

Position Paper

ESMA Call for Evidence

On the retail investor journey: understanding retail participation in capital markets

Frankfurt, 18 July 2025

The German Structured Securities Association (Bundesverband für strukturierte Wertpapiere, BSW) welcomes the possibility to respond to ESMA's Call for Evidence on the retail investor journey: understanding retail participation in capital markets (CfE). The parallel work streams of the European Commission and ESMA on aspects regarding the Savings and Investment Union (SIU) and the Retail Investment Strategy (RIS), e.g. by the Targeted Consultation on Integration of EU Capital Markets and this Call for Evidence, however, are not helpful in advancing these projects. Rather to the contrary, they seem to undermine the idea of a concerted and targeted approach by the EU institutions to tackle these important topics. This lack of a streamlined methodological approach may also have an impact on the confidence of market participants and it creates a kind of bureaucracy contradicting the Commission's goal on burden reduction for market participants.

While we also welcome the involvement of consumer associations in this CfE, we would like to point out that consumer associations may not be able to provide an objective view as investors tend to contact them upon the occurrence of problems only and/or to express a complaint. Hence, their views may be flawed as they are not contacted with positive experiences or the daily routine of millions of securities trades executed completely friction-free and to the complete satisfaction of millions of retail investors.

We would also like to reiterate the importance of not confusing simple products frequently mentioned by ESMA representatives with low-risk products and complex products with high-risk products. This inappropriate assumption seems to be the basis of many statements and does not hold true. This common misunderstanding ties in with ESMA's perception of a retail investor that underlies the questions in the CfE. It is our strong view that the overall number of retail investors are generally speaking not inexperienced, independently thinking and decisive, showing a general interest in capital markets. Therefore, the guiding principle for future rules should be that of a responsible investor in no need for overprotection. We also advocate market-based solutions rather than government solutions in order to encourage more investors to take advantage of the benefits of capital markets in the long term with their investable assets.

In the light of the above, we would like to provide meaningful answers to the following 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.

One primary reason is the perception of safety: bank deposits are considered very secure, especially when protected by deposit insurance schemes. Many people fear losses in the capital markets and therefore prefer the seemingly safer option. This is also founded in the lack of financial literacy which may be driving risk aversity. In addition, the illusion, often perpetuated by EU politicians and member states' governments disregarding demographic changes, that state pension systems are sufficient to enable people to maintain their accustomed standard of living in old age should be dispelled.

Another important factor is the fact that in Germany for example, there is no capital market-oriented pension scheme in place to date and there are no sufficient plans let alone incentives to this effect. Although recently discussed, the idea has been currently abandoned, presumably due to the otherwise obvious admission that the existing pension system is insufficient. Such efforts could however have a tremendous positive effect on retail investor participation in capital markets.

Further aspects are simplicity and convenience: saving in a bank account is straightforward, transparent, and does not require special knowledge about investments or financial markets. Moreover, less regulatory requirements and easier access to capital market products with less "red tape" may add to the attractiveness of capital markets to retail investors.

Costs are another factor not to be neglected: In Germany, online brokers have attracted many new investors because they offer low trading fees while providing good services. This is often enabled by payment for order flow (PFOF), without violating the long-established rules of best execution and inducements. This finding has also been confirmed by a BaFin study in 2022. Despite these findings, the PFOF ban was nevertheless introduced in 2024. We are calling for its immediate repeal to offer retail investors low-cost transactions without compromising on the level of investor protection and quality of services.

Also, capital market products may mistakenly be perceived as more expensive in comparison to bank deposits which do not require a MiFID cost statement.

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

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.*

n/a

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
- x 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
- x Somewhat, but investors consider other factors as well
- No, fees are not a significant concern for most retail investors

Access to capital markets should be as low a threshold as possible for private investors. Experience in Germany shows that the fees at which private investors can trade is one of the decisive criteria, especially in the area of self-directed investors trading online and using execution only trading venues. But, in 2024, despite a well-functioning inducement regime and effective best execution rules, the so called PFOF ban entered into force. Even the German supervisory authority BaFin concluded in a preceding study that for smaller order volumes, in particular, the execution of retail originating orders on PFOF trading venues, was predominantly beneficial for the clients and transaction costs were better (read lower) than on the reference markets. Nevertheless, the PFOF ban was introduced with its far-reaching impact on the retail market landscape. This disregarded the fact that e.g. in Germany the number of securities accounts with online banks and neo-brokers has nevertheless increased sharply in recent years due to PFOF. Based on the survey of BSW online brokerage members, we estimate that there are currently around 12 million securities accounts in Germany. Many of these online and neo-brokers have been able to offer investors very favourable conditions. Investors who were able to trade for one euro or even free of charge without having to accept a lower quality of execution of their orders increased the use of these options, not least because they were able to increase their returns in this way.

Fundamentally, the PFOF ban assumes a trading venue where supply and demand determine the price. The best price is achieved on the market with the highest liquidity. However, if demand is directed via PFOF to a trading venue that does not have the highest liquidity, this results in investors not receiving the best price. In cases where the price is not determined by supply and demand but is instead set by a market maker based on financial-mathematical calculations, the price is essentially the same across all trading venues. In such a scenario, the concept of PFOF does not interfere with price formation but instead allows investors to benefit from reduced costs associated with the use of infrastructure (while the price remains the same). Therefore, PFOF should be permissible in such cases.

Given this positive experience for retail investors, the restrictive PFOF ban introduced in March 2024 is entirely inconsistent with the EU Commission's objective of providing easy and affordable access to capital markets. Therefore, the PFOF ban should be lifted urgently and swiftly.

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.*

n/a

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
- x A minor factor compared to other concerns
- Not a factor at all

In Germany, BaFin recently published the results of its market survey regarding interest rate certificates (*Zins-Zertifikate*) and express certificates (*Express-Zertifikate*). The study did not identify any systematic or serious deficiencies in the production and sale of the investment certificates concerned. Overall, many clients/investors stated in the survey that they were satisfied with the investment advice they received as well as the product recommendations and expressed a high level of trust in their advisors.

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.*

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.*

Investment advice certainly plays a major role. In order to be able to offer investment advice free of charge, inducements are required to the extent currently permitted.

However, many retail investors invest on an execution only basis. We advocate for a level playing field in that regard. But as compliance costs under MiFID have risen substantially in the past 20 years, many financial institutions seek alternatives to investment advice.

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

As the costs of investment advice have risen significantly in recent years due to substantial compliance costs, banks have developed different advisory models to meet the varying needs of their retail customer groups. These can range from the selection of selected types of financial instruments or e.g. savings plans to a comprehensive range of different services and financial instruments including investment products of various manufacturers/issuers. However, especially independent fee-based advice, in which these products can be recommended, is very little accepted by German investors.

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.*

x 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

In our view, it is not the lack of knowledge of specific products that hinder investments in capital markets, but the lack of financial education, of an understanding of financial concepts and the risks involved which often discourages investments in capital markets. Again, financial literacy could help reduce these barriers. Furthermore, clear statements from politics as well as supervisors are urgently needed that not only investments in capital markets offer long-term opportunities but that they are also necessary for retirement provision ("sign from the top"). In many cases, however, governments including some supervisors draw an inaccurate picture of social security and prosperity in retirement, rather than reflecting clearly well-known demographic developments.

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.*

n/a

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.*

n/a

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.*

Beside the possible lack of financial resources, taxation issues, e.g. regarding the offsetting of tax losses in some areas in Germany, may discourage more retail investors to invest in capital markets. Equally, political debates recurring at regular intervals in Germany about turning the current withholding tax into individual taxation as well as a financial transaction tax may disincentivise investments in capital markets. Moreover, the prevailing lack of tax incentives, e.g. for retirement provisions adds to the existing investment reluctance of retail investors.

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.*

Digital platforms and mobile applications play a crucial role in shaping the investor journey by making investing more accessible, convenient, and user-friendly. They have revolutionised how retail investors engage with capital markets, breaking down many traditional barriers. The ease of use is enhanced by intuitive interfaces and streamlined processes that make it easier for first time investors to start investing without needing extensive prior knowledge. The possibility to manage savings plans via an app further makes such investments easier.

Overall, digital platforms and mobile apps have significantly lowered the barriers to investing, enhanced investor understanding, and empowered individuals to make more informed decisions, ultimately fostering greater participation in capital markets.

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.*

In Germany, complaints are commonly filed with the Federal Financial Supervisory Authority (BaFin). In 2024, BaFin received 5,910 complaints (previous year: 2,835) and 247 enquiries (previous year: 241) regarding securities transactions. The largest proportion of complaints related to delayed or incorrect securities account transfers, mainly at two institutions. Complaints often related to the availability of customer service and the long processing time for customer enquiries. Hence, the conclusion can be drawn that complaints are relatively rare in connection with the trades themselves and in proportion to the amount of the latter.

In addition, the banking industry ombudsman systems that have been proven in Germany for decades are used by disappointed investors, who in most cases find consensual solutions if the institutions do not already remedy customer complaints themselves in the event of errors or as a gesture of goodwill. Furthermore, investment firms' interest in satisfied customers who regularly engage in securities transactions while at the same time pursuing the goal of being profitable is a legitimate interest and even required by prudential law.

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 less bureaucratic requirements for opening securities accounts and concluding transactions could improve retail investor participation in capital markets. Furthermore, politics and supervisors promoting long-term investing, such as pension schemes or tax-advantaged accounts, could foster sustained participation fundamentally. Other, with regard to investment advice maybe less important factors, are low transaction costs and fees as well as improved transparency, security and ease of accessibility.

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 30 following options and please explain and provide practical examples, or evidence drawn from experience, where available.*

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

According to our perception, young investors are more likely to be attracted compared to more senior investors, but are also predominantly invested in equities, funds and structured products.

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)

n/a

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.*

MiFID II disclosure requirements were designed to enhance transparency and help retail investors make informed decisions. In theory, they should empower investors by providing clear information about costs, risks, and the nature of financial products. However, reality faces challenges limiting the effectiveness of the disclosure regime. First and foremost, understandability suffers from the overarching aim of comparability. Not all products can be compared, and more focus should be placed on comprehensibility. The format and presentation of disclosed information (e.g. font size on PRIIPs KIDs) may also be challenging. Different cost disclosure requirements under MiFID and PRIIPs, confusing PRIIPs KID scenarios and a general overload of (pre-)contractual information may defer retail investors from investing. However, having said this and despite these difficulties, market participants have generally become accustomed to these requirements over the course of time. As every new change to disclosure requirements

would be associated with further implementation costs, we would recommend to refrain from further substantial modifications.

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.*

n/a

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.*

It is difficult to gather hard evidence on whether investors are discouraged from participating in capital markets specifically by the MiFID II disclosures. However, from the perspective of investor protection, it would be just as much a cause of concern if investors largely ignored the disclosures, for which there is indeed evidence (see our response to question 16a).

In that regard, we believe that the amount of information currently required to be disclosed is likely overwhelming investors. In the regulator's attempt to protect investors by providing them with all the information they might wish to consider before making an investment decision, the reality will often be that investors skip the disclosures entirely. For instance, a document like the PRIIPS KID certainly includes a lot of useful information which would, if it was read, help investors to make a more reasoned decision. But the documents become practically useless if investors do not read the documents.

Furthermore, the usage habits of many investors have changed in recent years. This is particularly true for non-advisory business via online brokerage, where securities trading takes place predominantly via apps. Here, the regulatory environment for the information to be provided is currently not yet designed in such a way that private investors can obtain information and invest with as few barriers as possible. The use of PDF documents, which have become well established at many banks in recent years and have rightly replaced paper-based information, often reaches its limits when used in such trading apps. Therefore, in addition to PDFs, there should also be options that e.g. take into account the smaller screen size of smartphones and are user-friendly, if not requiring the additional opening of a PDF document via a link from the app.

For this reason, we would welcome the creation of an additional option to provide investors with the necessary information in suitable formats in mobile environments. Investors who trade via apps would thus be provided with the most important information in a condensed and user-friendly form before investing/trading, e.g. via on-screen display of the risks, costs and target market criteria of the investment

product they are about to buy. Reducing disclosures to what's essential (e.g. risk/return profile of the product) and making more detailed information (e.g. performance scenarios) optional, plus granting firms flexibility in how they implement the disclosures in their applications (e.g. on-screen display) would thus likely increase investor protection.

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.

According to a BSW survey based on our online banks and brokers reports, less than 10 per cent. of investors actually open a PRIIPs KID when investing online (but no information is available to what extent these documents are being read). The predominant focus on comparability diminishes the comprehensibility and hence the focus should be shifted.

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.

n/a

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.

Yes, cf. answer 16a above.

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?

In our view, the disclosure of costs and charges under the current disclosure regimes is perceived as difficult, technical and sometimes overwhelming. Furthermore, there are different requirements regarding cost disclosure by the MiFID and PRIIPs. Nevertheless, as set out above, market participants have become accustomed to these requirements over the course of time. As any modification of the existing disclosure regime would require a wholistic and fundamental review, we would recommend to refrain from further major modifications at this point in time.

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.*

This is handled differently in practice. There are some firms using a multi-layered presentation of costs and fees on digital platforms and in mobile applications.

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)

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 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?

n/a

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

n/a

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

n/a

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.*

In our view, there are no specific issues or obstacles relating to securities transactions with regard to compliance with AML requirements.

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.*

National tax regimes can create significant barriers to offering investment services and attracting retail investors on a cross-border basis. These barriers often stem from differences in tax laws, reporting requirements, and compliance obligations across countries. For example, varying tax treatments of investment income, capital gains, and dividends can complicate the offering of cross-border investment products. Tax-related barriers can limit the ease with which firms can expand their services across borders and can reduce the appeal of cross-border investment options for retail investors. This can lead to a more fragmented market, with investors favouring domestic products to avoid complex tax issues.

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.*

Tax-related issues can create additional complexity, costs, and uncertainties that can make cross-border investments less attractive. Differences in tax treatment, e.g. varying rates of withholding tax on dividends, interest, or capital gains can reduce the net returns for investors making an investment less profitable. Uncertainty about (unknown) tax laws may further deter retail investors from investments in other Member States leading them to prefer domestic options with more predictable tax implications.

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.*

n/a

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.*

n/a

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.

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.

n/a

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.

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.

n/a

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.

Although generally perceived as a positive development, the integration of sustainability preferences has extended the process of investment advice which seems to be perceived as a hindrance rather than benefit by retail investors. Their interest seems to be focussed on an array of aspects where potential risks play an important role which is not outweighed by sustainability preferences.

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.

n/a

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.

n/a

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.*

n/a

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.*

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.*

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. However, it is not practically verifiable.
- Somewhat, but there is room for improvement.
- No, it is not particularly effective.
- Mixed views (please elaborate).

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.*

n/a

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.*

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.*

Yes, educational tools are commonly used during the onboarding process for retail clients with the aim to empower clients to make informed decisions. These tools are primarily aimed at improving financial literacy as well as enhancing understanding and transparency.

Furthermore, in Germany, all retail investors also receive access to a comprehensive (approx. 200 pages) compendium (<https://www.bank-verlag.de/index.php?id=3496>) when they open a depot which provides comprehensive information on securities trading in general and on a wide range of instruments and how they work. This compendium also contains numerous references to potential risks. The compendium is a joint elaboration of the whole German banking industry.

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.*

The appropriateness test is designed to protect investors by ensuring they understand the risks associated with certain financial products. In any event, the current appropriateness test has been well established over the time and should under no circumstances be expanded. No more regulation is needed in that respect.

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.*

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.*

n/a

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.*

In our opinion, the current regulatory framework overemphasises consumer protection and is based on a false fundamental understanding of the mindset of retail investors. We believe that it is time for acknowledging that retail investors are mature, self-responsible and sufficiently informed to participate in capital markets and to take informed investment risks. Overregulating retail investor protection has the downside of creating obstacles restricting access to investment opportunities.

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.*

While MiFID II has made significant efforts in protecting retail investors, we believe that it has reached its limit of regulation. When “you can see the wood for the trees”, it is time to take a step back and let the market develop without seeking to regulate yet more detailed aspects.

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The German Structured Securities Association (Bundesverband für strukturierte Wertpapiere – “BSW”) is the industry body which represents the leading issuers of structured securities in Germany. Its work is supported by more than twenty sponsoring members, amongst which are the exchanges in Stuttgart, Frankfurt and gettex as well as direct banks and online brokers.

By establishing industry standards and through active communication with politicians, supervisory authorities and international institutions, the Association aims to improve the political and regulatory framework for structured securities in Germany and Europe. For more information, please consult www.derbsw.de.

German Lobby Register: R001411

EU Transparency Register: 377055313623-72