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WHITE PAPER

Preparing for RIS

Why European Retail Platforms Need Usage-Based ETF Governance Analytics

A Framework for European Retail Brokers Preparing for RIS — Position as at 8 October 2026

EXECUTIVE SUMMARY

The European Commission's Retail Investment Strategy (RIS) is among the most significant developments in European retail investment regulation since MiFID II. Council and Parliament reached a provisional agreement on 18 December 2025, and most rules are expected to apply from around 2029. RIS introduces a stronger regulatory focus on investor outcomes, value for money, product governance, and distributor accountability across the retail investment ecosystem.

Status as at 8 October 2026: Council and Parliament reached a provisional agreement on 18 December 2025, and the Parliament committee approved the text on 23 June 2026. Parliament's plenary vote is forecast for 11 November 2026, and formal adoption and publication in the Official Journal follow. Member states then have 24 months to transpose the rules, and most apply 30 months after publication (the PRIIPs rules after 18 months), which on current timing points to around mid-2029. Firms should check the final published text.

While much of the early industry focus has centred on manufacturers, RIS also has significant implications for distributors — including retail brokers, neobrokers, banks, and digital investment platforms. Under the provisionally agreed RIS text, distributors are expected to face increased requirements regarding how products are selected, monitored, governed, and distributed to retail investors.

At the same time, European platforms are adapting to structural changes to their business models, including the EU-wide prohibition of payment for order flow (PFOF) under the revised MiFIR framework, which has applied in every member state since 1 July 2026. As traditional monetisation models evolve, platforms are increasingly focused on product shelf optimisation, governance efficiency, and deeper issuer engagement.

Most retail platforms today possess strong internal transaction and behavioural data but lack independent benchmarks that contextualise how products are being adopted, retained, and used across the broader retail market. As supervisory expectations increase under RIS, this creates a growing governance gap between internal monitoring and externally defensible product oversight.

ETF Explorers is designed to address this gap by providing privacy-safe, cross-platform ETF usage analytics that support product governance, value-for-money oversight, distribution monitoring, issuer engagement, and evidence-based decision-making.

This paper outlines:

- the evolving regulatory expectations under RIS
- why TER-only product comparisons are increasingly insufficient



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- how behavioural and usage-based analytics support governance frameworks
 - how ETF Explorers can help platforms evidence their governance processes while improving commercial decision-making

KEY TAKEAWAYS FOR RETAIL PLATFORMS

RIS TREND	PLATFORM IMPACT	ETF EXPLORERS CONTRIBUTION
Increased distributor accountability	Greater governance expectations over product shelves	Cross-platform ETF usage benchmarks
Stronger focus on investor outcomes	Need for behavioural monitoring and evidence	Retention, switching, and adoption analytics
PFOF prohibition	Pressure on platform economics and monetisation	Shelf optimisation and issuer engagement insights
Enhanced product governance requirements	Need for documented review processes	Structured governance reporting
Increased supervisory scrutiny	Need for ongoing distribution oversight	Continuous behavioural monitoring and peer comparisons

1. INTRODUCTION: A STRUCTURAL SHIFT IN EUROPEAN RETAIL INVESTING

The EU Retail Investment Strategy is designed to strengthen investor protection, improve transparency, and ensure that retail clients receive fair value from investment products and services.

RIS builds on the MiFID II framework but increases the emphasis on:

- investor outcomes
- product governance accountability
- value-for-money assessment
- conflicts of interest management
- distribution oversight
- transparency of costs and inducements

For retail brokers and neobrokers, this represents a structural shift away from a distribution model focused primarily on low-cost execution toward one increasingly centred on governance, transparency, and demonstrable oversight.

Beyond formal RIS requirements, ESMA and national regulators are also increasingly focused on:

- speculative retail trading behaviour
- concentration risks
- leveraged and complex products
- retail investor outcomes
- gamification and investor engagement practices
- product distribution quality

This broader supervisory trend reinforces the growing importance of behavioural and usage-based analytics within platform governance frameworks.

2. RIS VALUE FOR MONEY: WHAT THE REGULATION MEANS IN PRACTICE

RIS strengthens the expectation that firms involved in manufacturing and distributing investment products can demonstrate that products provide fair value relative to their costs, risks, complexity, and intended target market.

While MiFID II already introduced product governance obligations, RIS increases the supervisory focus on the quality, substance, and evidence supporting those governance processes.

2.1 Manufacturers (ETF Issuers)

Under the provisionally agreed RIS text, manufacturers (for ETFs, the UCITS management company) are expected to:

- design products for clearly identified target markets
- ensure that costs and charges are justified
- compare product costs and charges against relevant peer groups
- conduct value-for-money assessments at launch and on an ongoing basis
- provide distributors with sufficient information to support product governance obligations

This strengthens existing MiFID II product governance expectations by making fair value and investor outcomes more explicit supervisory priorities.

For ETFs, the value-for-money duties fall on the UCITS management company, which must assess retail funds against peer groups; ETFs are not treated separately in the agreed text.

2.2 Distributors (Platforms, Brokers, and Neobrokers)

Distributors are also expected to face increased requirements regarding their product shelves. Under the provisionally agreed text, they must identify any additional distribution costs and inducements, check that the product remains consistent with its target market, and feed their findings back to the manufacturer.

Building on existing MiFID II product governance, platforms are likely to need to:

- maintain documented product governance and review processes
- justify why products are made available to retail clients
- monitor whether products remain aligned with client characteristics and target markets
- oversee distribution patterns and identify potential target market mismatches
- identify and manage conflicts of interest
- retain evidence supporting governance decisions for regulatory review

Importantly, distributors are unlikely to be able to treat ETFs as inherently “self-explanatory” products simply because they are exchange-traded or low cost. Regulators are increasingly focused on how products are used by retail investors in practice.

On inducements, the agreed text does not impose an EU-wide ban on inducements. It introduces a stricter test (a tangible client benefit, with inducement costs disclosed clearly and separately), and member states may still ban inducements.



3. THE PFOF PROHIBITION AND ITS IMPACT ON PLATFORM ECONOMICS

Many European neobrokers historically relied on payment for order flow (PFOF) as a key revenue source supporting commission-free trading models.

However, the revised MiFIR framework (Article 39a, introduced by Regulation (EU) 2024/791) prohibits PFOF for retail clients across the EU, reflecting regulatory concerns around:

- conflicts of interest
- best execution
- transparency
- investor protection

The prohibition has applied since 28 March 2024. Germany was the only member state to use the transitional exemption, which allowed it until 30 June 2026, so the ban now applies in every member state. It is particularly significant in markets where PFOF supported customer acquisition and platform growth.

As this revenue source falls away, platforms are increasingly focused on:

- product shelf optimisation
- governance efficiency
- deeper issuer relationships
- transparent monetisation frameworks
- evidence-based product oversight

Independent analytics capable of supporting both governance and commercial decision-making therefore become strategically more important.

4. WHY TER-BASED COMPARISONS ARE NO LONGER SUFFICIENT

Historically, many platforms relied heavily on TER (total expense ratio) as the primary measure of ETF cost efficiency.

However, TER represents only one component of the investor experience and does not necessarily reflect the total economic outcome for retail investors.

RIS strengthens the expectation that firms consider whether product costs are justified relative to:

- product structure
- complexity



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- risks
 - performance characteristics
 - investor usage patterns
 - comparable alternatives

This naturally shifts governance frameworks toward a broader total-cost and investor-outcomes perspective, including factors such as:

- spreads and execution costs
- tracking difference and tracking error
- portfolio turnover and implicit transaction costs
- securities lending revenue offsets
- replication methodology and structural complexity
- client retention and holding behaviour
- switching and churn patterns

A low TER alone is unlikely to demonstrate that a product consistently delivers fair value to retail investors.

Regulators are increasingly focused not only on product pricing, but also on how retail investors use products in practice; ESMA has examined digital engagement practices and the retail investor journey in recent publications (see Sources). Behavioural patterns such as concentration, rapid switching, speculative turnover, and persistent target market misalignment may become relevant supervisory indicators, although no rule currently requires firms to monitor them.

5. USAGE-BASED ETF ANALYTICS: THE MISSING GOVERNANCE DATASET

5.1 The Current Data Gap

Most retail platforms possess strong internal datasets, including:

- transaction activity
- client flows
- holdings data
- savings plan activity
- account-level behaviour

However, platforms often lack:

- cross-platform behavioural benchmarks
- peer group adoption comparisons

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- external reference points for shelf rationalisation
 - independent evidence supporting governance decisions
 - standardised market-wide usage analytics

A single platform's internal data cannot provide sufficient market context.

The value of ETF Explorers comes from aggregating standardised usage patterns across multiple retail environments, creating an independent benchmark layer unavailable through internal analytics alone.

5.2 What ETF Explorers Provides

ETF Explorers aggregates privacy-safe, anonymised, ISIN-level ETF usage data across European retail platforms.

The dataset is designed to help platforms evidence their governance and distribution oversight processes. Its use is not a regulatory requirement.

Analytics can include:

- holding period and retention analysis
- adoption trends by exposure and category
- savings plan and recurring investment behaviour
- switching pathways and substitution analysis
- account-type insights
- concentration and behavioural monitoring
- cross-platform benchmark comparisons

ETF Explorers does not collect personal client identifiers. Outputs are aggregated and designed to prevent re-identification of underlying platform data.

No participating platform can access another platform's client-level information.

6. HOW USAGE-BASED ANALYTICS SUPPORT RIS GOVERNANCE

6.1 Value-for-Money Reviews and Shelf Justification

Usage-based benchmarks can help platforms:

- compare product adoption and retention against peer groups
- identify products with weak client engagement or elevated churn
- support documented justification for shelf inclusion or removal
- demonstrate that governance decisions are informed by observable client behaviour

This strengthens value-for-money oversight without relying solely on fee-based metrics.



6.2 Target Market Alignment and Distribution Oversight

Behavioural insights can help identify:

- products being used outside their intended target market
- unusually short holding periods suggesting speculative behaviour
- concentration risks driven by retail herding
- disproportionate exposure concentrations within client portfolios

These insights support more effective distribution oversight and governance monitoring.

6.3 Suitability and Appropriateness Enhancements

Platforms can use behavioural analytics to:

- improve investor education workflows
- refine suitability and appropriateness tools
- strengthen client warnings and prompts
- identify where product complexity may not align with retail behaviour

This supports improved investor outcomes without relying on performance-based claims.

6.4 Issuer Engagement and Commercial Negotiations

Usage-based analytics can also support:

- evidence-based issuer discussions
- benchmarking issuer products against broader retail adoption trends
- ETF shelf optimisation
- category representation analysis
- improved commercial negotiations using objective usage evidence

Platforms can better demonstrate their distribution value, while issuers gain stronger visibility into retail adoption patterns.

6.5 Governance Documentation and Evidence

Platforms are likely to require increasingly robust evidence supporting governance processes.

Usage-based datasets can support:

- periodic product reviews
- governance committee reporting
- structured documentation
- regulator-facing oversight evidence
- recurring governance workflows

This may help reduce the operational burden associated with periodic product reviews and regulatory documentation.

6.6 Benefits for ETF Issuers

ETF issuers themselves are also expected to face increasing scrutiny around:

- target market definition
- retail distribution quality
- investor outcomes
- value-for-money assessment
- product governance effectiveness

Usage-based analytics can help issuers:

- better understand retail adoption trends
- monitor retention and recurring investment behaviour
- identify concentration risks
- benchmark product adoption across distribution channels
- improve engagement with retail platforms

This creates a more informed and data-driven relationship between issuers and distributors.

7. ILLUSTRATIVE EXAMPLE (HYPOTHETICAL USE CASE)

A European neobroker uses ETF Explorers to:

- benchmark its ETF shelf against cross-platform retail adoption patterns
- identify ETFs with unusually low retention and elevated switching behaviour
- refine recurring investment recommendations using category-level stability analysis
- strengthen internal governance committee reporting using external benchmarks
- support more structured issuer engagement using independent behavioural data
- automate recurring governance reporting workflows

This enables the platform to strengthen both governance oversight and commercial shelf optimisation ahead of RIS implementation.

8. IMPLEMENTATION FRAMEWORK

Step 1: Data Contribution

Participating platforms contribute anonymised, aggregated ISIN-level activity data, including holdings, flows, retention indicators, and category mapping where appropriate.

Step 2: Benchmarking and Normalisation

ETF Explorers standardises and normalises the dataset to produce meaningful cross-platform comparisons and behavioural benchmarks.

Step 3: Governance Integration

Insights can be integrated into:

- product governance committees
- shelf review processes
- distribution oversight frameworks
- issuer engagement workflows

Step 4: Reporting Outputs

Platforms can generate structured evidence packs supporting:

- value-for-money reviews
- governance documentation
- audit preparation
- supervisory engagement

Step 5: Ongoing Monitoring

Quarterly or periodic updates provide continuous behavioural oversight and help firms prepare for increasing supervisory scrutiny as the RIS rules approach application.

9. CONCLUSION

The EU Retail Investment Strategy marks a significant evolution in the European retail investment landscape.

Retail platforms and brokers are expected to face increasing supervisory expectations regarding:

- product governance
- distribution oversight
- investor outcomes
- target market alignment
- value-for-money assessment

TER-based comparisons alone are unlikely to be sufficient as a long-term governance framework.

Firms will increasingly require broader evidence incorporating:

- behavioural analytics



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- product usage patterns
 - retention characteristics
 - switching behaviour
 - concentration monitoring
 - comparative market benchmarks

Usage-based ETF analytics are therefore likely to become an increasingly important component of:

- governance oversight
- shelf optimisation
- governance evidence
- issuer engagement
- strategic product decision-making

ETF Explorers provides a privacy-safe, cross-platform benchmark dataset designed to support these evolving requirements, helping European retail platforms strengthen their governance evidence and commercial effectiveness as the RIS rules move towards application.

GLOSSARY OF TERMS

Appropriateness Test — MiFID II assessment of a client's knowledge and experience for non-advised services.

Best Execution — Requirement to achieve the best possible outcome for clients considering price, cost, speed, and execution quality.

Cost and Charges Disclosure — Obligation to disclose product and service costs to investors in a standardised format.

Distributor — Entity offering financial products to end investors, including brokers and investment platforms.

ESMA — European Securities and Markets Authority, the EU regulator overseeing securities markets and investor protection.

ETF — Exchange Traded Fund that tracks an index, strategy, or investment theme and trades on an exchange.

Inducements — Payments or benefits that may create conflicts of interest in investment services. Under RIS, a stricter inducement test applies and member states may restrict or ban them.

MiFID II — EU framework governing investment services, investor protection, and product governance.

MiFIR — EU regulation covering market structure, transparency, and trading rules.

Neobroker — Digital-first investment platform typically offering simplified and low-cost investing services.

PFOF (Payment for Order Flow) — Compensation received for routing client orders to specific trading venues; prohibited for retail clients in the EU under Article 39a MiFIR, with the last national exemption ending on 30 June 2026.

PRIIPs — Regulation requiring Key Information Documents (KIDs) for packaged retail investment products; RIS also amends it.

Product Governance — Framework ensuring financial products are designed for and distributed to appropriate target markets.

Product Shelf — The range of investment products made available to clients by a distributor or platform.

RIS (Retail Investment Strategy) — EU initiative aimed at strengthening retail investor protection, value-for-money standards, and governance expectations; provisionally agreed in December 2025, with formal adoption pending.



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Suitability Test — Assessment ensuring investment advice aligns with a client's objectives, risk tolerance, and financial circumstances.

Target Market — The identified investor group for whom a financial product is intended.

TER (Total Expense Ratio) — Annual fund cost measure excluding implicit trading and market costs.

Tracking Difference — Difference between ETF performance and benchmark index performance.

Value for Money — Assessment of whether product costs are justified relative to features, risks, complexity, and alternatives.

Wrapper / Account Type — Structure through which investments are held, including pensions, brokerage accounts, and tax-advantaged investment accounts.



SOURCES AND STATUS

This paper is for information only and does not constitute legal or regulatory advice. Regulatory status is stated as at 8 October 2026 and should be checked against the Official Journal text once published.

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