JULY 2025

AFG'S RESPONSE TO ESMA'S CALL FOR EVIDENCE ON

THE RETAIL INVESTOR JOURNEY

AFG

The AFG federates the asset management industry for 60 years, serving investors and the economy. It is the collective voice of its members, the asset management companies, whether they are entrepreneurs or subsidiaries of banking or insurance groups, French or foreigners. In France, the asset management industry comprises 700 management companies, with €4600 billion under management and 102,000 jobs, including 27,000 jobs in management companies.

The AFG commits to the growth of the asset management industry, brings out solutions that benefit all players in its ecosystem and makes the industry shine and develop in France, Europe and beyond, in the interests of all. The AFG is fully invested to the future.

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.

Some of the following answers are based on data from a study commissioned by AFG and conducted by [ELABE institute](). The survey was carried out online from March 6 to March 10, 2025, among a representative sample of 1,025 adults living in France. The sample was built using the quota method, with stratification by region and urban category, and variables such as gender, age, and occupation.

Many retail savers in France choose not to invest due to a combination of limited financial knowledge and a perceived lack of guidance.

According to the survey:

- 70% of respondents consider their knowledge of financial investment topics to be poor, with nearly half describing it as "fairly poor" and almost a quarter as "very poor".
- Only 30% believe they have a good understanding, and this perception is strongly correlated with factors such as high savings capacity, professional status, and prior investment experience.

Furthermore, the desire for personalised recommendation and better financial education ranks among the top reasons that could encourage people to invest more in the medium or long term, along with the potential for returns and tax incentives.

This suggests that a lack of financial education and familiarity with financial products is a key barrier to broader retail participation in capital markets.

It is very important that providers of financial educational material are unbiased to make sure that retail investors are not misled.

It seems also important to develop a set of EU guidelines to help clarify the distinction between financial education and financial product marketing. These guidelines would support Member States and stakeholders in identifying what qualifies as genuine educational content, free from commercial bias, instead of promotional material.

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

The findings from this study suggest that complexity is not a primary obstacle for most retail savers. Complexity is rarely mentioned by respondents as a barrier. In contrast, factors such as better financial guidance (42%), attractive returns (44%), and tax incentives (39%) are much more frequently cited as drivers that would encourage investment. In conclusion, the data suggests that retail investors are not deterred by complexity per se, but rather by the lack of literacy and guidance, financial confidence, or incentive. AFG is of the view that **improving education rather than over simplifying products is a more appropriate response**.

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

Based on the available AFG survey, there is no direct information indicating whether past experiences with low or negative returns significantly affect retail investors' willingness to invest again. The survey does not include questions or results specifically addressing past return experiences or their psychological impact on future investment behavior.

To the AFG members consulted, this factor has not been identified as a significant barrier that has meaningfully impacted retail participation in investment.

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

The survey does not provide direct evidence that high fees and costs are a primary factor discouraging retail investors from participating in capital markets. As such, we cannot assert that this is a central concern for most respondents.

When asked what would encourage them to invest more long-term, respondents ranked the following factors:

- Higher return potential (44%)
- Professional guidance (42%)
- Better financial education (41%)
- Improved tax incentives (39%)

A product's level of fees and costs is only one selection criterion among others. When choosing investment products, an investor also considers the sector and geographic exposure, the level of risk, the liquidity of the product, extra-financial characteristics, etc.

It is also important to note that the level of fees and costs of investment funds has already been decreasing over the past years.

According to the AMF (*Lettre de l'Observatoire de l'épargne*, No. 52, April 2023), the average ongoing charges for French equity funds fell significantly from 2.3% in 2010 to 1.7% in 2021. Diversified funds also saw a notable decline, from 2.1% to 1.5% over the same period. The most pronounced decrease was observed in euro area equity funds, while charges for international and French equity funds, as well as diversified funds, remained relatively stable in recent years. This trend reflects a broader effort to reduce costs for retail investors across the French fund market.

This downward trend in fund fees is not limited to France. Similar reductions have been observed across Europe, reflecting a broader effort to lower costs for retail investors throughout the EU fund market.

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

Most respondents (58%) consider public labels to be a source of trust. 55% value professional certification delivered by a recognized body. In contrast, only 12% view many followers as a key factor for trust.

These findings suggest that efforts to reinforce the visibility of public endorsements and professional qualifications could contribute to strengthening confidence, while social media popularity alone is not perceived as a significant trust factor by most respondents.

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.***

The survey does not include a specific question addressing retail investors' perceived access to advice and information in situations where they encounter difficulties understanding investment products. However, access to advice appears relatively widespread, notably through the banking and French financial advisory networks.
In addition, digital tools are increasingly available, offering further support, although their use remains limited, partly due to low trust and low financial literacy, as highlighted before in the survey.

The issue lies in the rapid adaptation of efficient digital journeys for both clients (on selfcare) and for advisors in the branch.

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.***

Under MiFID II, the investment products offered through investment advice must reflect the results of the suitability assessment, the client's sustainability preferences, and the range of products available to the advisor. Nothing prevents, moreover, the client from seeking multiple proposals from different authorized professionals to ensure they have all the necessary elements to make an informed decision.

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

As mentioned, a lack of financial education and investment knowledge is the major factor contributing to retail investors' reluctance to invest in capital markets, according to the survey. 70% of respondents self-assess as having low financial knowledge.

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.*

As previously discussed, the survey identified several key non-regulatory obstacles that appear to influence retail investors while participating in capital markets. These include:

- Low financial knowledge (70% rate their knowledge as low)
- Lack of clear investment goals
- Limited adoption of good investment practices

Insufficient guidance and financial education (41% ask for better information; 42% want professional support). The role of the advisor is key: his/her risk aversion can clearly influence clients.

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

Digital platforms and mobile applications play a growing but still secondary role in the investor journey according to our survey. Only 24% of respondents say they use digital tools to invest or manage their investments.

Data suggests that digital tools are most used by confident, younger, and more financially secure individuals, while most of the population remains outside this trend.

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.***

AFG strongly supports initiatives aiming at fostering retail participation in capital markets and financing the European economy in the long term. Savings and Investment Accounts (SIAs), if well designed, can strongly contribute to this objective.

AFG welcomes non-legislative initiative. This point is essential, since a legislative one-size-fits-all approach at European level would not be relevant, and would hinder the development of SIAs. Such SIAs already exist in some countries, including France with the PEA (Plan d'Epargne en Action) and the individual PER (Plan d'Epargne Retraite), Sweden (ISK), UK (ISA) or Italy (PIR). However, this is probably not the case in all EU countries.

We believe those Member States should be encouraged to introduce SIAs with few characteristics, which would make them compatible with the "Finance Europe" :

- **long-term horizon** (for instance minimum of 5 years), with for instance tax incentives for long-term investments, and/or limitations to early withdrawals
- **broad range of eligible assets**, including UCITS, ELTIFs and other AIFs where relevant. This will broaden access to capital markets including through investments funds that are by nature highly diversified, and that benefit from European labels that have already proved their quality. A wide access to these products that offer a high level of investor protection will consistently provide equity and debt financing for the European economy
- **focus on investments in the EU**, with a minimum investment threshold in European assets (NB: 70% in the Finance Europe label)
- **simplicity and flexibility of design:** the less specific features are mandated, the more providers will have opportunities to offer on a voluntary basis, tailored and diverse investment solutions to meet a broad range of investors' needs. For example, in terms of management, it should be possible to propose non-advised as well as guided management solutions
- **risk exposure:** a SIA should be largely oriented towards higher return asset classes, including equity (listed and non-listed) and private debt. A public or private guarantee should not be mandatory, nor even encouraged, as a SIA should help build a long-term investment culture and reduce risk adversity

We encourage Member States to consider preferential tax treatments, to incentivize savers to invest in these SIAs in the long run. Such tax treatment should be easy to grasp (understand and access), easy to manage from an administrative point of view, well-calibrated to be sufficiently attractive and incentivize a long-term investment culture, and stable over time.

These SIAs should be easily accessible with a simple investor journey, through digital means but also through traditional channels. Some investors indeed prefer to have an advisor, who can provide explanations and advice based on a holistic view of their holdings. Accessibility of SIAs through a wide variety of channels will attract a greater number of 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)

33% of respondents under 50 years old use digital platforms or apps to manage investments.
This may suggest greater autonomy and exposure to new investment channels, where speculative assets are often more visible.

Trust in AI-based tools is generally low (16%), but it is likely higher among younger and more digitally engaged segments, although the survey doesn't break this down by age.

No data is provided on actual portfolio choices (e.g. crypto, leveraged ETFs, tech stocks, etc.), nor on preferences for risk profiles by age.

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.***

While the disclosure requirements under MiFID II were designed to enhance transparency and support informed decision-making, their effectiveness for retail investors remains mixed in practice. The volume, complexity, and format of the information provided often limit its real impact. Retail clients may struggle to interpret highly technical documents (Priips KID for example), leading to disengagement rather than empowerment. Disclosures should be significantly simplified, focusing on clarity, relevance, and accessibility, without compromising on essential investor protections. A more user-centric approach would likely enhance investor engagement and support more confident participation in capital markets.

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.*

Asset Managers have reported instances where retail investors hesitate or refrain from investing due to complexity or presentation of disclosure.

Under current suitability requirements, managers must provide extensive information in both the pre-contractual template and the annual periodic report. However, these disclosures are often too complex for end-investors to fully understand. This complexity risks discouraging investors from directing their savings towards sustainable investments, rather than helping them to identify clear sustainability preferences and choose appropriate products.

This concern was already raised during the recent ESAs consultation on the review of SFDR Level 2 and should also be carefully considered in discussions around potential revisions to SFDR Level 1.

It is further proposed that only financial products with measurable, comparable, and binding sustainable objectives should be eligible for labels such as “Sustainable”, “Transition”, or “E, S, G focus”.

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*

No, the KID Priips is not clear and require targeted amendments aiming at simplifying the current framework:

- Performance presentation: The AFG supports the **full reintroduction of past performance disclosure** for investment funds (not limited to hyperlink or reference in the “Other relevant information” section), instead of performance scenarios. The European Parliament appears to endorse its use *“when forward-looking performance scenarios could be misleading”*[1], thereby implicitly acknowledging the potentially deceptive nature of such projections, something that runs counter to the core objectives of the PRIIPs framework. This concern is echoed by consumer organizations, the UK FCA’s reform proposals, all of which point to the misleading character of forward-looking performance scenarios. On this basis, we advocate for their complete withdrawal and a return to performance disclosures based solely on actual, historical data.
- **Implicit transaction costs**: AFG believes that slippage should not be displayed equivalently to management fees and direct transaction fees, as is currently the case in the KID. a) Slippage reflects markets dynamics and momentum (execution timing, liquidity and volumes) rather than actual costs b) In the absence of reliable data, management companies must rely on a complex methodology based on proxies,

[1] *Recital 4a / ECON A9-0160/2024*

which can lead to divergence among manufacturers, to the detriment of comparability. AFG suggests returning to the display of explicit transaction fees (broker fees, exchange fees, stamp duty). The notion of implicit transactions costs should be removed from PRIIPs regulation. The consideration of slippage should fall under the general obligation of management companies to ensure the best execution / selection of brokers. This last point is already subject to annual reporting.

- **Transaction costs within the category of "recurring costs"**: AFG is of the view that this situation creates confusion for retail investors. Transaction costs are inherently variable and contingent on portfolio turnover and markets conditions, unlike "real" recurring fees such as management fees, depositary, custodian, fund accounting fees etc… which are contractual and predictable. To enhance transparency and accuracy, AFG recommends removing "transactions costs" as referred in the Annex IV of the Delegated regulation 2017/653 from "recurring costs" category and classifying those costs separately, potentially under "incidental costs", to reflect their contingent, execution-driven nature
- **The Reduction-in-Yield (RIY)** approach adds unnecessary complexity, often confusing retail investors and diminishing the clarity of the Key Information Document (KID). Presenting cost indicators as percentages can create inconsistencies when compared to monetary figures, which further complicates interpretation. Additionally, the way RIY is applied varies across EU member states, making it difficult to compare products effectively across borders.
- With respect to **ESG preferences of retail investors**. The related amendments of PRIIPs level 1 should obviously be negotiated under the same chronology of the SFDR Level 1 review. For that reason, we welcome the recent recommendation by the Danish Council Presidency to abandon the inclusion of an "environmental section" in PRIIPs KID (as initially proposed by the Commission in May 2023), as long as SFDR Level 1 is not reopened (see question 34 for further details on this topic)

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.*

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?*

See question Q16a

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.***

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)

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 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)

We haven't received any quantitative feedback from investors. However, members are reporting a general sense of anxiety among clients, often triggered by warning letters generated by the 10% threshold rule. In some cases, these letters refer to market downturns that have already been resolved by the time the client receives them, creating a sense of confusion or contradiction.

We recommend the complete removal of the 10% portfolio loss alert, which fails to offer meaningful investor protection and instead contributes to miscommunication and distress.

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

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

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.*

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.*

The main barrier identified is that national tax regimes are generally restricted to tax residents of the respective country. For example, the main French investment tax wrapper the PEA (Plan d'Épargne en Actions) is only available to individuals who are tax residents of France.

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

Tax barriers, particularly the application of withholding taxes and, more critically, their lack of harmonisation across Member States, create significant complexity and legal uncertainty for businesses. These obstacles directly undermine cross-border investment within the European Union. This is why the establishment of a simplified and harmonised relief-at-source framework for withholding tax is essential.

In this framework, AFG fully supports the core objectives of the “FASTER and SAFER” Directive. However, the latter deviates from many of its ambitions, prioritizing the fight against tax abuse far above the objective of simplifying and harmonizing tax relief procedures. The lack of clear definitions, combined with heavy administrative burden, raises serious concerns about the accessibility of relief procedures, particularly for collective investment undertakings. Plus, the Directive’s effectiveness is significantly weakened by many options granted to Member States, increasing the risk of fragmentation rather than resolving it.

To improve investment within the European Union and finance its wider policy objectives, genuine freedom of movement for capital is essential. In this context, we believe the most effective solution to eliminate tax barriers would be the abolition of withholding taxes on cross-border investment income.

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: 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.*

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.*

Avoid national-level overregulation (gold-plating) and supporting greater digitalisation would further contribute to making the process more efficient and user-friendly.

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*

While retail investors are increasingly interested in sustainability, current rules around integrating sustainability preferences into advice often create confusion and limit engagement. The complexity of regulatory terms and rigid matching requirements can hinder meaningful conversations and prevent suitable product recommendations. A more flexible, user-friendly approach focused on clarity and close alignment rather than strict compliance would help advisors better serve clients and support broader adoption of sustainable investment.

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.*

Most firms report that retail investors often struggle to express their sustainability preferences clearly, mainly due to complex terminology, time constraints during advisory sessions, and varying levels of ESG understanding. Without simple explanations, clients either give vague responses or avoid stating preferences altogether. **Complex terminology** such as *"taxonomy-aligned investments," "sustainable investments,"* and *"principal adverse impacts (PAIs)"* remains largely inaccessible not only for retail clients but also for many financial advisers. In the absence of clear definitions and practical explanations, clients often resort to vague, generic preferences (e.g., "I want green investments") or avoid stating any preferences altogether. **Need to Strengthen Retail Investor Education** Many retail investors lack adequate understanding of sustainable investment options and feel unsure about how to begin incorporating sustainability into their financial decisions. This knowledge gap makes it difficult for them to articulate meaningful preferences.

Advisers also acknowledge this issue, noting that a lack of information can reduce client engagement. However, there is often a disconnect: advisers may underestimate how unclear or limited clients perceive their options to be, while overestimating the level of concern clients have.
The regulatory environment surrounding sustainable investing is intricate and frequently relies on subjective interpretations, which further deepens the information gap for investors. Additionally, sustainability choices are often influenced by personal beliefs and values, meaning that investment decisions in this area are not purely rational.
These behavioral dimensions must be considered in regulatory approaches, as they play a significant role in shaping investor choices.

Need to Continue Enhancing ESG Knowledge Among Financial Advisers
Improving ESG education for financial professionals is essential to ensure productive, transparent conversations with clients. Pedagogical clarity at the point of sale is especially important. Better-informed advisers are more capable of recommending investment products that truly align with the client's sustainability goals, something that is not consistently achieved today.

Call for a More Client-Centric Approach to ESG Regulation
Given that many investors are unfamiliar with the terminology and complexity surrounding ESG classifications, regulatory frameworks should be reoriented around the investor's actual experience. Without simplification and accessible explanations, the current system risks alienating clients instead of engaging them.
A more **flexible, portfolio-based model** for capturing sustainability preferences should be considered. This would allow clients to apply their preferences to parts of their investment portfolio rather than requiring full alignment across all products. Such an approach could maintain portfolio diversification while still respecting individual sustainability goals.

MiFID/IDD framework on sustainability preferences
To genuinely meet the needs of retail clients, the MiFID/IDD framework on sustainability preferences must be fundamentally rethought. A clearer alignment between SFDR product categories and MiFID/IDD sustainability preferences communicated in a way that resonates with retail investors will be crucial in bridging the gap between clients stated intentions and their actual investment behavior.

It is, in our view, both timely and necessary to re-examine and redesign the framework for collecting client's sustainability preferences. This review should start with the client's actual decision-making needs and result in a system that is genuinely understandable for retail investors. It should be carried out alongside the planned review of the SFDR in Q4 2025, with the aim of building a consistent and client-centric approach.

A **portfolio-level perspective** would be particularly relevant, allowing for diversified investments. Clients may have sustainability preferences without expecting every single product in their portfolio to meet them.
This structural reform must go with clearer public education on sustainability matters.

As a transitional measure, we propose **suspending the use of detailed MiFID/IDD sustainability criteria**. Advisers should still ask whether clients wish to invest in products with sustainability characteristics. If the answer is yes, however, clients should not be subjected to further standardised questions based on highly technical concepts. Advisers should retain the discretion to recommend suitable ESG products, while being fully transparent about the nature of their sustainability features.

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.*

No specific data is currently 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.*

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).

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.*

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.*

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.*

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.*

While investor protection is essential, the regulatory framework should allow firms enough flexibility to adapt the investment experience to client needs. Currently, the numerous mandatory checks, both internal and client-facing, combined with frequent and complex risk warnings, can overwhelm retail investors. Instead of building trust, these disclosures often discourage engagement by focusing heavily on potential losses without offering balanced context on long-term benefits.

Regulatory approaches and client disclosures should not be driven solely by risk aversion. They should promote a more balanced understanding of the risk-return trade-off, encouraging retail investors to seek the appropriate level of advice based on both their knowledge and their investment objectives.

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.*

We do not see major gaps that justify new regulatory measures. With the European Commission's commitment to reducing unnecessary bureaucracy, it's critical to avoid introducing additional, burdensome rules that offer limited value.

The priority should be to enforce existing rules more effectively and proportionately, focusing on outcomes rather than layering on new obligations that may complicate the investor experience.

Finaly, members highlighted the need for legal stability. Therefore, simplification efforts should focus on eliminating regulatory measures that have proven ineffective in practice, such as aspects related to Priips KID (in Q16a), in order to improve the client experience while protecting their interests.