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**Euronext's Response to ESMA Consultation 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?

Retail participation in capital markets remains limited across the EU due to a combination of structural, regulatory, and behavioural factors. Evidence from Euronext markets suggests several key barriers:

1. **Low levels of financial literacy:** A widespread lack of understanding of basic financial concepts has often lead to a preference for perceived "safe" instruments like bank deposits over investment products. This highlights the need for coordinated EU-wide financial education strategies.
2. **Complexity and fragmentation of available products:** Retail investors often face a confusing array of documentation and disclosures. For example, in Italy, the layering of MiFID II, PRIIPs, and prospectus requirements has created an administrative burden that deters investment even in relatively simple instruments such as senior corporate bonds.
3. **Inconsistent access and incentives across Member States:** Some national frameworks, such as Sweden's Investment Savings Account, have been more successful in encouraging capital markets participation by combining tax incentives with product simplicity. By contrast, in other member states, the lack of accessible, tax-incentivised products reduces retail appetite to invest. Harmonising these frameworks at EU level would support cross-border retail investment.
4. **Overly restrictive regulation of low-risk products:** Regulations intended to protect investors often limit access to products with relatively low risk profiles. For instance, in Italy, senior corporate bonds have become less accessible to retail due to the cumulative impact of MiFID II target market rules, PRIIPs KID requirements, and the prospectus regime. This has created a paradox where retail investors are effectively nudged towards more complex or expensive packaged products.

Addressing these barriers requires a shift toward proportional, harmonised regulation, broader access to simple, low-risk instruments, and greater transparency. These actions — along with well-designed tax incentives and improved financial education — would help redirect household savings from bank deposits to capital markets.

**Q2a:** To what extent do retail investors find investment products too complex or difficult to understand?

Evidence suggests that many retail investors do indeed find certain investment products complex or difficult to understand.

At the same time, complexity is not inherently negative—some products are necessarily more sophisticated in order to meet specific investment goals. The key challenge is ensuring that the level of complexity is matched with the investor's knowledge, risk tolerance, and objectives.

This highlights the importance of effective investor assessment and clear, targeted disclosure. When appropriate investor protection measures are in place, retail investors should be able to access a broad range of products—including those with more complex

features—to support long- and short-term strategies, diversification, and risk management.

**Q13:** What measures - whether market-driven or policy-driven - could help improve retail investor participation in capital markets?

Encouraging citizens to invest in capital markets requires measures to mobilise retail investors and redirect their savings from banks to more productive capital markets, offering better returns and enabling wealth creation. As highlighted by the Eurogroup in April 2024 and the recent SIU Strategy, introducing simple, effective cross-border investment and savings products for retail investors should be a key action item.

As outlined in the ENX considerations on the Commission's consultation on [a European blueprint for savings and investments accounts](#), there are several features that could make savings and investments accounts successful. For instance, citizens should have a reasonable choice of products that they can hold in EU-compliant savings and investment account, such as shares traded on multilateral platforms, exchange-traded funds (ETFs), European Long Term Investment Funds (ELTIFs), as well as sovereign and exchange-traded corporate bonds. The Swedish Investment Savings Account is a notable success story which has facilitated retail investors to invest directly in shares and funds (including ETFs). Importantly, trading of financial instruments offered through savings and investment accounts should be conducted on multilateral trading platforms rather than through bilateral or over-the-counter (OTC) execution. This would help steer retail order flow toward transparent ("lit") venues and away from opaque ("dark") trading practices. Such a shift directly enhances investor protection by ensuring **Best Execution**, as regulated platforms are subject to strict requirements on price, cost, speed, and likelihood of execution. It also reduces the risk of retail investors being disadvantaged by less transparent pricing or conflicts of interest that may arise in OTC or internalised order execution. Moreover, multilateral venues provide robust pre- and post-trade transparency, surveillance mechanisms, and orderly trading conditions, all of which contribute to safeguarding retail investors against market abuse and unfair practices. Ensuring execution takes place on transparent venues promotes a level playing field and aligns with the broader goal of empowering retail investors through accessible, fair, and reliable market infrastructure. The savings and investments accounts should also be easily accessible, with no minimum investment amount but a limited number of accounts per individual to prevent fragmentation. Furthermore, investors should be allowed to transfer their savings and investments accounts from one provider to another with limited cost and administrative burden, and without liquidation of existing holdings. In addition, authorised providers from one country should be able to propose savings and investments in other Member States provided they comply with investor protection standards and harmonised EU-wide disclosures, and that tax treatment and benefits are preserved. Other key features should include a tax-advantaged regime (e.g., tax exemption on capital gains or dividends), streamlined onboarding and investment processes (e.g., simplified KYC and consolidated digital interfaces), a clear allocation framework that channels a portion of savings into EU-based productive assets (e.g., SMEs, infrastructure via ELTIFs), and a targeted financial literacy campaign to raise awareness and support informed retail participation.

Pension systems are also fundamental in building deep, long-term capital pools. The Commission can contribute by working to streamline a common policy direction for future pension systems. In our view, Member States should explore transitioning from traditional pay-as-you-go models to (partly) funded systems and promoting market-based pension fund enrolment as a standard practice. Additionally, targeted measures could provide incentives for higher investments in Occupational pension schemes (IORPs) and encouraging their use and competitive provision cross-border. A

strengthened Pan-European Personal Pension Product (PEPP) framework—with enhanced cost transparency, simplified product options, and improved cross-border portability—could play a pivotal role by offering a limited range of easy-to-understand, low-cost pension products accessible throughout the EU.

**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?

While the objective of MiFID II disclosures is sound, in practice, the volume and complexity of required information can overwhelm retail investors and reduce engagement. In particular, the layering of detailed disclosures (e.g. performance scenarios, cost and charges, target market information) across documents such as the KID, KIID, and ex-ante cost disclosures often results in duplication and confusion.

This is especially true for relatively straightforward instruments such as corporate bonds. For example, retail investors receive disclosures referencing performance scenarios or product costs for these bonds, even though such instruments carry no embedded costs and are passively distributed through execution-only services. These disclosures can give a misleading impression of complexity or risk.

Exemptions should be provided for all categories of ordinary bonds (excluding structured bonds) from the scope of the product governance requirements within MiFID II.

**Q16a:** Do retail investors find the PRIIPs KID helpful in understanding investment products?

Retail investors often face challenges in fully benefiting from the PRIIPs KID for certain investment products, which limits its overall helpfulness as a disclosure tool. For example, many traditional corporate bonds with investor protection clauses are classified as complex or packaged products under the PRIIPs Regulation, requiring a KID. However, drafting the KID is frequently too cumbersome for issuers, who may then choose not to provide one. This results in a significant portion of corporate bonds being excluded from the retail market, restricting investor access despite growing interest. Therefore, while the KID aims to enhance transparency, it paradoxically hampers retail investors' ability to invest in straightforward bonds due to these regulatory burdens.

Similarly, the PRIIPs KID provides limited value for exchange-traded derivatives (ETDs). These products were not originally designed to fall within the PRIIPs scope, and exchanges—which create ETDs—do not distribute them directly or have visibility on end investors. This structural disconnect complicates the accurate completion of key KID sections, particularly regarding intermediary costs, and the sheer number and variability of ETDs make individual KIDs impractical. Although regulators permit standardized KIDs grouping similar ETDs, this approach lacks a clear legal foundation and fails to fully capture the products' features from a retail investor perspective.

To better support retail investors, further regulatory adjustments are needed. We propose extending exemptions from the PRIIPs KID for all ordinary corporate bonds (excluding structured bonds) to improve market access. Additionally, clarifying the legal framework for ETD disclosures or explicitly excluding ETDs from PRIIPs would enhance the relevance and clarity of information provided to investors.

**Q36a:** Do you believe the MiFID II appropriateness assessment helps ensure that retail investors understand the risks of the products they invest in?

Yes, ENX believes that the status quo of appropriateness assessments already ensures well that retail investors understand the risks of the products they invest in. We believe that adding any additional assessments to appropriateness tests would only add

additional red tape for retail investors to access financial products and, thus, raise administrative barriers to their participation in capital markets.

**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?

The application of product governance rules in MiFID II poses practical challenges, discouraging distributors from offering corporate bonds on the secondary market. These rules effectively shut out retail investors from a valuable asset class.

Notably, the requirement to define a “target market” in Article 16a(1) in MiFID II lacks added value in terms of investor protection. These financial instruments are primarily distributed passively through execution services, which do not involve aligning clients' characteristics with the target market (aside from knowledge and experience when providing execution services with the appropriateness test). Other examples of product governance rules that are irrelevant to these types of financial instruments could include cost assessment (since there are no product costs associated with them), performance scenarios, regular review, or target market.