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SSMAs response to ESMA's Call for evidence on the retail investor journey: understanding retail participation in capital markets

Q1: What are the key reasons why many retail savers choose not to invest in capital markets and instead keep their savings in bank deposits? Please explain and provide practical examples, or evidence drawn from experience, where available.

For the Swedish capital market, the statement in Q1 is not very representative since retail clients in Sweden to a very large extent do invest in financial instruments, such as investment funds and shares. Our active retail market has developed over a long period of time and is a result of a combination of factors. A key driver has been the Swedish pension system, according to which parts of all citizens retirement savings are made in investment funds. Since the pension system is based on auto enrollment, also people who are not interested in economics, gain a certain level of experience and by that also knowledge and trust in capital markets. In addition, tax incentives such as the Investment Savings Account (ISK), digital solutions for investments as well as the emergence of execution-only trading platforms, have made investments easier and more accessible for retail clients and has lowered the thresholds for entering the market. Different ways to facilitate tax declarations of investments have also been important, i.e. digital forms, assistance from banks etc.

Having said this, we do agree that some of the investor protection rules in the EU regulatory framework (e.g. MiFID II, PRIIPs, SFDR) are very detailed, complex and have the effect of creating **regulatory barriers** of entry for retail investors in the EU as a whole. Two areas which in our view are particularly important to address are (i) information overload to clients and (ii) the complexity of the investor journey, including rules on sustainability preferences. Moreover, there should be a clearer recognition in the framework that not all retail clients have the same need for investor protection. For more experienced retail investors (including SME clients) a review of the opt-up rules in MiFID II is needed, in order to facilitate treatment as professional clients for certain types of investments and/or services.

As regards **non-regulatory barriers**, we believe that the low level of engagement of retail investors in many Member States is due to a combination of factors such as cultural differences, lack of financial- and digital literacy and a low level of interest. These issues can

in our view only be solved through structural changes and initiatives at Member State level. The Swedish experience shows that the structure of the pension system as well as public and private measures which aim at encouraging and making investments in financial instruments simple are key factors in lowering the barriers of entry. It is also important to have a certain level of trust in the financial sector and markets, and that has to be built over time. The effects of “learning by doing” should not be underestimated.

Q2a: To what extent do retail investors find investment products too complex or difficult to understand? Please select one of the following options and please explain and provide practical examples, or evidence drawn from experience, where available.

- A minor issue compared to other factors

In our members' experience, retail clients are typically offered to invest in UCITS and shares which are not complex investment products nor particularly difficult to understand. Thus, it is not the complexity of the products per se that is the biggest problem but rather that retail clients (for cultural reasons, due to lack of financial- and digital literacy etc.) are simply not interested in financial markets and/or that they find the investment process including disclosures too complex.

What is complex, however, is the mandatory disclosures relating to the products and services, i.e. the KID, cost & charges information). Also, retail clients have a hard time being content with just information in writing, they also need personal contact to explain the information (in times of market distress for example).

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

N/A

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

- Somewhat, but other factors (e.g., trust, risk appetite) play a bigger role

For an individual retail client, negative experience of low or negative returns can of course affect his or her willingness to invest. However, our members' experience from the Swedish market is that retail clients often have a long-term perspective on their investments and know that investments in capital markets involves risk. Typically, they invest small amounts in investment funds and/or shares at a regular, monthly basis (Sw: månadsparande). This

long-term/regular way of investing makes retail clients less sensitive to short term market movements.

At EU-level, more important factors than experience with low returns is that many retail clients (for cultural reasons, due to a lack of financial- and digital literacy etc.) are simply not interested in financial markets, are unaware of the benefits of long-term investing, and/or that they find the investment process including disclosures too complex.

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

- Somewhat, but investors consider other factors as well

As mentioned above, most retail investors on the Swedish market invest their savings in UCITS and shares. Swedish investment funds have very low costs compared to the rest of the EU and transaction fees are generally low. (We have understood from the RIS-negotiations that the level of fees and costs are much higher in other Member States)

Having said that, it should be noted that retail investors are a heterogenous group. In our members experience, some of their clients are interested in costs and fees and compare products and/or services before investing. Other clients are more passive and take little interest in their savings since they invest a small amount on a monthly basis and have a long-term perspective.

As a general remark, the SSMA notes that the regulatory focus on costs and charges have increased in recent years. For some markets and/or financial products this may of course be justified. However, from an investor protection perspective, it is important to note that low costs and charges do not necessarily mean that a product is of “high quality” nor that it will generate a high return. In addition, it is our members experience that retail clients are not interested in receiving very detailed information such as itemized breakdowns and information about calculation methods. Thus, the detailed disclosure requirements in MiFID II can in fact contribute to creating barriers of investing (see Q 1). From a broader perspective, it should also be noted that steering retail clients savings to low-cost, passive investments, such as ETFs, will not necessarily contribute to increasing the attractiveness of capital markets as a whole. To promote passive, low-cost investments in index products also contradicts aspirations to have more shareholder engagement (SRD II, Sustainability).

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

explain and provide practical examples, or evidence drawn from experience, where available.

N/A

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

- A minor factor compared to other concerns

On the Swedish market, retail clients generally have a high level of trust in the financial sector, including financial service providers (see response to Q 1). One important reason for this is that the National Competent Authority (Finansinspektionen) has for a long time had a risk-based approach, focusing on mis-selling of complex products, investment fraud and unauthorized activities. Sanctions and "warning lists" are in our view important measures in order to keep a high level of trust from the public.

As regards the regulatory framework, it is our members experience that both MiFID II and IDD have had positive effects in tackling problems with less serious financial actors e.g. by improving the control which investment firms have over tied agents.

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

N/A

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

Yes, retail clients have access to investment advice and relevant information when they encounter difficulties in understanding investment products.

In this context, it should be noted that retail clients today have more easy access to digital advice and guidance than ever before. (Digital services are filling the needs of a client segment that is not profitable to give in-person advice to, and this is in turn a result of the high regulatory demands on investment advice data collection, documentation and

disclosures, that have resulted in advice being a very time-consuming task for both the advisor and client.)

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

Yes. In general, Swedish retail investors are able to invest in non-complex instruments (shares, investment funds and ETFs) and also to some extent and in some cases, in complex products (structured products and AIFs), provided that they are suitable for the particular client. The product offering and distribution channels varies, depending on the business model of the firm and on the target market for the product. According to input from one member, a smaller number of retail clients receive investment advice as regards single shares and bonds than investment funds.

The segment of retail clients that invest directly in bonds is quite small in Sweden. There are several reasons for this- Above all the minimum investment size is too large for retail investors (due to the prospectus rules). Another reason is related to the fact that according to the Commission, PRIIP scope includes some corporate bonds. This interpretation has led many corporate issuers in the EU to restrict these instruments to professional investors only. Both from an investor and a SIU perspective, this is unfortunate. The SSMA has therefore for a long time advocated for PRIIPs scope to change so that the rules apply only to packaged instruments used for investments (such as investment funds, structured products and IBIP). Also, the “transaction criteria” in the opt-up rules (Annex to MiFID II) have proven to be difficult to apply for corporate bonds considering that they do not trade very often. This makes it difficult for sophisticated retail investors to opt-up and be able to invest in corporate bonds on a case-by-case basis.

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

- A major barrier to investment

Lack of financial education and literacy is definitely an important contributing factor why retail investors in many Member States are reluctant to invest in capital markets. In Sweden, the level of financial literacy is considered to be relatively high. One reason for this is that financial education, albeit to a limited extent, is included in the school curriculum, as well as numerous initiatives on financial education, including from the National Competent

Authority (Finansinspektionen) and the industry. Another important reason is the structure of the Swedish pension system according to which all citizens save for their retirement in investment funds. Since the pension system is based on auto enrollment, also people who would otherwise not be interested, gain a certain level of knowledge about, and trust in, capital markets. In our experience - “learning by doing” is key.

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

N/A

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

N/A

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

As regards non-regulatory barriers, we believe that the low level of engagement of retail investors in many Member States is due to a combination of factors such as cultural differences, lack of financial literacy and little encouragement and interest in financial matters. These issues can in our view only be solved through structural changes at Member State level. The Swedish experience shows that the structure of the pension system as well as public and private measures that encourage and make it easier to invest are key factors in lowering the barriers of entry. Knowledge and trust are built over time and the effects of “learning by doing” should not be underestimated.

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

The Swedish experience is that digital solutions e.g. internet bank and mobile applications are very important in providing retail clients with easy access to investments.

Digital features and tools that have proven to be particularly useful for retail clients are calculators and comparison tools (e.g. for risk-levels or fees) as well as filtering tools which help clients find the investment products online that have those features that the clients are interested in. Also, online guidance and automated advice in different forms are considered helpful.

Many retail clients use the free online service "Min Pension" (My Pension) in order to get an overview of their retirement savings including return, as well as forecasts about their future pension payouts. <https://www.minpension.se/>. Min Pension is a collaboration between the private and public sector.

In this context we would like to emphasize the need for technology neutral EU-rules which facilitate e.g. provision of information to clients in an easy way through the internet bank or mobile applications.

Q12: How effective do retail investors find the current mechanisms for filing complaints and obtaining redress when issues arise with investment products or services? Do issues with these mechanisms play a role in retail investors' hesitation to invest? If yes, which improvements can be made? Please explain and provide practical examples, or evidence drawn from experience, where available.

Our members view is that the current mechanisms for filing complaints and obtaining redress generally work well. Simplicity is important for the clients and the use of digital complaint forms are considered helpful.

In addition to the firm's own complaints departments, retail clients can turn to Konsumenternas Bank- och Finansbyrå with their complaints and requests for guidance. Konsumenternas Bank – och Finansbyrå is an independent foundation that is supported by the National Competent Authority (Finansinspektionen), Consumer Authority (Konsumentverket) as well as the Swedish trade associations (Swedish Securities Markets Association, Investment Fund Association and Finance Sweden).

In addition, we have the National Board for Consumer Disputes (ARN) which is a public authority. Its main task is to impartially try disputes between consumers and firms.

Q13: What measures - whether market-driven or policy-driven - could help improve retail investor participation in capital markets? Please explain and provide practical examples, or evidence drawn from experience, where available.

As mentioned above, the Swedish active retail market has developed over a long period of time. Key drivers have been the pension system, financial education, tax incentives such as the investment savings account i.e. structural reforms at Member State level.

It is important that the EU regulatory framework as well as firms do what they can in order to make savings in financial instruments both safe and simple for retail clients. The provision of digital investment services such as execution-only platforms and automated advice are important market-driven measures to attract retail clients which should be supported and encouraged by the regulatory framework. Also, the problem with information overload should be tackled. Disclosures should be relevant for the type of investment product in question and be provided in a format and language that the retail clients find easy to understand. In our view, it should be a priority to remove “tick the box” disclosures that are not relevant for certain products or services. (One example is existing requirements to provide the same kind of information on OTC derivatives used for hedging as for instruments used for investments, which makes absolutely no sense to the clients)

Furthermore, it is important to tackle the problem with conflicting regulatory requirements such as the cost & charges disclosures in MiFID II/PRIIPs and the interaction between SFDR and MiFID II rules on sustainability preferences.

Finally, it must be recognized that retail clients are a heterogeneous group of people with different needs of investor protection. In concrete terms this means that more sophisticated retail clients should be able to request treatment as professional clients (opt-up) and that professional clients, who are able to protect their own interest, should be able to refrain from receiving information they are not interested in (opt-in or opt-out).

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

- The expectation of high returns
- The ease of access and fewer entry barriers compared to traditional investments
- Influence from social media and online communities

Generally speaking, it is not our members experience that young people are over-represented on the Swedish market as regards investments in speculative and volatile instruments. One reason why Sweden may differ in this respect compared to other member states could be that the Swedish investment culture and pension system steer young people into traditional financial instrument from the start, another could be the fairly high level of financial literacy. Having said this, Swedish investment firms also offer retail clients investments in e.g. tracking certificates and leveraged structured products, subject of course to the applicable investor protection rules in MiFID II.

According to one of our members, a common type of retail client that invests in those instruments is an experienced, often middle-aged, person with a large portfolio that is looking for leverage. In a report on trading in crypto certificates published in May 2024, Finansinspektionen notes that *“The majority of those who traded were men (see diagram 2). The average age was 36 years and the median age was 34 years. Women who traded were on average a few years older than men. Although there were generally more younger people who traded, it was generally older people who traded for larger amounts. This means that older people have accounted for a proportionally larger share of the total turnover”*.¹

As regards investments in more speculative and volatile financial instruments we would also like to underline that in our opinion, there are sufficient rules in the existing MiFID II framework that should prevent investment firms from offering these instruments when this is not suitable/appropriate. Where cases of mis-selling happen, supervisory authorities should intervene. Thus, in our view more focus should be on supervision and enforcement of the existing rules, rather than creating new rules.

In our view, an even bigger risk is that unregulated entities today can reach retail clients through channels which are difficult for the authorities to supervise, such as social media. From a policy perspective it is therefore important to find ways to nudge these retail clients into a regulated and supervised environment.

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

N/A

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

¹ FI-analys nr 44, Svenskarnas handel i kryptocertifikat, page 5.



The SSMA agrees that all the above-mentioned aspects (such as volume, complexity of content, lack of comparability, or format) may reduce the effectiveness of disclosures to retail clients.

In our members experience, there is an overreliance as regards the effectiveness of disclosures from an investor protection perspective compared to other investor protection measures (such as ensuring a well calibrated suitability and appropriateness regime combined with an active supervision). Most retail clients are not interested in receiving the detailed information and do not read the documents, as evidenced by the Kantar report <https://op.europa.eu/en/publication-detail/-/publication/d83364e5-ab55-11ed-b508-01aa75ed71a1/language-en/>. In fact, in our opinion, detailed disclosure requirements in MiFID II may in fact have contributed to creating barriers for retail clients. The SSMA regrets that the ongoing RIS negotiations does not seem to help this situation, rather the opposite.

Based on the above, it is our firm position that the cost & charges rules should be simplified so that the information to retail clients becomes less complex and extensive. It should also be ensured that the presentation in a digital environment though layering is made more easy. Regulatory overlaps and inconsistencies (e.g. MiFID II/PRIIPs and SFDR/MiFID II) should also be tackled.

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

N/A

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

Our members generally confirm that the information overload is a factor which can deter retail clients from investing and/or steer them to an unregulated investment environment.

One particular area of concern has been the very detailed rules in MIFID II as regards the collection and assessment of client's sustainability preferences. The "process" described in Esma guidelines (ESMA35-43-3172 points 27 and 28) leads to a very cumbersome advisory process and according to members it is not unusual that retail clients who have experienced this process one time say that they do not have sustainability preferences the next time. Also, the requirements to use a very technical jargon with the clients, explaining each item in article 2.7 a – c, is considered too complex for an average investor to understand.

One member has compiled data on clients' actions in the following online services for the full year 2024:

- Digital and automated advice
- Fund portfolio builder where the client can construct a fund portfolio through automated guidance and filtering
- Self-service digital execution / trade flows covering mutual funds, equity, ETF and derivatives

The automated advice service was initiated 117.000 times and the fund portfolio builder roughly 72.000 times. Significantly lower numbers compared to the self-service trade flows where in total 2.9 million trade flows were started and 70% of them ended up in order execution. It should be noted that the large majority of advisory sessions are held face-to-face rather than through the automated channel. However, some interesting conclusions can still be drawn by comparing conversion rates and client dropouts in the automated advisory and guidance solutions on one hand and the self-directed trade flows on the other:

- Conversion rates are significantly higher in self-directed trade flows than in automated advisory sessions
- The main reasons for client drop outs in automated advisory sessions are related to (i) clients not understanding investment profiling questions, (ii) how the client's investment profile is connected to the recommendation of a financial instrument, (iii) realising that they need to provide more information than what they thought coupled with becoming uncertain about how to answer certain questions and (iv) not being able to process the amount of information they need to go through with just help text sections as guidance
- The main reasons for dropouts in the self-service trade flows are more of a technical and operational nature. Among the highest ranking ones we find reasons like (i) client lacking completed knowledge and experience assessment to trade the relevant instrument, (ii) max limit for number of units/cash balance exceeded, (iii) an already

active order exists, (iv) cancelled authentication or interrupted authentication and (v) risk of overdraft due to already existing sell order

In conclusion, it is fair to say that simplicity of the provided service and the amount of information needed to be processed has quite a big impact on both barriers to start investing and clients' comfortability of actually going through with investments. It is fair to say that retail clients are capable of using self-directed services, especially when it comes to non-complex products like mutual funds and single equities and that it is not only the highly skilled part of the retail client segments that actually benefit from using them.

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

According to SSMA members, they get limited feed-back from retail clients as regards the KID. Whether this is because the clients do not have any questions or because they do not read the information is difficult to know.

Some input received:

- The cost & charges elements are hard to understand for clients, and risk expressed in different scenarios is not informative. In investment advice, risk is explained by different methods than what is expressed in the KID. The KID is generally, when investment advice is provided, superfluous as the relevant characteristics of the product and how it suits the client has been provided before the advisor goes through the KID with the client.
- When PRIIPs was first implemented there were a lot of questions regarding performance scenarios but not anymore.
- Retail clients that enter into derivatives for hedging purposes (e.g. to hedge their interest or currency risks) generally find the document irrelevant.
- The most helpful part of the KID is probably that it is a short document.

As regards areas of improvement, a lot could be achieved if the scope of PRIIPs was changed into the scope that was originally intended, i.e. packaged products used for investments such as investment funds, structured products and IBIP. Corporate bonds and hedging derivatives should not be included. The existing mandatory information requirements in PRIIPs are not relevant for these types of instruments. Another area of improvement is the need to align the information on cost & charges in MiFID II and PRIIPs. The question of including information on sustainability should be tackled in SFDR Review.

Further to this, cost disclosure should be changed and aligned with MiFID II. Above all, cost disclosure would benefit from simplification making it understandable for retail clients. We

have for long advocated a simplification by focusing on total costs. We would like to stress, however, that it is crucial to have a definition of what total cost entails (e.g. as regards one-time fees relating to FX). Also, the scenario analysis of the PRIIP KID and the value it brings in terms of client interpretation should be reconsidered. Either replacing it with a simplified “what if approach” or consider a proper risk premia approach that is more realistic than forming estimates about the future based on performances of the past should be considered.

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

N/A

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

One member has commented that they measure investor engagement, but we do not have any detailed information as regards in which areas or how common this is on the market in general.

Yes, KIDs are available in formats that is adapted to mobiles.

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

In our members experience, there is an overreliance as regards the effectiveness of disclosures from an investor protection perspective. Most retail clients are not interested in receiving the detailed information and do not read the documents, as evidenced by the Kantar report <https://op.europa.eu/en/publication-detail/-/publication/d83364e5-ab55-11ed-b508-01aa75ed71a1/language-en/>. Thus, it is important that any review of these rules aim at making the information to clients less complex and extensive as well as ensure that it can be presented in an easy way in a digital environment e.g. through layering. Regulatory overlaps and inconsistencies (e.g. MiFID II/PRIIPs and SFDR/MiFID II) should also be tackled.

Proposals for simplification:

- (i) The ex-post report should be in a more summarized format and simplified language. Focus on total costs, not detailed itemized breakdowns and disclosure of methodologies (in line with the conclusions of the Kantar report referred to above)
 - There is no need to provide cost information both as an amount and a percentage. It does not make sense to calculate the customer's total cost as a percentage of the total "investment amount" on an aggregated level, mixing different types of trades and costs (equity, derivatives used for hedging etc.).
 - Delete the requirement to give information where there are no costs, by indicating "zero" (See Esma Q&A ESMA35-43-349, Q 20)
- (ii) Simplify the calculation of implicit/indirect costs. It is not only incomprehensible to a client what the cost figure stands for but also there is no market consensus on how to make these calculations. For the same reason, exempt cost disclosures for OTC-derivatives from scope.
- (iii) Keep MiFID Quick Fix exemptions for professional clients and extend them to investment advice + portfolio management. Facilitate for sophisticated retail to opt up and be treated as professional clients (thus, allowing them to opt in/opt out of disclosure rules)
- (iv) Remove the requirement to illustrate the cumulative effect of costs on returns. Experience show that clients find this illustration complex, and it is also administratively burdensome for investment firms to produce. Since MiFID II permits various methods for the illustration, comparisons are difficult for clients and the value of the information can be questioned.
- (v) Remove the requirement for investment firms to inform clients if the value of any current instrument decreases with 10% or multiples thereof – for all client categories (see below Q 21).

As a part of its simplification measures, we propose that Esma should do a comprehensive review of all Q&A related to MiFID II rules on costs & charges rules ensuring that the information to be provided to clients is useful and easy to understand, hence reducing information overload.

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

Yes. Layering is important. But in order to be effective, layering needs to be combined with less extensive /complex disclosure requirements.

Q20: Do retail investors find the quarterly statements helpful in keeping track of their investments? Please select one of the following options and please explain and provide practical examples, or evidence drawn from experience, where available.

- No, the information is usually readily available to the retail investor online and thus the statements do not have much added value

We understand this question as referring to both quarterly statements for portfolio management services and holding statements. Members have little feed-back from clients as regards the usefulness of these statements. One improvement of the existing framework would be if there was a general exemption from the requirement to provide quarterly statements if the client already has access to information on an ongoing basis e.g. through internet bank or mobile application. According to the existing framework (articles 60.3 a and 63.2 delegated regulation (EU) 2017/565) an exemption is limited to situations where investment firm also has “evidence” that the client has accessed the information online at least once during the relevant quarter. This requirement of “evidence” creates an unfortunate limitation on the exemption for online services and should be deleted (also noting that “evidence” is not required for information in a paper format). See also proposal in RIS regarding annual statement (Art 24 b (5), row 264)

Q21a: Do retail investors find the information on every 10% depreciation of leveraged instruments, or the portfolio value in case of portfolio management, helpful in keeping track of their investments? Please select one of the following options and please explain and provide practical examples, or evidence drawn from experience, where available.

- No, this information may arrive at a moment of temporary market stress, triggering impulse-driven investment decisions at the wrong time.

Our members experience is that retail clients that are interested in actively keeping track of their investments do so anyway through the internet bank or mobile apps. Considering the risks that these alerts entail as regards triggering impulse driven investment decisions, we consider that this mandatory 10 % depreciation alert in article 62 of the delegated act should be deleted. Thus, there should be no such reporting for contingent liabilities or leveraged financial instruments, regardless of form.

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

N/A

Q22: To what extent do questions and measures on customer due diligence in accordance with AML/CFT requirements create barriers that prevent retail clients to start investing?

Please select one of the following options and please explain and provide practical examples, or evidence drawn from experience, where available.

- A minor factor compared to other concerns

As a general rule, all formal requirements to fulfill before providing a service is a potential barrier and some retail clients perceive questions that are motivated by AML/CTF as invasive on their personal integrity. However, one member commented that many retail clients generally have gotten used to the questions.

Q23: Do questions and measures on customer due diligence in accordance with AML/CTF requirements affect the onboarding experience for retail investors? Are there particular steps in the process that cause delays or confusion? Please explain and provide practical examples, or evidence drawn from experience, where available.

As a general rule, all formal requirements to fulfill before providing a service is a potential barrier and some retail clients perceive questions that are motivated by AML/CTF as invasive on their personal integrity. However, one member commented that many retail clients generally have gotten used to the questions

Q24: For firms and trade associations: to what extent do national tax regimes create barriers to offering investment services and attracting retail investors on a cross-border basis? Please explain and provide practical examples, or evidence drawn from experience, where available.

The handling of withholding tax is a barrier to cross-border investments. The problem is that withholding tax refund procedures are often lengthy, costly and cumbersome, causing frustration for investors and discouraging cross-border investment within and into the EU. FASTER was intended to tackle this problem but since each Member State will have the choice between "relief at source" and a "quick refund" system, or a combination of both, we believe that it will fail to achieve a full harmonization within the EU.

As a result of the current state of withholding tax treatments within the EU, there are Swedish banks who actually compensate customers for the withholding tax immediately, and then handle the process of refund so that the client won't have to: 1) go through the cumbersome process of refund, and 2) wait for the repayment of tax which can take time.

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

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As a result of the current state of withholding tax treatments within the EU, there are Swedish banks who actually compensate customers for the withholding tax immediately, and then handle the process of refund so that the client won't have to: 1) go through the cumbersome process of refund, and 2) wait for the repayment of tax which can take time.

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

N/A

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

N/A

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

According to our members they generally strive at making their client agreements as accessible and understandable as possible e.g. by using simple language and by publishing information online. As regards the use of simple language there is however always a balance to be struck since some content is mandatory legal requirements and also noting that overly simplified language can be misleading for clients.

On the Swedish securities markets, the SSMA has also developed self-regulatory standard terms and conditions which firms can use as a starting point and adapt to their own organization and business activities. This standardization facilitates comparability for retail clients. These documents are published online and are free to use also for non-members.

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

This is something that we find can add value in investment advice, by guiding the clients through their self-assessment of their financial situation. This is generally appreciated rather than disliked.

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

N/A

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

The SSMA supports a review of the suitability requirements in MiFID II level 1-3, with an aim at simplifying the information collection process. However, we do not support the development of a mandatory standardized set of questions since investment firms need to have flexibility, taking the type of financial instrument, type of service and type of retail client into account.

Q32: How do retail investors perceive the integration of sustainability preferences in suitability assessments? How has it impacted the investment advice/portfolio management services they receive? Please explain and provide practical examples, or evidence drawn from experience, where available.

General input is that the EU-regulatory framework on sustainability has been developed in the “wrong order” - starting with the client facing rules without the necessary data or taxonomy in place – which has contributed to the complexity and limited the usefulness of these rules.

Even in Sweden, where ESG/ethical investment funds have existed for a long period of time, some members witness that it is not very common that retail clients express sustainability preferences at a granular level or have specific requests as regards sustainability features. Most retail clients want their savings to be sustainable at a high level.

It is also noted that even for really interested retail clients, it can also be hard to find a match for a very specific sustainability preferences - example no nuclear power. It is not always that such a product exists, that also is suitable on financial grounds. The product governance rules can also be a hindrance for a firm to add to its approved distribution all types of sustainability profiles, taking into account other factors such as general customer benefit of the product (the firm does not want to distribute a poorly performing product just because it fulfills a specific sustainability preference), The consequence is often that the client will either have to accept not meeting sustainability preferences or not make an investment at all.

As regards the regulatory framework, one particular area of concern has been the very detailed rules in MIFID II as regards the collection and assessment of client's sustainability preferences. The "process" described in Esma guidelines (ESMA35-43-3172 points 27 and 28) leads to a very cumbersome advisory process and according to members it is not unusual that retail clients who have experienced this process one time say that they do not have sustainability preferences the next time. Also, the requirements to use a very technical jargon with the clients, explaining each item in article 2.7 a – c, is considered too complex for an average investor to understand. Less room to adopt terminology to a more understandable one, means only clients already informed will be prone to come out of the meeting with a very specific sustainability preference.

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

N/A

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

Yes. As mentioned above, it is a problem that the legal framework requires firms to use a technical language and jargon with references to different pieces of EU-legislative framework that the average retail clients does not understand.

The Swedish Securities Market Association and the Swedish Investment Fund Association developed a "one pager" with information that could be used in communication with clients. This one pager was shared with the National Competent Authority who provided some comments. To our understanding, this one pager has been used by members more as a "check list" as to which content to include in their communications.

Q35a: Do retail investors find suitability reports helpful in understanding why a specific investment was recommended? In your view, do these reports add meaningful value for clients? Please explain and provide practical examples, or evidence drawn from experience, where available.

Members consider that it is not the suitability report per se that adds value, but the advice and walk-through of the client's situation that does.

Feedback from clients show that the report is too detailed and that the advice itself takes up little space in a long document. Thus, there seems to be a strong case for simplifying the legal requirements.

Moreover, the suitability report shall currently be provided to the client before every advice. In our view, it could be considered to only require that the report is provided at the start of the relationship, forming the basis for the firm's recommendations. An updated statement should be provided when a review is required.

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

N/A

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

Feedback from clients show that the report is too detailed and that the advice itself takes up little space in a long document. Thus, in order to ensure that the reports are concise, clear and valuable, it is first of all important to simplify the legal requirements. Members do what they can in order to ensure that the reports are as simple and clear as possible, without breaking the rules e.g. by using simple language and graphics.

Q36a: Do you believe the MiFID II appropriateness assessment helps ensure that retail investors understand the risks of the products they invest in? Please select one of the following options and please explain and provide practical examples, or evidence drawn from experience, where available.

- Yes, it is an effective safeguard.

Yes, we generally consider that the appropriateness test, including the warning, is a good measure to ensure that clients understand the risks in the context of non-advised services e.g. receipt and transmission of orders or execution of orders. The risk that clients learn questions by heart can be mitigated by ensuring that firms use a multitude of questions that are of a dynamic nature.

The SSMA is concerned with the proposal in RIS to include risk appetite and ability to bear loss in the appropriateness test. This test is for execution services and the collection of such information will make the trading process more slow and administratively burdensome, to the detriment of clients. We are also concerned that the retail clients when being asked for

this information, can get the impression that they are receiving investment advice. This risk being confusing for clients and give rise to liability concerns.

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

N/A

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

We have no response to this question as we do not understand which types of “new services” that are referred to.

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

Yes, educational tools are sometimes used during the onboarding process. This type of guidance is a useful complement to gaining experience and knowledge through “learning by doing”. However, to use educational tools “mainly to justify clients access to complex finance products” (as stated in the question) does not sound ethical/in line with the requirement to act in clients best interest.

Q39a: Do you believe the current approach to assessing client knowledge and experience via the appropriateness test (i.e., going beyond self-assessment) creates any barrier to retail engagement in financial markets? Please explain and provide practical examples, or evidence drawn from experience, where available.

No, we do not believe that the appropriateness test creates an undue barrier to retail engagements. The existing approach, including the use of warnings, helps to discourage retail investors for whom an investment is not appropriate (which is also the intention).

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

N/A

Q40: Based on your experience, are there aspects of the crowdfunding investor journey that could be improved to better support retail investors, whether in terms of clarity, accessibility, or overall user experience? If so, please explain which aspects you would amend and why, including any suggestions for improvement.

N/A

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

Additional work could be done in this area.

According to SSMA's members, in recent years, there has been too much focus by legislators and media on "protecting" retail clients from taking risk. Taking risk is an integral and fundamental part of investing. To steer retail clients towards investments in low cost and simple products such as ETF: s does not necessarily give them the best returns.

There is also a tendency that regulators confuse complexity and risk. For example, investments in single shares are non-complex under MiFID II but can be high risk investments whereas structured products are complex but can be low risk instruments.

The regulatory framework also fails to recognize that retail clients are a heterogenous group of people, which includes their ability to understand and take on risk.

We feel that extensive disclosures are not effective to inform clients, with information overload obscuring what the client should be focusing on - such as concrete risks and concise presentations of fees etc. The risk is that firms are more focused on fulfilling all formal parts of compliance, rather than assisting the client in its particular needs including risk tolerance and ability to bear loss etc. Information overload is counterproductive from an investor protection perspective.

Moreover, the regulatory framework often takes an "instrument-by-instrument approach" which fails to recognize that firms consider their clients entire portfolio when recommending an investment. For example, at an instrument level, a specific financial instrument could be considered as too risky for a retail client whereas it, at a portfolio level, could be suitable in order to get a better return. Today, there is recognition for portfolio approach only in level 3 guidance from ESMA, but this should be clearer in binding rules on level 1 or 2.

Q42: Are there any aspects of the retail investor experience – whether related to firm practices or the regulatory framework – that are not sufficiently addressed in this consultation or in the current MiFID II rules? If so, please explain where changes in rules, or further supervisory attention or guidance may be helpful.

The rules around marketing of financial instruments and investment services can be overly burdensome and not well adapted to mobile platforms etc. It should be allowed to draw in clients' interest with shorter ads/messages in mobile platforms without fulfilling the full set of requirements that apply to other formats such as paper.

It would be welcome with more legal clarity at EU-level as regards where to draw the line between investment advice and marketing activities, whilst noting that also marketing activities fulfil an important function on the market.

As regards simplification of MiFID II and PRIIPs, please see attachment 1-2.
