

# Public consultation on a retail investment strategy for Europe

Fields marked with \* are mandatory.

## Introduction

This consultation is now available in 23 European Union official languages.

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### 1. Background for this consultation

The level of retail investor participation in EU capital markets remains very low compared to other economies, despite high individual savings rates in Europe. This means that consumers may currently not fully benefit from the investment opportunities offered by capital markets.

In its September 2020 [new capital markets union \(CMU\) action plan](#), the European Commission announced its intention to publish a strategy for retail investments in Europe in the first half of 2022. Its aim will be to seek to ensure that retail investors can take full advantage of capital markets and that rules are coherent across legal instruments. An individual investor should benefit from

- i. adequate protection
- ii. bias-free advice and fair treatment
- iii. open markets with a variety of competitive and cost-efficient financial services and products, and
- iv. transparent, comparable and understandable product information

EU legislation should be forward-looking and should reflect ongoing developments in digitalisation and sustainability, as well as the increasing need for retirement savings.

In 2020, the Commission also launched an [extensive study](#), focusing on the different disclosure regimes, the extent to which advice given to prospective investors is useful and impartial and the impact of inducements paid to intermediaries. It will involve extensive consumer testing, to ensure that any future changes to the rules will be conceived from the perspective of what is useful and necessary for consumers.

In line with the Commission's stated objective of "an economy that works for people", the Commission is seeking to ensure that a legal framework for retail investments is suitably adapted to the profile and needs of consumers, helps ensure improved market outcomes and enhances their participation in the capital markets.

The Commission is looking to understand how the current framework for retail investments can be improved and is seeking your views on different aspects, including

- the limited comparability of similar investment products that are regulated by different legislation and are hence subject to different disclosure requirements, which prevents individual investors from making informed investment choices
- how to ensure access to fair advice in light of current inducement practices
- how to address the fact that many citizens lack sufficient financial literacy to make good decisions about personal finances
- the impact of increased digitalisation of financial services
- sustainable investing

## Responding to this consultation and follow up

In this context and in line with [better regulation principles](#), the Commission is launching this public consultation designed to gather stakeholders' views on possible improvements to the European framework for retail investments.

Views are welcome from all stakeholders, in particular from persons/entities representing

- citizens and households (in their quality as retail investors)
- organisations representing consumer/retail investor interests
- complaint-handling bodies e.g. Alternative Dispute Resolution Bodies and European Consumer Centres
- credit institutions
- investment firms
- insurance companies
- financial intermediaries (investment/insurance brokers, online brokers, etc.)
- national and supranational authorities (e.g. national governments and EU public authorities, mandated authorities and bodies in charge of legislation in the field of retail investments)
- academics and policy think-tanks.
- entities seeking financing on capital markets

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**Please note:** In order to ensure a fair and transparent consultation process **only responses received through our online questionnaire will be taken into account** and included in the report summarising the responses. Should you have a problem completing this questionnaire or if you require particular assistance, please contact [fisma-retail-investment@ec.europa.eu](mailto:fisma-retail-investment@ec.europa.eu).

More information on

- [this consultation](#)
- [the consultation document](#)
- [retail financial services](#)
- [the protection of personal data regime for this consultation](#)

## About you

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### \* Language of my contribution

- Bulgarian
- Croatian
- Czech
- Danish
- Dutch
- English
- Estonian
- Finnish
- French
- German
- Greek
- Hungarian
- Irish
- Italian
- Latvian
- Lithuanian
- Maltese
- Polish
- Portuguese
- Romanian
- Slovak
- Slovenian
- Spanish
- Swedish

\* I am giving my contribution as

- Academic/research institution
- Business association
- Company/business organisation
- Consumer organisation
- EU citizen
- Environmental organisation
- Non-EU citizen
- Non-governmental organisation (NGO)
- Public authority
- Trade union
- Other

\* First name

Stefan

\* Surname

Marx

\* Email (this won't be published)

stefan-b.marx@db.com

\* Organisation name

*255 character(s) maximum*

DWS Group GmbH & Co KGaA

\* Organisation size

- Micro (1 to 9 employees)
- Small (10 to 49 employees)
- Medium (50 to 249 employees)
- Large (250 or more)

Transparency register number

*255 character(s) maximum*

Check if your organisation is on the [transparency register](#). It's a voluntary database for organisations seeking to influence EU decision-making.

407652739335-34

### \* Country of origin

Please add your country of origin, or that of your organisation.

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- Benin
- Bermuda
- Bhutan
  
- Bolivia
- Bonaire Saint Eustatius and Saba
- Bosnia and Herzegovina
- Botswana
- Bouvet Island
- Brazil
- British Indian Ocean Territory
- British Virgin Islands
- Brunei
- Bulgaria
  
- Burkina Faso
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- Guernsey
- Guinea
- Guinea-Bissau
  
- Guyana
  
- Haiti
- Heard Island and McDonald Islands
- Honduras
- Hong Kong
  
- Hungary
  
- Iceland
- India
- Indonesia
- Iran
  
- Iraq
  
- Ireland
- Isle of Man
- 
  
- Montserrat
- Morocco
- Mozambique
- Myanmar/Burma
  
- Namibia
- Nauru
  
- Nepal
  
- Netherlands
- New Caledonia
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- Nicaragua
  
- Niger
  
- Nigeria
- Niue
- Norfolk Island
- Northern Mariana Islands
- North Korea
- North Macedonia
- Norway
- Oman
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- Sri Lanka
- Sudan
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- Sweden
- Switzerland
  
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- Turks and Caicos Islands
- Tuvalu
  
- Uganda
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| <input type="radio"/> Denmark                          | <input type="radio"/> Liberia    | <input type="radio"/> Saint Lucia                                       |  |

\* Field of activity or sector (if applicable)

- Accounting
- Auditing
- Banking
- Credit rating agencies
- Insurance
- Pension provision
- Investment management (e.g. hedge funds, private equity funds, venture capital funds, money market funds, securities)
-

Market infrastructure operation (e.g. CCPs, CSDs, Stock exchanges)

- Social entrepreneurship
- Other
- Not applicable

The Commission will publish all contributions to this public consultation. You can choose whether you would prefer to have your details published or to remain anonymous when your contribution is published. **For the purpose of transparency, the type of respondent (for example, 'business association, 'consumer association', 'EU citizen') country of origin, organisation name and size, and its transparency register number, are always published. Your e-mail address will never be published.** Opt in to select the privacy option that best suits you. Privacy options default based on the type of respondent selected

### \* Contribution publication privacy settings

The Commission will publish the responses to this public consultation. You can choose whether you would like your details to be made public or to remain anonymous.

**Anonymous**

Only organisation details are published: The type of respondent that you responded to this consultation as, the name of the organisation on whose behalf you reply as well as its transparency number, its size, its country of origin and your contribution will be published as received. Your name will not be published. Please do not include any personal data in the contribution itself if you want to remain anonymous.

**Public**

Organisation details and respondent details are published: The type of respondent that you responded to this consultation as, the name of the organisation on whose behalf you reply as well as its transparency number, its size, its country of origin and your contribution will be published. Your name will also be published.

I agree with the [personal data protection provisions](#)

## 1. General questions

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Current EU rules regarding retail investors (e.g. [UCITS \(undertakings for the collective investment in transferable securities\)](#), [PRIIPs \(packaged retail investment and insurance products\)](#), [MiFID II \(Markets in Financial Instruments Directive\)](#), [IDD \(Insurance Distribution Directive\)](#), [PEPP \(pan european pension product\)](#), or [Solvency II \(Directive on the taking-up and pursuit of the business of insurance and reinsurance\)](#)) aim at empowering investors, in particular by creating transparency of the key features of investment and insurance products but also at protecting them, for example through safeguards against mis-selling.



**Question 1.1 Does the EU retail investor protection framework sufficiently empower and protect retail investors when they invest in capital markets?**

- Yes
- No
- Don't know / no opinion / not applicable

**Please explain your answer to question 1.1 and provide examples:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The existing regulations are generally adequate, but they may hinder the participation of consumer with smaller savings. Small investments, e.g. a minimum of 40 euros per month, should have easier access to the capital market. At the moment, realistically the "small" retail investor has merely access to execution-only options, which make a certain financial literacy or pre-education a prerequisite.

Therefore, there is some risk that the lack of advice leads to consumers buying unsuitable products (for instance through gamification). It might not be possible within the brokerage business to ask the retail investor about the investment horizon and the investment objective, whereas those topics usually get addressed in a consultative environment. The limited information on certain aspects will also apply to ESG-related investment topics, where potential retail investors might seek information that are more difficult to get across in a classical brokerage-only setting.

While aimed at protecting retail investors, some rules may require specific procedures to be followed (e.g. the need to use investment advice and complete a suitability assessment) or may limit investment by retail investors (e.g. by warning against purchase of certain investment products or even completely prohibiting access).

**Question 1.2 Are the existing limitations justified, or might they unduly hinder retail investor participation in capital markets?**

- Yes, they are justified
- No, they unduly hinder retail investor participation
- Don't know / no opinion / not applicable

**Please explain your answer to question 1.2:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Some investors may actually be deterred to invest if they feel that they need to be qualified first in order to get access to the product.

ELTIF regulations have introduced conditions that currently hinder retail investor participation, such as strict redemptions rules, limits to the maturity of the funds etc. Investor protection rules are misaligned in particular between products under MiFID and insurance-based investment products covered by IDD.

**Question 1.3 Are there any retail investment products that retail investors are prevented from buying in the EU due to constraints linked to existing existing EU regulation?**

- Yes
- No
- Don't know / no opinion / not applicable

**Please explain your answer to question 1.3:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Retail AIF should be considered as non-complex financial instruments. Re: ELTIFs – see above.

**Question 1.4 What do you consider to be factors which might discourage or prevent retail investors from investing?**

	1 (strongly disagree)	2 (rather disagree)	3 (neutral)	4 (rather agree)	5 (strongly agree)	Don't know - No opinion - Not applicable
Lack of understanding by retail investors of products?	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack of understanding of products by advisers?	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack of trust in products?	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
High entry or management costs?	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack of access to reliable, independent advice?	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack of access to redress?	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Concerns about the risks of investing?	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Uncertainties about expected returns?	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack of available information about products in other EU Member States?	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

**Question 1.5 Do you consider that products available to retail investors in the EU are:**

	1 (strongly disagree)	2 (rather disagree)	3 (neutral)	4 (rather agree)	5 (strongly agree)	Don't know - No opinion - Not applicable
Sufficiently accessible	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Understandable for retail investors	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Easy for retail investors to compare with other products	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Offered at competitively priced conditions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Offered alongside a sufficient range of competitive products	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Adapted to modern (e.g. digital) channels	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Adapted to Environmental, Social and Governance (ESG) criteria	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Question 1.6 Among the areas of retail investment policy covered by this consultation, in which area (or areas) would the main scope for improvement lie in order to increase the protection of investors?**

Please select as many answers as you like

- financial literacy
- digital innovation
- disclosure requirements
- suitability and appropriateness assessment
- reviewing the framework for investor categorisation
- inducements and quality of advice
- addressing the complexity of products
- redress
- product intervention powers
- sustainable investing
- other

**Please explain your answer to question 1.6:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

## 2. Financial literacy

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For many individuals, financial products and services remain complex. To empower individuals to adequately manage their finances as well as invest, it is of crucial importance that they are able to understand the risks and rewards surrounding retail investing, as well as the different options available. However, as shown by the [OECD/INFE 2020 international survey of adult financial literacy](#), many adults have major gaps in understanding basic financial concepts.

While the main responsibility for financial education lies with the Member States, there is scope for Commission initiatives to support and complement their actions. In line with the [2020 capital markets union action plan](#), Directorate General for Financial Stability, Financial Services and Capital Markets Union (DG FISMA) published a [feasibility assessment report](#) and will, together with the OECD, develop a financial competence framework in the EU. In addition, the need for a legislative proposal to require Member States to promote learning measures that support the financial education of individuals, in particular in relation to investing will be assessed.

**Question 2.1 Please indicate whether you agree with the following statement: Increased financial literacy will help retail investors to**

	1 (strongly disagree)	2 (rather disagree)	3 (neutral)	4 (rather agree)	5 (strongly agree)	Don't know - No opinion - Not applicable
Improve their understanding of the nature and main features of financial products	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Create realistic expectations about the risk and performance of financial products	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Increase their participation in financial markets	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Find objective investment information	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Better understand disclosure documents	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Better understand professional advice	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Make investment decisions that are in line with their investment needs and objectives	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Follow a long-term investment strategy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

**Question 2.2 Which further measures aimed at increasing financial literacy (e.g. in order to promote the OECD/Commission financial literacy competence framework) might be pursued at EU level?**

**Please explain your answer, taking into account that the main responsibility for financial education lies with Member States:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Given that the responsibility for education lies with Member States (and often exclusively on the regional level, such as in Germany), the EU can only take a limited role. It can recommend that Member States pass measures to increase financial literacy and to offer easy-to-understand financial information across all age ranges. More concretely, the Commission can fund private initiatives in the field of financial education, provided that they act neutrally.

### 3. Digital innovation

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Digitalisation and technological innovation and the increasing popularity of investment apps and web-based platforms are having profound impacts on the way people invest, creating new opportunities (e.g. in terms of easier access to investment products and capital markets, easier comparability, lower costs, etc.). However technological change can also carry risks for consumers (e.g. easier access to potentially riskier products). These changes may pose challenges to existing retail investors, while investor protection rules may no longer be fit for purpose.

Open finance, (i.e. giving greater access to customer data held by financial institutions to third party service providers to enable them to offer more personalised services) can, in the field of investment services, lead to better financial products, better targeted advice and improved access for consumers and greater efficiency in business-to-business transactions. In the [September 2020 digital finance strategy](#), the Commission announced its intention to propose legislation on a broader open finance framework.

**Question 3.1 What might be the benefits or potential risks of an open finance approach (i.e. similar to that developed in the field of payment services which allowed greater access by third party providers to customer payment account information) in the field of retail investments (e.g. enabling more competition, tailored advice, data privacy, etc.)?**

**Please explain your answer**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As an asset manager, we have a B2B2C model; therefore, open finance influences our distributors directly, and we face indirect consequences. Our main interest is the consumers' trust in a market that provides them with an excellent choice of investment products, giving them incentives to invest in capital markets (especially at times of negative interest rates), but at the same time avoiding mis-selling or capital and data risks. An open finance approach would especially impact distributors and digital distribution platforms and create both opportunities and risks for retail investors.

Increased accessibility to client data can help to enable more tailored, automated, dynamic and accessible advice to retail investors. The advice would be built on more holistic information about the client's (financial) situation, such as automatically processed information about income, expenses, savings, liabilities and pension claims. The automated collection and aggregation of different client data sources would hopefully improve the quality of the investment advice while reducing its costs. Product comparability and consequently competitiveness could improve through the emergence of more investment product comparison tools/services that draw on client data made accessible through an open finance approach. For example, if a financial adviser has access to a consumer's individual pension data (aggregating claims from the public pension system, occupational and private pensions), they can spot individual gaps in retirement planning better. In addition, using robo-advisors, automated data input and storage can lead to more convenience and a higher-quality product offering for the end client.

Besides those benefits, an open finance approach could also lead to several risks for retail investors. Given the high sensitivity and value of financial data, data privacy and security concerns need to be considered. Increasing automation of investment advice could also lead to lower quality or even misleading advice. An open finance approach could also lead to increasing market fragmentation and more variability in service quality given the entry of new players. A great amount of choice between providers may also cause overload on the customer's side – too much choice can lead to inaction, which would not be a welcome outcome for retirement savings. There will need to be an adequate standard for data privacy, given the specific sensitivity of the data recording an individual's investments. Too high standards can lead to insurmountable market entry barriers; too low standards may lead to data leakages.

### **Question 3.2 What new tools or services might be enabled through open finance or other technological innovation (e.g. digital identity) in the financial sector ?**

#### **Please explain your answer**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

In the first instance, open finance can lead to product comparison tools giving the end consumer tailor-made outcomes and direct opportunities to invest their money. Digital identity solutions can lead to massive efficiencies, if a consumer can easily buy new products online without having to fill in lengthy forms and waiting for manual back-office checks. Furthermore, investment product development and innovation could become more client data driven. Other technological innovations such as digital identities, blockchain-based KYC platforms, central bank digital currencies and tokenization of assets and funds could lead to a streamlined and more efficient asset management value chain and hence lower costs to retail investors.

By making the contents of publicly available documentation machine-readable, the data within them can be easily extracted and used for various purposes, such as aggregation, comparison, or analysis. In the field of retail investment, examples would include portfolio management apps, robo advisors, comparison websites, pension dashboards, etc. DG FISMA has already started work in this area in the context of the European Single Access Point. Machine-readability is also required by newly proposed legislation, such as the [Markets in Crypto-Assets Regulation \(MiCA\)](#), whilst legacy legal framework will need adaptation.



In the field of retail investment, applicable EU legislation does not currently require documents to be machine-readable. However, some private initiatives are already demonstrating that there is interest from market actors in more standardisation and machine-readability of the data provided within existing retail investment information documents, such as the PRIIPs KID or MiFID disclosures. Requiring machine readability of disclosure documents from scratch could help to open business opportunities for third parties, for example by catering to the needs of advisers and retail investors who prefer direct access to execution only venues.

### **Question 3.3 Should the information available in various pre-contractual disclosure documents be machine-readable?**

- Yes
- No
- Don't know / no opinion / not applicable

#### **Please explain your answer to question 3.3:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Creating machine-readable pre-contractual disclosure documents would facilitate an easier aggregation and dissemination of financial product information. This may bring benefits to the retail consumer, who, through a comparison website or similar tool/service, would be able to compare the key metrics/terms/analytics and allow them choose the appropriate product which meets their requirements. Such comparison tools would also force all asset managers who wish to compete in the market to adopt the machine readable format.

Any potential formatting requirements for pre-contractual disclosure documents (such as being machine readable) should be taken with an ultimate goal in mind and leveraging already existing and available information, e.g. such as on the European Single Access Point (ESAP). Eventually, any requirements regarding pre-contractual documents and their availability should lead to more harmonisation at EU level, close the gaps and improve the coherence between the different EU rules and regulations and thus, create the much needed level playing field for retail investors in a multi-jurisdictional European retail investment market.

Rules on marketing and advertising of investment products remain predominantly a national competence, bound up in civil and national consumer protection law, although the [2019 legislative package on cross-border distribution of investment funds](#) does remove some cross-border national barriers.

### **Question 3.4 Given the increasing use of digital media, would you consider that having different rules on marketing and advertising of investment products constitutes an obstacle for retail investors to access investment products in other EU markets?**

- Yes
- No
- Don't know / no opinion / not applicable

#### **Please explain your answer to question 3.4:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

In theory, yes. However, a great majority of retail investors tend to buy products in their home country.

Under MiFID product governance rules, which also regulate marketing communication, firms are prevented from presenting products in ways which might mislead clients (e.g. the information should not disguise, diminish or obscure important items, the information should give a fair and prominent indication of any relevant risks when referencing any potential benefits of a financial instrument, all costs and charges should be disclosed, the nature of the product must be explained, etc.).

**Question 3.5 Might there be a need for stricter enforcement of rules on online advertising to protect against possible mis-selling of retail investment products?**

- Yes
- No
- Don't know / no opinion / not applicable

**Please explain your answer to question 3.5:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The rules for classic online advertising are sufficient, but more attention should be put to social-media channels. People who publish and/or promote financial products should be qualified for doing so – and there should be contextualisation / appropriate warning signs where that is not case.

**Question 3.6 Would you see a need for further EU coordination /harmonisation of national rules on online advertising and marketing of investment products?**

- Yes
- No
- Don't know / no opinion / not applicable

**Please explain your answer to question 3.6, including which rules would require particular attention:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

For a pan-European asset manager operating in multiple jurisdictions, any harmonisation, also regarding online advertising and marketing of investment products, subject to the maintenance of appropriate levels of

investor protection, would create efficiencies. This would create an EU-wide advertising and marketing market on the basis of an EU rule book. It would enable financial actors to operate in an efficient manner which would generate cost savings that would ultimately benefit investors.

In February 2021, in the context of speculative trading of GameStop shares, [ESMA issued a statement](#) urging retail investors to be careful when taking investment decisions based exclusively on information from social media and other unregulated online platforms, if they cannot verify the reliability and quality of that information.

**Question 3.7 How important is the role played by social media platforms in influencing retail investment behaviour (e.g. in facilitating communication between retail investors, but also increasing herding behaviour among investors or for large financial players to collect data on interest in certain stocks or financial products)?**

- Not at all important
- Rather not important
- Neutral
- Somewhat important
- Very important
- Don't know / no opinion / not applicable

**Please explain your answer to question 3.7:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Social media is clearly becoming more important. We recognise the high importance that social media platforms have in influencing retail investment behaviour. Social media platforms are especially popular with younger generations which use the platforms for social networking and as a source of information. DWS recognizes several risks for retail investors relying on social media for their investment decisions, such as increased speculative trading or rash investment decisions.

**Question 3.8 Social media platforms may be used as a vehicle by some users to help disseminate investment related information and may also pose risks for retail investment, e.g. if retail investors rely on unverified information or on information not appropriate to their individual situation. How high do you consider this risk?**

- Not at all significant
- Not so significant
- Neutral
- Somewhat significant
- Very significant
-

Don't know / no opinion / not applicable

[MiFID II](#) regulates the provision of investment advice and marketing communication suggesting, explicitly or implicitly, an investment strategy. Information about investment opportunities are increasingly circulating via social media, which can prompt people to decide to invest on the basis of information that is unverified, may be incorrect or unsuited to the individual customer situation. This information may be circulated by individuals without proper qualification or authorisation to do so. The [Market Abuse Regulation \(MAR\)](#) also contains provisions which forbid the dissemination of false information and forbid collaboration between persons (e.g. brokers recommending a trading strategy) to commit market abuse.

**Question 3.9 Do the rules need to be reinforced at EU level with respect to dissemination of investment related information via social media platforms?**

- Yes
- No
- Don't know / no opinion / not applicable

**Please explain your answer to question 3.9:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Dissemination of investment related information is already regulated. It is the enforcement of the rules on social media that would need to be improved. Social media should verify and police content providers for compliance and integrity.

On-line investment brokers, platforms or apps, which offer execution only services to retail investors, are subject to the relevant investor protection rules for such services under the MiFID framework. While such on-line investment platforms may offer advantages for retail investors, including a low level of fees and the ease of access to a large variety of investment products, such platforms may also present risks, e.g. in case of inadequacy of appropriateness checks, lack of understanding of individual investors lack or inadequate disclosure of costs.

**Question 3.10 Do you consider that retail investors are adequately protected when purchasing retail investments on-line, or do the current EU rules need to be updated?**

- Yes, consumers are adequately protected
- No, the rules need to be updated
- Don't know / no opinion / not applicable

**Please explain your answer to question 3.10:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

**Question 3.11** When products are offered online (e.g. on comparison websites, apps, online brokers, etc.) how important is it that lower risk or not overly complex products appear first on listings?

- Not at all important
- Rather not important
- Neutral
- Somewhat important
- Very important
- Don't know / no opinion / not applicable

**Please explain your answer to question 3.11:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

## 4. Disclosure requirements

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Rules on pre-contractual and on-going disclosure requirements are set out for different products in [MiFID II](#), the [Insurance Distribution Directive](#), [AIFMD \(Alternative Investment Fund Managers Directive\)](#), [UCITS](#), [PEPP](#) and the [Solvency II](#) framework, as well as in horizontal EU legislation (e.g. [PRIIPs](#) or the [Distance Marketing Directive](#)) and national legislation. The rules can differ from one instrument to another, which may render comparison of different products more difficult.

**Question 4.1 Do you consider that pre-contractual disclosure documentation for retail investments, in cases where no Key Information Document is provided, enables adequate understanding of:**

	1 (strongly disagree)	2 (rather disagree)	3 (neutral)	4 (rather agree)	5 (strongly agree)	Don't know - No opinion - Not applicable
The nature and functioning of the product	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The costs associated with the product	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The expected returns under different market conditions	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The risks associated with the product	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

## **Please explain your answer to question 4.1:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

If at all, retail investors tend to read short documents with precise information only. Therefore pre-contractual documentation for retail investors needs to be in a comprehensive and condensed form.

**Question 4.2 Please assess the different elements for each of the following pieces of legislation:**

**Question 4.2.1 PRIIPs Key Information Document**

**Question 4.2.1 a) PRIIPS: Is the pre-contractual information provided to retail investors for each of the elements below sufficiently understandable and reliable so as to help them take retail investment decisions? Please assess the level of understandability:**

	1 (very low)	2 (rather low)	3 (neutral)	4 (rather high)	5 (very high)	Don't know - No opinion - Not applicable
PRIIPs Key Information Document (as a whole)	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Information about the type, objectives and functioning of the product	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Information on the risk-profile of the product, and the summary risk indicator	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Information about product performance	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Information on cost and charges	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Information on sustainability-aspects of the product	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>



**Question 4.2.1 b) PRIIPS: Is the pre-contractual information provided to retail investors for each of the elements below sufficiently reliable so as to help them take retail investment decisions? Please assess the level of reliability:**

	1 (very low)	2 (rather low)	3 (neutral)	4 (rather high)	5 (very high)	Don't know - No opinion - Not applicable
PRIIPs Key Information Document (as a whole)	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Information about the type, objectives and functioning of the product	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Information on the risk-profile of the product, and the summary risk indicator	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Information about product performance	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Information on cost and charges	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Information on sustainability-aspects of the product	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Question 4.2.1 c) PRIIPS: Is the amount of information provided for each of the elements below insufficient, adequate, or excessive?**

	1 (insufficient)	2 (adequate)	3 (excessive)	Don't know - No opinion - Not applicable
PRIIPs Key Information Document (as a whole)	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Information about the type, objectives and functioning of the product	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Information on the risk-profile of the product, and the summary risk indicator	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Information about product performance	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Information on cost and charges	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Information on sustainability-aspects of the product	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Please explain your answer to question 4.2.1:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

A comparison of different products is still difficult even if they compete for the same customer. Different regulations, standards for risk assessment, cost transparency and formats nationally and internationally make comparisons difficult. Due to the way PRIIP information is presented, this will by no means become much easier because the PRIIPs Regulation tries to show too much in too complex formats whereas for retail savers 'less is often more'. Stochastic models trying to point out what the future may or may not bring under different circumstances and in case of MOP with dozens or hundreds of options eventually result in the mind of the customer as "I may lose everything or may be rich in the end". This information can be transported in a more compact way that PRIIPs intends to do. Information about product performance may be very misleading due to the way the product provider has to calculate these scenarios. So again, less granularity and less mathematics may be of more use for an end-client.

Because of the set rules we have seen things like negative cost figures even though we pointed out that these are strongly misleading and do not exist in the real world, showing them became an obligation, even though they have nothing to do with the real cost of the product. So PRIIP in essence has brought down cost transparency instead of increasing it.

**Question 4.2.2 Insurance Product Information Document**

**Question 4.2.2 a) IDD: Is the pre-contractual information provided to retail investors for each of the elements below sufficiently understandable and reliable so as to help them take retail investment decisions? Please assess the level of understandability:**

	1 (very low)	2 (rather low)	3 (neutral)	4 (rather high)	5 (very high)	Don't know - No opinion - Not applicable
Insurance Product Information Document (as a whole)	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Information about the insurance distributor and its services	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Information on the insurance product (conditions, coverage etc.)	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Information on cost and charges	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Question 4.2.2 b) IDD: Is the pre-contractual information provided to retail investors for each of the elements below sufficiently reliable so as to help them take retail investment decisions? Please assess the level of reliability:**

	1 (very low)	2 (rather low)	3 (neutral)	4 (rather high)	5 (very high)	Don't know - No opinion - Not applicable

Insurance Product Information Document (as a whole)	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Information about the insurance distributor and its services	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Information on the insurance product (conditions, coverage etc.)	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Information on cost and charges	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Question 4.2.2 c) IDD: Is the amount of information provided for each of the elements below insufficient, adequate, or excessive?**

	1 (insufficient)	2 (adequate)	3 (excessive)	Don't know - No opinion - Not applicable
Insurance Product Information Document (as a whole)	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Information about the insurance distributor and its services	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Information on the insurance product (conditions, coverage etc.)	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

Information on cost and charges	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
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**Please explain your answer to question 4.2.2:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

All in all, the proposal form for a normal unit-linked life insurance policy can contain a three-digit number of pages ranging from information on funds, data protection ESG information, legal issues, terms and conditions, on local disclosure requirements, etc. If you want to demotivate a consumer from reading a document, you will have to produce dozens of pages of information. The likelihood of the average saver reading and understanding this without help is close to zero. The likelihood of him/her finding and understanding the relevant information is even lower. That way, unpleasant information remains hidden in the documents. And it is not even because product providers want to hide is but they simply have to produce more and more paper to fulfil regulatory 'upgrades' every year.

**Question 4.2.3 PEPP Key Information Document**

**Question 4.2.3 a) PEPP: Is the pre-contractual information provided to retail investors for each of the elements below sufficiently understandable and reliable so as to help them take retail investment decisions? Please assess the level of understandability:**

	1 (very low)	2 (rather low)	3 (neutral)	4 (rather high)	5 (very high)	Don't know - No opinion - Not applicable
PEPP Key Information Document (as a whole)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Information about the PEPP provider and its services	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Information about the safeguarding of investments	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

Information on cost and charges	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Information on the pay-out phase	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

**Question 4.2.3 b) PEPP: Is the pre-contractual information provided to retail investors for each of the elements below sufficiently reliable so as to help them take retail investment decisions? Please assess the level of reliability:**

	1 (very low)	2 (rather low)	3 (neutral)	4 (rather high)	5 (very high)	Don't know - No opinion - Not applicable
PEPP Key Information Document (as a whole)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Information about the PEPP provider and its services	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Information about the safeguarding of investments	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Information on cost and charges	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Information on the pay-out phase	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

**Question 4.2.3 c) PEPP: Is the amount of information provided for each of the elements below insufficient, adequate, or excessive?**

				Don't know - No opinion
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	1 (insufficient)	2 (adequate)	3 (excessive)	Not applicable
PEPP Key Information Document (as a whole)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Information about the PEPP provider and its services	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Information about the safeguarding of investments	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Information on cost and charges	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Information on the pay-out phase	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

**Please explain your answer to question 4.2.3:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As we do not consider PEPP an attractive and marketable product for our clients, we have refrained from answering the questions above.

**Question 4.3 Do you consider that the language used in pre-contractual documentation made available to retail investors is at an acceptable level of understandability, in particular in terms of avoiding the use of jargon and sector specific terminology?**

- Yes
- No
- Don't know / no opinion / not applicable

### **Please explain your answer to question 4.3:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Given a generally inadequate level of financial education, the language in legally required prospectuses can be simplified further. Key Information Documents designed towards after the existing legal requirements tend to be comprehensible for consumers. In both cases, there could be realistic, relatable examples in absolute numbers (rather than percentages).

### **Question 4.4 At what stage of the retail investor decision making process should the Key Information Document (PRIIPs KID, PEPP KID, Insurance Product Information Document) be provided to the retail investor? Please explain your answer:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Without advice or investment brokerage, the document should be handed out before the decision is made by the retail investor. As part of the advice / investment brokerage, the product is usually verbally explained to the retail investor so that the document could also be handed over at the end. This should be done ideally with enough time to (re)consider and make an educated decision. But the timing does not play any relevant role if the full package contains dozens or even hundred(s) of pages, because they will simply not read it and relevant information about cost or risk or sustainability will go unnoticed.

The exemption here are savings plan ("Sparpläne" as a German product category). Here handing over the key information should only be required when entering into the original contract, i.e. not when changes are made that do not affect the original product characteristics, e.g. when amending the amount of monthly contributions.

### **Question 4.5 Does pre-contractual documentation for retail investments enable a clear comparison between different investment products?**

- Yes
- No
- Don't know / no opinion / not applicable

### **Please explain your answer to question 4.5:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

In its current format under MiFID, IDD, PRIIPs most obligatory documents are equally difficult to understand and compare. At least in areas where products compete this should be easily feasible for an end consumer (1-2 pages with the essence of the product). PRIIPs however tries to make comparable almost everything whereas it is out of the question that a structured product will ever be compared to an occupational pension. This results in too many varieties, hence more and more information to show, hence a document that cannot be understood by most consumers (as a whole) comparison is almost out of the question without help.



**Question 4.6 Should pre-contractual documentation for retail investments enable as far as possible a clear comparison between different investment products, including those offered by different financial entities (for example, with one product originating from the insurance sector and another from the investment funds sectors)?**

- Yes
- No
- Don't know / no opinion / not applicable

**Please explain your answer to question 4.6:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Yes, as long as they are in competition with each other, e.g. a unit linked policy should be comparable with a fund saving plan. Otherwise, comparing different classes of investment products in one document context might be too difficult to understand for retail investors. A disability cover with investment options for profit participation elements does not have to be comparable to a fund saving plan.

**Question 4.7 a) Are you aware of any overlaps, inconsistencies, redundancies, or gaps in the EU disclosure rules (e.g. PRIIPS, MiFID, IDD, PEPP, etc.) with respect to the way product cost information is calculated and presented?**

- Yes
- No
- Don't know / no opinion / not applicable

**Please explain your answer to question 4.7 a), and indicate which information documents are concerned:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Currently you will find three forms of cost disclosure for the same investment fund: PRIIP, MiFID, UCITS, in many cases the figures will be different from each other. How shall a consumer make a decision which figure is 'correct', they all are but under different (and sometimes erroneous) obligations in different regulatory frameworks. You may find products that are entirely identical but will show different cost disclosure, using the same denomination of the cost element (e.g. Reduction in yield) but due to the different regulatory context with different values. For example insurers in Germany may have three (!) different RIY figures for the same product: one under PRIIPs, one under German insurance contract law obligations and one under national „Riester“ disclosure rules. If the customer takes the cheapest of the three he actually buys the same product. In some cases he may even choose the less favourable one just because the best product in the given context is obliged to operate with the highest cost ever possible (Riester) whereas other regulations have different rules.

**Question 4.7 b) Are you aware of any overlaps, inconsistencies, redundancies, or gaps in the the EU disclosure rules (e.g. PRIIPS, MiFID, IDD, PEPP, etc.) with respect to the way risk information is calculated and presented?**

- Yes
- No
- Don't know / no opinion / not applicable

**Please explain your answer to question 4.7 b), and indicate which information documents are concerned:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Currently we publish two risk ratings on a scale of seven, one for UCITS, one for PRIIPs for the same fund. They may be identical but generally they are 1 to 2 classes apart. Mostly fund provider websites would be concerned.

**Question 4.7 c) Are you aware of any overlaps, inconsistencies, redundancies, or gaps in the the EU disclosure rules (e.g. PRIIPS, MiFID, IDD, PEPP, etc.) with respect to the way performance information is calculated and presented?**

- Yes
- No
- Don't know / no opinion / not applicable

**Please explain your answer to question 4.7 c), and indicate which information documents are concerned:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Different and contradictive cost disclosure rules (MiFID, UCITS, PRIP, Riester, insurance contract law)  
different risk disclosure methods (Riester, PRIIP, UCITS).

**Question 4.7 d) Are you aware of any overlaps, inconsistencies, redundancies, or gaps in the the EU disclosure rules (e.g. PRIIPS, MiFID, IDD, PEPP, etc.) with respect to other elements?**

-

- Yes
- No
- Don't know / no opinion / not applicable

**Question 4.8 How important are the following types of product information when considering retail investment products?**

	1 (not relevant)	2 (relevant, but not crucial)	3 (essential)	Don't know / no opinion / not applicable
Product objectives / main product features	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Costs	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Past performance	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Guaranteed returns	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Capital protection	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Forward-looking performance expectation	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Risk	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Ease with which the product can be converted into cash	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

**Please explain your answer to question 4.8:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The importance of the different elements of information depend on the types of investment and type of investor. For example, for a product with a capital guarantee an information on the guaranteed returns is crucial – for all other products such information would be irrelevant. Costs, performance, and Product objectives/main product features are generally essential.

A forward-looking performance expectation does not constitute product disclosure but should be part of the advisory process and it depends on customer expectations of the future, whereas PRIIP tries to extrapolate the future with a look in the rear-view mirror.

MiFID II has established a comprehensive cost disclosure regime that includes requiring that appropriate information on costs in relation to financial products as well as investment and ancillary services is provided in good time to the clients (i.e. before any transaction is concluded and on an annual basis, in certain cases).

#### **Question 4.9 Do you consider that the current regime is sufficiently strong to ensure costs and cost impact transparency for retail investors?**

**In particular, would an annual ex post information on costs be useful for retail investors in all cases?**

- Yes
- No
- Don't know / no opinion / not applicable

#### **Please explain your answer to question 4.9:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

There is still an investigation by the ESMA/EIOPA on costs of funds and distribution fees, whereas if the customer knew that both cost them, say, 1,000€, it would be irrelevant. In that case the commission would even have the advantage that you would only pay the advice once you are convinced and buy, whereas in a fee-based world you always pay. Cost transparency as under MiFID is exaggerated and simply generates a lot of unsolicited mail in the consumer's inbox with low or limited relevance. Too much information at some stage equals no information at all.

Studies show that due to the complexity of products and the amount of the aggregate pre-contractual information provided to retail investors, there is a risk that investors are not able to absorb all the necessary information due to information overload. This can lead to suboptimal investment decisions.

#### **Question 4.10 What should be the maximum length of the PRIIPs Key Information Document, or a similar pre-contractual disclosure document, in terms of number of words?**

#### **Please explain your answer:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

In light of the current page limitations and mindful of the historic experience in the context of simplified prospectuses, we would still advocate for the current page limitations of two to three pages to be extended to three to five pages. We believe that such an extension would still be proportionate and give product issuers more room to replace jargon with simplified but space consuming language. At the same time, up to five pages of disclosure documents would still enable investors to compare different types of products and thus further retail investments while maintaining high levels of investor protection.

In general terms, a measurement in terms of number of words is not appropriate. 200 words could be full of jargon and complicated formulas, whereas 500 words in an easy-to-understand language, short sentences, meaningful values may help more.

**Question 4.11 How should disclosure requirements for products with more complex structures, such as derivatives and structured products, differ compared to simpler products, for example in terms of additional information to be provided, additional explanations, additional narratives, etc.?**

**Please explain your answer:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The aim should be to have one unique format for complex as well as non-complex products. One key principle is the translation of complex legal language from prospectuses into simple and easy-to-understand phrases. Swaps become “exchange agreements”. A future/forward becomes an agreement to buy a currency at a future point in time. Sentences are short and simple. This requires protection of issuers for the fact that legal documents like prospectuses differ in language from retail investor documents. That difference represents a legal risk to issuers. To facilitate easier language while keeping issuer risk unchanged regulators must agree to easier wording and lighter sentences as well as the fact that only key features, risks and opportunities of a product are explained. It is a matter of fact that detailed particularities of more complex products cannot be fully understood by the majority of retail investors. However, this issue will alleviate over time if and when financial literacy of investors increases.

**Question 4.12 Should distributors of retail financial products be required to make pre-contractual disclosure documents available:**

- On paper by default?
- In electronic format by default, but on paper upon request?
- In electronic format only?
- Don't know / no opinion / not applicable

**Please explain your answer to question 4.12:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Electronic communication is key, however retail investors should still (at least during a transition period) for the time being be allowed to request their pre-contractual disclosure documents in paper form.

**Question 4.13 How important is it that information documents be translated into the official language of the place of distribution?**

- Not at all important
- Rather not important
- Neutral
- Somewhat important
- Very important
- Don't know / no opinion / not applicable

**Please explain your answer to question 4.13:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Pre-contractual disclosure documents need to be available in the official language of the jurisdiction of distribution as is the case with UCITS KIDs today. However, for funds which are launched for example in Luxembourg and are then distributed in various countries, it should be sufficient to produce all legal documentation (e.g. sales prospectuses and annual reports etc.) in English language as a default. Any additional languages should be optional and under the discretion of the distributing entity.

From a manufacturer's perspective, the translation of information documents into the various official languages of the countries where products are distributed are per se cumbersome, time consuming and costly. However, looking at this issue from a manufacturing and distributor perspective with investor protection in mind, the translation of information documents into the official languages of the jurisdictions of distribution become more important as a means of distribution, sales and information and thus, investor protection where the product offering documents (e.g. prospectuses etc.) are not available in an official language but merely in English as information documents available in one of the official languages of the jurisdiction of distribution increase the level of investor understanding of a product and thus, investor protection and simultaneously, reduces the risk of mis-selling based on a lack of understanding of a product.

**Question 4.14 How can access, readability and intelligibility of pre-contractual retail disclosure documents be improved in order to better help retail investors make investment decisions?**

**Please explain your answer:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Websites should make it more obvious where to find the documents; sentences should be short and as free from industry jargon as possible. There are methods to judge the language quality in such documents. A minimum rating could be a method to simplify if obligatory text elements will in the future be equally reformed and easy language should be a prerogative.

In terms of access and readability, retail investors should per default receive all pre-contractual retail disclosure documents in electronic form and for the time being (at least during a transition period) be able to request those in paper form.

**Question 4.15 When information is disclosed via digital means, how important is it that:**

	1 (not at all important)	2 (rather not important)	3 (neutral)	4 (somewhat important)	5 (very important)	Don't know - No opinion - Not applicable
There are clear rules to prescribe presentation formats (e.g. readable font size, use of designs/colours, etc.)?	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Certain key information (e.g. fees, charges, payment of inducements, information relative to performance, etc.) is displayed in ways which highlight the prominence?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Format of the information is adapted to use on different kinds of device (for example through use of layering)?	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Appropriately labeled and relevant hyperlinks are used to provide access to supplementary information?	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Use of hyperlinks is limited (e.g. one click only – no cascade of links)?	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Contracts cannot be concluded until the consumer has scrolled to the end of the document?	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>



## Please explain your answer to question 4.15:

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

## 5. The PRIIPs Regulation

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In accordance with the [PRIIPs Regulation](#), and as part of the retail investment strategy, the Commission is seeking views on the PRIIPs Regulation. In February 2021, [the ESAs agreed on a draft amending Regulatory Technical Standard](#) aimed at improving the delegated (level 2) regulation. The Commission is now assessing the PRIIPS Regulation level 1 rules, in line with the review clause contained in the Regulation.

### Core objectives of the PRIIPs Regulation

**Question 5.1 Has the PRIIPs Regulation met the following core objectives:**

**a) Improving the level of understanding that retail investors have of retail investment products:**

- Yes
- No
- Don't know / no opinion / not applicable

**Please explain your answer to question 5.1 a):**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

More and sometimes misleading information is not better information. PRIIPs have created confusion (negative cost figures) and produced so many numbers (scenarios) that the most of the essence of what the KID tries to convey has become virtually invisible.

**b) Improving the ability of retail investors to compare different retail investment products, both within and among different product types:**

- Yes
- No
- Don't know / no opinion / not applicable

**Please explain your answer to question 5.1 b):**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

On the contrary -- products that once were comparable have become even less so due to the duplication of methods in cost, risk and performance disclosure. Just try to compare a direct investment in a fund saving plan with a unit linked policy investing in that same fund.

**c) Reducing the frequency of mis-selling of retail investment products and the number of complaints:**

- Yes
- No
- Don't know / no opinion / not applicable

**Please explain your answer to question 5.1 c):**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

**d) Enabling retail investors to correctly identify and choose the investment products that are suitable for them, based on their individual sustainability preferences, financial situation, investment objectives and needs and risk tolerance:**

- Yes
- No
- Don't know / no opinion / not applicable

**Please explain your answer to question 5.1 d):**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

To some extent the MiFID and IDD requirements to ask savers for risk tolerance (target market) has made it easier for the customer to find the wrong instrument. However as long as the same investment can be category 6/7 under UCITS and 4/7 under PRIIPs that makes it a lot harder than it was before.

**Question 5.2 Are retail investors easily able to find and access PRIIPs KIDs and PEPP KIDs?**

- Yes
- No
- Don't know / no opinion / not applicable

**Please explain your answer to question 5.2:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Prior to investment, retail clients should always be provided with the necessary pre-contractual documentation. The KIDs are also available online.

**Question 5.2.1 What could be done to improve the access to PRIIPs KIDs and PEPP KIDs?**

	Yes	No	Don't know - No opinion - Not applicable
Requiring PRIIPs KIDs and PEPP KIDs to be uploaded onto a searchable EU-wide database	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Requiring PRIIPs KIDs and PEPP KIDs to be uploaded onto a searchable national database	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Requiring PRIIPs KIDs and PEPP KIDs to be made available in a dedicated section on manufacturer and distributor websites	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

**Please explain your answer to question 5.2.1:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

## The PRIIPs KID

**Question 5.3 Should the PRIIPs KID be simplified, and if so, how (while still fulfilling its purpose of providing uniform rules on the content of a KID which shall be accurate, fair, clear, and not misleading)?**

- Yes
- No
- Don't know / no opinion / not applicable

**Please explain your answer to question 5.3:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The cost of creating, making available and archiving documents is significant and can lead to small players exiting the market and bigger companies retreating from smaller markets.

## Implementation and supervision of the PRIIPs Regulation

**Question 5.4 Can you point to any inconsistencies or discrepancies in the actual implementation of the PRIIPs Regulation across PRIIPs manufacturers, distributors, and across Member States?**

- Yes
- No
- Don't know / no opinion / not applicable

**Please explain your answer to question 5.4:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

**5.5 In your experience, is the supervision of PRIIPs KIDs consistent across Member States?**

- Yes
- No

Don't know / no opinion / not applicable

**Please explain your answer to question 5.5:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

**Question.5.6 What is in your experience as a product manufacturer, the cost of manufacturing:**

**5.6 a) A single PRIIPs KID (cost in € per individual product)**

 €

**Please explain your answer to question 5.6 a):**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

**5.6 b) A single PEPP KID (cost in € per individual product)**

 €

**Please explain your answer to question 5.6 b):**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

**5.6 c) A single Insurance Product Information Document (cost in € per individual product)**

 €

**Please explain your answer to question 5.6 c):**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

**Question 5.7 What is in your experience as a product manufacturer the cost of updating:**

**5.7 a) A single PRIIPs KID (cost in € per individual product)**

 €

**Please explain your answer to question 5.7 a):**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

**5.7 b) A single PEPP KID (cost in € per individual product)**

 €

**Please explain your answer to question 5.7 b):**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

**5.7 c) A single Insurance Product Information Document (cost in € per individual product)**

 €

**Please explain your answer to question 5.7 c):**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

### **Question 5.8 Which factors of preparing, maintaining, and distributing the KID are the most costly?**

Please select as many answers as you like

- Collecting product data/inputs
- Performing the necessary calculations
- Updating IT systems
- Quality and content check
- Outsourcing costs
- Other

### **Please explain your answer to question 5.8:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

## **Multiple-Option Products**

For PRIIPs offering the retail investor a range of options for investments (Multiple Option Products) the PRIIPs Regulation currently provides the manufacturer with two different approaches for how to structure the KID:

- A separate KID can be prepared for each investment option (Article 10(a))
- A generic KID covering in general terms the types of investment options offered and separate information on each underlying investment option (Article 10(b))

According to feedback, both of these options present drawbacks, including challenges for retail investors to compare multiple option products with each other, in particular regarding costs.

An alternative approach would therefore be to require the provision of only one information document for the whole Multiple-Option Product, depending on the underlying investment options that the retail investors would prefer.

### **Question 5.9 Should distributors and/or manufacturers of Multiple Option Products be required to provide retail investors with a single, tailor-made,**

**KID, reflecting the preferred underlying portfolio of each investor?**

**What should happen in the case of ex-post switching of the underlying investment options?**

- Yes
- No
- Don't know / no opinion / not applicable

**Please explain your answer to question 5.9:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

In most MOPs there are multiple options that the customer can modify at any time out of the range of available options. So generating a KID based on the initial selection becomes useless, when the customer changes the options (fund shift). Generating a KID for every possible combination of funds in itself is very complicated, if not impossible, seen the complexity of simulations involved that would have to happen at the point of sale.

## Scope

The scope of the PRIIPs Regulation currently excludes certain pension products, despite qualifying under the definition of packaged retail investment products. These include pension products which, under national law, are recognised as having the primary purpose of providing the investor with an income in retirement and which entitle the investor to certain benefits. These also include individual pension products for which a financial contribution from the employer is required by national law and where the employer or the employee has no choice as to the pension product or provider.

**Question 5.10 Should the scope of the PRIIPs Regulation include the following products?**

**a) Pension products which, under national law, are recognised as having the primary purpose of providing the investor with an income in retirement and which entitle the investor to certain benefits:**

- Yes
- No
- Don't know / no opinion / not applicable

**Please explain why the scope of the PRIIPs Regulation should include these pension products:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Yes, unless there is already a framework for national disclosure that would contradict PRIIP KID information. Even if it provides a pension, it is still an investment product in both phases and it should be possible to compare it to alternatives (saving plan plus payout plan)



b) Individual pension products for which a financial contribution from the employer is required by national law and where the employer or the employee has no choice as to the pension product or provider:

- Yes
- No
- Don't know / no opinion / not applicable

**Please explain your answer to question 5.10 b):**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The ability to access past versions of PRIIPS KIDs from a manufacturer is useful in showing how its product portfolio has evolved (e.g. evolution of risk indicators, costs, investment strategies, performance scenarios, etc.) that cannot be understood from simply looking at the latest versions of PRIIPS disclosure documents of currently marketed products.

The ability to access past versions of PRIIPS KIDs from a manufacturer is useful in showing how its product portfolio has evolved (e.g. evolution of risk indicators, costs, investment strategies, performance scenarios, etc.) that cannot be understood from simply looking at the latest versions of PRIIPS disclosure documents of currently marketed products.

**Question 5.11 Should retail investors be granted access to past versions of PRIIPs KIDs?**

- Yes
- No
- Don't know / no opinion / not applicable

**Please explain your answer to question 5.11:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Risk of provision of outdated versions to retail investors and subsequent misinterpretation too severe.

**Question 5.12 The PRIIPs KIDs should be reviewed at least every 12 months and if the review concludes that there is a significant change, also updated.**

**Question 5.12.1 Should the review and update occur more regularly?**

- Yes
- No
- Don't know / no opinion / not applicable

**Question 5.12.2 Should this depend on the characteristics of the PRIIPs?**

- Yes
- No
- Don't know / no opinion / not applicable

**Question 5.12.3 What should trigger the update of PRIIP KIDs?**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Review every 12 months seems appropriate.

**Please explain your answer to question 5.12:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Regular update on an annual basis seems appropriate unless fundamental changes require else.

## 6. Suitability and appropriateness assessment

---

Under current EU rules, an investment firm providing advice or portfolio management to a retail investor must collect information about the client and make an assessment that a given investment product is suitable for them before it can recommend a product to a client or invest in it on the client's behalf. Similar rules exist for the sale of insurance-based investment products and of Pan-European Pension Products. The objective of these rules is to protect retail investors and ensure that they are not advised to buy products that may not be suitable for them. The suitability assessment process may however sometimes be perceived as lengthy and ineffective.

**Question 6.1 To what extent do you agree that the suitability assessment conducted by an investment firm or by a seller of insurance-based investment products serves retail investor needs and is effective in ensuring that they are not offered unsuitable products?**

- Strongly disagree

- Disagree
- Neutral
- Agree
- Strongly agree
- Don't know / no opinion / not applicable

**Please explain your answer to question 6.1:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The current suitability assessment is an appropriate tool for ensuring that investment firms provide investors with suitable investment products. Any further related amendments framework to this need to be easy understandable and implemented in an efficient way to allow clients to invest in capital markets products. Please see also our response to Q 6.2.

One remaining problem with the investor classification is that there is no market standard for how to classify the investor. For example, if a retail investor receives advice from different advisors, he/she will most likely be assigned completely different risk classes.

**Question 6.2 Can you identify any problems with the suitability assessment?**

- Yes
- No
- Don't know / no opinion / not applicable

**Please explain your answer to question 6.2. Please explain how these problems might they be addressed:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

In general the extent of the suitability assessment serves sufficiently to identify the needs of the investor. However, the effectiveness of the suitability assessment suffers considerably from the complexity, time intensity and information overload. Customers are widely dissatisfied due to the increasing time involved of the investment advice. Especially the advice via telephone has suffered in the past, e.g. a decrease of quality and service for retail investors (see study of Deutsche Kreditwirtschaft 2019)

Implementing the new criteria of "Sustainability" into the assessment shows that the assessment itself will need more time, as clients are not able to judge on the same level of information as they might have when it comes to questions around willingness to take a certain risk.

**Question 6.3 Are the rules on suitability assessments sufficiently adapted to the increasing use of online platforms or brokers when they are providing advice?**

- Yes
-

No

- Don't know / no opinion / not applicable

**Please explain your answer to question 6.3:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The rules are currently sufficient. Challenges might come with potential further adoptions and necessary explanations that might need to extend the whole process unduly.

Where investment firms do not provide advice or portfolio management, they are still required to request information on the knowledge and experience of clients to assess whether the investment service or product is appropriate, and to issue a warning in case it is deemed inappropriate. Similar rules apply to sales of insurance-based investment products where in specific cases the customer has made use of a right provided under national law to opt out of a full suitability assessment.

**Question 6.4 To what extent do you agree that the appropriateness test serves retail investor needs and is effective in ensuring that they do not purchase products they are not able to understand or that are too risky for their client profile?**

- Strongly disagree
- Disagree
- Neutral
- Agree
- Strongly agree
- Don't know / no opinion / not applicable

**Please explain your answer to question 6.4:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

An important component in ensuring broad access to the capital market is the non-advised business. The appropriateness test creates with the respective warning the necessary safeguards to ensure that an investor can make a mature, self-decided and informed investment decision.

**Question 6.5 Can you identify any problems with the test and if so, how might they be addressed (e.g. is the appropriateness test adequate in view of the risk of investors purchasing products that may not be appropriate for them)?**

-

- Yes
- No
- Don't know / no opinion / not applicable

**Please explain your answer to question 6.5:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

AIFs like open-ended real estate should be classified as non-complex products to allow retail clients easy access to this asset class.

**Question 6.6 Are the rules on appropriateness tests sufficiently adapted to the increasing use of online platforms or brokers?**

- Yes
- No
- Don't know / no opinion / not applicable

**Please explain your answer to question 6.6:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

**Question 6.7 Do you consider that providing a warning about the fact that a product is inappropriate is sufficient protection for retail investors?**

- Yes
- No
- Don't know / no opinion / not applicable

**Please explain your answer to question 6.7:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

This kind of warning should be sufficient. The most important consideration here is that clients can still act after confirming a warning and that they are not hold up / automatically blocked from an investment.

In case of the execution of orders or transmission and reception of orders of certain non-complex products, at the initiative of the client, no appropriateness test is required. The investment firm must only inform the client that the appropriateness of the service or product has not been assessed and that he/she does not benefit from the protection of the relevant rules on conduct of business.

**Question 6.8 Do you agree that no appropriateness test should be required in such situations?**

- Yes
- No
- Don't know / no opinion / not applicable

**Please explain your answer to question 6.8:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

No test should be required. In the case of small money amounts or products which the retail investor can cancel without loss, an appropriateness test is not necessarily appropriate.

MiFID II requires that when investment firms manufacture financial instruments for sale to clients, they must make sure that:

- those instruments are designed to meet the needs of an identified target market of end clients
- the strategy for distribution of the financial instruments is compatible with the identified target market
- and they must take reasonable steps to ensure that the financial instrument is distributed to the identified target market

The investment firms that offer or recommend such financial instruments (the distributors) must be able to understand them, assess their compatibility with the needs of their clients and take into account the identified target market of end clients.

**Question 6.9 Does the target market determination process (at the level of both manufacturers and distributors) need to be improved or clarified?**

- Yes
- No
- Don't know / no opinion / not applicable

**Please explain your answer to question 6.9:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

All necessary information for distributors is obtainable from central data services such as EMT or WM-Daten in Germany. In our experience, this process is clear and working well.

However, there are still potential improvements. The process could be improved if (i) further pan-European guidance was available when filling out certain categories and (ii) a consistent approach on how to handle distributor feedback could be agreed upon.

Clarification is needed for cases when a product manufacturer advertises that a product is suitable for “anything” and the distributor specifies something else. If the customer has no advisor, they only have the classification of the product by the product manufacturer. The business of the advisor should also not lie in classifying a product itself, but rather in finding the best product for his customer among the possible products. This should be clearer and harmonised across the EU.

## **Demands and needs test (specific to the Insurance Distribution Directive (IDD))**

Before selling an insurance product or insurance-based investment product, insurance distributors are obliged to have a dialogue with their customers to determine their demands and needs so that they are able to propose products offering adequate characteristics and coverage for the specific situation of the customer. Any products proposed must be consistent with the customer’s demands and needs. In the case of insurance-based investment products, this requirement comes in addition to the suitability assessment.

**Question 6.10 To what extent do you agree that, in its current form, the demands and needs test is effective in avoiding mis-selling of insurance products and in ensuring that products distributed correspond to the individual situation of the customer?**

- Strongly disagree
- Disagree
- Neutral
- Agree
- Strongly agree
- Don't know / no opinion / not applicable

**Please explain your answer to question 6.10:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

**Question 6.11 Can you identify any problems with the demands and needs test, in particular its application in combination with the suitability assessment in the case of insurance-based investment products?**

- Yes
- No
- Don't know / no opinion / not applicable

The IDD does not contain detailed rules on the demands and needs test and leaves it to Member States to decide on the details of how the test is applied in practice. This results in differences between Member States.

**Question 6.12 Are more detailed rules needed in EU law regarding the demands and needs test to make sure that it is applied in the same manner throughout the internal market?**

- Yes
- No
- Don't know / no opinion / not applicable

**Please explain your answer to question 6.12:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

**Question 6.13.1 Is the demands and needs test sufficiently adapted to the online distribution of insurance products?**

- Yes
- No
- Don't know / no opinion / not applicable

**Question 6.13.2 Are procedural improvements or additional rules or guidance needed to ensure the correct and efficient application of the test in cases of online distribution?**

- Yes
- No
- Don't know / no opinion / not applicable



## Please explain your answer to question 6.13:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

## 7. Reviewing the framework for investor categorisation

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As announced under Action 8 of the [capital markets union action plan](#), the Commission intends to assess the appropriateness of the existing investor categorisation framework and, if appropriate, adopt a legislative proposal aimed at reducing the administrative burden and information requirements for a subset of retail investors. This will involve the review of the existing investor categorisation (namely the criteria required to qualify as a professional investor) or the introduction of a new category of *qualified* investor in [MiFID II](#).

Currently, under MiFID II, retail investors are defined as those that do not qualify to be professional investors. Where investors choose to opt into the professional category, the intermediary must warn the investor of the level of protection they will cease to have and the investor must comply with at least two of the three following criteria

- the client has carried out transactions, in significant size, on the relevant market for the financial instrument or for similar instruments with an average frequency of at least 10 transactions per quarter over the previous four quarters
- the size of the client's financial instrument portfolio composed of cash deposits and financial instruments must be larger than €500,000
- the client currently holds or has held for at least one year a professional position in the financial sector which requires knowledge of the envisaged financial transactions or services

Retail investors are currently subject to a number of additional investment protection measures, such as prohibition to acquire certain products as well as additional disclosure information. Some stakeholders have argued that for certain investors that currently fall under the retail investor category, these protections are not necessary. The creation of a new client category or the modification of the existing requirements for professional clients on request could thus give a subset of investors a broader and more comprehensive access to the capital markets and would bring additional sources of funding to the EU economy.

A well-developed set-up could allow the preservation of the necessary investor protection while improving the engagement in the capital markets.

The [2020 consultation on MiFID](#) already addressed the question of a possible new category of semi professional investor, and the following questions follow-up on the main findings.

### Question 7.1 What would you consider the most appropriate approach for ensuring more appropriate client categorisation?

	Yes	No	Don't know - No opinion - Not applicable

Introduction of an additional client category (semi-professional) of investors	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Adjusting the definition of professional investors on request	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
No changes to client categorisation (other measures, i.e. increase product access and lower information requirements for all retail investors)	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

## Please explain your answer to question 7.1:

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The best option for improving the process of client categorisation would be improved process for clients to 'opt up', a more straightforward way to move clients to the professional category. Failing that, the second-best option is the creation of a new "semi-professional" investor.

Certain institutional investors cover a very broad spectrum of clients. In the case of pension funds, foundations and family offices, for example, treatment as professional clients within the meaning of MiFID II would make sense under certain conditions, but they do not always meet the requirements for upgrading to a professional client "on request". Furthermore, in the case of illiquid assets it is nearly impossible to carry out an average of 10 transactions of significant size per quarter over the preceding four quarters. The existing MiFID classification of clients into retail, professional and, where appropriate, eligible counterparties does not provide an adequate and satisfying level of flexibility. On the contrary, European requirements in the EuSEF and EuVECA Regulations already show that there is a need for further differentiation of investor types. A new category of a "semi-professional investor" would therefore be a possible solution. The classification of investors should be based on the requirements of the EuSEF/EuVECA Regulations. In any case, varying definitions in the different legal requirements must be avoided.

Alternatively, the requirements for professional clients "on request" could be revised. In many cases, there is a concern that mistakes will be made in the process of upgrading to a professional client „on request“, leading to liability risks, as the criteria are not sufficiently clearly defined. For this reason, the possibility of upgrading is often not used, although it would also be in the interest of potentially professional clients "on request". Pension funds, pension schemes, foundations and family offices should be able to be classified as professional clients "on request". This could also be achieved by revising the existing criteria.

**Question 7.2 How might the following criteria be amended for professional investors upon request?**

**a) The client has carried out transactions, in significant size, on the relevant market at an average frequency of 10 per quarter over the previous four quarters.**

- No change
-

30 transactions on financial instruments over the last 12 months, on the relevant market

- 10 transactions on financial instruments over the last 12 months, on the relevant market
- Other criteria to measure a client's experience
- Don't know / no opinion / not applicable

**Please specify to what other criteria to measure a client's experience you refer in your answer to question 7.2 a):**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

For illiquid instruments a threshold of fewer transactions should be sufficient. If a client invests in a broad diversified mutual funds, this might need fewer than 10 transactions.

If a new client category is introduced, it would be feasible to align it with existing rules in other pieces of legislation. As already explained above, Art. 6 of the EuSEF Regulation and Art. 6 of the EuVECA Regulation contain requirements for clients that are situated between professional and retail clients. In our opinion, a minimum investment amount of 100,000 euros and a written declaration that the investor is aware of the risk associated with the envisaged commitment or investment serve as sufficient criteria for differentiation. Compliance with these criteria need to be checked in each individual case.

Paragraph II of Annex II to MiFID II sets out three criteria, two of which must be complied with in order to classify a client as a professional client "on request". These criteria have turned out to be problematic in practice in various ways:

Criterion 1:

"The client has carried out transactions in significant size, on the relevant market at an average frequency of 10 per quarter over the previous four quarters."

In the case of illiquid assets, for example, it is nearly impossible to meet this criterion, so it is not suitable for the classification of a client as a professional client "on request".

Criterion 2:

"The size of the client's financial instrument portfolio, defined as including cash deposits and financial instruments exceeds EUR 500,000."

We are of the opinion that the sum of EUR 500,000 should be lowered. Even a financial portfolio of EUR 200,000 is significantly higher than what an average retail investor would normally invest.

Criterion 3:

"The client work or has worked in the financial sector for at least one year in a professional position, which requires knowledge of the transactions or services envisaged."

The third criterion is clearly too narrow. There are a large number of clients who do not qualify as working in the "financial sector", but who undoubtedly have professional expertise equivalent to that. Family offices, pension funds, asset managers, corporate treasurers, municipal treasurers, pension funds and foundations, among others, should be given sufficient consideration here.

We therefore recommend extending the options of proving the necessary expertise. For example, the

criterion could be supplemented with „... or has worked in fields that involve financial expertise for at least 3 years or has managed a portfolio of more than EUR 200.000 over the last five years or is holding an academic degree in economics or finance.”

**Please explain your answer to question 7.2 a):**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

For buy & hold products on the illiquid side on which the clients hold frequent meetings with the provider, these should be considered like a liquid product.

**b) The size of the client’s financial instrument portfolio, defined as including cash deposits and financial instruments exceeds EUR 500,000.**

- No change
- Exceeds EUR 250,000
- Exceeds EUR 100,000
- Exceeds EUR 100,000 and a minimum annual income of EUR 100,000
- Other criteria to measure a client’s capacity to bear loss
- Don’t know / no opinion / not applicable

**Please explain your answer to question 7.2 b):**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

See above. We are not supporting further criteria.

**c) The client works or has worked in the financial sector for at least one year in a professional position, which requires knowledge of the transactions or services envisaged.**

- No change
- Extend definition to include relevant experience beyond the financial sector (e.g. in a finance department of a company)
- Adjust the reference to the term ‘transactions’ in the criteria to instead refer to ‘financial instruments’
- Other criteria to measure a client’s financial knowledge

- Don't know / no opinion / not applicable

**Please specify to what other criteria to measure a client's financial knowledge you refer in your answer to question 7.2 c):**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

See above.

**Please explain your answer to question 7.2 c):**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

**d) Clients need to qualify for 2 out of the existing 3 criteria to qualify as professional investors. Should there be an additional fourth criterion, and if so, which one?**

- No change
- Relevant certified education or training that allows to understand financial instruments, markets and their related risks
- An academic degree in the area of finance/business/economics
- Experience as an executive or board member of a company of a significant size
- Experience as a business angel (i.e. evidenced by membership of a business angel association)
- Other criteria to assess a client's ability to make informed investment decisions
- Don't know / no opinion / not applicable

**Please specify to what other criteria to assess a client's ability to make informed investment decisions you refer in your answer to question 7.2 d):**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

See above.

**Please explain your answer to question 7.2 d):**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Companies below the thresholds currently set out in MiFID II (2 of 3: turnover of €40 mln, balance sheet of €20 mln and own funds of €2 mln) would also qualify as retail investors.

**Question 7.3 Would you see merit in reducing these thresholds in order to make it easier for companies to carry out transactions as professional clients?**

- No change
- Reduce thresholds by half
- Other criteria to allow companies to qualify as professional clients
- Don't know / no opinion / not applicable

**Please explain your answer to question 7.3:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

## 8. Inducements and quality of advice

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EU legislation sets out requirements on the provision of investment advice and around the payment of commissions and other forms of inducements to sellers of financial products. In the case of investment services and activities, investment firms must, for example, inform the prospective client whether any advice provided is on an independent basis, about the range of products being offered and any conflicts of interest that may impair independence. Use of inducements is restricted (i.e. any payment must be designed to enhance the quality of the relevant service to the client and it must not impair compliance with the investment firm's duty to act honestly, fairly and professionally in accordance with the best interest of its clients). Any payments to investment firms for the distribution of investment products must

also be clearly disclosed. The rules slightly differ for the sale of insurance-based investment products: inducements may only be received if they do not have a detrimental impact on the quality of the service to the customer. However, there is no general prohibition on the payment of inducements if the seller declares that advice is given independently. Under [UCITS](#) and [AIFMD](#), asset managers are also subject to rules on conflict of interests and inducements.

However despite these rules, concerns have been expressed that the payment of inducements may lead to conflicts of interest and biased advice, since salespersons may be tempted to recommend products that pay the highest inducements, irrespective of whether or not it is the best product for the client. For this reason, the Netherlands has banned the payment of inducements. On the other hand, other stakeholders have argued that the consequence of banning inducements might be that certain retail investors would be unable or unwilling to obtain advice, for which they would need to pay. Questions on inducements have also been asked in the [MiFID/R consultation](#) which was conducted at the beginning of 2020.

**Question 8.1 How effective do you consider the following measures to/would be in protecting retail investors against receiving biased advice due to potential conflicts of interest?**

	1 (not at all effective)	2 (rather not effective)	3 (neutral)	4 (somewhat effective)	5 (very effective)	Don't know - No opinion - Not applicable
Ensuring transparency of inducements for clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
An obligation to disclose the amount of inducement paid	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Allowing inducements only under certain conditions, e.g. if they serve the improvement of quality	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Obliging distributors to assess the investment products they recommend against similar products available on the market in terms of overall cost and expected performance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Introducing specific record-keeping and reporting requirements for distributors of retail investment products to provide a breakdown of products distributed, thus allowing for supervisory scrutiny and better enforcement of the existing rules on inducements	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Introducing a ban on all forms of inducements for every retail investment product across the Union	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>



## Please explain your answer to question 8.1:

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The questioning seems to suggest that commission-based investment advice is, by its nature, of poorer quality than fee-based investment advice, because the commissions paid to the advisor may lead to a conflict of interest. We disagree and argue for continued coexistence of both advisory models.

In essence, if the customer knows how much they pay for the advice and can compare quality and price for different advisory models, the form of the advisor payment is almost irrelevant. Secondary arguments are often forgotten. A commission is only payable when the consumer buys a product. In a fee-based system, the consumer needs to pay a fee even if they are discontent with the advice and do not want to buy a product after all. Customers are aware that both advisory models cost a certain amount of money and can choose the one that suit them most. With the transparency introduced with the last MiFID recast, customers become increasingly aware that commission-based advice is not free for them.

It goes without saying that the interests of the client are also taken into account by the advisor in any commission-based investment advice: on the one hand, this is stipulated in Art. 27 MiFID II Delegated Regulation in conjunction with Art. 16, 23 and 24 MiFID II; on the other hand, the advisor has an interest to retain clients. Furthermore, „fee-based advisors“ are not free of conflicts of interest; e.g. an advisor might restructure a portfolio because he or she can generate additional fee-based advice.

Clients should be free to decide which type of investment advice they wish to make use of. The fact that clients often do not want to receive investment advice on a fee basis is not recognised. In Germany, e.g., the demand of this type of investment advice as an alternative is very low. If one type is abolished in order to promote the other, clients are deprived of their freedom of choice. Here too, however, it is true that clients being patronised does not equal protection of clients.

Commission-based investment advice can be very beneficial for retail investors, particularly for those with smaller amounts of money. Since commissions are based on the investment amount, the advice can be offered to investors with small amounts as well as to investors with higher amounts – on average, this makes economic sense for the advisor. With fee-based investment advice, on the other hand, it is to be expected that advisors will concentrate on wealthy clients and that access to advice for less wealthy clients will therefore be cut off. From many clients' point of view, fee-based investment advice is also likely to be extremely expensive in relation to the concrete investment amount, because the calculated fee is not based on the investment amount.

It is to be feared that retail investors with smaller amounts will no longer make use of an investment advice service of their own accord. This would counteract one of the objectives of the CM, namely to facilitate access to the markets for all clients. Retail investors might be tempted to invest money by way of execution-only instead of following individual advice tailored to their needs. This entails a considerable risk, especially for inexperienced investors.

These assumptions are supported by the Final Report of the Financial Advice Market Review of the FCA published in March 2016, e.g.

„However, advice is expensive and is not always cost-effective for consumers, particularly those seeking help in relation to smaller amounts of money or with simpler needs.“ (p. 5)

„Additionally, the costs of supplying face-to-face advice are significant, meaning most firms are unable to provide advice at a price many consumers would consider reasonable. As a result, many consumers who

want to receive this kind of support are left without it unless they are able and willing to pay for advice.“ (p6)

The report shows that fee-based investment advice does not solve but also creates new problems. Commission-based investment advice also offers another advantage: Clients can obtain advice from different advisors several times without incurring additional costs. Clients who have to pay a fee would certainly not do that. In addition, clients can decide against an investment after receiving advice without incurring any costs.

Abolishing commission-based investment advice would also create a further distortion of competition compared with insurance distribution regulation, where commission-based advice is still permitted - even under less stringent regulatory conditions than under MiFID II. The coexistence of commission-based investment advice and fee-based investment advice is proven and tested, creates choice for clients and ensures that all clients have access to high-quality investment advice. Knowing all the costs involved, the mature investor can decide which type of investment advice he/she wants to take advantage of. We therefore oppose a ban on commission-based investment advice.

**Question 8.2 If all forms of inducement were banned for every retail investment product across the Union:**

**a) what impacts would this have on the availability of advice for retail investors? Please explain your answer:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The ban on commissions would deny broad access to the capital market and qualified investment advice, especially to the people who need it most – retail clients. The ban of inducements could foster this trend and disadvantage customers who cannot afford independent investment advice. Greater standardization leads to less flexibility and individuality within the investment advice.

**b) what impacts would this have on the quality of advice for retail investors? Please explain your answer:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The quality and breadth of investment advice would suffer if a ban on commissions were to be introduced. Investors with less capital would possibly not receive any advice, as the advice would not be worthwhile or the investor would not be able to afford it. It can be assumed that investors with less capital in particular would receive only standardised portfolio models and few individual investment options due to the lack of an incentive structure. In addition, it can be assumed that the investment advice in banks will be increasingly scaled back.

**c) what impacts would this have on the way in which retail investors would invest in financial instruments? Please explain your answer:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The decline in the quality of investment advice could lead to a decrease in the participation of retail investors in the capital market in the long term. Consequently, it can be assumed that the standardization of advice and the growth of standardized discretionary portfolio management services could increase, thus taking less account of the individual investment objectives of retail investors.

**d) what impacts would this have on how much retail investors would invest in financial instruments? Please explain your answer:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

In the long term, this could have a negative impact on a comprehensive investment advice and thus also on the participation of retail investors in the capital market in general. In addition, more expensive insurance products that might be disadvantageous for investors would gain in importance.

**Question 8.3 Do the current rules on advice and inducements ensure sufficient protection for retail investors from receiving poor advice due to potential conflicts of interest:**

	Yes	No	Don't know - No opinion - Not applicable
In the case of investment products distributed under the MiFID II framework?	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
In the case of insurance-based investment products distributed under the IDD framework?	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
In the case of inducements paid to providers of online platforms/comparison websites?	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

**Please explain your answer to question 8.3:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The current rules in MiFID ensure sufficient protection for retail investors.

**Question 8.4 Should the rules on the payment of inducements paid to distributors of products sold to retail investors be aligned across MiFID and IDD?**

- Yes
- No
- Don't know / no opinion / not applicable

**Please explain your answer to question 8.4:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Products are often very close to each other (fund saving, unit linked saving) – differences in inducement regulation create a regulatory tilt in one or the other direction. This should not be the aim of regulation.

**Question 8.5 How should inducements be regulated?**

Please select as many answers as you like

- Ensuring transparency of inducements for clients
- Ensuring transparency of inducements for clients, including an obligation to disclose the amount of inducement paid
- Allowing inducements only under certain conditions, e.g. if they serve the improvement of quality
- Obliging distributors to assess the investment products they recommend against similar products available on the market
- Introducing specific record-keeping and reporting requirements for distributors of retail investment products to provide a breakdown of products distributed, thus allowing for supervisory scrutiny and better enforcement of the existing rules on inducements
- Introducing a ban on all forms of inducements for every retail investment product across the Union
- Other

**Please explain your answer to question 8.5:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

See our response to Q 8.1. If the customer understands conflicts of interest and that they pay for the advice they get, everything else loses relevance. Only they can be the judge of the advice they are willing to pay for.

The use of payments for order flow (PFOF), where a broker (or an investment firm) directs the orders of its clients to a single third party for execution against remuneration, appears to be increasingly popular as a business model, in particular in the context of on-line brokerage. This practice is raising concerns in terms of potential conflicts of interest due to payment of inducements and possible breach of the obligations surrounding best execution of the client's orders (i.e. an obligation to execute orders on terms that are most favourable to the client).

**Question 8.6 Do you see a need for legislative changes (or other measures) to address conflicts of interest, receipt of inducements and/or best execution issues surrounding the compensation of brokers (or firms) based on payment for order flow from third parties?**

- Yes
- No
- Don't know / no opinion / not applicable

**Please explain your answer to question 8.6:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

**Question 8.7 Do you see a need to improve the best execution regime in order to ensure that retail investors always get the best possible terms for the execution of their orders?**

- Yes
- No
- Don't know / no opinion / not applicable

**Please explain your answer to question 8.7:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Financial advisors play a critical role in the distribution of retail investment products, however standards (levels of qualifications, knowledge, skills, etc.) differ across Member States. In order to reduce the risk of mis-selling, increase individual investors' confidence in advice and create a level playing field for market operators offering advice in different Member States, the [2020 CMU action plan](#) proposed that certain professional standards for advisors should be set or further improved.

**Question 8.8 Would you see merit in developing a voluntary pan-EU label for financial advisors to promote high-level common standards across the EU?**

- Yes
- No
- Don't know / no opinion / not applicable

**Please explain your answer to question 8.8 and indicate what would be the main advantages and disadvantages:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

In Germany, staff of investment firms providing investment advice and other relevant information have to complete a bank or insurance-related vocational education or academic studies: they are also subject to ongoing training and qualification requirements. In Germany, therefore, staff must already meet certain qualifications; an additional certificate is not necessary.

When it comes to the European level, we do not see any need benefit in an EU-wide framework for a uniform certification. A test or exam can be very superficial, in this case such a certificate would have no added value. An in-depth exam, on the other hand, makes only limited sense: although the same legal framework conditions apply within Europe, there are differences in the Member States. Open-ended real estate funds can be mentioned as an example for the German market. These funds, which see strong demand in Germany, play a subordinate role in other EU member states. Hence, the focus of the necessary qualifications of the staff providing investment advice and other relevant information can vary greatly within the EU.

Robo-advisors, i.e. online platforms providing automated investment advice (and in many cases also portfolio management) are in principle subject to the same investor protection rules as traditional "human" advisors under the MiFID and IDD frameworks. While robo-advisors may offer advantages for retail investors, in particular lower fees, accessible investment thresholds and in principle often impartial advice (unbiased by payment of inducements), robo-advisors may also present risks resulting from, e.g. simplistic non-dynamic algorithms which may not create efficient investment portfolios.

**Question 8.9 Are robo-advisors (or hybrid advisors) regulated in a manner sufficient to protect retail investors?**

- Yes
- No
- Don't know / no opinion / not applicable

**Please explain your answer to question 8.9:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

**Question 8.10 The use of robo-advisors, while increasing, has not taken off as might have been expected and remains limited in the EU.**

**What do you consider to be the main reason for this?**

- Lack of awareness about the existence of robo-advisors
- Greater trust in human advice
- Other
- Don't know / no opinion / not applicable

**Please explain your answer to question 8.10:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

On financial matters, consumers tend to want to deal with a person whom they can trust.

**Question 8.11 Are there any unnecessary barriers hindering the take-up of robo-advice?**

- Yes
- No
- Don't know / no opinion / not applicable

## **9. Addressing the complexity of products**

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Financial products, including those targeted at retail investors, are often highly complex and often not properly understood by retail investors. Consumer representatives have therefore been regularly calling for simple, transparent and cost-efficient products. Less complex products suitable for retail investors exist in different areas, such as UCITS and certain Exchange Traded Funds (ETFs), and have been set as the default option of PEPP.

**Question 9.1 Do you consider that further measures should be taken at EU level to facilitate access of retail investors to simpler investment products?**

- Yes
- No
- Don't know / no opinion / not applicable

**Please explain your answer to question 9.1:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The market for retail financial products is comparable to the car market: The consumer is interested in the performance and overall safety of the product, but they do not need to understand exact mechanics and motor parameters. It is the manufacturer's responsibility to build a product that is reasonably safe and reliable as well as explained the functions properly to the consumer.

In principle, we see the current execution-only regime working well. Products such as UCITS or ETF are regulated to ensure reasonable industry standards. This is subject to the following qualifications: When addressing the complexity issue, it might be worth considering that alternative investment funds (AIFs) should have access to the complexity test under Art. 57 of the MiFID II Implementing Regulation.

This would allow an individual classification based on the characteristics of the respective product. The category of AIFs covers a wide variety of fund vehicles, ranging from strictly regulated and supervised mutual funds which differ from UCITS investment policies only in certain details (e.g. so called „Gemischte Sondervermögen“ under the German investment law (“Kapitalanlagegesetzbuch”)), to funds for professional investors which are not subject to investment restrictions (including hedge funds). In order to take account of this diversity and not to bring AIFs in a worse position than investment products without risk spreading and prudential supervision, but with issuer risks (e. g. equities).

**Question 9.2 If further measures were to be taken by the EU to address the complexity of products:**

**a) Should they aim to reinforce or adapt execution of orders rules to better suit digital and online purchases of complex products by retail investors?**

- Yes
- No
- Don't know / no opinion / not applicable

**Please explain your answer to question 9.2 a):**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Investor protection rules should be aligned – independent from the distribution channel.



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**b) Should they aim to make more explicit the rules which prohibit excess complexity of products that are sold to retail investors?**

- Yes
- No
- Don't know / no opinion / not applicable

**Please explain your answer to question 9.2 b):**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

See explanation to previous question.

**c) Should they aim to develop a new label for simple products?**

- Yes
- No
- Don't know / no opinion / not applicable

**Please explain your answer to question 9.2 c):**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

**d) Should they aim to define and regulate simple, products (e.g. similar to PEPP)?**

- Yes
- No
- Don't know / no opinion / not applicable

**Please explain your answer to question 9.2 d):**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

e) **Should they aim to tighten the rules restricting the sale of very complex products to certain categories of investors?**

- Yes
- No
- Don't know / no opinion / not applicable

**Please explain your answer to question 9.2 e):**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Very complex products are already unavailable for any retail investor.

f) **Should they have another aim?**

- Yes
- No
- Don't know / no opinion / not applicable

## 10. Redress

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There will be occasions when things go wrong with an investment, e.g. if products have been mis-sold to the retail investor. Retail investors have the possibility to address their complaint directly to the firm: MiFID, for example, requires investment firms to establish, implement and maintain effective and transparent complaints management policies and procedures for the prompt handling of clients' complaints and similar provisions are contained in the recent [Crowdfunding Regulation](#). Redress can also be sought through non-judicial dispute resolution procedures or can be obtained in national courts. In certain cases, where large numbers of consumers have suffered harm, collective redress can also be obtained.

**Question 10.1 How important is it for retail investors when taking an investment decision (in particular when investing in another Member State), that they will have access to rapid and effective redress should something go wrong?**

- Not at all important
- Rather not important

- Neutral
- Somewhat important
- Very important
- Don't know / no opinion / not applicable

**Please explain your answer to question 10.1:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Redress scenarios are rare events, given that the financial services industry is already heavily regulated and obliged to treat customers fairly.

**Question 10.2 According to MIFID II, investment firms must publish the details of the process to be followed when handling a complaint. Such information must be provided to the client on request or when acknowledging a complaint and the firm must enable the client to submit their complaint free of charge.**

**Is the MiFID II requirement sufficient to ensure an efficient and timely treatment of the clients' complaints?**

- Yes
- No
- Don't know / no opinion / not applicable

**Please explain your answer to question 10.2:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

**Question 10.3 As a retail investor, would you know where to turn in case you needed to obtain redress through an out of court (alternative dispute resolution) procedure?**

- Yes
-

No

- Don't know / no opinion / not applicable

**Please explain your answer to question 10.3:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

**Question 10.4 How effective are existing out of court/alternative dispute resolution procedures at addressing consumer complaints related to retail investments/insurance based investments?**

- Not at all effective
- Rather not effective
- Neutral
- Somewhat effective
- Very effective
- Don't know / no opinion / not applicable

**Please explain your answer to question 10.4:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

With traditional and social media providing platforms for customers' grievances, companies have an interest in addressing clients' complaints fairly.

**Question 10.5 Are further efforts needed to improve redress in the context of retail investment products:**

Please select as many answers as you like

- Domestically?
- In a cross border context?

**Please explain your answer to question 10.5:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

There could be greater, voluntary coordination between national redress mechanisms.

Certain groups of consumers (e.g. the elderly, over-indebted or those with disabilities) can be particularly vulnerable and may need specific safeguards. If the process of obtaining redress is too complex and burdensome for such consumers and lacks a specially adapted process (e.g. assistance on the phone), redress may not be an effective option for them.

**10.6 To what extent do you think that consumer redress in retail investment products is accessible to vulnerable consumers (e.g. over-indebted, elderly, those with disabilities)?**

- Not accessible at all
- Rather not accessible
- Neutral
- Somewhat accessible
- Very accessible
- Don't know / no opinion / not applicable

**Please explain your answer to question 10.6:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Redress is equally accessible to all client groups.

## 11. Product intervention powers

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ESMA has been given the power to temporarily prohibit or restrict the marketing, distribution or sale of financial instruments with certain specified features or a type of financial activity or practice (these are known as 'product intervention powers'). EIOPA has similar powers with regard to insurance-based investment products. These powers have been used by ESMA in the past for certain types of high risk product e.g. binary options and contracts for differences (CFDs).

**Question 11.1 Are the European Supervisory Authorities and/or national supervisory authorities making sufficiently effective use of their existing product intervention powers?**

-

Yes

- No
- Don't know / no opinion / not applicable

**Please explain your answer to question 11.1:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

**Question 11.2 Does the application of product intervention powers available to national supervisory authorities need to be further converged?**

- Yes
- No
- Don't know / no opinion / not applicable

**Please explain your answer to question 11.2:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

This would create more certainty for pan-European distribution of products.

**Question 11.3 Do the product intervention powers of the European Supervisory Authorities need to be reinforced?**

- Yes
- No
- Don't know / no opinion / not applicable

**Please explain your answer to question 11.3:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

## 12. Sustainable investing

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Citizens are today increasingly aware of the serious economic, environmental and social risks arising from climate change. As retail investors, they are also becoming conscious of the potential contribution they might make towards mitigating those risks by making more sustainable choices when investing and managing their savings. The [2018 European Commission's action plan on financing sustainable growth](#) set the basis for increasing the level of transparency on sustainability investments, through disclosure rules (e.g. Sustainable Finance Disclosure Regulation) and labels (e.g. EU Ecolabel), thereby substantially reducing the risk of greenwashing. In addition, the integration of retail investors' sustainability preferences as a top-up to the suitability assessment and financial advice in IDD and MIFID II delegated acts will ensure that clients are offered financial products and instruments that meet their sustainability preferences.

### Question 12.1 What is most important to you when investing your savings?

	1 (most important)	2	3 (least important)
An investment that contributes positively to the environment and society	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
An investment that reduces the harm on the environment and society (e.g. environmental pollution, child labour etc.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Financial returns	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Question 12.2 What would help you most to take an informed decision as regards a sustainable investment?**

	1 (not at all helpful)	2 (rather not helpful)	3 (neutral)	4 (somewhat helpful)	5 (very helpful)	Don't know - No opinion - Not applicable
Measurements demonstrating positive sustainability impacts of investments	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Measurements demonstrating negative or low sustainability impacts of investments	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Information on financial returns of sustainable investments compared to those of mainstream investments	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Information on the share of financial institutions' activities that are sustainable	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Require all financial products and instruments to inform about their sustainability ambition	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Obligation for financial advisers to offer at least one financial product with minimum sustainability ambition	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
All financial products offered should have a minimum of sustainability ambition	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>



### Question 12.3 What are the main factors preventing more sustainable investment?

	1 (not at all important)	2 (rather not important)	3 (neutral)	4 (somewhat important)	5 (very important)	Don't know - No opinion - Not applicable
Poor financial advice on sustainable investment opportunities	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack of sustainability-related information in pre-contractual disclosure	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack of EU label on sustainability related information	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack of financial products that would meet sustainability preferences	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Financial products, although containing some sustainability ambition, focus primarily on financial performance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Fear of greenwashing (i.e. where the deceptive appearance is given that investment products are environmentally, socially or from a governance point of view, friendly)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

**Question 12.4 Do you consider that detailed guidance for financial advisers would be useful to ensure simple, adequate and sufficiently granular implementation of sustainable investment measures?**

- Yes
- No
- Don't know / no opinion / not applicable

**Please explain your answer to question 12.4:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

MiFID II regulates the way investment firms produce or arrange for the production of investment research to be disseminated to their clients or to the public. This concerns investment research i.e. research or other information recommending or suggesting an investment strategy, explicitly or implicitly, concerning one or several financial instruments or the issuer of financial instruments. In the context of the COVID-19 pandemic, the research regime has been reviewed in order to facilitate the production of research on the small and medium enterprises and encourage more funding from the capital markets. In order to also encourage more sustainable investments, it is fundamental that investment research consider the E (environmental,) S (social) and G (corporate governance) factors of the Issuers and financial instruments covered by that research.

**Question 12.5 Would you see any need to reinforce the current research regime in order to ensure that ESG criteria are always considered?**

- Yes
- No
- Don't know / no opinion / not applicable

**Please explain your answer to question 12.5:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

## **13. Other issues**

**Question 13. Are there any other issues that have not been raised in this questionnaire that you think would be relevant to the future retail investments strategy? Please explain your answer:**

*5000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

## Additional information

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Should you wish to provide additional information (e.g. a position paper, report) or raise specific points not covered by the questionnaire, you can upload your additional document(s) below. **Please make sure you do not include any personal data in the file you upload if you want to remain anonymous.**

The maximum file size is 1 MB.

You can upload several files.

Only files of the type pdf,txt,doc,docx,odt,rtf are allowed

### Useful links

[More on this consultation \(https://ec.europa.eu/info/publications/finance-consultations-2021-retail-investment-strategy\\_en\)](https://ec.europa.eu/info/publications/finance-consultations-2021-retail-investment-strategy_en)

[Consultation document \(https://ec.europa.eu/info/files/2021-retail-investment-strategy-consultation-document\\_en\)](https://ec.europa.eu/info/files/2021-retail-investment-strategy-consultation-document_en)

[More on retail financial services \(https://ec.europa.eu/info/business-economy-euro/banking-and-finance/consume-finance-and-payments/retail-financial-services\\_en\)](https://ec.europa.eu/info/business-economy-euro/banking-and-finance/consume-finance-and-payments/retail-financial-services_en)

[Specific privacy statement \(https://ec.europa.eu/info/law/better-regulation/specific-privacy-statement\\_en\)](https://ec.europa.eu/info/law/better-regulation/specific-privacy-statement_en)

[More on the Transparency register \(http://ec.europa.eu/transparencyregister/public/homePage.do?locale=en\)](http://ec.europa.eu/transparencyregister/public/homePage.do?locale=en)

## Contact

fisma-retail-investment@ec.europa.eu