

Comments

ESMA CfE - on the retail investor journey:
understanding retail participation in capital
markets

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Comments on ESMA CfE - on the retail investor journey: understanding retail participation in capital markets, 17. July 2025

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.

Introductory comments on the ongoing RIS legislative process

We welcome ESMA's aim of placing more emphasis on the retail investor journey, including reducing existing bureaucracy and avoiding additional bureaucratic burdens. The ifo Institute recently calculated that - in Germany alone - 146 billion euros are lost each year to excessive bureaucratic processes.¹

It is essential that, in addition to reviewing the existing MiFID II rules, the current legislative process on the Retail Investment Strategy (RIS) also takes these issues into account – and, in a best-case scenario, leads to a result where the RIS is abandoned altogether. Too much bureaucracy surrounding financial instruments transactions leads to clients becoming frustrated and giving up on the capital markets, which is in complete opposition to the RIS's original intention of making them easier for retail investors to access. In stark contrast to the aim of relieving the economy by reducing bureaucracy, the European Commission (COM), in particular, in their proposal on the RIS, has introduced a significant increase in bureaucratic requirements. This must be avoided at all costs.

After all, avoiding introducing new bureaucratic requirements is much simpler than reducing existing ones. Against this background, we propose withdrawing the RIS and taking a broader approach to simplify the current provisions under MiFID and PRIIPs. This would allow the results of this consultation to also be considered in attempts to really improve the current requirements.

Reasons, why many investors refrain from investing in the capital markets:

- **The capital markets are considered too risky**
Many people incorrectly perceive the capital markets and/or stock markets, in particular, to be uncertain. Individual political statements and/or negative media reports reinforce this perception - especially in the event of strong market setbacks such as in March 2020 (coronavirus) or April 2025 ("Liberation Day" in the USA). However, experience shows that the capital markets have always recovered after such setbacks and have subsequently continued to make gains.
- **Underestimating the benefits of securities due to lack of financial education among parts of the population**
Without a basic understanding of finance, it is difficult to recognise the opportunities of capital market investments or to question preconceived ideas about them. Parts of the

¹ ifo press release from 14 November 2024: <https://www.ifo.de/en/press-release/2024-11-14/bureaucracy-germany-costs-146-billion-euros-year-lost-economic-output>.

Comments on ESMA CfE - on the retail investor journey: understanding retail participation in capital markets, 17. July 2025

population view the capital markets critically. Political plans as part of the RIS exacerbate this picture - especially if they are implemented as planned (details on the RIS will follow later). For this reason many investors continue to rely on traditional forms of saving – even though these result in real-term losses due to inflation.

- **Avoiding investing due to the lack of equity culture**

In Germany and many other European countries there is no deeply rooted equity culture, as there is in the US and UK. There, for example, are comprehensive private pension programmes in securities, which are government subsidised. In Germany, however, investing is rarely seen as a self-evident part of wealth creation.

- **Complexity and costs resulting from current regulatory framework deter many retail investors**

Legally required risk warnings and cost information often appear complicated and may cause uncertainty. So, for example, cost information is required for securities in accordance with MiFID II, whereas cost information is not required for simple savings products, such as savings in bank deposits. In particular, the fact that MiFID also requires the implicit costs included in the investment amount to be disclosed gives the impression that a fixed-rate bond, for example, is basically more expensive than a savings product with a fixed interest rate. Retail investors are also generally overloaded with information, which has a deterring effect. In contrast to simply saving, choosing suitable investment products requires more initiative and commitment on the part of the investor. In online brokerage, we have noticed that many retail investors cancel the process of opening securities accounts due to the extensive legal and supervisory requirements.

- **Legal framework needs improving**

In order to remedy this situation, a fundamental review of the legal framework for the securities business is urgently required. There are many requirements that make the investment services and activities complex, expensive and time-consuming without adding value for retail investors. Not only should existing requirements be improved, it is also essential that the securities business is not further overburdened with additional requirements. For this reason, the German Banking Industry Committee is therefore in favour of withdrawing the Retail Investment Strategy (RIS) completely (see above).

The comments clearly show that there is a need for practicable simplifications. It is therefore positive that ESMA is addressing this issue in order to collect ideas for improving the current requirements.

Comments on the ongoing RIS legislative process

One example is the risk warnings for certain products that the co-legislators are currently discussing in the RIS negotiations. On our general call for a withdrawal of the RIS, see the introductory remarks under Q1.

The relevant proposals here make it clear that the legislator is disproportionately emphasising the risks of securities investments, while unduly neglecting the opportunities.

Comments on ESMA CfE - on the retail investor journey: understanding retail participation in capital markets, 17. July 2025

This also contributes to undermining the desired objective of encouraging retail investors to invest in the capital market.

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**

The appropriateness/suitability assessment sufficiently ensures that retail investors are able to understand the investment product/s they want to buy. It should also be emphasised that the complexity of a financial product is not synonymous with a high level of risk. What deters retail investors is the extensive and difficult-to-understand information that must be provided when investing in these and other products. This information, which must be provided due to the strict regulatory requirements, often overwhelms investors. In addition, many retail investors get the impression that the abundance of information is a warning that the investment is particularly risky. This assumption can lead to a general uncertainty, even if the product in question has relatively low risks.

The numerous and very detailed regulatory and supervisory requirements also result in a lengthy onboarding process and represent a hurdle, as they unnecessarily delay access to the capital markets and can deter potential investors from the outset.

In online brokerage, we have noticed that many retail investors cancel the process of opening securities accounts due to the extensive legal and supervisory requirements.

In addition, the excessive flood of information creates uncertainty rather than being helpful. We find that retail investors don't even bother to analyse it in detail, often because they think they won't be able to fully grasp the wealth of information anyway.

Comments on the ongoing RIS legislative process

In addition, we would like to take a look at current legislative processes – in particular, the planned regulation of value for money requirements within the framework of the retail investment strategy. On our general call for a withdrawal of the RIS, see the introductory remarks under Q1.

The Value for Money approach proposed by the European Commission is a textbook example of how to create additional bureaucracy. Cost benchmarks, in particular, have a deep impact on the market and pose the risk of "price regulation".

Comments on ESMA CfE - on the retail investor journey: understanding retail participation in capital markets, 17. July 2025

An appropriate comparison of products requires numerous benchmarks in order to prevent misleading comparisons. Experts estimate that around 200,000 benchmarks would be required to adequately reflect the diversity of securities available. For Germany alone, these databases would need to record around two million PRIIPs products available there. On top of which, there are further benchmarks for individual services provided by the distributors. To implement this, huge databases would have to be set up. This enormous bureaucratic burden is neither necessary nor proportionate.

We are therefore in favour of getting rid of the proposed Value for Money regime altogether since the amount of effort involved is disproportionate to the corresponding benefits achieved. In addition, before implementing any relevant requirements, a study on their effects in practice should be carried out.

- **Not a concern at all**

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

Not applicable.

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**

Firstly, we would like to make it clear that the capital markets have, for the most part, developed very positively in recent years.

Performance of one-off investments – Fund categories as at 30 June 2025, BVI²

	Performance per annum in percent			Range of volatility in percent
	5 years:	10 years:	15 years:	
Global equity funds	9.1	6.3	8.1	13.1
European equity funds	8.6	5.2	7.0	15.0
German equity funds	9.1	5.4	7.9	17.6

² Landing page: [Performance statistics – Fondsverband BVI](#).

Comments on ESMA CfE - on the retail investor journey: understanding retail participation in capital markets, 17. July 2025

Consequently, many retail investors who have invested in securities have achieved attractive returns in recent years despite the volatility. It can also be determined from the above figures that retail investors have actually experienced an enormous increase in assets.

Additionally, even net returns after inflation on fixed-interest securities clearly show the advantage and/or actual benefit of those products, especially compared to traditional savings in bank deposits.

As a result, an increasingly broad range of retail investors are showing an interest in securities, albeit not yet to a sufficient extent. And this is why one of the key objectives of the Savings and Investment Union is to encourage greater participation in the capital markets.

There have also been retail investors who have lost money on certain investments in recent years and have not been able to compensate for all of these losses by investing in other securities. It is certainly possible that these retail investors are now doing less trade in securities or even turning away from the capital markets altogether. However, we do not have any concrete figures on how many retail investors this affects. It can be assumed that factors such as confidence in the capital markets and risk appetite, in particular, have a much greater influence on the decision to invest in financial instruments than past experience of poor returns.

- **No, past experiences with poor returns are not a major factor in investor decisions**

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

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

We believe that while the cost of the investment service may influence which provider the retail investor chooses, in our view, the decision whether to invest in the first place is made independently. For retail investors, the focus of their investment decision is actually not on costs, but on performance. And this has generally been positive in recent years, so many retail investors have been very satisfied with their investment decisions even after deducting costs. Legislators should also take into account the fact that costs are of secondary importance for many retail investors.

It is worth noting once again that securities subject to MiFID II give the impression of being more expensive than conventional savings products, where corresponding cost statements are not required, simply because of the mandatory cost information under MiFID II. In particular,

Comments on ESMA CfE - on the retail investor journey: understanding retail participation in capital markets, 17. July 2025

the MiFID requirement that implicit costs included in the investment amount are also a problem, as many retail investors only perceive costs as those that exceed the purchase price. However, this is not the case for intrinsic costs that are included in the purchase price. So, their inclusion in the MiFID information on costs gives many retail investors a false impression here.

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.

Not applicable.

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**

In our opinion, there is no lack of trust. On the contrary, as part of its market study on the sale of interest rate and express certificates, Germany's national financial services supervisor (BaFin) has determined that many investors have a high degree of trust in their advisors.³ This is not surprising, as the high level of expertise of employees and advisory processes tailored to retail investor needs, in particular, ensure the investment services offered are of a high standard, forming the basis for a trusting retail investor relationship.

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.

Not applicable.

³ [BaFin publishes results of comprehensive market study](#)

Comments on ESMA CfE - on the retail investor journey: understanding retail participation in capital markets, 17. July 2025

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.

General comments

Financial education is not on the national curriculum for schools, at least not in Germany. Nevertheless, it is an essential requirement for understanding the increasingly important topics of private wealth and pension provision, for example. And this is why investment firms put a lot of effort into raising awareness. We would like to emphasise, however, that the responsibility for financial education lies primarily with those in government charged with the task of designing the education system. Banks can play a supporting role but should not and cannot be the main organisations responsible for this task.

It is particularly important that retail investors receive broad support with their investments, especially given that their financial education is often in need of improvement or is even inadequate. To achieve this, German banks offer a very wide range of products, from low-cost direct banking to branch banking with extensive personal advice. In addition, the individual investment firm decide which special offers they can offer self-directed investors in non-advised business or how they provide their investment advice. These are the key ways they can differentiate themselves from their competitors. And, of course, they also take into account the needs of the retail investors at whom their measures are aimed.

Comments on the ongoing RIS legislative process

In addition, we would like to take a look at the current legislative processes – in particular, the planned introduction of a “best interest test” within the framework of the retail investment strategy. On our general call for a withdrawal of the RIS, see the introductory remarks under Q1.

The planned ‘best interest test’ would require additional checking steps in the investment advice process and would therefore add considerable regulatory bureaucracy without providing any tangible additional value. The obligation to act in the best interests of the client is already laid down as a core principle in MiFID. The proposals for the ‘best interest test’ disregard the fact that there are already comprehensive mechanisms in place to protect the interests of clients.

Current disclosure requirements on the range and types of financial instruments according to Article 52(2) and (3) of Delegated Regulation (EU) 2017/565, the need for an equivalence test in accordance with Article 54(9) and the cost-benefit analysis prior to recommending a switch in accordance with Article 54(11) of the same Delegated Regulation already ensure that client interests remain paramount.

Comments on ESMA CfE - on the retail investor journey: understanding retail participation in capital markets, 17. July 2025

Introducing the 'best interest test' poses the risk that the burden will be disproportionately high on small and medium-sized investment firms. This could lead to them no longer being able to offer their full range of investment advice due to the increased fixed costs from the introduction of the test. This potential decline in the range of offers conflicts with the objectives of the SIU and RIS, which are to give retail investors easier access to the capital markets.

The 'best interest test' should therefore not be introduced.

In reply to the question specifically:

There are a number of support options available to retail investors. Depending on the business model of the respective bank, different types of assistance are offered to compensate for the shortcomings of the overly complex legal and supervisory requirements, e.g.:

- Clear explanatory videos
- Digital self-learning courses
- Interactive information portals
- Personal advice (by telephone, video, in person), commission-based and free of charge
- Service hotlines

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.

The investment advice offered by the individual investment firms varies considerably depending on the respective business model. While some banks offer comprehensive advice on all the financial products mentioned and more, others focus on selected investment classes, such as investment funds – and some investment firms do not offer investment advice at all. For clients, this wide range of offers has the major advantage that they can choose the model that suits them best.

For smaller distributors in particular, there is a major challenge with products from the corporate sector (i.e. shares and corporate bonds) in that issuers who are not subject to MiFID often do not provide the data (e.g. manufacturers do not define target markets or do not provide information on sustainability) that distributors need for sales and, in particular, for investment advice. Our understanding is that this results in these products rarely or never being recommended by some companies as part of their investment advice.

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.

Comments on ESMA CfE - on the retail investor journey: understanding retail participation in capital markets, 17. July 2025

- **A major barrier to investment**
- **A contributing factor, but not the main issue**

Yes, this is a relevant aspect since financial education, at least in Germany, is not on the national curriculum for schools. And this is why investment firms put a lot of effort into raising awareness. We would like to emphasise, however, that the responsibility for financial education lies primarily with those in politics charged with the task of shaping the education system. Banks can play a supporting role but should not and cannot be the main organisations responsible for this task.

In addition, many banks provide extensive investment advice or supplementary financial education offers in non-advised business, which are aimed specifically at retail investors that are not confident enough to make their own investment decisions. These offers compensate for any existing deficits in financial education, so that these retail investors can also trade in securities and thus participate in the positive development of the capital markets in recent years. Nevertheless, these offers do not relieve the relevant political bodies of their responsibility to introduce measures to strengthen financial education.

- **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.

Not applicable.

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.

Not applicable.

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.

The capital markets are considered too risky

Comments on ESMA CfE - on the retail investor journey: understanding retail participation in capital markets, 17. July 2025

Many people incorrectly view the capital markets as uncertain. This perception is compounded by political statements and unbalanced media reporting.

Underestimating the benefits due to lack of financial education

Without basic financial knowledge, it is difficult to recognise the opportunities offered by capital market investments or to critically question preconceptions. This is particularly true given the negative image of the capital markets described above, which would also be reinforced by measures being discussed within the framework of the RIS, if it is actually finalised (see comments on the planned warnings in our answer to Q1). This is why many continue to favour traditional forms of saving – even if these result in real-term losses due to inflation.

Avoiding investing due to the lack of a equity culture

In Germany and many other European countries there is no deeply rooted equity culture, as there is in the US and UK. For example, they have comprehensive private pension programmes in securities, which are subsidised by the government. In Germany, however, investing is rarely seen as a common part of wealth creation.

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.

Fast and easy access to investment services is the favoured method for many of our retail investors. Younger investors, in particular, often see digital channels as an easy and preferred method of access because they allow them to place orders quickly and conveniently. However, the implementation of regulatory requirements that refer to digital channels represent a particular challenge for retail investors for whom placing orders quickly is important. The current requirements are seen as particularly burdensome by these retail investors.

Digital offers such as clear explanatory videos and interactive information portals are made available to help them. In addition, banks offer digital investment advice and digital forms of asset management. However, the excessive regulation is a major hurdle for these offers too, i.e. they also suffer from the large number and complexity of the regulatory requirements.

Furthermore, there are numerous retail investors who still prefer personal advice and, for this reason, look for other providers such as branch banks.

Comments on the ongoing RIS legislative process

In addition, we would like to take a look at current legislative processes – in particular, the planned extension of the appropriateness test within the framework of the Retail Investment Strategy. On our general call for a withdrawal of the RIS, see the introductory remarks under Q1.

Comments on ESMA CfE - on the retail investor journey: understanding retail participation in capital markets, 17. July 2025

The European Commission's plan to massively tighten up the rules for non-advised services largely penalises experienced clients that acquire financial instruments independently. It is already critical that the current regulatory requirements unnecessarily delay the placement of orders.⁴

According to plans proposed by the Commission and Council, in future, distributors should not only use the appropriateness assessment for non-advised services to determine the clients' knowledge and experience, but also to determine their ability to bear losses and their risk tolerance. This would effectively turn the non-advisory service into a light version of investment advice. This is not in the interests of clients who want to make their own investment decisions independently and without advice. In addition, providers would have to significantly expand their processes for those making non-advised transactions, resulting in unnecessary costs.

In order to prevent these undesirable developments, the EU Parliament's proposal should be supported, which avoids additional assessments and respects the freedom of choice of responsible investors.

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.

Regardless of the banking service in question, the standards of the complaints procedures are very effective and the underlying regulatory requirements are at a high level. In general, it can be said that the number of complaints in the German market is very low and retail investors are largely satisfied with the advice they receive and the products recommended by German banks.

The complaints process therefore plays only a minor role in investment decisions by retail investors.

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.

The amount of obligatory explanatory material and reporting requirements should be reduced considerably. The current amount regularly leads to information overload for retail investors

⁴ Study by Dr. Stephan Paul, Ruhr University Bochum: MiFID II/MiFIR/PRIIPs Regulation Impact Study: Effectiveness and Efficiency of New Regulations in the Context of Investor and Consumer Protection, A qualitative/empirical analysis, p. 20: "The more experienced the client, the more they felt bothered or annoyed."

Comments on ESMA CfE - on the retail investor journey: understanding retail participation in capital markets, 17. July 2025

and thus acts as a disincentive. The requirements should be limited to appropriate information, which offers real added value for retail investors.

In this context, the requirement for investment firms to tape conversations is a good example. Many investors are uncomfortable with this requirement and would prefer not to have conversations taped – so it should be removed altogether or they should have the option of waiving it.

Furthermore, government subsidies, such as tax incentives for long-term stock investment or savings schemes for pension provision, could make it more attractive for people to invest in the capital markets.

In addition, simplifications in the advice process could make it generally easier for people to start investing in the capital market and thus improve the participation of retail investors in the capital markets. This should simplify the process of requesting relevant retail investor information. In this way, the investment firm could offer qualified and unbureaucratic advice that would not deter retail investors but would motivate them to save via securities.

One example: Many retail investors are uncomfortable about having to provide information about their income and assets. Retail investors should be able to choose not to disclose such information, particularly in the case of recommendations for widely diversified products. Another example: The many requirements on sustainability preferences are too complex.

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**

Yes, young retail investors are showing an increased interest in speculative and volatile markets such as crypto-assets. One key reason for this is the expectation of high returns, which is reinforced by social media, influencer marketing and simplified digital access. The opportunities are often overemphasised.

In the past, this imbalance was also exacerbated by different regulatory requirements: While traditional financial products are subject to strict requirements in terms of transparency, product information and investor protection under MiFID II, markets in crypto-assets were less regulated for a long time.

Comments on ESMA CfE - on the retail investor journey: understanding retail participation in capital markets, 17. July 2025

However, this has changed since the Markets in Crypto-Assets Regulation (MiCAR) came into force at the end of 2024. MiCAR now creates standardised and binding rules for crypto-assets and their providers throughout the EU – comparable to the requirements under MiFID II.

- **The perception of lower costs (e.g., no management fees, low transaction costs)**

Margins in the crypto-asset business are mainly generated by the high bid/offer spread. Unlike in traditional forms of investment, this is not currently shown transparently to investors. The costs to investors therefore appear lower with crypto-assets.

It is important to mention again at this point that for many investors, costs are not the decisive aspect for their investment decisions, actually they are more likely to be made based on expected returns.

- **The ease of access and fewer entry barriers compared to traditional investments**

Information in online forums or simplified trading apps help to ensure that the entry threshold appears low.

In the past, this imbalance was also subject to different regulatory requirements: While traditional financial products are subject to strict requirements in terms of transparency, product information and investor protection under MiFID II, the markets in crypto-assets was less regulated for a long time and therefore easier to access.

However, this has changed since the Markets in Crypto-Assets Regulation (MiCAR) came into force at the end of 2024. MiCAR now creates standardised and binding rules for crypto-assets and their providers throughout the EU – comparable to the requirements under MiFID II.

- **A preference for decentralised, non-intermediated investments**

- **Influence from social media and online communities**

Many young investors actively follow financial portals and social media channels (e.g. finance bloggers and influencers). Where crypto-assets or technology equities are promoted, there may be circumstances in which the associated risks are barely acknowledged, not or not sufficiently communicated or not properly assessed. This also leads to many retail investors focussing primarily on the opportunities and returns and less on the (not inconsiderable) risks of such products. This trend is reinforced in discussions among friends and in online communities, which often focus on positive reviews and short-term successes. Losses in speculative markets have often been quickly recovered in recent years, which has strengthened the confidence of many young investors in such products and further lowered their risk awareness.

Comments on ESMA CfE - on the retail investor journey: understanding retail participation in capital markets, 17. July 2025

In addition, easy access to platforms and low barriers to entry are fuelling interest in speculative investments. At the same time, fashionable trends in investment behaviour have also had an impact on this target group and influence their investment decisions.

- **Distrust in traditional financial investment firms 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)**

Not applicable.

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.

General statement

There is an information overload to the detriment of the retail client. More information does not automatically lead to a better understanding. Currently, we are overloading the client with unnecessary information (information overload). In practice, this flood of information tends to lead to "information avoidance" rather than a better basis for decision-making. According to our experience and feedback from our retail investors most information documents are not

Comments on ESMA CfE - on the retail investor journey: understanding retail participation in capital markets, 17. July 2025

read. The key is to limit it to essential information only.

Some examples concerning volume

- The number of documents and pages a retail investor receives as an already existing retail investor when opening a new securities account and when receiving advice on **one** financial instrument, using a UCITS fund as an example:⁵

Documents	Pages
Pre-contractual information , bundled together in the so called "MiFID II starter package"	50-100
Brochure "Basic Information on Securities and Other Investments" ⁶	approx. 200
Documentation for opening a securities account	approx. 10-15
Documents for Investment Advice , including	approx. 18-30
- Suitability report	➔ approx. 15
- Cost disclosures	➔ 3-5
- Product information from the individual investment firm	➔ approx. 0-10
Product information	
Key Information Document	3
Sales brochure	at least 70
Half-year report	at least 15
Annual report	at least 40
"Securities Trading Act sheet" according to Article 54ff MiFID Delegated Regulation, if provided separately	at least 20

- Number of documents and pages retail investors are given after opening a securities account when buying **one** financial instrument, using a UCITS fund as an example with **advice**:⁷

Documents	Pages
Documents for Investment Advice , including:	approx. 18-30
- Suitability report	➔ approx. 15
- Cost disclosures	➔ 3-5
- Product information from the individual investment firm	➔ approx. 0-10

⁵ where a legal requirement exists.

⁶ Landing page: [Basic Information on Securities and Other Investments](#)

⁷ where a legal requirement exists.

Comments on ESMA CfE - on the retail investor journey: understanding retail participation in capital markets, 17. July 2025

Product information	
Key Information Document	3
Sales brochure	at least 70
Half-year report	at least 15
Annual report	at least 40
"Securities Trading Act sheet" according to Article 54ff MiFID II Delegated Regulation if provided separately	at least 20

- Number of documents and pages retail investors are given after opening a securities account when buying **one** financial instrument, using a UCITS fund as an example **without advice**:⁸

Documents	Pages
Cost disclosures	3-5
Product information	
Key Information Document	3
Sales brochure	at least 70
Half-year report	at least 15
Annual report	at least 40

Further examples of information/reports seen as superfluous and/or too complex by investors

- Quarterly reports
Quarterly reports offer investors little added value. Investors check their current portfolio holdings regularly and mostly online. Alternatively, they can ask their advisors. They do not require additional portfolio statements, which are costly for the distributors to produce and to provide to clients (partially in paper form).
- Cost disclosures
Experienced investors in particular consider the information about costs to be unnecessary, even annoying.
For less experienced investors, the information is often too complex due to the current mandatory requirements because the legal or regulatory requirements demand too much detail.
An ex-post cost report can be several pages long and contain various types of costs (e.g. product costs, service costs, transaction costs) shown as a percentage and in Euro. This information about costs is often too extensive and not easy to understand due to the numerous detailed specifications.
- Loss threshold reporting
Many investors also complain about the loss threshold reports pursuant to Article 62 of Delegated Regulation 2017/565, which they also find unnecessary. The requirement for this is also too bureaucratic and should easily be waived.

⁸ where a legal requirement exists.

Comments on ESMA CfE - on the retail investor journey: understanding retail participation in capital markets, 17. July 2025

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.

Not applicable.

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.

- In general, information overload often has the effect of putting potential investors off, this applies in particular to the following documents:
 - Documents meeting general pre-contractual information obligations in accordance with MiFID II, in particular with regard to information about the investment firm, its services and its approach to compliance with securities supervision requirements, for example on conflict of interest management and best execution.
This information distracts from the information that is exclusively relevant to clients for their investment decision, such as information on types of financial instruments and their features and risks (in Germany: 'Basic information about securities and other investments').
 - Quarterly reports
 - Loss threshold reports
 - Ex-ante cost information for sales
 - Large amount of detailed information required by law/supervisory authorities on ex-ante cost information
 - Large amount of detailed information required by law/supervisory authorities on annual cost reports.
- What is helpful and necessary for the retail investor:
 - Brief product information, such as the PRIIPs KIDs (but see our criticism under Q16a)

Comments on ESMA CfE - on the retail investor journey: understanding retail participation in capital markets, 17. July 2025

- Settlements

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.

In principle, retail investors appreciate short and helpful product information. However, the existing KID document is partially overloaded. Examples include information about costs and performance scenarios that need to be outlined at various points in time. This produces many figures that the retail investor is hardly able to grasp. Less would be more. In contrast, one positive example is the SRI in which the complex topic of product risk is clearly represented in a single figure.

However, the high level of standardisation and uniform presentation of information in the PRIIPs KIDs is somewhat misleading for retail investors in some cases due to the very different financial instruments involved. Especially the comparability aspect – one of the main aims of the PRIIPs regulation – could not be achieved in practice so far due to the fact that the underlying asset classes and respective methodologies are too divergent.

Furthermore, it makes no sense, for example, to apply the information tailored to investment products to hedging products, such as many OTC derivatives. These should therefore be removed from the scope of application.

There is also redundancy in the cost information. In particular, the unnecessary duplication of cost disclosures in both the KID and the ex-ante cost information according to MiFID should be avoided by scrapping the requirement to provide costs disclosures in the PRIIPs KIDs if the PRIIP is a financial instrument within the meaning of MiFID.

In 2022, the ESAs had already proposed amending the provision in Article 13(4) of the PRIIPs Regulation thereby dispensing with the automated provision of the current Key Information Document following a material change. Many retail investors still do not have an electronic postbox and receive this information regularly by letter. In practice, the decision as to whether the process should be applied is down to the PRIIP manufacturer. Only they know what changes have been made to the content of the document and can therefore assess whether there has been a material change in individual cases. In addition to the 'information overload' for the investor, the material costs incurred (including for the printing and distribution of around 25,000 letters every quarter for just one of our members) are, in our opinion, disproportionate to the anticipated benefit for the retail investor. Experience has shown that investors will change their investment decisions if i.a. the PRIIP performs poorly, their market expectations change or they suffer a loss of available liquidity, but not due to an update of the Key Information Document. For the wording of the amendment, we refer to the ESAs'

Comments on ESMA CfE - on the retail investor journey: understanding retail participation in capital markets, 17. July 2025

proposal.⁹ According to the ESAs' proposal, retail investors are sufficiently protected as they can request the latest version of the key information document. The ESAs' proposal is also being discussed in the context of the RIS, as the EP has taken up the ESAs' recommendation.

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.

Not applicable.

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.

No data is currently being collected. KIDs are available for mobile first for some of our members.

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

In our view, the disclosures on total costs and benefits in the MiFID II cost information is helpful for clients. However, even in the ex-ante cost information, there is a major problem in that too much detail has to be provided and most retail investors find it very difficult to understand all the information. Less would definitely be more here. The requirement to show the impact of costs on returns (which cannot be predicted anyway!) should also be scrapped.

In our view, the annual cost reports also show too many individual items, which can quickly make the whole thing confusing. Here too, a significant reduction in the mandatory content would be beneficial.

Regulatory simplifications, e.g. for placing orders by telephone, have led to a reduction in complaints in the past, though. We would urge ESMA and the legislator to make more courageous decisions such as these for the benefit of retail investors.

Comments on the ongoing RIS legislative process
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⁹ Cf. ESA advice on the review of the PRIIPs Regulation (JC 2022 20)), p. 89f.

Comments on ESMA CfE - on the retail investor journey: understanding retail participation in capital markets, 17. July 2025

In addition, we would like to take a look at current legislative processes – in particular, the planned extension of the cost information within the framework of the Retail Investment Strategy. On our general call for a withdrawal of the RIS, see the introductory remarks under Q1.

With regard to the RIS, there is growing concern that the MiFID cost information is to be massively expanded in the current legislative process, contrary to the existing need to reduce the content ('less is more', see above). This would be utterly counterproductive and would not be in the interests of many investors who want less information.

The planned standardisation of ex-ante cost information is another point of criticism of the RIS changes under consideration: The prescribed standardised presentation of the ex-ante cost transparency means that a less retail investor-friendly wording has to be used, whereas we would like to make it easier for retail investors to understand. Here too, less is sometimes more and the standardisation should also be dispensed with.

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.

German banks use a variety of visualisations and formats to inform retail investors about costs and inducements, in accordance with legal requirements.

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**

Quarterly reports do not offer any added value for the retail investor. In fact, many retail investors complain that the information is not helpful because they can view it online or ask their advisers about it at any time.

By removing the requirement to include quarterly reports, the legislator could easily relieve the burden on distributors without reducing investor protection.

- **Mixed views (please elaborate)**

Comments on ESMA CfE - on the retail investor journey: understanding retail participation in capital markets, 17. July 2025

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.**

Many retail investors also complain about the loss threshold reports, which they also find unnecessary. This requirement is also too bureaucratic and could easily be waived.

- **Mixed views (please elaborate)**

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

Q22: To what extent do questions and measures on retail investor 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**

The requirements for combating money laundering and terrorist financing (AML/CFT) apply across all services and do not therefore refer exclusively to the securities business. Since the AML/CFT requirements must be complied with each time an account is opened, they have already been met for retail investors who already have an existing business relationship. In the case of a new business relationship, the AML/CFT requirements are no different from requirements for other bank transactions. As with other bank transactions, retail investors can perceive as a nuisance the regulatory requirement to record retail investor information (KYC),

Comments on ESMA CfE - on the retail investor journey: understanding retail participation in capital markets, 17. July 2025

particularly when opening a securities account and subsequently as part of ongoing monitoring or in the case of trades or cash inflows that are considered suspicious.

This is expected to have adverse effects on the onboarding of retail investors, particularly with regard to future harmonised money laundering legislation, see Q23.

Q23: Do questions and measures on retail investor 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.

Future KYC requirements under the AMLR, which will apply from 10 July 2027, could have an adverse effect on the onboarding process for retail investors. Drafts of the first technical standards based on the AMLR (in particular the RTS on retail investor due diligence obligations pursuant to Article 28(1) AMLR) contain comprehensive requirements to collect data, in some cases without allowing for a risk-based methodology. This approach will lead to considerable additional work and legal uncertainty for the obligated investment firms. Ultimately, this threatens to complicate the onboarding process for retail investors.

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.

We would like to answer this question in the context of Q25.

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.

German investors who invest in investment products from another EU member state must generally pay tax on interest income, dividends and capital gains in Germany. The reform of investment taxation in Germany has improved the equal treatment of domestic and foreign funds, but there are still tax obstacles such as double taxation, limited crediting of foreign withholding tax, increased burden of proof and uncertainties under EU law.

German investors who invest in securities from countries with financial transaction taxes pay the tax regardless of the location of the securities account. The tax is usually automatically withheld by the processing bank and paid to the respective foreign tax authority. The additional tax burden on the transactions may mean that such investments are avoided.

Currently, many member states levy taxes on dividends (from equities and shares) and interest (from bonds) paid to investors living abroad in the case of cross-border investments.

Comments on ESMA CfE - on the retail investor journey: understanding retail participation in capital markets, 17. July 2025

In reality, the procedures for applying for withholding tax relief differ considerably between the member states, which means that relief or refund procedures are lengthy, costly and time-consuming. In Germany, for example, the refund procedure for capital gains tax at the Federal Central Tax Office took an average of 615 days (as of 2024). The FASTER Directive will at least give member states the opportunity to speed up and simplify this reimbursement procedure in future. In order to implement this successfully, attention should also be paid to minimising bureaucracy for investment firms. The reporting obligation should be limited to the data for which the respective investment firm subject to the reporting obligation is responsible. In addition, there should be clear guidelines on determining the content of financial agreements, for example.

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.

Not applicable.

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.

Not applicable.

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.

In Germany, we do have standardised agreements that we believe are understandable. In addition, we provide precontractual information that explains the services provided in compliance with MiFID II. Not only that, but EAA mandatory barrier-free explanations on our services have also recently been introduced. We therefore do not see any need for additional explanations of our services.

Q29: To what extent do retail investors find the process of regularly/periodically providing and updating personal and financial information for suitability assessments

Comments on ESMA CfE - on the retail investor journey: understanding retail participation in capital markets, 17. July 2025

clear and workable? Please explain and provide practical examples, or evidence drawn from experience, where available.

We are already receiving regular complaints from retail investors asking why investment firms need this information multiple times. It would make sense, therefore, to pay more attention to the principle, anchored in the MiFID II delegated regulation, that an investment firm shall be entitled to rely on the information provided by its clients or potential clients unless it is aware or ought to be aware that the information is manifestly out of date, inaccurate or incomplete.

Comments on the ongoing RIS legislative process

In addition, we would like to draw attention to the current legislative processes – in particular, the planned standardisation of the content of client assessment within the framework of the Retail Investment Strategy. On our general call for a withdrawal of the RIS, see the introductory remarks under Q1.

The intensive competition for clients among investment firms is based on individual investment processes and bespoke solutions. The RIS proposed amendments to MiFID provide for clients to receive on request, a report on information collected for the purpose of the suitability or appropriateness assessment, both in investment advice and non-advised business. This is to be prepared in a standardised format. According to the proposals by the Commission and the EU Parliament, ESMA, in a level 2 legislative act, should define not only the format but also the content of this report. This goes far beyond the actual duty of the investment firms. Such a standardisation of content would bring competition for clients to a standstill, as it prevents continuous improvements to the bank-specific retail investor journey.

Investment firms optimise their processes with the specific aim of creating the best possible client experience. At the same time, they strive to limit the flood of information from existing regulatory requirements. A mandatory standardisation of the content would impact all areas of the investment process – from product classification to client assessment and documentation.

For this reason, the Council's proposal to remove standardisation should be followed. The Commission has also recently acknowledged this in their Non-paper on simplification, in which the Commission also suggested that the relevant provision should be deleted.

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.

Not applicable.

Comments on ESMA CfE - on the retail investor journey: understanding retail participation in capital markets, 17. July 2025

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.

Many retail clients dislike having to disclose information about their income and assets. Clients should have the option of forgoing disclosure prior to receiving recommendations especially for broadly diversified products.

Comments on the ongoing RIS legislative process

As we can also comment on planned requirements (see CfE Executive Summary – Reasons for publication, second paragraph: “ESMA is particularly interested in understanding whether certain ... requirements – as designed or implemented – may create unintended obstacles for retail investors.”) we would like to mention the requirement planned as part of the RIS to advise on portfolios. On our general call for a withdrawal of the RIS, see the introductory remarks under Q1.

There are no deficits here. Rather, it is a question of individual cases (e.g. individual investments; conflicts with specific client requests - the latter of which are also partly the result of regulatory requirements such as the very detailed sustainability preference query) as to whether and to what extent portfolio advice is possible or suitable. This case-by-case determination should remain intact. There should therefore be no obligation to provide portfolio advice.

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.

Over 80% of clients state that they have no sustainability preferences. One significant factor is the complexity of the questions, which many clients find overwhelming. Investment firms are required by law to collect this information in up to three different phases, which puts many clients off investment solutions with sustainable factors. Even the three product groups are difficult for clients to understand. Not only that, the questions force the clients to make too many decisions. In addition, returns are the most important factor for many retail investors, while the origin of these returns – whether from investment solutions with or without sustainability factors – plays only a subordinate role.

It is therefore urgent that questions on sustainability preferences be simplified. In this context, it would make sense to take the SFDR review, planned for the fourth quarter of 2025, into

Comments on ESMA CfE - on the retail investor journey: understanding retail participation in capital markets, 17. July 2025

account. This would ensure a consistent, coordinated implementation of the assessment congruent with both MiFID and SFDR.

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.

Not applicable.

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.

The difference between products according to Article 2 No. 7(a), (b) and (c) in the MiFID II Delegated Regulation 2017/565 is very difficult for many clients to understand. The few clients who express any sustainability preferences at all very rarely differentiate between the three product groups described in the law.

It is therefore urgent that questions on sustainability preferences be simplified. In this context, it would make sense to take the SFDR review, planned for the fourth quarter of 2025, into account. This would ensure a consistent, coordinated implementation of the assessment congruent with both MiFID and SFDR.

If the investment advice is provided by a personal adviser, the adviser generally explains the differences between the product groups during the questions on the client’s sustainability preferences. As an alternative, there is often additional information available within the system that the client can access and/or explanatory videos for them to view. Despite the investment firms’ best efforts, many clients still have trouble understanding the very small differences between the three product groups. Investment firms can attempt to explain the complex rules to their clients to the best of their ability, however they cannot do anything to reduce the complexity of the facts at hand. It is up to the legislator to ensure that the rules are less complex and also ensure that the client doesn’t have to make as many decisions.

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.

Suitability reports for retail investments do offer some value to clients. However, in some cases, clients view them as a formal requirement and think that the scope is far too large. Practice has shown that personal conversations with an adviser are much more helpful.

Comments on ESMA CfE - on the retail investor journey: understanding retail participation in capital markets, 17. July 2025

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.

Not applicable.

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.

The scope of a suitability report is dependent on both the regulatory requirements (replay of the client information and the need for a specific justification for each client information) and the number of recommendations. Against this background, investment firms attach great importance to the clarity and comprehensibility of the suitability report. However, the same applies here: investment firms can try to implement the suitability report requirements to the best of their ability, but they cannot reduce the complexity. This is rather the task of the legislator.

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.**

The aim of the appropriateness assessment is to protect inexperienced investors from investing in products that are hard to understand or very risky – without fundamentally barring them from accessing the capital markets. If, during the course of the appropriateness assessment, it turns out that the client does not have enough knowledge and experience to contextualise the investment risk, they will receive a clear warning. However, they are free to disregard this warning and approve the purchase. The appropriateness assessment therefore functions as an effective safeguard in the context of responsible investor protection.

Comments on the ongoing RIS legislative process

In addition, we would like to take a look at current legislative processes – in particular, the planned extension of the appropriateness test within the framework of the Retail Investment Strategy. On our general call for a withdrawal of the RIS, see the introductory remarks under Q1.

The European Commission's plan to massively tighten up the rules for non-advised services largely penalises experienced clients that acquire financial instruments independently. There

Comments on ESMA CfE - on the retail investor journey: understanding retail participation in capital markets, 17. July 2025

is already criticism that the current regulatory requirements unnecessarily delay the placement of orders.¹⁰

According to plans proposed by the Commission and Council, in future, distributors should not only use the appropriateness assessment for non-advised services to determine the clients' knowledge and experience, but also to determine their ability to bear losses and their risk tolerance. This would effectively turn the non-advisory service into a light version of investment advice. This is not in the interest of clients who want to make their own investment decisions independently and without advice. In addition, providers would have to significantly expand their processes for those making non-advised transactions, resulting in unnecessary costs.

In order to prevent these undesirable developments, the EU Parliament's proposal should be supported, as it avoids additional assessments and respects the freedom of choice of responsible investors.

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

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

Not applicable.

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.

We are not sure which new types of services the ESMA is referring to here. We do not see a need to expand the rules to other services.

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.

¹⁰ Study by Dr. Stephan Paul, Ruhr University Bochum: MiFID II/MiFIR/PRIIPs Regulation Impact Study: Effectiveness and Efficiency of New Regulations in the Context of Investor and Consumer Protection, A qualitative/empirical analysis, p. 20: "*The more experienced the client, the more they felt bothered or annoyed.*"

Comments on ESMA CfE - on the retail investor journey: understanding retail participation in capital markets, 17. July 2025

German banks are increasingly relying on educational tools for onboarding – information sheets, short explanatory videos on important investment terminology or, for example, interactive online tests designed to reflect investor's knowledge back to them.

The aim is to improve clients' financial knowledge to enable communication on an equal footing. The question as to whether these measures serve primarily to justify access to products is therefore superfluous – it has priority to improve clients' financial competence.

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.

Yes. There was no need for the ESMA guidelines on some aspects of the MiFID II appropriateness and execution-only requirements (ESMA 35-43-3006), and they are therefore an example of unnecessary bureaucracy. The appropriateness assessment requirements have existed since MiFID I (in 2007). No amendments were made with MiFID II. In addition, the ESMA guidelines were not released due to any specific deficits. Instead, the guidelines were developed by ESMA to enhance clarity and foster convergence in the application of certain aspects of the appropriateness and execution-only requirements (see ESMA Final Report 35-43-2938, No. 16). The guidelines are 25 pages long (13 guidelines and 96 paragraphs). The desire to foster convergence is, of course, understandable. However, if no deficits have been discovered, harmonisation must be minimal, i.e. convergence must ensure that no new requirements are introduced for affected investment firms.

We are especially critical of the requirement to regularly update information on the client's knowledge.

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.

Not applicable.

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.

Lack of information compared to the project initiator and possible risks of scamming due to incorrect information make it harder for investors to assess the risk of a project. In addition, some crowdfunding platforms have their own agenda, often because they are involved in the crowdfunded project in some way above and beyond simply giving it a platform, for example as

Comments on ESMA CfE - on the retail investor journey: understanding retail participation in capital markets, 17. July 2025

the operator or service provider for the project. A generally accepted certification for crowdfunding platforms could help improve transparency for potential crowd investors when it comes to this highly risky form of investment.

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.

No, the current regulatory framework does not strike the right balance between protecting retail investors and allowing them to take informed investment risks. In many instances, the current requirements go too far and retail investors often find them patronising.

We have addressed the specific points of criticism below the respective questions.

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.

There are several important provisions in urgent need of amendments that are not addressed in the consultation paper. Here are some examples that illustrate this point:

The investment advice process and its regulatory requirements, starting from collecting detailed client information, providing multiple legally required documents and up to creating and providing a suitability report, is highly bureaucratic and leads to a negative client experience. Reducing bureaucracy should therefore take priority.

If bureaucracy is to be reduced effectively for securities transactions, it is obviously extremely important to avoid creating additional bureaucracy. This means that the Retail Investment Strategy must be significantly reduced or, in a best-case scenario, withdrawn entirely (see above). Not doing so will create many new, expensive requirements making a reduction in bureaucracy impossible. Under each of the relevant questions, therefore, we have highlighted those elements of the Retail Investment Strategy – the stated goal of which is to assist retail investors' entry into the capital markets – that should not be introduced, as doing so would put the entire purpose of the RIS at risk.

Here is another example:

The decision of the EU Parliament and Council to reject (partial) inducement bans, proposed by the EU Commission, is a positive development in this context. However, the Council's proposed inducement test does not lead to a reduction in bureaucracy. It adds ten(!) additional criteria to the existing requirement of a "quality enhancement test". Meeting the requirements of quality enhancement alone represents a considerable burden for investment firms and offers no additional value to clients.

Comments on ESMA CfE - on the retail investor journey: understanding retail participation in capital markets, 17. July 2025

We therefore call for the requirements for inducements not to be made unnecessarily complicated. The new inducement test should be deleted. The EU Parliament has also proposed this.

In addition, there are other important regulations that urgently need to be improved:

- **Limit the scope of the PRIIPs regulation to investment products**

The scope of the PRIIPs regulation should be strictly limited to investment products, and no longer include hedging products (e.g. many OTC derivatives).

- **Duty to record conversations (taping)**

Another outstanding example is the requirement to record conversations, which costs distributors large amounts of money (recording and archiving over multiple years). The client practically receives no benefits, as there are basically no clients who wish to listen to the recording afterwards. On the contrary, many clients complain profusely about the mandatory recording of conversations, as they find it patronising and a breach of trust.

- **Expand product governance exceptions for simple bonds**

The existing exceptions to the product governance requirements in Article 16(3) and Article 24(2) MiFID II should be expanded to include all simple bonds without an embedded derivative (so called plain vanilla bonds such as fixed interest or step up bonds). These simple bonds should also not be subject to the PRIIPs regulation. The latter aspect is subject of RIS proposals. The goal is, after all, to make it easier for retail investors to access simple financial instruments.

- **Prevent disproportionate product intervention** Regulatory interventions, such as limits to distribution or other limits, also affect well-informed investors and can represent an unnecessary restriction on their actions.

- **Maintain and amend MiFID Quick Fix**

The requirements on information on costs in Article 24(4) point c MiFID II (ex-ante and ex-post) should, without exception, not apply to professional clients and suitable counterparties. The MiFID Quick Fix is on the right path and should not be rolled back within the framework of the RIS. A negative example: MiFID stipulates that professional clients must continue to be provided information on costs within the scope of investment advice. This should also be omitted.

In addition, for the category of professional clients, it should be enough to provide general information on inducements based on exemplary maximum rates at the beginning of the business relationship. Otherwise, it is not possible to completely waive cost information, as they are subject to disclosure requirements pursuant to Article 24(9) MiFID II. This provision requires investment firms to disclose information on all costs and ancillary costs to the client in a manner that is comprehensive, accurate and understandable – regardless of the client's status.

Comments on ESMA CfE - on the retail investor journey: understanding retail participation in capital markets, 17. July 2025

- **Create regulatory simplifications for securities savings schemes**

Key Information Documents pursuant to the PRIIPs Regulation should only be provided to the client once, on conclusion of the savings scheme. A rule related to this, which is based on a recommendation by the EU supervisory authorities, is being discussed in the negotiations on the RIS.

Tax benefits for long-term investments, such as savings schemes, should be created.

- **Training must remain flexible and cost-efficient**

The proposed requirements in the Retail Investment Strategy for the necessary expertise for investment advisers are not appropriate. The need for further training must continue to be evaluated on a case-by-case basis and in-house training must remain a possible option also to keep costs low.

- **Improvements in client categorisation**

The German Banking Industry Committee welcomes the COM's Retail Investment Strategy proposal to facilitate the upgrading of retail clients to professional clients as it is one of the few simplifications contained in the RIS. However, for legal entities, the general upgrading criteria from Annex II (e.g. certain number of transactions per year) should also apply in addition to the thresholds provided for in the COM-proposal. Accordingly, companies that meet two of the following three criteria should qualify for an upgrade to professional client status: Balance sheet total of EUR 10 million, turnover of EUR 20 million and/or own funds of EUR 1 million.

Moreover: In order to also give project companies (e.g. for solar/wind parks) the possibility of upgrading, the German Banking Industry Committee suggests including the investment volume (e.g. also 10 million) as an alternative to the balance sheet total of 10 million. This is because project companies always have an economic background with relatively high investment sums and a relatively long economic useful life. However, these are often newly established and therefore unable to meet the threshold values (e.g. because they do not yet have a balance sheet total).

- **Limit best execution policy**

According to Article 27 MiFID, member states shall require that investment firms provide appropriate information to their clients on their order execution policy. That information shall explain clearly, in sufficient detail and in a way that can be easily understood by clients, how orders are to be executed by the investment firm for the client. Member States shall require that investment firms obtain the prior consent of their clients to the order execution policy. In our opinion, this is another example of the excessive information overload that is still persisting. In our view, the best execution policy should only be presented to clients if they explicitly request it.