Consultation Response by the Bundesverband Finanzdienstleistung AfW to ESMA`s Call for Evidence on the “Retail Investor Journey”

Introduction:

AfW – Bundesverband Finanzdienstleistung e.V. (the German Association of Financial Advisers) appreciates the opportunity to respond to ESMA’s **Call for Evidence on the Retail Investor Journey: Understanding Retail Participation in Capital Markets (ESMA35-43-667-6289)**. AfW represents approximately 40,000 independent financial and mortgage intermediaries and insurance brokers in Germany. Our membership, consisting largely of small and medium-sized enterprises, engages with retail investors on a daily basis and has extensive first-hand insight into retail clients’ needs, barriers, and behaviors. We contribute this practical perspective to the consultation with the aim of constructively supporting improvements to the EU’s Retail Investment Strategy.

At the outset, we stress that **independent, qualified financial advice** is central to a successful “retail investor journey.” Professional advice ensures that retail investors can make informed investment decisions – and this **high-quality advice has a cost, which is justified**. Adequate remuneration of advisers (whether via commissions or fees) is necessary to maintain advisory quality and broad access to advice. At the same time, AfW sees substantial need for improvement in **financial education**: without basic financial literacy, many citizens will not take the step from saver to investor. AfW also views with concern the rise of unlicensed social-media “finfluencers” who often dispense investment tips without proper qualifications – a phenomenon that poses risks to retail investors and may warrant regulatory attention. Furthermore, **ESG regulation** must be made practicable: the current requirements for assessing clients’ sustainability preferences are overly complex and miss their mark, as detailed below. Finally, we note that **crowdfunding** remains a niche segment for most of our members; regulations in this area should remain proportionate.

In the following, we provide our responses to the relevant consultation questions **in both German and English**, organized into sections A–E corresponding to ESMA’s structure. Questions addressed exclusively to consumer organisations have been omitted, except where we offer a perspective based on our members’ experience with clients. Our answers draw on empirical evidence – for example, the AfW **Vermittlerbarometer 2024** survey – as well as on AfW’s previous policy statements (including our ESG-related comments submitted on 15/09/2023). Source references are provided throughout.

A. Non-Regulatory Barriers and Investment Drivers

Question 1: 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.

Based on the experience of AfW member firms, there is a combination of reasons why many retail clients stay away from capital markets and keep their money in bank deposits. A fundamental barrier is **insufficient financial literacy** and a feeling of not understanding capital market products. To many retail savers, securities and investment funds seem too complex and risky – they feel overwhelmed by the subject. Closely related to this is a pronounced **fear of loss** (fear of losing money in market fluctuations), especially if they have had negative experiences in the past. Such past negative returns or experiences can significantly diminish the willingness to invest again. At the same time, **lack of trust** often becomes an obstacle: a portion of the public harbors low trust in financial markets and service providers – scandals and negative media coverage have historically fostered a perception that commission-based finance advice serves the adviser's profit more than the customer's interest. This lack of basic trust dissuades many from moving funds out of the perceived safety of their bank account. **Convenience and simplicity** of bank deposits are also not to be underestimated: money in a savings account is familiar, seemingly safe (due to deposit insurance), and easily accessible at any time. In a culture where saving is traditionally valued, a brokerage account appears to many as an unnecessary risk. Finally, **cost considerations** play a role – some savers believe that investing is costly (due to various fees) and not worth the effort. In summary, lack of knowledge, fear of complexity, past losses, deficits in trust, and comfort with the status quo are the primary reasons for many savers' reluctance. A practical example: An AfW member tells of clients who, despite receiving advice, continue to keep their money in overnight bank accounts – not due to a calculated strategy, but because they think "you can't go wrong with a savings account" and they lack understanding of investment products. Such attitudes are widespread and underscore how crucial education and trust-building measures are to guide more people towards capital market investment.

Question 2a: 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

In AfW's view, the **perceived complexity of many investment products is a major barrier** to investing. Especially for newcomers, the range of products – from shares to funds to structured products – seems overwhelming and riddled with jargon. This feeling of being overchallenged has a deterrent effect. Our member advisers report, for example, that new clients often are not familiar even with basic concepts (such as the difference between a stock and a bond, or a mutual fund vs. an ETF) and therefore label products "too complicated."

This tends to dissuade them from investing in the first place. While perceived complexity is not always the *sole* factor – as noted, fear or lack of trust are also significant – it often serves as an initial pretext for *not getting started at all*. In practice, we also observe that retail investors gravitate toward very simple, easy-to-understand instruments when they do invest: e.g. a fund that works like a savings account or products with guarantees, even if those offer lower returns. This indicates that understandability is a top priority for this investor segment. A brief example: A 30-year-old client with no prior market experience initially rejected equity funds during a consultation, reasoning that she "didn't really understand what happens with them." Only after the adviser provided thorough explanations and compared it to a simpler product (an ETF tracking a broad index) did she feel ready to invest at all. This illustrates that perceived complexity is a critical stumbling block – we classify it as a **"major obstacle."** Accordingly, AfW advocates for making product information more intelligible and for improving financial education, so that fewer investors shy away due to complexity.

Question 3: 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

Past investment experiences – especially painful losses – leave a strong mark on retail investors and **significantly** influence their future investment behavior. In our view, the correct choice is: **"Yes, negative experiences strongly discourage future investment."** We regularly observe that investors who, for example, suffered losses during a market downturn or had a bad outcome with a particular product (such as a specific stock or fund) become very hesitant to invest again, if they return to investing at all. A typical example is the dotcom crash in the early 2000s: many novice retail investors entered the Neuer Markt boom, incurred massive losses when the bubble burst – and then kept their money in bank savings for many years afterwards. We saw similar patterns after the 2008 financial crisis. Such **loss traumas** run deep. Of course, individual risk tolerance and trust also play roles (a risk-seeking investor might recover from a setback more readily; someone who highly trusts their adviser might be convinced to re-enter). However, on the whole we see clear behavioral patterns: after periods of negative returns, retail investors retreat from the market. Our advisers report, for instance, that clients after the March 2020 COVID-crash initially sold in panic and took months before even considering re-entry – even though markets had long since recovered. **Negative experiences lead to prolonged caution or withdrawal**, sometimes even affecting the next generation through "bad investing stories" handed down in families. The task for advisers is to restore confidence through education about long-term market trends and diversification.

But the bottom line remains: those who have suffered significant losses will generally act much more cautiously or abstain entirely from investing. Therefore, the impact of this factor is strong and should not be underestimated.

Question 4a: 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

Costs are indeed an issue for retail investors, but in practice they are **not usually the sole decisive barrier**. We would choose the second option: *"Somewhat, but investors consider other factors as well."* In advisory discussions, clients certainly ask about costs (product fees, commissions, etc.), and some are cost-sensitive – for example, asking for low-cost ETFs instead of higher-fee actively managed funds. High fees can therefore have a discouraging effect in specific cases, especially if the fees seem opaque. However, our intermediaries seldom see a prospect decline to invest *solely because of costs*. Typically, overarching factors like safety, understanding of the product, and expected returns take priority. A practical example: A client considers starting a fund savings plan but hesitates due to the front-load fee. In the consultation it becomes clear that his main concern isn't really the one-time 3% entry fee, but rather uncertainty about market performance. After providing explanation and perhaps reducing the front load (e.g. via intermediary discounts), he is willing to invest. This scenario reflects a common situation: **costs alone rarely halt the investment decision**; they usually come into play in combination with other uncertainties. It's also notable that many retail investors are not fully aware of the exact costs – despite regulatory cost disclosures. Some assume "the bank pays the adviser," implicitly not realizing it's their own money; others, by contrast, are quite attentive to fees and avoid, say, expensive actively managed products. In summary: high costs are a hurdle and are being given more attention by investors, but they are seldom the primary showstopper. From AfW's perspective, it is important that costs are **presented transparently and comparably** – then investors can judge whether the service/value justifies the cost. Our advisers have positive experiences with openly disclosing their compensation and clearly outlining the services they provide. This helps clients understand what they are paying for, which increases acceptance. Nevertheless, one cannot expect retail clients to parse detailed cost breakdowns; what matters is their overall perception of price-to-value.

Question 5a: 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

Trust (or lack thereof) in financial service providers is clearly a **contributing factor** to investment reluctance – in many cases a very important one, though it is seldom the *sole* reason. We would therefore choose option 2: *"A contributing factor, but not the main issue."* Experience – particularly in Germany – shows that the general image of financial sales and banks has suffered. Many retail investors are skeptical whether advisers truly act in the client's interest, or they fear "being sold something" they don't need. This fundamental distrust, fueled by media reports and past instances of misconduct, creates an entry barrier. However, trust often correlates with familiarity: investors with no personal contact with an adviser tend to mistrust the industry in the abstract. Conversely, if an investor has a **personal, independent adviser they trust**, lack of trust ceases to be an issue – on the contrary, the adviser becomes a trusted partner who lowers barriers to investing. AfW intermediaries report that with new clients they often first have to overcome preconceptions ("I've heard a lot of bad things about financial advisers"). If they succeed in building trust through transparency and competence, the willingness to invest increases significantly. Conversely, if trust cannot be established, the client often remains inactive. For example, one AfW member had a hesitant client whom he could only win over after several meetings by openly disclosing how he is paid, which products he recommends and why, and even providing references from other clients. Only once the client felt "this adviser is honest and independent" was he willing to invest. This example shows how lack of trust initially acted as a barrier that could be overcome. Overall, we see mistrust as one factor among several – often present initially, but addressable through good advice. **Long-term client relationships** indicate that independent intermediaries become their clients' trusted confidants (often they support clients over many years and beyond the initial sale). This foundation of trust is key to reducing investment reluctance. Therefore, public policy and regulation should promote measures that build trust – e.g. quality standards in advice, transparency requirements (that inform without overwhelming), and avoiding the blanket stigmatization of certain remuneration models, so that honest advisers are not put under general suspicion.

Question 6: 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.

In our observation, many retail investors do **not feel adequately** supported when questions or difficulties in understanding arise. In particular, people without a dedicated adviser often find themselves on their own. It is true that today there is an abundance of information sources online – from consumer portals to product information sheets – but these cannot replace an individual explanation. Many investors perceive the available information as too generic or incomprehensible. From AfW's perspective, **access to qualified personal advice** is the best way to resolve understanding problems. However, there is a gap here: not every investor has access to such advice.

Reasons include cost or psychological barriers (some are reluctant to "bother" an adviser if they are not sure they will make an investment, or they fear upfront advisory fees) and regional availability issues. Therefore, we see a need for low-threshold offerings: for example, **free initial consultations or Q&A sessions**, possibly supported by industry initiatives, could help. Our members often already engage in public education beyond specific transactions – yet for retail investors without an adviser, a gap remains. It would also help to improve **financial literacy**, so that fewer questions of understanding arise in the first place. Independent information platforms or helplines could also be envisaged, where investors can turn with questions without sales pressure.

We wish to emphasize in particular: **Qualified advice costs money.** Many end customers do not realize that good advice must be financed either through commissions or fees. These remuneration models should not be misconstrued as barriers: on the contrary, commissions enable retail investors to receive advice without upfront payments, which is what allows lower-income groups access to advice in the first place. The *perceived* access problem is partly fueled by debates about banning commissions – investors may become unsure whether an adviser "just wants to sell something." AfW advocates to highlight more strongly the benefits of independent advice in public discourse. There is no substitute for a trusting relationship with a skilled adviser. **Forms of support** should therefore primarily aim to lead more people to seek advice: for example, publicly funded advisory offerings for certain target groups (similar to debt counseling, but as preventive financial guidance) could be considered. Ultimately, experience shows: clients who have continuous advice feel well informed and understood; clients without such a relationship often feel left alone. This is where efforts must concentrate.

Question 7: 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.

In the independent advisory market represented by AfW, advice is generally **broad-based** and covers a wide range of common investment products – primarily investment funds (including ETFs) and insurance-based investment products (such as unit-linked life policies) in line with client needs. Our members strive for **holistic advice**; many hold licenses for both financial instruments (§34f German GewO) and insurance (§34d GewO), enabling them to combine product categories. Advice is concentrated on proven investment vehicles that are suitable for long-term wealth building.

Question 8a: 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

In AfW's view, the lack of financial literacy is a **fundamental problem** and thus *a major barrier* to retail investor participation in capital markets. We select option 1. As noted in our answer to question 1, lacking knowledge means savers are unaware of basic concepts (risk/reward, diversification, inflation hedging through investing, etc.). Consequently, they act very cautiously or fearfully. Empirical findings support this: in Germany, over **50% of the population has received no financial education at all** – this enormous proportion of "financially illiterate" people is reflected in the low stock ownership rate and a preference for simple bank products. For example, we often see that people literally do not know how they would go about investing in practice (how to open a securities account, etc.), because it was never taught to them. Instead, myths prevail ("the stock market is a casino" or "stocks are only for the rich"), which also stem from lack of understanding. Every experienced intermediary has seen clients harbor certain misconceptions or uncertainties purely due to a lack of basic knowledge – once these are clarified in the consultation, resistance falls away. That is why financial education is so important: it **takes away the fear** of the unknown. A practical example: A young client wanted to build wealth long-term, but did not dare to approach funds. In conversation it emerged that she didn't actually know what an investment fund is. After a short "mini-lesson" explaining the concept of a fund and how it spreads risk, she was willing to invest. Without that explanation, her money would have remained uninvested. Such cases are everyday occurrences. Even clients with higher incomes but without financial literacy often keep large sums in low-yield accounts, simply for lack of knowledge about alternatives. We clearly see a direct correlation: **the lower the financial knowledge, the greater the reluctance**. Conversely, where education occurs (for example in schools, media, or via initiatives), the rate of participation in markets rises over time. Therefore, AfW strongly advocates improving financial education – be it through school curricula, public campaigns, or even gamified approaches. If you add up all other barriers, many ultimately root in ignorance: those who know more have less fear, more trust, and can better assess costs. Promoting financial literacy is thus one of the most effective levers to strengthen the retail investment culture.

Question 9 (for consumer orgs) skipped – AfW comment from advisers' perspective: *The question about psychological or cultural factors (fear of loss, distrust in financial markets, preference for familiar products) has essentially been addressed in our answers to Q1 (fear of loss, safety orientation) and Q5 (trust). From an adviser's perspective, such factors are indeed present – in particular, German retail investor culture is known to be safety-oriented and marked by a "German angst" of losses. Addressing these mental barriers is part of good advice (by illustrating long-term opportunities and risk mitigation via diversification).*

Question 10: 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.

Aside from the factors already discussed (lack of knowledge, fear of loss, distrust, perceived complexity, costs), we identify several other aspects that act as non-regulatory barriers:

- **Inertia and procrastination:** Many investors lack the “push” to take action. As long as there is no acute pain (e.g. negative interest rates), they stick to routine – an internal reluctance prevents them from going to an adviser or setting up an investment. The urgency to deal with investing is often underestimated, especially if keeping money in a bank account feels “good enough.” This inertia is human and widespread.
- **Lack of time or attention:** Making investment decisions initially requires some time to gather information. In busy daily life, many people do not prioritize finances and keep postponing it. Even well-earning professionals often say: “I haven’t gotten around to it yet.” Here, a simple entry point or prompt to devote time to it is often missing.
- **Negative role models in one’s circle:** If no one in an investor’s family or friends is invested (or if they have had bad experiences), the environment is not encouraging. In Germany, stock investing wasn’t a mass phenomenon for a long time – in a sense, there is a lack of positive “lighthouse” examples in one’s social circle. On the contrary: some would-be investors report that friends label them “gamblers” if they go into stocks – such social influences are a brake.
- **Preference for tangible assets like real estate:** A cultural aspect in our country: many people view buying property as the only acceptable form of investment. Those with limited funds often prefer saving for a home over investing broadly in capital markets. This “real estate mindset” diverts funds away from securities.
- **Complexity of the investment process:** Not regulatory per se, but practically relevant: the process of opening a brokerage account, making investment decisions, placing orders, etc., can intimidate the uninitiated. Even though much can be done online today, there are still hurdles (e.g. video-identification procedures for account opening) that some find cumbersome. Especially older individuals or those not tech-savvy sometimes give up at this stage.

A real-world example many advisers know: a prospect is in principle interested in a fund investment during discussions, but then drops the process because the application forms seem too complex and numerous. Although this is partly driven by regulation (e.g. filling out suitability forms), the client expresses feeling: “This is all too much hassle for me.” Here, procedural barriers mix with psychological thresholds.

In sum, there are a number of soft factors – inertia, cultural environment, focus on real estate, perceived effort – which also keep retail investors from investing, alongside the more concrete factors. They are harder to tackle directly, but raising awareness (through public campaigns, role models, digital simplifications) can address these issues. As an industry association, for example, we see great potential in further **digitalizing and simplifying** the investment process to make the "journey" more user-friendly (without the appearance of excessive paperwork). Likewise, success stories should be shared to create role models – for instance, a retiree who built wealth with a small ETF savings plan. Such positive narratives can help motivate otherwise "inert" savers.

B. Young Investors and Speculative Investments

Question 14a: 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 for each, with examples or evidence 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)

Yes, in AfW's assessment, speculative and volatile markets **disproportionately attract the younger generation**. Our member firms observe particularly in the realms of cryptocurrencies that the average age of interested investors is significantly lower than for classic investment funds. We identify several main reasons for this, largely corresponding to the options listed in the question:

- **Expectation of high returns:** Young investors are enticed by the prospect of quick, outsized gains. The historic boom in Bitcoin & others instilled hope especially among Millennials/Gen Z that one could hit the jackpot with a relatively small stake. This return expectation – often fueled by media success stories ("20-year-old becomes crypto millionaire") – plays a central role. It overshadows risk perception. A survey showed, for instance, that for 21% of young investors high return opportunities are a main driver for crypto investments.
- **Perception of lower costs:** Many speculative investments (e.g., crypto trading via apps) are marketed as practically free or very cheap compared to traditional funds (no ongoing management fees, zero-commission brokers, etc.). Young people, who are generally cost-conscious, find this attractive – even if hidden costs or spreads are often overlooked. Nonetheless, the **perceived financial hurdle** is low on neo-broker and crypto platforms (often just a few euros is enough, no minimum investment).

- **Ease of access & fewer entry barriers:** Being able to open a crypto account in minutes via smartphone app or buy a trending stock with a couple of clicks appeals to the “instant” mentality of the younger generation. Traditional investments, by contrast, are seen as having a cumbersome process (making an appointment, paperwork, etc.). Young investors appreciate the **low threshold and gamification** of some new platforms, which lowers the inhibition to “just give it a try.”
- **Decentralization / allure of the new:** Especially in the crypto space, there are ideological motives: the idea of investing outside the established financial system (“without a bank”) fascinates many tech-savvy young people. They deliberately prefer **non-intermediated** investments in some cases, as this feels modern, independent, and “revolutionary.” Traditional investments like funds, in contrast, appear old-fashioned or controlled by established institutions.
- **Influence from social media and communities:** This is a very significant factor. Trends are hyped via YouTube, Reddit, Instagram, TikTok, etc. – so-called **finfluencers** and online communities exert enormous influence on young investors. The GameStop frenzy is a case in point: young investors were collectively prompted via Reddit forums to buy into speculative trades. The rapid spread of “tips” and group dynamics tempt them to chase volatile assets. Traditional funds have little glamour on social media. Our advisers report that especially younger new clients often come in with pre-formed investment ideas from the internet (“I read about Coin XYZ, should I get in?”).
- **Distrust of traditional institutions:** Some young people harbor a certain skepticism towards banks and classic financial products, be it due to the post-financial-crisis narrative (“banks caused the crisis”) or a general anti-establishment sentiment. Crypto, for instance, was born out of distrust in central institutions. This **distrust in traditional finance** leads them to believe that alternatives are more trustworthy or future-oriented.

Taken together, the picture is that young investors are driven by a mix of **hunger for returns, peer influence, and digital accessibility**. One AfW intermediary described it thus: “My 25-year-old client is far more interested in the latest cryptocurrency hyped by his YouTuber than in the solid equity fund I propose – until I make him aware of the risks.” This quote encapsulates the phenomenon well. The challenge for advisers here is enormous: we must convey to young clients the opportunities of capital markets without dismissing the allure of new investments, while at the same time educating them about the high risks (and sometimes illusions). We believe it is important to **subject finfluencers to some form of regulation** or quality standards, as their unqualified advice often leads to poor decisions. Moreover, we should meet young people where they are – for example, through educational campaigns on social media that highlight the benefits of regular, diversified investing as opposed to quick speculative bets.

C. Disclosure Requirements and Understandability

Question 15a: 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.

The intent behind MiFID II disclosure requirements – namely transparency and investor protection – is correct and important. However, in practice we find that the sheer volume and complexity of information to be disclosed **tends to overwhelm rather than encourage** retail investors. In other words, the current disclosures only partly help engage retail investors, and in some respects may even be counterproductive.

Problematic aspects include especially: **Volume and level of detail** – clients are confronted with documents running many pages (product information sheets, cost tables, suitability reports, etc.). Many feel drowned by the sheer amount and end up reading little if any of it. We often hear comments like “I didn’t read all that, it’s far too much text.” Thus, transparency misses its mark because key information gets lost in the noise. Another issue is the **technical complexity of content** – despite efforts to simplify language, the documents often contain legal or financial jargon that the average investor doesn’t grasp. This causes confusion rather than clarity. **Comparability** is also limited: there are standardized formats (e.g., PRIIPs KIDs), but investors struggle to truly compare things like costs or risk metrics between products – often because differences are buried in the details or based on varying assumptions. The feedback from our advisers is: clients at best skim the documents and ultimately still rely on the oral explanation. In that sense, the paper stack fulfills formal obligations but **contributes little to a positive investor experience**.

One example: an intermediary mentioned a client who, upon receiving the voluminous pre-contract information, joked “I wanted to invest money and instead I get a book to read.” The client did not feel more secure because of it – rather, he was put off and needed extra guidance to go through the materials. This shows that *too much* information (or in too unwieldy a form) can itself be a hurdle.

From AfW’s perspective, disclosure requirements should urgently be made **more concise and focused**. Less is often more – better to have a crisp summary highlighting core costs and risks than dozens of pages where retail clients can’t identify the essentials. For example, one could employ more visual formatting (icons, color coding) instead of pure prose. A greater degree of **personalization** of information would also be desirable: relevance increases comprehension. Currently, many documents are generic and not tailored to the individual client, which reduces their engagement.

In summary: While MiFID II disclosures formally fulfill their purpose, **their effectiveness for retail investors is limited** – the volume, complexity, lack of easy comparability, and unappealing formats significantly undermine the intended impact. Smarter, more modern information design could help here, so that transparency truly reaches clients instead of remaining merely a bureaucratic exercise.

Question 15c: (For firms and trade associations) 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 legislation? Please explain your reasoning and provide practical examples, or evidence drawn from experience, where available.

Yes, as hinted in our answer to 15a, there are indeed cases where retail investors **drop out or hesitate because the paperwork deters them**. Our members report, for example: a client was initially interested in a discretionary portfolio management service, but became uneasy when, before signing, he was presented with the lengthy client information questionnaire and a 30-page contract plus appendices. He essentially said: “If it’s this complicated, I’d rather not do it.” Here it was clearly the *presentation and volume* of documents that was the stumbling block – the client had the financial means, the intent, and the ability, but the disclosure burden drove him away. Another example: with crowdinvesting offers (not a core area for our members, but similar in terms of documentation volume), many retail prospects abandon the process if they have to scroll through pages of risk warnings and terms. These behavior patterns are noticeable.

From firms’ perspective, the main factors are: **(1) Information overload** – too many separate documents or very long PDFs. (2) **Cumbersome presentation** – no executive summary, instead continuous text that no layperson can quickly digest. (3) **Repetition and redundancy** – clients receive similar information multiple times in different documents, which causes confusion (“Why do I have to fill out Form B? Didn’t I already sign something like that in Form A?”).

Which disclosures/contractual documents do we consider genuinely necessary? In practice: everything that **essentially helps the client understand the investment and their rights/obligations**. Specifically: a **concise product key information document** with the most important features (costs, risks, key performance indications). Also a **clear cost summary** – not every last detail of every commission, but transparent about what fees will ultimately burden them. A **contract/term sheet** outlining the key terms of the relationship is of course needed, but it should be as lean as possible. For example, clients could be provided the full prospectus/terms and conditions, but the truly important points should be condensed into a compact contract. Many firms already do something like this internally: they use 2-3 page summaries and have the client acknowledge the main points, while attaching the full legal prospectus. We find this practice more sensible than spelling out every single clause for the client’s signature.

Regardless of specific legal requirements, we think the **basic risk disclosures** are indispensable – the client must understand, for example, what volatility or total loss means for their investment. But even here: it doesn't require novels, just pointed warnings.

If we could design freely, we would structure the information process like this: **1)** A two-page core information sheet per product (covering risks, costs, how it works), **2)** A one-page document "What does this investment mean for me?" including a note on whether advice was provided or not and the outcome (so the client sees the context), **3)** A two-page agreement/consent form with the most important clauses for signature. Everything else (lengthy prospectuses, legally required fine print) could be made additionally available electronically without bloating the signing process. Our experience shows: clients who receive **compact and clearly structured** documentation are more satisfied and feel better informed than when we hand them a heap of papers and they don't know where to begin.

Question 16a: 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?

The PRIIPs KID (Key Information Document) is a step in the right direction because it establishes a unified, brief format. In practice we hear mixed feedback from retail investors: **In principle, the idea of a 3-page document is welcomed**, and certain elements like the overview of costs or the risk class (SRI indicator) are found useful by clients, as long as they are explained clearly. Indeed, many clients first look at the colored risk indicator and the cost table – this condensed presentation wouldn't really exist without the KID. In that sense, the KID provides added value compared to the previously completely opaque prospectuses.

However, there are also clear points of criticism that we observe in advice sessions: Some **elements of the KID are too abstract or misleading**. For example, the performance scenarios have (in the past) been criticized as overly optimistic – clients might misinterpret them as a forecast. Also, the risk scale (1–7) isn't intuitive for everyone; it requires explanation of what it really signifies. In addition: while the KID is short, it's still **linguistically challenging**. Some terms (like "moderate" vs "unfavourable" scenario) are not immediately clear to laypersons. Some clients also feel **overloaded by 3 pages of dense text**, i.e. even the KID isn't "simple" enough for them.

How to improve it? We advocate making the KID **even simpler and more visual**. More pictograms, clear icons for risks (e.g. a storm symbol for high risk) or costs (euro sign) could help. Fewer scenarios, but instead perhaps ranges or a worst-case warning in plain language ("In a very bad case, you could lose X%"). It would also be important to make the KID **more product-type-specific**: a KID for an investment fund may need to emphasize different points than one for a structured product, instead of one-size-fits-all sections.

Alternatives to the KID without adding paper: in the digital realm one could provide **interactive info modules** – e.g. a short explainer video or animated graphic to complement the KID. Such formats might be easier to grasp than text blocks. From a regulatory standpoint, one might consider that for highly advisory products (complex derivatives, etc.), instead of a static KID, a mandatory advisory dialogue or consultation could be required – i.e. ensure protection via personal explanation rather than via a document that in the end might not be understood.

In summary: the PRIIPs KID is helpful and should be retained, but **in a simplified form**. Retail investors appreciate concise, comparable information, but it has to be truly clear and intuitive. A KID presented in plain language, and perhaps even two-layered (first a very short summary, then details expandable), would be a sensible evolution. Importantly: by no means should the KID in its current form be made even longer – more volume would undo its positive effect.

Question 17: (For firms and trade associations) 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.

As an association we have limited insight here, since tracking user engagement is mainly done by larger financial providers and online platforms. The majority of our SME member firms **do not systematically measure** detailed engagement (e.g. how long a client looks at a KID). Many AfW members still hand out KIDs in PDF form or on paper and wouldn't have the technical means to track reading behavior. On digital platforms (e.g. robo-advisors) such measurements might exist – we're aware of cases where, for example, it's tracked whether the client opened the document before they can click further (as a proxy for "read"). But we do not have concrete data like average reading time.

We do observe a trend that younger, FinTech-oriented providers increasingly use **mobile-optimized presentation**: KIDs and similar info are presented as mobile-friendly web pages with accordion menus, rather than static PDFs. Some use interactive tools like sliders or pop-up definitions for technical terms. That certainly makes sense.

A concrete example we know of: a neo-broker app displays the KID within the app interface when a user tries to buy a complex product for the first time, and requires them to confirm at the bottom "I have read the key information." The app at least measures timing here (you cannot confirm until after X seconds, to prevent instant skipping). That's a rudimentary form of measurement. More advanced KPIs (like heatmaps of which sections are read) are not commonly known in mainstream advisory as far as we are aware.

Overall, we can say: **mobile-first formatting** is on the rise, especially as more customers complete transactions via smartphone. Many of our advisers note that clients prefer receiving a link on their phone over paper documents. Therefore it's important that disclosures are easily readable on small screens (scrollable text instead of zooming a PDF, etc.). However, engagement metrics like click-through or dwell time are – as far as we can tell – not widely utilized yet among traditional intermediaries. This might change in the future if advisory tools offer more analytics features. Then one could, for example, see whether clients even open the documents sent to them. At the moment, monitoring is done more qualitatively: advisers will directly ask "Did you look at the info sheet? Any questions about it?" rather than silent tracking.

Question 18: 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 mandated costs and charges disclosures (such as percentage total costs, amounts in euro, effect on return, etc.) are theoretically very useful, but in practice the reception is mixed. **Some retail investors do find such breakdowns helpful**, especially the total "all-in" cost percentage per year: it provides a ballpark figure with which they can compare products. Also, the graphical illustration of the impact of costs on returns (for example, "your return before costs vs after costs") opens some clients' eyes to the fact that costs eat into returns – something many were not fully aware of before. In that sense, elements like the *total expense ratio* and *cumulative costs in € over X years* are useful and should be retained.

On the other hand, our advisers report that **many clients are confused by the detailed tables**. Often, costs are split into various categories (product costs, service costs, one-off, ongoing, transaction-related, etc.) – this granularity overwhelms some people. Ultimately, the retail investor usually asks: "What does it mean for me in total?" If the answer then is, say, "2.3% per year goes to all costs," that is the figure that really sticks – and arguably communication could have been focused on just that number. The detailed breakdown is required (for transparency), but retail clients seldom follow it line by line. We see more that clients have to take our word that all those line items sum up to X – they are not calculating it themselves.

Most helpful, in our opinion, is showing **total costs as a single figure** (percentage per year or an absolute monetary amount relative to the investment). That should be made prominent. Also valuable is the **comparative view "what remains of gross return after costs"** – through this the client grasps the effect of costs. Less helpful are lengthy tables of tiny line items or scenario analyses including costs – those tend to confuse more than help.

To improve cost disclosures, one should **rely more on visualization and simplification**: For example, a pie chart saying "This is how your investment amount is allocated: X% costs, Y% actually invested" – many understand that better than text. Or a time-lapse style visual: "After 10 years you would have €12,000 without costs, and €10,800 with costs" (perhaps shown as side-by-side bars). Such **memorable visuals** have more impact than columns of numbers.

Regarding the disclosure itself: better *less, but clearer*. The MiFID cost disclosures are already quite extensive; they should not be made even longer, but rather more intelligible for the target audience. For example, one could supplement the standard disclosure with a **clear bottom-line statement**: "In total, you will pay about X euros (which equals Y% of your investment) per year for this product and advice." Every retail investor could understand that one sentence – and base their decision on it.

Question 19: Do firms apply layering of information on costs 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.

To our knowledge, such **layering** of cost information is already widely practiced in digital channels – and we explicitly welcome it. Especially neo-brokers and online banks often show a simplified cost info on the initial interface (for example, during the order process) like "Transaction fee: €9.99 (equals 0.5% of order volume)." The detailed breakdown is then available via click or as a downloadable PDF. We find this tiered approach very sensible, because the user first sees the core info without being overloaded by detail figures. Our impression is that retail investors **appreciate** this layered presentation – in the app they want to quickly see the most important numbers, and delve into details only if needed. It makes the user experience more seamless.

Traditional advisers implement layering in an "analogue" way: in conversation they first mention the overall commission rate, and if someone wants to know more, they provide the detailed written breakdown. Transferred to the digital context, that's exactly the layered info approach.

We have rarely heard complaints from clients about this approach – on the contrary, many like that the app doesn't hit them with everything at once. Of course, it's important that the deeper information remains **accessible and complete** (e.g., via PDF download) to meet regulatory requirements. But most only read details if they specifically want to.

Also, **legally** speaking, layering seems a smart solution: one fulfills the obligation by making all details available, say in a PDF, but one improves usability by showing the customer a summary first. From our perspective, this should even be *officially encouraged* – perhaps regulators could provide guidance on which key information must be shown "upfront" and what can reside in subordinate layers. That way a certain standard would apply everywhere while enhancing user-friendliness.

In sum: Yes, layered cost presentation is already used and is well received by clients. As long as transparency and access to detail is ensured, we see only advantages in it.

D. Suitability and Appropriateness Assessment (inkl. ESG-Präferenzen)

Question 20: 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, 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)

On this question, **opinions are mixed** among retail investors. We would select "Mixed views." Some clients – especially those less comfortable online or who appreciate traditional paper documentation – do find quarterly account statements useful. Such statements give them a regular, hardcopy update on their investments and they perceive that as a service. Particularly for clients who don't constantly check their balance online, these statements serve as a periodic reminder and summary.

On the other hand, there's a growing group of digitally-oriented investors who view quarterly reports as unnecessary because they can retrieve up-to-date information anytime via an app or online banking. These clients often say: "I know my portfolio value at any time, so why another statement every 3 months?" For them, the statements add little value and sometimes go unopened.

In advisory practice we see both: the older investor who meticulously files each quarterly statement and perhaps asks follow-up questions, and the younger client who isn't even aware they received a statement.

Therefore, one might consider handling the frequency more flexibly. For example, an opt-out option: those who wish could receive only an annual report (or purely electronic on-demand), while others who appreciate it can continue with quarterly. Especially in calm market periods, some investors feel quarterly is too frequent – it may draw unnecessary attention to short-term fluctuations. For instance, after a bad quarter some clients feel alarmed, even though long-term everything is on track. In such cases, less might be more (e.g., semiannual instead).

In summary: **A significant subset of investors would not mind a reduced frequency**, while others like the service as is. There is no unanimous stance. However, we lean towards the view that in an age of constant online availability, mandatory mailing every three months is not needed for everyone. Flexibility and giving the customer a choice would be welcome here.

Question 21a: 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 – • 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)

From our perspective, the requirement to notify about a 10% loss in portfolios is mostly **counterproductive**, so we would lean towards "No." Experience shows that such notifications are often sent during periods of acute volatility (inevitably, since that's when losses occur) – precisely when markets are jittery, and an automatic loss alert heightens the investor's anxiety. Many advisers report that clients reacted panic-stricken to the 10% notices ("Do we need to do something?"), even though it might have just been a temporary market dip. There have been cases where investors, upon receiving the notice, sold impulsively – which in hindsight was wrong, as the market recovered. This illustrates that the timing can be unfortunate.

For leveraged individual instruments, a warning might be more justified (because a 10% drop there can indeed be critical and often demands quick action, margin calls, etc.). But for diversified portfolios with a longer horizon, a 10% fluctuation is not unusual. Many clients don't understand why a message comes specifically at 10% – it feels somewhat arbitrary.

An improvement would indeed be to refine the mechanism (**option 2**): for example, consider performance relative to a benchmark, or adjust the threshold to the portfolio's volatility profile. Alternatively, allow the client to choose if they want such alerts.

Our members mostly favor abolishing this requirement or making it more flexible, because they've observed more harm (panic selling) than benefit from it. It would be better to do upfront education: prepare clients for volatility, rather than "spooking" them in the heat of the moment with a formal loss notice.

In isolated cases, well-informed investors might appreciate it (hence one could argue Mixed Views), but the prevailing sentiment from an advisory standpoint is: **the rigid 10% rule is not helpful**, and can trigger counterproductive knee-jerk reactions. If it is kept at all, at minimum the wording of the notification should be improved – giving calming context rather than just "Your account lost 10%!"

Question 21b: If considered necessary, how could the 10% loss reporting be improved?

As mentioned, we see scope for improvement mainly in handling the **fixed 10% threshold more flexibly**. Some ideas:

- **Relative benchmark:** Instead of an absolute 10% from the starting value, one could trigger for example when the portfolio is 10% worse than its benchmark or expected trajectory. That way, in a general market downturn not every client gets an alert at once – only if their portfolio underperforms unusually.
- **Temporal smoothing:** Introduce a condition that the loss must persist for some number of days (e.g. a 10% drawdown that lasts more than 5 days) before triggering, so that very short-term dips (intraday or a single day flash crash) don't immediately send an alert.
- **Adjust to risk profile:** A very conservative portfolio (expected volatility ~5%) might trigger at say 5% loss, an aggressive one (vol ~15%) perhaps at 15%. In other words, set the threshold in relation to the strategy's risk category.
- **Provide context in the message:** The notification should not just state the fact, but put it in perspective. For example: "Your portfolio X has lost 10% in value since the beginning of the quarter. This occurred during an overall market downturn. We recommend keeping a long-term perspective and not making hasty decisions. Please contact your adviser if you have concerns." – Such wording would help dampen panic.
- **Opt-in/opt-out:** Let clients choose whether they want such alerts at all. Seasoned investors might opt out, novices might want to keep them.
- **Alternative thresholds:** Perhaps 10% per year instead of "since last report." That way, in a prolonged bear market you wouldn't get multiple alerts in a row, but rather one more meaningful alert.

In our view, a combination of these approaches would be ideal: a rule-based but smarter trigger mechanism plus better communication.

If implementing such nuance is difficult regulatorily, at least a **language improvement** is mandatory. The goal is that the notification should *help* (e.g. prompting the client to call their adviser and discuss) rather than instill reflexive fear.

Question 22: To what extent do questions and measures on customer due diligence in accordance with AML/CFT requirements create barriers that prevent retail clients from starting investing? Please select one of the following options and please explain – • 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 assessment, anti-money laundering requirements (KYC, identity verification, etc.) do present a bit of a hurdle in onboarding, but they are **not a main reason** that retail investors refrain from investing. We'd choose option 2: *"A contributing factor, but not the main issue."*

We certainly occasionally hear clients complain about the video-ident procedure ("cumbersome, why do I have to hold my ID up to the camera?") or about being asked many questions regarding source of funds, etc. This process can be annoying for the uninitiated and in the worst case can delay completion. For instance, some older clients have given up on the video-ident because of technical difficulties – that effectively stalled their account opening. In that sense, it can in isolated cases hinder an investor's plans.

In the bigger picture, however, other factors (like the knowledge and trust gaps discussed in Section A) are far more influential. If someone really wants to invest, they will generally get through those few identification steps – it's a one-time hurdle. Many younger investors are familiar with digital onboarding from other services and accept it as a given.

One could make AML/KYC more user-friendly (for example, verify identity once centrally and then reuse it for different banks – a concept of eID) to reduce friction. That would be welcome. But we do not believe that currently a significant number of potential investors drops out solely because of the AML procedure.

It may be a contributing factor in that every additional step can of course lose some people ("drop-off" in onboarding funnels). Particularly someone only mildly interested might say at the fifth form, "oh never mind." So yes, AML rules slightly add to the entry hurdle. But anyone who has real intent will usually overcome these administrative requirements.

All in all: **not a primary obstacle**, but certainly not zero impact either. The industry should nonetheless work to make the identification process as smooth as possible (think video-ident alternatives, using electronic IDs, etc.) to prevent any unnecessary drop-outs.

E. Other Topics: Additional Barriers, Crowdfunding, Balance of Regulation

Question 23: 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, where available.

As mentioned in Q22, yes – certain AML steps can slow down or complicate onboarding, even if they are rarely the sole deciding factor. The **video identification** step is particularly prone to hiccups.

A practical example: one intermediary reported that multiple clients tried to do the video-ID on a weekend, but due to the identification service being overloaded they ended up stuck in queue. By Monday their motivation had cooled. Or a technical example: a client didn't understand the instructions on how to hold the ID correctly in front of the camera; after several failed attempts he quit in frustration. That halted the process for the time being.

Also, the **source-of-funds questions** ("Where do the funds you're investing come from?" etc.) sometimes cause confusion. Some retail investors are unpleasantly surprised by that ("Why do they want to know? Did I do something wrong?"). What's often missing is an explanation that it's required by law – without context it can breed mistrust.

Similar for filling out the **FATCA/CRS questionnaire** (tax residency, etc.) as part of account opening: many clients see it as bureaucracy they don't understand. They worry about giving a wrong answer and need assistance.

In summary: **Delays/confusion mainly arise with technical identification steps and unfamiliar forms.** With better user guidance (e.g. help texts: "We ask this because...") and more robust systems, this could be mitigated. An experienced adviser nowadays prepares their clients for it ("Soon you'll do a video-ident, don't worry, I can assist if needed") to lower the mental barrier.

On the positive side: many providers now have alternative ID options (e.g. online bank-based ID via one's bank account) or have improved the accessibility of ID service providers. That takes some friction out. But overall AML remains a bit of a stumbling block in onboarding, which especially can discourage less tech-savvy investors if something goes wrong.

Question 24: (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, where available.

National tax differences are not an everyday obstacle for our members, who mainly operate in Germany, since the majority of clients are domestic. However, on a Europe-wide level we certainly recognize barriers: **tax issues make cross-border business significantly more complicated**.

For example: a German adviser who wants to serve a client in Austria must account for that client's tax treatment (withholding tax, double taxation treaties, etc.) – there is often a lack of expertise on that, and liability uncertainty. Such uncertainties deter smaller providers from even attempting to acquire foreign clients. On the client side, things like withholding taxes on foreign investments, refund procedures, etc., can have a chilling effect. One often hears: "Invest in foreign funds? I don't understand the tax on those; better stick to domestic products." Thus, retail investors often voluntarily limit themselves to their national offerings out of fear of extra tax hassle.

A practical example: The old “taxation of foreign funds” regime in Germany (prior to the 2018 Investment Tax Reform) was so complex that many retail investors avoided accumulating foreign funds – and advisers rarely recommended them. Only the reform partially removed this obstacle. Similarly, today investors in one country may hesitate to buy funds from another EU country if the tax handling is unclear or unfavorable (e.g., no automatic withholding tax at source, requiring them to declare manually). Such differences discourage cross-border investment.

In summary: **national tax rules represent a significant “friction”** in pan-European offerings. While large providers can navigate this, smaller intermediaries and investors shy away from cross-border engagement due to tax complexity. More harmonized or simplified rules (e.g., standardizing withholding tax procedures or EU-wide tax shelters) could open up the market. Until then, taxes remain a key factor dampening retail investor participation across borders.

Question 25: 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, where available.

As touched on, tax considerations do indeed deter retail investors when it comes to foreign products. **Many retail investors avoid foreign investments out of ignorance or convenience**, to steer clear of tax-related hassle.

Practical example: a French fund with no German registration – a German investor might have to manually declare the income (since no automatic withholding tax by a German custodian), which dissuades them from buying. We often hear clients say: “I’d rather buy German-domiciled funds/ETFs, since taxes are handled automatically.” This shows that ease of handling is more important to them than perhaps a better performance from a foreign product.

Likewise, fear of double taxation or complicated refund claims (e.g. foreign withholding tax on dividends) keeps many away. Example: an Austrian investor considers German OGAWs, but refrains because he’s unsure how the German withholding tax will be credited.

Especially for things like real estate funds or ETFs, investors often check if there’s a domestically domiciled equivalent that is tax-“simpler.” This behavior leads to a **home bias**, partly for tax reasons.

This was observable statistically: before 2018, the share of foreign funds in German portfolios was lower due to tax disadvantages. After the tax reform, usage of foreign ETFs in Germany increased significantly. This demonstrates the influence of tax treatment on investment decisions.

In short: **tax issues do have a noticeable discouraging effect**. Retail investors don’t want to grapple with extra tax filings or uncertainties. Anything that’s unfamiliar or potentially problematic tax-wise tends to be avoided. Therefore, we advocate for more clarity and simplification in cross-border tax matters to reduce this hurdle.

Question 28: (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, where available.

Our member firms – especially the larger providers – have recognized that easy-to-understand documents are a competitive advantage. Accordingly, there are various initiatives:

- **Shortening and simplifying contracts:** Some providers have significantly shortened their standard agreements by moving legal technicalities into appended T&Cs and only putting the essential points in plain language in the main document. For example, a robo-advisor advertises that its client contract is only 5 pages long and written in "plain German" – tested with customers for comprehension.
- **Use of summaries/cover sheets:** Many firms attach a one-page "service overview" sheet to the contract, where in bullet points it states: here's what we do for you, here are your obligations, how you can terminate, etc. This summary makes it easier to grasp the key points before diving into the paragraph text.
- **Glossaries and explanations:** Technical terms in the contract text are sometimes explained via footnotes or a separate glossary. This way the client doesn't have to guess what, say, "margin call" means – it's simply explained alongside.
- **Visualization:** Some more innovative companies use infographics in the contract document. For instance, a timeline graphic showing: Step 1 advice, Step 2 contract, Step 3 ongoing service – so the client understands the process. Or pictograms next to sections (a lock icon next to the privacy section, etc.).
- **User focus testing:** We know of a larger bank-affiliated distributor that tested its new contract forms in focus groups with real retail clients. The feedback (where they stumbled, what was unclear) was incorporated before the contract was rolled out. That kind of process greatly improves clarity.
- **Multiple languages/easy language:** In some cases at least summaries are offered in simpler language or other languages if German is not the client's first language.

Overall, we notice that **firms focus on brevity, clear language, and supporting aids** (summaries, visuals) to make service agreements more readable. There is still room for improvement (some things remain complex), but the trend is positive.

Question 29: 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, where available.

Many retail investors view the regular updates of their information for suitability assessments as a **tedious formality**, the benefit of which isn't always clear to them. Most understand initially at account opening why a first collection of their financial situation and goals happens. But when, say, annually or every two years a new questionnaire comes ("Have there been any changes to your knowledge or risk appetite?" etc.), some react with a lack of understanding: "I've already told you all that, why again so soon?"

A practical example: a client was asked to reconfirm his investment objectives after 1 year. He responded, annoyed: "My retirement goal hasn't changed in one year – why do I have to fill this out again?" Comments like that show that the frequency feels too high to some, particularly when their circumstances haven't really changed. Some then fill it out only reluctantly or not at all (advisers have to chase them up). That detracts from the customer experience.

The **execution** (sometimes on paper, or inflexible online forms) is not always ideal either. Some clients report they received the same questionnaire multiple times (e.g. separately from their bank and their adviser) – duplication causes confusion and annoyance.

There can be understanding issues if the update questionnaire uses terms or phrasing different from the initial one. Then clients ask: "What are they asking for now exactly?" So consistency would be important.

On the positive side: if advisers integrate the update into a meeting ("During our annual review we'll quickly go through the question set"), clients perceive it as part of the advisory process and less as an isolated form to fill.

Overall, the process is **workable, but could be improved**. Clarity could be increased by being transparent about why the re-assessment is needed ("to ensure our advice still fits your situation"). Some providers already do that.

It's certainly something clients can manage – nobody told us they literally couldn't handle it. But it's seen as bureaucratic. Less frequent updates (if it's clear the circumstances are stable, perhaps only every few years instead of yearly) or more targeted updates (only after certain triggers) would improve acceptance.

Question 30 (for consumer orgs) skipped – AfW notes from an intermediary perspective that retail investors tend to feel the amount/frequency of information requested is rather high, see answer to 29 above.

Question 31: 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 examples, where available.

Yes, we certainly see possibilities to **simplify the suitability information collection** without harming investor protection. Some approaches:

- **Modularization & pre-filling:** If a client has already provided certain info (e.g. income range, investment goal), you don't need to ask everything from scratch each time. Pre-fill with their previous answers and let the client just confirm or update if something changed. Some digital platforms already do this – it saves time and reduces errors.
- **Focus on essentials:** The questionnaire could be streamlined to avoid redundancies. Often similar things are asked twice ("How much experience do you have?" and later "Have you traded product X before?" – that partially overlaps). Here you could manage with fewer questions without losing insight. Also, extremely granular distinctions (e.g. separate knowledge levels for 10 product categories) overwhelm clients – maybe 5 broad categories would suffice.
- **Simplify language:** Some questions are phrased in legalese ("Knowledge regarding complexity and volatility of derivative instruments"). This can be expressed simpler ("Do you understand that certain investments can fluctuate greatly in value and are hard to grasp?"). More intelligible questions lead to more reliable answers.
- **Better guidance:** The collection process could include tooltips/help text. For example, a note "Why do we ask this?" by each section. That improves client understanding and their willingness to answer accurately.
- **Smarter risk profiling:** Possibly use dynamic questioning – e.g. if a client already responds very conservatively, you don't need to ask dozens of detailed questions about exotic products. The system could recognize that if the client is only interested in safe investments, they don't need a test on options.
- **One-time central capture:** Clients with multiple accounts could benefit from a one-time suitability assessment that all institutions can use (similar to a central KYC for identity). This is a forward-looking idea, but it would eliminate duplication.

Practical example: one intermediary redesigned the questionnaire in consultation with compliance – trimmed it to the necessary points and framed it more like a conversation instead of a yes/no ticking exercise. Result: clients felt more at ease and gave more honest information, instead of slogging through formal questions.

In summary: **fewer, clearer, more user-friendly** – that's how data collection could be made leaner while still obtaining sufficient info. Investor protection would remain intact, because the quality of data might even improve when clients aren't fatigued or confused by the process.

Question 32: 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, where available.

Retail investors largely perceive the integration of sustainability preferences (the ESG preference query) in suitability assessments with **confusion or indifference**. Our advisory practice shows: the vast majority of clients **do not express an active interest** in discussing this topic in detail. Data from the AfW Vermittlerbarometer 2024 underscores this: only about 21% of clients even want to talk about their sustainability preferences, whereas **68% say the topic is indifferent to them** and another 11% categorically reject the discussion. These stark figures illustrate that the current implementation of the ESG query misses the mark with actual clients.

In concrete terms, our members experience that when asked "Do you have sustainability preferences?", clients are often perplexed. Some ask back: "What exactly do you mean?", others outright say: "I haven't thought about that" or "It's not so important to me." Many clients do not understand the complex gradations (taxonomy-aligned, considering PAIs, etc.) – which is not surprising, since even advisers have to use cheat sheets to explain the options. In practice, many clients, out of uncertainty, either check "no preference" or go with whatever the adviser suggests.

The result is that the length and bureaucracy of advice meetings have increased without an apparent increase in client benefit. Advisers report that they sometimes spend 30 - 50 minutes per session just to go through the ESG questions and document them – time that is then missing elsewhere. The clients get irritated: "Do we have to go through this?", especially if they have no particular preferences.

In terms of portfolio construction, the preference query affects it by forcing advisers to formally select matching products according to ESG classification, which narrows and complicates the product universe. But given, as noted, most clients say "I don't care," it often ends with conventional products being chosen – albeit only after a lot of paperwork. Overall, the current implementation has mostly brought **uncertainty and effort**, but little added value.

Our association views this integration critically: in its current form, the actual goal – fostering more sustainable investment decisions – is **missed**. Clients feel more overwhelmed than empowered. This is confirmed by feedback from our members: many consider the query impractical and report that clients feel more hindered than helped in their decision-making.

A brief example: an intermediary recounted that after going through the ESG questionnaire, a client said "Honestly, this is too complicated for me – just invest my money normally." That says it all.

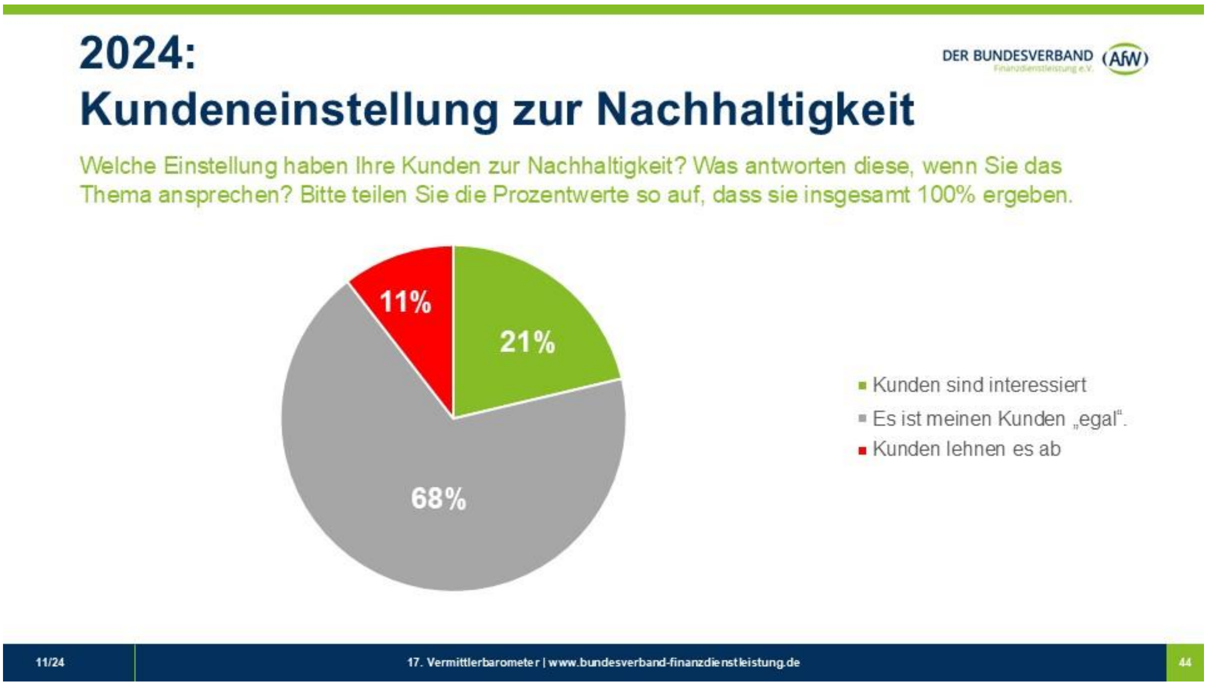

Figure: Low client interest in the ESG query. *According to AfW's 2024 survey, only 21% of clients are interested in discussing their sustainability preferences, whereas 68% are indifferent to the topic and 11% categorically reject the query. These figures confirm that the current implementation of the ESG requirement is missing reality and is causing confusion rather than adding value.*

Question 33 (for consumer orgs) skipped – AfW comment: From advisers' perspective, clients rarely raise concerns about the "sustainability preferences" element on their own – rather, when asked, they react confused or annoyed (see answer to 32).

Question 34: (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, where available.

Yes, we observe such cases constantly. **Clients often do not know how to articulate their sustainability preferences**, because they have never thought about the topic systematically. They stumble over questions like "Do you desire an investment exclusively in taxonomy-aligned economic activities?" – that's jargon. Most then respond awkwardly, "I'm not sure – what would you recommend?" Meaning they push the decision back to the adviser.

To handle this, our members have developed several approaches:

- **Simplifying terms instead of using jargon:** Advisers first translate the requirements into everyday language. For example: “There’s an option to invest specifically in particularly environmentally friendly companies – would you like that, even if it means fewer choices?” By phrasing it that way, they give the client a tangible idea. Many clients then respond: “Oh, it’s not necessary, normal companies are fine too.”
- **Using examples:** Some advisers give concrete examples: “Sustainable would mean, for instance, we don’t invest in oil companies, only in renewable energy firms. Is that important to you?” With such concrete examples, clients are more able to form an opinion. Often they’ll say: “Oh I see – no, that’s not so important to me, I prefer broad diversification.”
- **Making a neutral suggestion:** In many cases advisers help by frankly suggesting: “It seems to me sustainability isn’t your main focus, correct? If so, I would mark ‘no particular preference’ here, okay?” Most clients are relieved and agree. Then it’s resolved without them having to find the words.
- **Filling out forms together:** Instead of leaving the client alone with it, advisers fill out the ESG form point by point together with them, explaining each choice briefly. That way clients feel guided. It removes the trepidation.
- **More counseling if the client is interested but unsure:** In the rare instances where a client truly has ESG inclinations but can’t express them, advisers spend extra time to discern their values (“Which industries would you like to avoid?” etc.) and then translate that into the preset preference categories. It’s time-consuming but necessary to make the form meaningful.

According to our members, however, the **by far most common scenario** is: confused clients who are glad when the adviser just advises them how to answer. To address these issues structurally, AfW supports the call to **suspend and simplify the ESG preference query for now**. In the meantime, our advisers do their best through explanation and simplification to guide clients through the process.

Question 35a: 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, where available.

Our experience indicates that most retail investors **hardly actively use** the formal suitability report to understand the advice. The suitability statement – often a multi-page generated document – is seen by many as purely a regulatory formality. Some clients file it away without reading, others maybe skim the summary. Very few study it in detail. Thus, the *direct added value for the client is limited*.

That’s not to say the report is entirely useless. It *could* add value if done well. In practice, however, it often contains a lot of template text and repetition of what was said in the meeting. For a client who trusts their adviser, it doesn’t provide additional insight.

Example: an intermediary said he has never proactively received a question from a client about a suitability report. That suggests it’s seldom used as a learning tool. Another client joked: “Now I know the investment suits me – but my adviser already told me that.” – So it’s more confirmation than new information.

However, these reports serve an indirect purpose: They **reinforce trust** by having it in black and white that the recommendation is tailored to the client’s situation. Some clients acknowledge that approvingly (“Good to know it’s all documented”). They’d be particularly useful in a dispute – but for preventive, educational use, the benefit is small.

Moreover, many reports aren’t written at the client’s comprehension level, but rather very technical. That diminishes their utility. If they were written in truly client-oriented language (and shorter), they’d likely be more helpful.

In summary: **Currently, suitability reports offer only moderate value from the customer’s perspective.** They are tolerated and noted, but rarely “read” in the sense of gleaning new insight. Their value lies more in documentation and legal reassurance than in genuine client education. To make them more valuable, they’d need to be more understandable and personalized. So far, it’s a required document that primarily satisfies regulations rather than clients.

Question 35b (for consumer orgs) skipped – AfW notes: From advisers’ perspective, suitability reports are indeed a protection tool (documentation), but their usefulness in terms of “investor protection against mis-selling” depends on how comprehensible they are – see 35a above.

Question 35c: (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, where available.

Most suitability statements are generated automatically by advisory software. Some forward-thinking companies have tried to optimize these generators. Steps we observe:

- **Content slimming:** Providers have removed unnecessary boilerplate and reduced the report to key points. For example, instead of pages of meeting transcript, just the key findings: “Your goal is X in Y years, therefore we recommend product Z.” Some reports now fit 1-2 pages where previously it was 5.

- **Clear structure with headings:** Firms make reports more readable by adding structure: e.g. sections titled “Your goals – Your risk tolerance – Recommended solution – Reasons for it” in bold. This way a client can find what’s important without wading through a wall of text.
- **Plain language:** Some have simplified wording (“You indicated that you have no experience with stocks. Therefore, we chose a more conservative fund…”). Everyone understands such direct sentences. Previously it might have said “Due to your limited product knowledge, an investment proposal with a lower risk class was selected.” – Now it’s phrased more personally and clearly.
- **Highlighting the recommendation:** Often the specific recommended product is now made very conspicuous in the report (e.g. in a table with name, ISIN, risk rating). That makes it tangible. In the past it might have been buried in the text.
- **Emphasizing client benefit:** Some reports conclude with a paragraph “How does this recommendation help you?” or similar, to spell out the value (“This aligns with your desire for security and is expected to yield returns above savings account level.”).
- **Gathered feedback:** Some firms have solicited client feedback on the reports and adjusted accordingly. For instance, it turned out clients wanted a short summary at the top – now there is a box at the very top saying “In brief: We recommend …” etc.
- **Digital access:** Additionally, firms offer the reports digitally in the client portal, so clients can revisit them any time, possibly even with interactive elements (like “click here for explanation of risk profile”).

Such measures do improve the report, but it’s still early days. Many smaller institutions use off-the-shelf software where these optimizations aren’t fully implemented yet. Nonetheless, awareness is growing that a *good* suitability report ultimately also strengthens the client relationship, instead of just satisfying the regulator.

Question 36a: 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 – • Yes, it is an effective safeguard • Somewhat, but there is room for improvement • No, it is not particularly effective • Mixed views (please elaborate)

We lean towards “Somewhat, but there is room for improvement” (option 2). The appropriateness assessment (i.e., the knowledge test for non-advised trades) is fundamentally a sensible safeguard – it at least roughly filters out scenarios where someone tries to invest in something they utterly don’t understand. For example, a complete novice gets a warning before buying complex derivatives. In that sense, *it contributes somewhat* to heightening risk awareness – at least via the “not appropriate” warning messages. That’s better than no safeguard at all.

However, we also see clear limitations: many retail investors just click away the risk warnings or fill out the knowledge questionnaire by trial-and-error without truly learning anything. The system can thus be circumvented or is treated as a formality – then it doesn't fulfill its goal of fostering understanding.

Also, the standard questions (e.g., "What happens if you do not meet a margin call?") might be answered correctly by someone without them fully grasping the implications. Meaning, the test might deem something "appropriate" even though the person maybe only memorized answers or guessed correctly.

Thus: the mechanism is only as good as the investor's willingness to honestly self-assess and possibly refrain. Many risk-takers will proceed despite a "not appropriate" notice (since they can). Then ultimately it didn't prevent the risky trade – but it did at least issue a warning.

Overall, we'd say: **somewhat effective, but improvable.** It **helps to a degree**, since it at least draws attention to risk and deters some beginners. But it's not foolproof; it should be enhanced (e.g., by periodically updating the question pool, providing personalized educational feedback).

Question 37: 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, where available.

New "hybrid" services – like apps that automatically invest spare change into ETFs (micro-investing), or neobrokers with attached payment features – often fall into regulatory grey zones. Current appropriateness rules are not specifically designed for such combinations. In practice, we see that providers sometimes implement **simplified appropriateness checks** or build them into the user flow, but there is uncertainty about how strictly this must be done.

Example: a fintech app rounds up card payments and invests the difference. Here, typically no per-transaction appropriateness test is done – maybe there's an initial risk question and then it's treated as a recurring savings plan. Formally, one could argue every ETF purchase would require an appropriateness check, but that would make the service impractical.

Another example: "robo-advisor"-like tools where customers keep money in a "wallet" and part of it gets invested. If there's no advice, appropriateness rules apply. Often, however, the client is initially profiled (risk category) and that is used on an ongoing basis. This is pragmatic, but strictly speaking perhaps not 100% by-the-book for each new trade.

In short: the rules come from a classic separation of advice vs execution-only. With blended offerings, they appear **overly specific or unclear**. Companies manage with sensible but not explicitly regulated solutions (e.g., a simplified suitability profiling done in the background).

Effectively, the risks of these new services have so far been **addressed reasonably well**, since amounts are often small and products standardized – no major mishaps are known. But there is a lack of guidance on whether, say, micro-investment counts as execution-only or how to practically do appropriateness checks.

We would like the regulations to adjust here and explicitly allow streamlined procedures for such innovative services, so as not to stifle them. In the meantime, providers are improvising. We're not aware of serious issues to date, but there is a need for clarification.

Question 38: 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, where available.

Some providers – especially modern online brokers – indeed include small quizzes or tutorials during onboarding. Officially these are meant to **improve financial literacy**, but often it seems they mainly serve to meet appropriateness requirements so that in the end the client can access all products.

Example: a neo-broker has an optional "knowledge game" for new customers, asking questions about stocks, ETFs, derivatives. At the end it gives a score, and if you do well, some warning pop-ups later are skipped. It's presented as a self-assessment service – which indeed can have an educational effect – but it also of course has the effect that the broker is in a better regulatory position and the client gets unlocked faster.

Such tools aren't yet widespread. Many traditional firms don't use onboarding education, relying instead on the standard advisory conversation. Where such tools are used, it's *double-edged*: On one hand, the client does learn a bit by answering quiz questions (e.g. learns what diversification means). On the other hand, there's a risk these tools are taken more as a formality to tick boxes and then "get on with it" – so primarily a justification for access.

We don't know of a case where a client after completing such a learning module said: "Now I know much more; I'd rather avoid leveraged products." It's usually the opposite: if you get through the quiz, you feel validated and maybe dive in even more.

So: **Primarily these tools at present are means to an end** – to enable the client (and firm) to proceed, with only minimal knowledge transfer. The intention to improve financial literacy is there, but implementation is often superficial – too brief to really count as educational.

A positive counterexample: a bank in our sphere has a more extensive e-learning module at onboarding, about ~30 minutes, which truly explains basics (risk-return relationships, etc.). If you pass the little test at the end, you get perks (like lower fees for the first year). That truly promotes education. But such approaches are rare.

(Questions 39a and 39b skipped – AfW has no specific data here, but assumes the appropriateness test (beyond self-assessment) creates minor extra hurdles, see also answer 36a)

Question 40: 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.

Crowdfunding is a minor aspect for our members – traditional financial intermediaries are hardly involved in it. As far as we observe the crowdfunding space, from an investor perspective the biggest pain points are: **quality of information and risk transparency**. Many retail investors don't fully grasp that crowd investments (be it in start-ups or real estate projects) are very high-risk and illiquid. The platforms do make risk disclaimers, but often the marketing message ("Invest in exciting projects!") dominates.

One improvement would be: **clearer standard risk warnings**, perhaps visual (like a risk traffic-light indicator) before someone invests. Also a standardized fact sheet per project, analogous to a KID, could help – many projects provide prospectuses, but nobody reads those. A one-pager with key metrics (default risk, expected term, fees) would foster comparability and understanding.

Accessibility and user experience on major platforms are usually okay – it's easy to sign up and invest. However, there could be **better exit information**: many don't realize that their money might be tied up for years with no secondary market. Platforms could provide a final reminder before confirmation ("No regulated secondary market, resale likely difficult.").

If we were to suggest changes:

- **More education up front:** Maybe small tutorials or calculators on crowdfunding sites to show investors how their portfolio should be structured (diversification, not putting everything in one project).
- **Quality label for projects:** Possibly an independent rating scale so retail investors can gauge how solid/risky an offering is.
- **Improved communication in case of problems:** If a project gets delayed or troubled, investors often feel left in the dark. The journey could be improved with proactive updates and guidance (e.g. FAQs "What happens if…").

Overall, from an intermediary perspective, crowdfunding is an area where many inexperienced investors invest directly without advice. Therefore, the above improvements are important to protect self-directed investors.

We acknowledge, though: for our typical constituency (the 40,000 intermediaries), crowdfunding is a niche topic – so we have limited concrete field data. The suggestions above are based on general observation.

Question 41: 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, where available.

From AfW's perspective, the balance is currently **not optimally struck**. On the one hand, there's a flood of information and documentation requirements (regulatory pressure) intended to protect retail investors – which is fundamentally well-intentioned to prevent abuse and overreach. On the other hand, overly complex rules and bureaucratic processes sometimes mean that **independent advice is hampered**, and retail investors can end up discouraged or pushed towards grey channels.

Example: The sustainability preference query we discussed. Its intent is protective (steering clients to suitable products), but in implementation it's so complex that advisers and clients are frustrated. Here, protection flips to the opposite: clients are confused, advisers can advise less freely – an overkill of protection becomes harmful. The **risk** is that clients shun advised channels and go online unadvised (where they invest without safeguards).

Another example: the debate about banning commissions. Such a ban is supposed to offer protection (remove alleged conflicts of interest), but at the same time it would deprive many retail investors of the opportunity to get advice without upfront cost. They'd have to either DIY or pay fees – many would likely forgo advice altogether. That would be an **over-steering of protection** that increases risk (due to lack of advice).

In general, we observe: the density of regulations (PRIIPs KIDs, suitability reports, cost disclosures, etc.) is very high – on paper that's strong protection, but in practice the *sheer amount* of information leads to overload and numbness. A retail investor is supposed to be "informed," but in fact is often just inundated and ends up making decisions by gut feeling anyway. The balance here isn't ideal. Less but clearer information would offer the same protection with more effect.

On positive notes: certain core safeguards (e.g. deposit insurance, investor compensation schemes) work well – retail investors can rely on them and still take their risks (e.g. stock market volatility). There, the balance is about right.

But overall we see need for adjustment: we need more **proportionality**. Retail investors should be allowed to take risks if they choose – but with clear, not overwhelming, knowledge. And advisers should clearly flag risks without being distracted from the essentials by formalities.

In our view, a "better" balance would be achieved by simplifying and focusing regulation: crack down strictly on fraud and malpractice, but respect the informed investor's autonomy to take risk. At the moment it's tilted a bit too much towards formalistic protection, which undercuts the investor's own agency.

Question 42: 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.

From our perspective, the key topics have been covered in this consultation. However, we'd like to add a point that is crucial to the retail investor experience but often gets short shrift under MiFID II: **financial education and advisory culture** beyond the strictly product/regulation issues.

MiFID II regulates the client process in great detail, but it assumes the investor has a certain base understanding. In reality, that is often lacking (see the financial literacy discussion). Here – beyond MiFID, or as part of the wider Retail Strategy considerations – a stronger emphasis on financial education initiatives would be valuable. For example, an EU-wide push or guidance encouraging Member States to promote financial literacy in schools and the public. Because an informed investor makes the whole journey smoother.

Another aspect: **oversight of finfluencers and online promotion** – this is not directly under MiFID, but it strongly influences the retail experience. Many young investors get investment tips from social media, where MiFID rules don't apply and often questionable advice circulates. Clearer jurisdiction and supervision here would be needed (perhaps treating promotional influencers under a regime similar to intermediaries, when they effectively give advice).

Also, the issue of a **commission ban** was not directly part of this consultation (likely dealt with in the broader Retail Investment Strategy). We want to emphasize that in our view a strict commission ban would worsen the retail experience (less access to advice, breach of trust, etc.), and that instead transparency and quality standards are the right approach (as indeed many parts of the consultation implicitly highlight).

Finally: **digitalization and AI** – MiFID II comes from a time before the big AI surge. Soon, robo-advice or AI-driven recommendations could become everyday. The framework needs to keep up so that the client experience remains both innovative and safe. We see gaps here (e.g. liability questions for AI-generated advice) that will need future guidance or oversight.

In summary: aside from the extensively discussed MiFID aspects, we should not forget the bigger picture – namely education, new unregulated areas like social media influence, and emerging technologies. Complementary guidelines or even regulation in those areas would be sensible to holistically improve and safeguard the retail investor journey.

Berlin, 20.07.2025	Norman Wirth	Frank Rottenbacher
	Vorstand	Vorstand