

France Invest comments on the proposed RIS

France Invest fully supports the European Commission's objective to develop a coherent regulatory framework to empower consumers, enhance their participation in EU capital markets and help improved market outcomes.

France Invest stands for the three most central aspects of the Commission's proposed Directive: ensuring good value for money for clients; addressing potential bias in the advice process; treating clients based on their characteristics. We also wholeheartedly support the Commission's proposal to improve financial literacy. Nonetheless, we believe the current proposal should be improved. In particular, managers marketing to professional-only clients should be more explicitly exempt from the rules set in the Retail Investment Strategy.

Regarding cost disclosure, our industry is already well regulated. In our view, the introduction of a cap on the turnover of AIFMs or on the fees and expenses charged by funds is not justified. Most importantly, costs should be assessed in relation to benefits (volatility, investment strategy and expected net returns...). It should also be noted that fees are not always possible to calculate prior to the fund marketing and not easily comparable from fund to fund. Last, the methodology proposed for developing benchmarks should be clarified. In the case of VC/PE funds, the development of benchmarks should be reconsidered at the occasion of the review of the Directive, as data is currently not sufficient to build relevant standards.

Concerning inducements, cultural differences among the Member States should be taken into account. It should be kept in mind that the alignment of the inducement regime set out in the IDD on that of the MiFID will have a significant impact, considering that advice is not as widespread in the case of the distribution of insurance products. In any case, it is vital that investment firms can find a source of income, either commissions or other remunerations. In particular, it should be allowed for two entities to agree on sharing the remuneration relating to a single transaction which remunerates the provision of the service of advice provided by one entity and the service of RTO provided by the other entity. The review should take place in five years. Last, the enhanced test on quality of advice should better take into account the specificities of VC/PE.

We warmly welcome the Commission's proposal to review the classification of clients under the MiFID and suggest further improvements. The first criterion of the fitness test should take into account the type of fund. The second criterion of the fitness test should include the value of clients' financial instruments held directly and indirectly and be assessed at the time of the transaction. Last, we propose introducing an additional criterion on the "size of commitment" which could helpfully replace the first two.

France Invest also supports the Commission's aim to improve the PRIIPs KID. However, the proposed new section "Product at a glance" is not well balanced and will increase the length of the document. Also, the proposed new section "How environmentally sustainable is this product?" should articulate smoothly with other requirements and practices, in particular in relation to sustainability preferences and greenhouse gas emissions intensity, and allow two additional items.

The KID should be made available only to relevant investors and kept only during the marketing period of the fund. Closed ended funds which are no longer open for subscriptions should not be required to update their PRIIPs KID and PRIIPs which are marketed at the time of entry into application of the revised Regulation should be exempt from the obligation to have a new KID.

Last, the KID should better take into account the specificities of VC/PE funds, for instance in relation to the use of carried interest, performance scenarios, the closed-ended nature of the funds and their holding period.