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FP

EACB Answer to ESMA Call for evidence on the retail investor journey: understanding retail participation in capital markets

18 July 2025

The **European Association of Co-operative Banks** (EACB) is the voice of the cooperative banks in Europe. It represents, promotes and defends the common interests of its 27 member institutions and of cooperative banks in general. Cooperative banks form decentralised networks which are subject to banking as well as cooperative legislation. Democracy, transparency and proximity are the three key characteristics of the cooperative banks' business model. With 2,500 locally operating banks and 40,000 outlets cooperative banks are widely represented throughout the enlarged European Union, playing a major role in the financial and economic system. They have a long tradition in serving 227 million customers, mainly consumers, retailers and communities. The cooperative banks in Europe represent 90 million members and 737,000 employees and have a total average market share of about 20%.

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Introduction

The EACB welcomes the opportunity to respond to the Call for evidence of the European Securities and Markets Authority (ESMA) on the retail investor journey. In particular, we welcome ESMA's efforts in this remit as they place greater emphasis on the measures needed to simplify the retail investment journey, including the reduction of existing bureaucracy. With our response we have both highlighted with concrete examples and numbers how the excessive bureaucracy interesting the business of financial instruments' transactions often leads to client stepping back from capital markets' activities, and provided suggestions that would be helpful solutions. Provided that it is easier avoiding to introduce new bureaucratic requirements than reducing administrative burden once implemented, we believe that a broader -and bolder- approach to simplify the current provisions under MiFID and PRIIPs is a key step to tackle existing problems affecting the investment journey and the securities business in the EU.
Please refer to our full response below for more detailed information.

Response to targeted questions

Q1: What are the key reasons why many retail savers choose not to invest in capital markets and instead keep their savings in bank deposits? *Please explain and provide practical examples, or evidence drawn from experience, where available*

The EACB believes that multiple, often interconnected, factors contribute to the relatively low participation of retail savers in capital markets across the EU. These include:

- Risk-averse culture: Compared to other regions, such as the U.S., European citizens tend to prioritise savings over investments. This is partly due to cultural factors/behaviours, limited trust in financial markets activities, as well as other factors, e.g. the structure of national pension systems, which may reduce the perceived need for actively participating in capital markets activities.
- low levels of financial literacy: we believe this is the main and most consistent barrier to the limited retail participation in capital markets activities in the EU. Many retail savers lack sufficient understanding of capital markets and financial instruments, which discourage them from investing. In addition to this, many investors misunderstand the nature of capital markets — associating them primarily with short-term trading or high volatility. As a result, they often overlook the benefits of moderate-risk, long-term investment strategies through standardised products such as UCITS funds or capital-protected structured products. These misconceptions hinder participation in products that are suitable and effective for long-term wealth accumulation. This is yet another reason why many investors continue to rely on traditional forms of saving – even though these result in real-term losses due to inflation. Certain proposals currently discussed in the context of the Retail Investment Strategy – namely, the planned risk warnings on certain products- risk unintentionally exacerbate this already problematic picture. In fact, such warnings could disproportionately emphasise risks while failing to highlight the potential opportunities. This may further discourage investor participation rather than promote informed decision-making.
- perceived complexity of the investment landscape: The investment process is often seen as overly complex, especially for first-time investors. The abundance of regulatory disclosures, documents, and suitability assessments can be overwhelming. In some cases, this level of complexity — particularly regarding fees and costs — discourages retail participation. Simplification in this area would be a welcomed step: it would make sense to simplify the advisory process and to simplify investor disclosure in order to attract retail investors and build confidence
- lack of tax incentives and limited disposable income in certain Member States

- Low return and/or high volatility in recent economic/financial crisis: Past economic shocks — such as the European sovereign debt crisis, the COVID-19 pandemic, and market instability in 2022 — have negatively impacted investor confidence. For many retail savers, these events have reinforced the perception that capital markets are inherently risky or unsuitable for long-term financial planning.
- Overall complexity of the regulatory framework: the existing framework regulating securities business includes many requirements – often overlapping and overly detailed - that make the investment services and activities complex, expensive and time-consuming without adding appreciable value to retail investors. To solve this issue, we believe that there is a clear need to fundamentally revisit said legal framework, while, at the same time, avoid overburdening the securities business by introducing additional requirements.

The comments clearly highlight the need for practical simplifications. It is therefore encouraging that ESMA is addressing this issue to gather suggestions for improving the current requirements.

Q2a: To what extent do retail investors find investment products too complex or difficult to understand? *Please select one of the following options and please explain and provide practical examples, or evidence drawn from experience, where available*

- A major barrier to investment
- A moderate concern, but not the main factor
- A minor issue compared to other factors
- Not a concern at all

Please explain:
We believe that product complexity is a relatively minor barrier compared to other factors such as limited financial literacy, regulatory overload, and the absence of clear long-term incentives. Most investment products available to retail clients — such as investment funds — are not inherently complex. The appropriateness and suitability assessments provide sufficient safeguards to ensure that retail investors can understand the investment products they intend to purchase. It should also be noted that the complexity of a financial product does not necessarily equate to a high level of risk. What often discourages retail investors is the sheer volume and complexity of information that must be provided when investing in such products, alongside a lenghty process, which includes extensive documentation, overload of tests (e.g. on sustainability preferences) and numerous, detailed, disclosures making the investment journey unnecessarily burdensome. These information, required by strict regulatory standards, often overwhelm investors.
Moreover, many retail investors interpret the extensive disclosures as an implicit warning that the product carries high risk. Such perception can lead to general uncertainty—even in cases where the actual risk of the product is relatively low.
The multitude of detailed regulatory and supervisory requirements also results in a protracted onboarding process, posing a barrier by unnecessarily delaying access to capital markets and potentially deterring investors from the outset.
Additionally, some of our members have observed that, in the context of online brokerage, the legal and regulatory requirements associated with opening a securities account was a determining factor contributing to clients abandonemnt of the process.
Ultimately, the excessive flood of information often creates confusion rather than clarity. In our members' experience, retail investors frequently choose not to engage with overly details and/or technical disclosures, as they feel unable to fully comprehend the volume and complexity of the information presented.

Q3: Do past experiences with low or negative returns significantly affect retail investors' willingness to invest again? *Please select one of the following options and please explain and provide practical examples, or evidence drawn from experience, where available*

- Yes, negative experiences strongly discourage future investment
- Somewhat, but other factors (e.g., trust, risk appetite) play a bigger role
- No, past experiences with poor returns are not a major factor in investor decisions

Please explain:
See response to q2a – Negative experiences have a role, in particular we see that major finacial scandals and their mediatic echoes have shaped public opinion in such a way to discourage a significant share of retail investors to actively opeate in capital markets. However, the combination with other factors – which discourage also savers/potential retail investors- play an equally significant role. In this context, we believe is worthnoting that capital markets have developed positively in recent years. Many retail investors have achieved attractive returns despite volatility, and even inflation-adjusted returns on fixed-income products have outperformed traditional bank savings. As a result, a growing number of clients are showing interest in securities — although not yet at the level needed. This is why increasing retail participation remains a core goal of the Savings and Investment Union.
We recognize that some retail investors may have experienced losses and may now be consequently less active or have withdrawn from the markets altogether. However, we believe that confidence and risk appetite play a greater role in investment decisions than isolated instances of poor performance, although lacking concrete data backing this assumption.
We believe that the main barrier to investments for retail investors and savers is financial education. In this respect, financial education should not be understood as more product-specific information or documentation. Instead, it should focus on the earlier stages of the investment process — namely financial planning and asset allocation — which are key to long-term outcomes. Helping investors align their investments with personal goals, time horizons, and constraints is far more impactful than 'product picking'. To be successful, financial education should put the investors at the centre of their planning process, with a broader analysis of personal expectations and investment alternatives. However, the current regulatory approach remains too focused on disclosures at the product decision stage.
Once again, we believe that regulation has a key role to play in restoring confidence, provided it is designed to preserve market integrity through clear and proportionate provisions, rather than a plethora of overly detailed, narrow-scope rules, burdening both investors and the industry without consistent benefits.

Q4a: Do high fees and costs discourage retail investors from participating in capital markets? *Please select one of the following options and please explain and provide practical examples, or evidence drawn from experience, where available*

- Yes, fees are a major obstacle to investment
- Somewhat, but investors consider other factors as well
- No, fees are not a significant concern for most retail investors

Please explain:
Based on our members' experience, fees are not a significant concern for most retail investors.
In the experience of our members, when taking investment decisions, retail investors are not solely focussing on costs, but are rather guided by the performance of a certain product. As performance has generally been positive in recent years, many retail investors have been satisfied with their investments even after deducting costs. Legislators should take into account that costs are not necessarily the main focus for investors.

In most of the cases, fees are very competitive and/or reasonable, particularly as retail clients value F2F investment advice, which they value highly. Nevertheless, a fully fee-based model could risk excluding smaller investors and create an advice gap, given the average portfolio sizes in retail segments.
What discourage investor, rather than the level of fees, is the volume and complexity of cost-related disclosures, which can overwhelm or confuse clients.
It is worth noting that securities subject to MiFID II may appear more expensive than conventional savings products, where equivalent cost statements are not required, simply due to the mandatory cost transparency under MiFID II. In particular, the MiFID requirement to include implicit costs in the investment amount is problematic, as retail investors tend to only perceive costs as those that exceed the purchase price. However, this is not the case for intrinsic costs included in the purchase price. As a result, their inclusion in MiFID costs' information is misleading to many retail investors.

Q5a: Have you identified a lack of trust in investment service providers as a factor influencing retail investors' reluctance to invest? *Please select one of the following options and please explain and provide practical examples, or evidence drawn from experience, where available.*

- A major factor
- A contributing factor, but not the main issue
- A minor factor compared to other concerns
- Not a factor at all

Please explain:
We don't believe that lack of trust in investment service providers is an important component of retail investors'reluctancy to invest. According to the findings of the Kantar Study on disclosure, inducements and suitability rules (section 6.2, p. 226), the segment of consumers who have savings but are not interested in investing - the main target group of any EU initiatives aimed at increasing retail participation in capital markets- displays relatively high levels of trust in both financial institutions and advisors. In fact, they "*tend to trust advisors to act in the best interests of investors and similarly they state that they tend to trust banks and financial institutions"* in some cases even more so than experienced investors. The study further highlights that the real barrier is not a lack of trust, but rather low confidence in their own ability to invest successfully, and a perception that choosing the right investment product is too complicated, in line with our members' experience. In fact, despite a good experience with their bank and/or advisor, retail investor's confidence in navigating the investment process remains limited, often due to financial literacy gaps and complex regulatory language – most notably in the area of sustainable finance.

Q6: Do retail investors feel they have adequate access to investment advice and relevant information when they encounter difficulties in understanding investment products? If not, what forms of support would be most helpful? *Please explain and provide practical examples, or evidence drawn from experience, where available.*

We don't believe that retail investors have adequate access to investment advice. EU regulatory requirements made access and provision of investment advice disproportionately burdensome, particularly for smaller portfolios. This limits the availability of personalised support and risks creating an advice gap. Regulatory constraints can prevent investors from accessing products they express interest in — including instruments with higher risk-return profiles — due to overly restrictive suitability or distribution rules, which can reduce confidence and satisfaction. At the same time, many retail investors turn to digital channels for information, which may reduce personal interaction with trained advisors and expose them to less reliable content. Likewise, we don't believe that retail investors are provided with easily understandable information. While tools like the PRIIPs KID while not perfect, offer a good starting point for condensing essential product information into a few pages, the overall disclosure burden often leads to information overload rather than clarity. We believe that simplification in this area is key and we are concerned that the Retail Investment Strategy, currently under discussion, may do the opposite, while, at the same time, further reducing the availability of (and access to) advice.

Q7: Does investment advice provided to retail clients typically cover all types of investment products (e.g. shares, bonds, investment funds, ETFs), or are certain products rarely advised*? If so, please explain which types of instruments are less commonly recommended and why. Please explain and provide practical examples, or evidence drawn from experience, where available.*

According to the feedback of our members, investment advice to retail clients generally covers a broad range of instruments, including shares, bonds, investment funds, and ETFs. However, However, the scope of products offered can vary significantly depending on the individual investment firm's business model. While some banks provide comprehensive advice across the full spectrum of financial instruments and beyond, others concentrate on specific asset classes such as investment funds – and some firms do not offer investment advice at all. This diversity allows clients to choose the approach that best aligns with their individual needs and preferences. In general, investment funds tend to dominate the advised product offering, due to their diversification benefits and suitability for a wide range of retail investors. More options can be offered to clients with larger investable assets. However, smaller distributors in particular face challenges when it comes to products from the corporate sector, such as shares and corporate bonds. This is a problem linked to the existing regulatory framework: as issuers are not directly subject to MiFID, the data necessary to distributors for sales and for the provision of investment advice – such as defined target markets or sustainability information – for these products are often not provided. As a result, shares and corporate bonds are rarely or never recommended by some firms within the framework of their advisory services.
For advice to remain accessible, it must be economically sustainable for providers. Most clients expect advice to be bundled with other services, and are reluctant to pay separately for it. If regulatory developments reduce the economic viability of providing advice, there is a risk that product range and availability of advice will further decline - to the detriment of retail investor participation in capital markets.

Q8a: To what extent does a lack of financial education or investment knowledge contribute to retail investors' reluctance to invest in capital markets? *Please select one of the following options and please explain and provide practical examples, or evidence drawn from experience, where available.*

- A major barrier to investment
- A contributing factor, but not the main issue
- A minor factor compared to other concerns
- Not a factor at all

Please explain:
The EACB considers the lack of financial education to be a major barrier to retail investment. Based on some of our members' experience, many retail investors struggle to understand the role of fixed income instruments in diversified portfolios, and declare themselves as having a moderate risk profile, yet later express dissatisfaction with portfolio returns when comparing them to equity indices during bull markets. This mismatch reflects unrealistic expectations and limited

understanding of risk-adjusted returns. Moreover, some potential retail investors place too much focus on past returns and financial crises, which, coupled with risk aversion and short term investment horizon, reinforces caution and hesitancy to invest.

Q10: Are there any other significant non-regulatory barriers that discourage retail investors from investing in capital markets? *Please explain and provide practical examples, or evidence drawn from experience, where available.*

EU citizens tend to be quite risk-averse. This is likely influenced by a combination of factors, such as low levels of financial education, trust issues following the financial crisis and the 2020 pandemic, however there is also an issue that is often overlooked: the actual liquidity available to households in their day-to-day lives.

For instance, various data sources, including surveys conducted under the Kantar Study commissioned by the Commission in the context of the Retail Investment Strategy's impact assessment, indicate that the typical potential retail investor targeted by the RIS —and more broadly by the SIU—is not necessarily lacking trust in financial institutions, quite the opposite.

That is why as we consider ways to enhance retail investor engagement, it is essential to reflect on the socio-economic context within which potential investors operate. Beyond financial literacy and trust in capital markets, both of which remain key pillars, we believe that there are also other significant elements representing non-regulatory barriers to retail investor participation to financial markets, some of which cannot be necessarily tackled by the financial system (regulators as well as banks and other industry actors). In this respect, liquidity constraints play a significant role. Many EU citizens today are navigating high living costs, which can limit their capacity to allocate funds toward investment, regardless of their willingness or trust in the system. For individuals with limited investment experience, the decision to invest is not only about education or awareness—it's also about whether they can afford to sacrifice short-term needs in favour of potential long-term outcomes.

Addressing retail participation therefore also requires a broader view of economic conditions of EU households, beyond the clear need to improve financial literacy—particularly around how to start investing, and the possibility of doing so even with small amounts.

Nevertheless, it is also worth noting that even amongst citizens with sufficient means to invest there is a tendency to opt for deposits or real estate over capital market instruments. This is due to various contributing factors, such as lack of financial education and perceived complexity of capital markets activities, as well as culturat factors. In this last respect, in many European countries there is no deeply rooted equity culture, as there is in, for example in the US and UK, having comprehensive private pension programmes in securities, which are subsidised by the government.

Q11: What role do digital platforms and mobile applications play in shaping the investor journey? Are there digital features or tools that have simplified the investment process or improved investor understanding and decision-making? Conversely, are there aspects that may complicate the experience for some retail investors? *Please explain and provide practical examples, or evidence drawn from experience, where available*

Based on our members' experience, digital platforms and mobile applications play an increasingly important role in shaping the retail investor journey. In particular, younger investors often see digital channels as an easy and preferred method of access, as they allow to place orders quickly and conveniently. However, certain regulatory requirements applied to digital channels can hinder the speed of these transactions, which is particularly problematic for those retail investors who particularly value this feature, and are therefore considered burdensome by said investors. Furthermore, some banks provide also digital investment advice and digital forms of asset management.

Part of our membership highlighted that digital investment advice is expected to become a more prominent part of how investment advice is performed. For them adapting essential information to digital devices – particularly mobile screens- will be key. In fact, mobile applications play an increasingly important role in helping retail investors monitor their overall wealth and investments – and thus, indirectly, supporting decision-making. However, under existing EU rules, this remains challenging. For instance, current rules are not always suited for a digital environment as largely based on a paper-based environment, where clients are presented with lenghty documentation.
Moreover, some members highlight that in their experience digital solutions brought a relevant degree of simplification when it comes to the onboarding process, which made access to online banking more seamless. They pointed that in the future ensuring barrier-free access to digital platforms, particularly for elderly population, is paramount.
Finally, Many retail investors still value in-person advice and, as a result, seek out providers offerin this service (such as traditional branch-based banks).

Q13: What measures - whether market-driven or policy-driven - could help improve retail investor participation in capital markets? *Please explain and provide practical examples, or evidence drawn from experience, where available.*

- Promote financial education through national initiatives cross all age groups, including integration into school curricula. Financial education should focus not only on product knowledge but also on core principles such as long-term planning, asset allocation, and understanding risk.
- Developing a regulatory and tax environment that is supportive of investors and the financial sector, essential to stimulate interest and trust. Government subsidies, such as tax incentives for long-term stock investment or savings schemes for pension provision, could also be a solution to make invest in capital markets more attractive for people.
- Streamline regulatory requirements to simplify the investment journey and simplify documentation. For instance:
    - The amount of obligatory explanatory material and reporting requirements should be reduced considerably. The current amount regularly leads to information overload for retail investors and thus acts as a disincentive. The requirements should be limited to appropriate information, which offers real added value for retail investors
    - Since many investors are uncomfortable with having conversations taped, the requirement for investment firms to tape conversations should be removed altogether or there should be a waiving option.
    - On the wake of the above, there should be a waiving option also for retail investors to not disclose information on their income and assets, particularly in the case of recommendations for widely diversified products.
    - The requirements on sustainability preferences are too lenghty, detailed and unnecessarily complex for retail investors and should be heavily simplified.
- Improving coordination and coherence between different regulotary initiatives (e.g. MiFID, Green MiFID, EU Taxonomy, SFDR).
- Reduce the "implied" lack of confidence of the regulators/regulations towards financial intermediaries (e.g. some reporting or disclosure requirements to clients/investors ex-ante or ex-post are implicitly based on the opinion that those intermediaries are not acting on best interest on their clientes (full disclosure of fees/costs, target market, etc,etc)

On a general note, we believe that simplifications in the advice process could make it generally easier for people to start investing in capital market, consequently improving retail investors participation. We think that simplification may allow investment firms to offer qualified and unbureaucratic advice, which would motivate, rather than deter, retail investors to 'save' through securities.

Q14a: Do you believe that young investors are more attracted to speculative and volatile markets (e.g., cryptocurrencies) rather than traditional investments (e.g. investment funds)? If yes, what are the main reasons for this? *Please select one or more of the following options and please explain and provide practical examples, or evidence drawn from experience, where available.*

- The expectation of high returns
- The perception of lower costs (e.g., no management fees, low transaction costs)
- The ease of access and fewer entry barriers compared to traditional investments
- A preference for decentralised, non-intermediated investments
- Influence from social media and online communities
- Distrust in traditional financial institutions and advisers
- Other (please specify)

Please explain

Yes, we believe that young investors are more attracted to cryptomarkets -which find fertile ground in the social media environment- rather than traditional investments. One key reason for this is the expectation of high returns, which is reinforced by influencer marketing, overemphasised narratives of rapid wealth accumulation and simplified digital access. A contributing factor may be young investors' limited experience with risk over time, particularly with market cycles - both upswings and downturns - and especially with systemic risks such as financial and credit crises.

Furthermore, these markets are lightly regulated compared to traditional investment products, where disclosure and advisory obligations are significantly stricter. As a result, crypto firms may not be required to highlight risks to the same extent, making them appear more attractive—especially to inexperienced investors. In this respect, it is relevant noting that some of the proposed regulatory changes under the RIS (e.g. COM and Council proposal on appropriateness test) risk making the online, non-advised, investment process more complex for heavily regulated traditional regulated investment products, such as investment funds, a move that would create an unbalanced environment in favour of risky digital assets.

Please find below more details on some of the above selected options:

- **The perception of lower costs (e.g., no management fees, low transaction costs)**
  Margins in the crypto business largely stem from high bid-offer spreads, which, unlike in traditional investments, are not transparently disclosed. As a result, crypto investments may appear cheaper. However, for many investors, expected returns matter more than costs when making decisions.
- **The ease of access and fewer entry barriers compared to traditional investments**
  Information on online forums and simple trading apps keeps the entry barrier low. Previously, this was reinforced by regulatory differences: traditional financial products faced strict rules under MiFID II, while the crypto market was less regulated and easier to access. Since the Markets in Crypto-Assets Regulation (MiCAR) took effect at the end of 2024, crypto-assets and providers must now follow standardized, binding EU-wide rules similar to MiFID II.
- **Influence from social media and online communities**
  Many young investors follow financial portals and social media influencers who often promote cryptocurrencies or tech stocks without fully highlighting the risks. This leads retail investors to focus more on potential gains than on significant risks. Positive discussions among peers and online communities reinforce this optimism, especially as past losses were often quickly recovered, boosting confidence and lowering risk awareness.
  Easy platform access and low entry barriers further fuel interest in speculative investments, while popular investment trends also shape this group's decisions.

Q15a: MiFID II disclosure requirements aim to provide transparency and support informed investment decisions. In practice, do you believe these disclosures are helping retail investors engage with capital markets, or are there aspects - such as volume, complexity of content, lack of comparability, or format - that may reduce their effectiveness? *Please explain your reasoning and provide practical examples, or evidence drawn from experience, where available.*

Based on our members' experience, while some of the contents of MiFID II disclosure requirements, including the language, are helpful (e.g. win/loss scenarios, details of the cost structure, etc.), said disclosures are mostly too complex and even of limited support to clients, who often feel overlaoaded with information and overlook several pages of explanations.
The existing information overload, at the detriment of te retail client, is of particular concern to us, as this flood of information tends to lead to "information avoidance" rather than a better basis for decision-making, as observed by our members through the feedback of their clients, confirming that most information documents are not read. More information does not automatically lead to a better understanding, therefore we believe that simplifying the amount of information provided to client by emphasising key information clearly, and avoiding unnecessary complexity, would offer an ideal solution.
Please find below some **concrete examples and numbers** as provided by our membership:

- Table indicating the number of documents and pages received by retail investors **when** opening a new securities account and when receiving advice on **one** financial instrument, , using a UCITS fund as an example[1]:

Documents	Pages
Pre-contractual information, bundled together in the so called "MiFID II starter package"	50-100
Brochure "Basic Information on Securities and Other Investments"[2]	approx. 200
Documentation for opening a securities account	approx. 10-15
Documents for Investment Advice, including - Suitability report - Cost disclosures - Product information from the individual investment firm	approx. 18-30 ➔ approx. 15 ➔ 3-5 ➔ approx. 0-10
Product information	
Key Information Document	3
Sales brochure	at least 70
Half-year report	at least 15
Annual report	at least 40

[1] where a legal requirement exists.
[2] Landing page: Basic Information on Securities and Other Investments

"Securities Trading Act sheet" according to Article 54ff MiFID Delegated Regulation, if provided separately	at least 20

- Table indicating the number of documents and pages received by retail investors **after** opening a new securities account and when receiving advice on **one** financial instrument, using a UCITS fund (with advice) as an example[3]:

Documents	Pages
Documents for Investment Advice, including: - Suitability report - Cost disclosures - Product information from the individual investment firm	approx. 18-30 ➔ approx. 15 ➔ 3-5 ➔ approx. 0-10
Product information	
Key Information Document	3
Sales brochure	at least 70
Half-year report	at least 15
Annual report	at least 40
"Securities Trading Act sheet" according to Article 54ff MiFID II Delegated Regulation if provided separately	at least 20

- Table indicating the number of documents and pages received by retail investors **after** opening a new securities account when buying **one** financial instrument, using a UCITS fund (without advice) as an example[4]:

Documents	Pages
Cost disclosures	3-5
Product information	
Key Information Document	3
Sales brochure	at least 70
Half-year report	at least 15
Annual report	at least 40

- Additional examples of information/reports considered as superfluous and/or too complex by investors:
    - **Quarterly reports**: offer limited added value to investors, who monitor their portfolio holdings regularly and mostly online, and alternatively consult their advisors. Investors typically do not require additional portfolio statements. These are enerally unnecessary and create extra costs for distributors, especially when still provided partially in paper form.
    - **Cost disclosures**: particularly for experienced investors information on costs are considered unnecessary, while for less experienced investors the information results often too complex, as existing mandatory requirements demand to provide many

[3] where a legal requirement exists.
[4] where a legal requirement exists.

details (often unncessary). Furthermore, ex-post cost reports can be considerably lenghty and contain a breakdown of various costs (e.g. product costs, service costs, transaction costs) expressed in percentage and Euros. This information about costs is often too extensive and not easy to understand due to the numerous detailed specifications.
  - **Loss threshold reporting:** Feedback from investors indicates that the loss threshold reports pursuant Article 62 of Delegated Regulation 2017/565 is largely seen as unnecessary. This requirement is overly bureaucratic and should be revisited (e.g. introducing a 'waive in' option) and/or removed.

Q15c: For firms: Have firms observed cases where retail investors disengage or hesitate to invest due to the volume, complexity, or presentation of disclosures? If so, what are the main factors contributing to this? Which disclosures and contractual documents do firms consider genuinely necessary, regardless of specific legal requirements under MiFID II or other sectoral legislation? *Please explain your reasoning and provide practical examples, or evidence drawn from experience, where available.*

See our response in Q15a. In our members' experience, information overload has often been a deterrent for retail investors in proceeding with their investment decisions. Burdensome processes are not conducive to investor engagement. Retail clients value streamlined procedures that do not compromise investor protection. For instance, our members observed that the information necessary and/or helpful to retail investors are those on settlement and brief product information, such as the PRIIPs KID (even though perfectible – see criticism under Q16a). The situation becomes even more challenging when clients have individual preferences -for instance, regarding sustainability- where complexity tends to increase further.
Some concrete examples of unnecessary and/or overly complex documentation and information:

- Documents meeting general pre-contractual information obligations in accordance with MiFID II, particularly the information regarding the investment firm, its services and its approach to compliance with securities supervision requirements (e.g. on conflict of interest management and best execution). Members observed that said information distracts from the information that is relevant to clients for their investment decision, such as information on types of financial instruments and their features and risks.
- Quarterly reports.
- Loss threshold reports.
- Ex-ante cost information for sales.
- Large amount of detailed information required by law/supervisory authorities on ex-ante cost information.
- Large amount of detailed information required by law/supervisory authorities on annual cost reports.

Q16a: Do retail investors find the PRIIPs KID helpful in understanding investment products? *Please provide details notably on the elements that are the most helpful and on ways to improve them. If not, are there alternative ways to protect retail investors that could be considered, while not increasing the volume of required disclosures.*

Given that the review of the PRIIPs KID and its potential simplification is currently under the colegislators' scrutiny in the context of the Retail Investment Strategy (RIS) interinstitutional negotiations, we consider it appropriate to reserve any assessment on the issue, as it should be based on the final outcome of the negotiations. However, we would like to highlight that, based on the experience of some of our members, clients have become familiar with the current KID

templates and are generally able to navigate them. In particular, some of the contents of the disclose requirements make sense (e.g. win/loss scenarios, details of the cost structure, etc.). Nevertheless, PRIIPs are inherently complex products, as such the PRIIPs KID cannot fully enable retail clients to understand the product structure. The dense concentration of information within the KID often proves counterproductive, with the disclosures frequently too complex and often not comparable across different products. In principle, retail investors appreciate short and helpful product information. However, the existing KID is partially overloaded - for instance, the requirement to outline costs and performance scenarios at various points in time results in the inclusion of numerous figures that retail investors hardly grasp. Less would be more. By contrast, a positive example is the SRI in which the complex topic of product risk is clearly represented in a single figure. Furthermore, the KID format is not always suitable, by itself, to represent the risks and scenarios for certain tailor made products such as OTC derivatives, where the real structure of functionality of the product requires, by nature, a different and more tailor-made description. It therefore makes little sense to apply the information tailored to investment products to hedging instruments, such as many OTC derivatives, which should therefore be removed from the scope of application.
In addition, the high level of standardisation and uniform presentation in the PRIIPs KIDs can be misleading for retail investors, particularly given the diversity of financial instruments involved. Especially comparability, one of the key goals of the PRIIPs Regulation, has not been achieved in practice, due to the differences in the underlying asset classes and respective methodologies.
Lastly, there is also redundancy due to the duplication in the cost information both in the KID and in the MiFID ex-ante cost disclosures. In our view, the requirement to to provide costs disclosures in the PRIIPs KIDs should be deleted if a PRIIP qualifies as a financial instrument under MiFID.

Q17: For firms: Do you measure investor engagement with KIDs and digital disclosures (e.g., click-through rates, reading time, or interactive tools)? Are these available in formats adapted to mobile-first environments? *Please explain your reasoning and provide practical examples, or evidence drawn from experience, where available.*

Based on the feedback of one of our members, investor engagement with KIDs or digital disclosures (e.g., click-through rates or reading time) is not currently measured, although such tracking is planned for the future. At this stage, the majority of securities business is still conducted within the branches, where advisors review the documents together with clients.

Q18: Do retail investors find the costs and charges disclosures helpful in understanding the costs of investing? *Please provide details notably on the disclosures that are the most helpful (e.g., total costs, illustration of cumulative effect of costs on return) and on ways to improve them.* **If not, are there alternative ways to protect retail investors that could be considered while not increasing the volume of required disclosures**?

Based on members feedback, retail investors generally do not find current costs and charges disclosures particularly helpful. The ex-ante cost statement, for example, does not effectively enhance transparency. It is considered confusing due to the technical regulatory terms adopted and it is only based on cost indications. Moreover, the ex ante disclosure and the relevant rules set forth inthe Annexes of UE/2017/565 Regulations are not suitable to disclose the fees of certain services such as fees paid for asset-allocation advisory service (service fee) and their impact on the single advised transaction where is not possible to proportionally spread the cost on the single transaction fees. Many investors instead tend to focus on their securities account model (monthly fees) and the special conditions for transaction costs agreed with their advisor. Although clear understanding of the cost structure of the different investment products is important for retail investors, in many occasion the information is too broad and too complex to be understood due to the current mandatory requirements. It would be helpful to determine the proportion of customers who decide against or in favor of an investment after reviewing the ex-ante cost

statement. Less would definitely be more in this area. The requirement to show the impact of costs on returns -which cannot be predicted anyway- should also be deleted.
Furthermore, annual costs reports display too many indivisual items, resulting in additional confusion. Also in this case, a significant reduction in the mandatory content would be beneficial. On a final note, we encourage ESMA and the legislators to adopt further bold simplification decisions, such as, for instance, similar to what has been done with the introduction of the possibility to place orders by telephone. Members have, in fact, observed a reduction of complaints by clients as a result of this decision.

Q19: Do firms apply layering of information on costs on charges on digital platforms or in mobile applications (e.g., by showing only the total amount and percentage on the order screen, and all required information in a PDF)? *Please provide details, also on the appreciation of retail investors of this application of layering.*

Based on the feedback of our members, before a transaction is concluded, the full ex-ante statement is generated and is either handed over to the customer or displayed in the online banking. For instance, our members use a variety of solutions (e.g. visualisations and formats) to inform retail investors about costs and inducements, in accordance with legal requirements.

Q20: Do retail investors find the quarterly statements helpful in keeping track of their investments? *Please select one of the following options and please explain and provide practical examples, or evidence drawn from experience, where available.*

- Yes, it provides clear and relevant information
- Somewhat, but the frequency could be lower
- No, the information is usually readily available to the retail investor online and thus the statements do not have much added value
- Mixed views (please elaborate)

Please explain:
In our members' experience, quarterly reports do not offer particular added value -if any- for the retail investor, on the contrary they ofent complain on its utility as they can view the same information online and/or consult their advisers.
By removing the requirement to include quarterly reports, the legislator could easily relieve the burden on distributors without reducing investor protection.

Q22: To what extent do questions and measures on retail investor due diligence in accordance with AML/CFT requirements create barriers that prevent retail clients to start investing? *Please select one of the following options and please explain and provide practical examples, or evidence drawn from experience, where available.*

- A major barrier to investment
- A contributing factor, but not the main issue
- A minor factor compared to other concerns
- Not a factor at all

Please explain:
- The requirements for combating money laundering and terrorist financing (AML/CFT) apply across all services and do not therefore refer exclusively to the securities business. Since the AML/CFT requirements must be complied with each time an account is opened, they have already been met for retail investors who already have an existing business relationship. In the case of a new business relationship, the AML/CFT requirements are no different from requirements for other bank transactions. As with other bank transactions, retail investors can perceive as a nuisance the regulatory requirement to record retail investor information (KYC), particularly when opening

a securities account and subsequently as part of ongoing monitoring or in the case of trades or cash inflows that are considered suspicious. This is expected to have adverse effects on the onboarding of retail investors, particularly with regard to future harmonised money laundering legislation, see Q23.

Q23: Do questions and measures on retail investor due diligence in accordance with AML/CFT requirements affect the onboarding experience for retail investors? Are there particular steps in the process that cause delays or confusion? *Please explain and provide practical examples, or evidence drawn from experience, where available.*

Future KYC requirements under the AMLR, which will apply from 10 July 2027, could have an adverse effect on the onboarding process for retail investors. Drafts of the first technical standards based on the AMLR (in particular the RTS on retail investor due diligence obligations pursuant to Article 28(1) AMLR) contain comprehensive requirements to collect data, in some cases without allowing for a risk-based methodology. This approach will lead to considerable additional work and legal uncertainty for the obligated investment firms. Ultimately, this threatens to complicate the onboarding process for retail investors.

Q29: To what extent do retail investors find the process of regularly/periodically providing and updating personal and financial information for suitability assessments clear and workable? *Please explain and provide practical examples, or evidence drawn from experience, where available.*

Based on the feedback of our members, only when circumstances on the investor's end change. In fact, members pointed out that they receive mostly complaints from retail investors questioning why investment firms request this information multiple times. It would therefore make sense to place more attention to the principle, anchored in the MiFID II delegated regulation, that an investment firm shall be entitled to rely on the information provided by its clients or potential clients, unless it is aware (or ought to be aware) that the information is manifestly out of date, inaccurate or incomplete.
Accordingly, specific Level 3 requirements detailing when updates are necessary should be reconsidered and removed, along with existing requirements regarding a specific update cycle. In this respect, we are particularly critical of the ESMA guidelines on some aspects of the MiFID II appropriateness and execution-only requirements (ESMA 35-43-2006 of April 12, 2022): these require regular updates of the information on the client's knowledge, which is not necessary. Furthermore, it contradicts ESMA's own assessment, according to which knowledge and experience generally increase over time (see paragraph 45 of the above-mentioned ESMA guidelines). Therefore, there is no need for a corresponding updating requirement also in ESMA's view and as such should be removed in future.

Q31: Are there any steps in the information collection process that could be simplified without compromising investor protection and the objective of this collection which is to propose suitable investments matching client profiles? *Please explain and provide practical examples, or evidence drawn from experience, where available*.

Based on the feedback of one of our members, there are ongoing efforts to improve the information collection process in terms of time efficiency and accessibility for people with special needs, particularly through the use of electronic means. Nevertheless, members observe that a significant share of retail clients is not comfortable with sharing information about their income and assets. As such, retail clients should be provided with the option to forgo the disclosure of personal financial information prior to receiving investment recommendations, particularly in the case of broadly diversified products.

Q32: How do retail investors perceive the integration of sustainability preferences in suitability assessments? How has it impacted the investment advice/portfolio management services they receive? *Please explain and provide practical examples, or evidence drawn from experience, where available.*

In the context of the suitability assessment, in order to determine their sustainability preferences, clients are required to answer questions regarding their sustainability preferences in line with the SFDR and the Taxonomy Regulation. However, most clients lack the regulatory knowledge to respond meaningfully to these complex questions, which can discourage them from choosing sustainable investments (e.g. PAIs, DNSH). In fact, our members observed that over 80% of clients don't state their sustainability preferences with the main reason being the complexity of the questions. Additionally, said questions do not put particular emphasis on returns which, by contrast, are the main driver of retail investors' decision. Investment firms are also required by law to collect this information in up to three different phases, which are also difficult for clients to understand. The combination of this factors is a major deterrent for retail invetors to make sustainable investment choices. Furthermore the lack of coherence and coordination between the SFDR and the Taxonomy, along with complex definitions and interpretations of ESG investing, makes the process even more difficult. Unrealistic regulatory expectations regarding ESG goals also lead to very low actual compliance rates.
We therefore urge legislators and regulators to uptake the simplification of sustainability preferences. In this context, it would make sense to address the issue also with the upcoming SDFR review, planned for Q4 2025. This would ensure a consistent, coordinated implementation of the assessment congruent with both MiFID and SFDR.

Q34: For firms and trade associations: Have firms observed cases where clients struggle to express their sustainability preferences in a meaningful way? How have these issues been addressed to help retail investors? *Please explain and provide practical examples, or evidence drawn from experience, where available.*

See response to q32. Additionally, members highlight that matching a client's sustainability preferences to a specific product can be challenging in practice. For example, if a client wants to cover different aspects of sustainability features, it is difficult to find the one instrument that fulfills that requiremen. In fact, the distinctions between products under Article 2 No. 7(a), (b), and (c) of the MiFID II Delegated Regulation 2017/565 are often hard for clients to grasp, even among the few clients who express sustainability preferences. When investment advice is provided the situation slightly improves, as personal advisers usually explain the differences between product groups during the sustainability preference discussion. Alternatively, clients may access additional system information or explanatory videos. However, investment firms try to clarify the complex rules, they cannot reduce their inherent complexity Nevertheless, many clients still struggle to understand the differentiations despite distributors' efforts
Therefore, simplifying questions on sustainability preferences is urgent, as advocated in our response to Q32. We urge ESMA and legislators to do so.

Q35a: Do retail investors find suitability reports helpful in understanding why a specific investment was recommended? In your view, do these reports add meaningful value for clients? *Please explain and provide practical examples, or evidence drawn from experience, where available.*

Based on the feedback our members, the result of suitability reports offer some value to clients. However, in some cases clients view them as a formal requirement and think that the scope is far too large. Practice has shown that personal conversations with an adviser provide greater support. Especially in connection with deployed software, which shows the customer whether their investment is balanced and in line with their investment objectives.

Q35c: For firms and trade associations: What steps have firms taken to ensure suitability reports are concise, clear, and valuable to retail investors? *Please explain and provide practical examples, or evidence drawn from experience, where available.*

The scope of a suitability report is dependent on both the regulatory requirements (replay of the client information, the need for a specific justification for each client information) and the number of recommendations. While investment firms place great importance to the clarity and comprehensibility of the suitability report, their simplification efforts can be limited, as they cannot reduce the inherent complexity of the report which results from regulatory requirements. Actions in this sense sit in the remit of legislators.

Q36a: Do you believe the MiFID II appropriateness assessment helps ensure that retail investors understand the risks of the products they invest in? *Please select one of the following options and please explain and provide practical examples, or evidence drawn from experience, where available.*

- Yes, it is an effective safeguard.
- Somewhat, but there is room for improvement.
- No, it is not particularly effective.
- Mixed views (please elaborate).

Please explain:
Based on the feedback of our members, the appropriateness assessment offers a basic and proper safeguard, especially for inexperienced retail investors. For instance, if it emerges, during the course of the appropriateness assessment, that a client does not have sufficient knowledge and experience to contextualise the investment risk, they will receive a clear warning. However, clients are granted with the possibility to approve the purchase regardless of the warning if they want to.
However, we believe that streamlining the process, particularly by focusing on the most relevant questions, would be helpful, hence our selection for the second option.

Q37: Do current appropriateness rules and how they are applied by firms effectively address new types of services that combine payments, savings, and investment features? *Please explain and provide practical examples, or evidence drawn from experience, where available.*

Based on the feedback of one of our members, it is unclear to which new types of service ESMA is referring to. In general, we would not see any need to need to expand the rules to other services.

Q38: Are educational tools used during the onboarding process for retail clients? In your experience, are these tools primarily aimed at improving financial literacy, or are they mainly used to justify client access to complex financial products? *Please explain and provide practical examples, or evidence drawn from experience, where available.*

Based on the experience of some of our members, in practice educational tools (e.g. information sheets, short explanatory videos on important investment terminology or interactive online tests designed to reflect investor's knowledge) are being increasingly used for onboarding, with the primary aim to improve clients' financial knowledge, therefore enabling more balanced and informed interactions.

Q39a: Do you believe the current approach to assessing client knowledge and experience via the appropriateness test (i.e., going beyond self-assessment) creates any barrier to retail engagement in financial markets? *Please explain and provide practical examples, or evidence drawn from experience, where available.*

Based on members feedback, the current approach, where the appropriateness test goes beyond self-assessment, is a a barrier to retail investor engagement. For instance, the ESMA guidelines on some aspects of the MiFID II appropriateness and execution-only requirements (ESMA 35-43-3006) were unnecessary and only introduced further bureaucracy, considering that:

- the requirements, introduced with MiFID I in 2007, have not been changed in MiFID II,; and
- they were not based on any any identified shortcomings.

Rather, the guidelines were developed by ESMA with the aim of reducing differences in appropriateness and execution-only requirements and harmonizing investor protection in the EU (see ESMA Final Report 35-43-2938, para. 16), a goal fundamentally understandable. However, as no shortcoming has been detected so far, harmonisation should be limited in scope, meaning that it must not result in the introduction of new requirements. In fact, should the institutions be obliged to make a further assessments the process would be even more time-consuming and burdensome. Furthermore, as per our response to q29a, we are highly critical of the obligation to regularly update the information of the client's knowledge, which even contradicts ESMA's own assessment.

Q41: Does the current regulatory framework strike the right balance between protecting retail investors and allowing them to take informed investment risks? *Please explain and provide practical examples, or evidence drawn from experience, where available.*

Based on members feedback, the current regulatory framework does not always strike the right balance between investor protection and enabling informed risk-taking. There is a shared perception that the framework places too much emphasis on "excessive" protection, which can act as a limit to both an enjoyable investor journey and to investment opportunities. In many instances, the current requirements go too far and retail investors often find them patronising. For instance, some retail clients have a higher risk appetite for riskier products with potential higher returns but due to regulatory constraints they are unable to acquire said product. Broadeining the scope of eligible products could be a good starting point.

Q42: Are there any aspects of the retail investor experience – whether related to firm practices or the regulatory framework – that are not sufficiently addressed in this consultation or in the current MiFID II rules? *If so, please explain where changes in rules, or further supervisory attention or guidance may be helpful.*

The EACB welcomes the initiative uptaken by ESMA, which places greater emphasis on the retail investor journey, including the reduction of existing bureaucracy, while at the same time avoiding the introduction of additional administrative burden. With our response we have highlighted with concrete examples and numbers how the excessive bureaucracy interesting the business of financial instruments' transactions often leads to client stepping back from capital markets' activities. Provided that it is easier avoiding to introduce new bureaucratic requirements than reducing administrative burden once implemented, we strongly urge legislators (and regulators) for an ambitious simplification of the regulatory framework, currently under discussion in the context of the Retail Investment Strategy's Trilogue.
Unfortunately, we are of the opinion that the RIS missed the mark of providing the necessary changes needed to streamline and simplify the investment journey, while boosting retail investor's participation in capital market. We fear that particularly the European Commission's proposal on the RIS would have the only tangible effect of introducing additional requirements and complexity, with no proven benefits to investors and to EU capital markets' participation and global

competitiveness. We believe that a broader -and bolder- approach to simplify the current provisions under MiFID and PRIIPs would present a more appropriate solution to tackle existing problems and achieve the proposed Savings and Investment Union's goals.

Contact:

The EACB trusts that its comments will be taken into account.

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