RETAIL INVESTMENT STRATEGY
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Feedback on call for evidence

ASPIM welcomes the EC's compromise not to fully ban inducements.

However, in practice, the new obligations set forth by the RIS make it essentially inapplicable. As a consequence, this would virtually eliminate the commission-based model, effectively depriving the most modest investors of access to advice while also making many financial products no longer available from financial intermediaries to institutional investors.

Indeed, ASPIM supports the need for a dual distribution model to coexist: one based on commissions and the other on fees, taking into account, not only the data studies in the jurisdictions the ban has been implemented, but also the local mindset of the retail investors. This approach will enable to maintain a broad product offering as well as local and personalized advice for retail investors.

ASPIM is in favour of ensuring good "value for money" through product oversight and governance rules, by increasing price transparency and training for advisers. But, the EC proposal also contains several extremely restrictive provisions on the governance and sales process for savings products which is questioning its practical application.

Especially, the introduction of costs and performance benchmarks imposes constraints on prices, thereby creating a real price control by the regulators. ASPIM considers that actors are best able to define benchmarks. At this stage, they have a very restricted view on the methodology governing the benchmark that will be defined in level 2. To be efficient, it is crucial that the methodology will take into account a qualitative method, and not only a quantitative method. And benchmark must also be granular enough in order to take into account the diversity of the underlying types of assets.

Therefore, ASPIM considers that the value for money principle should not be apprehended solely through the prism of the price of a product. Transparency goes beyond simply benchmarking price, which is not the only element in the selection of a product for a retail investor.

ASPIM agrees with preventing fund managers from charging "undue costs" to investors as part of investor protection policy.

However, it should continue to remain the responsibility of the management companies to set the optimal level of the costs of the funds they manage, taking into account the characteristics of the underlying assets and the type of distribution channel. This is particularly important for real estate funds, where fund managers manage not only the fund, but also the underlying real assets.

ASPIM supports the changes to modernise the KID PRIIPs, but we consider that:

- the proposed new section titled "Product at a glance" should not be added, because it is a summary of elements already present in the KID and it is against the objective of the document to be a short one and easily understandable; and
- the proposed new section titled "How environmentally sustainable is this product?" should include the 3 items relating to sustainability preferences. Also, we believe that the review of the PRIIPs Regulation should be consistent with the review of the SFDR RTS. However, the new section should include at least the SFDR classification and the Taxonomy alignment.

In addition, **to maintain comparability between real estate AIFs and other AIFs, ASPIM is of the view in the KID to disclose the costs and charges related to the management of the fund itself and not the pure real estate expenses**. This is equivalent to an equity fund which does not disclose the costs and expenses incurred by the companies it invests in although these costs, in theory, reduce the investment performance for the end investor.

ASPIM **considers that a period of 3 years after the introduction of the new regime will be too short to identify all the impacts of the new measures**. We suggest extending the period to 5 years after the date of entry into force of the level 2.

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