21 May 2025
ESMA35-335435667-6289

Call for evidence

On the retail investor journey: understanding retail participation in capital markets

Responding to this paper

ESMA invites comments on all matters in this paper and in particular on the specific questions summarised in Annex 1. Comments are most helpful if they:

- respond to the question stated;
- indicate the specific question to which the comment relates;
- contain a clear rationale; and
- are accompanied by explanations, practical examples, or evidence drawn from experience.

ESMA will consider all comments received by **21 July 2025.**

All contributions should be submitted online under the relevant consultation.

Publication of responses

All contributions received will be published following the close of the consultation, unless you request otherwise. Please clearly and prominently indicate in your submission any part you do not wish to be publicly disclosed. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure. A confidential response may be requested from us in accordance with ESMA's rules on access to documents. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by ESMA's Board of Appeal and the European Ombudsman.

Data protection

Information on data protection can be found at www.esma.europa.eu under the heading 'Legal Notice and Data protection'.

Who should read this paper?

This paper is primarily addressed to investor and consumer organisations, as it seeks input on how retail investors experience key aspects of the investment process and whether certain regulatory requirements support or hinder their engagement with capital markets.

The paper is also relevant to investment firms, credit institutions, and other entities subject to Directive 2014/65/EU on Markets in Financial Instruments (MiFID II) when providing investment services (“firms” or “investment service providers”) as well as to trade associations and other stakeholders involved in financial regulation, investor education, and retail investment market developments.

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1 Executive Summary

Reasons for publication

The purpose of this Call for Evidence (CfE) is to gather input from stakeholders on key aspects of the investor journey, particularly the MiFID II regulatory requirements that impact retail investors when engaging with capital markets. The CfE seeks to assess whether these requirements effectively support investor protection while also ensuring accessibility and ease of engagement.

ESMA is particularly interested in understanding whether certain disclosure, suitability and appropriateness requirements - as designed or implemented - may create unintended obstacles for retail investors. While robust investor protection measures are essential, it is important to assess whether they remain effective and proportionate, especially in a digitalised investment environment.

This paper is primarily addressed to investor and consumer organisations, which play an important role in representing retail investors' interests. Their insights will help assess how investors experience these regulatory requirements in practice and whether any aspects of the process discourage participation in financial markets. The paper is also relevant to investment firms, credit institutions, and other entities subject to MiFID II, as well as to trade associations and other stakeholders involved in financial regulation, investor education, and retail investment market developments.

Contents

This CfE covers various aspects of the investor journey from a regulatory and non-regulatory perspective. The first section provides background information, including the objectives of the CfE and the broader Savings and Investment Union (SIU) context.

The CfE first examines **non-regulatory barriers** to retail investor participation in capital markets. The CfE then explores specific **regulatory requirements** that directly impact retail investors, structured as follows:

- Regulatory disclosures: Examining whether disclosures (e.g., costs and charges, product risks, firm information) are structured in a way that supports informed decision-making or if they risk overwhelming investors with excessive complexity.

- Suitability assessment: Gathering views on the information firms collect to assess whether investment products align with an investor's investment objectives, financial situation, knowledge and experience, and – more recently – sustainability preferences, and whether firms strike the right balance between investor protection and accessibility/simplicity.

- Appropriateness assessment: Assessing whether the knowledge and experience test required for non-advised services is effective and whether firms strike the right balance between investor protection and accessibility/simplicity.

The CfE also examines **specific trends** affecting retail investor engagement and includes questions to try to understand, for example, why younger investors are more drawn to speculative and volatile assets (e.g., cryptocurrencies) over traditional investment products; whether digitalisation and certain influences (e.g., social media, perceptions of low barriers) contribute to this trend; and how the increasing shift to online platforms and mobile apps affects investor engagement.

Next Steps

ESMA in Q3 2025 will use the responses to this Call for Evidence to assess whether specific regulatory adjustments or clarifications may be needed based on the evidence gathered to enhance both investor protection and retail engagement in financial markets.

2 Background

1. Encouraging retail investor participation in capital markets is a key component of the Savings and Investment Union (SIU) vision, as it supports long-term investment and provides individuals with opportunities to grow their savings. However, despite efforts to promote retail participation, a significant portion of household savings remains parked in low-yield bank deposits. In 2023, as highlighted in ESMA TRV 1 2025, Euro area households held on average around 31% of their financial assets in currency and deposits, significantly higher than in the US (21%).[1] Looking beyond the average figures for the Euro area, the overall allocation of household financial assets by class varied considerably across member states.[2] These large differences in asset allocation among countries suggest there may be scope for many European households to invest more of their financial wealth to meet their financial goals, while bringing broader economic benefits.

2. Investor protection is a cornerstone of EU financial regulation, with MiFID II and other relevant frameworks playing a crucial role in safeguarding retail investors. However, while many of its provisions are designed to safeguard retail clients, there is a concern that some regulatory requirements may have unintentionally introduced unnecessary complexity. Regulatory disclosures, suitability assessments, and periodic reporting may not always translate into better investor outcomes. Instead, they may potentially deter capital market participation by making the investment process feel daunting or inaccessible to non-professional investors.

3. To build a truly effective framework, it is important to assess whether MiFID II requirements and other relevant frameworks strike the right balance between investor protection and ensuring that retail investors can easily understand and navigate the investment process. Re-assessing and possibly simplifying the investor journey - without compromising on safeguards - can help create an environment where retail investors feel more confident navigating financial markets. Ensuring that information provided to and collected from retail investors is meaningful, rather than mere compliance exercises, can improve investor engagement and decision-making.

4. This Call for Evidence includes a series of questions intended to gather input, views, and relevant data from stakeholders. **Responses will be most helpful if they are accompanied by explanations, practical examples, or evidence drawn from**

[1] Sources: Euro area figures from ECB; US figures from Federal Reserve survey.
[2] For example, combined holdings of equity and investment fund shares ranged from 16% of household assets in Ireland to 71% in Estonia. Source: Eurostat.

experience. Such input will help ESMA gain a deeper understanding of the issues at stake and support more informed policy considerations.

5. A shorter, condensed version of this Call for Evidence on the retail investor experience[3] has been specially prepared for national consumer organisations, to make it easier to engage with the key questions that are most relevant to their work.

6. This Call for Evidence focuses on the retail investor experience in relation to *investment products* within the scope of MiFID II — such as shares, bonds, investment funds and structured products. While retail investors may also save or invest through other products (e.g., insurance-based or pension products), these fall outside ESMA's remit and are not covered by this consultation.

3 Retail investor journey – key themes

3.1 Understanding non-regulatory barriers to retail investor participation

7. While regulation plays an important role in shaping the investment environment, broader market and behavioural factors also influence retail investor participation in capital markets. A significant proportion of household savings in the EU remains in bank deposits rather than being invested in investment products. Understanding the reasons behind this reluctance is key to assessing what measures of regulatory nature could encourage greater engagement.

8. ESMA believes that several factors unrelated to regulatory requirements may contribute to retail investors' hesitation. These include the perceived complexity of financial products, concerns over high fees that reduce profitability, and past experiences of low or negative returns. Additionally, many investors have a limited appetite for financial risk or feel they lack the necessary knowledge or confidence to invest. Finally, a lack of trust in investment service providers can also play a role in discouraging engagement.

9. This section seeks input on the key reasons why retail investors may be hesitant to invest, with a focus on non-regulatory barriers. The goal is to gain insights into the main concerns of retail investors and understand whether specific factors disproportionately contribute to their reluctance to participate in capital markets.

[3] Ref: ESMA35-335435667-6519

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.***

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

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

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

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

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

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

Q5a: Have you identified a lack of trust in investment service providers as a factor influencing retail investors' reluctance to invest? *Please select one of the following options and please explain and provide practical examples, or evidence drawn from experience, where available.*

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

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

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

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

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

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

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

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

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

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

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.*

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

10. Recent trends suggest that young investors tend to engage in riskier and more speculative trading behaviour, such as investing in cryptocurrencies and other high-risk activities on digital trading platforms, while showing lower engagement with traditional investments (e.g., actively managed investment funds). Understanding the reasons behind this preference could provide valuable insights into how to encourage greater participation in more diversified and long-term investment options.

11. Several factors may contribute to this trend, including the promise of higher returns compared to traditional investments, the perception that speculative investments involve lower costs or are subject to fewer regulatory requirements, the accessibility of digital platforms, gamification, algorithmic trading and the absence of traditional investment

service providers. Additionally, social media and online communities likely play a significant role in shaping young investors' attitudes and choices, creating hype around certain investment (e.g., cryptos, meme stocks) leading to bubbles.[4]

12. This section seeks to explore why young investors tend to be inclined toward riskier and speculative and volatile investments and what this trend reveals about their expectations, risk perception, and trust in traditional financial products.

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

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

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

- Specialised journals and periodicals

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[4] ESMA's regular monitoring of social media activity linked to each of the STOXX 600 constituents shows sustained activity, with regular users making up the vast majority (92%) of interactions in 4Q24. For further details, see ESMA TRV 1 2025.

- Finfluencers
- AI-generated recommendations
- Educational content from national competent authorities (e.g. podcasts, videos, social media)
- Other (please specify)

3.3 Ensuring meaningful and effective disclosures for retail investors

13. Transparency is a key pillar of investor protection. Providing retail investors with clear, relevant, and accessible information about firms and their products and services is essential to enabling informed decision-making. Effective disclosures help investors assess risks and costs and helps them compare products and firms' offerings, ultimately strengthening trust in financial markets.

14. At the same time, ESMA is aware that excessive or overly complex disclosures can create unintended barriers. Lengthy documents filled with technical language will likely overwhelm or discourage investors, leading them to disengage rather than make informed choices. Striking the right balance between ensuring transparency and avoiding information overload is therefore critical.

15. This section seeks input on the effectiveness of existing disclosure requirements. ESMA wants to assess whether disclosures are structured in a way that genuinely supports investor decision-making and whether retail investors find them clear and useful, or instead if they struggle with their format and presentation. ESMA believes input provided by stakeholders can help identify whether regulatory disclosures could be improved to enhance their impact and can help investors make informed choices.

General MiFID II requirements on information to clients

16. Under MiFID II, firms must provide to clients, in good time, fair, clear and not-misleading information with regard to the firm and its services, the financial instruments and proposed investment strategies, execution venues and all costs and related charges.

17. While these disclosures are intended to enhance transparency and investor protection, their length, complexity, or presentation may impact how effectively they support decision-making.

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

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

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

Product disclosure

18. The PRIIPs Regulation introduced the Key Information Document (KID), a standardised disclosure designed to help retail investors compare different investment products. The KID includes information on risks, costs, and expected performance.

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

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

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

Information on costs and charges

19. Firms are required to inform retail investors about all costs and charges, before the service is provided and at least annually. This information needs to cover both product and service costs. ESMA has issued many Q&As on the topic of costs and charges to promote convergence, also as a result of market participants' requests. In 2022, ESMA and national competent authorities launched a Common Supervisory Action (CSA) on the topic. The CSA revealed that the lay-out, level of detail as well as costs calculation methodology, and terminology of these disclosures varied widely between firms. This may hamper the ability of retail investors to understand the costs involved with investing and to compare the costs between firms.

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

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

Post sale disclosures (periodic reports on investments)

20. MiFID II requires firms that hold client financial instruments or funds to send statements on those holdings on a quarterly basis. For portfolio management clients, also information on the portfolio management activities carried out should be sent. This may be included in the same statement.

21. Additionally, firms that hold a retail client account that includes positions in leveraged financial instruments should inform clients on every 10% depreciation of such leveraged products. Firms providing the service of portfolio management, must inform clients on every 10% depreciation of the portfolio value.

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

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

Customer due diligence for anti-money laundering and countering the financing of terrorism (AML/CFT) purposes

22. Firms are required to implement customer due diligence measures, including the collection and evaluation of information from (potential) clients. By certain retail investors, questions asked by firms in this regard may be perceived as too personal/intrusive.

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.*

Taxes

23. Each Member State has its national tax regime, with different rules for withholding taxes and capital gains taxation. The way investment income is taxed, and the processes for tax reporting, withholding, and reclaims, can vary significantly across jurisdictions. These differences may create challenges for firms providing cross-border investment services – particularly in terms of compliance – and may also discourage retail investors from investing across borders due to uncertainty, administrative complexity, or reduced net returns.

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.*

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.*

3.4 Regulatory disclosures and marketing material

24. A key objective of investor protection regulation is to ensure that retail investors receive clear and relevant information to support their investment decisions. MiFID II and other relevant frameworks establish requirements for firms to provide disclosures on costs, risks, and the nature of investment services to help investors make informed choices.

25. At the same time, retail investors are often presented with a large volume of marketing materials, including advertisements, brochures, and commercial presentations. While firms frequently raise concerns about information overload in regulatory disclosures, there is a risk that promotional materials are prioritised over key regulatory information, making it harder for investors to access the most relevant details such as product risks and costs.

26. Similarly, investment service agreements that clients must sign before accessing financial services are often lengthy and complex. While firms need to define the contractual framework for their services, these documents can be difficult to navigate, and much of their content is driven by firms' legal and commercial interests rather than by regulatory requirements. This raises the question of whether the way key investment information is presented - both in commercial materials and contractual documentation - supports or discourages informed investor participation.

27. This section seeks input on whether current industry practices provide transparent and meaningful information to investors and whether certain marketing and contractual documentation create unintended barriers to informed investment decisions.

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

Q27: For consumer organisations: Are there specific examples where the way information is presented – whether in regulatory disclosures, contractual agreements,

or marketing material – makes it difficult for investors to focus on key elements such as costs, risks, or the nature of the service? Does the fragmentation of information across different documents or channels constitute a material issue that affects investors' ability to fully understand what they are buying? *Please explain and provide practical examples, or evidence drawn from experience, where available.*

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

3.5 Suitability assessment related to investment advice and portfolio management

28. The assessment of suitability is a cornerstone of investor protection under MiFID II, applying to both investment advice and portfolio management. It ensures that firms provide recommendations and manage portfolios in a way that aligns with clients' knowledge and experience, financial situation, investment objectives, and risk tolerance. Over the years, ESMA has issued detailed guidelines to promote convergence in how firms apply these requirements, helping to enhance investor protection across the EU.

29. A core element of the suitability assessment is the collection of client information, which includes information about his or her knowledge and experience, financial situation, and investment objectives. This process is designed to tailor financial advice to individual investors, ensuring that recommendations are suitable. However, there are concerns that the amount and complexity of information required may create an unnecessary burden for investors, potentially discouraging them from seeking advice.

30. Additionally, digitalisation has introduced new ways of conducting suitability assessments, offering more efficient and flexible solutions for both firms and clients. Digital tools can help streamline the process, but they also raise questions about effectiveness, investor understanding, accurate outputs and engagement.

31. Recent regulatory changes have introduced an additional layer of complexity, requiring firms to integrate sustainability preferences into suitability assessments. As of August 2022, firms must take into account clients' preferences regarding sustainable investments, which has raised concerns about how these preferences are collected, interpreted, and acted upon.

32. This section seeks input on the practical application of suitability requirements, particularly:

- The relevance and burden of information collection;
- The impact of digitalisation on the suitability assessment process;
- The integration of sustainability preferences; and
- The usefulness of the suitability report provided to clients.

Collection of client information and length of the process

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

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

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

Integration of "sustainability preferences" in the suitability assessment

33. ESMA has already conducted a Call for Evidence on the integration of sustainability preferences in the suitability assessment, gathering initial feedback on how firms are implementing these requirements. Building on these insights, ESMA has launched a Common Supervisory Action (CSA) across the EU/EEA to assess compliance and identify areas for improvement. A report on the findings is planned for later this year. In the meantime, through this Call for Evidence, ESMA seeks to gather further input from

stakeholders on how the integration of sustainability preferences is impacting the investor journey, with a particular focus on investor understanding, firm practices, and any challenges encountered.

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.*

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

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

Suitability reports

34. Under MiFID II, when a firm provides investment advice to a retail client, it is required to provide a suitability report. This report must outline the advice given and explain how that advice is suitable for the client, based on his or her individual financial situation, investment objectives, and risk profile. The purpose of the report is to help clients understand the rationale behind the recommendation and support informed decision-making.

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.*

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

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

3.6 Appropriateness assessment for non-advised services

35. The MiFID II appropriateness framework is a key component of investor protection, specifically for non-advised investment services. Unlike the suitability assessment, which applies to investment advice and portfolio management, the appropriateness test is conducted when a client engages in transactions without receiving personalised investment recommendations. It should be noted that, under MiFID II, firms are not required to collect information or conduct an appropriateness assessment when retail investors purchase non-complex financial instruments on an execution-only basis.

36. According to the relevant MiFID II provisions, firms must collect information from clients about their knowledge and experience in relation to the specific type of financial product they wish to invest in. The goal is to assess whether the client understands the risks involved. If the firm determines that the product or service is inappropriate, or if the client provides insufficient information, the firm must issue a clear warning.

37. ESMA has actively worked to ensure consistent implementation of the appropriateness requirements across the EU. In 2019, ESMA conducted a Common Supervisory Action (CSA) on how firms apply the appropriateness test, revealing areas where supervisory convergence was needed. This led to the publication of ESMA's Guidelines on Appropriateness and Execution-Only Requirements, which provide further clarification on key aspects, including:

    - The extent of information firms should collect from clients.
    - How firms should assess the reliability of client information.
    - Best practices for issuing meaningful warnings.
    - Record-keeping obligations to ensure compliance.

38. While the appropriateness assessment is designed to be a lighter-touch assessment generally considered less rigorous than the suitability test, ESMA has emphasised the need for clear policies to ensure firms properly evaluate investor knowledge and experience. The guidelines also stress that firms should avoid over-reliance on self-assessments by clients and implement measures to ensure accurate data collection.

39. The CfE seeks input on whether the assessment is structured effectively, whether warnings are clear and useful, and whether the process impacts retail investors' willingness or ability to engage in capital markets.

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).

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

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

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

40. The purpose of the MiFID II appropriateness test is assessing whether retail investors have sufficient knowledge and experience to understand the risks of the products they wish to invest in. ESMA's guidelines emphasise that firms should not rely solely on client self-assessments, as this may lead to inaccurate evaluations. Instead, firms are encouraged to use objective measures, such as structured questions or assessments, to verify client knowledge.

41. While this approach aims to strengthen investor protection, it is important to ensure that the assessment process remains effective, proportionate, and accessible. If the process is too light, there is a risk that investors may invest in complex products they do not fully understand. Conversely, if the assessment is too detailed or intrusive, it may discourage investors from participating in capital markets or lead to disengagement.

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.*

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

3.7 Crowdfunding investor experience

42. Regulation (EU) 2020/1503 on European crowdfunding service providers for business (ECSPR) entered into application in November 2023. It introduced several investor protection provisions – many of which are inspired by those under MiFID II – covering areas such as information disclosure, risk warnings, and client assessments.

43. While much of the feedback provided in this Call for Evidence in relation to MiFID II will also be relevant for crowdfunding, ESMA would like to gather views on aspects that are specific to the investor journey under ECSPR – such as the entry knowledge test and ability to bear loss simulation, the pre-contractual reflection period, and the key investment information sheet – to determine whether these may act as barriers that discourage consumers from investing.

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.*

3.8 Other topics

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

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.*

4 Annexes

4.1 Annex I – Summary of questions

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.*

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

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

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

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

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

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

Q5a: Have you identified a lack of trust in investment service providers as a factor influencing retail investors' reluctance to invest? *Please select one of the following options and please explain and provide practical examples, or evidence drawn from experience, where available.*

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

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

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

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

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

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

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

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

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

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

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.*

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

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

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

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

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

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

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

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

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

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

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

Q19: Do firms apply layering of information on costs on charges on digital platforms or in mobile applications (e.g., by showing only the total amount and percentage on the

order screen, and all required information in a PDF)? *Please provide details, also on the appreciation of retail investors of this application of layering.*

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

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.*

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.*

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

Q27: For consumer organisations: Are there specific examples where the way information is presented – whether in regulatory disclosures, contractual agreements, or marketing material – makes it difficult for investors to focus on key elements such as costs, risks, or the nature of the service? With regard to marketing material, is the fragmentation of information across different documents or channels a material issue that affects investors' ability to fully understand what they are buying? *Please explain and provide practical examples, or evidence drawn from experience, where available.*

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

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

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

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

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.*

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

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

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.*

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

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

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).

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

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

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