
Press Release

AFME responds to the agreement reached by the European Council on the Retail Investment Package

13th June 2024

The Association for Financial Markets in Europe (“**AFME**”) takes note of the agreement reached by the European Council relating to the Retail Investment Package, however, encourages further work and discussion on some key issues.

Adam Farkas, Chief Executive Officer at AFME, said: “*AFME notes all efforts made, and agreements reached, that are aimed at supporting retail investors who wish to invest in the EU’s capital markets. While the Council compromise is a significant improvement from the Commission’s proposal, it falls short on a number of issues, including inducements, best interest and suitability and appropriateness. Value for Money rightly continues to hold centre stage but the Council’s approach remains, in our view, unsatisfactory. We believe that further work and discussions are needed at Trilogues to reach a well calibrated, cohesive and proportionate RIS framework on these key issues*”.

Overall, based on our holistic assessment of the Council General Agreement, our view is that further work and discussions are needed on the following issues:

Value for Money

- We still have reservations about many aspects of the proposed value for money framework, but **support the overall acknowledgment that benchmarks are intended to be used as supervisory tools, rather than as a type of price regulation.**
- We also welcome the additional degree of flexibility in how manufacturers and distributors may carry out their value for money analyses.
- However, **we still have serious concerns about the interplay between benchmarks and peer group comparisons**, the development and use of national benchmarks, and do not support making benchmarks and relevant data public.

Inducements

- We are supportive of some of the inducement test criteria in **Article 24a MiFID** which, to an extent, alleviates our concerns that the new framework could amount to a *de facto* ban on inducements.
- However, **AFME is extremely concerned that Article 24a(9) MiFID, which allows Member States discretion on the prohibition of, or restriction to, inducements, directly contradicts the objective of enhancing the EU competitiveness by harmonising and improving consistency of legislation and by reducing red tape.**

Best Interest

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- We note, and strongly support, the **removal of Article 24(1a) - letter c) MiFID from the new best interest test**, which has been our consistent position since its introduction in the European Commission proposal last year. However, **we remain concerned that the additional features concept from Article 24(1a) - letter c) has essentially been relocated to the suitability assessment**. This further analysis exacerbates the complexity and granularity of the suitability assessment.
- **Article 24(1a) - letter b)** continues to present a strong focus on costs and remains ambiguous in its key elements.

Timing

- We welcome the Council's proposals for longer transposition (OJ + 30 months) and application (OJ + 36 months) windows, which will be necessary to implement the broad and deep set of MiFID changes.

PRIIPS

- While we support the purpose of the reforms to increase retail investor participation and understanding, and to improve the PRIIPs KID, we do not support certain of the proposals, including those relating to page limits, performance scenarios and the inclusion of the new "Product at a Glance" and "How Sustainable is the Product" sections. We do not believe that these matters as currently proposed would serve their intended purpose.

We look forward to engaging with the Co-Legislators and the European Commission as the negotiations evolve.

– Ends –

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Notes:

1. AFME (Association for Financial Markets in Europe) promotes fair, orderly, and efficient European wholesale capital markets and provides leadership in advancing the interests of all market participants. AFME represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. AFME participates in a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) through the GFMA (Global Financial Markets Association). For more information please visit the AFME website: www.afme.eu
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