RETAIL INVESTMENT STRATEGY

AMAFI, AFPDB and FBF's proposals

Dans le contexte de la préparation de la réunion de trilogue du 23 septembre 2025 sur la *Retail Investment Strategy*, l'AMAFI, l'AFPDB et la FBF ont travaillé à une note commune présentant des propositions d'amendements. Celle-ci a été adressée le 21 septembre dernier à la DGT, la RP française à Bruxelles et l'assistante de la rapporteure Yon Courtin. Cette note est présentée ci-après.

In preparation for the trilogue meeting on 23 September 2025 on the Retail Investment Strategy, AMAFI, AFPDB and FBF worked on a joint note presenting proposed amendments. This was sent on 21 September to the DGT, the French Permanent Representation in Brussels and the assistant to rapporteur Yon Courtin. This note is presented below.

The French Association of Financial Markets (AMAFI), the French association of retail structured product manufacturers and The French Banking Federation (FBF), welcome the commitment expressed during the second trilogue to promote simplification and reduce administrative burdens for both investors and financial undertakings. Most of the recent proposals put forward by the Danish Presidency appear to move in a very constructive direction. However, we are concerned that the political discussions may still drift away from the original ambition of simplification. If the Retail Investment Strategy (RIS) is to be maintained despite falling short of these objectives, the current proposal must be significantly streamlined and reoriented. Considering an already complex and protective regulatory framework, only a substantially simplified approach can ensure the relevance and effectiveness of the initiative. Key questions, such as how to enhance households' appetite for risk and/or less liquid long-term investment, or how to genuinely simplify or at least avoid adding complexity for both clients and financial institutions must be adequately addressed.

Several reports, including the Draghi report, have outlined that clients' journeys are overly burdensome. Despite this shared observation, there remains a lack of ambition regarding simplification. For instance, the proposed inducement test and best interest test add excessive and unnecessary complexity and should not be retained. Also, the assessment of clients' sustainability preferences, unanimously regarded as burdensome and ineffective, remains unchanged.

In view of the third trilogue, some issues are of particular concern.

1. Value for Money (VFM) / Benchmarks

Concerning VFM and benchmarks, the main objective should be to manage a regulatory framework which is both simple and tailored to each asset class and to each participant who is subject to obligations regarding VFM. We would like as much legal clarity as possible in the Level 1 text, rather than extensive Level 2 or Level 3 provisions. This would prevent European Supervisory Authorities from developing and proposing overly detailed and inapplicable VFM criteria.

As proposed by the Danish Presidency, it would be beneficial, for the sake of simplification and burden reduction, to delete new data reporting provisions and to limit the scope of VFM requirements to what is possible based on existing data availability. Peer grouping should not lead to excessive burdens on firms, including costs for collecting relevant data to identify relevant peer groups and to compare cost and performance. Therefore, the scope of the peer grouping requirements should apply to UCITS funds only. In addition, peer grouping requirements should be introduced only for manufacturers and exclusively based on data from the PRIIPs KID.

The framework should be straightforward, efficient, and not overly expensive, avoiding cumbersome methodologies and designs, while still achieving the intended objectives. Internal Value for Money assessments performed by manufacturers and, if applicable, distributors should focus on demonstrating that products and embedded services are reasonably priced to ensure competitive offerings. Permanent regulatory oversight by authorities should primarily aim to identify any outliers rather than to conduct exhaustive reviews.

As a result, Value for Money assessments should be done within an internal framework implemented by firms, in compliance with principles as set out in Level 1 texts and ensuring that the level of costs

for the end clients is appropriate and justified considering value, including performance and qualitative features, for them.

We consider asset-specific methodologies to be needed for several reasons:

- Each asset class has distinct cost structures and pricing mechanisms, making centralized benchmarks (as well as any other one-size-fits-all Value-for-Money framework) inappropriate. Centralized benchmarks risk distorting investor decisions, reducing product diversity, especially for SMEs and thematic funds, and negatively impacting long-term retail investments. For example, while funds' VFM can use average-based ex-post methodologies as one of the criteria, structured products do not have such past data. Furthermore, due to their heterogeneity (payoff, capital protection, credit ratings), peer-grouping and benchmark approaches are not practicable. Therefore, they must be analysed with forward-looking probabilistic approaches. That explains why peer group comparisons are generally not used for structured products.
- That said, for investment funds, market-driven peer-grouping approaches can be envisaged – provided they are based on recognised classifications (e.g., EFAMA's European Fund Classification) and that peer-grouping considers the specificities of the funds. This would allow for relevant comparisons while preserving proportionality and practicality.
- More broadly, asset classes differ in risk and return profiles, requiring tailored VFM evaluations to ensure that products are suitable for the intended client outcomes (e.g. for derivatives – or assimilated, VFM assessment can only be made in relation to costs and charges).
- Investors also pursue diverse financial objectives, such as capital growth, income generation, or capital preservation, which a standardized VFM approach may fail to address adequately.

If a VFM on distribution costs is introduced, distributors should not perform additional checks unless they impose additional costs beyond those already accounted for by the manufacturer.

VFM on distribution costs should be adapted to the product's distribution area (national-specific vs potentially cross border) and channel (e.g., in-person vs. digital). The costs associated with a proximity service cannot be compared with the costs for a digital offer. Nor can they be compared from one country to another (because for each country, these costs are strongly linked to labour costs). Otherwise, due to these higher local costs, the access to financial services could be hindered in countries with high living standards.

Given the multiplicity of business models and associated services (pure players, private banking, retail banking), any comparison can be complex and misleading. To assess distribution costs, distributors should only be required to compare such costs to the array and extent of the services made available to the client in return.

Finally, as proposed by the Danish Presidency, the role of benchmarks, if introduced, should be limited solely as a supervisory tool among others available to national supervisory authorities and should therefore not be made public.

2. Administrative and bureaucratic burdens, and increased complexity of the client's journey

The removal of the best interest test, the "*additional feature*" criterion in the suitability test, and the retention of the current appropriateness test regime have been very positively received by the industry.

Regarding the best interest test, the whole value of a product is more than just its cost and includes qualitative elements. Therefore, the criterion of the "*most cost-efficient*" product should be deleted. Besides, the criterion that challenges financial products with "*features which are not necessary to the achievement of the customer's objectives*" could hinder the marketing of ESG products, structured products with capital guarantees, multi-management funds, currency-hedged funds, or ETFs (whose features, such as continuous listing, are not necessary for all savers and may generate costs) whereas those products may be less costly and perform better than products without this additional feature. It is practically impossible to identify the cost of each "feature" of a product, and sometimes its value cannot be assessed (for instance diversification adds value by itself but only exists by the combination of the different selected products). Therefore, we strongly support the removal of this best interest test.

Regarding the suitability test, the obligation to ensure portfolio diversification by considering assets held with third parties should be deleted. This requirement could prove to be overly complex to implement operationally. Indeed, even if the client is willing to share information about their entire financial portfolio, this obligation would require the bank to analyse all products, including those it does not distribute. This could result in significant costs for the institution — and therefore for the client — without necessarily providing added value that is proportional to the additional cost. In addition, the concrete consequences of this analysis of external positions remain unclear, and its ongoing monitoring impracticable.

In any case, no distinction should be made between independent and non-independent advice in the application of the best interest test or the suitability test. The remuneration model chosen by an adviser (commissions or fees) does not have any impact on the way investment services are provided to the client, since the risks incurred by the latter in both cases are strictly identical. Therefore, the differences in treatment between independent and non-independent advice are not justified by any objective reason and amount to a manifest distortion of competition.

We also regret that no alleviation of the modalities of the assessment of client sustainability preferences is proposed, when the current drafting has demonstrated that it is inefficient (many clients do not specify any preferences, and almost none specify their detailed preferences), complex and burdensome. This assessment should be removed until the ESG regulatory framework provides sufficient useful and reliable data to allow firms to use it for providing reliable sustainable advice.

Regarding the appropriateness test, the two additional criteria (i.e., the client's ability to bear full or partial losses and its risk tolerance) should be deleted. These two criteria complicate the client's journey, make it more costly, confuse the client with the advice service and are a source of disputes. It contradicts the objective of empowering clients to make their own decisions. In addition, many new investors invest through non-advice services, often online, as they want speed and efficiency. This could incentivize clients to turn to less regulated products and providers, such as crypto assets, which do not contribute to financing the European economy.

3. Inducements

The inducement test proposed by the Council introduces excessive and unnecessary complexity and should not be retained. In particular, the criterion aiming to separately identify inducements from "*fees relating to services for other clients*" appears extremely unclear and could hinder the pooling of fees, which is essential for providing services to less affluent clients. Maintaining the inducement regime and transitioning Level 2 provisions to Level 1 would be desirable provided that certain conditions are met:

- No additional regulatory layers should be introduced at Levels 2 and 3, as this would contradict the simplification goal behind merging these levels — an objective repeatedly emphasized by the Commission.
- Any provision that undermines the principle of fee pooling for the benefit of all clients (including the least affluent), and across product classes, should be avoided, especially given that the current texts already contain ambiguities.
- Only a targeted improvement of existing Level 2 requirements, for example, regarding the proportionality of inducements to quality enhancement, should be considered.

On this last issue, we advocate for a consistency check between the level of inducements and the level of services (rather than "service enhancements") made available to all clients being offered a comparable service. Introducing a proportionality requirement between the inducements paid by each client and the services they actually use would effectively result in a ban on inducements or, at the very least, create an advice gap to the detriment of less affluent clients.

Furthermore, to achieve a harmonised regime at the European level, it is essential to prevent Member States from tightening the inducement rules unilaterally. A grandfather clause could be considered for those that have already introduced a ban.

4. Client categorisation

The Danish Presidency's proposals on this topic lack ambition.

Currently, the change in client categorisation must be initiated by the client. A more proactive approach from intermediaries should be possible, as few retail clients are familiar with the details of MiFID regulation.

Moreover, the transaction frequency criterion is difficult to apply across asset classes, particularly for more illiquid assets such as corporate bonds. Therefore, we strongly support additional work at Level 1 to make such a criterion workable, in particular for less liquid asset classes as it is important from an SIU perspective.

As regards the proposed new criteria "c" according to which the client must have carried out, in significant size, on the relevant market at least 5 transactions directly in unlisted companies over the previous year where each transaction amounts to at least EUR 100,000, we have two comments:

- We do not agree with the exclusion of investments through collective undertakings such as AIFs as we see a clear need for more sophisticated retail investors to be able to invest in such instruments, and ultimately in the economy.
- We do not agree with the five-transactions-per-year threshold which seems to be significantly higher than what is observed in practice (two to three transactions per year in such instruments, and not necessarily every year). More importantly, access to funds reserved for professional clients cannot be based on past transactions, as these were previously inaccessible to them. The relevant criterion should therefore be limited to the amount of the intended transaction — for example, €100,000 — rather than based on previous transactions in assets they were not allowed to access. Similarly, vehicles established by professional investor clients (e.g., an SPV set up by two banks or a private holding structure for an ultra-high-net-worth individual) should by nature be considered professional clients, which is currently not the case.

More broadly, given the challenges in defining transaction thresholds that are appropriately tailored to different types of financial instruments, we propose removing the requirement for a fixed number of transactions. Instead, we suggest referring to the relevant transactions carried out by the client over the past three years, thereby allowing for greater flexibility.

Safeguards would remain in place, as access to professional status would still be subject to a robust assessment of both knowledge and experience, under the responsibility of the firm. This ensures that products reserved for professional clients are not offered inappropriately. This approach strikes a balanced compromise between investor protection and the objective of mobilising private capital to support the Union's economic development.

5. PRIIPS

We oppose the increased complexity of the PRIIPs KID through the Retail Investment Strategy. The "*product at a glance*" section should not be added. Adding a preliminary summary to a three-page document that is already concise by nature is redundant and potentially burdensome.

Should a sustainability section be introduced, it must be introduced after SFDR is revised and adapted to each asset class.

In terms of format, proposals for both digitalisation and personalisation of the KID should not be confirmed since their implementation raises serious concerns regarding their technical and legal feasibility and costs implied for firms, without added value and even poses a high risk of misuse, potentially leading to misleading information for end-investors.

The current PRIIPs framework should be amended only through a limited number of very targeted amendments aiming at simplifying the KID on some specific aspects for investment funds:

- Performance scenarios, which can be misleading, should be replaced by past performance data. However, we agree that forward-looking performance is relevant for products embedding a derivative (whether in the form of a fund or a structured product).
- The notion of implicit transaction costs (which reflect market dynamics and momentum rather than actual costs and are extremely difficult to estimate) should be removed from PRIIPs mandatory disclosures for retail clients and possibly made available on demand.
- Transaction costs, which are inherently variable and contingent on portfolio turnover and market conditions, should be classified separately from recurring costs.
- In addition, we believe that the existing display of cost ranges already in place for the KID, as per the current RTS, is relevant for Multi-Option Products.