

## European Commission's Consultation on a Retail Investment Strategy Executive Summary of ICI Global's Response

2 August 2021

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.
- **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.
- **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.
- **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 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.
- **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.

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.