

BEAMA Response to CESR Consultation 'Inducements: Good and Poor Practices'

BEAMA agrees with the comments offered by EFAMA, the European Fund and Asset Management Association. We would like to ask for special consideration for the issues below.

General

BEAMA would like to stress the importance, for the industry and for the investor, of a level playing field between different types of retail investment products. Comparable inducements rules should be applied to all financial products and not be restricted to those currently subject to MiFID. We strongly support the Commission's PRIPs initiative to achieve this goal.

Q. VII

§67. Too much emphasis on one-shot payments can lead to a higher turnover, something which is to the client's disadvantage. Ongoing payments encourage long-term holdings and help discourage short-term investments or – even worse – churning by advisors. CESR should take into consideration the benefits and importance of an ongoing relationship between advisors and clients, which needs to be remunerated even if it does not lead to specific transactions.

See Good practice ex. 1, 3rd bullet, on page 30.

Q. IX

§74. Rebates granted by product providers (UCI managers) to investment firms (asset managers) within the framework of investment advice or portfolio management, *can result in very serious conflicts of interest.*

- This seems to be more restrictive than CESR Recommendation on Inducements of 2007:
 - E.g. example V: '*are not altogether prohibited, special attention has to be paid,*
 - and especially as for investment advice e.g. example VII: '*If the investment advice or general recommendation is not biased as a result of the receipt of commissions, the receipt should be considered as designed to enhance the quality of the investment advice to the client.*'
- The justification for the 'enhance the quality' condition could be, e.g.: offering a quality range which has been put together after an extensive, thorough and specialized analysis.
- The justification for the 'no bias, best interest of the client' condition could be, e.g.: no (significant) difference in the rebates granted by product providers.
- Prohibiting justifiable fees should not create a situation in which investment firms exclusively offer in-house products, for reasons of compliance only, to the detriment of the open

architecture model. The interests and quality of the services offered to the customer do not necessarily nor exclusively benefit from an interpretation of the inducements rules which is too strict.