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From: Commission

To: Delegations

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Subject: Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Directives (EU) 2009/65/EC, 2009/138/EC, 2011/61/EU, 2014/65/EU and (EU) 2016/97 as regards the Union retail investor protection rules

Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Regulation (EU) No 1286/2014 as regards the modernisation of the key information document

- revised legislative financial statement

Delegations will find attached the **revised legislative financial statement** concerning the Retail Investment Strategy (the initial legislative financial statement was circulated s part of the Commission proposal for the Directive set out in doc. 9671/23).

REVISED LEGISLATIVE FINANCIAL STATEMENT ‘AGENCIES’

Accompanying the

Directive of the European Parliament and of the Council amending Directives (EU) 2009/65/EC, 2009/138/EC, 2011/61/EU, 2014/65/EU and (EU) 2016/97 as regards the Union retail investor protection rules,

and the

Regulation of the European Parliament and of the Council amending Regulation (EU) No 1286/2014 as regards the modernisation of the key information document

In compliance with Article 35(1) of Financial Regulation (EU, Euratom) 2024/2509, this Legislative Financial Statement reflects impacts on the budget resulting from the legislative proposals of 24 May 2023 relating to the European Commission’s Retail Investment Strategy, including the appreciable impacts of amendments made thereon by the Union institutions.

The amended legislation has budgetary implications as a consequence of a number of new tasks conferred respectively to the European Securities and Markets Authority (ESMA) and the European Insurance and Occupational Pensions Authority (EIOPA), which are decentralised agencies in the sense of Article 70 of the Financial Regulation.

The financial and budgetary impacts of this legislation are explained in detail in this document.

Legislative Financial Statement – Retail Investment Strategy

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1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

1.1. Title of the proposal/initiative

Package of measures aimed at implementing the retail investment strategy

1.2. Policy area(s) concerned

Policy area: Internal Market

Activity: Financial markets

1.3. The proposal relates to

- a new action
- a new action following a pilot project/preparatory action¹
- the extension of an existing action
- a merger of one or more actions towards another/a new action

1.4. Objective(s)

1.4.1. *General objective(s)*

¹ As referred to in Article 58(2)(a) or (b) of the Financial Regulation.

The general objectives of the initiative are to strengthen the protection framework for retail investors to empower them when taking investment decisions and to ensure their fair treatment when using investment services in order to achieve better investment performance. The retail investment strategy also aims to improve the efficiency and integration of the internal market across all retail financial services.

1.4.2. *Specific objective(s)*

The specific objectives of this initiative are as follows:

Improving information provided to investors and their ability to take well-informed investment decisions. The initiative aims to improve the legal framework by adapting disclosures to the digital environment, making disclosures more relevant for retail investors and ensuring retail investors receive marketing communications, also through online channels, that are relevant and not misleading.

Better aligning interests between intermediaries and investors. The improvements to the framework would ensure that the advice given to retail investors is not biased by monetary or non-monetary incentives provided by product manufacturers to intermediaries, is of good quality and adapted to their needs, preferences and objectives.

Ensuring that retail investors are offered cost-effective products. A strengthened approach in the legislative framework based around the value offered aims to help retail investors achieve better returns and easier access to more cost-efficient retail investment products.

1.4.3. *Expected result(s) and impact*

Specify the effects which the proposal/initiative should have on the beneficiaries/groups targeted.

The proposals are expected to bring greater coherence to the legislative framework whilst reinforcing investor protection rules. They should achieve this by taking a holistic approach, looking across the different legislative instruments and seeking to address identified problems through a variety of measures. In particular, the proposals address how disclosures are made to retail investors and the rules on marketing communications in an increasingly digital environment, managing potential conflicts of interest that arise as a consequence of the payment of inducements and ensuring that value for money is appropriately reflected in existing product approval processes. The legislative package features a number of additional measures aimed at enhancing financial literacy, making it easier for more experienced investors to be classified as professional investors, strengthening the rules around suitability and appropriateness assessments, raising standards around the professional qualification of advisors as well as a number of measures designed to improve supervisory enforcement.

1.4.4. *Indicators of performance*

Specify the indicators for monitoring progress and achievements.

Non-exhaustive list of potential indicators:

- The European Securities and Markets Authority (ESMA) and the European Insurance and Occupational Pensions Authority (EIOPA) will be tasked with monitoring the effectiveness of digital disclosures.
- Change in number of complaints regarding quality/lack of information
- Evaluation of role of disclosure to take well-informed investment decisions
- Number of risk warnings regarding particularly risky products
- Evaluation of investor's ability to discern essential product information from new marketing disclosure format
- Emerging marketing-related trends and risks
- Distribution of retail investment products per investment type
- Change in total number of complaints regarding investment advice, portfolio management and execution of orders
- Change in number of complaints according to firm type
- Distribution of costs and performance per investment type
- Reduction in costs of investment products
- Change in number of complaints regarding fees and charges

1.5. Grounds for the proposal/initiative

1.5.1. Requirement(s) to be met in the short or long-term including a detailed timeline for roll-out of the implementation of the initiative

These proposals should address the following challenges:

1. Retail investors lack relevant, comparable and easily understandable investment product information, while being inappropriately influenced by marketing communications.

Relevant, comparable and easily understandable information about investment products is important to help retail investors make well-informed decisions. That purpose is however hindered by several factors that limit the ability of investors to use and understand the information they receive – some related to deficiencies in the retail disclosure framework, others related to insufficient levels of financial literacy. The information documents provided to retail investors are rarely engaging and their layout is frequently very dense and not reader friendly. Insufficient levels of financial literacy make it harder for investors to find and assess available information and reflect it in their investment decisions.

Current disclosure rules are not sufficiently helping consumers overcome the underlying complexity of retail investment products. As a consequence, there is further potential for disclosures to better help retail investors make their decisions.

Retail investors are increasingly exposed to the influence of social media and online marketing. The current framework has not been sufficiently adapted to the increasing use of digital channels for retail investing. In addition, the current framework does not reflect the growing need of inclusion of sustainability preferences of retail investors.

2. Shortcomings in the investment product manufacturing and distribution process related to the payment of inducements and the extent to which product design reflects cost-efficiency and value for the retail investor.

Some products offered and recommended to retail investors do not deliver satisfactory investment results and do not best serve their interests, nor correspond to their investment objectives, needs and preferences. Both EIOPA and ESMA have found that certain products offered to retail investors (e.g. certain structured investment products or insurance-based investment products) have in recent years offered very low if not negative returns, especially after deduction of fees.

Particularly costly are products that include the payment of inducements for financial intermediaries in the distribution process. Despite the existing safeguards to mitigate the resulting conflicts of interest, investors are still advised products that do not offer them the best value nor help them to achieve their long-term investment goals.

Jointly, these problems have the following consequences:

1. Investors may not be duly protected or treated fairly;
2. Some investors do not achieve good outcomes on their investment due to poor quality products, making it harder to accumulate capital to finance their retirement needs or other life goals;
3. As retail investors achieve suboptimal results and do not understand why their financial products did not yield a satisfying performance, their confidence in capital markets may be undermined and their willingness to invest in the first place discouraged;
4. The resulting lower retail investor engagement may constrain efforts to achieve a more efficient, developed and integrated capital market within the EU.

1.5.2. Added value of Union involvement (it may result from different factors, e.g. coordination gains, legal certainty, greater effectiveness or complementarities). For the purposes of this point 'added value of Union involvement' is the value resulting from Union intervention which is additional to the value that would have been otherwise created by Member States alone.

Reasons for action at European level (ex-ante)

The legal framework governing retail investor protection is extensive and largely harmonised at EU level. Notwithstanding this extensive body of legislation at EU level, the evidence gathering exercises have identified a number of significant shortcomings, in particular with respect to the way retail investment products are distributed and the way information is provided to retail investors. Action is required at EU level as the options considered in this impact assessment necessitate the modification of the existing legal framework, consisting of EU Directives and Regulations. Individual initiatives at Member State level are therefore not suitable, insofar as the proposed amendments will be made to EU Directives and Regulations and consequently beyond the scope of the legislative competence of Member States.

Expected generated Union added value (ex-post)

Ensuring a coherent investor protection framework that empowers consumers to take financial decisions and benefit from the internal market can only be achieved at EU level, in close cooperation with Member States.

As the current retail investor protection framework largely consists of different EU legal instruments, in order to address the problems identified in this impact assessment and to facilitate cross-border retail investor participation in the EU, this framework may only be amended at EU level to update investor protection rules. Acting at the EU level and harmonising the operational requirements of service providers as well as the disclosure requirements imposed reduces the complexity and administrative burdens for stakeholders and promotes financial stability.

1.5.3. Lessons learned from similar experiences in the past

The evaluation and impact assessment accompanying the legislative proposal have assessed how the existing framework has performed and identify a number of shortcomings, in particular with respect to the way some products incorporate high costs by design, and the lack of salience of the disclosure documents that are provided to retail investors. Behavioural testing by EIOPA prior to finalisation of the design of the Pan-European Personal Pension Product (PEPP) key information document has proven beneficial, and similar approaches would be appropriate when ESMA and EIOPA implement the changes to disclosure rules that form part of this legislative package.

1.5.4. Compatibility with the Multiannual Financial Framework and possible synergies with other appropriate instruments

The objectives of the initiative are consistent with a number of other EU policies and ongoing initiatives, in particular with the Union policies aimed at creating a Savings and Investments Union (SIU). In its September 2020 New Capital Markets Union Action Plan, the European Commission announced its intention to come forward with a strategy for retail investments in Europe that seeks to ensure that retail investors can take full advantage of capital markets and that rules are coherent across legal instruments.

The legislative proposal would have a very limited impact on the Multiannual Financial Framework (MFF), as it foresees additional Union contribution to ESMA and EIOPA stemming from the additional 16 Full-time Equivalents (FTEs) (7 Temporary Agents and 9 Contract Agents) that the Authorities would receive to implement the additional tasks conferred by the legislators.

This will translate into a proposal to increase the authorised staff of the agencies during the future annual budgetary procedure. The agencies will continue to work towards maximising synergies and efficiency gains (inter alia via IT systems), and closely monitor the additional workload associated with this proposal, which would be reflected in the level of authorised staff requested by the agencies in the annual budgetary procedure.

1.5.5. Assessment of the different available financing options, including scope for redeployment

Both ESMA and EIOPA were asked whether fees levied on firms might be an alternative way to cover the costs of various initiatives. They concluded that such an approach would be difficult to justify, as the considered measures are not directly linked to supervisory powers, but part of developing the regulatory framework.

1.6. Duration and financial impact of the proposal/initiative

limited duration

- Proposal/initiative in effect from [DD/MM]YYYY to [DD/MM]YYYY
- Financial impact from YYYY to YYYY

unlimited duration

- Implementation with a start-up period from 2026 to 2027,
- followed by full-scale operation.

1.7. Method(s) of budget implementation planned²

Direct management by the Commission through

- executive agencies

Shared management with the Member States

Indirect management by entrusting budget implementation tasks to:

- international organisations and their agencies (to be specified);
- the EIB and the European Investment Fund;
- bodies referred to in Articles 70 and 71;
- public law bodies;
- bodies governed by private law with a public service mission to the extent that they are provided with adequate financial guarantees;
- bodies governed by the private law of a Member State that are entrusted with the implementation of a public-private partnership and that are provided with adequate financial guarantees;
- bodies or persons entrusted with the implementation of specific actions in the Common Foreign and Security Policy (CFSP) pursuant to Title V of the Treaty on European Union (TEU), and identified in the relevant basic act.

Comments

2. MANAGEMENT MEASURES

2.1. Monitoring and reporting rules

Specify frequency and conditions.

In line with already existing arrangements, the ESAs prepare regular reports on their activity (including internal reporting to Senior Management, reporting to Boards and the production

² Details of budget implementation methods and references to the Financial Regulation may be found on the BUDGpedia site: <https://myintracomm.ec.europa.eu/corp/budget/financial-rules/budget-implementation/Pages/implementation-methods.aspx>

of the annual report), and are subject to audits by the Court of Auditors and the Commission's Internal Audit Service on their use of resources and performance. Monitoring and reporting of the actions included in the proposal will comply with the already existing requirements, as well as with any new requirements resulting from this proposal.

2.2. Management and control system(s)

2.2.1. Justification of the management mode(s), the funding implementation mechanism(s), the payment modalities and the control strategy proposed

The tasks will be implemented by EIOPA's and ESMA's indirect management with funding provided through the Union subsidy to the authorities and from the contributions of the National Competent Authorities (NCAs) in accordance with the normal funding formula (40% Union, and 60% Member State NCAs plus the contribution of EFTA NCAs and the NCA share of employer's pension contributions).

In accordance with Article 30 of their Financial Regulations, EIOPA and ESMA are to implement their budgets in compliance with effective and efficient internal control, which should be based upon best international practices and on the Internal Control Framework laid down by the Commission for its own departments.

In accordance with Article 70.5 of Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council (the Financial Regulation), the Internal Auditor of the Commission is also the Internal Auditor of EIOPA and ESMA. In particular, in accordance with Article 78.3 of the Financial Regulations of EIOPA and ESMA, the Commission's Internal Auditor (i.e. the Internal Audit Service) is responsible for:

- (a) assessing the suitability and effectiveness of internal management systems and the performance of departments in implementing programmes and actions by reference to the risks associated with them;
- (b) assessing the efficiency and effectiveness of the internal control and audit systems applicable to each operation for implementation of the budget of the Union body.

These responsibilities of the Internal Audit Service will also extend to the tasks implemented by EIOPA and ESMA in accordance with the proposed legislation.

As well as the work of the Internal Audit Service, EIOPA and ESMA are subject to external audit including by the European Court of Auditors, which in accordance with Article 104 of the Financial Regulations of EIOPA and ESMA, shall each year prepare specific annual reports on EIOPA and ESMA in line with the requirements of Article 287(1) *of the Treaty on the Functioning of the European Union*.

2.2.2. Information concerning the risks identified and the internal control system(s) set up to mitigate them

Management and control systems are provided in the Regulations currently governing the functioning of the ESAs. These bodies work closely together with the Internal Audit Service of the Commission to ensure that the appropriate standards are observed in all areas of the internal control framework. Every year, the European Parliament, following a recommendation from the Council, grants discharge to each ESA for the implementation of their budget.

2.2.3. *Estimation and justification of the cost-effectiveness of the controls (ratio of "control costs ÷ value of the related funds managed"), and assessment of the expected levels of risk of error (at payment & at closure)*

Management and control systems as provided for in the ESAs Regulations are already implemented and deemed to be cost effective. The Regulation is regularly reviewed, and the risks of error are expected to be low.

2.3. Measures to prevent fraud and irregularities

Specify existing or envisaged prevention and protection measures, e.g. from the Anti-Fraud Strategy.

For the purpose of combating fraud, corruption and any other illegal activity, the provisions of Regulation (EU, Euratom) N°883/2013 of the European Parliament and of the Council of 11 September 2013 concerning investigations conducted by the European Anti-Fraud Office (OLAF) apply to the EESAs without any restriction. The ESAs have a dedicated anti-fraud strategy and resulting action plan. The ESAs' actions in the area of anti-fraud will be compliant with the Financial Regulation, OLAF's fraud prevention policies, the provisions provided by the Commission Anti-Fraud Strategy (COM(2019)196) as well as the Common Approach on EU decentralised agencies (July 2012) and the related roadmap. In addition, the Regulations establishing the ESAs as well as the ESAs' Financial Regulations set out the provisions on implementation and control of the ESAs' budgets and applicable financial rules, including those aimed at preventing fraud and irregularities.

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected

- Existing budget lines

In order of multiannual financial framework headings and budget lines.

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Number	Diff./Nondiff. ³⁴	from EFTA countries ⁴⁴	from candidate countries ⁵	from third countries	within the meaning of Article 21(2)(b) of the Financial Regulation
1	EIOPA: <03.10.03>	Diff.	NO	NO	NO	NO
1	ESMA: <03.10.04>	Diff.	NO	NO	NO	NO

- New budget lines requested

Not applicable

³ Diff. = Differentiated appropriations / Non-diff. = Non-differentiated appropriations.

⁴ EFTA: European Free Trade Association.

⁵ Candidate countries and, where applicable, potential candidates from the Western Balkans.

3.2. Estimated financial impact of the proposal on appropriations

3.2.1. Summary of estimated impact on operational appropriations

- The proposal/initiative does not require the use of operational appropriations
- The proposal/initiative requires the use of operational appropriations, as explained below

3.2.1.1. Appropriations from voted budget

EUR million (to three decimal places)

Heading of multiannual financial framework		Number	-		
DG: FISMA			Year	Year	TOTAL MFF 2026-27
			2026	2027	
Budget line	Commitments	(1a)			
	Payments	(2a)			
Budget line	Commitments	(1b)			
	Payments	(2b)			
Appropriations of an administrative nature financed from the envelope of specific programmes					
Budget line		(3)			
TOTAL appropriations for DG FISMA	Commitments	=1a+1b+3	0	0	0
	Payments	=2a+2b+3	0	0	0

As agreed by co-legislators, the Commission has accepted to undertake a feasibility study on the establishment of a pan-European online comparison tool utilizing data that can be extracted from machine-readable PRIIPs KIDs and to inform the Parliament and Council of its findings by 31 December 2030. The conduct of the study will need to allow sufficient time for the implementation of machine-readable PRIIPs KIDs and work is likely to commence only in 2029.

Accordingly, even though there is no impact on the current MFF, and without prejudicing any decisions on the future MFF, emphasis is added that Commitment and Payment appropriations would have to be planned under the MFF 2028-34 for an amount of €500,000 for the conduct of a feasibility study by the Commission services (DG FISMA) in 2029.

EUR million (to three decimal places)

Agency: EIOPA	Year 2026	Year 2027	TOTAL MFF 2026-2027
Budget line: 03.10.03 00/ EU Budget contribution to the agency	0,231	0,323	0.554

Agency: ESMA	Year 2026	Year 2027	TOTAL MFF 2026-2027
Budget line: 03 10 04 00 / EU Budget contribution to the agency	0.410	0.392	0,802

Due to the longer than planned negotiations of the proposal the preparatory tasks for the implementation of the proposal are shifted from the year 2025 to 2026/2027. As a result, the financial resources needed in 2025 decreased (and this was reflected in the amending budget 3/2025, increasing the margin of heading 1) whereas in 2027, financial resources are higher than originally envisaged by EUR 169 500 overall as regards the EU contribution for both agencies. This amount will be covered by redeployments within the Heading 1 of the European budget.

Staff expenditure would actually be incurred as from July 2026 for both EIOPA and ESMA. In addition, the outcome of the legislative process should result in lower operational expenses than originally envisaged in the first years, in particular with respect to the development of value for money benchmarks.

		Year	Year	Year	TOTAL MFF 2026- 2027
			2026	2027	
TOTAL operational appropriations (including contribution to decentralised agency)	Commitments	(4)	0,641	0,715	1,356
	Payments	(5)	0,641	0,715	1,356
TOTAL appropriations of an administrative nature financed from the envelope for specific programmes		(6)	0	0	0
TOTAL appropriations under HEADING 1 of the multiannual financial framework	Commitments	=4+6	0,641	0,715	1,356
	Payments	=5+6	0,641	0,715	1,356

Heading of multiannual financial framework	7	'Administrative expenditure'
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EUR million (to three decimal places)

DG: FISMA	Year 2026	Year 2027	TOTAL MFF

				2026-2027
• Human resources		0	0	0
• Other administrative expenditure		0	0	0
TOTAL DG FISMA	Appropriations	0	0	0

TOTAL appropriations under HEADING 7 of the multiannual financial framework	(Total commitments = Total payments)	0	0	0
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EUR million (to three decimal places)

		Year 2026	Year 2027	TOTAL MFF 2026-2027
TOTAL appropriations under HEADINGS 1 to 7	Commitments	0,641	0,715	1,356
of the multiannual financial framework	Payments	0,641	0,715	1,356

3.2.2. *Summary of estimated impact on administrative appropriations*

Not applicable

3.2.3. *Estimated requirements of human resources*

Not applicable

3.2.4. *Overview of estimated impact on digital technology-related investments*

Not applicable

3.2.5. *Compatibility with the current multiannual financial framework*

Not applicable

3.2.7. *Third-party contributions (not to be completed for decentralised agencies)*

Not applicable

3.2.8. *Estimated human resources and the use of appropriations required in a decentralised agency*

Staff requirements (full-time equivalent units)

Agency: EIOPA	Year 2026	Year 2027
Temporary agents (AD Grades)	1	1
Temporary agents (AST grades)		1
Temporary agents (AD+AST) subtotal	1	2
Contract agents	1	1
Seconded national experts		
Contract agents and seconded national experts subtotal	1	1
TOTAL staff	2	3

Agency: ESMA	Year 2026	Year 2027
Temporary agents (AD Grades)	2	2
Temporary agents (AST grades)		
Temporary agents (AD+AST) subtotal	2	2
Contract agents	4	4
Seconded national experts		
Contract agents and seconded national experts subtotal	4	4
TOTAL staff	6	6

Appropriations covered by the EU budget contribution in EUR million (to three decimal places)

Agency: EIOPA	Year 2026	Year 2027	TOTAL 2026-27

Title 1: Staff expenditure	0,043	0,117	0.160
Title 2: Infrastructure and operating expenditure	0,013	0,033	0.046
Title 3: Operational expenditure	0,175	0,173	0.348
TOTAL of appropriations covered by the EU budget	0,231	0,323	0,554

Agency: ESMA	Year 2026	Year 2027	TOTAL 2026-27
Title 1: Staff expenditure	0,099	0,202	0,301
Title 2: Infrastructure and operating expenditure	0,026	0,053	0,079
Title 3: Operational expenditure	0,285	0,137	0,422
TOTAL of appropriations covered by the EU budget	0,410	0,392	0,802

Appropriations covered by fees, if applicable, in EUR million (to three decimal places)

Not applicable

Appropriations covered by co-financing, if applicable, in EUR million (to three decimal places) – National Competent Authorities

Agency: EIOPA	Year 2026	Year 2027	TOTAL 2026-27
Title 1: Staff expenditure	0,074	0,202	0,276
Title 2: Infrastructure and operating expenditure	0,020	0,050	0,070
Title 3: Operational expenditure	0,263	0,260	0,523
TOTAL of appropriations covered by the EU budget	0,357	0,512	0,869

Agency: ESMA	Year 2026	Year 2027	TOTAL 2026-27
Title 1: Staff expenditure	0,168	0,342	0,510
Title 2: Infrastructure and operating expenditure	0,039	0,080	0,119
Title 3: Operational expenditure	0,428	0,205	0,633
TOTAL of appropriations covered by the EU budget	0,635	0,627	1,262

Overview/summary of human resources and appropriations (in EUR million) required by the proposal/initiative in a decentralised agency

Agency: EIOPA	Year 2026	Year 2027	TOTAL 2026 - 2027
Temporary agents (AD+AST)	1	2	-
Contract agents	1	1	-
Seconded national experts	0	0	-
Total staff	2	3	-
Appropriations covered by the EU budget	0,231	0,323	0.554
Appropriations covered by fees (not applicable)	0.000	0.000	0.000
Appropriations co-financed	0,357	0,512	0,869
TOTAL appropriations	0,588	0,835	1,423

Agency: ESMA	Year 2026	Year 2027	TOTAL 2026 - 2027
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Temporary agents (AD+AST)	2	2	-
Contract agents	4	4	-
Seconded national experts	0	0	-
Total staff	6	6	-
Appropriations covered by the EU budget	0.410	0.392	0,802
Appropriations covered by fees (not applicable)	0.000	0.000	0.000
Appropriations co-financed	0,635	0,627	1,262
TOTAL appropriations	1,045	1,019	2,064

3.3. Estimated impact on revenue

- The proposal/initiative has no financial impact on revenue.
- The proposal/initiative has the following financial impact:
- on own resources
- on other revenue
- please indicate, if the revenue is assigned to expenditure lines

EUR million (to three decimal places)

Budget revenue line:	Appropriations available for the current financial year	Impact of the proposal/initiative ⁶							
		Year N	Year N+1	Year N+2	Year N+3	Enter as many years as necessary to show the duration of the impact (see point 1.6)			
Article									

For miscellaneous 'assigned' revenue, specify the budget expenditure line(s) affected.

Specify the method for calculating the impact on revenue.

Appendix to the Legislative Financial Statement

⁶ As regards traditional own resources (customs duties, sugar levies), the amounts indicated must be net amounts, i.e. gross amounts after deduction of 20 % for collection costs.

General Assumptions:

- Legislation enters into force in mid 2026.
- The cost of additional staff expenditure (Title 1) has been calculated using the average staff costs applicable from January 2023 of EUR 142 000 per Temporary Agent and EUR 62 000 per Contract Agent (i.e., the total standard average costs per Temporary Agent and per Contract Agent after subtracting the standard EUR 29 000 cost for the building and IT costs associated with additional FTEs, known as ‘habillage’).
The current correction coefficients applicable for EIOPA in Frankfurt (100.6) and ESMA in Paris (116.8) were applied to these standard costs, which were then indexed at 2% from 2024 (as is standard practice when programming the Union budget on the basis that that in some years inflation may be less and in others it may be more).
- The cost of additional infrastructure and operating expenditure (Title 2) has been calculated by applying the EUR 29 000 standard ‘habillage’ cost of building and IT per FTE applicable to LFS calculated in 2023 plus a standard cost allowance of EUR 2 500 per FTE for other administrative costs not covered by the ‘habillage’ allocation (i.e. EUR 31 500 per FTE). As for the Title 1 staff expenditure costs, the EUR 31 500 per FTE has been indexed at 2% as from 2024.

Justification for the levels of resources requested (staff and operational costs)

Requested resources are necessary for the performance and delivery of the following tasks by EIOPA and ESMA:

ESMA	EIOPA
<p>RTS for the development of an EU template for costs and inducements disclosures under MiFID II, prior to the conclusion of a transaction (including RTS on terminology, calculation method and related explanations).</p> <p>Delivery: 12 months after entry into force.</p>	<p>RTS for the development of:</p> <ul style="list-style-type: none"> - all pre-contractual disclosures under Art 29(1) IDD, including an EU template for cost disclosures. - the annual statement <p>Delivery: 18 months after entry into force.</p>
<p>Technical advice to ensure compliance by investment firms with principles set out in MiFID II under the revised Art 24 (investor protection and acting in the best interest of the clients) and the new Article 24b (information on costs and inducements)</p> <p>Delivery: no date specified, but will need to fit into the general timeline for the application of the Directive.</p>	<p>Technical advice on the criteria for assessing compliance with the obligations to act honestly, fairly and professionally in respect of advice given on an independent basis, the criteria for assessing whether an inducement offers tangible benefit and is proportionate and the criteria for an appropriate reclaiming mechanism. Delivery: no date specified.</p>
<p>Technical advice on the use of “vital information” in marketing communications under MiFID and the conditions with which marketing communications and marketing practices should comply. Delivery: no date specified but will need to fit into the general timeline for the application of the Directive.</p>	<p>Technical advice on the use of “vital information” in marketing communications under IDD and the conditions with which marketing communications and marketing practices should comply. Delivery: no date specified but will need to fit into the general timeline for the application of the Directive.</p>
<p>Value for Money peer grouping: technical advice to specify the criteria:</p> <ul style="list-style-type: none"> - for the selection of eligible financial instruments for the composition of peer groups for “value for money” assessment, - to determine whether the financial instrument offers value for money to retail clients where there are no or very limited comparable financial instruments available; - to specify the modalities of the value for money assessment within the relevant peer group. <p>Delivery: no date specified but will need to fit into the general timeline for the application of the Directive.</p> <p>ESMA to organise new data collection on distribution costs. In addition to IT development, ESMA will need to develop ITS on:</p> <ul style="list-style-type: none"> - the format and data standards for the report on distribution costs; 	<p>Value for Money benchmarking:</p> <ul style="list-style-type: none"> - development of Union supervisory benchmarks - Technical advice to specify the criteria to determine whether the costs and charges of an insurance-based investment product are justified and proportionate for the purposes of the value for money assessment. - guidelines on the methodology for national benchmarks - monitoring of implementation of national benchmarks. <p>Delivery: no date specified but will need to fit into the general timeline for the application of the Directive.</p>

<ul style="list-style-type: none"> - the methods and arrangements for submitting the report on distribution costs <p>Delivery: 12 months after entry into force of the Directive.</p>	
<p>Technical advice on undue costs specifying the minimum requirements to prevent undue costs from being charged to the UCITS/AIF and unit holders/shareholders. Delivery: no date specified but will need to fit into the general timeline for the application of the Directive.</p>	
<p>Technical advice to review requirements in annex I of the omnibus Directive (client categorisation). Delivery: no date specified but will need to fit into the general timeline for the application of the Directive.</p>	
<p>Where necessary technical advice on professional requirements (Annex V). Delivery: no deadline, only if, in the future, it appears necessary.</p>	
<ul style="list-style-type: none"> - Investor journey - technical advice to ensure compliance with the principles set out in the amended Article 25 of MiFID II (suitability and appropriateness assessments), including criteria of well-diversified, non-complex and cost-efficient financial instruments and content and format of records <p>Delivery: no date specified but will need to fit into the general timeline for the application of the Directive.</p>	<p>Investor journey - technical advice on:</p> <ul style="list-style-type: none"> - information to be obtained when assessing suitability in relation to portfolio diversification - criteria and conditions for the provision of “simple” advice - content and format of records and agreements <p>Delivery: no date specified but will need to fit into the general timeline for the application of the Directive.</p>
<p>Inclusion into ESMA supervision handbook of a section outlining the best supervisory practices on value for money assessments recommended by ESMA. Delivery: no date specified.</p>	<p>Inclusion into EIOPA supervision handbook of a section outlining the best supervisory practices on value for money assessments recommended by EIOPA. Delivery: no date specified.</p>
<p>Development of RTS on the concept of particularly risky financial instruments. Delivery: 18 months after date of entry into force.</p>	<p>Development of RTS on the concept of particularly risky financial instruments. Delivery: 18 months after date of entry into force.</p>
<p>Setting up and running of collaboration platforms. Delivery: no date specified.</p>	<p>Setting up and running of collaboration platforms. Delivery: no date specified.</p>
<p>Development of RTS and ITS with respect to firm’s reporting of cross-border activities. Delivery: 18 months after entry into force of the Directive.</p>	<p>Development of RTS and ITS with respect to firm’s reporting of cross-border activities. Delivery: 18 months after entry into force of the Directive.</p>

Setting up of a database containing measures taken by competent authorities regarding unauthorised activities of firms. Delivery: no date specified.	Setting up of a database containing measures taken by competent authorities regarding unauthorised activities of firms. Delivery: no date specified.
Setting up of a database containing data on firms' cross-border activities. Delivery: no date specified.	Setting up of a database containing data on firms' cross-border activities. Delivery: no date specified.
PRIIPs: development of an ITS for the submission of PRIIPs KIDs in machine-readable format. Delivery: no date specified, but will need to fit into the general timeline for the application of the machine readable PRIIPs KID by the industry and Value for Money rules (i.e. 30 months after date of entry into force).	PRIIPs: development of an ITS for the submission of PRIIPs KIDs in machine-readable format. Delivery: no date specified, but will need to fit into the general timeline for the application of the machine readable PRIIPs KID by the industry and Value for Money rules (i.e. 30 months after date of entry into force).
RTS on the content of the PRIIPs KID. Delivery: 12 months after entry into force of the Regulation.	RTS on the content of the PRIIPs KID. Delivery: 12 months after entry into force of the Regulation.
	ITS on the new Insurance Product Information Document (IPID) for life insurance other than insurance-based investment products. Delivery: 12 months after entry into force of the Directive.
Guidelines on the presentation of information in electronic format. Delivery: 18 months after entry into force of the Directive.	Guidelines on the presentation of information in electronic format. Delivery: 18 months after entry into force of the Directive.
Where necessary in the future, guidelines to foster convergence in supervisory outcomes of competent authorities on costs and charges, including inducements, disclosure, selection of peer groups of financial instruments and value for money assessments conducted by investment firms.	Where necessary in the future, guidelines to foster convergence in supervisory outcomes of competent authorities on costs and charges, including inducements, disclosure, selection of peer groups of financial instruments and value for money assessments conducted by investment firms.
Consumer and industry testing in respect of revisions to disclosure documents (in PRIIPs KID, MiFID) Delivery: no date specified but will need to fit into the general timeline for the application of the Directive.	Consumer and industry testing in respect of revisions to disclosure documents (in PRIIPs KID, IDD) Delivery: no date specified but will need to fit into the general timeline for the application of the Directive.
ESMA will be consulted by Commission to assess the effects of the inducements on retail clients Delivery: within 5 years after entry into force of the Directive	EIOPA will be consulted by Commission to assess the effects of the inducements on retail clients Delivery: within 5 years after entry into force of the Directive

These will be new tasks for EIOPA and ESMA. Both ESMA and EIOPA are planning to redeploy current FTE's to some of the tasks (4 and 1.3 FTEs respectively). However, resource needs corresponding to the envisaged tasks cannot be fully covered by reallocation of existing staff or already planned operational expenditure. It is estimated that both ESAs will need to assume those tasks as of 2026.

Due to temporary nature of certain tasks, Contract Agent posts were primarily envisaged for their performance. In addition, a number of tasks can be performed by the same personnel either simultaneously or in a sequential manner.

Procurement costs for consumer testing have been estimated at 575,000 EUR for EIOPA and ESMA each over 2026 and 2027, with synergies possible should a joint procurement procedure be pursued, to be committed over 2026 and 2027.

Other expenses are estimated at 295 575 for EIOPA and 478 750 EUR for ESMA over 2026-2027 respectively, in order to develop IT systems for reporting and databases, as well as their respective value for money approaches.

