

17th July

European Securities and Markets Authority (ESMA)
201-203 Rue de Bercy
72012 Paris

RE: ESMA's call for evidence on the retail investor journey: understanding retail participation in capital markets

BlackRock¹ is pleased to have the opportunity to provide feedback to the European Securities and Markets Authority's (ESMA) call for evidence on the retail investor journey.

BlackRock supports a regulatory regime that increases transparency, protects investors, and facilitates responsible growth of capital markets while preserving consumer choice and assessing benefits versus implementation costs.

We welcome the opportunity to comment on the issues raised by this call for evidence and will continue to contribute to the thinking of ESMA on this and other topics. We welcome further discussion on any of the points that we have raised.

Yours faithfully,

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¹ BlackRock's purpose is to help more and more people experience financial well-being. As a fiduciary to investors and a leading provider of financial technology, we help millions of people build savings that serve them throughout their lives by making investing easier and more affordable. For additional information on BlackRock, please visit www.blackrock.com/corporate

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.

Answer: BlackRock regularly surveys savers in Europe on their attitudes to investing and the barriers that prevent them from participating in capital markets. The latest survey was published in October 2024 and covered 36.730 adults across 14 European markets (Austria, Belgium, Denmark, Finland, France, Germany, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and UK). We have extracted relevant data sets though not all questions were asked to all individuals in each country surveyed in which case we have indicated where specific questions were asked.

According to BlackRock's latest [People & Money Survey](#), only 34% of adults in Europe currently invest, which would equate with 113m of the total adult population. This figure varies significantly across the region – for example, participation is notably higher in the Nordics, where 50% of adults are active in capital markets, while in countries such as France, Spain, Portugal, and Italy, the rate drops to just around 29%.

Historically, men have shown a greater propensity to invest. However, our latest findings reveal a notable shift: investment participation among women has increased by 11 percentage points since 2022, compared to a 4-point increase among men over the same period.

A particularly strong rise in investor participation has also been observed among 25–34-year-olds across Europe. This trend is especially pronounced in Germany, where investment in this age group has surged by 29% from 44% in 2022 to 57% in 2024.

As with participation rates, the reasons for not investing vary across regions, genders, and age groups. Overall, the most commonly cited barrier is a perceived lack of money, mentioned by 65% of non-investors. This concern is most prevalent in Finland (74%) and Italy (72%).

The second most common barrier is a lack of knowledge or understanding. One in three non-investors in Europe (33%) say they don't know how to invest or where to begin. This figure rises to 44% in both the Netherlands and Denmark. This underscores the necessity to improve financial literacy and build confidence – particularly among younger generations. In fact, 56% of non-investors aged 18–34 cite lack of know-how as their main obstacle, compared to 69% of those over 35 who point to lack of money.

Finally, fear of losing money is another key deterrent. This concern is cited by 33% of non-investors aged 18–34, and by 22% of those over 35.

Here is a detailed breakdown of the main reasons for not investing in the EU Member States we surveyed:

Country	Not Enough Money	Not Enough Knowledge	Afraid to Invest
Germany	65%	19%	12%
Netherlands	63%	23%	11%
Italy	72%	24%	16%
Spain	62%	20%	19%
Portugal	69%	20%	19%

Belgium	65%	28%	26%
Austria	71%	21%	17%
France	60%	30%	10%
Sweden	58%	33%	10%
Finland	61%	29%	8%
Denmark	58%	33%	10%

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

Answer: Please, see our response to question 1, where we highlight lack of knowledge as a major barrier.

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

Answer: According to a January 2025 BlackRock study on saving and investing behaviour in the UK (based on a nationally representative sample of 10,000 adults), 10% of respondents said that either their own or others' negative experiences with investing were a barrier to them investing – or investing more. Interestingly, this figure is slightly lower among non-investors (9%) than among current investors (11%).

However, this reason ranks 8th out of 11 possible barriers – behind more prominent concerns such as a perceived lack of money, the risk of losing money, and a lack of knowledge. So, while bad past experiences do play a role, other factors appear to be more influential in holding people back from investing

Although this data is for the UK only, we believe results in other European countries could be similar.

Please, see below full survey results.

Which, if any of the following currently stops you from saving some or more of your income? (Please select all the reasons that apply from the list below or write a different reason in the space provided if applicable)		All Adults	Non-Investor	Current Investor
1	I do not have enough money to start investing or invest more than I currently do	28%	31%	23%
2	I am not prepared to risk losing any of my money	26%	32%	13%
3	I do not have any barriers that prevent me from investing	22%	12%	41%
4	I do not know enough about investing	20%	26%	9%
5	I would rather keep my money in a cash savings account	16%	19%	10%
6	I worry about not being able to access my money when I need it	15%	17%	11%
7	I would like to invest if I was able to put in small amounts every month (i.e. £0-25 a month)	11%	12%	8%
8	I have had bad experiences with investing in the past OR I know people that have had bad experiences with investments	10%	11%	9%
9	I would like to, but I don't know how to get started	9%	11%	5%
10	I have never really thought about it	6%	8%	3%
11	I know that I should but just haven't got around to it	6%	7%	6%
12	Other	2%	2%	3%
13	It is too difficult to invest regularly with my current bank / provider	2%	2%	3%
	My religion prevents me from investing	1%	1%	1%
	Unweighted	10558	6777	3781

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

Answer: Although fees and costs were not one of the barriers that citizens could choose in our European People and Money Survey, we do have relevant findings from our UK Saving & Investing Behaviour Study that shed some light on the topic.

When asked what their ideal investment experience would be, the top answer (43% of respondents) said “low costs and minimum requirements, making investing affordable and

accessible". This signals that low costs is an important component for retail investors, but not the only one, other aspects such as ease of use and access are equally important.

Likewise, when asked "to what extent would the following things impact on your likelihood to start investing or invest more in the future?" the number one answer was "low fees or no charges for investments", this was mentioned as the top reason by 37% of respondents. The percentage is even higher for those investing, with 48% signalling this as a key reason that will encourage them to invest more in the future. See full results below.

Much more likely to invest			
Impact on investing	All	Non-Investors	Current Investors
Low fees or no charges for investments	37%	31%	48%
<i>Ability to invest low regular amounts (£1-50 a month)</i>	30%	29%	31%
<i>A simple, easy-to-use app that makes it easy to invest in the financial markets</i>	26%	21%	33%
<i>Clear guidance or educational resources to help me make informed decisions</i>	25%	23%	29%
<i>Confidence that investment experts are managing my money on my behalf</i>	23%	20%	29%
<i>Access to a wide range of investment opportunities to grow my wealth</i>	19%	14%	29%
<i>The ability to set up automatic investments to grow my wealth over time</i>	17%	13%	25%
<i>Unweighted N</i>	10558	6777	3781

Finally, citizens also seem concerned about penalties and fees applied to the withdrawal of the money invested. When we asked respondents what they thought was true about accessing money held in investments 31% said they thought this was true: "Money held in investment products can be accessed, if necessary, but doing so urgently might result in penalties or fees" (highest response).

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

Answer: N/A

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.

Answer: We believe today investors do not have access to the full range of support and advice needed to fully cater to their needs.

For example, in the ETF space we have seen a growing number of investors turning away from personal advice from banks and financial advisors. In today's market, investors are taking greater control of their financial decisions. The latest [ExtraETF Study](#) found that the way in which information is procured has changed for investors who are increasingly self-determined. For example, in Germany, the majority of men (39%) use online financial websites and 34% use internet forums to obtain information. Women fall back on other sources of information: the results show that 42% of respondents cited friends and family as their primary source of advice, significantly ahead of personal bank advisors (34%). These are the findings of the management consultancy company EY in its publication "[Finanzkompass](#)".

On the other hand, the [World Economic Forum and BNY Mellon 2022 retail investor survey](#) found that almost 80% of current investors felt being able to speak with a financial advisor is important to make investment decisions, yet less than half of them actually had a financial advisor. Equally our People & Money Survey found that 27% of respondent would feel more comfortable investing in ETFs with the help of an advisor. So, while it is true that more and more investors choose self-direct investments via execution-only brokers, many retail investors still seek to receive advice.

The feedback from both retail investors and their advisors is that the current regulatory advice framework has become increasingly disconnected from the goals investors are trying to achieve. The increasing layers of requirements needed to assess and onboard customers' needs mean that full investment advice increasingly only makes sense for wealthy clients with more complex portfolios. This creates accessibility issues both economically and psychologically.

In this context, we believe innovative financial planning-based advice and tools can address many of the current barriers to accessible advice and support increased retail investor participation. But this requires the EU to evolve the current MiFID advice regime into a more proportionate framework to include a new simplified advice model for non-complex financial instruments.

Equally, investors would benefit from a review of the current guidance on the definition of advice. When providing guidance to European retail investors, distributors and manufacturers currently face legal uncertainty due to unclear boundaries around the definition of advice. Lack of clarity on when information becomes an implicit recommendation and when a recommendation can

tip over into a personal recommendation, and hence advice, discourages firms from offering additional features and information that would help retail investors. Harmonising the application of this test and guidance across Europe by NCAs would create a level playing field for investors. Currently, inconsistent application leads to varying levels of information depending on the NCA's interpretation.

We provide more details on the benefits of introducing a simplified advice regime and how to clarify the current guidance on the definition of advice in our paper "[Simplified advice: Opening the door to financial planning advice for retail investors](#)".

To what extent do the following influence the financial decisions that you make? Please answer for each, using the options in the table below where 0 = No influence and 5 = Major influence on your financial decision making	Major Influence (4/5 out of 0-5)
Your partner / spouse	32%
Parents/grandparents/other family	22%
Financial websites / blogs e.g. MoneySavingExpert, The Motley Fool, Yahoo Finance	21%
Online comparison sites e.g. Compare the Market	18%
Financial advisors	17%
Your bank / building society	16%
Friends/work colleagues	9%
Your employer	8%
Financial publications e.g. Financial Times, This is Money, Moneyweek	8%
Mainstream news and media	7%
Investment/fund provider websites e.g. Vanguard, Blackrock, Hargreaves Lansdown	6%
Social Media Videos (e.g. TikTok, YouTube)	5%
Advertising/ marketing	5%
Social media communities (e.g. Reddit, X, etc.)	5%
Social media influencers	4%
Podcasts	4%

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.

Answer: N/A

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

Answer: Lack of financial education and investment knowledge remains a significant barrier to retail investor participation in capital markets. This is underscored by findings from numerous surveys and research (see the answer to question 1).

Another piece of research we would like to highlight is the representative [survey conducted by Civey](#) on behalf of the online broker XTB. The survey, which included 2,500 German savers, revealed that 33.4% cited insufficient knowledge as the main reason for not investing in ETFs. This knowledge gap is especially pronounced among younger adults: over half of respondents aged 18–29 identified a lack of understanding as their primary reason for avoiding ETFs. This is particularly concerning, as this age group stands to benefit the most from long-term, compound growth through capital market investments. The survey also found that once individuals become familiar with ETFs, they tend to invest actively. Among current ETF investors, 58.5% contribute more than €100 per month, with strong participation across all age groups. This suggests that education and awareness can directly drive increased investment activity. Regionally, the issue is widespread: in nine out of sixteen German states, lack of knowledge was the most frequently cited barrier to investing.

Similar results were found across Europe in our People & Money Survey. 32% of respondents said that better understanding of the benefits of investing in ETFs would make them more comfortable investing. Likewise, information on how ETFs differ from other investment options was also mentioned by 24% of respondent. Full results below.

Factors that would make non-ETF investors more comfortable to invest in ETFs	All
<i>Better understanding of the benefits of investing in ETFs</i>	32%
<i>Help from an advisor</i>	27%
<i>Information on how ETFs differ from other investment options</i>	24%

Recommendations of ETFs by someone I trust (e.g. friend and family, influencers, etc.)	18%
Recommendations of ETFs by a trusted information provider (e.g. investment news website, magazines, newspapers, etc.)	16%
Not applicable – nothing would make me more comfortable investing in ETFs	24%
Don't know	12%
Other	3%
Unweighted N	16805

Our survey also found that ownership is correlated with knowledge and understanding of ETFs – i.e. of those saying they have an expert knowledge of ETFs, 65% own an ETF, compared to just 5% of those who have heard of ETFs but don't understand what they are. Please see below full results from our June 2025 YouGov survey which covered the 5 biggest markets in Europe (UK, Germany, Italy, France and Spain).

Knowledge of ETFs							
	I have never heard of ETFs	I have heard of ETFs, but don't understand what they are	I know the basics	I have a solid understanding and feel confident making investment decisions with ETFs	I have an expert-level understanding and could explain ETFs to others in detail	Don't know	All
Hold an ETF	1%	5%	26%	60%	65%	2%	12%

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.

Answer: On top of those mentioned in previous questions, in recent years, higher returns on cash have offered a valid alternative to savers, who have kept more of their assets in remunerated deposits, than accessing products whose return is subject to financial risk. As interest rates fall back, it will be increasingly important to educate investors on the inflation risk of leaving savings in cash subject to erosion by inflation.

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.

Answer: Digital platforms and mobile apps, whether from digital brokerage platforms or established traditional banks, have played a major role in simplifying the investor journey. By offering digital solutions, brokerage platforms are increasingly able to meet customers' evolving

needs for accessible and cost-effective investment services. These players are constantly updating and improving their platforms and applications to evolve and offer better solutions. Therefore, it is important that the regulatory framework remains flexible enough to continue enabling innovation in this space. Moreover, we believe some regulatory barriers remain preventing these providers from offering other solutions such as financial planning-based advice tools (see answer to question 6) or fractional trading (question 13).

Q12: How effective do retail investors find the current mechanisms for filing complaints and obtaining redress when issues arise with investment products or services? Do issues with these mechanisms play a role in retail investors' hesitation to invest? If yes, which improvements can be made? Please explain and provide practical examples, or evidence drawn from experience, where available.

Answer: N/A

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.

We believe that the overall simplification of the investor journey is key to increase retail investment participation, so we welcome this call for evidence as well as the efforts being made at the European level, for example, via the Retail investment Strategy, to make it easier for citizens to participate in capital markets.

In that context, the introduction of a simplified advice regime that allows the rollout of financial planning advice tools would positively contribute to increased retail investor participation. It will bridge the gap between execution-only and full advice providing affordable guidance to those in need of it.

Likewise, we believe the introduction of investments and savings accounts (similar to the UK ISA or the Swedish ISK) could play a very positive role in bringing new investors into the market. The three key characteristics that these accounts should have to be successful are: ease of access and use including easy tax reporting, flexibility on eligible assets, holding periods and possible providers, and a design that encourages regular contributions. You can find more details on key characteristics in our response to the European Commission's call for evidence on Savings and Investments Accounts ([here](#)).

Another element that positively contributes to retail investment participation, in particular, for those investors who are looking to invest smaller amounts regularly is fractional trading. Fractional trading democratizes access to higher-value securities by allowing investors to purchase fractions of bonds, shares or ETFs. However, fractional trading is not a practice allowed in all Member States. We would welcome a clear regulatory framework that support the roll-out of fractional trading across Europe. We would encourage ESMA to clarify that fractions are not necessarily derivative instruments and that direct fractions are non-complex products and hence do not require a PRIIPs KID. This could be done as a complement to ESMA's [March 2023 public statement](#) on the topic. The European Commission could further facilitate the take up of fractional trading by recommending Member States that they provide direct fractions the same tax treatment as the full security. This is particularly important for the eligibility of fractions to tax-incentivized savings accounts (e.g. French PEA, or any future pan-EU savings account), which are the vehicle of choice for efficient, diversified and regular investments.

Finally, the findings of the survey presented in question 4 above which lists what would help people start investing or invest more could also inform future policy decisions.

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)

Answer: According to our latest People & Money Survey (October 2024), there are 25M crypto investors across Europe, representing 8% of all adults and 22% of current investors. Over 4M new crypto investors across Europe since 2022 (up 8%).

Our survey reveals that cryptocurrencies were the second-fastest growing investment product in 2024, following ETFs, based on ownership growth. Germany has led Europe's crypto adoption boom, up 62% since 2022 - accounting for over half of the region's investor growth since 2022.

Crypto investors are more likely to be male and younger than all investors, with 72% male (vs. 61% of all investors) and 41% aged 18-34 (vs. 29% of all investors). Notably, crypto has the second-highest proportion of male investors among all investment products, surpassed only by digital investment portfolios/robo-advisers. Similarly, it ranks second in attracting 18-34-year-olds, following digital investment portfolios/robo-advisers.

Our response to this question is also informed by other existing pages from research such as the [FSCS Insight: Attitudes towards investing in cryptocurrencies](#) (2023).

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*

Answer: Current disclosures do not help retail investors engage with capital markets. As we elaborate in our response to question 16, current challenges with disclosures include volume, complexity, lack of comparability and format. The current design of disclosures is clearly affecting their effectiveness as retail clients are overwhelmed by the amount of information presented to them.

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.*

Answer: N/A

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

Answer: No, the PRIIPs KID in its current form is not proving helpful in aiding investors understand investments products. This is mainly due to the length, complexity and design of the PRIIPs KID.

As we highlighted in our response to the European Commission's targeted consultation on capital markets integration, although digital services are rapidly evolving, much of the existing legislative framework was designed with face-to-face interactions and paper-based disclosures in mind. As a result, digital delivery is often treated as a supplementary channel rather than the primary means of communication.

The regulatory framework for investment products and services must adapt to allow for innovation and recognise the changes digital services bring. Rather than deluge consumers with reams of paper and disclosures, we believe the future of disclosures should incorporate a greater number of more intuitive digital tools, to increase point of sale engagement and education on key concepts such as cost, performance and risk. We also suggest that these key concepts should be viewable different ways, reflecting neurodivergence in retail investors leading them to process key information fields differently.

Provided the base data for the disclosure is consistent, consumers should be able to select between different formats rather than being forced to consume data on a one-size-fits-all basis. Paper-based disclosures (even if sent via pdf) should be seen as a legal record of the consumer's final decision rather than acting as a static document to be read at the start of their decision-making process. However, we do believe that there must always be an option for investors (opt-in) to receive paper-based documents as not all investors utilise technology in the same way.

The ongoing review of PRIIPs should incentivise effective digital engagement and avoid creating barriers.

Improving the delivery mechanism of these disclosures should go hand in hand with improvements to what is disclosed in the first place. In terms of content, we encourage the reinsertion of the UCITS past performance disclosure charts into UCITS PRIIPs which are valuable tools for both investors and supervisors to understand the value delivered by funds over time allowing better assessment of both the performance and costs delivered by any given fund. The removal of past performance data, previously available in UCITS KIIDs has deprived investors and supervisors of a valuable assessment tool

We also support the removal of the arrival price methodology which has proved excessively complex to explain to investors. Instead, we recommend the use of a half or modified spread methodology.

We also believe that the inclusion of a cash benchmark could also be beneficial allowing investors to compare the return from cash when compared to the returns over time of investing.

Finally, the application of any changes to the PRIIPs must apply both with a minimum 12 months' implementation period after the finalisation of any Level 2 measures and at year end, given the operational complexity of changing and applying quality control measures to tens of thousands of documents. The operational complexity of applying mid-year changes is simply too high. So, for example, if final Level 2 rules are agreed and published in October 2027 these changes should apply to annual updates from 1 January 2029. Likewise, the implementation deadline should also take into account the instances where disclosures are required to perform your own like the case of funds-of-funds.

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.*

Answer: N/A

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?*

Answer: Please, see our responses to questions 15a and 16a.

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.*

Answer: Layering product information can help to headline the most relevant information to an investor's overall decision-making, while also facilitating access to more detailed information in an underlying layer for those that seek it.

The key to making this effective is identifying the information most essential to decision making and comparability – such as the investment objectives, costs/charges, performance and risk – and providing short, jargon-free, and easy to understand information. The ability to then click-through those headline data points to more specific details (perhaps which use hover-over explanations if technical) ensures that important product information is still easily accessed and useful to both more experienced and first-time investors.

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)

Answer: N/A

Q21a: Do retail investors find the information on every 10% depreciation of leveraged instruments, or the portfolio value in case of portfolio management, 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)

Answer: While we acknowledge that these notifications can enhance transparency, we believe that, in their current form, may be counterproductive for retail investors. The typical reaction upon receiving such notifications is to divest, often prompting investors to sell at the lowest point – precisely the worst time to do so. As a result, these alerts risk encouraging counterproductive behaviour. Instead, investors should be encouraged to wait and weather the market. Moreover, they should be encouraged to invest regularly to take advantage of euro cost averaging.

Q21b: If considered necessary, how could the 10% loss reporting be improved?

Answer: These notifications could be enhanced with language outlining the benefits of long-term investment and cost-averaging to prevent divesting and cautioning investors not to panic.

Q22: To what extent do questions and measures on customer 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

Answer: Additional questions made to investors during the onboarding process can pose barriers for new investors. Minimising the number of clicks increases client engagement and as such we would encourage using the national electronic ID system to reduce the need for additional AML related questions and due diligence.

Q23: Do questions and measures on customer 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.*

Answer: As mentioned in question 22, we believe that questions and measures on customer due diligence can make the onboarding process longer and introduce complexity, hence discouraging some investors. We believe these requirements could be streamlined.

Q24: For firms and trade associations: to what extent do national tax regimes create barriers to offering investment services and attracting retail investors on a cross-border basis? *Please explain and provide practical examples, or evidence drawn from experience, where available.*

Answer: National tax regimes can create barriers to offering investment services and attracting retail investors on a cross-border basis. For example:

- Tax reporting obligations vary widely across EU member states. This lack of standardization creates complexity for asset managers seeking to operate cross-border, as they must navigate and comply with each jurisdiction's specific rules. Often, this necessitates the appointment of external tax reporting providers, increasing operational costs and administrative burdens, which can deter market entry. We see room to significantly simplify tax reporting obligations, for example, when introducing savings and investments accounts in order to make it easier for investors. If the account is not tax-exempt, reporting and payment should be automated by the provider in collaboration with the relevant tax authorities to minimise complexity. Where tax incentives apply, these should be easy to use, ideally with deductions at source. Equally, operationally, tax incentives need to be designed to work as smoothly with regular savings as with lump sum contributions.
- National tax incentives are often tailored to domestic investors and vary significantly between countries. This encourages asset managers to design and launch funds that cater specifically to local tax-advantaged structures (e.g., France's Plan d'Épargne en Actions – PEA). While effective locally, such incentives limit the scalability of these products across borders and contribute to market fragmentation. A harmonized EU-wide tax incentive framework could enhance cross-border fund distribution and broaden investment options for retail investors.

Q25: To what extent do tax-related issues discourage retail investors from investing in investment products issued or manufactured in another Member State? *Please explain and provide practical examples, or evidence drawn from experience, where available.*

Answer: Tax-related issues can discourage investors from investing in products issued or manufactured in another Member State. This occurs when there is a preferential treatment for domestic funds. Some national tax regimes provide favourable treatment to domestic funds, such as granting withholding tax credits that mitigate double taxation at the fund and investor levels. These advantages are often not extended to foreign funds, creating an uneven playing field and discouraging cross-border investment.

Q28: For firms and trade associations: Which steps do firms take to make investment service agreements (contracts) more accessible and understandable to retail investors? *Please explain and provide practical examples, or evidence drawn from experience, where available.*

Answer: N/A

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.*

Answer: N/A

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.*

Answer: Yes, a simplified suitability test could be introduced for non-complex 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*

Answer: While we do not distribute directly to clients and therefore do not have direct experience with suitability assessment, our clients who distribute directly to retail investors have shared the following insights:

- The introduction of the MiFID sustainability preferences assessment requirement in August 2022 has brought about a structural decrease in flows towards sustainable products;
- Retail investors do not think about sustainability preferences in the way that the MiFID requirements prescribe, i.e., through Taxonomy alignment, commitment to 'sustainable investments' or PAI consideration;
- These three criteria are too technical for retail investors to understand even if advisers spend time explaining these;
- And, finally, some processes that clients have shared with us illustrate to retail investors how the pool of available products would shrink if they did express sustainability preferences. Often retail investors prefer keeping their options open and choose to not express sustainability preferences.

We believe the current design of SFDR and the related MiFID II sustainability preferences have not been particularly conducive to encouraging investments as retail investors are confused rather than supported.

Therefore, we believe sustainability preferences need to be reviewed in line with SFDR 2.0. and the timeline of both reviews should align to the extent possible to create as little disruption for investors as possible. In particular, we believe that if a categorisation regime is introduced under SFDR 2.0 categories should replace sustainability preferences questions, except for the initial yes/no question on sustainability preferences.

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.*

Answer: Yes, as mentioned above the current sustainability preferences are not fit for purpose. Distributors have experienced how retail investors struggle with these. While advisors can mitigate this, the potential for meaningful change lays on reviewing MiFID sustainability preferences to either a Yes/No approach or bringing it in line with SFDR 2.0 should that introduce product categories that sufficiently reflect the broad range of client preferences in sustainable and transition investing.

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*

Answer: N/A

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.*

Answer: N/A

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).

Answer: In order to streamline the appropriateness test while maintaining investor protection, we suggest removing those product questions not related to the product that the investor is buying.

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.*

Answer: N/A

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.*

Answer: Yes, educational tools are often used during the onboarding process for retail clients. The main goal behind using these tools is to improve financial literacy. Combining educational tools with investment services is common for many platforms in Europe. These education resources are not only used on the onboarding process but also offered on a continuous basis

to continue improving the knowledge of investors. An example of provider using educational tools is Beatvest, but we are aware of other providers doing the same.

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.*

Answer: N/A

Q40: Based on your experience, are there aspects of the crowdfunding investor journey that could be improved to better support retail investors, whether in terms of clarity, accessibility, or overall user experience? *If so, please explain which aspects you would amend and why, including any suggestions for improvement.*

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.*

Answer: No, we believe that in some instances changes could be introduced to strike a better balance between retail investor protection and allowing them to take informed investment risks. Some examples of how to do so have been mentioned throughout our response to this call for evidence such as the introduction of a simplified advice regime or the simplification of the appropriateness and suitability tests.

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.*

Answer: One challenge not mentioned in the questionnaire but that clients have raised with us when offering ELTIFs to retail investors is the difference in the definition of “marketing” between ELTIF 2.0 and the Cross Border Fund Directive.

Under the former, the product manufacturer must not provide any “marketing” on an ELTIF to a retail investor unless that investor has gone through the suitability check. Under the latter, “marketing” definition is quite broad, and may include sharing past performance (e.g. factsheets) with investors.

These two requirements are incompatible when it comes to ELTIFs. The interpretation of factsheets as marketing material is a challenge given the business ask to share information including factsheets on the public website (product pages) in order to allow distributors and, specifically, digital distributors to consume this content, for onward sharing with their underlying investors. But these product pages are available to the general public, without the ability to ascertain ELTIF suitability attestation.