

MEMO# 33944

December 8, 2021

ESMA Call for Evidence on Retail Investor Protection - Draft ICI Global Response for input by 14 December

[33944]

December 9, 2021

TO: ESG Task Force
EU ESG Disclosure Regulation Working Group
Global Advocacy Coordination Advisory Committee
Global EU Capital Markets Union Task Force
Global Operations Advisory Committee
Global Regulated Funds Committee RE: ESMA Call for Evidence on Retail Investor Protection - Draft ICI Global Response for input by 14 December

As previously advised,[\[1\]](#) on 1 October 2021 the European Securities and Markets Authority (ESMA) published a call for evidence (CfE) on certain retail investor protection issues. Attached is ICI Global's draft response to the CfE. We are seeking member input on the draft response by close of business on Tuesday 14 December to enable ICI Global to submit its response to ESMA by the deadline of 2 January 2022. A summary of ICI Global's draft response is below.

Draft Response

In the draft response, we provide recommendations on the investor disclosure and digital disclosure topics covered in the CfE. Our recommendations build on our prior submissions to the European Commission, including in response to its consultation on MiFID II[\[2\]](#) and a retail investment strategy for the European Union (EU).[\[3\]](#)

We set out our view that the EU's regulatory framework for retail investment contains broadly the right protections. However, we do not consider that the current framework sufficiently empowers retail investor engagement in EU capital markets, particularly on a cross-border basis and when investors are using digital technology. We recommend the following reforms to investor disclosures, including digital disclosures:

- **Provide EU investors with useful information to compare products and make informed investment decisions** by replacing the patchwork of cost categories in existing disclosures with a unified categorisation that is used across all investor

disclosures and splits out distribution and management costs (see response to question 2).

- **Reduce the risk of information overload for retail investors** by taking further steps to develop a harmonised pan-EU disclosure regime for investment products - building on existing approaches in UCITS and PRIIPs - to eliminate the need for Member State level supplementary investor disclosures (see response to question 3).
- **Improve the consistency of investor disclosures** by aligning the concepts of "non-complex" products in MIFID and "simple" products in PRIIPs and converging Member State supervisory approaches to defining complexity (see response to question 4).
- **Ensure retail investors receive the right vital information before buying an investment product** by completing reforms to the PRIIPs KID including introducing past investment performance information, revised transaction costs calculations, and a renamed risk indicator (see response to question 5).
- **Ensure that retail investors have a means to express a broad range of sustainability preferences** by clarifying via Q&A document (or similar), that financial market participants, including investment firms acting as product distributors, may allow retail clients to express a preference for financial products with sustainability characteristics that do not fall within amended MiFID II definition of "sustainability preferences", and that investment firms may make available to retail clients financial products meeting such preferences (see response to question 9).
- **Improve investors' experience of fund subscription by enabling funds to utilise digital innovation and technology**, including: (i) making e-delivery the default for all disclosures and enabling disclosures to be adapted for delivery in either document form (e.g., as a PDF) or non-document form (e.g., on a mobile phone app or webpage); and (ii) enabling the use of a portable digital identity framework (see response to questions 15 and 47).

Next Steps

We are seeking input on the draft response by close of business on Tuesday 14 December. We will submit our response to ESMA by 2 January 2022 deadline. ESMA plans to deliver its advice to the European Commission by 30 April 2022.

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endnotes

[1] ICI Memorandum No. 33921, RE: ESMA Call for Evidence on Retail Investor Protection - Member Call on 1 December 2021, available from <https://www.ici.org/memo33921>

[2] ICI Global Response to the European Commission's Public Consultation on the Review of

the MiFID/MiFIR Regulatory Framework, *available from*
<https://www.ici.org/system/files/attachments/pdf/mifidresponse.pdf>

[3] ICI Global Response to the European Commission's Consultation on a Retail Investment Strategy, dated 2 August 2021, *available from*
<https://www.ici.org/system/files/2021-08/rifsfinal.pdf>

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