



**Response: ESMA Call for Evidence on Retail Investor
Protection; December 27th 2021**

Q4: On the topic of disclosures, are there material differences, inconsistencies or overlaps between MIFID II and other consumer protection legislation that are detrimental to investors? Please provide details.

The WFE believes it is worth considering the effect on corporate bonds of the PRIIPs legislation, governing packaged retail products. While MiFID already has provisions relating to suitability and appropriateness (and indeed, product governance), PRIIPs in effect over-rides this, requiring separate cost and risk disclosures. While this situation may arguably make sense in some cases (eg, bonds with ‘embedded’ derivatives), it may be unhelpful in relation to simpler products, notably straight (non-structured) corporate bonds, which are singled out as a complex/packaged product purely because of credit risk. This does not seem consistent with the objectives of the Capital Markets Union project, designed to promote more market-based finance and retail participation therein. Given that MiFID provides an over-arching approach to investor protection we would propose a relaxation of PRIIPs for this product.

Q9: On the topic of disclosures on sustainability risks and factors, do you see any critical issue emerging from the overlap of MiFID II with the Sustainable Finance Disclosure Regulation (SFDR) and other legislation covering ESG matters?

The SFDR arguably creates a duplicative requirement to that under MiFID, particularly regarding pre-contractual disclosures, adding costs and complication (which could ultimately work against green finance). The WFE believes it would therefore be desirable to allow Investment Firms to use one or the other regime, rather than both, and to cross reference as necessary. The provisions in question are in Commission Delegated Regulation (EU) 2017/565 (under MIFID II) and in SFDR Articles 3-4 and 6-11.

Background

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If you have any further questions, or wish to follow-up on our contribution, the WFE remains at your disposal. Please contact Richard Metcalfe, Head of Regulatory Affairs (rmetcalfe@world-exchanges.org)

