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To ESMA
European Securities and Markets Authority
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Via ESMA website

Object: Call for evidence on the retail investor journey: understanding retail participation in capital markets – Assoreti contribution.

Assoreti – Association of intermediaries which provide investment advice service through their network of qualified financial advisors – is grateful to the Esma for the opportunity given to hear its views on key aspects of the MiFID investor journey.

Assoreti intends to focus this paper on questions addressed to intermediaries' associations.

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?

We believe that in order to increase the level of investor confidence in the capital markets, it is fundamental to build an ongoing and tailored service relationship with investors.

In this regard, we would like to highlight the Italian model according to which intermediaries provide investment advice service through their network of qualified financial advisors authorised to offer their assets outside their premises; it is a personalised, specialised, and increasingly digitalised advisory service that relies on a solid, trust-based relationship with the client.

As represented by this Authority, in 2023 Euro area households held on average around 31% of their financial assets in currency and deposits, which is comparable to Italy's 27.3% (source: Bank of Italy). It should be emphasised that among households that use authorised financial advisors, this ratio drops significantly to 14.8% (source: Assoreti).

In this scenario, financial advice plays a key role in meeting the needs of the country system by fulfilling two basic purposes: ensuring increased wealth accumulation through the



exploitation of savings and fostering greater security and economic and social well-being for businesses and citizens by protecting capital from inflation and loss of purchasing power. According to these data, we believe the primary worry of retail investors making capital market investments is not only the product's complexity – which also matters, but which takes on a limited relevance in building an investment portfolio – but rather also the lack of the financial advisor who can fully explain the whole range of products, the investment journey and the related risks to the client. The provision of advice is not limited to the placement of the single recommended financial product but represents a service on an ongoing basis as it is accompanied by a periodic assessment of the suitability of all components (simple and complex) of the clients' financial portfolio. In this regard, we would like to draw attention to the fact that intermediaries who are members of Assoreti provide investment advice service to all client's groups, encouraging a guided conversion of savings into investments to the greatest degree possible.

Q4a: Do high fees and costs discourage retail investors from participating in capital markets?

- ☐ 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

We believe that fees and costs do not discourage retail investors from participating in capital markets when they are well justified by the service provided to the client, the value of which the value of which is self-perceivable in species with medium-long investment horizons and goes beyond the cost of individual products. In this regard, we believe that the information on costs and charges should clearly reveal the quality of the service, provided that investment advice is not an executive service.

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?

As stated under Q1, in Italy, everyone has access to the investment advice service that is typically provided on a “non-independent basis”; moreover, the intermediaries express different levels of value in the provision of the service, more or less advanced.

In particular, the Italian financial and advice network highly supports the client through a qualified financial advisor acting on its behalf and under its liability. The network's role in the investment process is to guide the client through investment possibilities, explain suitable products, build a portfolio, act solely in the client's best interests, and ensure that his or her financial goals are fulfilled in keeping with the public's objectives for sustainable increase in investment.

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

In general, the financial advice given to retail clients covers a wide range of investment products. However, we see that the stringent product governance (POG) standards prevent retail investors from accessing certain products, even those that are deemed suitable.

It would also be appropriate to reassess the POG's discipline, which is currently extremely strict, in light of the simplification that this new European legislation has engaged in (please refer to Q13).

However, we observe that investment advice is mainly focused on investment funds, portfolio management service and IBIPs, while it is much less focused on financial instruments traded on the secondary market such as stocks, bonds, structured products, and ETFs.

Q8a: To what extent does a lack of financial education or investment knowledge contribute to retail investors' reluctance to invest in capital markets?

- ☐ 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

Without a doubt, one limitation is a lack of financial education. Giuseppe Vegas said that *"savings protection cannot be separated from financial education, which is the first step towards autonomy"* at an annual meeting with the financial market. In fact, according to the TEHA Group's study of the 2025 OECD International Survey of Adult Financial Literacy, Italy has consistently ranked among the last five nations for financial literacy and comprehension since 2009 (see *TEHA Group's analysis of the 2025 OECD International Survey of Adult Financial Literacy*).

According to Daniel Kahneman and Mark W. Riepe, an investment advice service is *"a prescriptive activity whose main objective should be to guide investors to make decisions that best serve their interests"* (Aspects of Investor Psychology, in *The Journal of Portfolio Management* 1998, 52).

In Italy the intermediaries providing investment advice service through financial advisors, establish a direct and personal relationship with the clients and serve indirectly as financial educators, assisting investors in correctly interpreting information while avoiding various "bias" that distort perception and divert attention away from the most crucial aspects. This type of relationship enables the investor to learn more and become the architect of his or her own financial decisions.

That said, attributing to the lack of financial education an excessive importance risks overlooking the importance of other factors e.g. informational overload, costs, exogenous uncertainties, and, where relevant, the importance of address them by means of targeted regulatory interventions.

Q13: What measures - whether market-driven or policy-driven - could help improve retail investor participation in capital markets?

We think that the new European legislation's approach to streamlining regulations in response to the Draghi and Letta reports can facilitate the involvement of retail investors in capital markets by lessening the burden on participants and encouraging greater involvement.

Considering this, we welcome the desire to depart from an excessive paternalistic methodology that has also been present in some MiFID II review materials.

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)

- ☒ 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)

Certainly, young investors are more familiar with social media and online networks and as a result, they are more attracted to speculative and volatile markets (e.g., cryptocurrencies), which are significantly riskier than traditional investments, as they are not properly explained.

According to the Consob's 2024 Report on Financial Investments in Italian Households, 36% of Italian investors use social media to gather information about the economy, finance, and investment prospects. Furthermore, the majority of investors who are informed by social media are young people with limited financial literacy and little financial capital. The use of social media by young people as a source of financial information is a big issue, even outside of Italy (S. Espeute - R. Preece, The Finfluencer Appeal: Investing in the Age of Social Media, CFA Institute Research and Policy Centre, 2024).

CFA recognises the need to regulate this phenomenon, and in the Final Report on the European Commission mandate on certain aspects relating to retail investor protection,

published on April 29, 2022, it analysed the risks that investors face as a result of the growing use of digital channels and determined appropriate safeguards for retail investors. Furthermore, the MiFID II review aims to establish rules to safeguard investors from the possibility of being improperly influenced by communications distributed via digital means.

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?

We think that even after the KID was implemented, clients are still receiving information that is excessively complicated and analytical, with overall expenses that are out of proportion to the advantages.

The legislator's goals are not met by the disclosure requirements, especially when it comes to retail investors, for whom the information in the prospectus is rarely examined before making an investment and is typically only used *ex post* in the event of a lawsuit.

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?

Resuming the arguments under Q15a), it should be noted that the amount of pre-contractual information appears to be a significantly unneeded expense rather than a barrier to investment.

Q28: For firms and trade associations: Which steps do firms take to make investment service agreements (contracts) more accessible and understandable to retail investors?

The contractual framework is inherently technical, and its complexity stems, at least in part, from the complexity of the discipline. The disclosure documents should address the need for investment service agreements to be clearer and more accessible.

Recalling the importance of truth, honesty and transparency in the provision of the investment advice service, the Assoreti Code of Conduct, that is mandatory for its members, states that it must be given to clients a clear illustration of the features (including the costs, charges, and inducements) of investment services and ancillary services provided (including whether the advice is provided on an independent basis), as well as financial products.

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?

Assoreti members have seen numerous cases in which clients struggle to meaningfully express their sustainability preferences. We observe that this challenge stems from a lack of clarity on the classification of what is sustainable and what makes products sustainable. It appears that concepts like “Do No Significant Harm (DNSH)” and “Principal Adverse Impact” (PAI) are difficult to understand.

Furthermore, we observe that there is no interaction between the various sustainability frameworks. For example, when it comes to the regulation of investment services, the SFDR definitions do not correspond with the categories listed in the Commission Delegated Regulation (EU) 2017/565’s art. 2 (1) (7), lett. a), b), and c) that specify the sustainability client preferences that the distributor must take into account when recommending investment products.

As mentioned, the financial advisor serves as the client’s financial educator in the Italian model, thus naturally, these difficulties are mediated via them.

In this regard, according to the Assoreti Code of Conduct, financial advisors must explain all necessary evaluation elements to the client, encouraging its financial education and active participation in the investment decision-making process.

In any case, there is the need for a simplified/streamlined and coordinated regulatory framework.

Q36a: Do you believe the MiFID II appropriateness assessment helps ensure that retail investors understand the risks of the products they invest in?

- ☒ Yes, it is an effective safeguard.
- ☐ Somewhat, but there is room for improvement.
- ☐ No, it is not particularly effective.
- ☐ Mixed views (please elaborate).

To the extent that the appropriateness test is comprehensive and exhaustive and does not include self-assessment questions, we believe it is a valid safeguard for ensuring clients understand the main risks associated with investments.

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?

The onboarding process is the one related to the collection of information from clients in order to profile its educational knowledge, experience, financial situation (included its ability to incur losses) and investment objectives. According to ESMA Guidelines on suitability, banks adopt tools aimed, for example, at helping investors to understand the concepts of risks and return, but this procedural step is untied from that one related to specific investments.

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?

We do not feel that the current approach of assessing client knowledge and experience via the appropriateness test creates any barrier to retail clients' engagements also taking into account that most of clients using the executive services often operate independently on technological platforms without too many constraints.

Q41: Does the current regulatory framework strike the right balance between protecting retail investors and allowing them to take informed investment risks?

In light of the foregoing, we believe that there are areas for improvement in the discipline, such as eliminating unnecessary burdens on intermediaries, particularly in terms of precontractual information and POG, and enacting rules to protect investors from an over-reliance on social media.

In particular, the possibility of calling themselves "advisors that provide advice", especially through social media, easily misleads the client who does not interact with a qualified advisor, listed in a public Register (in Italy managed by OCF), subject to public sanctions and under the supervision and liability of the intermediary.

Assoreti wishes to thank you for the attention provided and is available for any collaboration requests.



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