

The first good news for some time

28.06.2010 by Vincent Derudder, FECIF Chairman

It would seem the supervision of European intermediaries is no more the priority of our dear and expensive regulators – perhaps the first good news for months.

The quite around two key pieces of legislation, the IMD2 and PRIPS is an indication of this as it seems the European Commission is more concerned by amending the Solvency II Directive instead of working on a cross-sect oral/'horizontal' directive on Distribution, although no proposal is expected this year.

It remains to be seen whether changes initiated by the Commission would be limited to life insurance only or whether equivalent amendments would be made to other 'vertical' directives, e.g. Ucits, banking, etc. and, generally, the Commission's motivation in moving from a 'horizontal' to a 'vertical' approach.

The Commission is releasing the implementing measures regulation for "key investor information" (KII) under Ucits IV, following which CESR will issue "binding technical standards".

CESR uses a methodology for risk/reward which is unacceptable to the bankers although it is likely to repeat that same methodology for the new standards.

CESR's work will be important because amendments to the Solvency II Directive will use the KII as a benchmark and KII will, in turn, depend on CESR's flawed methodology.

It means that more or less all products will look as being higher risk than they really are. Very troubling indeed.

There is also a certain willingness of the Commission to include direct sales within scope, but on a case-by-case basis which should be a minimum burden and cost for product providers and should show consumers the impact of commissions or commission equivalents.

Meanwhile, all major projects, such as PRIPS, the revision of the IMD or the MiFID, etc. are postponed till after the summer holiday.

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