

Retail Investor Journey

Joint Position Paper

ESMA Call for evidence on the retail investor journey: understanding retail participation in capital market

Fintech Latvia Association is an industry association among other members uniting under it's umbrella 8 P2P and crowdfunding platforms operating in Latvia both under the ECSP and MiFiD license. In preparing this feedback to the consultation we reached out also to those market participants that have not yet become members.

3. Responses to Questions

3.0 Source Material

[ESMA35-335435667-6289 Call for evidence on Investor Journey.pdf](#)

3.1 Understanding non-regulatory barriers to retail investor participation

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

Fintech Latvia answer

- *Lack of knowledge and financial literacy regarding investing*
- *Lack of trust to different financial market players*
- *Difficult onboarding procedures to start investing*
- *Scam and fraudulent investment popularity in internet*

Q2a: To what extent do retail investors find investment products too complex or difficult to understand? Please select one of the following options and please explain and provide practical examples, or evidence drawn from experience, where available.

- A major barrier to investment
- A moderate concern, but not the main factor

- A minor issue compared to other factors
- Not a concern at all

Fintech Latvia Association answer:

While investment products themselves are not necessarily too complex for retail investors to understand, the broader challenge lies in the complexity of the onboarding and regulatory requirements that are imposed before one can even begin to invest—regardless of the amount.

For example, even for a modest initial investment of €1,000, retail investors often face lengthy suitability assessments, risk questionnaires, and identity verification processes that can feel disproportionate and discouraging. These barriers can deter people who are just beginning to explore investing and want to test the waters with a small amount.

A more practical and inclusive approach would be to introduce a “hassle-free” entry threshold—such as allowing investments up to €1,000 with simplified onboarding requirements, provided the investor actively chooses this route. This would enable individuals to gain first-hand experience and build confidence without being overwhelmed by procedures designed primarily for much larger investments.

Experience from fintech platforms shows that where friction is reduced, engagement and financial literacy tend to improve organically. This suggests that the problem is not necessarily with product complexity, but with the system designed around access.

Q2b: For consumer associations: Based on your interaction with retail investors, are there particular types of investment products or product features that retail investors find especially difficult to understand? Please explain and provide practical examples, or evidence drawn from experience, where available.

Q3: Do past experiences with low or negative returns significantly affect retail investors’ willingness to invest again? Please select one of the following options and please explain and provide practical examples, or evidence drawn from experience, where available.

- Yes, negative experiences strongly discourage future investment
- Somewhat, but other factors (e.g., trust, risk appetite) play a bigger role
- No, past experiences with poor returns are not a major factor in investor decisions

Fintech Latvia Association answer:

Yes, negative experiences, especially early on, can have a lasting impact on retail investors’ willingness to continue investing. This is particularly true when losses result from scams or high-risk products, which are often promoted by unregulated “finfluencers” and may appear more prominently than balanced or regulated investment opportunities.

When investors feel misled or suffer losses due to products they didn't fully understand, their trust in the broader financial system can erode. This not only reduces their future risk appetite but often pushes them away from investing altogether.

Moreover, even small losses early in one's investment journey can be discouraging if the investor lacks the financial literacy or support to understand that market fluctuations are normal and that time in the market is crucial for recovery and long-term gains. Many new investors expect immediate results and may exit prematurely, missing the opportunity for diversified investments to perform over time and offset initial losses.

Building financial confidence through education and better risk disclosure, particularly at the entry point, is key to encouraging sustained participation.

Q4a: Do high fees and costs discourage retail investors from participating in capital markets? Please select one of the following options and please explain and provide practical examples, or evidence drawn from experience, where available.

- Yes, fees are a major obstacle to investment
- Somewhat, but investors consider other factors as well
- No, fees are not a significant concern for most retail investors

Fintech Latvia Association answer:

Yes, high fees and costs are a significant deterrent for retail investors. Most retail investors are not willing to pay high charges for access to capital markets and actively seek low-cost or no-cost investment options.

This has driven a clear trend: retail investors are encouraging market participants to lower fees by favouring platforms and products with transparent, minimal cost structures. The rise of commission-free trading platforms and low-cost ETFs reflects this preference.

When fees are perceived as excessive or opaque, trust diminishes, and participation drops, particularly among first-time or small-scale investors. Lowering costs, or at least making them more transparent and predictable, is essential for broader and more inclusive retail market participation.

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

Q5a: Have you identified a lack of trust in investment service providers as a factor influencing retail investors' reluctance to invest? Please select one of the following options and please explain and

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

- A major factor
- A contributing factor, but not the main issue
- A minor factor compared to other concerns
- Not a factor at all

Fintech Latvia Association answer:

A lack of trust, especially stemming from negative experiences with fraudulent, scammed, or unregulated platforms, is a key factor in retail investors' reluctance to invest.

When individuals suffer financial losses due to misleading or deceptive providers, particularly those operating outside regulatory oversight (e.g., some platforms promoted by influencers or social media ads), their confidence in the entire investment ecosystem can be deeply shaken. These experiences create lasting skepticism not only toward high-risk or unregulated products, but often toward more legitimate and regulated providers as well.

This erosion of trust discourages further participation and can lead to a general avoidance of investment altogether. Rebuilding trust requires clear regulatory enforcement, public awareness campaigns, and visible consequences for misconduct, alongside support for transparent, investor-focused platforms.

Q5b: For consumer associations: What specific concerns, if any, do retail investors raise about investment service providers? (e.g., do they feel they receive biased advice? Are there concerns about transparency, trust, or conflicts of interest, or insufficient access to advice tailored to their needs?) Please explain and provide practical examples, or evidence drawn from experience, where available.

Q6: Do retail investors feel they have adequate access to investment advice and relevant information when they encounter difficulties in understanding investment products? If not, what forms of support would be most helpful? Please explain and provide practical examples, or evidence drawn from experience, where available.

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

Q8a: To what extent does a lack of financial education or investment knowledge contribute to retail investors' reluctance to invest in capital markets? Please select one of the following options and please explain and provide practical examples, or evidence drawn from experience, where available.

- A major barrier to investment
- A contributing factor, but not the main issue
- A minor factor compared to other concerns
- Not a factor at all

Q8b: For consumer associations: Based on your interactions with retail investors, what are the most common knowledge gaps that affect their ability to make investment decisions? Are there specific topics where more financial education could improve engagement? Please explain and provide practical examples, or evidence drawn from experience, where available.

Q9: For consumer associations: Based on your interactions with retail investors, do psychological or cultural factors – such as fear of losing money, distrust in financial markets, or a preference for familiar products – play a role in retail investors’ hesitation to invest? If so, which of these factors seem most important? Please explain and provide practical examples, or evidence drawn from experience, where available.

Q10: Are there any other significant non-regulatory barriers that discourage retail investors from investing in capital markets? Please explain and provide practical examples, or evidence drawn from experience, where available.

Q11: What role do digital platforms and mobile applications play in shaping the investor journey? Are there digital features or tools that have simplified the investment process or improved investor understanding and decision-making? Conversely, are there aspects that may complicate the experience for some retail investors? Please explain and provide practical examples, or evidence drawn from experience, where available.

Fintech Latvia Association answer:

Our members report that automated investments and portfolio management helps people with less knowledge or the ones willing to spend less time to manage their portfolios better. And mobile applications do make a difference in making it easier to access and monitor the portfolio.

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

Q13: What measures - whether market-driven or policy-driven - could help improve retail investor participation in capital markets? Please explain and provide practical examples, or evidence drawn from experience, where available.

Fintech Latvia Association answer:

Along with the aspects described above in answers to Q2a, we believe that simplified taxation regime unified over all EU member states would make a big difference in promoting investment culture. For instance, tax deferral account where tax is paid when more money is taken out as invested. Differentiation of tax regimes for different products between different EU countries is considered to be a major road block for more accessible investing.

3.2 Understanding the appeal of speculative and volatile investments among young and vulnerable investors

Q14a: Do you believe that young investors are more attracted to speculative and volatile markets (e.g., cryptocurrencies) rather than traditional investments (e.g. investment funds)? If yes, what are the main reasons for this? Please select one or more of the following options and please explain and provide practical examples, or evidence drawn from experience, where available.

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

Q14b: For consumer associations: Based on your interactions with young investors, what factors most strongly influence their decision to invest in speculative and volatile assets like cryptocurrencies over traditional investment products? Are there particular expectations, misconceptions, or marketing tactics that play a key role? Do any of the following sources play a role in shaping young investors' decisions? Please select one or more of the following options and please explain and provide practical examples, or evidence drawn from experience, where available.

- Specialised journals and periodicals
- Finfluencers
- AI-generated recommendations
- Educational content from national competent authorities (e.g. podcasts, videos, social media)

- Other (please specify)

3.3 Ensuring meaningful and effective disclosures for retail investors

3.3.1 General MiFID II requirements on information to clients

Q15a: MiFID II disclosure requirements aim to provide transparency and support informed investment decisions. In practice, do you believe these disclosures are helping retail investors engage with capital markets, or are there aspects - such as volume, complexity of content, lack of comparability, or format - that may reduce their effectiveness? Please explain your reasoning and provide practical examples, or evidence drawn from experience, where available.

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

Q15c: For firms: Have firms observed cases where retail investors disengage or hesitate to invest due to the volume, complexity, or presentation of disclosures? If so, what are the main factors contributing to this? Which disclosures and contractual documents do firms consider genuinely necessary, regardless of specific legal requirements under MiFID II or other sectoral legislation? Please explain your reasoning and provide practical examples, or evidence drawn from experience, where available.

Fintech Latvia Association answer:

Yes, firms have observed that the volume and complexity of disclosures can contribute to investor disengagement or hesitation, even if it's not always the sole factor preventing investment. While it's difficult to draw a direct causal link, the overall presentation and perceived complexity of the materials often create a sense of overload or confusion for retail investors. This doesn't necessarily stop them from investing altogether, but it can reduce their willingness or confidence to proceed.

Many firms acknowledge that while certain disclosures and contractual documents are legally required under frameworks like MiFID II, not all are perceived as useful or meaningful from the investor's perspective. Nevertheless, some documents are considered genuinely necessary—particularly those that clearly outline key risks, costs, and the nature of the product or service. These elements help support informed decision-making, but only when presented in a clear, concise, and accessible manner.

3.3.2 Product disclosure

Q16a: Do retail investors find the PRIIPs KID helpful in understanding investment products? *Please provide details notably on the elements that are the most helpful and on ways to improve them. If not, are there alternative ways to protect retail investors that could be considered, while not increasing the volume of required disclosures.*

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

Q17: For firms: Do you measure investor engagement with KIDs and digital disclosures (e.g., click-through rates, reading time, or interactive tools)? Are these available in formats adapted to mobile-first environments? *Please explain your reasoning and provide practical examples, or evidence drawn from experience, where available.*

Fintech Latvia Association answer:

Yes, we do monitor investor engagement with digital disclosures, including KIDs, through metrics such as click-through rates and, where possible, time spent on the documents. Our data shows that even the relatively short 3-page KID is not read frequently by investors, indicating limited engagement. This suggests that current formats may still be too complex or not user-friendly enough, especially in mobile-first environments.

There is a clear need for further simplification and more intuitive presentation of key information. Adapting disclosures to mobile-first formats, such as using interactive elements, summaries, and layered content, could help improve visibility and understanding, ultimately supporting better investor decision-making.

3.3.3 Information on costs and charges

Q18: Do retail investors find the costs and charges disclosures helpful in understanding the costs of investing? *Please provide details notably on the disclosures that are the most helpful (e.g., total costs, illustration of cumulative effect of costs on return) and on ways to improve them. If not, are there alternative ways to protect retail investors that could be considered while not increasing the volume of required disclosures?*

Q19: Do firms apply layering of information on costs on charges on digital platforms or in mobile applications (e.g., by showing only the total amount and percentage on the order screen, and all required information in a PDF)? *Please provide details, also on the appreciation of retail investors of*

this application of layering.

3.3.4 Post sale disclosures (periodic reports on investments)

Q20: Do retail investors find the quarterly statements helpful in keeping track of their investments?

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

- Yes, it provides clear and relevant information
- Somewhat, but the frequency could be lower
- No, the information is usually readily available to the retail investor online and thus the statements do not have much added value
- Mixed views (please elaborate)

Fintech Latvia Association answer:

In practice, only a small portion of active retail investors regularly engage with quarterly statements. Most tend to consult them infrequently, typically at year-end, often for taxation purposes rather than ongoing portfolio monitoring. This suggests that while the statements serve a regulatory and administrative function, they are not a primary tool for investor engagement or decision-making for most retail clients.

Q21a: Do retail investors find the information on every 10% depreciation of leveraged instruments, or the portfolio value in case of portfolio management, helpful in keeping track of their investments?

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

- Yes, it provides timely and relevant information
- Somewhat, but the trigger for sending the information could be improved (e.g., when the performance of the portfolio is x% worse than the benchmark, if a benchmark has been agreed)
- No, this information may arrive at a moment of temporary market stress, triggering impulse-driven investment decisions at the wrong time.
- Mixed views (please elaborate)

Fintech Latvia Association answer:

This information may not always be helpful and can, in some cases, have unintended consequences. Notifications about a 10% depreciation, if arriving during periods of temporary market stress, can trigger

emotionally driven, impulsive investment decisions that may not align with a long-term strategy. Investor reaction following these notifications after Trump tariff announcements, for instance, seemed to be impulsive. This illustrates that while such disclosures can increase awareness, they may also prompt rash actions if not accompanied by context or guidance. As such, firms see the need to balance transparency with clear communication that helps investors interpret these movements constructively.

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

Fintech Latvia Association answer:

Our members report that they would rather lean towards removing this reporting altogether.

Q22: To what extent do questions and measures on customer due diligence in accordance with AML/CFT requirements create barriers that prevent retail clients to start investing? Please select one of the following options and please explain and provide practical examples, or evidence drawn from experience, where available.

- A major barrier to investment
- A contributing factor, but not the main issue
- A minor factor compared to other concerns
- Not a factor at all

Fintech Latvia Association answer:

Customer due diligence (CDD) and enhanced due diligence (EDD) requirements under AML/CFT rules can create barriers for retail clients, particularly due to inconsistencies across jurisdictions and institutions. The investor experience varies widely depending on the national regulatory approach or internal firm policies. For example, in some smaller countries, EDD may be triggered at relatively low investment thresholds, such as €100,000 from a wealthier foreign investor, while in other jurisdictions, similar scrutiny might only apply to investments starting from several million euros.

These discrepancies can lead to confusion, frustration, and in some cases, disengagement, especially when retail investors perceive the onboarding process as overly burdensome or not proportionate to their investment. Harmonisation of thresholds and clearer, more streamlined procedures could help reduce friction while still maintaining robust AML/CFT standards.

Q23: Do questions and measures on customer due diligence in accordance with AML/CFT requirements affect the onboarding experience for retail investors? Are there particular steps in the process that cause delays or confusion? Please explain and provide practical examples, or evidence drawn from experience, where available.

Fintech Latvia Association answer:

Overall, the onboarding process for retail investors, when it comes to customer due diligence (CDD) under AML/CFT requirements, is relatively straightforward and does not typically cause significant issues or delays. Most retail clients are able to complete the initial steps without major confusion.

However, challenges tend to arise later in the client lifecycle, particularly when additional reviews or enhanced due diligence (EDD) measures are triggered. These situations often stem from differing thresholds and approaches across jurisdictions or institutions. As mentioned earlier, the same level of scrutiny might be applied to a €100,000 investment in one country but only to multi-million-euro investments in another. These inconsistencies can create friction, especially when clients are asked to provide further documentation without a clear understanding of why, potentially affecting their overall experience and willingness to invest further.

3.3.5 Taxes

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

Fintech Latvia Association answer:

As commented above in answer to Q13, taxation is a rather important issue.

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

Fintech Latvia Association answer:

As commented above in answer to Q13, taxation is a rather important issue.

3.4 Regulatory disclosures and marketing material

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

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

material issue that affects investors' ability to fully understand what they are buying? *Please explain and provide practical examples, or evidence drawn from experience, where available.*

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

Q29: What are your thoughts on the KIS (Key Information Sheet)? *Please explain and provide practical examples, or evidence drawn from experience, where available.*

3.5 Suitability assessment related to investment advice and portfolio management

3.5.1 Collection of client information and length of the process

Q29: To what extent do retail investors find the process of regularly/periodically providing and updating personal and financial information for suitability assessments clear and workable? *Please explain and provide practical examples, or evidence drawn from experience, where available.*

Q30: For consumer associations: Have retail investors raised concerns about the amount, frequency and type of information they are required to provide for the purpose of suitability assessments? If so, what are the main difficulties they face? *Please explain and provide practical examples, or evidence drawn from experience, where available.*

Q31: Are there any steps in the information collection process that could be simplified without compromising investor protection and the objective of this collection which is to propose suitable investments matching client profiles? *Please explain and provide practical examples, or evidence drawn from experience, where available.*

3.5.2 Integration of “sustainability preferences” in the suitability assessment

Q32: How do retail investors perceive the integration of sustainability preferences in suitability assessments? How has it impacted the investment advice/portfolio management services they receive? *Please explain and provide practical examples, or evidence drawn from experience, where available.*

Fintech Latvia Association answer:

In general, retail investors show limited interest in the integration of sustainability preferences into suitability assessments. Most are primarily driven by the pursuit of higher yields, and when faced with a choice between sustainability and return, the majority tend to prioritise financial performance.

From a firm's perspective, aligning EU regulatory requirements and guidance on ESG with available

investment instruments remains challenging. The complexity of categorising products under current ESG frameworks often leads to the default outcome that sustainability is not incorporated into the advice or portfolio management process. As a result, the integration of sustainability preferences has had minimal practical impact on the investment services received by most retail clients to date.

Q33: For consumer associations: Have retail investors expressed concerns about the new elements related to the “sustainability preferences” and the way they are incorporated into the investment process (are they explained in an understandable way to clients)? Please explain and provide practical examples, or evidence drawn from experience, where available.

Q34: For firms and trade associations: Have firms observed cases where clients struggle to express their sustainability preferences in a meaningful way? How have these issues been addressed to help retail investors? Please explain and provide practical examples, or evidence drawn from experience, where available.

3.5.3 Suitability reports

Q35a: Do retail investors find suitability reports helpful in understanding why a specific investment was recommended? In your view, do these reports add meaningful value for clients? Please explain and provide practical examples, or evidence drawn from experience, where available.

Fintech Latvia Association answer:

In general, retail investors show limited interest in suitability reports.

Q35b: For consumer associations: Do you think suitability reports are a useful tool for the protection of investors and the prevention of mis-selling? Please explain and provide practical examples, or evidence drawn from experience, where available.

Q35c: For firms and trade associations: What steps have firms taken to ensure suitability reports are concise, clear, and valuable to retail investors? Please explain and provide practical examples, or evidence drawn from experience, where available.

3.6 Appropriateness assessment for non-advised services

Q36a: Do you believe the MiFID II appropriateness assessment helps ensure that retail investors understand the risks of the products they invest in? Please select one of the following options and please explain and provide practical examples, or evidence drawn from experience, where available.

- Yes, it is an effective safeguard.
- Somewhat, but there is room for improvement.
- No, it is not particularly effective.

- Mixed views (please elaborate).

Fintech Latvia Association answer:

In practice, the MiFID II appropriateness assessment does not appear to significantly enhance retail investors' understanding of the risks associated with the products they invest in. Many retail clients see it as a formality and may provide inaccurate or overly optimistic responses simply to gain access to certain investment services. Rather than seeking protection, these investors often want the freedom to make their own decisions and accept the associated risks.

There is a broader question emerging from the market: is investing truly riskier than starting a new business? If not, should we also be requiring entrepreneurs to pass a suitability or knowledge test before launching a venture? This comparison highlights a potential overreach in some areas of investor protection.

That said, the appropriateness assessment may offer some marginal benefit in raising awareness of risk. However, the current binary classification of products as either "complex" or "non-complex" oversimplifies reality. In many cases, a more nuanced approach would be more effective. For relatively less complex products, a self-certification process, where investors confirm they understand key risks presented in a clear and meaningful way, could be a more proportionate alternative to extensive appropriateness questionnaires.

Q36b: For consumer associations: Have retail investors raised concerns about the appropriateness assessment? Please explain and provide practical examples, or evidence drawn from experience, where available.

Q37: Do current appropriateness rules and how they are applied by firms effectively address new types of services that combine payments, savings, and investment features? Please explain and provide practical examples, or evidence drawn from experience, where available.

Q38: Are educational tools used during the onboarding process for retail clients? In your experience, are these tools primarily aimed at improving financial literacy, or are they mainly used to justify client access to complex financial products? Please explain and provide practical examples, or evidence drawn from experience, where available.

Fintech Latvia Association answer:

Yes, educational tools are used during the onboarding process for retail clients, but in our experience, their impact is limited. Most retail investors do not significantly engage with theoretical learning before they begin investing. Instead, they tend to learn progressively through experience, gaining understanding and awareness as they navigate real investment scenarios.

While these tools may support financial literacy in principle, they are often used more as part of the formal process to justify client access to complex products, rather than serving as a foundation for meaningful

investor education. As such, the most effective learning tends to occur after the initial onboarding, through real-world exposure rather than pre-investment materials.

Q39a: Do you believe the current approach to assessing client knowledge and experience via the appropriateness test (i.e., going beyond self-assessment) creates any barrier to retail engagement in financial markets? Please explain and provide practical examples, or evidence drawn from experience, where available.

Fintech Latvia Association answer:

Yes, the current approach to assessing client knowledge and experience through the appropriateness test can create barriers to retail engagement, particularly for first-time investors looking to start with smaller amounts. For these individuals, the process may feel unnecessarily burdensome or intimidating, discouraging them from taking the first steps into investing.

This is especially relevant in the context of previous comments regarding the onboarding experience. While the intention of the test is to protect investors, in practice it may act as a deterrent, particularly when it introduces complexity before the investor has even had a chance to build practical understanding. A more proportionate, risk-based approach, especially for simpler products or small investment amounts, could help lower the entry threshold without undermining investor protection.

Q39b: For consumer associations: Have retail investors raised concerns about how their knowledge and experience are assessed? Please explain and provide practical examples, or evidence drawn from experience, where available.

3.7 Crowdfunding investor experience

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

Fintech Latvia Association answer:

A growing concern is the role of financial influencers ("finfluencers") in directing retail investor traffic. Based on discussions with ECSP platforms across EU markets, two issues are evident:

- Finfluencers have become the primary, cost-effective channel for retail investor acquisition. However, their promotion decisions are often based on the highest commission offers, favoring high-risk products, crypto-assets, and occasionally scams.*
- Platforms financing SMEs and productive sectors cannot compete with the high commissions of riskier players. As a result, investor attention is funnelled away from economically valuable, lower-risk opportunities.*

Policy Recommendations:

- *Restrict promotion of fraudulent or opaque investments.*
- *Impose stricter controls on the advertising of high-risk products by influencers.*
- *Introduce incentives for influencers to promote EU-aligned investments that support sustainability, SMEs, and regional development.*

3.8 Other topics

Q41: Does the current regulatory framework strike the right balance between protecting retail investors and allowing them to take informed investment risks? Please explain and provide practical examples, or evidence drawn from experience, where available.

Fintech Latvia Association answer:

In our view, the current regulatory framework tends to overprotect retail investors, particularly beginners investing with smaller amounts. While the intention is to safeguard investors, the result is often a burdensome process that increases costs for firms and creates unnecessary barriers for individuals just starting their investment journey.

This over-cautious approach can discourage participation, limiting access to financial markets for those who would benefit most from early engagement and experience. A more proportionate, risk-based framework, especially for low-value, straightforward investments, could better balance investor protection with market inclusion.

Q42: Are there any aspects of the retail investor experience – whether related to firm practices or the regulatory framework – that are not sufficiently addressed in this consultation or in the current MiFID II rules? If so, please explain where changes in rules, or further supervisory attention or guidance may be helpful.

Q43: The industry needs to protect lender outcomes during the final stages of the business lifecycle. Are there any aspects of the Wind Down Plan that need review? If so, please explain where changes in rules, or further supervisory attention or guidance may be helpful.

Should you have further questions of clarifications, do not hesitate to contact us by reaching out to info@fla.lv.

Best regards,

Managing director, Tīna Lūse

DOKUMENTS PARAKSTĪTS AR DROŠU ELEKTRONISKO PARAKSTU UN SATUR LAIKA ZĪMOGU