FESE response to the ESMA Call for evidence on the retail investor journey

18th July 2025

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.

FESE believes the problem is multifaceted, with key factors including a lack of incentives, insufficient financial education, and a weak investment culture. First, it is important to note that retail participation in capital markets varies significantly across Member States. While some countries are more advanced, such as Sweden and Denmark, others have mid-range and low levels of participation. Therefore, it is crucial to consider local differences and, where possible, draw lessons from best practices.

As a first step, the EU needs to promote simple cross-border investment/savings products with tax incentives and no minimum investment amount. Tax benefits and simplified fiscal reporting are among key drivers in encouraging retail investor participation in capital markets. In Sweden and other jurisdictions, such incentives have proven particularly effective in boosting retail engagement. Simplifying the investor journey is equally important, with a focus on avoiding lengthy onboarding processes and administrative burdens. A harmonised treatment of retail investors across Member States is crucial. The EU should improve retail access to both Equity IPOs and follow-on issuances through the implementation of the Listing Act.

Secondly, the EU needs to make sure that retail investors have broad access to financial instruments including shares, exchange-traded funds (ETFs), European Long Term Investment Funds (ELTIFs), bonds as well as exchange-traded and centrally cleared derivatives, especially to those with lower risk profiles, such as Senior Corporate Bonds. It would require a review of the current regulatory framework, in particular the Target Market requirements under MiFID II, the Prospectus Regulation, and the scope of PRIIPs.

Additionally, financial education initiatives must play a more prominent role. We particularly welcome new financial literacy programmes from NCAs — such as Belgium's WikiFin Lab, or the Luxembourg CSSF national strategy on financial education — as well as broader EU-level coordination, which may be further outlined in the forthcoming Financial Literacy Strategy. The industry can support the campaigns by providing fair information via established channels.

According to the study "Share Barometer 2024" (Investment behaviour of Austrians), the following two reasons are most frequently cited as to why savers do not invest in securities.

1) I have too little knowledge of the securities market to buy securities.
2) I don't have that much money to invest, buying securities doesn't pay off.

Financial education is therefore a key lever for eliminating reservations and prejudices about investing in shares, bonds and funds.

Lastly, retail participation should be viewed within the broader context of EU capital markets and analysed from both the perspective of primary and secondary markets. When it comes to capital markets in the EU, the ultimate aim should be to make it easier for companies to access public markets and for investors across the EU to invest in them. Collective action by European and Member States' policymakers is needed to ensure that European companies, from large caps to SMEs, can raise funding efficiently through public capital markets and that investors, particularly retail, benefit from the opportunities such investments provide. Having a more permissive investment framework, such as the one in the US, could incentivise greater engagement among European retail investors. It could also help the EU to become more competitive internationally vis-à-vis other regions and attract investors beyond the EU.

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

We would like to underline that providing retail investors access to a broad range of products will enable retail investors to fully benefit from long and short-term investment opportunities as well as from hedging opportunities and diverse portfolio offers. Some retail investors may prefer plain vanilla products, such as corporate bonds with a more straightforward pay-off structure, while other investors with a sufficient level of financial literacy may opt for more sophisticated instruments. For example, in recent years, there has been an evident rise in retail participation in more complex products such as derivatives.

In its report on retail conduct (here), IOSCO underlined that there is an increasing use of leverage by retail investors, which is closely associated with leveraged product markets. Leveraged products allow investors to use borrowed capital to increase the return on the investment, without owning the full financial asset. Leverage can help to amplify gains, but it also creates potential for losses. The right investor assessment should take into consideration the risk profile, the investment strategy, and financial goals of the investor. Depending on these factors, more complex instruments might be the appropriate product type to address the overall investment need. Therefore, it is crucial to offer a broad spectrum of financial instruments tailored to the needs of retail investors.

In the same report, IOSCO underlined that investment firms that trade retail OTC derivatives to retail investors have persistent conflicts of interest as they often both design and trade these financial products. At the same time, many investment firms prefer OTC derivatives due to their flexibility and execution scale, while criticising Europe's limited liquidity. These and other structural differences in market culture and retail investor participation between the US and Europe further obstruct the shift toward listed equity derivatives in the European market. Considering these aspects, FESE emphasises that retail access to trading venues, contrary to OTC markets and especially vis-à-vis derivatives products, is a crucial element to ensure sufficient investor protection, market transparency, and alignment with the objectives of MiFID II/R.

On a related note, we also believe that inconsistent application of MiFID II transparency and disclosure requirements, particularly when considering differences in execution venues across different product types, can further hinder retail investor engagement. For example, retail investors frequently trade structured products (such as warrants) off-exchange, where they are not subject to the same pre- and post-trade transparency, best execution or cost disclosure obligations as exchange-traded derivatives (ETDs), or warrants traded on-exchange. In this case, these products are typically priced by a single issuer, offering limited insight into execution quality or trading costs. In contrast, when warrants and ETDs are traded on transparent, centrally cleared venues with competitive market-making, those products face significantly higher access barriers for retail investors.

We would therefore advocate for a more proportionate and harmonised application of MiFID II rules to ensure level playing field and comparability across all product types and where they are traded. As a result, this would enable retail access to well-regulated and transparent markets and make better informed decisions, rather than unintentionally incentivising the use of potentially riskier alternatives traded off-exchange.

Q2b: For consumer associations: Based on your interaction with retail investors, are there particular types of investment products or product features that retail investors find especially difficult to understand?

Please explain and provide practical examples, or evidence drawn from experience, where available.

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

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

Q4b: For consumer associations: Do retail investors raise specific concerns about investment costs and fees? If yes, which ones? (e.g., are total costs clearly known by individual investors? Are fees perceived as too high? Are they considered unclear or difficult to compare? Do investors feel they get good value compared to the cost?)

Please explain and provide practical examples, or evidence drawn from experience, where available.

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

Q5b: For consumer associations: What specific concerns, if any, do retail investors raise about investment service providers? (e.g., do they feel they receive biased advice? Are there concerns about transparency, trust, or conflicts of interest, or insufficient access to advice tailored to their needs?)

Please explain and provide practical examples, or evidence drawn from experience, where available.

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.

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.

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

As recent Eurobarometer figures show, only 18% of EU citizens have a high level of financial literacy, 64% have a medium level, and the remaining 18% score low. There are also wide discrepancies among Member States with only 4 Member States having more than one quarter of citizens scoring high on financial literacy tests. It is crucial to discuss if and which concrete measures in the field of education should be undertaken by the Member States to promote financial literacy (e.g. school education). To cite an example, the CSSF, the national competent authority in Luxembourg, launched some educational initiatives, such as the creation of the Financial Consumer Protection Committee, which later developed a national strategy for financial education in Luxembourg.

FESE believes that the EU could play a prominent role in facilitating the exchange of national "best practices" across EU Member States and incentivising them to carry out some peer reviews. The Commission could propose to create a mechanism for sharing "best practices" on retail access to capital markets across EU Member States. The proposed mechanism could help Member States better understand which practices work and do not work in various jurisdictions and incentivise Member States to improve their internal frameworks and approaches toward retail investments.

In addition, to ensure that investors are well informed about the opportunities and the potential of the Savings and Investment Accounts for retirement and wealth creation, the EU should launch financial education campaigns and offer comprehensible information packages to promote this initiative. The industry can support the campaigns by providing fair information via established channels.

Q8b: For consumer associations: Based on your interactions with retail investors, what are the most common knowledge gaps that affect their ability to make investment decisions? Are there specific topics where more financial education could improve engagement?

Please explain and provide practical examples, or evidence drawn from experience, where available.

Q9: For consumer associations: Based on your interactions with retail investors, do psychological or cultural factors – such as fear of losing money, distrust in financial markets, or a preference for familiar products – play a role in retail investors' hesitation to invest? If so, which of these factors seem most important?

Please explain and provide practical examples, or evidence drawn from experience, where available.

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.

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.

In light of rapidly evolving technological developments, it is crucial to ensure that financial education goes hand in hand with the processes of digitalisation. The proposed financial education initiatives should expand their scope to technical skills on how to use financial digital services and access the financial system through digital means, as well as the associated risks of digitisation. The educational materials should match the wide diversity of retail investors and provide support based on their level of financial and digital skills.

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.

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.

Encouraging citizens to invest in capital markets requires measures to mobilise retail investors and redirect their savings from banks to more productive capital markets, offering better returns and enabling wealth creation. As highlighted by the Eurogroup in April 2024 and the recent SIU Strategy, introducing simple, effective cross-border investment and savings products for retail investors should be a key action item.

Savings & Investment accounts

As outlined in the FESE considerations on the European Blueprint, there are several features that could make savings and investment accounts successful. For instance, citizens should have a reasonable choice of products that they can hold in an eligible account, such as shares traded on multilateral platforms, exchange-traded funds (ETFs), European Long Term Investment Funds (ELTIFs), sovereign and exchange-traded corporate bonds, as well as exchange-traded and centrally cleared derivatives. The Swedish Investment Savings Account is a notable success story which has facilitated retail investors to invest directly in shares and funds (including ETFs). Importantly, trading of financial instruments offered through the savings and investment accounts should be conducted on multilateral trading platforms over bilateral execution. This is critical to uphold transparency and investor protection, ensuring that investments are executed on an equal, transparent, and non-discriminatory basis.

Savings and investment accounts should also be easily accessible, with no minimum investment amount, but with a limited number of accounts per individual to prevent fragmentation. Furthermore, investors should be allowed to transfer their savings and investments accounts from one provider to another with limited cost and administrative burden, and without liquidation of existing holdings. In addition, authorised providers from one Member State should be allowed to offer savings and investment products in other Member States, provided they comply with investor protection standards, local reporting obligations, and harmonised EU-wide disclosure requirements, and that tax treatment and benefits are preserved.

In particular, we would like to emphasise that an advantageous and simple tax treatment is a necessary factor to ensure the success of the account model. In Sweden and other jurisdictions, it has become evident that tax benefits in particular create major incentives to increase the retail participation. Considerations could be given to setting (sufficiently high) ceilings on eligible contributions and the possibility for additional favourable tax treatment for an extended holding period to encourage long-term investment. Tax incentives could also be particularly beneficial for investments in the EU SMEs companies, ensuring support for small and medium size enterprises. Other features such as simplification of investor journey, allocation to EU productive investment and accompanying financial literacy campaign should also be considered.

Pension reforms and financial education

Pension systems are also fundamental in building deep, long-term capital pools. The Commission can contribute by working to streamline a common policy direction for future pension systems. In our view, Member States should explore transitioning from traditional pay-as-you-go models to (partly) funded systems and promoting market-based pension fund enrolment as a standard practice. Additionally, targeted measures could provide incentives for higher investments in Occupational pension schemes (IORPs) and encouraging their use and competitive provision cross-border. An upgraded Pan-European Personal Pension Product (PEPP) could also play a pivotal role by making a few, easy-to-understand and low-cost financial products, widely available cross-borders.

Member States must also increase efforts to improve financial literacy across the EU (e.g. school education). Ultimately, a well-informed investor is more likely to achieve financial stability and growth, contributing to a healthier and more resilient financial ecosystem.

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)

We believe that the simplicity of distribution channels is one of the most decisive factors influencing why young investors may choose to invest in cryptocurrencies rather than traditional investments. In our view, the current regulatory landscape also contributes significantly to this dynamic. Access to crypto-asset trading platforms is often facilitated through simplified onboarding processes, typically involving only basic identity verification and minimal investor suitability checks. In contrast, regulated markets are faced with much stricter requirements and must have in place higher KYC standards, investor protection mechanisms and market conduct rules.

As such, retail investors may be drawn to crypto markets not solely due to product characteristics, but because of the comparative ease of entry. We believe that consistent regulatory standards and level playing field across all types of trading venues are essential to ensure fair competition and adequate investor protection. Therefore, it is crucial to simplify the investor's journey toward traditional investments — for example, by streamlining the KID document under PRIIPs and including only essential, easy-to-read sections. We also encourage policymakers to draw inspiration from best practices across Member States, such as Sweden's ISK account.

Secondly, the generational gap and the rise of "crypto natives" — individuals immersed in crypto markets and digital tools from an early age — may also be influential. Generally, younger generations are less risk-averse, more exposed to emerging technological developments, and possess stronger digital skills. Therefore, we underline that any proposed financial education initiatives should expand their scope to technical skills on how to use financial digital services and access the financial system through digital means, as well as the associated risks of digitisation, as mentioned in Q11.

Greater exposure to social media and online communities likewise plays a significant role. FESE Members, as regulated and transparent exchanges, are monitoring the role of influencers as marketing actors. FESE is also concerned about the widespread misuse of the term "exchanges" and the way some dubious market operators are labelling themselves. It is crucial to have a clear differentiation between regulated lit trading venues and other unregulated trading platforms. There should be a clear indication of which market operators are regulated under EU legislation and which are not, to the benefit of all investors, especially retail. This labelling should be made clear and perceptible, and incorporated into the marketing practices of firms. This could take the form of, e.g., a visible "EU regulated" label on marketing documents.

Q14b: For consumer associations: Based on your interactions with young investors, what factors most strongly influence their decision to invest in speculative and volatile assets like cryptocurrencies over traditional investment products? Are there particular expectations, misconceptions, or marketing tactics that play a key role? Do any of the following sources play a role in shaping young investors' decisions?

Please select one or more of the following options and please explain and provide practical examples, or evidence drawn from experience, where available.

☐ Specialised journals and periodicals

☐ Finfluencers

☐ AI-generated recommendations

☐ Educational content from national competent authorities (e.g. podcasts, videos, social media)

☐ Other (please specify)

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.

While the objective of MiFID II disclosures is sound, in practice, the volume and complexity of required information can overwhelm retail investors and reduce engagement. In particular, the layering of detailed disclosures (e.g. performance scenarios, cost and charges, target market information) across documents such as the KID, KIID, and ex-ante cost disclosures often results in duplication and confusion.

This is especially true for relatively straightforward instruments such as corporate bonds. For example, retail investors may receive disclosures referencing performance scenarios or product costs for these bonds, even though such instruments carry no embedded costs and are passively distributed through execution-only services. These disclosures can give a misleading impression of complexity or risk.

Simplification and proportionality in disclosure obligations — especially for simple, transparent instruments — would better support investor understanding and engagement without compromising protection.

Lastly, as already highlighted in our response to Q2a, we believe that MiFID II disclosure requirements have not fully achieved their intended goal of supporting informed retail investor engagement also due to inconsistencies in how transparency and disclosure rules are applied across different markets (e.g. regulated vs OTC markets) for different product types, such as warrants and ETDs. As a result, retail investors may be exposed to products traded off-exchange with less regulatory oversight and fewer safeguards, without being fully aware of the implications. We would therefore advocate for a more proportionate and harmonised application of MiFID II transparency and disclosure rules. We believe regulatory focus should be on ensuring that investors benefit from consistent protection and comparability across all product types and where they are traded.

Q15b: For consumer associations: Have retail investors reported difficulties in using MiFID II disclosures to support their investment decisions? Are there specific areas (e.g., costs, risks, product features) where excessive or unclear information makes investing more difficult? Have you observed issues with the presentation or format, or comparability, of disclosure materials that may affect how well investors engage with the information? Which disclosures (which specific information) do you consider genuinely necessary, regardless of specific legal requirements under MiFID II or other sectoral legislation? Would alternative formats (such as visual aids or summaries) improve comprehension and decision-making?

Please explain your reasoning and provide practical examples, or evidence drawn from experience, where available.

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.

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.

Corporate bonds

Many traditional corporate bonds with investor protection clauses are classified as complex or packaged products, requiring a Key Information Document (KID) according to the PRIIPs Regulation. However, drafting this document often proves too cumbersome for issuers, which often opt not to create one. This choice then leads to a significant portion of bonds being excluded from the retail market, as shown in the FESE-European Issuers joint paper on retail access to corporate bonds (here). As a result, retail investors have limited access to these financial instruments, despite their growing interest in these types of products.

The Commission's proposed exemption in the Retail Investment Strategy (RIS) for corporate bonds with a "make-whole call" provision (guaranteeing redemption at par value) from the scope of the PRIIPs Regulation is a significant step forward. However, most corporate bonds will still remain inaccessible to retail investors, which calls for further regulatory adjustments to the current EU rules. We suggest further exemptions for all categories of ordinary bonds (thus excluding structured bonds) from the scope of PRIIPs.

Exchange-traded derivatives (ETDs)

Additionally, the PRIIPs KID may offer limited value to retail investors when it comes to understanding ETDs. These instruments were not initially intended to fall within the scope of the PRIIPs Regulation, which was primarily designed for packaged investment products such as funds and other long-term financial products.

One of the main challenges is that exchanges that define contract specifications and terms for the ETDs they offer are not involved in their distribution and have no visibility into the end investor. This structural disconnect makes it difficult, if not impossible, to accurately complete key sections of the KID, such as those requiring details about intermediary costs (e.g., brokers' actual costs charged to retail investors).

Moreover, ETDs only come into existence once traded. Given the sheer number and variety of possible contracts, producing individual KIDs for every derivative would be impractical. As a pragmatic solution, National Competent Authorities (NCAs) permit the use of standardised KIDs that group similar ETDs together. While this approach is recognised in Level 2 measures and ESMA guidelines, it lacks a clear legal basis in the Level 1 PRIIPs Regulation.

Ideally, ETDs would be explicitly excluded from the PRIIPs scope. Alternatively, if ETDs are not explicitly exempted from the PRIIPs regulation, then it is proposed to include in Level 1 a bespoke KID framework tailored to the unique attributes of ETDs (aggregated KID) by considering consolidation of similar ETDs and removal of irrelevant KID sections, such as costs.

Q16b: For consumer organisations: Based on your experience, are PRIIPs KIDs made easily accessible to retail investors – for example, are they clearly available on firms' websites or other relevant channels? Please explain and provide practical examples, or evidence drawn from experience, where available.

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.

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?

The PRIIPs KID may offer limited value to retail investors when it comes to understanding exchange-traded derivatives (ETDs). These instruments were not initially intended to fall within the scope of the PRIIPs Regulation, which was primarily designed for packaged investment products such as funds and other long-term financial products. One of the main challenges is that exchanges that define contract specifications and terms for the ETDs they offer are not involved in their distribution and have no visibility into the end investor. This structural disconnect makes it difficult, if not impossible, to accurately complete key sections of the KID, such as those requiring details about intermediary costs (e.g., brokers' actual costs charged to retail investors).

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.

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.

Please provide details, also on the appreciation of retail investors of this application of layering.

☐ 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)

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 timely and relevant information

☐ Somewhat, but the trigger for sending the information could be improved (e.g., when the performance of the portfolio is x% worse than the benchmark, if a benchmark has been agreed)

☐ No, this information may arrive at a moment of temporary market stress, triggering impulse-driven investment decisions at the wrong time.

☐ Mixed views (please elaborate)

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

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

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.

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.

One of the major barriers to cross-border equity investment in the EU is the complexity and diversity of withholding tax regimes, which impose additional costs and administrative burdens on investors. Today, most European investors have to pay more when buying a European share than when buying a national one, or an American share.

We welcome the FASTER Directive and call on the EU to lower the tax barriers to cross-border transactions in financial equity with a view to decreasing transaction costs. Streamlining the procedures for reclaiming withholding taxes will foster a more integrated and attractive equity market that will encourage more European investors to diversify their portfolios and support the growth of innovative and sustainable companies across the continent.

Moreover, an advantageous and simple tax treatment is a necessary factor to ensure the success of savings and investment accounts. Consideration could be given to setting (sufficiently high) ceilings on eligible contributions and the possibility of additional favourable tax treatment for an extended holding period to encourage long-term investment. Tax incentives could also be particularly beneficial for investments in the EU

SMEs companies, ensuring support for small and medium size enterprises. However, taxation policies vary across Member States, and any incentives must be carefully considered to respect national regulations while preserving the framework's flexibility.

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.

Q26: For consumer organisations: Based on your interactions with retail investors, do they experience information overload when making investment decisions? If so, what are the main sources of this overload? Do regulatory disclosures, marketing materials and contractual documents support investor understanding, or do they contribute to the confusion?

Please explain and provide practical examples, or evidence drawn from experience, where available.

Q27: For consumer organisations: Are there specific examples where the way information is presented – whether in regulatory disclosures, contractual agreements, or marketing material – makes it difficult for investors to focus on key elements such as costs, risks, or the nature of the service? With regard to marketing material, is the fragmentation of information across different documents or channels a material issue that affects investors' ability to fully understand what they are buying?

Please explain and provide practical examples, or evidence drawn from experience, where available.

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.

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.

Q30: For consumer associations: Have retail investors raised concerns about the amount, frequency and type of information they are required to provide for the purpose of suitability assessments? If so, what are the main difficulties they face?

Please explain and provide practical examples, or evidence drawn from experience, where available.

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.

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.

Q33: For consumer associations: Have retail investors expressed concerns about the new elements related to the "sustainability preferences" and the way they are incorporated into the investment process (are they explained in an understandable way to clients)?

Please explain and provide practical examples, or evidence drawn from experience, where available.

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.

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.

Q35b: For consumer associations: Do you think suitability reports are a useful tool for the protection of investors and the prevention of mis-selling?

Please explain and provide practical examples, or evidence drawn from experience, where available.

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.

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).

FESE believes that the status quo of appropriateness assessments already has a satisfactory level of protection. However, the MiFID II appropriateness assessments have in practice often led to a risk-averse distribution policy towards retail investors and could represent an obstacle to the distribution of financial instruments. Fostering access to capital markets for retail investors through a more permissive regime could be a major catalyst to enlarge the investment pool in EU equities. We also believe that introducing any additional assessments to appropriateness tests would only create unnecessary red tape for retail investors to access financial products and, thus, raise administrative barriers to their participation in capital markets.

Q36b: For consumer associations: Have retail investors raised concerns about the appropriateness assessment?

Please explain and provide practical examples, or evidence drawn from experience, where available.

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.

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.

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.

Q39b: For consumer associations: Have retail investors raised concerns about how their knowledge and experience are assessed?

Please explain and provide practical examples, or evidence drawn from experience, where available.

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.

No, in some cases, the current regulatory framework, by overprotecting retail investors, has limited their access to certain plain vanilla financial instruments with a low risk profile, such as equities and corporate bonds. The current regulatory framework often leads to counterintuitive outcomes, where equities or corporate bonds fall into a high-risk category whilst inherently riskier products, such as illiquid open-ended real estate funds, may score better on eligibility criteria.

A clear example is senior corporate bonds, where unintended consequences of European regulations — specifically MiFID II (including its Target Market requirements), the Prospectus Regulation (with specific disclosure requirements for professional investors and prospectus exemptions for bonds with denominations above 100K EUR), and PRIIPs (which requires KIDs for retail bonds) — have significantly impacted their accessibility for retail investors. Although these regulations were intended to enhance investor protection, they paradoxically prevent retail investors from purchasing certain corporate bonds that are often less risky than other products offered by the same issuers.

Another important aspect we would like to highlight concerns the product intervention powers granted to national competent authorities (NCAs) under MiFID II. While these powers are intended to safeguard retail investors from particularly risky or complex products, we believe they should be exercised with great caution and only in exceptional circumstances.

In that context, financial instruments traded on regulated markets, such as ETDs, are - as indicated in our previous responses - already subject to a comprehensive set of rules, including transparency requirements, central clearing and robust safeguards and controls. As such, we believe they should generally not be the target of product intervention measures. Applying such restrictions to well-regulated instruments may inadvertently limit access to products used for hedging, investment and risk management purposes and push investors toward less transparent alternatives. It is therefore critical to maintain a wide and diverse range of investment products for retail investors. Capital markets should offer retail participants access to instruments that suit their individual risk profiles, investment goals and financial literacy levels.

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 application of product governance rules in MiFID II poses practical challenges, discouraging distributors from offering corporate bonds on the secondary market. These rules effectively shut out retail investors from a valuable asset class.

Notably, the requirement to define a "target market" in Article 16a(1) in MiFID II lacks added value in terms of investor protection. These financial instruments are primarily distributed passively through execution services, which do not involve aligning clients' characteristics with the target market (aside from knowledge and experience when providing execution services with the appropriateness test). Other examples of product governance rules that are irrelevant to these types of financial instruments could include cost assessment (since there are no product costs associated with them), performance scenarios, regular review, or target market.

Additionally, we would like to bring your attention to the fact that non-neutral display of execution venues in brokers' orders masks and inducement payments in some retail related products, such as structured products, may lead to preferential execution in the OTC/bilateral space compared to exchange-trading. In this context, inducements are frequently used to steer the order flow. Also, it is not clear whether those inducements fall in the scope of the PFOF ban or not.