

## RIS: Gold, Frankenstein and Myrrh

10 December 2024

With the holiday season nearly upon us, we wanted to give you a quick rundown of what's been going on with RIS. You may have seen RIS moving its way up your firm's regulatory agenda. You may have also noticed it increasingly reported in the mainstream press. The battleground has moved into the public arena, and it's got pretty heated. At a recent EU conference we heard RIS described as a Frankenstein piece of legislation! Whether that's a fair assessment remains to be seen, but that sentiment is indicative of a broader concern we've been hearing from various market players about the direction that RIS is taking.

### What's the current status?

The Commission, Parliament and Council have all published their respective RIS positions. The next stage will be trilogues, where the Parliament and Council (and, to a lesser extent, the Commission) will negotiate and agree on the final "Level 1" texts amending MiFID, IDD, AIFMD, UCITS, and Solvency 2. For more detail on the specific RIS proposals and texts, check out our [RIS Hub](#).

### What's the expected timing?

Initially, there was speculation that introductory trilogues could start in December – highly unlikely at this stage. It's more likely that **trilogues will start in Q1 2025**. If trilogues begin in early Q1 2025, a final Level 1 text could be agreed upon and published by Q2 2025. Based on the most ambitious timelines, **firms may need to be ready to comply with RIS changes by Q3 2026**. However the potential sting in the tail is whether the Council (under the Polish Presidency beginning in January 2025) will prioritise RIS trilogues in 2025 – we discuss the speculation around this further below – if it doesn't, trilogues could be delayed.

### Mixed sentiments and strong words – it's all kicking off

From EU bodies to industry to national regulators, blows are being traded from all angles. The common theme is a call for **simplification** of RIS, but the question of how to achieve this is where the battleground lies. Can this be achieved by tweaking RIS, and if yes, how? Or should the EU go back to the drawing board entirely on how best to achieve investor participation in EU markets?

Here's a rundown of who's been saying what....

- The **Commission** has expressed **disappointment** with the watering down of its inducements ban and value-for-money (VfM) proposals. The most recent setback came with the new Financial Services Commissioner, Maria Luis Albuquerque, stating she will not continue to push for the inducements ban. The Commission's broad sentiment is that the Parliament/Council RIS proposals are **not fit for purpose**.
- In an unusual move, **ESMA** and **EIOPA** also entered the debate. These EU supervisory authorities issued a **joint letter**, expressing their views on RIS, calling for **simplification** and highlighting the **"substantial number of tasks and responsibilities"** imposed on them. Verena Ross (ESMA Chair) and Petra Hielkema (EIOPA Chairperson) have both voiced concerns about the **complexity** and the **burdens** of the Parliament/Council RIS proposals.
- **Industry** concerns remain focussed on **VfM, inducements**, and the need for simplification, but also areas requiring significant tech uplift like the enhanced **reporting** provisions. **National regulators** are also calling for **simplification** and some have expressed concerns about increased **supervisory burdens** which would require larger headcount.

However, none of the above parties are directly involved in the legislative process – that falls to Parliament and Council. So what have they been saying?

- In November, we chatted with **Parliament's MEP Yon-Courtin** at our **Simmons' Global Outlook Event**. It's well worth a watch ([here](#)). She expressed an overall positive attitude to RIS and confirmed that Parliament will seek **"avenues of simplification"**, emphasising the importance of industry input here – this may go some way to allaying the fears expressed above. Following the US elections, she also said there's a renewed awareness of the need to finance defense through a well-functioning EU financial market and **RIS is a key part** of this. She said that **Parliament and Council are aligned on inducements (no ban)** but the **Council's new inducements test is too complex**. Parliament and Council are also aligned on **benchmarks being used as supervisory aids** and on this she strongly advocated that **benchmarks should not be a concern for industry** (they are simply intended as another tool in the regulators' box). She did, however, acknowledge that price regulation concerns are legitimate but noted these stem from the Council's proposals which would make supervisory benchmarks public (Parliament proposes non-public benchmarks). Finally she emphasised the need for **sufficient implementation time for both Level 1 and 2 measures**.

- ...And what about the **Council**? This could be where RIS gets stuck. Political tensions between Hungary's (far-)right government and the EU have made meaningful engagement on legislative matters difficult between Parliament and the Council's Hungarian Presidency throughout H2 2024. On 1 January 2025 the Council Presidency will pass to **Poland** – but there has been speculation that it may prioritise shorter-term geopolitical issues like the Ukraine war and Poland's internal elections in May 2025. Whether RIS will be a priority for the Council in this context is currently unclear.

Importantly, let's not also forget the broader political climate. We have seen a shift to the political-(far-)right across a number of **EU member states**, which has fed into the new composition of the newly elected Parliament and the governments contributing to the Council. A mantra of '**less EU-led rules and more member state sovereignty**' could move the dial in terms of the specifics of RIS or even potentially the existence of RIS.

#### **So where does all this leave RIS?**

Good question! If trilogues proceed in Q1 2025, we can predict some direction of travel. The **call for simplification** is clear, but practical views differ. With the Commission no longer pushing for an RTO/XO ban, **we'd expect no ban** in the final text, but the extent of the Council's new inducements test replacing it remains unclear. On VfM/Benchmarks, Council and Parliament both re-categorise **benchmarks as supervisory tools**, so this is likely to follow through in the final text but whether this **could still lead to a form of price regulation** remains, we think, a legitimate concern. On the interaction of Level 1 and Level 2, we're painfully aware from previous legislative reforms like MiFID and EMIR how Level 2 delays can lead to implementation headaches for firms and regulators alike. Parliament has recognised the need for a **smooth interaction timetable between Level 1 and 2**, hopefully this is achievable for RIS.

The sting in the tail is that whilst Parliament has said it's ready to start trilogues in Q1 2025, if Poland's Council Presidency does not prioritise RIS, progress in trilogues may be slow to non-existent in H1 2025. If there is a delay and the momentum slows there's an increased risk that RIS could be derailed completely by those calling for it to be scrapped. On the other hand, increased pressures following the US elections to create a strong and functioning EU bloc could play into the Polish Council's broader geopolitical focus (if that's indeed where it's focus will be) and push Council to reach an agreement with Parliament on RIS. We will see what 2025 brings

For a good overview of the various positions and views, check out our October **RIS webinar** with trade association EFAMA, discussing RIS' potential impact on industry, regulators, and different EU jurisdictions. You can also find lots of RIS resources, including overviews, podcasts and legislation on our **RIS Hub**.

We continue to follow developments closely and will, of course, keep you updated. This could be our final update on RIS until the new year (famous last words!), but if you have any questions or would like to chat in the meantime, please do get in touch.

\*\*\*\*\*

#### **Catherine Weeks**

Partner, London

[catherine.weeks@simmons-simmons.com](mailto:catherine.weeks@simmons-simmons.com)

#### **Harald Glander**

Partner, Frankfurt

[harald.glander@simmons-simmons.com](mailto:harald.glander@simmons-simmons.com)

#### **Sara Ross**

EU Senior Knowledge Lawyer

[sara.ross@simmons-simmons.com](mailto:sara.ross@simmons-simmons.com)

This content does not constitute legal advice. Professional legal advice should be obtained before taking or refraining from any action as a result of the contents of this email.

**+simmons  
simmons**

Follow us



[Manage my preferences](#) | [unsubscribe](#) | [legal & regulatory](#) | [privacy policy](#) | [contact us](#)

© Simmons & Simmons LLP and its licensors. All rights asserted and reserved. Simmons & Simmons will use your personal information as described in our [privacy policy](#).