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EIOPA's draft Technical Advice on possible Commission delegated acts

IDD Public Hearing
Frankfurt, 23 September 2016




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Delegated Acts

1. Conflicts of interest

2. Third party payments (or “inducements”)

3. Suitability, appropriateness and reporting to customers

 apply to the sale of Insurance-Based Investment Products (IBIPs) only

4. Product Oversight and Governance arrangements

 apply to the sale of all insurance products



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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 two parts** for consultation:
 - o Section with POG Preparatory Guidelines:
 - Manufacturers
 - Distributors
 - o Section with “New Policy Proposals”

Policy Proposals based on POG Preparatory Guidelines

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

“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



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Proposals regarding Suitability, Appropriateness and Reporting to customers

Suitability, Appropriateness & Reporting to customers (Art 30)



- Policy proposals contain four 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**?

2. Criteria for “other non-complex IBIPs” which are eligible for **execution-only business**:

- Can be sold without advice, with no prior appropriateness assessment

3. Record-keeping obligations:

- 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**
- National implementation of IDD might introduce further complementary concepts, such as an **“appropriateness statement”**



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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**
 - 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:
 - A **definition of “inducement”** and **“inducement scheme”**
 - A **high-level principle** on when monetary/non-monetary benefits have a **detrimental impact**
 - 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**
 - **Organisational measures** for payment/receipt of inducements
- Want to initiate a discussion with the market



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Thank you