors should understand a UCITS' investment objectives, features, cost, risk/return profile and dealing frequency to determine its suitability and appropriateness based on the investor's investment goals and needs. Understanding past/future performance is relevant to investors with the requisite knowledge to use performance information in context alongside other information. Guarantee/protection of capital may be relevant for certain products such as structured UCITS.

**Question 4.9: Do you consider that the current regime is sufficiently strong to ensure costs and cost impact transparency for retail investors? In particular, would an annual ex post information on costs be useful for retail investors in all cases?**

- Yes    No    Don't know/no opinion/not applicable

**Please explain your answer to question 4.9:**

Annual ex-post disclosures are valuable for those investors who have the requisite knowledge to use this cost information in context alongside other information. Cost information should be improved by:

- reforming the calculation and presentation of transaction costs for the PRIIPs KID to address the practical challenges and suitability issues arising from the application of the current methodology to multiple asset classes (e.g., slippage cost.)
- harmonising the terminology used across UCITS, PRIIPs, MiFID and IDD disclosures to enable investors to more easily reconcile the costs shown on individual product disclosures (e.g., UCITS KIID or PRIIPs KID) with the aggregated costs shown on MiFID ex-ante disclosures.

**Question 4.10: What should be the maximum length of the PRIIPs Key Information Document, or a similar pre-contractual disclosure document, in terms of number of words?**

An arbitrary word limit should not be set for pre-contractual disclosure documents to ensure that funds can be described in a clear, fair, and not misleading manner. The Commission should pursue reforms to enable information in pre-contractual documents to be communicated in non-document form through digital means (e.g., on a mobile phone app or webpage rather than a PDF).

**Question 4.12: Should distributors of retail financial products be required to make pre-contractual disclosure documents available:**

- On paper by default?  
 In electronic format by default, but on paper upon request?  
 In electronic format only?  
 Don't know/no opinion/not applicable

**Please explain your answer to question 4.12:**

Digital medium should be the default for disclosures and information (i.e., replicating the approach for the PEPP KID) and the Commission should enable information in investor disclosures to be delivered in either document form (e.g., as a PDF) or non-document form (e.g., on a mobile phone app or webpage).

**Question 4.13: How important is it that information documents be translated into the official language of the place of distribution?**

- Not at all important
- Rather not important
- Neutral
- Somewhat important
- Very important
- Don't know/no opinion/not applicable

**Question 4.14: How can access, readability and intelligibility of pre-contractual retail disclosure documents be improved in order to better help retail investors make investment decisions?**

**Please explain your answer:**

We recommend the following improvements to pre-contractual retail disclosure documents:

- harmonising the terminology used across UCITS, PRIIPs, MiFID and IDD disclosures, for instance to enable investors to more easily reconcile the costs shown on individual product disclosures (e.g., UCITS KIID or PRIIPs KID) with the aggregated costs shown on MiFID ex-ante disclosures.
- splitting out service costs from product costs in MiFID ex-ante disclosures (e.g., for bundled services), for instance showing the service cost as a component of the product cost, thereby enabling an investor to identify and compare inducements more easily.
- reforming the transaction cost calculation for the PRIIPs KID to address the practical challenges and suitability issues arising from the application of the current methodology to multiple asset classes (e.g., slippage cost).
- including past investment performance information in the PRIIPs KID and completing work to identify whether future performance scenarios can be calculated in a manner that is not misleading to investors and enables comparison across different types of investment product.

At a strategic level, the Commission should make digital medium the default for disclosures and information (i.e., replicating the approach for the PEPP KID) and enable information in

investor disclosures to be delivered in either document form (e.g., as a PDF) or non-document form (e.g., on a mobile phone app or webpage).

**Question 4.15: When information is disclosed via digital means, how important is it that:**

	1 (not at all important)	2 (rather not important)	3 (neutral)	4 (somewhat important)	5 (very important)	Don't know/no opinion/not applicable
There are clear rules to prescribe presentation formats (e.g., readable font size, use of designs/colours, etc.)?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Certain key information (e.g., fees, charges, payment of inducements, information relative to performance, etc.) is displayed in ways which highlight the prominence?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Format of the information is adapted to use on different kinds of device (for example through use of layering)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Appropriately labelled and relevant hyperlinks are used to provide access to supplementary information?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Use of hyperlinks is limited (e.g., one click only – no cascade of links)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Contracts cannot be concluded until the consumer has scrolled to the end of the document?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Other?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

**Please explain your answer to question 4.15:**

**There are clear rules to prescribe presentation formats (e.g., readable font size, use of designs/colours, etc.)?** Any rules developed by the Commission should enable UCITS to determine the most effective manner of presenting information, considering the nature and type of the communication concerned. For instance, disclosures in document format (e.g., PDF) may not be conducive to all forms of digital device (e.g., mobile phones) and may disincentivise investors from consuming the information if it is inconvenient or challenging to access or read information in a prescribed format (e.g., if an investor must “zoom in” to read a PDF on a mobile phone screen).

**Certain key information (e.g., fees, charges, payment of inducements, information relative to performance, etc.) is displayed in ways which highlight the prominence?** Information should be presented in the most usable manner for investors considering the medium of communication. For instance, risks and rewards should be presented in an equally prominent manner. Information should be displayed in a form that gives a fair and prominent indication of risks when referencing potential benefits and laid out in a manner that ensures that relevant risks are at least as prominent as other information. The Commission should not prescribe the specific layout of certain information (e.g., specifying that risks and rewards should be mentioned at the same level or immediately after one another) because being so prescriptive may reduce rather than enhance the prominence and balance of information and may make it more challenging to compare one product to another (e.g., if information is being displayed on a mobile phone screen.)

**Format of the information is adapted to use on different kinds of device (for example through use of layering)?** Rules should accommodate the use of digital marketing communications (e.g., online, mobile apps etc.) by providing UCITS with greater flexibility to determine how best to present information, such as risk and rewards, costs, and performance. For instance, UCITS should be permitted to use different methods to present information and to provide for interactivity (e.g., enabling investors to use a sliding scale to

see the costs and charges and performance scenarios over different holding periods). Allowing UCITS the flexibility to communicate in these ways would provide investors with the opportunity to access a greater volume of information in a more tailored manner (i.e., selecting the information that is relevant to them), which may, in turn, engender greater engagement and enhance investor understanding.

**Appropriately labelled and relevant hyperlinks are used to provide access to supplementary information?** Disclosures and communications should be appropriately labelled, and interactive features such as pop-ups and hyperlinks should be used to provide access to supplementary information, building on work undertaken by EIOPA on the PEPP KID.

**Use of hyperlinks is limited (e.g., one click only – no cascade of links)?** Hyperlinks are a useful tool to enable investors to access additional information and take follow-up actions more easily. Key information should be accessible through direct hyperlinks where this is compatible with the communication medium, but cascaded links may then enable investors to access supplementary information or take follow-up actions as appropriate.

**Contracts cannot be concluded until the consumer has scrolled to the end of the document?** It may not be necessary to require a UCITS investor to scroll to the end of a document before subscribing to an investment fund, for instance if they are accessing information in non-document form such as through a webpage or mobile app.



## 5. THE PRIIPS REGULATION

**Question 5.1: Has the PRIIPs Regulation met the following core objectives:**

**a) Improving the level of understanding that retail investors have of retail investment products**

Yes  No  Don't know/no opinion/not applicable

**Please explain your answer to question 5.1 a):**

It is too early to comprehensively assess whether the PRIIPs Regulation has met its core objectives as only a subset of non-UCITS retail investment products produce KIDs. Furthermore, known issues with transaction cost and performance scenarios calculation and disclosure must be resolved before a full assessment can be undertaken in due course.

**b) Improving the ability of retail investors to compare different retail investment products, both within and among different product types**

Yes  No  Don't know/no opinion/not applicable

**c) Reducing the frequency of mis-selling of retail investment products and the number of complaints**

Yes  No  Don't know/no opinion/not applicable

**d) Enabling retail investors to correctly identify and choose the investment products that are suitable for them, based on their individual sustainability preferences, financial situation, investment objectives and needs and risk tolerance.**

Yes  No  Don't know/no opinion/not applicable

**Question 5.2: Are retail investors easily able to find and access PRIIPs KIDs and PEPP KIDs?**

Yes  No  Don't know/no opinion/not applicable

**Question 5.2.1: What could be done to improve the access to PRIIPs KIDs and PEPP KIDs?**

	Yes	No	Don't know/no opinion/not applicable
Requiring PRIIPs KIDs and PEPP KIDs to be uploaded onto a searchable EU-wide database	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Requiring PRIIPs KIDs and PEPP KIDs to be uploaded onto a searchable national database	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Requiring PRIIPs KIDs and PEPP KIDs to be made available in a dedicated section on manufacturer and distributor websites	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Other	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
-------	--------------------------	--------------------------	-------------------------------------

**Please explain your answer to question 5.2.1:**

A searchable EU-wide database of KIDs should be developed, building on the database and notification portal envisaged under the Cross-Border Distribution of Funds Regulation 2019/1156 to:

- provide fund investors with comprehensive and easily accessible information and tools to make informed investment decisions and compare investment products; and
- enable UCITS to efficiently file cross-border marketing notifications.

The Commission should “digitalise” investor disclosures – accommodating innovation in digital access and information delivery, including enabling information in the KID to be communicated in non-document form (e.g., a mobile phone screen or webpage rather than a PDF).

**Question 5.3: Should the PRIIPs KID be simplified, and if so, how (while still fulfilling its purpose of providing uniform rules on the content of a KID which shall be accurate, fair, clear, and not misleading)?**

- Yes    No    Don't know/no opinion/not applicable

**Please explain your answer to question 5.3:**

The Commission should complete the following reforms: (i) harmonise the terminology used across PRIIPs, UCITS, MiFID and IDD disclosures, (e.g., to enable investors to more easily reconcile the product costs shown in the PRIIPs KID with the aggregated costs shown on MiFID ex-ante disclosures; (ii) reform the calculation of transaction costs for the PRIIPs KID; and (iii) include past investment performance information in the PRIIPs KID.

**Question 5.8: Which factors of preparing, maintaining, and distributing the KID are the most costly?**

- Collecting product data/inputs
- Performing the necessary calculations
- Updating IT systems
- Quality and content check
- Outsourcing costs
- Other

**Please explain your answer to question 5.8:**

Member State requirements to upload KIDs and other documents onto proprietary systems, including periodic and ad hoc updates, often require manual intervention which for UCITS distributing widely across the Union requires significant resources. A single repository for KIDs and cross-border marketing notifications should be developed by ESMA

building on the database it is required to develop under the cross-border distribution of funds package. Such a database would negate the need for KIDs to be uploaded onto the proprietary systems of NCAs.

**Question 5.11: Should retail investors be granted access to past versions of PRIIPs KIDs?**

- Yes    No    Don't know/no opinion/not applicable

**Please explain your answer to question 5.11:**

PRIIPs KIDs are available at subscription and on an ongoing basis for actively marketed funds. While we do not object to retail investors being able to access past versions of KIDs, this increases the risk of confusion including investor subscriptions to a fund based on out-of-date information in a non-current version of a KID.

**Question 5.12: The PRIIPs KIDs should be reviewed at least every 12 months and if the review concludes that there is a significant change, also updated.**

**Question 5.12.1 Should the review and update occur more regularly?**

- Yes    No    Don't know/no opinion/not applicable

**Question 5.12.2 Should this depend on the characteristics of the PRIIPs?**

- Yes    No    Don't know/no opinion/not applicable

**Question 5.12.3 What should trigger the update of PRIIP KIDs?**

Significant changes should trigger a review of the PRIIPs KID as is already required by the PRIIPs Delegated Regulation 2017/653.

## 6. SUITABILITY AND APPROPRIATENESS ASSESSMENT

**Question 6.1: To what extent do you agree that the suitability assessment conducted by an investment firm or by a seller of insurance-based investment products serves retail investor needs and is effective in ensuring that they are not offered unsuitable products?**

- Strongly disagree
- Disagree
- Neutral
- Agree
- Strongly agree
- Don't know/no opinion/not applicable

**Question 6.2: Can you identify any problems with the suitability assessment?**

- Yes
- No
- Don't know/no opinion/not applicable

**Please explain your answer to question 6.2. Please explain how these problems might be addressed:**

The Commission should make the following changes to the suitability assessment to enable EU investors to access a broad range of suitable investment products:

- **converging Member State approaches to applying and supervising the suitability rules**, including distributors' assessment of whether equivalent investment products they offer can meet investor needs.
- **clearly highlighting the range of investment products available to investors**, by requiring distributors to disclose whether they offer a restricted range of products, including mainly or only in-house products or closely linked third-party products.
- **requiring that distribution related fees are in the best interest of investors**, including fees paid to intra-group entities for the distribution of in-house products or closely linked third-party products.
- **enabling distributors to give partial advice on investment products they offer** while recommending that investors seek products from other providers to meet remaining needs.

The Commission should also make the following other changes to ensure all EU investors have appropriate access to investment services and can clearly identify inducements:

- **continuing to enable investors to pay for a range of appropriate advice services through fees or commissions**, while allowing Member States to limit inducements where appropriate considering local distribution systems and the maturity of the market.

- **harmonising the interpretation and application of the inducement rules** across the internal market for all product types and distribution architectures, including open and closed structures and in respect of MiFID II and IDD.
- **providing EU investors with clear information to compare products and make informed investment decisions** by (i) using harmonised terminology across UCITS, PRIIPs, MiFID and IDD disclosures; (ii) splitting out service costs from product costs in ex-ante MiFID disclosures (e.g., for bundled services); and (iii) including past investment performance information, reformed transaction costs calculations, and a renamed risk indicator in the PRIIPs KID.

**Question 6.9: Does the target market determination process (at the level of both manufacturers and distributors) need to be improved or clarified?**

- Yes     No     Don't know/no opinion/not applicable

**Please explain your answer to question 6.9:**

The target market determination process should be revised to:

- better take account of the different ways in which an investor may use a particular fund (e.g., for asset allocation or as part of a portfolio) and prevent investors from being denied access to a product that would otherwise be appropriate or suitable for them.
- enable distributors (e.g., financial advisors) who usually have a direct relationship with the investor to assess the suitability and appropriateness of a fund given an investor's knowledge and experience, ability to bear loss, risk tolerance, and needs and objectives.

The Commission should extend target market determination requirements to non-MiFID comparable investment products (e.g., non-MiFID PRIIPs) subject to the following changes:

- **Limit the scope of target market determination for manufacturers to complex retail funds sold on an execution-only basis** – fund managers should be able to designate retail products as complex and specify a defined target market (e.g., where they have more complex features) but target market requirements should not apply to advised subscriptions. Target market requirements also should not apply to professional investors who are defined as having the competency to assess the features and characteristics of funds without relying on target market assessments.
- **Clarify the obligations on fund managers to define the characteristics of products and obligations on distributors to ensure appropriate products are recommended to investors** – funds are often distributed by third parties (e.g., intermediaries, platforms, etc.) rather than by fund managers directly. Distributors are in the best position to recommend appropriate products to investors (including determining suitability by relying on information on the characteristics of funds provided by fund managers).

- **Clarify that products can be sold to investors deemed to be in the negative target market upon an investor's request.** Individual fund investments may play different roles in an investor's portfolio, and investors should not be prevented from accessing a fund that may contribute positively to their overall portfolio (e.g., through diversification, hedging/offsetting to reduce volatility, downside risk, etc.)

## 7. REVIEWING THE FRAMEWORK FOR INVESTOR CATEGORISATION

**Question 7.1: What would you consider the most appropriate approach for ensuring more appropriate client categorisation?**

	Yes	No	Don't know/no opinion/not applicable
Introduction of an additional client category (semi-professional) of investors	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Adjusting the definition of professional investors on request	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
No changes to client categorisation (other measures, i.e., increase product access and lower information requirements for all retail investors)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Please explain your answer to question 7.1:**

The Commission should enhance access for EU retail investors to suitable and appropriate investment products through the following reforms:

- **Rationalising product governance rules** by: (i) limiting target market determination for manufacturers to only complex retail funds sold on an execution-only basis; (ii) clarifying the obligations on fund managers to define the characteristics of products and the obligations on distributors to recommend appropriate products to investors; and (iii) clarifying that products can be sold to investors deemed to be in the negative target market upon an investor's request.
- **Enhancing the effectiveness of the suitability assessment** by converging Member State approaches to applying and supervising the suitability rules; requiring intermediaries that are providing advice to clearly highlight the range of investment products they have available to investors; requiring distribution related fees, including fees paid to intra-group entities for the distribution of in-house products or closely linked third-party products, to be in the best interest of investors; and enabling distributors to give partial advice on investment products they offer.

The Commission can improve information requirements for all retail investors through the following reforms:

- **Enhancing the usefulness of investor information to compare products and make informed investment decisions** by: (i) using harmonised terminology across UCITS, PRIIPs, MiFID and IDD disclosures; (ii) splitting out service costs from product costs in ex-ante MiFID disclosures (e.g., for bundled services); and (iii) including past investment performance information, reformed transaction costs calculations, and a renamed risk indicator in the PRIIPs KID.
- **Improving investor access to disclosures and information** by making digital the default medium for disclosures and information (i.e., replicating the approach for the PEPP

KID) and enabling information in investor disclosures to be delivered in either document form (e.g., as a PDF) or non-document form (e.g., on a mobile phone app or webpage) and facilitating the use of innovation through initiatives such as open finance.



## 8. INDUCEMENTS AND QUALITY OF ADVICE

**Question 8.1: How effective do you consider the following measures to/would be in protecting retail investors against receiving biased advice due to potential conflicts of interest?**

	1 (not at all effective)	2 (rather not effective)	3 (neutral)	4 (somewhat effective)	5 (very effective)	Don't know/no opinion/not applicable
Ensuring transparency of inducements for clients	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
An obligation to disclose the amount of inducement paid	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Allowing inducements only under certain conditions, e.g., if they serve the improvement of quality of advice	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Obliging distributors to assess the investment products they recommend against similar products available on the market in terms of overall cost and expected performance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Introducing specific record-keeping and reporting requirements	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

for distributors of retail investment products to provide a breakdown of products distributed, thus allowing for supervisory scrutiny and better enforcement of the existing rules on inducements						
Introducing a ban on all forms of inducements for every retail investment product across the Union	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Please explain your answer to question 8.1:**

**Ensuring transparency of inducements for clients:** Disclosure of inducements can be effective for those investors who have the capacity to understand and effectively use information when selecting the most suitable advice service.

**An obligation to disclose the amount of inducement paid:** Disclosure of inducement amounts can be effective for certain investors if inducement payments are clearly and consistently presented (e.g., by using harmonised terminology across UCITS, PRIIPs, MiFID and IDD disclosures and enabling investors to split out service costs more easily from product costs.)

**Allowing inducements only under certain conditions:** Inducements and other distribution related fees, including fees paid to intra-group entities for the distribution of in-house products or closely linked third-party products, should be in the best interest of investors.

**Obliging distributors to assess the investment products they recommend against similar products available on the market in terms of overall cost and expected performance:** Member State approaches to applying and supervising the suitability rules should be converged, including the obligation on distributors to assess whether equivalent investment products they offer can meet investor needs.

**Introducing specific record-keeping and reporting requirements for distributors of retail investment products to provide a breakdown of products distributed, thus allowing for supervisory scrutiny and better enforcement of the existing rules on inducements:**

Distributors should be subject to appropriate record-keeping and reporting requirements to enable them to provide compliance assurance and support effective supervision.

**Introducing a ban on all forms of inducements for every retail investment product across the Union:** A blanket ban on all inducements is unlikely to enhance the availability of advice for all EU retail investors in the short-term and may prevent some investors from accessing suitable advice to meet their needs. Investors should thereby be allowed to continue to pay for a range of appropriate advice services through fees or commissions, subject to limitations that may be introduced by Member States considering local distribution systems and the maturity of the market.

**Question 8.2: If all forms of inducement were banned for every retail investment product across the Union, what impacts would this have on:**

**a) what impacts would this have on the availability of advice for retail investors?**

Considerable variance in distribution systems and market maturity among Member States suggests that an outright ban on all inducements across the Union is unlikely to enhance the availability of advice for all EU retail investors in the short-term. Investors in Member States with less well-developed investment advice markets (particularly those with smaller portfolios) may no longer access independent advice (e.g., because it is not economic for providers or because the investor is unwilling to pay for it), may not be able to access suitable alternative advice models (e.g., hybrid-advice or robo-advice) if these are not developed in the market, or may not find such alternatives sufficient for their needs.

**b) what impacts would this have on the quality of advice for retail investors?**

The type of investment advice that is most suited to a particular retail investor varies depending on factors such as the investor's investment goals, financial knowledge and experience and the size of their investment portfolio. A blanket pan-European ban on inducements is unlikely to enhance the quality of advice for all EU retail investors in the short-term and may prevent some investors from accessing advice that is sufficient for their needs. A ban should not be introduced without a full analysis of the ecosystem for distribution and advice across the EU and an assessment of the implications of a ban, which are likely to vary across Member States due to differences in distribution systems and market maturity.

**c) what impacts would this have on the way in which retail investors would invest in financial instruments?**

Financial advice that is not sufficient for an investor's needs may lead investors to make sub-optimal investment decisions and achieve sub-optimal outcomes, fail to meet investment goals, or lose a material portion of their original investment (e.g., if they invest

in products which put their capital at high risk of loss.) Investors may therefore lose confidence in capital market investing.

**d) what impacts would this have on how much retail investors would invest in financial instruments?**

Impaired investor confidence in capital market investing will reduce retail participation in capital markets over time, limit the potential returns that EU citizens can achieve to support their long-term investment goals and may prevent the objectives of the CMU from being met.

**Question 8.3: Do the current rules on advice and inducements ensure sufficient protection for retail investors from receiving poor advice due to potential conflicts of interest:**

	Yes	No	Don't know/no opinion/not applicable
In the case of investment products distributed under the MiFID II framework?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
In the case of insurance-based investment products distributed under the IDD framework?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
In the case of inducements paid to providers of online platforms/comparison websites?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

**Please explain your answer to question 8.3:**

We recommend the following changes to the advice and inducements framework:

**Enable EU investors to access a broad range of suitable investment products by:**

- **converging Member State approaches to applying and supervising the suitability rules**, including distributors' assessment of whether equivalent investment products they offer can meet investor needs.
- **clearly highlighting the range of investment products available to investors** by requiring distributors to disclose whether they offer a restricted range of products, including mainly or only in-house products or closely linked third-party products.
- **requiring distribution related fees to be in the best interest of investors** including fees paid to intra-group entities for the distribution of in-house products or closely linked third-party products.
- **enabling distributors to give partial advice on investment products they offer** while recommending that investors seek products from other providers to meet remaining needs.

**Ensure all EU investors have appropriate access to investment services by:**

- **continuing to enable investors to pay for a range of appropriate advice services through commissions or fees** while allowing Member States to limit inducements where appropriate considering local distribution systems and the maturity of the market.
- **harmonising the interpretation and application of the inducement rules** across the internal market for all product types and distribution architectures, including open and closed ended structures and in respect of MiFID and IDD products.
- **revising existing investor disclosures to provide EU investors with useful information to compare products and make informed investment decisions** by: (i) using harmonised terminology across UCITS, PRIIPs, MiFID and IDD disclosures; and (ii) splitting out service costs from product costs in ex-ante MiFID disclosures (e.g., for bundled services).

**Question 8.4: Should the rules on the payment of inducements paid to distributors of products sold to retail investors be aligned across MiFID and IDD?**

- Yes    No    Don't know/no opinion/not applicable

**Please explain your answer to question 8.4:**

We urge the Commission to align the inducement rules across MiFID and the IDD. Furthermore, to ensure consistent protection for investors, the Commission should extend the MiFID product governance requirements to non-MiFID comparable investment products subject to the following changes:

- **Limit the scope of target market assessment requirements to complex retail funds sold on an execution-only basis** – fund managers should be able to designate retail products as complex and specify a defined target market (e.g., where they have more complex features) but target market requirements should not apply to advised subscriptions. Target market requirements also should not apply to professional investors who are defined as having the competency to assess the features and characteristics of funds without relying on target market assessments.
- **Clarify the obligations on fund managers to define the characteristics of products and on distributors to ensure appropriate products are recommended to investors** – funds are often distributed by third parties (e.g., intermediaries, platforms, etc.) rather than by fund managers directly. Distributors are in the best position to recommend appropriate products are distributed to investors (including determining suitability by relying on information on the characteristics of funds provided by fund managers).

**Question 8.5: How should inducements be regulated?**

- Ensuring transparency of inducements for clients  
 Ensuring transparency of inducements for clients, including an obligation to disclose the amount of inducement paid

- Allowing inducements only under certain conditions, e.g., if they serve the improvement of quality
- Obliging distributors to assess the investment products they recommend against similar products available on the market
- Introducing specific record-keeping and reporting requirements for distributors of retail investment products to provide a breakdown of products distributed, thus allowing for supervisory scrutiny and better enforcement of the existing rules on inducements
- Introducing a ban on all forms of inducements for every retail investment product across the Union

**Please explain your answer to question 8.5:**

**Transparency:** To enable investors to identify inducements we recommend using harmonised terminology across UCITS, PRIIPs, MiFID and IDD disclosures and splitting out service costs from product costs in ex-ante MiFID disclosures (e.g., for bundled services).

**Permitted Inducements:** Investors should continue to be able to pay for a range of appropriate advice services through commissions or fees while allowing Member States to limit inducements where appropriate considering local distribution systems and the maturity of the market. Distribution related fees must be in the best interest of investors, including fees paid to intra-group entities for the distribution of in-house products or closely linked third-party products.

**Comparable products:** The Commission should seek convergence in Member State approaches to applying and supervising the suitability rules, including the assessment undertaken by distributors of whether equivalent investment products they offer can meet investor needs.

**Recordkeeping Requirements:** Distributors should be subject to appropriate record-keeping and reporting requirements to enable them to provide compliance assurance and support effective supervision.

**Question 8.8: Would you see merit in developing a voluntary pan-EU label for financial advisors to promote high-level common standards across the EU?**

- Yes    No    Don't know/no opinion/not applicable

**Please explain your answer to question 8.8 and indicate what would be the main advantages and disadvantages:**

We support the promotion of high-level common standards for financial advisors across the EU. High quality investment advice can support investor education and engender confidence in capital market investing. The objective of a pan-EU labelling system should be to encourage adherence to, and the enhancement of, high level professional standards and ethical practices and continuing professional development, including ensuring proper understanding of new product types. To take account of variance in Member State financial advice markets, the requirements for obtaining a pan-EU label should be calibrated against competency metrics for financial advisors – such as their level of

education and qualifications – for instance through a tiered labelling framework (e.g., core, intermediate, advance designations.)

## 9. ADDRESSING THE COMPLEXITY OF PRODUCTS

**Question 9.1 Do you consider that further measures should be taken at EU level to facilitate access of retail investors to simpler investment products?**

Yes    No    Don't know/no opinion/not applicable

**Please explain your answer to question 9.1:**

We recommend the following changes to the product governance rules to facilitate access of retail investors to simpler investment products:

**Limit the scope of target market assessment requirements to complex retail funds sold on an execution-only basis** – fund managers should be able to designate retail products as complex and specify a defined target market (e.g., where they have more complex features) but target market requirements should not apply to advised subscriptions. Financial advisers are in an appropriate position to assess the characteristics and nature of a product against client needs. Target market requirements also should not apply to professional investors who are defined as having the competency to assess the features and characteristics of funds without relying on target market assessments.

**Clarify the obligations on fund managers to define the characteristics of products and on distributors to ensure appropriate products are recommended to investors** – funds are often distributed by third parties (e.g., intermediaries, platforms, etc.) rather than by fund managers directly. Distributors are in the best position to recommend appropriate products to investors (including determining suitability by relying on information on the characteristics of funds provided by fund managers).

**Extend the product governance requirements (as revised per our recommendations above) to non-MiFID comparable investment products** – retail investors have access to comparable investment products (e.g., non-MiFID PRIIPs) that are not subject to the same product governance obligations as MiFID distributed products (e.g., UCITS) thereby providing inconsistent protections for investors.

**Question 9.2 If further measures were to be taken by the EU to address the complexity of products:**

**a) Should they aim to reinforce or adapt execution of orders rules to better suit digital and online purchases of complex products by retail investors?**

Yes    No    Don't know/no opinion/not applicable

**Please explain your answer to question 9.2 a):**

The Commission should pursue efforts to simplify the fund subscription process by encouraging digital innovation and the use of technology (e.g., digital platforms for investment such as online, mobile apps etc.)



The Commission should make digital medium the default for disclosures and information (i.e., replicating the approach for the PEPP KID) and enable information in investor disclosures to be delivered in either document form (e.g., as a PDF) or non-document form (e.g., on a mobile phone app or webpage). Furthermore, the Commission should facilitate digital appropriateness assessment, including the use of digital questionnaires alongside other information such as transaction data to assess an investor's knowledge and experience.

**b) Should they aim to make more explicit the rules which prohibit excess complexity of products that are sold to retail investors?**

Yes    No    Don't know/no opinion/not applicable

**Please explain your answer to question 9.2 b):**

The Commission should align the concepts of "non-complex" products in MiFID and "simple" products in PRIIPs (i.e., requiring a comprehension alert) to provide greater consistency in the treatment of identical or similar products, including non-MiFID products. Furthermore, to remove impediments to the cross-border distribution of UCITS, the Commission should encourage further convergence in Member State supervisory approaches to defining complexity (e.g., defining a particular fund type as automatically non-complex in an incoming marketing notification.)

**c) Should they aim to develop a new label for simple products?**

Yes    No    Don't know/no opinion/not applicable

**Please explain your answer to question 9.2 c):**

**d) Should they aim to define and regulate simple, products (e.g., similar to PEPP)?**

Yes    No    Don't know/no opinion/not applicable

**Please explain your answer to question 9.2 d):**

We do not believe that a separate regime should be created for simple UCITS, but as noted in our other responses we support harmonizing approaches to defining non-complex/simple UCITS.

**e) Should they aim to tighten the rules restricting the sale of very complex products to certain categories of investors?**

Yes    No    Don't know/no opinion/not applicable

**Please explain your answer to question 9.2 e):**

**f) Should they have another aim?**

Yes    No    Don't know/no opinion/not applicable

**Please specify to what other aim you refer and explain your answer to question 9.2 f):**

## 11. PRODUCT INTERVENTION POWERS

**Question 11.1: Are the European Supervisory Authorities and/or national supervisory authorities making sufficiently effective use of their existing product intervention powers?**

Yes    No    Don't know/no opinion/not applicable

**Please explain your answer to question 11.1:**

We believe the ESAs and NCAs are effectively using their product intervention powers.

**Question 11.2: Does the application of product intervention powers available to national supervisory authorities need to be further converged?**

Yes    No    Don't know/no opinion/not applicable

**Question 11.3: Do the product intervention powers of the European Supervisory Authorities need to be reinforced?**

Yes    No    Don't know/no opinion/not applicable

## 12. SUSTAINABLE INVESTING

### Question 12.3: What are the main factors preventing more sustainable investment?

	1 (not at all helpful)	2 (rather not helpful)	3 (neutral)	4 (somewhat helpful)	5 (very helpful)	Don't know/no opinion/not applicable
Poor financial advice on sustainable investment opportunities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lack of sustainability-related information in pre-contractual disclosure	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lack of EU label on sustainability related information	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lack of financial products that would meet sustainability preferences	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Financial products, although containing some sustainability ambition, focus primarily on financial performance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fear of greenwashing (i.e., where the deceptive appearance is given that investment products are environmentally, socially or from a	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

governance point of view, friendly)						
Other, please explain	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

**Please specify to what other factor(s) you refer in your answer to question 12.3:**

Numerous sustainable finance measures have been launched since 2018, including the SFDR, the Taxonomy Regulation, and the changes to MiFID II. These measures need to be fully implemented before the Commission considers additional measures. Additionally, the Commission should work with Member States and ESMA to encourage convergence in approaches to implementation and limit Member State measures that impose conflicting rules that may fragment the markets and prevent sustainable products from being sold on a pan-EU basis. Also see response to Question 1.6.

One area that may need more immediate work by the Commission is integrating sustainability into financial education/literacy to help retail investors understand sustainable investing terminology used in the disclosure and marketing materials, including as required by the SFDR and the Taxonomy Regulation.

**Question 12.4: Do you consider that detailed guidance for financial advisers would be useful to ensure simple, adequate and sufficiently granular implementation of sustainable investment measures?**

Yes  No  Don't know/no opinion/not applicable

**Please explain your answer to question 12.4:**

As we explain in response to Questions 1.6 and 12.3, the European Union is still working on implementing its sustainable finance measures, including changes to the MiFID II suitability assessment process, which identifies three categories of products that can satisfy an investor's sustainability preferences. These changes will likely alter fundamentally sustainable product distribution practices. These changes do need further clarification, but this process initially may be accomplished through industry tools, such as the Findatex templates or other protocols such as Openfunds or TISA TURN, and further guidance may be needed but it is premature to make this assessment at this time.

**Question 12.5: Would you see any need to reinforce the current research regime in order to ensure that ESG criteria are always considered?**

Yes  No  Don't know/no opinion/not applicable

**Please explain your answer to question 12.5:**

The Commission should not require all investment research to include consideration of ESG criteria that do not pose a material financial risk. Research may include consideration of non-material ESG criteria, particularly when such research is related to or focused on ESG.