



ESBG response to the EC call for evidence on Retail investment: new package of measures to increase consumer participation in capital markets

Executive summary

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The EU Retail Investment Strategy aims to increase the level of retail investor participation in the EU's capital markets and ensure that retail investors can take full advantage of capital markets, achieve better outcomes and better cater for their long-term financial needs.

ESBG'S POSITION

ESBG appreciates to have the opportunity to share its comments how to increase consumer participation in capital markets. The upcoming MiFID II Review (under the umbrella of the EU Retail Investment Strategy) provides the opportunity to contribute to this goal and in this regard, we want to highlight several priorities that should be addressed as part of the Review.

NO BAN ON INDUCEMENTS

We are in favour of keeping the choice between commission-based and fee-based model. The current legal framework on inducements is appropriate to protect clients against potential conflicts of interest. A ban on inducements - that would leave room only for the fee-based model - will inevitably lead to an advice gap for retail clients and only a small number of wealthier investors would continue to invest in capital markets whereas the vast majority of retail investors would refrain from it.

REDUCING INFORMATION OVERLOAD

The flood of information introduced under MiFID II overwhelms clients. The vast majority of clients would like to have the option to waive some of the mandatory information (opt-out), which they do not perceive as helpful

HARMONISATION OF DIFFERENT INVESTOR PROTECTION REQUIREMENTS

When providing investment advice or selling financial instruments investment firms have to comply with several different requirements (MiFID II, PRIIPs, SFDR, etc.) Many of these requirements are not harmonized and it's a huge problem for both advisors and investors.

ADJUSTMENT OF THE CRITERIA FOR PROFESSIONAL CLIENTS

Many retail clients do not need the large number of information requirements under MiFID II and feel patronized. The EC should revise the existing opt-up regime in Annex II of MiFID II so that the criteria focus on the client's knowledge rather than portfolio size.

BEST EXECUTION REPORTS

RTS 27 and RTS 28 should be abolished. With the MiFID Quick Fix a temporary exemption of RTS 27 was introduced and this exemption should be permanent. We would like to emphasize the high cost for financial entities to prepare these documents and the low demand of clients for it.

PRIIPs

ESBG is aligned with the ESAs advice on the review of the PRIIPs Regulation and we call the EC to take into account in order to include these points in the Retail Investor Strategy.

[READ THE FULL POSITION PAPER](#)