NORDIC SECURITIES ASSOCIATION

2025-09-09

NSA's input to the RIS trilogue – need for simplification and focus on the clients journey

General comments

- The NSA[1] strongly supports the ambition to, during the continued trilogue negotiations, further simplify the RIS-proposal. In order to achieve the overall goal i.e., to increase retail clients participation on EU capital markets, it is crucial to make the EU-rulebook more proportionate, less complex and to tackle the existing problems with information overload to retail clients. More legal certainty in the level 1 rules is also very important in order to achieve more supervisory convergence and to ensure that investment firms can implement the rules in an efficient way without undue administrative burdens and unnecessary costs.

- It is important to ensure the harmonized EU regulatory framework allows banks and investment firms to meet the needs of their retail clients. These needs may differ between Member States (depending on the level of maturity of the national capital markets) and between different types of retail clients (consumers, sophisticated investors and SME: s). Both from an SIU and competition perspective it is therefore important to avoid that the EU-rules unduly restrict different business models (e.g., advisory and execution services) or destroy the open architecture (e.g., access to both internal and external products).

1. Value for Money – simplify

In order to achieve a successful VfM regime it is important to leverage on the expertise of the investment firms and ensure that the framework is relevant for all

[1] The Nordic Securities Association (NSA) is a Nordic cooperation that works to promote a sound securities market primarily in the Nordic region. The NSA is formed by Finance Denmark, Finance Finland, the Norwegian Securities Markets Association (Verdipapirforetakenes Forbund) and the Swedish Securities Markets Association (Svensk Värdepappersmarknad), NSA - Nordic Securities Association (nsa-securities.eu). Nordic Securities Association's public ID number in the Transparency Register is: 622921012417-15

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Blasieholmsgatan 4b / P.O. Box 1426, SE-111 84 Stockholm

Telephone: +46 (8) 56 26 07 00

types of financial instruments which are in scope. For the sake of simplicity, new comprehensive and rigid set of new level 2 requirements must also be avoided, particularly for the peer grouping methodology.

Proposal: The scope of the VfM-rules should be limited to PRIIPs-products such as investment funds and IBIP, i.e., excluding direct investments in bonds and derivatives. All reference to public benchmarks should be deleted. Moreover, both the VfM and the peer grouping process should be established internally by the investment firms in a VfM policy approved at management level, following general principles set out in the level 1 regulatory framework. The VfM-policy should be available for supervisory scrutiny by the NCAs and should be guided by Level 3 guidelines created by the ESAs (after a proper consultation process which take different business models and types of financial instruments into account)

2. Inducement test and best interest test – delete

Many of the new requirements in the RIS-proposal such as VfM, Best Interest test and Inducement test have the same overall policy objective, i.e., to tackle conflicts of interest and to ensure that retail clients are offered financial products that are well-suited for their individual needs. However, from a practical perspective it is a problem that several of these new requirements and tests overlap each other. This creates legal uncertainty as well as a considerable risk that RIS increases the complexity of the regulatory regime in a way that will be counterproductive from an investor protection perspective. Additional work therefore needs to be done in order to simplify the proposal and to clarify chronologically, "when" during the client journey the different rules apply (e.g., organizational, individual client meeting or ex-post review)?

Proposal: The NSA considers that the inducement test as well as the best interest test add very little value from a retail client perspective at the same time as they contribute significantly to the complexity and implementation challenges of the RIS-file. For the sake of simplicity, we therefore propose that both tests are deleted. In our view, the overall investor protection objective is sufficiently taken care of by the existing general requirements for investment firms to act in their clients best interest, combined with the product governance rules, including an appropriately drafted new VfM regime, and the suitability/appropriateness rules.

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If the inducement test is kept in MiFID II, it needs to be streamlined and rephrased in order to ensure that it works for different types of investment services (advice and execution services) and different types of financial instruments (investment funds, shares, bonds, derivatives, structured products). It should also be clarified that the inducement test is part of the organizational requirements (i.e., ex-ante and ex post checks) and not part of the individual client meeting where the rules of suitability and appropriateness test apply. One proposal would also be to move the level 2 to level 1 and to do additional work on level 3 to enhance supervisory convergence on quality enhancement, if kept. From an SIU perspective it is important to clarify that fees that the investment firm receives from an issuer client as payment for an investment service it not to be seen as an inducement in relation to an end-client but as conflict of interest that needs to be disclosed under other MiFID II-rules.

3. Suitability Light – extend to all advice

The NSA supports the development of a suitability light regime in order to increase access for retail clients to simple and well-diversified investment products. However, from a competition perspective it is important that the EU-regulatory framework does not favour one advisory business model above the other. Moreover, it should be ensured that retail clients receive the same level of protection for both independent and non-independent advice.

Proposal: Extend the possibility of a suitability light regime to all types of investment advice and portfolio management for simple and well-diversified financial instruments.

4. Suitability and appropriateness test – keep the distinction

The suitability and appropriateness test are important and well-integrated parts of the existing MiFID II-framework. The requirements for each test have developed over time taking into consideration the characteristics of the different types of investment services to which they apply. The suitability test applies to advisory services (investment advice and portfolio advice) where there is a need to take all circumstances of the retail client into account. The appropriateness test applies to execution services (receipt and transmission of order, execution of client orders)

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where a client enters into single transactions at his or her own initiative and therefore less information is needed on the clients financial situation etc. In order to avoid a complex new regime which blurs the difference between advisory and execution services, it is important to keep the distinction between the two tests. From an investor protection perspective, it would be most unfortunate if the questions that an investment firm asks client in an execution context give the impression that the client is receiving advice when this is not the case. Moreover, collecting information on risk tolerance and ability to bear losses before each trade will slow down the trading process to the detriment of clients. This could in turn make EU capital markets less attractive – contrary to the goals of SIU!

Proposal: The proposal to include the assessments of the client's risk profile and ability to bear losses in the appropriateness test should be deleted.

5. **Disclosure regime – reduce information overload**

The NSA is concerned with the complexity of the disclosure regime on cost & charges in MiFID II as well as the misalignment with PRIIPs. One of the key objectives of the RIS was to address the problems with information overload faced by retail clients as well as existing incoherences between different EU-regulations as regards client disclosure. In fact, evidence shows that retail clients are interested in price and total costs, not detailed breakdowns, or methods of calculation.[2] In our view, the new disclosure requirements should therefore be reassessed in the trilogues with the aim of simplifying the rules and reducing the level of detail in the ex-ante disclosure and ex post reporting requirements.

Proposal: The NSA considers that proposals regarding disclosure requirements including the new requirements on annual reports, should be simplified and rather focus on total costs, not detailed itemized breakdowns at ISIN level. To simplify processes and reduce administrative burdens, investment firms that provide clients with ongoing information through internet banking should be exempt from the annual reporting requirements, regardless of whether they can demonstrate ("have evidence") that the client has de facto accessed the digital information. Additional proposals for simplification would be to delete

[2] https://op.europa.eu/en/publication-detail/-/publication/5d189b3c-120a-11ed-8fa0-01aa75ed71a1/language-en

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the disclosures regarding cumulative effects on return which clients generally have little interest in, as well as the 10 % alert. There should also be a better alignment with MiFID II-quick fix amendments on level 2 (i.e., cost disclosures for professional investors should only be mandatory for advice and portfolio management and it should be possible for these clients to opt-out as well). Finally, the diverging rules on disclosure with respect to PRIIP-products under PRIIPs and MiFID II, particularly regarding costs should be better aligned (see point 7 below).

6. Client categorization – transaction criterion

As noted under general comments, retail client is a wide concept in MiFID II which, in addition to consumers, also includes sophisticated retail investors and SME-companies. For investment firms to be able to better serve the latter two sub-categories of retail clients, we support a review of the opt-up criteria in annex II to MiFID II, including the existing transaction frequency criteria. In this context, it should be noted that transaction frequency is not always good measurement for professional activity. On the contrary, many professionals trade infrequently but in large sizes. For financial instruments that are less liquid, such as the corporate bonds, the transaction criterion is particularly difficult to apply.

Proposal: The transaction criterion should be deleted. Retail investors, who on average have had a portfolio of at least EUR 250,000 over a three-year period , and who also have been investing for several years with knowledge of the relevant asset class should be able to opt up to professional client category. If the transaction criterion is retained , it should be amended so that it also works for instruments which trade less frequently such as corporate bonds.

7. PRIIPS

PRIIPs scope has for many years proven to be difficult to apply for both investment firms and retail clients. In particular it is a problem that the scope of the regulation has been extended beyond packaged investment products also to include certain bonds and derivatives used for hedging. This has resulted in many issuers restricting bond offerings to professional clients only and has required investment firms to produce KIDs for OTC derivatives with information that make very little sense for their retail clients. In the context of RIS, the issue of PRIIPs scope has become even

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more important, considering the references in the proposed new VfM rules (see point 1 above).

Different disclosure rules in PRIIPs and MiFID II as regards cost disclosure contributes to information overload for retail investors and could make it more difficult for retail clients to make an informed investment decision, or less inclined to make an investment decision at all. The disclosure rules on cost & charges in PRIIPs should therefore be better aligned with MiFID II and focus should be put on simplification in order to make it understandable for retail clients. We note that such simplification is currently taking place in the UK.[3]

Considering that SFDR is currently subject to review and that the result of this review (as regards scope, classification and disclosures) are yet unknown, we think that it is premature to introduce new sustainability requirements in PRIIPs at this point.

Proposal: PRIIPs scope should only cover packaged investment products that are used for investments. Derivatives that are only used for hedging and all non-structured bonds should be excluded from scope. Also, PRIIPs cost & charges rules should be better aligned with MiFID II and the regulatory focus should be put on simplification/total costs in order to make it understandable for retail clients. The question of including sustainability information in KID should be handled in the context of the SFDR review – not RIS.

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[3] CP25/9: Further proposals on product information for Consumer Composite Investments | FCA

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