# Response to ESMA Call for Evidence on the Retail Investor Journey

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As an investment educator, I have trained over 5,000 beginner investors across Europe. I also have an active student community & YouTube following. This response is based on my daily experiences answering beginning investor questions.

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

The key reasons my students give are:

* Lack of awareness that investing is even relevant to people who are not rich
* Lack of knowledge of how to get started
* Lack of time to learn and figure it out
* Fear of making mistakes and losing money
* Fear of messing up investment taxes

This is less about regulation and more about mindset, skills, and fear.

### ****Q3:**** Do past experiences with low or negative returns significantly affect retail investors’

### willingness to invest again****?****

Absolutely.

A common scenario is people who try stock picking, do badly, and conclude stock investing is just a casino.

Another is investors who went into pension funds, unit-linked life insurance or other complex products they didn’t understand, often sold to them aggressively. These had high hidden costs and poor results — and turned them off investing entirely.

I’ve personally had someone tell me, “You’re all thieves,” because of one such experience.

### ****Q4:**** Do high fees and costs discourage retail investors from participating in capital

### markets?

Yes, fees are a major obstacle to investment.

Even if not seen as important initially, in many cases investors wake up to the problem after the damage is done.

When starting out, new investors often trust their bank or consultant blindly and don’t investigate costs or fees at all. They aren’t aware of the importance of the KID or how to read it. Later, after poor performance or confusing charges, they realise what they were really paying. This can discourage them from further investments.

### ****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?

No, retail investors don't feel they have adequate access to investment advice and relevant information. Here in Europe, people are mostly not taught investing skills.

And "investment advice" can only be legally offered by licenced financial firms which, instead of providing objective advice, mostly want to push their own product. Once an investor realizes this, they are often discouraged from seeking advice or investing at all.

There is a major need for a lightweight regulatory framework allowing individual "fee-only advisors" (or small offices of such) to practice without having to get a cumbersome and costly traditional financial services licence.

Many financial educators with a real industry experience such as myself are limited to providing educational services and not being able to give investment advice because there is no accessible way to obtain a relevant licence if you are not a financial services firm with a significant team and budget.

### ****Q8:**** To what extent does a lack of financial education or investment knowledge contribute to retail investors’ reluctance to invest in capital markets? ****Other important non-regulatory barriers?****

A major barrier to investment. Along with fear and being too busy, this is the most common reason people cite.

### ****Q13:**** What measures - whether market-driven or policy-driven - could help improve retail

### investor participation in capital markets?

Fix the PRIIPs KID language issue.

Right now, it discriminates against investors in smaller countries where local-language KIDs are not available for the best investment products — especially low-cost ETFs and index funds.

Instead, KIDs are available mostly for expensive, poor-performing products where providers can justify the translation cost.

Either:

* Require providers to offer KIDs in all EU languages
* Or allow investors to opt in to receiving and accepting KIDs in English (or another language) — not based on national rules, but EU-wide

Right now, foreign brokers apply blanket restrictions in small countries like Latvia or Estonia because local rules are unclear or inconsistent (for example, major online brokerages such as Saxo or N26 make available almost no ETFs to investors based in Latvia although Latvian regulations are quite flexible on this point).

### ****Q16a:**** Do retail investors find the PRIIPs KID helpful in understanding investment

### products?

No — the PRIIPs KID is basically unreadable for beginners with no prior investment experience. Most people ignore it completely.

If they do try to read it, it’s too dense, too text-heavy, and hard to scan.

Having a dense wall of text as the first thing people see is a non-starter — especially in a digital world where people expect information to be clear, scannable, and easy to grasp.

Beginners don’t know what’s important and what’s not. The future scenarios section is especially bad — the methodology is unclear and the numbers feel disconnected from reality. It’s worse than useless because it gives some people a false sense of certainty or relevance.

A better solution would be a short, clear summary at the top — key indicators like asset class, risk level, TER, etc. The full legal details can follow later or be in an appendix.

What people really need to know is:

1. Where does this product invest?
2. What is the risk level?
3. What are the costs — and what impact will those costs have?

Cost should be highlighted very clearly — both as a percentage and in euros — and it should be prominent, not buried.

### 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?

While I can't analyze this question in terms of substance because I don't have access to objective data on account freezes, false positive rates, etc, on the level of public perception there is a significant problem with modern brokers with largely automated AML processes.

Investors believe that accounts can get blocked for inadequate reasons (algorithm mistakes), in which case there is no explanation given, and reaching a competent person to discuss or resolving the problem is often very difficult because of huge client numbers. Then a lot of negative reviews are created online and this discourages new investors.

There is a feeling among many investors that your money isn't really yours and you are at the whim of faceless algorithms and financial institutions that do not care about fairness or justice.

There is a need to re-examine the regulatory framework around AML checks to better protect the rights of the innocent.

### ****Q41:**** Does the current regulatory framework strike the right balance between protecting

### retail investors and allowing them to take informed investment risks?

Issue 1 is the PRIIPs KID language requirement which is a major problem for investors in small countries.

Issue 2 is the lack of a Europe-wide framework to allow private, independent financial advisors to offer fee-only, unbiased investment advice. Creating a unified, simple EU licence or qualification pathway for fee-only advisors and financial planners would be a game-changer.