

EIOPA's draft Technical Advice on possible Commission delegated acts

IDD Public Hearing Frankfurt, 23 September 2016

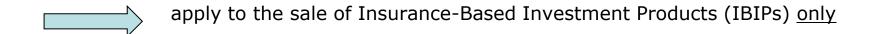


Delegated Acts

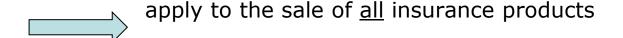
Commission Delegated Acts



- 1. Conflicts of interest
- 2. Third party payments (or "inducements")
- 3. Suitability, appropriateness and reporting to customers



4. Product Oversight and Governance arrangements





Proposals regarding Product Oversight & Governance

Product Oversight & Governance (POG) (Art 25)



- Commission asked EIOPA to provide "detailed" POG advice and build on Preparatory Guidelines
- Draft Advice aims to further specify POG requirements in IDD
- We have split policy proposals into <u>two</u> parts for consultation:
 - o Section with POG Preparatory Guidelines:
 - Manufacturers
 - Distributors
 - o Section with "New Policy Proposals"

Product Oversight & Governance (cont.)



Policy Proposals based on POG Preparatory Guidelines

- o Establishment of POG arrangements/ Role of Management
- o Identification of "target market"
- Product Testing/Monitoring
- o Remedial action

Product Oversight & Governance (cont.)



"New policy proposals"

- o Conditions for an intermediary being considered a "manufacturer"
- o Granularity of the target market
- o Obligation to review POG arrangements
- o **Provision of product-related information** to distributors



Proposals regarding Suitability, Appropriateness and Reporting to customers

Suitability, Appropriateness & Reporting to customers (Art 30)



- Policy proposals contain <u>four</u> parts:
 - 1. Assessment of suitability and appropriateness of insurance-based investment products:
 - Focus is on **"information to be obtained"** for the purposes of these assessments
 - Distribution of IBIPs is "without prejudice to "demands and needs" test"
 - Suitability & appropriateness linked to the embedded investment element of IBIPs. How to reflect **insurance specificities**?

Suitability, Appropriateness & Reporting to customers (cont.)



- 2. Criteria for "other non-complex IBIPs" which are eligible for execution-only business:
 - o Can be sold without advice, with no prior appropriateness assessment

3. Record-keeping obligations:

o Explicit rules for record keeping of the results of the suitability assessment

4. Periodic reporting to customers:

- Reporting concepts further e.g. the suitability statement and periodic communications to customers
- o National implementation of IDD might introduce further complementary concepts, such as an "appropriateness statement"



Proposals regarding Conflicts of Interest & Inducements

Conflicts of Interest (Articles 27 & 28)



- **February 2015** EIOPA already submitted technical advice to the EC on conflicts of interest ("**IMD 1.5**")
- Extensive work/analysis done on IMD 1.5 = basis of current advice
- Previous Technical Advice has been used as a basis to specify:
 - **Organisational measures and procedures**
 - o Which **types of conflicts of interest** risk damaging customers' interests
- Current draft Technical Advice also introduces more explicit
 language that disclosure is a last resort measure

Third party payments (Inducements) (Article 29)



- Key elements:
 - o A definition of "inducement" and "inducement scheme"
 - o A high-level principle on when monetary/non-monetary benefits have a detrimental impact
 - o As requested by the Commission:
 - a list of types of inducements considered to "have a high risk of leading to detrimental impact on the quality of the relevant service to the customer"
 - N.B. This is not a "Blacklist"! No intention to create de facto prohibition on the payment/receipt of commission
 - o **Organisational measures** for payment/receipt of inducements
- Want to initiate a discussion with the market



Thank you