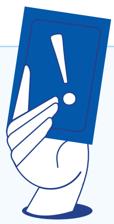
Retail Investment Strategy (RIS):
How to make the implementation phase work

The EU Retail Investment Strategy (RIS) aims to **strengthen consumer protection and encourage greater retail participation in financial markets.** As a key building block of the **Savings and Investments Union (SIU)**, RIS can help channel household savings into long-term investments across the EU. The upcoming **Level 2 & 3 implementation** will be critical to making this ambition work.

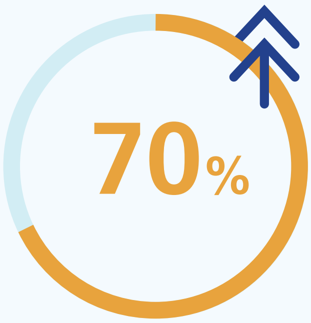
The RIS Level 1 text contains important positive elements that successfully balance the improvement of consumer outcomes while preserving access to advice and investment solutions:

- Recognition of the distinctive characteristics of insurance products
- A level playing field between distribution channels
- Preservation of different remuneration models
- A proportionate Value for Money (VfM) approach for insurance
- Digital-friendly disclosures, supported by consumer testing and information layering
- Simplified PRIIPs Key Information Document (KID) cost disclosures
- A new "Product at a Glance" section highlighting insurance benefits in the KID
- A simplified consumer journey through a "light suitability test"
- New provisions on finfluencers and financial education



At the same time, the RIS will introduce additional layers of rules into an already complex regulatory landscape.

Implementation challenges



Huge number of Level 2 & 3

The number of empowerments under **IDD** and **PRIIPs** is expected to increase by around **70% — from 33 to 56.**

Significant information overload

The overall volume of disclosures is not reduced, while firms will need to make substantial changes to existing documentation and systems.

Limited avenues for simplification

The light suitability test and PRIIPs KID simplification are the main opportunities in the Level 1 text to make the consumer journey shorter, clearer and more engaging.

The goal of Level 2 & 3 should therefore remain firmly focused on:

- **SIMPLIFICATION**
- **PROPORTIONALITY**
- **COMPETITIVENESS**

The European Commission (EC) and the European Supervisory Authorities (ESAs) should uphold these principles when designing the technical rules. Otherwise, the final framework would risk undermining the improvements achieved in the Level 1 and would make it more difficult for consumers to invest in the EU financial markets.

Insurance Europe's 3 implementation priorities

1 *Keep Level 2 & 3 targeted and practical*

The EC and the ESAs should implement the technical rules without introducing new concepts, requirements or layers of prescription that are not necessary to give effect to the Level 1 text. The Level 2 & 3 measures should be used to provide practical details, for example by leveraging on the existing work of EIOPA on VfM, and using non-exhaustive lists of examples for the new inducement test.

2 *Simplify the consumer journey*

Use the new light suitability test and the PRIIPs KID simplification to streamline and improve the consumer journey, as these are the most promising opportunities in the RIS to make the sales process more proportionate and engaging for consumers.

3 *Make disclosures work*

Ensure proper consumer testing and flexibility in the new disclosure templates, and provide companies with the opportunity to use editable blueprints.

More detailed implementation messages

Inducement test

The Level 2 measures should not set conditions that make it too difficult to remunerate distribution networks. An excessively restrictive approach could operate as an indirect inducement ban and would be contrary to the Level 1 agreement. Therefore, the EC and EIOPA's work on practices which could provide "tangible benefit" should:

- take the form of non-exhaustive list of services, and
- consider insurance specificities, eg advice, demands & needs, assessment of biometric cover and/or capital protection, succession planning, guidance on beneficiary selection.

Light suitability test

The Level 2 measures must ensure that the light suitability test is workable for insurance-based investment products (IBIPs), for those intermediaries who want to make use of it. Otherwise, insurance would be placed at a competitive disadvantage compared with other retail investment products. This would require:

- a new workable definition of "non-complex" products for the purposes of the light suitability regime, and
- consideration of a "whitelist" of IBIPs whose characteristics reduce the risks faced by consumers, eg products which do not invest directly in crypto or derivatives.

Simplification of the PRIIPs KID

The revision of the PRIIPs KID should deliver meaningful simplification and improve consumers' ability to understand and compare products:

- consumer testing should cover the complete KID, rather than specific sections in isolation,
- it is important to make the most out the new "Product at a Glance" dashboard, make it engaging and easy to read by using, for example, colours, clear headings and icons,
- cost disclosures should be simplified, for example by focusing on the total cost at the end of the Recommended Holding Period (RHP) expressed in % as a Reduction in Yield (RiY) and annualised, and
- changes to the well-established regime for Multi-Option Products (MOPs) should be reduced to a minimum to avoid unnecessary disruptions. A static list or table should meet the new RIS requirements of tools to facilitate comparison.

The **RIS implementation phase** should preserve the political balance reached by the co-legislators, avoid introducing new requirements beyond the Level 1 mandates and ensure that simplification remains a key objective.

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