Council of the European Union

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SUMMARY RECORD

PERMANENT REPRESENTATIVES COMMITTEE

11, 12 and 14 June 2024

On pages 5, 6 and 7 of document ST 11760/24 ADD 1, item 28 should read as follows:

COREPER (PART 2)

Statements to the "I" items set out in doc. 10964/1/24 REV 1

Economic and Financial Affairs

28. Retail Investment Strategy ❶C 10825/24 EF

(a) Retail Investment Directive 10825/24 ADD 1

(b) Retail Investment Regulation (PRIIPs) 10825/24 ADD 2
Mandate for negotiations with the European Parliament

Statement by the Commission

"The Commission welcomes the swift progress by the Council on the preparation and adoption of its Decision authorising the European Commission to participate, on behalf of the European Union, in negotiations on an additional protocol to the Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism (CETS No. 198).
However, the Commission considers that the possible revision or further development of negotiating directives as set out in Article 1(2) of the Council Decision must be subject to the Commission's right of initiative on these matters.
The Commission reserves all its rights in these matters."

Statement by Poland

"Poland supports the proposal and the goals that RIS aims to achieve, that is to provide retail investors with the opportunity to make more informed investment decisions in order to invest to a greater extent in products offered on European financial markets. Nevertheless, in PL's opinion, the drafted provisions on Value for Money are too far-reaching and to some extent contradict the above mentioned objectives. Creating two separate mechanisms for comparing products in the form of peer groups and EU benchmarks will expand the entire process and make it overly complicated and cumbersome without any clear benefit to retail customers. Such a move could weaken the international position of EU markets, raising costs for their participants, which may translate into outflow of retail customers from these markets. In spite of these concerns, PL supports the adoption of the whole Retail Investment Strategy."

Statement by Luxembourg

"Luxembourg supports the core objectives of the Retail Investment Strategy (RIS).

However, a number of elements in the text risk introducing additional fragmentation in the internal market. This is the case in particular for the options in relation to the national benchmarks, the opt-in mechanism, the inducement test, as well as the prior notification of marketing communications. This fragmentation will undermine the seamless flow of cross-border investments. Furthermore, the RIS text introduces significant additional administrative burden for financial intermediaries, with no commensurate beneficial effect on the protection of the retail investor.

Luxembourg believes that further adjustments will be necessary on these elements during the trilogue process in order to ensure that the compromise package on the RIS will effectively achieve its stated objectives."

Statement by Denmark

"Denmark strongly supports the objectives of the proposal on the retail investment strategy to strengthen the system and improve governance procedures to secure better products, more objective advice and empower consumers to make sound investment decisions.

We recognize that the Presidency has contributed to significant progress on this file. However, we regrettable do not consider the compromise proposal to meet the ambitions of improving product governance and cost-efficiency in investment products in the EU and ensuring that customers only pay for the services they receive.

In particular, the Value-for-Money approach has the potential to succumb to an overly complex system with excessive burdens on both market participants and competent authorities. We applaud the Presidency in seeking solutions to improve not only cost aspects but also strengthening the product governance procedures within the entities as well as gaining experience in the authorities with a new approach. Overall, we believe the peer group analysis as a basis for the Value-for-Money approach would bring about the desired change and contribute to better results. We could also support ensur-ing a proportional approach to lighten the burden of smaller entities.

However, the combination of peer group analysis, with Member State and entity opt-in variations, na-tional benchmark systems combined with potentially binding supervisory EU benchmarks will result in an overly complex system. We are concerned that burdens and obligations on the market participants will be unclear especially combined with many aspects of reporting and methodology only to be dealt with at level 2 based on broad mandates to the

European Insurance and Occupational Pensions Au-thority, the European Securities and Markets Authority and the Commission. We are also concerned that the proposal will lead to an unwanted market fragmentation. Thus, we fear that this would be detrimental to the overall added value and finally the benefits for retail investors and customers.

We support the objectives of the proposal of RIS, however in our view, certain aspects of the proposal should have been more adequately addressed. We recognize the texts reflect a compromise in the Council and find it important to ensure an efficient and practical approach to ensuring a simple system for reporting as well as compliance with the new rules to preserve trust in the investment prod-ucts and services. We hope to revisit these issues especially the complexity and the burdens on mar-ket participants and competent authorities during the trilogue negotiations."

<u>Statement by the Netherlands</u>

"The Netherlands has always been a strong supporter of the Package. Effective and efficient measures are essential to boost the trust of consumers in investment services and products, allow good access to capital markets, increase participation, and allow them to meet their financial meets. Moreover, this stimulate mobilizing private capital in light of the CMU and contributes to the need for more financing for the green and digital transitions.

The Netherlands acknowledges the efforts made by the Spanish and Belgian Presidency in order to achieve the objectives of the Retail Investment Package.

However, the Netherlands would like to take this opportunity to share its concerns with the outcomes of the negotiations regarding the lack of strict inducement and Value-for-Money rules at a EU-level. Since these two measures are at the heart of the proposal, we believe the Package's ability to bring about the necessary and fundamental change has been greatly reduced.

Moreover, the Netherlands remains concerned about the many questions that remain about the Value-for-Money regime, seeing a high risk of disproportional and high compliance costs for Member States who have a full inducement ban in place.

While the Netherlands is willing to achieve a compromise, we would support continuing the discussions in the trialogue negotiations in order to reach to a workable, pragmatic compromise solution for these issues."

<u>Statement by Finland</u>

"Finland strongly supports the objectives of the Retail Investment Strategy to ensure that retail investors are empowered to make more informed investment decisions and are adequately protected in the single market by a coherent regulatory framework. Enhancing the trust and confidence of the retail investor can build up increased retail investor participation.

The most effective way to boost retail participation in the European Union is to ensure that cost-effective products that provide value for money to the retail investor are accessible in the market. The ability of the retail investor to rely on the service provider without compromising the client's best interest is a key component of enhancing trust in financial markets.

Increasing the retail participation as part of actions to unlock the full potential of Capital Markets Union is an important measure to increase the access to capital in regards of EU companies' competitiveness.

Finland recognizes the hard work of the Presidency and supports the outcome of Council negotiations. Finland sees, however, that the outcome on the Retail Investment Strategy is not aligned with the April 2024 European Council conclusions as regards the Capital Markets Union. Finland emphasizes that the objectives the Capital Markets Union should be more ambitiously supported by the Retail Investment Strategy which delivers only minor improvements to the retail sector."

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❶ First reading

Ⓒ Item based on a Commission proposal