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## **Retail Investment Strategy, possible ban of inducements**

Vienna, 31 January 2023

Dear Commissioner McGuinness,

I welcome the goal to deepen the Capital Markets Union and acknowledge the substantial progress that was achieved during this Commission's term. At the same time, it is important to me to comment on the upcoming Retail Investment Strategy and express some concerns regarding the possible ban of inducements.

I believe the current MiFID II framework on inducements is already well balanced as it foresees several safeguards including the requirement for investment firms to make commissions transparent and to act in the best interest of their clients. Banning inducements and a mandatory shift to fee-based models would be detrimental to the overall aim of increasing retail investors' participation at the capital markets and a high number of retail investors would lose access to investment advice.

The current framework allows retail clients to freely choose between commission-based and fee-based advice. This ensures that investment advice is accessible for investors that could not or would not be willing to afford high fees in relation to the assets to be invested. Studies show that in countries where inducements have been banned, investment advice is not granted to retail investors with assets below a six-digit euro amount. Furthermore, both the commission-based and fee-based model present a similar level of costs for retail investors. Within the regulatory framework in place, the commission-based model leads to

quality enhancements. An inducement ban entails a risk that retail investors will no longer be able to access additional services that were established to improve advice quality.

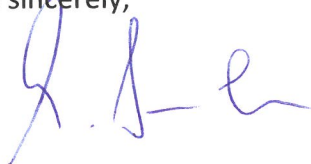
In the same vein, the IDD framework already ensures a high level of consumer protection in the insurance sector. At the same time, the minimum-harmonisation approach is flexible enough for Member States to cater its implementation to existing specificities of the relevant insurance markets. While I fully support initiatives to accomplish a single European insurance market, given the fact that this goal has yet to be reached, it seems premature to roll out a fully-harmonised approach regarding the remuneration of insurance intermediaries. Any enhancements should carefully take into account the impact on the availability and quality of advice and the dissemination of insurance products, in particular long-term old-age annuity products, in the relevant markets. This holds true especially for those markets, such as the Austrian market, where a level of consumer protection that goes beyond the minimum-requirements of the IDD was established by making insurance advice mandatory.

Let me assure you that I am in favour of a high level of investor protection and we are open to examine the regulatory framework in that regard. However, we need to make sure that possible adjustments have the desired outcome. As the *Disclosure, inducements, and suitability rules for retail investors study* published by the Commission confirms, it is debatable whether a ban of inducements leads to better consumer protection. The study furthermore states that whereas consumer protection could be enhanced by a ban of inducements in some scenarios, an advice gap especially for vulnerable groups that currently tend to be more dependent on free (commission-based) advice might arise.

I was informed that my German colleague Federal Minister Mr. Christian Lindner sent a letter to you on the same subject matter and I can support the points he made. We should preserve the well differentiated approaches of fee-based and commission-based models and the freedom of choice for retail investors.

I am looking forward to continue working together with you on deepening the Capital Markets Union and thank you for taking my thoughts into consideration.

Yours sincerely,



Magnus Brunner