

# Public consultation on a retail investment strategy for Europe

Fields marked with \* are mandatory.

## Introduction

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

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### 1. Background for this consultation

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

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

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

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

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

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

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

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

## Responding to this consultation and follow up

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

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

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

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

More information on

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

## About you

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### \* Language of my contribution

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

\* I am giving my contribution as

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

\* First name

Satu

\* Surname

Wennberg

\* Email (this won't be published)

satu.wennberg@financefinland.fi

\* Organisation name

*255 character(s) maximum*

Finance Finland

\* Organisation size

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

Transparency register number

*255 character(s) maximum*

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

7328496842-09

### \* Country of origin

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

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- Bolivia
- Bonaire Saint Eustatius and Saba
- Bosnia and Herzegovina
- Botswana
- Bouvet Island
- Brazil
- British Indian Ocean Territory
- British Virgin Islands
- Brunei
- Bulgaria
  
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- Burundi
  
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- Guinea-Bissau
  
- Guyana
  
- Haiti
- Heard Island and McDonald Islands
- Honduras
- Hong Kong
  
- Hungary
  
- Iceland
- India
- Indonesia
- Iran
  
- Iraq
  
- Ireland
- Isle of Man
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- Montserrat
- Morocco
- Mozambique
- Myanmar/Burma
  
- Namibia
- Nauru
  
- Nepal
  
- Netherlands
- New Caledonia
- New Zealand
- Nicaragua
  
- Niger
  
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- Norfolk Island
- Northern Mariana Islands
- North Korea
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- Sri Lanka
- Sudan
- Suriname
- Svalbard and Jan Mayen
- Sweden
- Switzerland
  
- Syria
  
- Taiwan
- Tajikistan
- Tanzania
- Thailand
  
- The Gambia
  
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- Togo
  
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- Tuvalu
  
- Uganda
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| <input type="radio"/> Denmark                          | <input type="radio"/> Liberia    | <input type="radio"/> Saint Lucia                                       |  |

\* Field of activity or sector (if applicable)

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

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

- Social entrepreneurship
- Other
- Not applicable

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

### \* Contribution publication privacy settings

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

**Anonymous**

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

**Public**

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

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

## 1. General questions

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

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

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

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

*5000 character(s) maximum*

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

The existing EU rules regarding retail investors protect them through extensive disclosure and conduct requirements for investment service providers. The introduction of MiFID II, IDD and PRIIPS has increased the complexity of information to be asked from and given to the retail investor. It is not always possible for the retail investors to gather all relevant parts from the vast amount of available information in order for them to assess their financial services and related risks. Information overload doesn't mean better protection for the retail client.

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

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

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

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

*5000 character(s) maximum*

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

While EU legislators have tried to enhance investor protection in different layers for retail investors, they have created a barrier, preventing financial service providers from providing their services for retail investors in an efficient way. This hinders retail investors' ability to invest into various financial products and in some cases prevents their access to capital markets entirely. The existing limitations restrict the range of investment instruments that can be offered to the most experienced retail investors.

According to our member, the amount of time one retail client requires with investment advisors, with all the required information, has increased by 50% from MiFID I to MiFID II. This finding is supported by the study on MiFID II and IDD and their effect on customer experience, which was recently conducted by Academic Business Consulting Ab / Hanken School of Economics, on behalf of Finance Finland\*. According to the study, the professionals reported that the amount of time that is required for one customer or meeting has significantly increased, even tripled, since the implementation. Especially back-office duties have prolonged (p. 14). This limits the possibility for financial service providers to give financial services to single retail clients or large masses of retail investors. In some cases, it can be easier to maintain a simple product offering as the information requirements may often be so costly that they do not encourage innovation or offering

products where the commercial viability is still unknown.

Due to increased and burdensome requirements for retail investors, many issuers have decided to limit the target market for primary issuance of bonds to professionals only, even though the bonds do not have features that would make them unsuitable for retail clients. In most cases they are targeting wholesale market (i.e. denominations above EUR 100,000) but it is unfortunate that this restriction in the primary market has an effect on the higher end segments of retail investors in the secondary market. If the funding base for corporations is intended to be broadened to retail investors, and retail investors should be able to access this product category, then there is a need to simplify the information requirements.

\* Loaded pdf-file in the addition information section. Published also on the website: <https://www.finanssiala.fi/wp-content/uploads/2021/07/MiFID-and-IDD-final-report-1.pdf>

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

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

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

*5000 character(s) maximum*

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

There are some products that are offered only to professional clients and eligible counterparties, like private equity and private debt products, most of the derivatives and structured products. In addition to this, in some bond emissions retail clients are carved out from the investor scope due to the increased requirements. "MiFID quick fix" fixed this only partly relating to make-whole clause bonds. In our opinion, regular and simple bonds (also other than make-whole) should be more easily sold to all kinds of clients and thus the information requirements should be simplified. Requirement to give and sometimes print 300-page bond prospectuses to clients is not a suitable requirement in practice, especially considering that the issuer would need to carry the information cost upfront, without knowing whether there will be sufficient retail investor interest.

According to the study conducted by Academic Business Consulting Ab / Hanken School of Economics\*, some investment advisors criticized the limitations for offering more complex investment instruments (e.g., real assets and special mutual funds) for customers. According to the investment advisors, these instruments would be more suitable for the customer portfolios. (p. 15)

One difficulty is the obligation to provide the PRIIPS KID in the local language. Many of the global product manufacturers provide KID only in English or in German. The local distributors in many EU countries do not have these KIDs in their local language so therefore these packaged products, such as many global investment funds, are not offered to the retail customer in Finland.

To conclude, the above examples together limit the retail clients' possibilities to receive profits from the capital markets compared to the professional clients with more investment possibilities.

\* Loaded pdf-file in the addition information section. Published also on the website: <https://www.finanssiala.fi>



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

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

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

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

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

Please select as many answers as you like

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

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

*5000 character(s) maximum*

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

## 2. Financial literacy

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

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

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

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

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

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

*5000 character(s) maximum*

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

EU could require member states to create and implement a national strategy for financial education based on the OECD INFE recommendations.

### 3. Digital innovation

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

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

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

**Please explain your answer**

*5000 character(s) maximum*

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

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

**Please explain your answer**

*5000 character(s) maximum*

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

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

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

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

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

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

*5000 character(s) maximum*

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

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Information exchange between product manufacturers and distributors is an essential element of a well-working distribution process. In order to be efficient, this information should be in electronic format. However, industry solutions should be preferred over regulation. There is already an operational framework under FinDatEx.

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

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

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

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

*5000 character(s) maximum*

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

No. Different rules on marketing and advertising are not obstacles for cross-border investment products. Instead, differences in culture, languages and tailored products for the national markets might constitute barriers for cross-border investments. The investment firms make their business decision to enter the foreign market or not based on the other issues than marketing and advertising rules. ♦

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

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

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

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

*5000 character(s) maximum*

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

Mis-selling of investment products does not seem to be a significant problem in the Finnish market. However, there are always some providers which are not licensed or supervised by the FSA. They might practise criminal activity in the investment market, and are not affected by stricter enforcement of rules.

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

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

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

*5000 character(s) maximum*

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

We refer to our answer to question 3.4.: Different rules on marketing and advertising are not obstacles for cross-border investment products. Instead, differences in culture, languages and tailored products for the national markets might constitute barriers for cross-border investments. The investment firms make their business decision to enter the foreign market or not based on the other issues than marketing and advertising rules.

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

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

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

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

5000 character(s) maximum

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

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

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

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

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

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

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

5000 character(s) maximum

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

Current legislation (MiFID, MAR) seems to be appropriate and the financial supervisory authorities have powers to supervise these activities also in the social media platforms. Instead of introducing the new rules, we can rely on existing rules. It is important to have a level playing field for all the parties involved.

We believe the investors would benefit from simplified and eased regulatory requirements for authorized

firms as this would bring the professionals to lively, comment-based social media as well. Now only influencers and private persons can discuss the items in an interesting, brief and concise manner. The information shared by influencers is short and precise, as they do not need to follow the heavy information and disclosure requirements authorized service providers need to follow. Due to the more marketable nature, such comments and stories tend to create large retail interest and thus increasing risks for herding behaviour. In line with the development of the social media, information requirements for authorized firms should be simplified to better secure availability of balanced and professional information in online environment.

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

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

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

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

*5000 character(s) maximum*

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

Current legislation (MiFID, MAR) seems to be appropriate and the financial supervisory authorities have powers to supervise these activities also in the social media platforms. Instead of introducing the new rules, we can rely on existing rules. It is important to have a level playing field for all the parties involved.

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

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

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

*5000 character(s) maximum*

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

## 4. Disclosure requirements

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

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

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

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

*5000 character(s) maximum*

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

The costs associated with the product: The current cost and charges rules are too granular and complicated for retail client needs and we have such discrepancies between UCITS, PRIIPs and MiFID.

The expected returns under different market conditions: We understand the question to deal with a situation where the pre-contractual information is only based on MiFID and/or Prospectus rules. In those situations there is not to our understanding any disclosure rules which dictate that we should show expected returns under different market conditions.

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

**Question 4.2.1 PRIIPs Key Information Document**

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

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

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

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

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

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

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

*5000 character(s) maximum*

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

The information is too complicated and much too exhaustive for any client and especially for the retail clients. Investors confront a real information overload, which prevents them from easily finding the most relevant parts of the information. The clients need relevant, quick and easily understandable information relating to the overall costs, expected returns and relevant risks of the product or financial instrument they plan to invest in. Financial services are increasingly offered online, and COVID-19 has made digitalisation even faster. This has changed customer behaviour. In practice, clients usually rely on PRIIPS KID/KIID in their online purchasing process and are not willing to read the other mandatory information provided for them.

Based on the study\* on MiFID II and IDD and their effect on customer experience, customers with less than two years of experience are particularly uncertain about certain documents and partially overwhelmed by the amount of information. Customers reported having difficulty finding the relevant information in the convoluted documentation without investment experience. Investment advisors and customers acknowledged that the documents overall could be more compact so that the most important information would be easier to find. (p. 15–16) Based on various research, e.g. German study and the previously mentioned study, customers do not need such specific and detailed info about the service provider, complicated ex-post and ex-ante cost calculations, hundreds of pages of product documentation and risk-related materials in e.g. long prospectuses, or information about inducements (how overall costs are divided e.g. between manufacturer and distributor).

The information given is reliable, and financial service providers have dedicated lots of resources to make it. However, clients are not willing to read such exhaustive information that the current legal framework requires.

EU retail investor protection framework is really complicated and the requirement to provide information is much too excessive. MiFID II, IDD and PRIIPS added the information to be given to and asked from retail investors. We refer to our study \* which showed that inexperienced customers are overwhelmed by the amount of information. Most of the investment advisors argue that customers are given too much information and documentation that does not add value during the meeting (p. 18). The amount of information is vast (e.g. information about inducements, pre-contractual information based on these regulations, detailed reporting, information about sustainability in the future), and the retail investors cannot gather all the relevant information they need for assessing the financial service and related risks. According to service providers, the amount of time one retail client requires with investment advisors, with all the required information, has increased by 50% from MiFID I to MiFID II.

Specific comments:

KID: The scope of PRIIPs needs to be addressed in order to better clarify products which should be deemed to be out of scope. E.g. OTC derivatives without an investment purpose where KID doesn't provide any realistic information.

Type of the product: On the specific point of OTC derivatives and hedging products, the PRIIPs rules are not adequately calibrated.

Product performance: The focus on performance does not fit products which do not have an investment purpose, and performance figures should be removed for hedging products used to secure another transaction flow. There is a need to move away from a one-size fits all approach and recognise that there are fundamental differences between different instrument types. The performance scenarios do not fit for products with short holdings periods, as they by their nature are not buy and hold products. Performance scenarios predicting the future based on previous data regarding developments do not put clients in a materially better position as these numbers can produce negative figures under a positive scenario.

Cost and charges: Retail clients focus is on the total price and/or the total cost. Displaying cost components based on complex underlying methodologies rather confuse clients than help them. This is an issue we see with both PRIIPs and MiFID. When buying any other retail service or product, a retail client does not have to face the complexity of going into detail of the supply chain or distribution chain or how different components of a product or service is priced. Simply focusing on total cost plus potential inducements would go a long way of solving the retail client needs and investor protection.

ESG: We are questioning how future implementation of sustainability disclosure requirements will be able to fit into the current max limit for a KID.

\* Loaded pdf-file in the additional information section. Published also on the website: <https://www.finanssiala.fi/wp-content/uploads/2021/07/MiFID-and-IDD-final-report-1.pdf>

#### Question 4.2.2 Insurance Product Information Document

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

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

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

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

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

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

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

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

*5000 character(s) maximum*

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

It is important to look at the ways how IPID functions in a separate study. IPD is designed for purely non-life insurance products, which differ significantly from any investment products. In addition, regulation on non-life insurances differ from the parts of investment-based products which is the very core of this consultation. The IPID is irrelevant to retail investors and retail investment decisions.

**Question 4.2.3 PEPP Key Information Document**

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

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

Information on the pay-out phase	<input type="radio"/>	<input checked="" type="radio"/>				
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**Question 4.2.3 b) PEPP: Is the pre-contractual information provided to retail investors for each of the elements below sufficiently reliable so as to help them take retail investment decisions? Please assess the level of reliability:**

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

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

	1 (insufficient)	2 (adequate)	3 (excessive)	Don't know - No opinion - Not applicable

PEPP Key Information Document (as a whole)	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Information about the PEPP provider and its services	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Information about the safeguarding of investments	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Information on cost and charges	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Information on the pay-out phase	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

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

*5000 character(s) maximum*

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

PEPP KID is not yet implemented.

According to PEPP regulation PEPP providers and PEPP distributors shall provide - in addition to the PEPP KID - PEPP savers with references to any publicly available reports on the financial condition of the PEPP provider, including its solvency.

Information on the pay-out phase is given on the PEPP-KID and annually on the PEPP Benefit Statement.

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

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

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

*5000 character(s) maximum*

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

The consumer testing is usually used in order to prevent too complicated language and terminology. However, certain sector specific terminology and jargon is needed if one wants to achieve a degree of comparability between similar instruments. Similar terminology used by different service providers enhance the comparability.

It seems that investors read KIDs to a larger extent than for example prospectus documentation which indicates that the KIDs generally are understandable and more useful given their length. The prohibition to refer to marketing material in the KID is unfortunate from an investor protection perspective; in many cases graphs and other illustrations could be beneficial for the customer as a way to explain a product or give further details on how the product works that isn't possible to fit within the three pages limitation.

In the delegated regulation for PRIIPs and the Q&A there are specific text fragments that are to be used in the KIDs. Some of these text fragments have proven to be unintuitive and difficult to understand, in particular in some of the official translations.

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

*5000 character(s) maximum*

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

It is important that the overarching principle of information given "in good time" can be interpreted in a flexible way, depending on the type of distribution channel and service provided. There is for example a natural difference between an order situation over telephone, where speed could be of essence, and a situation where the client logs on to a self-service platform and can dictate the order flow on their own. It should also be noted that documents are usually publicly available on the service provider's website, so documents are available all the time.

In face-to-face service it is easier to give the key information document before the client makes an investment decision or transaction. However, especially after COVID, clients are met online, by phone, and through different kinds of digital channels. In these cases, it should also be possible to give key information documents immediately after the client discussions and investment decision have taken place, if this is agreed on with the client. Usually these documents can be sent to the client through their online bank or some other digital channel easily and immediately.

The IPID is irrelevant to retail investors and retail investment decision-making given its non-investment nature.

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

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

## Please explain your answer to question 4.5:

*5000 character(s) maximum*

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

PRIIPs have increased comparability between the same types of products but not between different types of products.

According to our study\*, only slightly over half of the respondents felt that the key information document (KID) helps compare different services and investment products.

Less experienced customers find the KID's quite extensive, which sometimes makes it difficult for them to find the key points. This uncertainty is mainly due to the customer's scepticism about whether the presented numbers are comparable or just handpicked by the firm to make the proposed instrument look more enticing. Another factor explaining the low perception of usefulness is the fact that some clients rely solely on the investment advisors and do not compare products or return to the received documents. (p. 17)

\* Loaded pdf-file in the addition information section. Published also on the website: <https://www.finanssiala.fi/wp-content/uploads/2021/07/MiFID-and-IDD-final-report-1.pdf>

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

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

## Please explain your answer to question 4.6:

*5000 character(s) maximum*

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

Comparison between different investment products is not always possible because of fundamental differences in products. To improve comparability, the focus should be in the common headlines, but the actual content should be able to differ from product to product. Trying to improve comparability by defining requirements which apply to all types of products in the same way leads to unintended consequences with the outcome that certain information is not understood, or the information does not fit with the nature and characteristics of the product in question. One example where this is detrimental to retail clients is the comparison of performance scenarios for a long-term investment fund and a 4-month warrant.

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

- Yes

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

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

*5000 character(s) maximum*

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

At Level 1 and Level 2 the costs and charges rules have some clear differences between MiFID II and PRIIPs rules, primarily in the sense that MiFID II outlines general principles whereas PRIIPs sets out detailed methodologies and calculation models. Based on the lack of clarity on how to approach the MiFID II rules during and after the implementation of PRIIPs, ESMA has attempted to bridge differences and inconsistencies by incorporating references to PRIIPs and its methodologies through MiFID II Q&As. To some degree this has worked to create more alignment between MiFID and PRIIPs, for example when it comes to the treatment of transaction costs. However, there are still differences regarding the use of RYI in PRIIPs and the way costs are presented through the MiFID II cost disclosures and the cumulative effect of return.

Specifically within MiFID II we see a redundancy stemming from one of the ESMA Q&As. In Q20 of Esma35-43-349 it is stated that firms should explicitly show a "zero" for individual cost figures because it is important that clients are informed about every cost item for the sake of comparability. When displaying itemised cost breakdowns as required this creates a situation where clients are shown a cost table with a whole lot of "zeros" if a client for example trades a single equity. We would argue that the principle of providing clear and understandable information to the clients trumps the ambition of comparability and that clients would benefit more from seeing the costs that actually apply to the relevant service or transaction.

There is also an inconsistency between PRIIPs and MiFID II regarding inducements. From a PRIIPs perspective they are treated as product costs, whereas MiFID distributors should deduct them from product costs and add them under service costs according to ESMA. While this is technically correct it confuses retail clients since they see them as product costs.

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

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

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

*5000 character(s) maximum*

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

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

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

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

*5000 character(s) maximum*

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

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

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

**Please explain your answer to question 4.7 d), specifying what those elements are and indicating which information documents are concerned:**

*5000 character(s) maximum*

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

The information from different disclosure rules is too excessive, overlapping and complicated for clients to understand. Clients are usually asked “know your customer” questions. If they want to invest and need investment advice they are provided with agreement, pre-contractual information (e.g. MiFID and IDD) and information on cost and charges, inducements, risks, really detailed information about the service provider, issuer etc. They are then profiled in a suitability assessment and after that they receive really detailed investment advice and clarifications why this advice is given as it is. The given documentation depends on the product: hundreds of pages of prospectus information on bonds, documents according to IDD and KID on insurance product, KIID/KID and other fund documents on basic investment fund, KID on structured product etc. In the worst case the client could face thousands of pages of information.

The client needs relevant, quick and easily understandable information on the investments, e.g. expected returns, relevant risks of the product, and basic and overall costs what they are paying for their financial services.

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

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

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

*5000 character(s) maximum*

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

Past performance information is relevant only in those products where it can be calculated based on real past performance.

Investors with different risk profiles appreciate different kinds of information. For example, guaranteed returns and capital protection might be relevant for some of the retail investors while others looking for riskier and potentially more profitable investments will find them completely irrelevant.

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

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

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

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

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

*5000 character(s) maximum*

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

We have stated "don't know" as a way to point to the fact that the regime is strong in the sense that the combined effect of MIFID II, IDD and PRIIPs is that it entails a very detailed level of cost transparency for retail investors. Investment firms provide annual ex-post cost information documents to clients based on the requirements of MiFID. Correspondingly, customers are provided with annual ex-post information from insurance distributors based on the IDD requirements. However, at the same time these regulations have gone to such lengths of highlighting what is "under the hood" of each service and product that retail investors get lost in translation when being exposed to all the cost components required. Retail clients' main focus is on the total price and/or the total cost. Displaying cost components based on complex underlying methodologies confuse rather than help clients. Therefore, simply focusing on total cost plus potential inducements would go a long way in solving the retail client needs and investor protection.

The current annual ex-post cost information requirements have one fundamental issue. For some services it is very unclear how to calculate and present the cost as a percentage (%) concerning the ex-post cost disclosure. A percentage figure is a number relative to another number, so expressing a cost as a percentage means that the cost must be compared with something, which for the ex-ante is naturally the investment amount. However, for the ex-post disclosure, to find a relevant denominator is impossible. Some costs, such as commission costs and entry/exit costs are related to the amount of the transactions (i.e. total turnover during the year for the ex-post report), whilst other costs, for example ongoing costs for instruments, are related to the customer's holding (i.e. average AUM during the year for the ex-post report).

As an example, assume the following:

- The customer might have executed many trades per day during the year, resulting in very high commission costs
- The customer has had a very low average AUM during the year
- The customer owned a small amount of a mutual fund during the year (that has ongoing costs)

To find a common denominator for the above example is impossible. If you use the average AUM, the commission cost might be thousands of percent which is a nonsense number, but then the cost in percentage for the fund would be relevant. If you on the other hand include the total turnover in the denominator, the commission will be relevant, but the cost for the fund will be microscopic. You cannot sum percentage with different denominators and present it in the same table, since it is mathematically incorrect.

The solution to this issue is to not require a percentage for costs on an aggregated level for the ex-post disclosure, when no relevant denominator can be found. Instead, service providers should be allowed to choose to disclose the costs in percentage, for cost items related to the transactions and cost items related to holding of instruments in two separate tables.

In some situations, there is no real investment amount, e.g. in the case of providing investment research or when trading derivatives. Also, it has to be assumed that the idea of calculating a percentage is to be able to show clients how the performance or return of their investments are affected by the costs applied. Trying to calculate a cost percentage for a financial product which is not designed to generate a return quickly becomes a theoretical exercise with no practical value. From a client perspective the detrimental effect of such a calculation is that the overall cost disclosure will show an erroneous picture, since the disclosure will be distorted when mixing assets like equity and investment funds on one hand and derivatives on the other. We would support an amendment to the rules which only requires disclosure of costs in percentage format "where relevant".

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

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

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

*5000 character(s) maximum*

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

The number of words is an inappropriate measure, because languages are structured differently; for example, Finnish uses considerably fewer and longer words than English. The number of pages does not work either especially in the digital environment. Instead, it is more useful to define the main headings and the content of the different sections without limiting the words or pages.

Another difficulty is that even if the length (like PRIIPS) has been properly calibrated when introduced there can be requirements for additional information which may prove difficult to incorporate in the structure.

For insurance products the focus should rather be on quantity of information in terms of cumulative impact (Solvency II, PRIIPs Regulation, IDD, etc) and avoiding duplications: Solvency II and the PRIIPs Regulation

require the cumulative disclosure of fully or partially equivalent information to consumers, as per Article 3 of the PRIIPs Regulation.

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

**Please explain your answer:**

*5000 character(s) maximum*

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

Harmonization should be focused to the headings and main content and firms should then be able to adapt the information to the type of instrument in question. The main policy objective from an investor protection perspective should be that the information is understandable and relevant in order for the client to make a well-informed investment decision.

As regards instruments which are classified as complex under EU legislation, it is important to note that complexity relates to the structure of the instrument and does not necessarily mean that the instrument has more risk or that it is more difficult for the investor to understand what determines the return of investment. Too much information on complex products leads to information overload and increases the risk that the client does not read the information at all.

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

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

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

*5000 character(s) maximum*

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

Digitalisation means that customer behaviour is gradually changing in favour of digital channels and online services, also in the field of banking and investment. The general progress by which the use of electronic information is continuously increasing should not be any different in the society at large than in the financial sector. A vast number of customers do not even want paper documents, considering electronic documents easier to archive. Due to the change in customer behaviour, but just as much for environmental reasons, investment firms should provide information electronically by default, unless the customer has requested to receive the information on paper. This also generates cost savings for investment service providers.

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

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

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

*5000 character(s) maximum*

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

It should be possible to distribute packaged products with KID/KIID only translated in English if the client understands English and is willing to buy a product with an English KID/KIID. In Finland the obligation to provide KID/KIID in Finnish or Swedish is limiting the possibility to sell large amounts of regular foreign packaged products, e.g. regular funds, to retail clients, even though many of the clients are able to operate in English. Many foreign service providers translate these only to English, German and other widely spoken European languages. This limits the possibility to provide a good variety of international products to clients in Finland and other smaller countries. Other client documentation made by the service provider could still be in the local official language.

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

**Please explain your answer:**

*5000 character(s) maximum*

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

Given that the amount of information is vast, the pre-contractual information should focus only on the most important information of the product. As mentioned in 4.7 and 4.9 above for example, focus should be on removing features like "zero" costs, acknowledging differences between different types of products when it comes to content in disclosures, and limit the ambition of comparability to products which share similar features. The amount of information should be reduced e.g. by cross-checking the different requirements due to the different relevant legislation that apply to the investment products.

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

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

## Please explain your answer to question 4.15:

*5000 character(s) maximum*

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

## 5. The PRIIPs Regulation

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

### Core objectives of the PRIIPs Regulation

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

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

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

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

*5000 character(s) maximum*

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

Yes – it provides the same standard information from different kinds of products to a minor extent compared to the UCITS KIID by adding more information (3 pages compared to 2). For UCITS funds, performance scenarios should be replaced with historical performance.

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

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

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

*5000 character(s) maximum*

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

Yes – some of the information works well in practice. This is especially true for descriptive sections, like “basic information” and “what is this product”. On the other hand, regarding some other sections like the numerical information on scenarios and costs is less successful. Comparing different product types is difficult.

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

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

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

*5000 character(s) maximum*

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

Yes – however, it is not possible to define the effect of PRIIPS legislation, because at the same time there were changes also in IDD and MiFID.

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

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

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

*5000 character(s) maximum*

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

Yes – the PRIIPS documentation is not personalized, but the individual preferences should be taken into account in the investment advice process given according to MiFID/IDD.

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

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

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

*5000 character(s) maximum*

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

PRIIPS KID is always given to the customer and usually published on websites.

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

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

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

*5000 character(s) maximum*

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

At the moment PRIIPS documentation is not in a machine-readable form, but usually a simple PDF-document, which makes it difficult to upload to database. However, the availability of PRIIPS documentation is good and it is easy to find on the companies' websites.

In some MSs PRIIPS KIDs must be sent to the competent authority. If any centralized publication of KIDs is considered, it should be the responsibility of such authorities. Product manufacturers should not face multiple requirements stemming for different Member States. However, it should be considered that a central

repository would consist of many thousands of KIIDs, which might make it difficult for the retail investors to find relevant information.

## The PRIIPs KID

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

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

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

*5000 character(s) maximum*

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

Performance scenarios and cost tables might be difficult to understand and should be simplified, also leaving room for only providing information when it is relevant for the product.

## Implementation and supervision of the PRIIPs Regulation

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

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

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

*5000 character(s) maximum*

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

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

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

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

*5000 character(s) maximum*

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

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

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

 €

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

*5000 character(s) maximum*

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

There are one-off and ongoing costs to be considered, which can vary depending on the frequency of significant changes that trigger the PRIIPs KID revision and are aggravated by continuous regulatory changes.

Any changes to the PRIIPs KID will result in significant costs for PRIIPs manufacturers. Indeed, the costs of implementation of a regulatory review include:

- Cross-functional work to interpret the new requirements
- New data to be gathered
- Actuarial and financial calculations
- IT software changes
- Re-design of the PRIIPs KID template
- Test of calculations and design
- Legal assessment of the texts and numbers
- Potential translation into different languages
- Drafting of new documents and distribution to agents and customers
- New training for distributors, including training to explain the new requirements and changes compared to documents already distributed under previous applicable texts
- Update of the website, etc.

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

€

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

*5000 character(s) maximum*

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

Not yet implemented.

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

€

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

*5000 character(s) maximum*

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

The IPID is irrelevant to retail investors and retail investment decisions.

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

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

€

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

*5000 character(s) maximum*

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

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

€

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

*5000 character(s) maximum*

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

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

 €

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

*5000 character(s) maximum*

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

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

Please select as many answers as you like

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

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

*5000 character(s) maximum*

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

## Multiple-Option Products

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

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

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

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

### **Question 5.9 Should distributors and/or manufacturers of Multiple Option Products be required to provide retail investors with a single, tailor-made, KID, reflecting the preferred underlying portfolio of each investor?**

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

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

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

*5000 character(s) maximum*

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

First we would like to note that there are major differences between MOPs and markets in Europe. In an open hearing organised by ESAs, an industry association of a member state said that 90% of their insurance PRIIPs are guaranteed products, while another association from another member state described quite the opposite. In the Finnish market, the situation is the latter. Vast majority of new products are unit-linked products, where the client has tens or even hundreds of options to choose from.

Therefore, we are strongly in favour of the current regulation, which gives PRIIPS manufacture the choice of two options. Current rules have worked well, and we are not aware of consumer complaints.

In our view the proposal of a “preferred choice” (or a set of choices as considered – and rejected - by ESAs) includes the following drawbacks:

- There is a clear risk of confusing the client between PRIIPs product information and personal recommendation.
- Entirely unsuitable options would be presented for some clients.
- If one or more most favoured option(s) are presented, the client easily sees them as the best one(s).
- Presenting one or more options would be detrimental for consumer choice as the other options would naturally get less attention.

- The proposal is too complex and costly to implement and to maintain from a compliance point of view, especially for smaller companies. There are also significant practical challenges in determining which option (s) to choose, further complicated by the need to keep the selection relevant as consumer behaviour changes.

## Scope

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

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

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

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

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

*5000 character(s) maximum*

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

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

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

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

*5000 character(s) maximum*

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

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

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

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

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

*5000 character(s) maximum*

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

There is usually no need to analyse old PRIIPs KIDs. The present versions of KIDs available to everyone should be enough, because the number of documents is vast. If a past version of a KID is needed for some reason, it could be provided by request. The availability of current and past documents bears the risk that investors use outdated versions. Access to past versions would also create an overload of information to the investors and an investor would need analytical skills to reach any meaningful conclusions when comparing the past and current KIDs. Offering access to past versions would also increase costs which might at the end be borne by the investors.

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

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

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

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

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

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

*5000 character(s) maximum*

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

Only significant changes should lead to the update of the document between the revision.

### Please explain your answer to question 5.12:

*5000 character(s) maximum*

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

The present interval is sufficient.

## 6. Suitability and appropriateness assessment

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

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

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

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

*5000 character(s) maximum*

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

Even though the objective of the assessment is good, the suitability assessment takes a lot of time and sometimes the retail clients do not understand its purpose. It also creates personnel and IT costs for service providers. Sometimes it seems too complicated to buy an investment product because of intensive suitability testing. In addition to this, the suitability assessment might prevent the sophisticated retail client from buying the investment product they are interested in.

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

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

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

*5000 character(s) maximum*

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

The suitability assessment in MIFID and IDD is too detailed and takes too much time. Clients are faced with too many questions in investment advice compared to appropriateness tests. This is not ideal for the clients or the service providers. Sometimes it is even confusing to the clients. According to our study\*, inexperienced private consumers did not understand the need for an extensive due diligence process and had difficulties in coping with the large amount of information and documents. Especially in office visits, where many types of documents are printed for signatures, customers felt stress and dissatisfaction about being asked so many questions before getting into the actual services and products. (p. 24)

The criterion to include "level of education and profession" of the client for purposes of knowledge and experience is redundant as it would target only be a very small and narrow scope of clients. Furthermore, our experience is that clients generally do not understand why this is asked, and some also find the question somewhat offensive.

Based on MiFID II it is complicated and risky for the service provider to use principle of proportionality if the advice concerns a simple product e.g. one listed stock or a simple fund. It should be possible to use simplified suitability assessment relating to simple products.

\* Loaded pdf-file in the addition information section. Published also on the website: <https://www.finanssiala.fi/wp-content/uploads/2021/07/MiFID-and-IDD-final-report-1.pdf>

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

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

### Please explain your answer to question 6.3:

*5000 character(s) maximum*

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

The rules are not sufficiently adapted to online platforms, whose importance is increasing all the time. There is a special need to simplify suitability assessment and appropriateness test to be more usable in an online environment especially for simple products like listed stocks or simple funds. It can be problematic to ask such detailed questions to give online advice on clients' mobile phones, which they are using when accessing the capital markets. It is important to safeguard the proportionality principle in order to develop simpler and automated advice and to reach a wider audience of retail investors. The rules and requirements should be simplified regardless of the service channel to provide media and tool neutral access to same products.

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

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

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

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

*5000 character(s) maximum*

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

Generally, appropriateness test works better in practice than suitability test. If clients' knowledge is only checked, clients are then able to evaluate the investment by themselves. Warnings about unsuitable products should be enough.

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



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

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

*5000 character(s) maximum*

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

There are no specific problems relating to appropriateness tests from the client's perspective. However, clients may sometimes have difficulty understanding the difference between appropriateness test and suitability test and why such tests are made differently, which is an underlying problem based on MiFID and IDD. We urge the Commission to be mindful of ESMA's suggested new Guidelines which aim to move the appropriateness regime closer to the suitability regime. From the aspect of retail participation, it is important that clients' access to execution services are not limited by overly burdensome restrictions which set the standards higher than what Level 1 and Level 2 set out.

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

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

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

*5000 character(s) maximum*

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

Appropriateness test is functioning better in online environment (web or mobile) than suitability test. Appropriateness test in an online environment is more suitable also in physical or online meetings between the client and service provider.

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

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

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

*5000 character(s) maximum*

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

We must trust that the retail client is able to understand the warnings that are issued by the service providers. The client has to have a possibility to make their own choices for investment products and warning for unsuitable products should be enough regulation. Direct bans on selling the products restrict the retail customer's free choice and reduce their interest to invest in the capital markets, and are therefore harmful for retail participation.

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

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

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

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

*5000 character(s) maximum*

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

Non-complex products are simple products. It should be possible for the retail clients to purchase these kinds of simple products and execution-only products smoothly without lengthy testing process or other unnecessary burden. If this is not possible, online trading becomes limited, and these investments might be replaced by unregulated products like crypto assets. Attention needs to be put on unregulated markets, partly because retail clients make use of it as a viable option to the heavily regulated traditional investment products and services, and partly because it puts market integrity into question. We see a potential issue with for example communities where social media creates "mass opinions" which retail investors act upon. This could create an issue with bypassing safeguards.

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

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

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

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

- Yes
-

No

Don't know / no opinion / not applicable

## Please explain your answer to question 6.9:

*5000 character(s) maximum*

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

In general, even though target market rules have been complex for the financial industry to implement, the product governance and target market rules are functioning adequately in investment advisory. However, target market and product governance requirements are complex, and partially the reason for extensive suitability assessments. Variation of target market evaluations between different products should be easier to do. We ask that more product types are excluded from product governance and target market requirements than were excluded in MiFID II quick fix.

Client categorisation has too much effect when deciding on suitable products for retail clients, based on target market and product governance rules. Private persons are mostly retail clients, but based on target market many products are now defined as to be sold only for professional clients. These include some derivatives, structured products, bond emissions (MiFID quick fixed this only partly relating to make-whole clause bonds), private equity and private debt products. There are more experienced and wealthy retail clients who would benefit from these products but are prevented by target market and product governance rules.

Given the outcome of the MiFID II Level II rules and that ESMA has taken the meaning of the Level II rules quite far in their Guidelines, the target market rules have created a situation where a massive amount of data must be processed between manufacturers and distributors. In this context it is important that regulators acknowledge and support the developments that have been made by the industry through e.g. FinDatEx and the EMT.

Furthermore, we believe that the Commission should address how the product governance rules are applied in the primary market. It is not proportionate or relevant that an investment firm advising a non-MiFID manufacturer issuing e.g. an equity or a bond should be seen as a manufacturer of the instrument.

In addition, it would be beneficial to further address the difference of responsibilities for distributors under MiFID II and IDD. As the current rules are somewhat similar, they fail to properly take into consideration the setup of distributors who are simultaneously acting both as investment service providers (under their own license) and at the same time as insurance agents (on behalf of and under the responsibility of insurance undertakings). In the latter situation the responsibility towards customers ultimately lies within the insurance undertakings, not the distributor acting as an agent, and therefore it would be prudent that this is reflected in the product governance requirements.

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

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

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

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

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

*5000 character(s) maximum*

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

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

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

**Please specify what problems you identify and explain your answer to question 6.11:**

*5000 character(s) maximum*

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

Demands and needs test can be problematic to service providers and clients. When clients have invested under IDD to insurance investment products they are usually met by the investment service provider. Then they usually make the insurance agreement and underlying investments at the same time. Afterwards clients may want to change their insurance-based investment portfolio and invest into another underlying investment product(s). This can be done face-to-face with the service provider, via phone, or through online services. Then, once again, evaluation and possibly some warnings are required. If the client would like to buy the same new underlying fund outside of the insurance agreement, it would be possible to do it execution-only in the online bank without any warnings, questions or other procedures. This may be difficult for the client to understand and endangers fair treatment.

The obligation to do demands and needs test as a separate procedure relating to insurance-based investments is unnecessary for the reasons stated above. Demands and needs test is more suitable for non-life insurance than insurance-based investment.

Defining the insurance demands and needs for IBIPs is perceived as artificial as the need typically relates to the customer's wishes for certain features in their investment, such as easier handling and overview of the investments through one policy, specific tax features, possibilities to define beneficiaries etc. We argue that the suitability regime, which applies in addition to the demands and needs test when providing advice, embeds a demands and needs assessment given that the distributor shall understand the essential facts about the customer and be able to determine that the personal recommendation to the customer meets the customer's investment objectives and financial situation, and that the customer has the necessary knowledge and experience.

In our opinion the suitability regime is wider and more detailed than the demands and needs test. A practical approach would be that if the client does not have a need or demand for an insurance product, then investment through an insurance product is not suitable for them. Therefore, the demands and needs test appears to be an unnecessary duplication when providing advice on IBIPs, and a reasonable approach would be to apply the demands and needs test only for non-IBIPs, just applying the suitability rules for IBIPs when advice is provided. This would make the advisory process more efficient and clearer for both retail investors and insurance distributors.

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

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

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

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

*5000 character(s) maximum*

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

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

- Yes
- No
-

Don't know / no opinion / not applicable

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

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

**Please explain your answer to question 6.13:**

*5000 character(s) maximum*

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

It should be considered that in online channels, the sales process is initiated by the customers themselves. In that case they are very likely to have an insurance need in their mind already. As described in more detail in question 6.12, we believe that the demands and needs tests is by nature not suitable for IBIPs but rather creates confusion and threatens fair treatment of service providers.

## 7. Reviewing the framework for investor categorisation

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

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

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

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

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

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

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

	Yes	No	Don't know - No opinion - Not applicable
Introduction of an additional client category (semi-professional) of investors	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Adjusting the definition of professional investors on request	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
No changes to client categorisation (other measures, i.e. increase product access and lower information requirements for all retail investors)	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

**Please explain your answer to question 7.1:**

*5000 character(s) maximum*

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

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

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

- No change
- 30 transactions on financial instruments over the last 12 months, on the relevant market
- 10 transactions on financial instruments over the last 12 months, on the relevant market
- Other criteria to measure a client's experience

- Don't know / no opinion / not applicable

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

*5000 character(s) maximum*

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

Condition: "client has carried out transactions, in significant size, on the relevant market at an average frequency of 10 per quarter over the previous four quarters" should be changed to "client has carried out 10 trades in any market per year".

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

*5000 character(s) maximum*

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

The opt-up criterion concerning trading frequency does not work in practice because it treats all instruments in the same manner and causes situations where the criterion cannot even be used. In some instruments, e. g. funds, structured products or bonds, it is not a common practice to trade them so frequently. Even the most sophisticated clients do not trade in real estate funds that often in "that relevant market".

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

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

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

*5000 character(s) maximum*

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

Clients may have other assets to consider so the limit is too high.

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

- No change
- Extend definition to include relevant experience beyond the financial sector (e.g. in a finance department of a company)
- Adjust the reference to the term 'transactions' in the criteria to instead refer to 'financial instruments'
- Other criteria to measure a client's financial knowledge
- Don't know / no opinion / not applicable

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

*5000 character(s) maximum*

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

Condition "the client works or has worked in the financial sector for at least one year in a professional position" should be changed to "or has knowledge of the instruments and markets for at least one year". There are many experienced clients who have never worked in the financial industry, and some people who have worked in the financial industry but have no experience in some specific products. Service providers should be able to rely on customers' own report on this.

In addition to this, the definition of "other institutional investor" stated in Annex II point I. (4) of MiFID II (EU 65 /2014) should be changed from "Other institutional investors whose main activity is to invest in financial instruments, including entities dedicated to the securitisation of assets or other financing transactions" to "Other institutional investors whose main activity is to invest in – or main source of income comes from – financial instruments, including entities dedicated to the securitisation of assets or other financing transactions"

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

- No change
- Relevant certified education or training that allows to understand financial instruments, markets and their related risks
- An academic degree in the area of finance/business/economics
- Experience as an executive or board member of a company of a significant size
- Experience as a business angel (i.e. evidenced by membership of a business angel association)
- Other criteria to assess a client's ability to make informed investment decisions

- Don't know / no opinion / not applicable

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

*5000 character(s) maximum*

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

Transactions made by the client exceeding EUR 100,000.

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

*5000 character(s) maximum*

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

If the client wants to make a transaction this large (100.000 €), it indicates a professional client. One transaction of this size would be considered as one condition for reclassifying the client. The limit of EUR 100,000 is the same as in Prospectus Regulation (EU) 2017/1129 for not to produce prospectus, and the same limit is widely used in wholesale markets. Similar threshold is also found in local transpositions of Alternative investment funds managers directive (EU) 2011/61, where a client can be treated as a professional for a specific investment type if the client commits to invest EUR 100,000 and declares in writing, in a document separate from the relevant investment/commitment agreement, that the client acknowledges and is aware of the risks with the commitment/investment.

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

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

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

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

*5000 character(s) maximum*

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

We strongly support the idea of reducing the thresholds as it would help institutional clients who have their main business of investing in financial instruments. Furthermore, it would help institutional clients like universities, foundations, and other professional organisations. Regarding "other criteria" we can refer to the statements made in the table in Q7.2 (transactions made by the client exceeding EUR 100,000.)

## 8. Inducements and quality of advice

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EU legislation sets out requirements on the provision of investment advice and around the payment of commissions and other forms of inducements to sellers of financial products. In the case of investment services and activities, investment firms must, for example, inform the prospective client whether any advice provided is on an independent basis, about the range of products being offered and any conflicts of interest that may impair independence. Use of inducements is restricted (i.e. any payment must be designed to enhance the quality of the relevant service to the client and it must not impair compliance with the investment firm's duty to act honestly, fairly and professionally in accordance with the best interest of its clients). Any payments to investment firms for the distribution of investment products must also be clearly disclosed. The rules slightly differ for the sale of insurance-based investment products: inducements may only be received if they do not have a detrimental impact on the quality of the service to the customer. However, there is no general prohibition on the payment of inducements if the seller declares that advice is given independently. Under [UCITS](#) and [AIFMD](#), asset managers are also subject to rules on conflict of interests and inducements.

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

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

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

## Please explain your answer to question 8.1:

*5000 character(s) maximum*

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

Current MiFID and IDD rules on inducement have worked well in practice and there is no need to make any changes to the regulation. The implementation of the strengthened quality enhancement criteria through MiFID II, the increased client information and transparency, strengthened suitability requirements and product neutral internal advisor remuneration structures, are sufficient to achieve adequate investor protection. However, there is a clear difference between independent and non-independent advice and rules should vary accordingly.

MiFID and IDD should enable both an inducements-based distribution model as well as an inducement-free distribution model in order to have more variety on the market. The manufacturer of an investment product should be able to make its own decision on the distribution system of the product. An outright ban also in the case of non-independent advice would have severe implications on the distribution of different financial instruments by financial groups. In the worst case, an outright ban on inducements would gradually end the model of non-independent investment advice and in many cases would stop distribution.

When it comes to the independent advice in MiFID and IDD, the payment of inducements may lead to conflicts of interest and biased advice, and that's why ban of inducement is justified. A clear case of conflicts of interest is the remuneration between the insurance broker and the insurance company. As the broker is the independent representative of the customer, it should not have any ties with insurance companies or other product providers. Therefore, it is very important that Member States may also in the future limit or prohibit the acceptance or receipt of fees, commissions or other benefits paid or provided to insurance broker by any third party (i.e. insurance company), or a person acting on behalf of a third party), in relation to the distribution of insurance products. Relevant existing legislation in question: IDD directive, article 22 (3) and article 29 (3), should remain unchanged.

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

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

*5000 character(s) maximum*

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

The availability of advice will decrease due to the lack of demand for separately paid advice in the Finnish market. Since inducements are normally paid based on the client's assets, the inducements regime carries the benefit of cross-subsidising investment advice to client segments with smaller savings or smaller investment portfolios, in the sense that wealthier investors help to fund these services for the wider community. We estimate that removing inducements would increase the threshold for access to personal investment advice. Additionally, this would lead to a situation where regular retail clients would not be in a position to pay separately for advisory services. An outright ban on inducements would gradually end the model of non-independent investment advice and in many cases would stop distribution.

Our experience from the UK and Netherlands has shown an increase in passives, discretionary and sub-advised mandates while the threshold to access traditional personal investment advice was increased (i.e. smaller retail clients lost access). Costs did not go down overall, and a ban may limit the availability of

investment advice only to wealthier client segments. The lower client segment, which might benefit more of the advice, would not seek advice due to the cost.

**b) what impacts would this have on the quality of advice for retail investors?**

**Please explain your answer:**

*5000 character(s) maximum*

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

Lower level of availability might lead to decrease in quality of advice due to lack of competition.

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

*5000 character(s) maximum*

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

Fewer retail investors would be investing in a narrower range of products.

The structure in the Nordic countries is built on distribution channels which consist of – or are owned by – banks and insurance companies that also have in-house manufacturing, as well as distributors without in-house manufacturing. Without distribution fees there is a lot less incentive for these distributors to include products from external product manufacturers in their product offering. Naturally, this would lead to diminishing product diversity, fewer products for the clients to choose from, and barriers for smaller manufacturers to gain a foothold in the market.

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

*5000 character(s) maximum*

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

If inducements would then be removed it would entail that retail investors will invest less in financial instruments because of unwillingness to pay for the advice. There are many retail clients who are not very interested in financial matters and/or investments. Easy access to investment advice can then act as the trigger which gets regular retail clients to start investing their assets in a sensible way. This is supported by our study\*, in which a majority (74%) of respondents reported that the meeting had a positive effect on their interest toward managing their personal finances more effectively (p. 21). Furthermore, advisory services provide a sense of security for retail clients as they can get assistance in how to handle their savings. Considering these aspects, we believe it is fair to conclude that investment advisory services is not a commodity which retail clients in lower segments in general would just go out and buy.

Clients who are interested and active participants on the market would naturally continue to be active but increasingly be left to deal on their own and would be affected by the decreased incentive for firms to include external products in the product offering.

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

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

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

*5000 character(s) maximum*

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

The level of information provided to clients relating to inducements is adequate regarding conflict of interest in the case of non-independent advice. Clients receive inducements information openly based on MiFID II and IDD since 2018 and our members haven't received questions from clients about inducements. Clients are more interested in what they are paying overall for their investment services and products. Inducements can be paid relating to different kinds of products and product lines and the amount of inducement is not the decisive factor when choosing suitable investment products for clients.

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

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

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

*5000 character(s) maximum*

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

It should be recognised that the scopes of MiFID and IDD are different. IDD applies to all insurance products (including non-life insurance and investment-based insurance products) and MiFID applies to financial

instruments. Therefore, full alignment is not possible nor feasible.

In relation to investments and investment-based insurance products the key elements are already aligned. So, we see no need for changes which might have unintended consequences.

### Question 8.5 How should inducements be regulated?

Please select as many answers as you like

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

### Please explain your answer to question 8.5:

*5000 character(s) maximum*

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

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

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

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

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

*5000 character(s) maximum*

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

The use of PFOF may vary between markets. Instead of specific requirements, general rules should be preferable. In our view, current rules on best execution as well as inducements already cover such situations.

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

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

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

*5000 character(s) maximum*

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

Best execution requirements should be amended. MiFID quick fix was a good start on taking out RTS 27 reporting and it should be followed by RTS 28 reporting. In general, clients are not interested in best execution information, best execution policies or data that is gathered on the websites (costly to brokers). Obligation to act on the best interest on the clients when executing an order should be enough, especially when market is now fragmented into different trading venues. But the "interface" based on regulations, policies and disclosures that clients are facing regarding this best execution regime is useless to clients overall. Only some of the clients (e.g. asset managers) are interested in best execution reporting because they have many obligations and fiduciary duties towards their end-clients.

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

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

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

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

*5000 character(s) maximum*

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

The market environment, products, tax treatment of the products etc. differ a lot from country to country. Therefore Pan-European standard would be too complicated to implement.

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

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

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

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

*5000 character(s) maximum*

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

There is no need for further additional regulation for robo-advisors. In some cases there is a need for simplification (as explained relating to suitability assessment online in question 6.3) when operating online and through robo-advisors. To secure neutral access to same products, the same simplification should be applied throughout the distribution channels. There is no need to regulate the technical implementation of these obligations in online banks or clients' mobile devices. Service providers have the best ability to make these obligations work for the end client.

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

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

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

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

*5000 character(s) maximum*

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

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

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

**Please explain your answer to question 8.11:**

*5000 character(s) maximum*

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

We refer to the answer 8.9.: There is no need for further additional regulation for robo-advisors. In some cases there is a need for simplification (as explained relating to suitability assessment online in question 6.3) when operating online and through robo-advisors. To secure neutral access to same products, the same simplification should be applied throughout the distribution channels. There is no need to regulate the technical implementation of these obligations in online banks or clients' mobile devices. Service providers have the best ability to make these obligations work for the end client.

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

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

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

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

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

*5000 character(s) maximum*

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

The simple, transparent and cost-efficient products already exist in the market (e.g. UCITS, ETF's, PEPP). The development of these products should in principle be driven by the market.

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

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

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

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

*5000 character(s) maximum*

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

The current rules treat all non-UCITS funds as complex. While some of the are complex, this is not the case with all non-UCITS. More flexibility should be introduced.

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

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

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

*5000 character(s) maximum*

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

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

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

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

*5000 character(s) maximum*

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

The fact that a product is simple is not a guarantee that it serves the client's needs. Such a label would guide the information away from more important factors like risk, return and costs.

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

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

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

*5000 character(s) maximum*

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

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

- Yes
- No
-

Don't know / no opinion / not applicable

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

*5000 character(s) maximum*

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

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

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

## 10. Redress

---

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

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

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

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

*5000 character(s) maximum*

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

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

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

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

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

*5000 character(s) maximum*

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

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

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

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

*5000 character(s) maximum*

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

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

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

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

*5000 character(s) maximum*

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

The current ADR scheme (FINE) seems to work extremely well in Finland. It has a good expertise in the financial service, handling of the complaint is fast compared to national courts and the process is free of charge and there is no need to have an external attorney. When needed, the assistance is given to the consumers on the phone. Investment firms are committed to follow the recommendations for the resolution of disputes issued by ADR body. FINE is also part of the FIN-NET network, which handles cross border disputes.

Further information <https://www.fine.fi/en/about-us/international-co-operation.html>

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

Please select as many answers as you like

- Domestically?
- In a cross border context?

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

*5000 character(s) maximum*

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

According to feedback from FINE, redress in the context of retail investment products works well in a big picture. In a cross-border context there have been minor challenges relating to language issues and ADR-body's jurisdiction handling the disputes.

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

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

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

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

*5000 character(s) maximum*

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

The process is free of charge and there is no need to have an external attorney. When needed, the assistance is given to the consumers on the phone.

## 11. Product intervention powers

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

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

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

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

*5000 character(s) maximum*

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

Powers have been used by ESMA in the past for certain types of high-risk product e.g., binary options and contracts for differences (CFDs), which shows that the current powers work well in practice and can be used when necessary.

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

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

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

*5000 character(s) maximum*

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

No evidence of that in the Finnish market.

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

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

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

*5000 character(s) maximum*

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

Powers have been used by ESMA in the past for certain types of high-risk products e.g., binary options and contracts for differences (CFDs), which shows that the current powers work well in practice and can be used when necessary. However, the use of such powers should always be the last resort.

## 12. Sustainable investing

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

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

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

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

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

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

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

**Please specify to what other factor(s) you refer in your answer to question 12.3:**

*5000 character(s) maximum*

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

The availability of sustainability related information.Lack of good investee companies to invest that are sustainable. There is a “green bubble potentially in EU”, then there is a need for green investments but not enough companies that act accordingly.

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

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

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

*5000 character(s) maximum*

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

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

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

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

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

*5000 character(s) maximum*

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

Investment research is supplied according to market demand, and ESG criteria is considered in some of the research already. ESG research can also be produced and purchased separately. There is a need for more ESG integrated research from the buyer side now and in the future. However, mandatory reinforcement of ESG criteria to all investment research would not suit the research market. We believe that the daily increasing investor interest will help reach the goal instead. We propose generally other ways to encourage ESG research, but the suitable way forward is not to have mandatory legislative changes to the current research regime.

## 13. Other issues

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

*5000 character(s) maximum*

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

Avoiding mis-selling and fraudulent investment proposals is an important objective. In our experience the most detrimental behaviour does not come from licensed and regulated firms. They are usually acts which are designed fraudulent on purpose and/or investments which are not regulated (ranging from currencies to diamonds and crypto currencies).

While there is room for regulating the conduct of licensed firms, one should note that it does not prevent “real fraud”, which has no intention whatsoever to follow the rules. This highlights the need to have properly calibrated investor protection rules. If they are overly complex, prescriptive and prohibitive, the risk of such “real fraud” increases – at least to most vulnerable investors.

In the chapter 4 “Disclosure requirement” the Prospectus Regulation is not mentioned. When discussing disclosure requirements, one also needs to consider the prospectus rules since it would be the key disclosure document for products which do not have a KID. For example, for debt instruments, the prospectus is key to get information about the issuer and credit risk etc. To get the whole picture, the prospectus rules should also be included in the analysis.

## Additional information

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Should you wish to provide additional information (e.g. a position paper, report) or raise specific points not covered by the questionnaire, you can

upload your additional document(s) below. **Please make sure you do not include any personal data in the file you upload if you want to remain anonymous.**

The maximum file size is 1 MB.

You can upload several files.

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

## Useful links

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

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

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

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

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

## Contact

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