

10 August 2023

The Board of Directors
The Compliance Officer

Dear Sirs,

Re: The EU Retail Investment Strategy Package

The purpose of this letter is to bring to your attention the EU Commission's proposal on the Retail.

I. Background

On 30 May 2023 the Authority issued a [Circular](#) in relation to the Retail Investment Strategy Package adopted by the EU Commission. The aim of the new regulatory requirements proposed under this package is that of strengthening retail investment protection, addressing shortcomings in different parts of retail clients' investment journey and of sufficiently empowering retail clients to take more informed investment decisions that better correspond to their needs and objectives

The legislative proposal takes the form of regulatory amendments to relevant EU legislation and consists of a package with the following two (2) parts, which mutually reinforce each other as follows:

- (a) [the Omnibus Directive and Annexes thereto](#): Proposal for a Directive of the European Parliament and of the Council amending Directive (EU) 2009/65/EC ('**UCITS**'), Directive 2009/138/EC ('**Solvency II**'), Directive 2011/61/EU ('**AIFMD**'), Directive 2014/65/EU ('**MiFID II**'); and Directive (EU) 2016/97 ('**IDD**'), as regards the union retail investor protection rules; and
- (b) [the PRIIPs Amending Regulation](#): Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) No 1286/2014. The amendments relate to the modernisation and accessibility of the key information document required in terms of this Regulation.

The wide range of proposed requirements contained therein is primarily aimed at:

- (a) making relevant and comparable pre and post-contractual information about products, and related services **easier to understand and to access and more user-friendly**;

- (b) amending product oversight and governance rules to improve consideration of costs and also to ensure that products offer **real value for money** to retail clients and enabling clients to reach better investment outcomes and ensuring that products better fit clients' needs and objectives;
- (c) ensuring further that the quality of **advice is aligned with retail clients' best interests**, as well as addressing shortcomings in the way products are manufactured and distributed, in particular with respect to conflicts of interest that may arise as a result of the payment of certain inducements between product manufacturers and distributors;
- (d) providing **protection from misleading marketing communications and practices**, including digital channels and social media;
- (e) enhance **financial literacy** so that retail clients can make better and well-informed decisions, and this is all the more important given the ongoing digitalisation of finance; and
- (f) providing for further measures on *inter alia*: investor categorisation and **enhanced suitability and appropriateness assessments**; measures to increase professional qualifications of financial advisors; and measures to enhance supervisory enforcement.

It's important to note that the information provided above is intended for general awareness and should not be construed as legal advice and is not yet a final text pending discussions by the co-legislators.

II. Next Steps – Action Required

The envisaged changes of the EU Commission proposal on the Retail Investment Package will inevitably lead to significant changes for the financial industry, particularly in relation to manufacturing and distribution processes, as well as to supervisory reporting.

Therefore, the Authority emphasises that it is important that you familiarise yourselves with these new proposed requirements and carefully assess their potential impacts on your entity's operations.

The MFSA is closely monitoring ongoing developments and the discussions taking place within the EU legislative process in which it is requested to provide feedback. In this regard, the Authority will be reaching out to the industry also by way of workshops being planned for later on this year. However, in the meantime, you are strongly encouraged to submit, at your earliest, any comments and feedback you could have on any one or more of the aspects forming part of this package to Conduct Supervision on conduct.policy@mfsa.mt.

Yours faithfully,
Malta Financial Services Authority

Dr Christopher P. Buttigieg
Chief Officer-Supervision

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