

# THE RETAIL INVESTOR JOURNEY

## ESMA'S CALL FOR EVIDENCE

### AMAFI's answer

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*AMAFI is the trade association representing financial markets' participants of the sell-side industry located in France. It has a wide and diverse membership of more than 170 global and local institutions notably investment firms, credit institutions, broker-dealers, exchanges and private banks. They operate in all market segments, such as equities, bonds and derivatives including commodities derivatives. AMAFI represents and supports its members at national, European and international levels, from the drafting of the legislation to its implementation. Through our work, we seek to promote a regulatory framework that enables the development of sound, efficient and competitive capital markets for the benefit of investors, businesses and the economy in general.*

## PREAMBLE

**The entry into force of MiFID II has resulted in a significant regulatory expansion.** In the case of investment advice, the cumulative number of pages provided to clients throughout the investment journey now exceeds one hundred. This level of documentation is undoubtedly a key reason why newly established investment firms offering investment services tend to exclude advice from their offering, focusing instead on execution-only services.

The current regulatory framework governing the provision of financial services is not only overly burdensome but, coupled with the persistent instability of EU legislation, also constitutes a barrier for retail savers to access capital markets.

In this context, **AMAFI fully supports the objective of simplifying the regulatory framework**, as a way to enhance retail participation in capital markets. That said, clarification is needed as to how this initiative led by ESMA will interact with the Retail Investment Strategy (RIS), or with other simplification proposals driven by the European Commission.

In answering this Call for evidence, **AMAFI focuses on the core activities it represents, namely wholesale markets, including in their capacity to serve the needs of retail savers.** It also addresses to a lesser extent **private banking activities**, having a Standing Committee dedicated to this area.

## GENERAL OBSERVATIONS

AMAFI considers the following points key for the purpose of simplifying the customer journey and enhancing retail savers' access to capital markets.

### *Simplifying while addressing the diversity of retail savers*

When considering how to channel retail savings into capital markets, it is important to recognise that **retail investors are not a homogeneous group**. They have differing levels of financial literacy, investment capacity, and risk appetite. In France, for example:

- A large portion of the population has limited financial assets (44% hold less than €25,000, and only 13% hold more than €100,000, according to the AMF Savings and Investment Barometer 2024). These investors typically prefer secure, low-yield savings products guaranteed by the State (15% of household financial assets), and life insurance policies invested in bond-like instruments (24.4%), both benefiting from favourable tax treatment.

In the absence of structured, somewhat automated investment arrangements (such as pension funds) and targeted tax incentives<sup>1</sup>, these households are unlikely to take on significant risk. However, they may be inclined to allocate small amounts to higher-risk products like crypto-assets, ETFs or equities in pursuit of performance, as recent AMF studies suggest.

- A minority of households possess more substantial savings and could benefit from products offering higher returns, with varying degrees of capital protection.

Given this diversity, AMAFI stresses the need to:

- **Preserve a broad range of financial instruments**, tailored to the great diversity of clients' investment capacity, loss tolerance, and preferences for liquidity and risk. This is particularly important when investors seek portfolio diversification.
- **Calibrate investor protection measures** to the level of sophistication and expertise of the client.

### *Simplifying without creating new rules, even if simplified, and promoting regulatory stability*

As part of the simplification exercise to be undertaken by ESMA, the creation of new sets of rules, even simplified ones, at Level 3, should be strictly avoided, as this would trigger new implementation efforts. Simplification should not consist in constructing, at Level 3, derogatory regimes, which would require new procedures and IT developments.

More generally, AMAFI calls for **regulatory stability**, which is essential for ensuring predictability and cost effectiveness, not only for firms, but also for clients. A clear example is the PRIIPs Key Information Document (KID), which, although revised multiple times in recent years, has now reached a satisfactory level of clarity and should not be modified further.

<sup>1</sup> Tax incentives are listed by French retail savers as one of the most preeminent incentive to invest ([The French and Financial Education – Study Findings – June 2025](#), p. 13)

If simplification measures are nevertheless introduced, they should remain entirely non-binding, thereby allowing firms to comply with existing Level 1 and Level 2 rules in the manner that best suits their operational models, including by continuing abiding by current Level 3 requirements.

Similarly, the alleviations proposed by AMAFI in this document should not impose any obligation on firms to modify their existing frameworks. They should instead be introduced as optional alternatives, available to firms that wish to adopt them.

**True simplification should actually consist in removing Level 3 provisions, which often add an unnecessary regulatory layer to Level 1 and Level 2 requirements, without delivering value-added improvements in clarity or implementation.**

- Only where guidance is necessary to interpret Level 2 provisions, ESMA Q&As, which are non-binding, should be used. These Q&As should be subject to consultation.
- Where clarifications are needed on how to implement Level 1 or Level 2 requirements, ESMA should work in collaboration with the industry to develop non-binding guidance. This could build on existing industry guidance where available.

### *Simplifying by alleviating information requirements*

**The volume of information required to be delivered to clients should be reduced: information should simply be made available, rather than systematically provided.** Currently, such disclosures are designed for the least sophisticated clients, as illustrated by detailed data on costs and charges, suitability reports, and information on financial instruments, and some clients may rightly consider that they do not need or want this level of detail.

Moreover, client information obligations should not be confused with firms' reporting duties to competent authorities. Investment firms are already subject to extensive requirements to implement internal processes and procedures ensuring that they act in the best interests of their clients. They are, of course, accountable to regulators for their compliance with these obligations.

However, this accountability should not translate into an obligation to explain such internal compliance processes to clients. In line with this, the suitability requirement should not be interpreted as a duty to justify why a recommendation is suitable for a client, it must be suitable by definition.

### *Simplifying through consistent supervision*

**Consistent supervision across the EU is essential to ensure the effective and uniform application of EU regulations and to uphold a genuine level playing field,** especially in areas where the rules leave room for interpretation.

While enhanced supervisory convergence among national authorities can contribute to this goal, a more integrated supervisory framework will ultimately require a degree of centralisation. In AMAFI's view, this evolution is necessary in the longer term to guarantee consistent enforcement and avoid regulatory arbitrage.

However, such a shift must be accompanied by a comprehensive reform of ESMA's governance structure, to build both its legitimacy and effectiveness in the exercise of its supervisory responsibilities.

*Simplifying to foster spontaneous retail investment is necessary, fostering massive intermediated investment is also key*

Even if spontaneous retail investment were to increase significantly, it is unlikely to meet the broader financing needs of the EU economy. Today, the majority of household savings are channeled into capital markets via intermediated investment vehicles, such as life insurance products or occupational savings.

While it is both important and necessary to facilitate direct access to capital markets for retail investors and enable them to benefit from attractive returns, equal emphasis should be placed on these intermediated schemes, which are essential to mobilise the necessary volume of long-term investment.

This includes **encouraging the development of pension funds in Member States where they are underdeveloped** and ensuring that the **regulation of life insurance products does not disincentivise investment in equity instruments**. This is particularly important for supporting the financing of SMEs, which are not included in the mainstream indices underlying most ETFs, and which require financial analysis and a tailored approach for their selection.

Such development would contribute to improving financial literacy of retail savers and creating a risk culture, one that helps them better understand the relationship between risk, liquidity, and potential returns. More generally, AMAFI welcomes initiatives aimed at enhancing financial literacy.

*Simplifying cross-border investment by eliminating the withholding tax*

Finally, **attracting retail savers to capital markets is primarily about delivering adequate performance**. This performance must not be undermined by inefficient tax processes, particularly withholding taxes (WHT).

Currently, WHT creates significant uncertainty for investors regarding the actual income they will receive from investments made outside their domestic markets. This uncertainty acts as a strong disincentive to cross-border investment and has a financial impact that far exceeds that of transaction costs.

As a first and essential step, WHT should at least be made effectively neutral and seamless for retail investors, meaning they should not be exposed to its complexity and be discouraged from receiving the income they are rightfully owed. **This requires a fully harmonised, simplified and digital relief-at-source framework for WHT.**

However, the FASTER directive falls short of delivering this level of simplification by leaving too many implementation options to Member States and prioritising anti-abuse measures. To truly remove this tax barrier, the most effective solution would be the **full abolition of WHT within the EU**. In addition

to being fully consistent with the logic of the Single Market, it would eliminate the need for refund or relief mechanisms (which are currently lengthy, costly and burdensome), thereby improving the competitiveness of EU capital markets and reducing compliance costs for both taxpayers and administrations.

## ANSWERS TO THE QUESTIONS

### A. UNDERSTANDING NON-REGULATORY BARRIERS TO RETAIL INVESTOR PARTICIPATION

**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.**

According to AMAFI, the main reasons why French retail savers do not invest more in capital markets are the following:

- **Low financial literacy:** unlike in other Member States, French people do not have to invest in financial markets to finance their pensions. In the absence of such an incentive, their exposure to financial concepts, such as the risk-return trade-off or liquidity, remains limited.. School education does not compensate for this lack of incentive to get knowledgeable in financial matter. As an illustration, only 13% of the respondents to the AMF Savings and Investment Barometer 2024 provided a correct answer to the 3 basic questions<sup>2</sup> asked about savings and investments.
- **Aversion to risk:** according to the same Barometer<sup>2</sup> state that they are unwilling to take any investment risk.
- **Tax treatment:** in France, a large part of deposits benefit from favourable tax treatment, reinforcing their appeal relative to capital market products.
- **The perceived complexity and risk attached to financial instruments:** The Barometer also shows that 71% of French savers consider that *“Equity investments are only for people who know enough about them”* and 66% believe that *“Equity investments are too risky”*<sup>3</sup>.

In this context, **the large volume of information and warnings provided to clients** in compliance with **MiFID II inadvertently reinforce these concerns**. Even motivated retail investors can be deterred by the **complexity of the investment process** and the sheer volume of documentation. As a result, many abandon the process and opt instead for simpler, more familiar products such as bank deposits.

<sup>2</sup>“1. when interest rates are below inflation, savings allow you to buy : more than today/exactly the same as today/less than today/ don't know?  
2. when spreading capital over different investments, risk of losing money : increases/ does not change: decreases/don't know?

3. in case of rise in interest rates, the value of bonds: increases/ decreases/ does not change/ don't know?”

<sup>3</sup> Even if crypto currencies are perceived as the riskiest investment, 66% of the respondents consider their risk level is high vs 57% for equities

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

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

As previously stated, the AMF Savings and Investment Barometer 2024 shows that 71% of French savers consider that *“Equity investments are only for people who know enough about them”* and 66% believe that *“Equity investments are too risky”*. In this regard, limited financial literacy clearly amplifies the perceived complexity of financial products. However, this perception is reinforced by the volume of information and warnings provided to clients which often adds to the sense of complexity rather than dispelling it. Clarity should be prioritised over quantity.

From a regulatory standpoint, the concept of “complexity” is frequently misused, sometimes equated with poor understandability, and sometimes with a high level of risk. A few examples illustrate this ambiguity:

- ETFs, although often considered simple, are not technically simple: they may use derivatives for exposure, track benchmarks with varying degrees of precision, and differ in whether they distribute dividends.
- UCITs are considered non-complex by MiFID for the purpose of execution only because they meet a number of regulatory constraints. Yet, they are technically complex, involving multiple intermediaries and portfolio management strategies.
- The bond-like component of a life insurance contract in France (“fonds euros”) is considered non-complex, although it represents a pooled investment of the insurer’s own account.
- In contrast, shares are technically simple and easy to understand but they can carry risk.

AMAFI notes however that:

- Complex products can be made understandable to retail investors, provided they are properly distributed with clear explanations and appropriate educational material. Retail savers should not be expected to grasp the technical intricacies of such products, but rather to understand their key features, namely the nature of the underlying assets, liquidity, expected performance, risk profile, and associated costs.
- Simple products, such as UCITS, can entail significant risks, whereas more complex instruments may, in some cases, involve lower risk, for instance when their structural complexity provides protection against capital loss or issuer default. Some complex products can indeed offer investors an attractive risk-return profile, net of costs.

Therefore, regulation should not aim to discourage retail savers from investing in complex products when complexity is understood as technical sophistication. Instead, it should focus on ensuring that the risks undertaken are proportionate to the expected net performance, and that the information provided clearly explains the product's main features, including the underlying assets, liquidity, performance, risk, and cost.

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

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

Providing a meaningful answer to this question requires objective data, which AMAFI does not have access to.

**Q4: Do high fees and costs discourage retail investors from participating in capital markets? Please select one of the following options and please explain and provide practical examples, or evidence drawn from experience, where available.**

- Yes, fees are a major obstacle to investment
- Somewhat, but investors consider other factors as well 27
- No, fees are not a significant concern for most retail investors

Providing a meaningful answer to this question requires objective data, which AMAFI does not have access to.

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

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

Providing a meaningful answer to this question requires objective data, which AMAFI does not have access to.

**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.**

Providing a meaningful answer to this question requires objective data, which AMAFI does not have access to.

**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.**

Providing a meaningful answer to this question requires objective data, which AMAFI does not have access to.

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

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

As stated in response to Question 31, and in line with Q2a, it is essential that clients' knowledge focuses on the main characteristics of the financial instruments (i.e. underlying, liquidity, performance, risk and costs). As stated in our response to Q31, and in line with Q2a, this does not mean however that clients should be expected to understand the technicalities of financial products.

Furthermore, regulation should aim to protect investors without discouraging those who are willing to invest. As mentioned in our general observations, retail savers are not a homogeneous group: some have a high level of knowledge about financial instruments and are quite capable of investing independently, while others have no financial literacy or basic understanding of financial mechanisms.

Currently, these two types of clients are treated in the same way: all receive detailed information on costs and charges and on financial instruments and are subject to the same thorough suitability assessment. This uniform approach appears illogical. For instance, it may not be necessary to provide the most sophisticated clients with as much information or warnings as less experienced ones.

As regards **regulatory information in particular, which can act as a deterrent to investment, it should be made available to clients but only provided upon request, rather than being sent systematically.** It is also essential to make it easier for the most knowledgeable retail clients to opt for the professional status (*see Q15*).



**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.**

Taxation is definitely an important driver to retail savings (*see footnote 1*).

Therefore, AMAFI strongly supports the introduction by Member States of **tax incentives** to channel savings to finance companies, albeit this may be difficult to achieve due to the strains caused by public deficits in most jurisdictions.

AMAFI also strongly supports harmonised and simplified withholding taxes throughout the EU as WHT can currently act as a strong disincentive to cross-border investment and has a financial impact that far exceeds that of transaction costs.

As a first and essential step, WHT should at least be made effectively neutral and seamless for retail investors, meaning they should not be exposed to its complexity and be discouraged from receiving the income they are rightfully owed. This requires a fully harmonised, simplified and digital relief-at-source framework for WHT. However, the FASTER directive falls short of delivering this level of simplification by leaving too many implementation options to Member States and prioritising anti-abuse measures.

To truly remove this tax barrier though, the most effective solution would be the full abolition of WHT within the EU. In addition to being fully consistent with the logic of the Single Market, it would eliminate the need for refund or relief mechanisms (which are currently lengthy, costly and burdensome), thereby improving the competitiveness of EU capital markets and reducing compliance costs for both taxpayers and administrations.

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

Providing a meaningful answer to this question requires objective data, which AMAFI does not have access to.

**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.**

Providing a meaningful answer to this question requires objective data, which AMAFI does not have access to.

**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.**

AMAFI stresses that spontaneous direct retail investment, even if it were to increase substantially, is unlikely to meet the financing needs of the EU economy. The bulk of retail savings is currently channeled into capital markets through intermediated investment schemes, such as life insurance or private pension schemes.

While it is both important and necessary to facilitate direct access to capital markets for retail investors and enable them to benefit from attractive returns, equal emphasis should be placed on these intermediated schemes, which are essential to mobilise the necessary volume of investment. This includes fostering the development of pension funds in Member States where they are underdeveloped and ensuring that the regulation of life insurance products does not disincentivise investment in equity instruments. This is particularly important for investments in SME shares, as these are not included in the mainstream indices underlying most ETFs and require financial analysis as well as a tailored approach to selection. Yet, growth, innovation, and employment in the EU rely predominantly on SMEs.

Additionally, it should be stressed that performance is the key driver to attracting investment: this should not be eroded by withholding taxes (WHT), which creates significant uncertainty for investors regarding the actual income they will receive from investments made outside their domestic markets. Investment in capital markets should also ideally be supported by targeted tax incentives until it reaches a level that is self-sustaining (*see Question 10*).

Finally, we recommend reducing the volume of information and the number of warnings provided to clients, which may act as a disincentive to investing (*see section C*).

## B. UNDERSTANDING THE APPEAL OF SPECULATIVE AND VOLATILE INVESTMENTS AMONG YOUNG INVESTORS

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

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

Yes, young people tend to be more attracted to speculative and volatile markets, such as cryptocurrencies, which they perceive as more familiar and aligned with their daily lives, and where they expect high returns, rather than to traditional investments : according to the AMF Savings and Investment Barometer 2024 (page 15), 19% of the people aged 18 to 35 invest in crypto currencies, compared to only 16% only in the stock market.

Young investors are indeed a primary audience for social media, where investment in crypto assets is very actively promoted, on the basis of their very high potential return. By contrast, at least in France, investment firms are subject to strict oversight by the competent authority, which prohibits the use of any commercial language that conveys playfulness or friendliness and requires a balanced presentation of risks and rewards. This regulatory approach may limit the appeal of traditional financial investments.

We also observe that young people are often discouraged from investing in conventional products due to the volume of information and warnings they are required to absorb.

## C. ENSURING MEANINGFUL AND EFFECTIVE DISCLOSURES FOR RETAIL INVESTORS

**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.**

Information provided to clients is often overly burdensome and insufficiently proportionate to the nature of the service delivered. It can even act as a deterrent by reinforcing the perception that

investing in financial markets is excessively risky. For example, detailed disclosures should not be required when advice leads to a switch from one financial instrument to another with similar overall characteristics, such as complexity, risk level, recommended holding period, ESG features, and investment objectives.

In addition, the suitability statement should not be required to explain why the recommended product is appropriate for the client, as the advisor is already under a legal obligation to provide suitable advice. The statement should instead be limited to documenting the content and conditions of the advice given.

A relevant parallel can be drawn with best execution requirements, where investment firms are not expected to justify to the client, for each transaction, how they have met their obligations, for instance by showing the prices available across alternative execution venues.

To better align investor protections with client capabilities and the complexity of transactions, clients should be given greater flexibility to opt for a lower level of protection and reduced information. For wealthy or experienced retail investors, the protection regime should be more proportionate, while ensuring that essential safeguards remain in place.

AMAFI therefore supports reducing the requirements for switching from retail to professional client status, as currently being discussed in the Retail Investment Strategy dossier. In particular, we support the addition of a fourth criterion related to education and training, the introduction of a self-standing transaction-based criterion for trades exceeding €100,000, and the adoption of a portfolio-wide approach to transaction frequency, rather than one based on specific asset classes.

We also support allowing firms to inform their clients of this possibility. To ensure that the opt-in regime is not merely theoretical, firms should be permitted, where appropriate, to propose a change of client category, for example to offer access to more suitable products. However, this practice is currently hindered by an ESMA Q&A<sup>4</sup> that prohibits it, and which should therefore be withdrawn.

**Retail clients should also be given the opportunity to choose the level of information** they wish to receive, given that current rules are designed primarily for the least financially literate investors. The general regime should therefore be based on the principle that information is made available to clients, with the option for them to request its formal provision.

**In all cases, regulatory stability should be prioritised.** Again, simplification should not consist in changing the format of information disclosures, as doing so would require substantial updates to IT systems and internal procedures, resulting in costs that would ultimately be borne by clients.

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<sup>4</sup> 2<sup>nd</sup> § of answer to Question 2 section 11 of [ESMA Questions and Answers On MiFID II and MiFIR investor protection and intermediaries topics](#): “Investment firms should strictly refrain from implementing any form of practice that aims at incentivising, inducing or pressuring a private individual investor to request to be treated as professional client.”

**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.**

AMAFI does not have specific insight on this question. However, it can be recalled that:

- An impact analysis by Paul, Schröder & Schumacher (2019) showed that the more extensive information available as a result of MiFID II/MiFIR and PRIIPs Regulation “has not led to more informed decisions. Instead, it has created information overload, together with uncertainty. The higher degree of standardisation has not mitigated this problem – instead, in most cases it has led to further disadvantages due to less flexibility and customization”.
- Furthermore, in a market research survey published by BaFin in 2019 on the effect of financial market rules in MiFID II and the PRIIPs Regulation on consumer behavior, it was established that “a large number of investors do not make enough use of the new information”. For example, 38% of the participants in the survey who sought investment advice declared that they did not read the suitability report, citing that there is too much information (64%) or that the report is not of interest to them (24%).

**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?**

From our experience, the **KID is now satisfactorily intelligible and should not be changed**. Excessive simplification could ultimately harm both the accuracy and comparability of the information provided.

Given that PRIIPs has undergone several substantial revisions in recent years, regulatory stability is now essential. Repeated modifications entail significant costs, generate disruptions, and ultimately reduce efficiency. The costs of implementing the PRIIPs KID since 2018 have been considerable, whereas clients’ complaints regarding these documents have been, in our experience, extremely rare.

Nevertheless, we have observed that clients do not always read the PRIIPs KIDs, some of them preferring marketing materials that they find clearer. In this context, and in the spirit of simplification, **the obligation to provide clients with the KID should be replaced by a requirement to simply make it available**.

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

KIDs are adapted to online environments. They can be provided in an electronic format, and firms have in place arrangements by which clients must declare that they have read the KIDs.

**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?**

Disclosures to clients on costs represent an area where information is both **overly burdensome for firms and confusing to clients**.

The [AMF Savings and Investment Barometer 2024](#) indicates that costs are not a primary consideration for clients when choosing an investment product: only 34% of savers mention fees as an important criterion when choosing a savings or investment product. This ranks far behind the level of risk (57%), expected return (53%) and availability of funds (47%).

Therefore, investment firms should have the option to limit the provision of information to two key elements:

- the costs attached to the provision of service, at the time of the onboarding,
- the costs of products via the KID<sup>5</sup> which would be made available to clients, before they decide to invest, rather than being provided systematically.

Providing information on the total cost, including service costs, at the time the client decides to trade is confusing for retail investors and does not foster competition. Clients generally assess and compare service costs when selecting an intermediary, not when receiving investment advice or executing a transaction.

If the above proposed simplification is not adopted, we would support the following minimum amendments to the current regime:

- Removing the requirement to disclose the impact of costs on the total return, as experience shows that this concept is difficult for investors to grasp and often creates confusion.
- Excluding the use of PRIIPs methodologies to assess transaction costs for MiFID services for which they are not appropriate: including implicit costs in the assessment of transactions costs may be relevant for large series of transactions, but is not meaningful for single transactions, which is usually the case when evaluating service costs under MiFIDII.

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<sup>5</sup> non packaged products do not embed product costs so that the information on product costs only applies to PRIIPs

- Extending the possibility of presenting service costs using a grid with ranges or maximum charges to cases where costs are applied as mark-ups to trades on vanilla products. These grids should be provided at onboarding, thereby eliminating the need to repeatedly disclose similar information for each transaction (e.g., bond trades).

**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.**

In terms of layering of information, it is worth noting that the rapid development of artificial intelligence is likely to meet the clients' needs for tailored content. Clients will soon have the opportunity, through secure in-house AI tools, to obtain information that will be adapted to their specific situation. In light of this evolution, we recommend allowing market dynamics and competition to guide developments in this area, rather than introducing regulatory constraints. Clients will increasingly be able to choose firms that offer such personalised services.

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

- Yes, it provides clear and relevant information
- Somewhat, but the frequency could be lower
- No, the information is usually readily available to the retail investor online and thus the statements do not have much added value
- Mixed views (please elaborate)

Providing clients with quarterly statements contributes to information overload.

Active investors using investment platforms in order to make investment decisions need real time information, which such platforms provide. Quarterly statements therefore mainly contribute to inform less active clients who may find this information excessive.

**Therefore, AMAFI suggests requiring the provision of an annual statement to clients and making quarterly statements available on demand.**

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

- Yes, it provides timely and relevant information

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

This obligation fuels investors' anxiety during market downturns, which can prevent clients from making sound investment decisions. It can prompt retail investors to engage in panic selling, sometimes at inopportune moments, particularly when the decline is temporary and quickly followed by a rebound. If such “panic selling” leads clients to unwind a hedging position, the consequences could be especially damaging to them. This risk is heightened in a digital environment where there is no personal relationship with an advisor who could provide explanation and reassurance.

Furthermore, clients always have the option of agreeing contractual alert thresholds with their service providers.

**AMAFI therefore proposes that this alert be removed.**

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

While AML/CFT requirements are not the primary barrier to retail investment, they nonetheless represent a significant obstacle for certain categories of clients, particularly those deemed high-risk or engaging in services considered high-risk. This is especially evident in private banking, where clients are required to justify the origin of their funds with supporting documentation. In practice, this can be a real impediment for individuals unable to provide such documents or forced to undertake complex and sometimes disproportionate efforts to obtain them. For instance, clients may need to trace past inheritances going back several generations, occasionally as far as the 18th century.

The situation is further complicated for clients identified as politically exposed persons (PEPs), who are subject to enhanced scrutiny, and for those using personal investment vehicles, which typically trigger more stringent due diligence procedures under AML/CFT rules.



More broadly, these requirements are often perceived by retail clients as intrusive, especially when they are applied in a rigid or formalistic manner. While in some cases enhanced vigilance is justified, for example, at the onboarding stage or when specific transactions raise legitimate concerns, this is not always the case. In practice, applying a proportionate, risk-based approach remains challenging due to the prevailing supervisory stance and the perceived risk of sanctions, which encourages overly cautious or uniform application of controls, even where the underlying risk does not warrant it.

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

Please see previous question.

**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.**

Taxation is definitely a key driver of retail savings (*see footnote 1*).

In the context of cross-border investments, it is important to underline that retail investors still exhibit a strong home bias, particularly when it comes to investing in companies that are not blue chips or lack global visibility. This phenomenon is particularly detrimental to the European Union, as the companies that generate the most employment and innovation are often those that remain relatively unknown to the general public.

This issue cannot be resolved only by removing tax barriers. However, withholding tax currently represents a major deterrent to cross-border investment and has a tangible financial impact that significantly affects investment performance. AMAFI therefore strongly supports the implementation of harmonised and simplified withholding tax regimes across the EU.

As a first and essential step, WHT should at least be made effectively neutral and seamless for retail investors, meaning they should not be exposed to its complexity and be discouraged from receiving the income they are rightfully owed. This requires a fully harmonised, simplified and digital relief-at-source framework for WHT. However, the FASTER directive falls short of delivering this level of simplification by leaving too many implementation options to Member States and prioritising anti-abuse measures.

To truly remove this tax barrier though, the most effective solution would be the full abolition of WHT within the EU. In addition to being fully consistent with the logic of the Single Market, it would eliminate the need for refund or relief mechanisms (which are currently lengthy, costly and burdensome), thereby improving the competitiveness of EU capital markets and reducing compliance costs for both taxpayers and administrations.

**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.**

See our answer to the previous question.

#### **D. REGULATORY DISCLOSURES AND MARKETING MATERIAL**

**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.**

Contracts are a legal tool designed to protect both parties and address all possible situations, including exceptional ones that may arise during the course of the relationship. Investment services agreements primarily aim to establish the legal framework governing the relationships between the investment firm and its clients. They are not the only way to inform clients about services and financial products. Therefore, they have to be somewhat detailed, and firms should be given freedom on their format.

#### **E. SUITABILITY ASSESSMENT RELATED TO INVESTMENT ADVICE AND PORTFOLIO MANAGEMENT**

**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.**

To our knowledge, firms face persistent difficulties in obtaining the required information from their clients.

As developed in our response to Q31, simplifications should be introduced to streamline the information collection process.

**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.**

Several simplifications should be introduced at Levels 1, 2 and 3 of the current framework:

- The requirement to assess both prior transactional experience and knowledge of financial instruments should be reconsidered: experience of preceding transactions should not be

required<sup>6</sup>. This would be consistent with the suitability guidelines stating (§30) that “*Information collected by firms about a client’s knowledge and experience should be considered altogether for the overall appraisal of his understanding of the products and of the risks involved...*”. It should be clarified that the objective is to assess the client’s understanding, which can be achieved using data on previous experience or through other means.

- It should be clarified that the knowledge required on financial instruments should focus on their main characteristics (i.e. underlying, assets, liquidity, performance, risk and costs) rather than on their technical features.
- The ability to bear losses should be removed from the requirements for assessing client’s financial situation<sup>7</sup>, as this notion is not clearly defined or meaningfully differentiated from the financial situation itself, to which it seems to be an add-on. It also causes confusion with risk appetite. At a minimum, if this concept were to be maintained, it should be clarified how it should be assessed, either by considering the client’s financial elements such as assets, liabilities, income and charges or by also including the clients’ intention or objectives.
- Information about professional situation and level of education<sup>8</sup> should be optional, as they are of limited relevance for the purpose of assessing the clients’ understanding of financial instruments.

More generally, consistently with the proposals made under the General Observations paragraph, we suggest that current ESMA Guidelines should be replaced by non-binding guidance elaborated in collaboration with the industry.

Adopting a more principle-based approach would enable firms to streamline the information collection process without compromising investor protection.

**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.**

From our experience, investors and firms have been, from the beginning, struggling to integrate sustainability preferences in the suitability assessments.

One of the key issues lies in the complexity of the definition of such preferences, relying on technical and complicated concepts of SFDR such as Taxonomy alignment and principal adverse impact consideration, even further complicated with quantitative thresholds. In that respect, it should be noted that the French authorities AMF and ACPR recently acknowledged that the concepts used in the

<sup>6</sup> See c) of Article 54 § 2 of Commission Delegated Regulation 2017/565 that requires to assess that “*the client has the necessary experience and knowledge in order to understand the risks involved in the transaction or in the management of his portfolio.*”

<sup>7</sup> See § 2 of Article 25 of MiFIDII: “*When providing investment advice or portfolio management the investment firm shall obtain the necessary information regarding ... that person’s financial situation including his ability to bear losses, ...*”

<sup>8</sup> Required under c) of Article 54 § 1 of Commission Delegated Regulation 2017/565: “*(c) the level of education, and profession or relevant former profession of the client or potential client.*”

MiFID II texts for gathering clients' sustainability preferences are *"difficult for advisors and clients to understand"* and that only a very small number of clients express detailed ESG preferences.

**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.**

As recently acknowledged by the French authorities, AMF and ACPR, the concepts used in MiFID II for gathering clients' sustainability preferences are *"difficult for advisors and clients to understand"* and only a very small number of clients express detailed ESG preferences.

The European Commission is planning to revise the SFDR to address this issue. We understand that this revision would bring clarification and simplification and would have an impact on the provisions of MiFID II that are based on SFDR.

Pending this revision, AMAFI considers that the Level 3 requirements set out in the Suitability and Product Governance Guidelines should be removed. In particular:

- Firms should be authorised to present their offer or the overall state of the market in terms of sustainability before the client has answered the questionnaire, as currently oftentimes the questionnaire has to be processed again, at the expense of the client journey.
- The strict requirements under the third bullet point of § 27<sup>9</sup> of ESMA Suitability Guidelines to use sufficiently granular percentages when using minimum proportions to express ESG preferences are unworkable and should be removed.

In the meantime, given the difficulties that firms are experiencing in complying with these requirements, ESMA should transform them into simple recommendations and refrain from initiating supervisory actions on this issue.

**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.**

To our experience, suitability reports are seldom read by clients. Therefore, AMAFI proposes the following adjustments:

- Make the suitability report available and provide it only upon request, rather than each time investment advice is provided;

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<sup>9</sup> "Where the client expresses preferences in terms of the "minimum proportion" as mentioned in points (a) and (b), firms could collect this information not in terms of an exact percentage but by minimum percentages. These percentages should be presented in a neutral way to the client and should be sufficiently granular. Firms could, for example, assist the customer to identify the minimum proportion by approximating the minimum proportion by standardised minimum proportions, such as "minimum 20%, minimum 25%, minimum 30%, etc."."

- Allow the provision of a single suitability report concatenating all the pieces of advice provided during the day;
- Exempt investment firms from providing a suitability report when the service of investment advice relates to:
  - transactions of a small amount (in percentage terms of the client's portfolio)
  - switches between financial instruments within the same asset class.
- Exclude from the suitability statement the information necessary to understand how the advice provided is suitable for the client as the advisor is already legally required to provide suitable advice and to be able to demonstrate it if necessary. The statement should simply serve as a record of the content and conditions of the advice provided. A parallel could be drawn with the best execution provisions, whereby investment firms are not required to justify how they fulfil their obligation, for example by providing clients with prices available at other execution venues.

**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.**

Considering the existing detailed requirements, investment firms have little leeway in terms of content of the suitability statement.

In these conditions, such statements are lengthy and therefore seem not to always be read.

## F. APPROPRIATENESS ASSESSMENT FOR NON-ADVISED SERVICES

**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 4 following options and please explain and provide practical examples, or evidence drawn from experience, where available.**

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

We suggest the following improvements to the appropriateness test:

The appropriateness assessment looks to us protective both for clients and for investment firms. However, we see room for improvement on the following aspects:

- The requirement to assess both prior transactional experience and knowledge of financial instruments should be reconsidered: experience of preceding transactions should not be

required<sup>10</sup>. This would be consistent with the suitability guidelines stating (§30) that “*Information collected by firms about a client’s knowledge and experience should be considered altogether for the overall appraisal of his understanding of the products and of the risks involved...*”. It should be clarified that the objective is to assess the client’s understanding, which can be achieved using data on previous experience or through other means.

- The information about the professional situation and the level of education should be optional, as they are of limited relevance for the purpose of assessing the clients’ understanding of financial instruments.
- It should be clarified that the knowledge required on financial instruments should be on their main characteristics (e.g. underlying, liquidity, performance, risk and costs) and not on the technical features of the products.
- As clarified under § 6 of Article 54 of MiFIDII delegated regulation, “*the knowledge and experience [for natural persons represented by other natural persons] shall be that of the representative of the natural person or the person authorised to carry out transactions on behalf of the underlying client*”. In the same spirit no assessment of the knowledge and experience of the underlying client should be required where that client has appointed an investment firm providing portfolio management services and hence to making investment decisions on their behalf. Requiring such an assessment contradicts one of the core purposes of the mandate, which is to entrust decision-making to a professional who possesses greater expertise than the client.

However, in order to ensure that clients are adequately informed of the risks they may be exposed to, relevant information should be provided, for instance in the mandate itself, regarding the risks associated with the categories of financial instruments in which the investment firm is likely to invest on their behalf.

**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.**

AMAFI is of the view that the appropriateness test should not be extended beyond its current scope without a proper cost-benefit analysis.

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<sup>10</sup> See c) of Article 54 § 2 of Commission Delegated Regulation 2017/565 that requires to assess that “*the client has the necessary experience and knowledge in order to understand the risks involved in the transaction or in the management of his portfolio.*”

**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 can be used either during the onboarding process or at any time during a business relationship.

This should not be considered bad practice as it improves clients' financial literacy regarding financial instruments that they can however acquire under the appropriateness regime.

In this regard, the wording of Q38 appears very biased, as it conveys the idea that investment firms should not educate their clients because their ultimate intention is to sell them financial instruments. While investment firms are ultimately profit-driven companies, them providing educational resources can be a valuable part of their service: it is perfectly legitimate to help clients improve their knowledge so they can access more sophisticated financial instruments that may satisfy their needs.

Therefore, this practice should not be viewed negatively in all cases but rather be properly supervised to avoid bad practices such as enticing poorly informed clients to invest in very complex and risky products or failing to test clients' understanding of the information provided.

**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, AMAFI considers this to be the only way to correctly assess clients' understanding.

However, as previously stated in our answer to Q36a, the appropriateness test should be amended.

## **G. CROWDFUNDING INVESTOR EXPERIENCE**

**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.**

AMAFI does not have specific insight into this question.

## H. OTHER TOPICS

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

No. Clients receive too much information and warnings that are likely to deter them from investing. Moreover, the information provided to clients is typically risk-oriented and is therefore likely to overlay the risks over the advantages (e.g. return) of the products, with the risk of deterring clients from investing.

Therefore, AMAFI proposes the following changes:

- The process for switching from the retail to the professional client category should be facilitated for more sophisticated clients, as detailed in the response to Question 15a.
- Alleviating the amount of information to be provided to clients by:

The volume of information to be provided to clients should be reduced. This should include replacing the obligation to provide clients with the KID with a requirement to merely make it available, as explained in Question 16a.

Cost disclosure requirements should be alleviated, as set out in the response to Question 18.

The obligation to provide a quarterly suitability statement should be replaced with an annual statement, while quarterly statements would be made available upon request, as proposed in Question 20.

The 10% depreciation alert requirement should be removed, as discussed in Question 21a;

- The suitability statement should be simplified in line with the proposal under Question 35a.
- The appropriateness and suitability assessments should be streamlined as suggested in Questions 31 and 36a.

**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.**

Yes.

- **Product governance requirements for vanilla products**

The scope of product governance requirements should be limited to financial instruments that are issued to answer investors' demand and not those issued primarily to meet the financing objective for their issuers.

Shares and vanilla bonds are generally considered simple financial products. This simplicity is the reason why retail investors are entitled, on their own initiative, to execute transactions without the



necessity for financial intermediaries to make an appropriateness assessment (in accordance with article 25§4 MiFID).

ESMA therefore needs to reconsider its approach on product governance by focusing these requirements only on those products for which they provide genuine added value, namely those that are more complex, opaque or risky.

Vanilla bonds and shares should be allowed to be distributed without being subject to these disproportionate constraints, while remaining under the safeguards provided by MiFID II distribution regimes.

In this context, several product governance obligations are inapplicable or ineffective when applied to plain vanilla bonds and shares:

- a) Costs: by nature, plain vanilla products do not incur product “manufacturing” costs. Therefore, the obligation to verify the compatibility of these costs and charges presents no added value.
- b) Scenarios: the obligation to undertake analyses of various scenarios is not appropriate for shares and bonds.
- c) Regular review of the product: given the nature of these products, it is disproportionate, unnecessary and perhaps impossible (particularly in the primary market) to conduct regular reviews.
- d) Target market: there is limited added value in requiring the definition of a detailed target market for these financial instruments that are predominantly distributed passively through execution services, such as RTO or execution of orders. In that context, the exercise of determining a target market looks rather artificial because the sole criterion that will be checked under the appropriateness regime for retail clients will be their knowledge and experience whereas none will be checked under the execution only regime. There is hence little to no matching of the predetermined target market criteria with clients’ characteristics, since at most the appropriateness regime applies, and only when the transaction does not fall under the execution-only framework.

This poor added value stands in stark contrast with the considerable burden stemming from the sheer number of financial instruments concerned (as an example, on one trading day on Euronext there are at least 150 000 different ISIN codes traded). Distributors are expected to determine as many target markets without any help from the issuers with whom they have no links whatsoever.

Therefore, we advocate for a full exemption from product governance rules for vanilla. At the very least, such an exemption should apply when these products are distributed under the execution-only or appropriateness regime.

## ■ Inducements

The principle that inducements should provide quality enhancement should not lead to the obligation that inducements be *“justified by the provision of an additional or higher level service to the relevant client”* (see Article 11.2 (a) of MiFIDII Delegated Directive 2017/593), **but to be proportionate to the services made available to the relevant clients.**

Such a requirement is indeed i) irrelevant ii) unrealistic and iii) contrary to the objective sought:

- Irrelevant as inducements should be regarded as a means of remunerating the service provided to clients, rather than as a measure of its enhancement. Given that there is no alternative way to remunerate such services, this form of remuneration must be considered legitimate, provided it remains proportionate to the level of service;
- Unrealistic, because it is impossible to justify the enhancement of service quality on a client-by-client basis;
- Counterproductive, as it undermines the principle of mutualisation embedded in the inducement system, which enables less affluent clients to access value-added services (including ongoing investment advice) that they would not otherwise be able to afford.

