February 8th, 2023
Ref. PS/DMP-Div.5753-02
Subject: Retail Investment Strategy (RIS)

Dear President of the European Commission,

I am very pleased to contact you on behalf of the French Asset Management Association (Association Française de la Gestion financière – AFG) regarding the EU Commission’s upcoming Retail Investment Strategy (RIS).

AFG fully supports the goal to ensure “adequate protection, bias-free advice, open markets and transparent, comparable and understandable product information”.

Those past years, many initiatives (MiFID II, PRIIPS, etc.) have been rightly launched at the EU level to enhance retail investor protection and to improve the quality and the pricing of financial instruments and investment services.

From the perspective of the final investor, advice is the key element in building his savings strategy. It is also important to underline that this advice is only a link of a global retail investment value-chain. As such, the value for money delivered to the end investor is the result of several steps in the value-chain.

That is the reason why we suggest a global approach of the Retail Investment Strategy through the concept of value-chain that encompasses each step of the manufacturing and selling of financial products to the end retail investor. The Retail Investment Strategy is, henceforth, the opportunity to address its whole challenges, from the provision of data to investment services.

More specifically, we are deeply concerned about the potential consequences of a ban on inducement, currently pushed by some non-EU industries. A ban on inducement would have detrimental impacts on financial inclusion and the provision of a tailor-made service through personalized advice. Different studies and reports from the British, Dutch and Australian models have shown a collapse of the financial advice industry and the creation of an advice gap for the smallest
investors. UK’s FCA is now working on “ways to make financial advice more accessible” to offset its impact.

We support a single-standard system, where capable advice is provided regardless of the wealth of the investor, especially in sight of avoiding financial uncertainties and escaping misleading advertising. The rise and fall of FTX demonstrated once again the importance of professional support when it comes to investing one’s savings.

As a major part of financial products distribution models in continental Europe are based on commissions, a few global and non-EU players have a strong interest in replacing the existing model with an intermediary free scheme. In the very short term, this shift could appear as favourable to the end investor. Yet, it would be immediately offset by the rise of advice price, limiting drastically the long-term investment opportunities.

Moreover, in the existing distribution model an inducement ban may have a strong and negative impact on open architecture. It could lead to vertical integration practices. The offer would then be limited to the group’s products, at least for banks with a management company in their group. That adverse impact has been pointed out in the ESMA’s report published in March 2020.

As of today, the hyper-competitive system of wealth management in Europe guarantees the investor with a wide range of products; this is in fact an advantage for the end investors.

Non-EU asset managers market share in the EU is a good illustration of this situation. The weakening of the European asset management industry would allow them to strengthen their quasi-monopolistic position worldwide. Furthermore, all the allocation strategies and any selection of corporate to invest in decisions would be taken outside of Europe, while companies today desperately need capital to finance the climate and digital transitions.

The real motivations of this campaign are, therefore, far from the interests of the retail investor, who is now only a pretext to impose a “one size fits all” policy.

In this context, our responsibility is to improve the service offered to the end investor, so that he can save for the long term and participate in the financing of the economy in a secure environment. We are convinced we can improve the European retail finance and the provision of a “global service” for both wealthy and modest investors without putting at risk the EU economic model.

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1 Final Report - ESMA’s Technical Advice to the Commission on the impact of the inducements and costs and charges disclosure requirements under MiFID II, March 2020
The attached note proposes several solutions that we would be happy to discuss with you to enhance:

- the assessment of value (value for money) of financial products;
- the quality of services provided to investors;
- competition and transparency on data providers' market.

Should you be available for a meeting in the coming weeks I would be happy to discuss this important matter with you, ideally in February. My team and I are at your entire disposal to define the most convenient date for you.

I look forward from seeing you in the near future.

AFG represents the 700 asset management firms in France that invest over EUR 4.8 trillion in the economy on behalf of households, employees, pension funds, charities, corporates and public institutions. French asset management ranks first in the EU in terms of financial management (Funds and Mandates).