	Comments Template on Consultation Paper on Conflicts of Interest in direct and intermediated sales of insurance-based investment products	Deadline 1st December 2014 18:00 CET
Name of Company:	Federation of Finnish Financial Services	
Disclosure of comments:	Please indicate if your comments should be treated as confidential:	Public
	Please follow the following instructions for filling in the template: ⇨ Do **not** change the numbering in the column "reference"; if you change numbering, your comment cannot be processed by our IT tool ⇨ Leave the last column empty. ⇨ Please fill in your comment in the relevant row. If you have no comment on a paragraph or a cell, keep the row empty. ⇨ Our IT tool does not allow processing of comments which do not refer to the specific numbers below. **Please send the completed template, in Word Format, to CP-102-IMD@eiopa.europa.eu . Our IT tool does not allow processing of any other formats.** The numbering of the questions refers to the Consultation Paper on Conflicts of Interest in direct and intermediated sales of insurance-based investment products.	
Reference	**Comment**	
General Comment	As a result of IMD 1.5 and on–going negotiation process on IMD2, there is a risk of two different sets of regimes for the selling practices of insurance-based investment products, entering into force one after another in a short timeframe. Even though IMD 1.5 rules might be revoked by IMD2 rules, there might be a transitional period of ½ to 1 years when IMD 1.5 would be applied. The regulators should now have the priority aim to avoid disparity and overlaps in the regulation of insurancePRIIPs. The FFI is in favour of increasing the clarity and transparency of insurance sales, as well as making it easier for customers to understand and compare the products. The administrative burden of	

	service providers should not, however, be further increased without sound reasons. Regulation should seek to avoid over-regulation and sufficiently acknowledge the differences between different sales channels and insurance products, their complexity and risks. The FFI supports the uniform conduct of business regulation of similar investment products, that is insurancePRIIPs and other investments under the MiFID regime. However, there are certain insurance specificities which need to be taken into account when formulating the rules on insurancePRIIPs. These specificities relate to the specific structure of insurancePRIIPs (a two-level structure with a wrapper and underlying funds). A simple copy pasting of MiFID2 rules into insurancePRIIPs would not be sufficient and the aim should be to create a coherent set of selling rules for insurancePRIIPs products. We also like to point out that level playing field requirement works in both ways. Insurance products should not be regulated more tightly than other PRIIPs products under MiFID regime. This might happen if IMD 1 and 1.5 rules are applied at the same time.	
Question 1	Regarding the costs of IMD 1.5 rules, the biggest risk lies in the two different regimes for insurancePRIIPs (IMD 1.5 and IMD 2), entering into force in a different timetable, one after another. This would create unnecessary administrative costs for the market players, create risks for legal compliance and legal uncertainty (training of staff regarding quickly changing rules etc.) and would not ease the ability of consumers to understand the constantly changing selling practices. When assessing the costs of IMD 1.5, we are of the opinion that the costs and other effects should be assessed in total, taking into account other pieces of financial services legislation, which are to be implemented around the same time. This would mean taking into account of the effects of IMD2 and PRIIPs regulation as well. The growing requirements on documentation and material, internal strategies and guidance, training and on corporate governance have a strong impact on the costs relating to IT-systems and administration (material, training costs, changing business models etc.).	

	We might expect benefits of the regulation related to clearer selling processes and fewer customer disputes, or disputes which are easier and quicker to handle because of the specific documentation of the selling process.	
Question 2	The FFI supports the uniform conduct of business regulation of similar investment products, that is insurancePRIIPs and other investments under the MiFID regime. However, there are certain insurance specificities which need to be taken into account when formulating the rules on insurancePRIIPs. It seems however that article 21 MiFID Implementing directive might be applied directly. We are not in favour of further EIOPA guidelines at a later stage, as the principles seem clear enough to be applied to insurancePRIIPs. For example, principles of product governance are important and they have a role to play in preventing conflicts of interest. They should however be drafted as high level principles, as the product development and handling of the life-time of the product need to be left at the discretion of the product manufacturer.	
Question 3		
Question 4		
Question 5	We believe high level principles on conflict of interest policy are sufficient and further EIOPA guidance is not needed. The principle of proportionality will need to be taken into account when assessing the requirements in this article. We feel customers will not make use of detailed information on conflict of interest policy.	
Question 6	We are not sure whether situations mentioned in article 22.3 MiFID Implementing directive are relevant in insurance specific situations.	
Question 7	Requirements on periodic review of the conflicts if interest policy should leave necessary flexibility regarding different kinds of business models and take account of proportionality. They should not be too detailed.	
Question 8	We hold it highly important to take into account the principle of proportionality and thus leave necessary flexibility to the requirements. Further guidance by EIOPA is not needed, as the national	

	supervisors might be better placed to assess these needs.	
Question 9	We would like to stress that regulation of inducements and remuneration has not been included in the Commission´s request for advice from EIOPA. In this sense, EIOPA is going further than what is requested in the mandate of IMD 1.5. Instead, the future IMD2 will regulate inducements and remuneration questions. It seems that EIOPA proposal is not in line with the current negotiating positions of the Council or European Parliament. As stated before, we believe it utmost important to have only one set of rules applied to insurancePRIIPs in the future regulation. The question of regulating inducements and remuneration should be left to be decided in level 1 directive, IMD2. However, we feel EIOPA´s interpretation of the quality enhancement criterion is basically right – the criterion itself should not have the effect of rendering commissions impossible. Article 13 d.3 (MiFID2) explicitly states that Member States have the option of prohibiting the receipt of fees, commissions etc. Thus, level 2 measures should only provide guidance on the interpretation of level 1 rules.	
Question 10		
Question 11	We feel the high level examples on quality enhancement in insurance services is basically right – they might relate to the range of services or products provided, or to the quality of the services provided.	
Question 12	Inducements paid by third parties to insurance brokers, who represent their customers independently from any insurance companies, would not be for the benefit of their customers. The Finnish Insurance Mediation Act stipulates that an insurance broker may only receive remuneration from his/her customer. The objective of the commission ban is to prevent insurance brokers having ties to insurance companies which would threaten their independence and impartiality. This ensures that the broker will always act in the best interests of his/her customer, instead of directing the customer's business to the company that pays the highest remuneration.	
Question 13	We share EIOPA´s view on investment research.	

Template comments