

EFPA's Response to ESMA Call for Evidence on the Retail Investor Journey

July 21st, 2025



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Introduction

The European Financial Planning Association (EFPA) functions as a recognized standards-setting and certification body within the European financial services domain. As a non-profit organization, EFPA represents a community of over 100,000 certified financial advisors. These professionals maintain active status through annual recertification, continuous professional development (CPD), and formal adherence to EFPA's Ethical Code. The geographical distribution of EFPA certificate holders spans key European markets, including Spain, the United Kingdom, Italy, France, Ireland, Austria, Germany, Poland, Czech Republic, Hungary, Luxembourg, Portugal, and Slovakia.

EFPA was established with a dual mandate: to uphold the professional interests of financial advisors and to enhance results for retail clients. Central to its mission is promoting public awareness of its members' activities and ensuring compliance with ethical and regulatory standards governing the profession. In alignment with the strategic priorities of the European Commission, EFPA actively advocates for a comprehensive reassessment and enhancement of the retail investor journey.

Retail Investor Journey Ad Hoc Survey

The findings presented herein derive from a survey administered in June 2025 among EFPA-certified financial advisors across Europe. The sample comprises qualified professionals who actively engage in retail financial advisory services. The survey seeks to elucidate patterns in how retail investors seek financial advice and select investment solutions. It has been developed as an evidence-based response to the European Securities and Markets Authority's (ESMA) Call for Evidence.

Methodological Clarification

The ESMA Call for Evidence solicits input on retail investor experiences during critical phases of the investment process, with emphasis on evaluating the influence of regulatory frameworks on retail participation in capital markets. Financial advisors—by virtue of their role in guiding clients through the investment lifecycle—possess firsthand experience and expertise relevant to this inquiry. Notwithstanding, although four questions within the consultation document refer explicitly to financial advice, neither financial advisors nor their representative organizations are directly identified among the consultation's intended respondents.

Furthermore, the ESMA questionnaire introduces a dichotomy between “firms” and “consumers,” and repeatedly—on 24 occasions—addresses questions specifically to “consumer associations,” thereby implying an exclusivity in representation of retail investor interests. In practice, organizations such as EFPA act in a fiduciary capacity on behalf of retail clients and investors. Consequently, EFPA has broadened its scope of engagement by responding to questions beyond those explicitly directed to

consumer associations. In doing so, EFPA contributes informed analysis and offers insights aligned with both the interests of individual retail investors and the operational integrity of European financial markets.

A subset of questions was selected by EFPA from ESMA's broader questionnaire, focusing specifically on areas where **financial advisors are well-positioned to provide meaningful input**, such as suitability assessments, product disclosures, and investor understanding. All **EFPA certificate holders** in the countries where the survey was launched were invited to participate. EFPA developed **multiple-choice response options** designed to reflect key regulatory topics in a structured and accessible format. The national-level surveys were open for a period of **7 to 10 days**, and the responses were then analysed to identify common trends and country-specific variations.

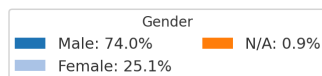
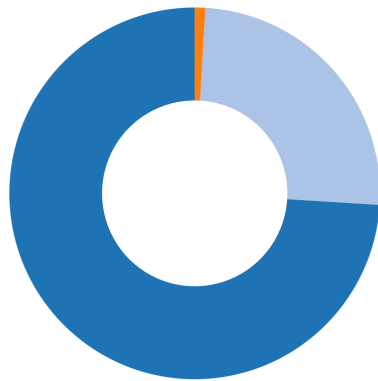
For clarity, the **numbering from ESMA's questionnaire** is shown for each of the questions analysed.

Sample Demographics

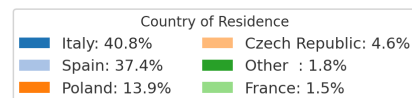
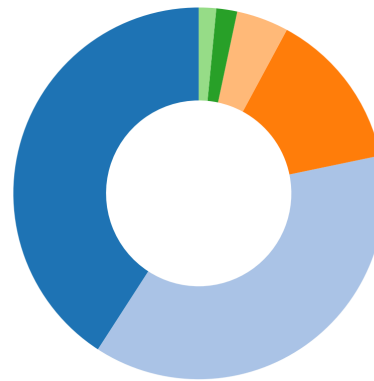
The survey captured responses from **989 certified financial advisors**. The highest concentration of participants originated from Italy and Spain, with additional representation from Poland, Czech Republic, - and other EU member states. The professional breakdown includes bank employees (37.6%), tied agents (37.5%), and independent financial advisors (14.7%). The sample exhibits a gender distribution of 74.9% male and 25.1% female respondents, with the majority (64.5%) aged between 41 and 60 years—indicative of a seasoned advisory cohort.

We acknowledge the imbalanced composition of the sample not covering all European countries, which is due to the short timeline for the survey in June 2025. In the present analysis, some of the findings are explained in the light of the peculiarities of the sample, striving for objectivity.

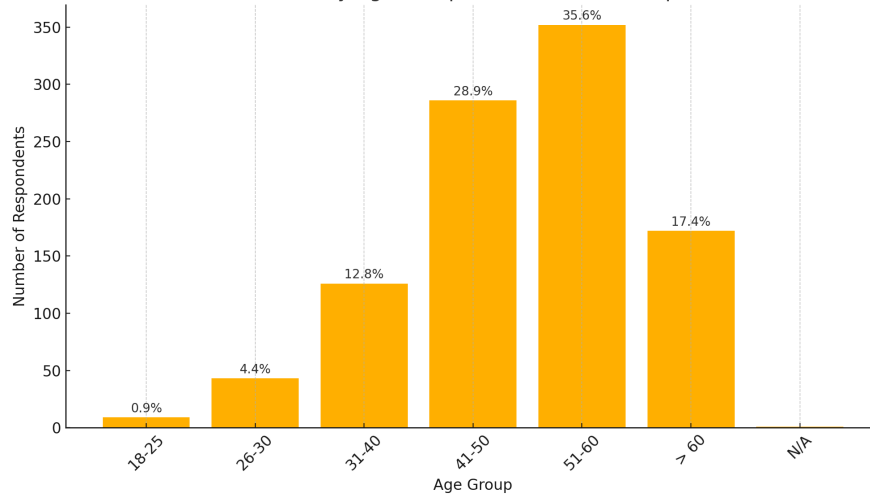
Gender (N = 989)



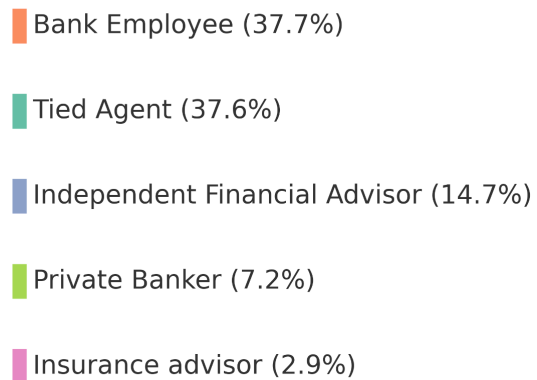
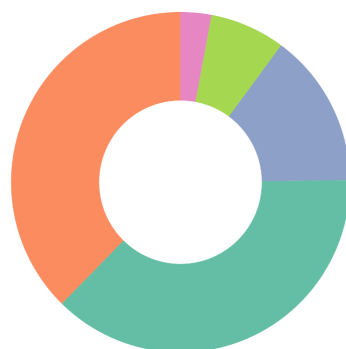
Country of Residence (N = 989)



Distribution by Age Group (Base: 988 valid responses)



Distribution by Type of Advisor (N = 988)

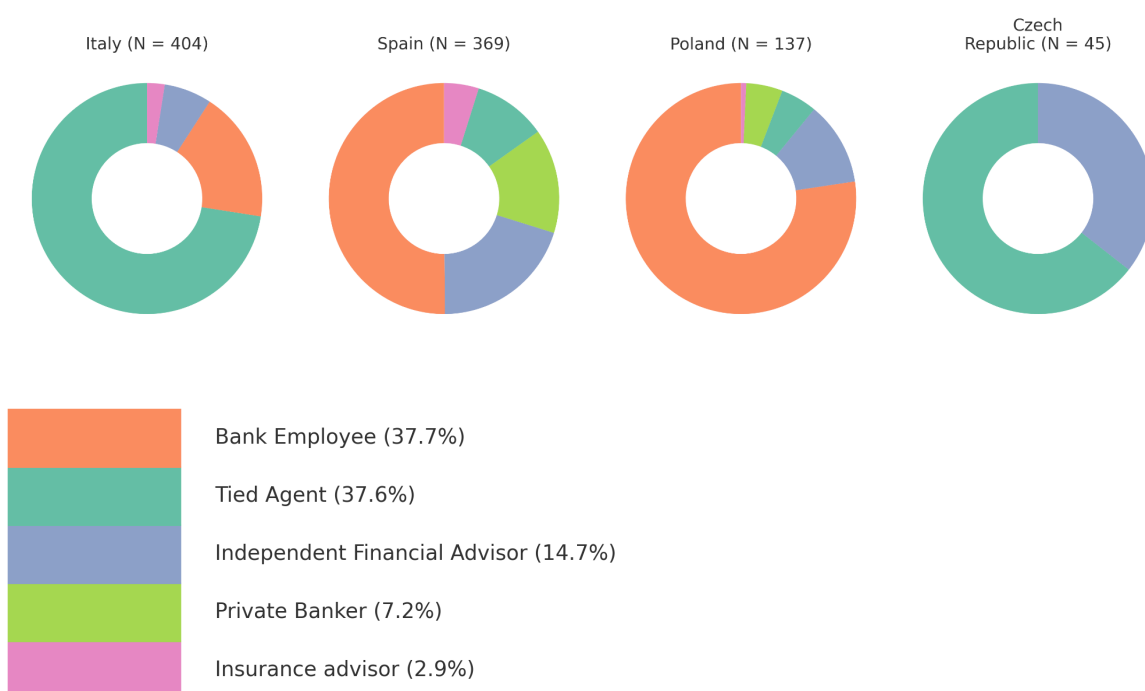


Notably, the distribution of advisor types in the sample varies significantly across countries:

- In **Italy**, the profession is dominated by **tied agents** (293), followed by **bank employees** (74) and a smaller group of **independent financial advisors** (27).
- In **Spain**, **bank employees** make up the largest group (185), followed by **independent financial advisors** (74) and **private bankers** (54).
- In **Poland**, **bank employees** again represent the majority (106), with relatively few **independent advisors** (16) or **tied agents** (7).
- In the **Czech Republic**, the two main groups are **tied agents** (29) and **independent financial advisors** (16), with no presence of bank employees.

These differences underscore the diversity of the advisory landscape in Europe, shaped by the financial industry structure and regulatory context in each country, reflecting also the uneven penetration of EFPA certification into the various segments from country to country.

Country-Specific Distribution by Type of Advisor (N = 988)



Executive Summary

This response summarises the key findings of the retail investor survey conducted by EFPA Europe in June 2025. The results, based mainly on responses from financial advisors, reveal significant existing barriers to investment in capital markets, reluctant investor perception of financial products and services, and the influence of inadequate financial education and regulations, particularly on disclosure and customer assessment.

The key topics that emerge include:

- **preference for the safety of bank deposits,**
- **widespread lack of financial literacy,**
- **mistrust of the advice biased by commercial interests,**
- **ineffectiveness of certain regulatory documents** in improving investor understanding and
- the **fear of losing money, which** is the most influential factor explaining the reluctance to invest.

Key Reasons Why Savers Do Not Invest in Capital Markets

The survey clearly identifies the barriers that prevent retail savers from investing, opting instead for bank deposits:

- **perception of greater security:** the main reason (43.9%) is the perception of greater security in bank deposits;
- **lack of knowledge:** a very significant factor (37.6%) is the lack of knowledge and awareness about investment products;
- **preference for liquidity:** the preference for liquidity and immediate availability of money is less influential (18.5%) but significant.

Difficulty Understanding Products and Need for Financial Education

There is overwhelming consensus by financial advisors on the lack of understanding among retail investors and the need for better financial education:

- **lack of financial education as the main difficulty:** 78.7% of respondents say that the main difficulty is the lack of financial education on key concepts, even more than the inherent complexity of some products such as derivatives or structured funds (19%);
- **significant obstacle:** lack of financial education or investment knowledge is seen as 'the biggest barrier to investment' by 59.2% of respondents, with an additional 35.1% considering it 'a contributing factor, but not the main issue'.

Impact of Past Experiences and Fear of Loss

Negative experiences and the inherent fear of losing money are powerful deterrents.

- **Negative experiences discourage:** 48.9% of respondents believe that negative experiences strongly discourage future investment.
- **Fear of losing money as a dominant factor:** when asked about influencing factors such as fear of losing money, mistrust or preference for familiar products, 65.2% identified 'fear of losing money' as the most relevant issue.

Commissions and Costs

According to financial advisors, commissions are a relevant factor, but not the main obstacle for retail investors from participating actively in capital markets.

- **Moderate influence:** about 61.7% of respondents consider that fees and costs to some extent discourage retail investors from participating, but investors consider other factors as well. Only 13.2% see them as a major obstacle to investment.

Concerns About Service Providers and Advice

Mistrust of advice is a critical concern.

- **Biased advice:** the most prominent concern (62.7%) is that investors feel that the advice they receive is biased by commercial interests.
- **Access to advice:** 65.2% of respondents consider that the financial education of retail investors is often too poor to correctly understand the information and investment advice offered to them.
- **Remuneration schemes:** 30.8% suggest that remuneration schemes by financial institutions should support access to financial advice rather than sales of products.
- **Limited product offering:** 41.5% of respondents point out that some products are often not covered (mainly single bonds and ETFs) since they do not offer any remuneration to the distributor/due to a focus on their own products by the financial institution.

Complexity and Clarity of Information

Current information does not help product understanding and, in many cases, even hinders it.

- **Excessive/unclear information:** 62.3% of respondents say that excessive or unclear information in areas such as costs, risks and product characteristics make investing somewhat difficult for clients, and another 27.4% find that it makes investment very difficult.
- **PRIIPs KID:** 48.2% of respondents believe that the PRIIP key information document does not help retail investors understand investment products.
- **Overwhelming regulatory information:** 49.4% believe that regulatory information is overwhelming for customers.

Suitability and Appropriateness Assessment (MiFID II)

Regulatory tools such as suitability reports are highly valued, but the MiFID II suitability test raises concerns about its effectiveness and flexibility.

- **Suitability reports:** 43.5% consider them to be a good reference to guide counselling and 23.6% see them as essential to protect and personalise the investment. However, 33% think that they do not provide real value to the customer.
- **Suitability assessment:** the suitability test is well regarded by respondents. For 60.2%, “it helps investors to think before they invest”, and 44.4% consider that it is useful for advisors in their work. However, 29.9% comment that in practice it is not used effectively. Replies are on a non-exclusive basis.
- **Appropriateness test:** the survey results reflect a critical perception of the appropriateness test. 42.2% consider that more flexibility is needed in the process of assessing client knowledge and experience, and 22.9% consider that it takes too much time and discourages retail investors. However, 34.8% consider that “it is a useful tool and should be maintained”.

Factors Influencing Young Investors and Cryptocurrencies

The **desire for quick returns** is the main driver for investing in speculative assets such as cryptocurrencies among young people.

- **Desire for quick returns:** 62.3% of respondents attribute young people's investment in cryptocurrencies to the desire for profitability in the shortest time possible.
- **Exposure to marketing:** high exposure to information and marketing about cryptocurrencies is also a significant factor (32%).

Sustainability Preferences

Sustainability is not yet a predominant concern among retail investors.

- **General lack of knowledge:** almost half (48%) of respondents indicate that retail investors ‘do not know about it and have no opinion’ on sustainability preferences. Only 30.9% show interest and concern.

Key Conclusions

1. **Financial education is essential:** lack of knowledge is the most frequently cited barrier to investment, and better financial education is seen as the key solution.
2. **Fear of loss and search for security:** fear of losing money and the perceived security of bank deposits are the main drivers of reluctance to invest.
3. **Distrust of advised sales:** retail investors perceive the advice they get to be biased by commercial interests, which undermines trust and willingness to invest. The remuneration structure of financial institutions influences product offerings.
4. **Ineffectiveness of current regulatory information:** documents such as **PRIPs KIDs** and regulatory information in general are perceived as overwhelming and unhelpful for retail investor understanding. Information on costs and risks is unclear in the opinion of respondents.
5. **Regulation and flexibility:** while the suitability test is considered useful, there is a perceived need for greater flexibility in assessing client knowledge and ensuring that these assessments do not discourage investment.
6. **Driving factors for young investors:** the desire for quick gains and exposure to marketing (and *Finfluencers*) drive investment in cryptocurrencies more than the mere ability to take risks.

Summary of Key Recommendations

- **Expand Financial Education Programmes:** introduce accessible and comprehensible initiatives to explain basic investment principles, highlight the benefits of capital markets, and clarify associated risks.
- **Improve Transparency and Strengthen Trust:** distinguish clearly between sales and advisory services; revise remuneration models to reflect impartiality; emphasize advisors' duty to act in the client's best interest; promote awareness of professional financial advice.
- **Simplify Investor Information:** enhance clarity and accessibility of marketing and disclosure documents to improve investor understanding and reduce confusion.
- **Enhance Communication on Risk and Returns:** strengthen messaging on investment risks and realistic performance expectations, especially for younger investors drawn to high-risk products.
- **Simplify Regulatory Procedures:** refine suitability assessments and streamline regulatory requirements to encourage wider participation in capital markets; reinforce trust through clear frameworks and high standards for advisor qualifications.

INSIGHTS FROM THE SURVEY

The concrete outcomes of the survey based on the different questions are summarized and analysed in continuation, taking stock of the survey's various limitations. The corresponding question numbering from the ESMA questionnaire is provided for clarity.

INVESTMENT VS SAVING

(ESMA Q1)

5.What are the key reasons why many retail savers choose not to invest in capital markets and instead keep a significant part of their savings in bank deposits?

	Perception of greater security of bank deposits	Lack of knowledge about investment products	Preference for liquidity and immediate availability of money
All countries	43.9	37.6	18.5
Italy	38.6	30.9	30.4
Spain	52.4	39.5	8.1
Poland	47.4	41.6	10.9
Czech Republic	17.8	66.7	15.6

The main reason cited was the **perception of security in bank deposits** (43.9%), followed by **lack of knowledge about investment products** (37.6%) and **preference for liquidity** (18.5%).

These data reflect that savers need clarity and qualified advice to take the step of investing. They do not mind sacrificing liquidity if they see a clear return. Basic financial education and access to professional advice would facilitate investment.

Notable country differences emerged:

- In **Spain and Poland**, the focus was strongly on **security**, with over 47% of respondents quoting this reason and fewer highlighting knowledge gaps.
- By contrast, in the **Czech Republic**, **two-thirds of advisors** identified **lack of knowledge** as the main reason, suggesting educational barriers are more prominent there.
- **Italy** stood out for its **more even distribution** of responses across all three reasons, indicating a broader mix of concerns.

PRODUCT COMPLEXITY

(ESMA Q2b)

6. For consumer associations [and financial advisors' associations]: Based on your interaction with retail investors, are there particular types of investment products or product features that retail investors find especially difficult to understand?

→ 79% said **lack of financial education on key concepts**, and 19% pointed to **complex products like derivatives or structured funds**.

	Yes, but the main difficulty is the lack of financial education on key concepts.	Yes, complex products such as derivatives or structured funds are difficult to understand.	No, most investors understand investment products easily.
All countries	78.7	19.0	2.3
Italy	88.6	11.1	0.2
Spain	74.4	22.6	3.0
Poland	58.5	36.9	4.6
Czech Republic	82.2	15.6	2.2

The vast majority of respondents (**78.7%**) believe that retail investors struggle to understand investment products mainly due to a **lack of financial education** on key concepts. In other words, with improved basic financial education, savers could take the step of investing in capital markets.

The data also reveals that financial education has its limits and that we cannot expect savers to become experts for instance in structured products and derivatives – according to 19%, structured products and derivatives are difficult for retail investors to understand. In this context, financial advisors play a **crucial role as intermediaries** who can bridge the knowledge gap.

The survey practically rules out (2.3%) the possibility that savers easily understand all types of investment products. This acknowledges the growing complexity of investment products and the need for improved basic education with access to advisory services.

Given the challenges of providing broad-based financial education to the entire retail population, equipping advisors with better tools and training emerges as a more immediate and scalable solution to support informed investment decisions.

While the outcome is similar across countries, notable contrasts appear. In **Spain** and the **Czech Republic**, support for the idea that the **lack of education** is the key barrier is especially high—reaching **over 80%** of respondents—indicating strong

reliance on advisors to guide underinformed clients. Conversely, in **Italy**, a significantly larger share (**around 25%**) attributes the difficulty to the **complexity of financial products** themselves, suggesting a stronger concern with product design and transparency. Meanwhile, **Poland** stands out for its relatively higher confidence in investors' knowledge, with **about 5%** of respondents indicating that most retail investors do understand the products—more than double the average across all countries.

These contrasts point to differing national priorities: while some countries see advisor education as key to overcoming investor confusion, others highlight the need to simplify financial products themselves.

IMPACT OF PAST EXPERIENCES

(ESMA Q3)

7. Do past experiences with low or negative returns significantly affect retail investors' willingness to invest again?

→ 49% said **yes, strongly discourages future investment**, while 48% said **somewhat, but other factors matter more**.

	Yes, negative experiences strongly discourage future investment	Somewhat, but other factors (e.g., trust, risk appetite) play a bigger role	No, past experiences with poor returns are not a major factor in investor decisions
All countries	48.9	48.1	3.0
Italy	40.8	55.2	4.0
Spain	58.8	39.8	1.4
Poland	62.9	35.6	1.5
Czech Republic	15.6	75.6	8.9

Responses were nearly evenly split on the impact of past negative returns: **47.9%** of respondents believe such experiences *strongly discourage* retail investors from reinvesting, while **47.1%** think the effect is more moderate, with other factors such as trust or advice playing a greater role. Only a small minority (**2.9%**) consider past poor returns to have little or no impact on future investment decisions.

This leads us to conclude that confidence is a determining factor in investing, even if there have been negative experiences.

National differences and possible explanations:

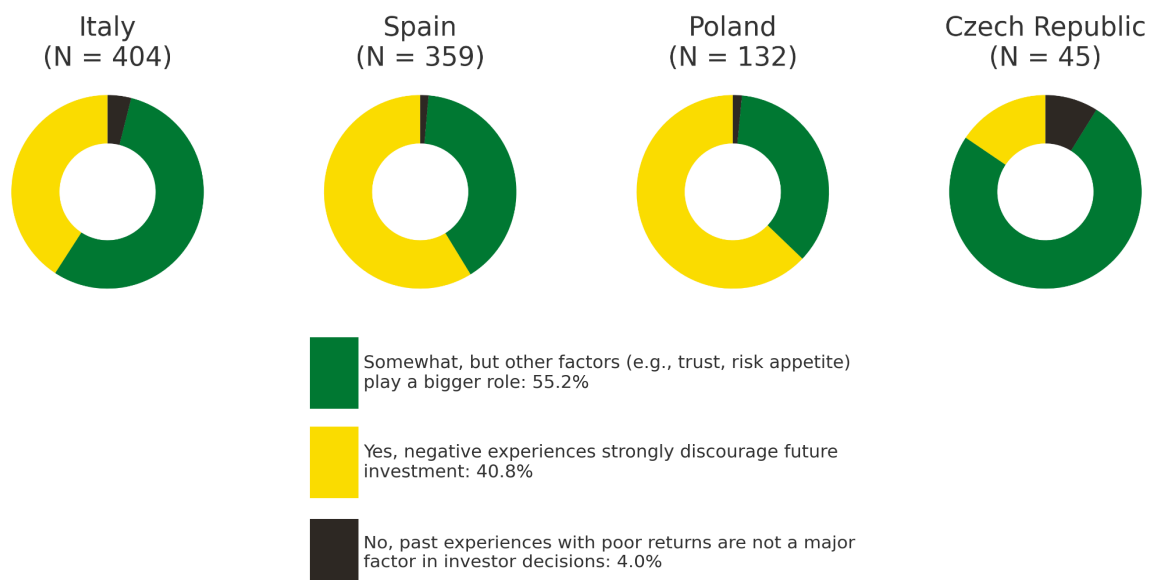
Striking national contrasts emerge. In **Poland**, where **over 77%** of advisors are **bank employees**, the strongest effect of negative returns is most widely recognized, with a high share of respondents selecting the most pessimistic option. This suggests bank advisors may be particularly sensitive to clients' risk aversion and emotional reactions to past experiences.

In contrast, **Italy**—with a dominant share of **tied agents (72.5%)** and relatively few independent advisors—shows a stronger tendency to downplay the discouraging effect of poor returns. Here, **a larger proportion of respondents** selected the more moderate option, implying that trust and advisory relationships may play a buffering role.

Spain, with a more balanced mix of advisor profiles (including **20% independents**, **50% bank employees**, and **15% private bankers**), also reflects a more nuanced view, splitting responses between strong and moderate discouragement. Meanwhile, in the **Czech Republic**, which has **no bank employees** and a high proportion of **tied agents (64.4%)** and **independent advisors (35.6%)**, respondents were more likely to view investor sentiment as less severely affected—perhaps reflecting a closer client-advisor dynamic where advisors believe they can help clients look past past losses.

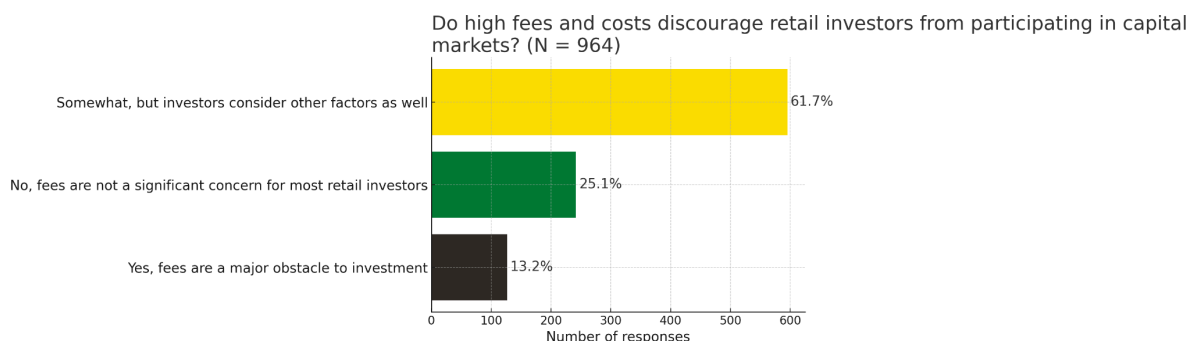
These differences suggest that perceptions of investor behavior are strongly influenced by the advisor's own role and context: bank employees may observe more reactive investor behavior, while tied agents and independents may perceive greater resilience or influence from ongoing advice.

Do past experiences with low or negative returns significantly affect retail investors' willingness to invest again?



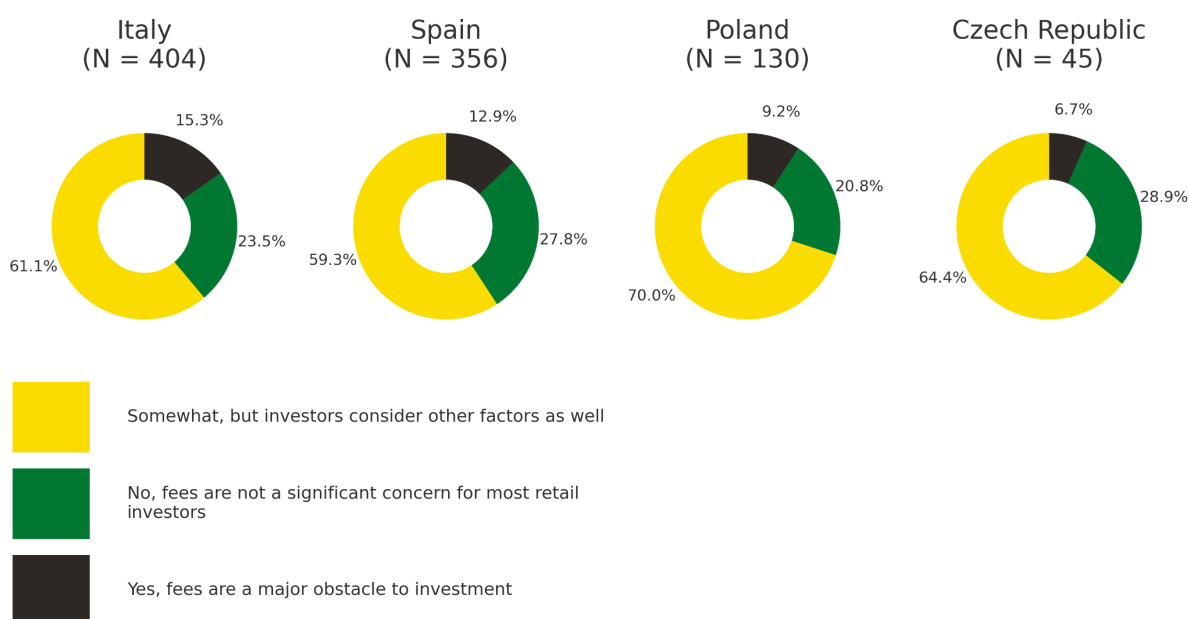
(ESMA Q4a)

8. Do high fees and costs discourage retail investors from participating in capital markets?



→ 62% said **somewhat**, but other factors matter, and 25% said **fees are not a major concern**.

Do high fees and costs discourage retail investors from participating in capital markets?



Only **13%** of advisors view fees as a *major obstacle*, while on the opposite end of the spectrum, **25%** think they are *not a significant concern*. The majority of respondents (**62%**) believe high fees *somewhat* discourage retail investors, but other factors matter more. In other words, while costs and fees are a relevant factor, there are other factors to consider, such as a lack of trust and clarity in market access.

National patterns suggest advisor roles shape perceptions. In **Poland**, where **77%** of the sample are **bank employees**, over **30%** see fees as a major obstacle—more

than double the average—likely reflecting clients’ sensitivity to visible banking costs. By contrast, in **Italy** and the **Czech Republic**, where **tied agents dominate**, the share selecting this option drops below **10%**, indicating fees may be less central in their client interactions. **Spain**, with a mixed advisor profile, falls in between.

(ESMA Q4b)

9. Do retail investors raise specific concerns about the costs and fees of investment products?

	Yes, they perceive that cost information is unclear or difficult to compare.	No, costs are not a major concern for most investors.	Yes, they consider them excessively high
All countries	49.2	36.0	14.9
Italy	56.4	31.4	12.1
Poland	33.1	43.8	23.1
Czech Republic	33.3	55.6	11.1

The sample is smaller for this question (not included in Spain).

Among those who answered, nearly half of the advisors (**49.2%**) reported that retail investors are **concerned with the clarity of cost disclosures**, and only **14.9%** said clients consider costs *excessively high*.

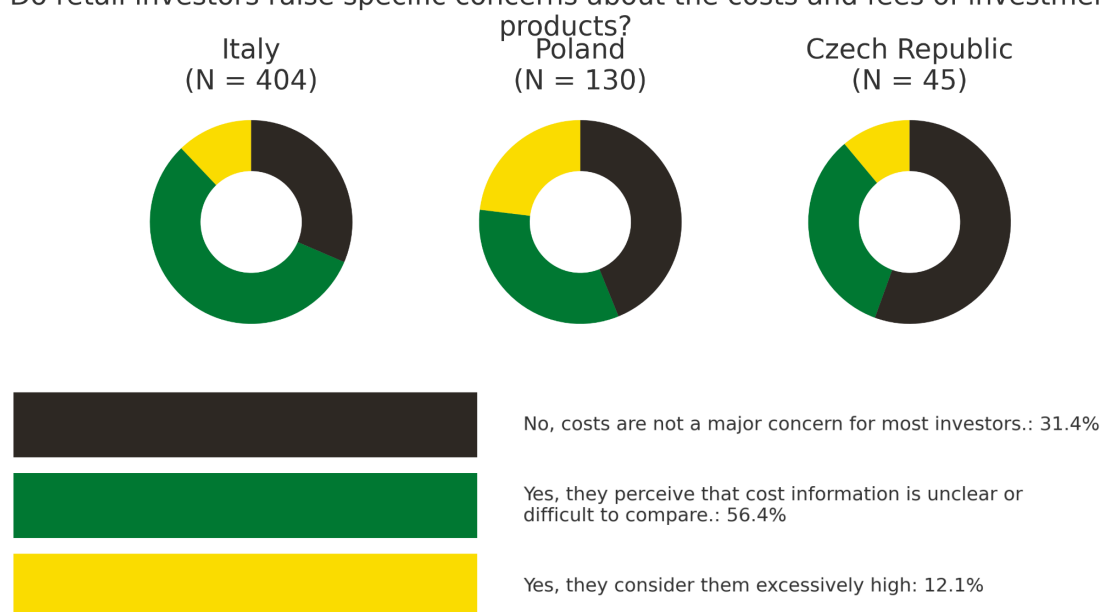
Consistently, approximately the same number of advisors who replied in the previous question that costs that “fees are not a significant concern”, replied here that “costs are not a major concern” (36%).

This data helps us see that although costs and fees are not the only reason for refraining from participating in capital markets, retail investors want clarity. The total costs are not clearly known (49.2%). They are difficult to compare. With this lack of clarity, retail customers cannot understand whether they are getting good value for money.

In **Italy**, a majority of respondents emphasized *unclear cost information*—likely linked to the strong presence of **tied agents** and **independent advisors**, who may face greater client scrutiny over transparency. In contrast, in **Poland**, where over **three-quarters** of advisors are **bank employees**, the dominant view is that costs are *not a significant concern*, suggesting more passive or less cost-sensitive retail clients. The **Czech Republic** shows more mixed views, reflecting its high share of **independent advisors**.

These findings suggest that perceptions of cost-related concerns may depend more on how costs are communicated than their absolute level. Gathering perspectives from retail investors themselves would help assess whether advisors are correctly gauging their clients’ priorities.

Do retail investors raise specific concerns about the costs and fees of investment



INVESTMENT SERVICE PROVIDERS

(ESMA Q5b)

10. What specific concerns do retail investors raise about investment service providers?

→ **63% said advice is biased by commercial interests, 22% thought investors had no strong concerns.**

	They feel that the advice they receive is biased by commercial interests.	They do not have outstanding concerns about service providers.	They have other concerns about investment service providers
All countries	62.7	22.4	14.8
Italy	76.2	17.1	6.7
Spain	70.7	24.2	5.1
Poland	22.3	29.2	48.5
Czech Republic	13.3	28.9	57.8

A significant majority of advisors (62.7%) report that retail investors are primarily concerned with the bias of the advice they receive—believing it's not always in their best interest. This concern outweighs others, with only 14.8% pointing to other issues with investment service providers, and 22.4% saying investors have no outstanding concerns.

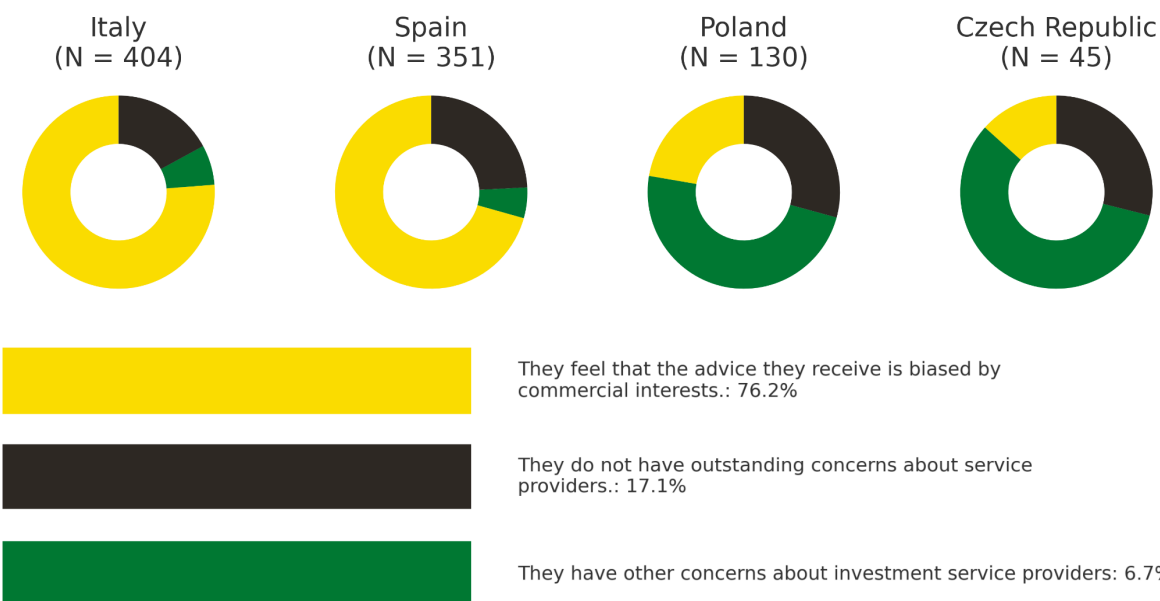
Supporting the popular view that investors are concerned with biased advice, as one respondent put it: ‘Customers who work exclusively with banks feel that they are often being sold what is in the bank’s best interests, rather than what they really need to meet their actual needs.’ They are aware that there are conflicts of interest that may be influencing the provision of so-called advisory services. They do not complain about the quality of the advice, but rather the fact that it is influenced by commercial reasons. As another respondent said: ‘Some of them feel more comfortable and secure with a traditional financial institution.’ But there is mistrust due to a ‘lack of real advice.’ This finding was already highlighted in the Kantar Report (*Disclosure, inducements, and suitability rules for retail investors study. Final report, 2023*) and has been addressed by regulators through the Retail Investment Strategy (RIS). EFPA is in favour of a measured response to this issue, without restricting the freedom of financial advice models through a ban on inducements to avoid widening the ‘advice gap’.

When advice is provided, the client’s interest in receiving a recommendation suitable for their profile must take first place over commercial interests. The misnamed ‘advice-based sale’ of financial products should give rise to a clear distinction between advice and non-advice-based commercial transactions (sales). As noted in the Kantar Report, retail investors are not interested in the technicalities of financial distribution models. What they want to be clear about is who their interlocutor is, whether it is their advisor or a salesperson.

Furthermore, as one of the respondents to the EFPA survey said in the open-ended question that follows, retail investors ‘need to feel more comfortable and confident about the assets and sectors in which they invest and better understand what investing means and the risks they are taking compared to the risks they also take in other traditional investments such as fixed-term deposits and real estate, and to compare liquidity and profitability’. As many other respondents stated, retail clients want transparency and trust to overcome their fear of investing in capital markets.

National comparison shows that the perception of biased advice is particularly strong in Italy and Spain, where a large share of advisors (mainly tied agents and bank employees) believe clients distrust the neutrality of advice. In contrast, Poland, with a more institutional client base and heavy bank employee representation, has a higher proportion saying that clients have no strong concerns. The Czech Republic shows more balance across response types—possibly due to its mix of advisor types, especially a higher share of independents.

What specific concerns do retail investors raise about investment service providers?



Comparison with Questions 8 and 9:

When Question 10 (concern about service providers) is contrasted with Question 8 (fees) and Question 9 (cost transparency), a pattern emerges: while only 12.8% of respondents in Q8 said that high fees are a major obstacle, and just 14.9% in Q9 reported that investors find fees excessively high, 62.7% in Q10 say that bias in advice is a major client concern. This suggests that advisors perceive **trust and perceived alignment of interests as far more central to investor confidence than cost levels**.

This may reflect an underlying issue of credibility and perceived conflict of interest—especially in models where compensation is tied to product sales. Clients might accept fees if they **trust the advice is in their best interest**, but without that trust, even small costs can trigger concern. The findings imply that **improving transparency around advisor incentives** and promoting fiduciary-like standards (broader adoption of **client-first obligations**) may go further than fee reductions in addressing investor hesitation.

To complete the picture, respondents who chose “other concerns” were asked to specify in an open question (Question 10a from the EFPA survey, see below).

10a. Which other concerns do retail investors raise about investment service providers? (please specify your reply of the previous question)

Summary of the most frequent themes emerging from the open question:

	Count	% of Total
Risk / Fear of loss	22	22.4
Trust / Transparency	20	20.4
Lack of guidance / education	16	16.3
Conflict of interest	12	12.2
High fees / commissions	11	11.2
Product suitability	6	6.1
Geopolitical Instability / High volatility	6	6.1
Fear of incompetence / poor management	6	6.1
Liquidity	5	5.1
Sales pressure / targets	4	4.1
Complexity / Documentation burden	3	3.1
Regulatory barriers	3	3.1
Others	8	8.2

The most frequently raised concern, other than “biased advice”, according to financial advisors, was “**Risk / Fear of loss**” (22.4%), followed closely by “**Trust / Transparency**” (20.4%). These two account for nearly **half of all responses**, signaling that **emotional and relational barriers**—rather than technical or procedural ones—remain dominant in the minds of clients.

- **Risk / Fear of loss** reflects persistent investor anxiety about market volatility and personal financial losses. This echoes earlier survey responses indicating that emotional reluctance remains a strong barrier to capital market engagement.
- **Trust / Transparency** is cited here again as a key reason, signalling doubts around the motives or clarity of investment service providers. This is reinforced by concerns about conflicts of interest, perceived opacity of product offerings, or mistrust in institutions.

The third most cited concern, “**Lack of guidance/education**” (16.3%), confirms that many retail clients still struggle to navigate investment decisions without more accessible advice or knowledge. This aligns with the importance attributed to investor education.

Further down the list, concerns like “**Conflict of interest**” (12.2%) and “**High fees/commissions**” (11.2%) point to deeper issues in the structure and incentives of the advisory ecosystem.

We could categorise the different concerns identified as provider or product-related or client or culture-related:

Type	Category Examples
Provider/Product-related	Conflict of interest, Trust / Transparency, High fees / commissions, Sales pressure / targets, Complexity / Documentation burden, Product suitability, Regulatory barriers, Liquidity
Client/Culture-related	Risk / Fear of loss, Lack of guidance / education, Geopolitical Instability / High volatility, Fear of incompetence / poor management

This distinction can help understand where interventions are most urgent:

- Concerns **on the provider side** may be addressed through stronger fiduciary practices, simplified disclosures, better alignment of incentives, and more human-centered service models.
- Issues **on the client side** point to a broader challenge of **financial culture**, requiring sustained efforts in education, behavioral support, and trust-building.

ACCESS TO ADVICE

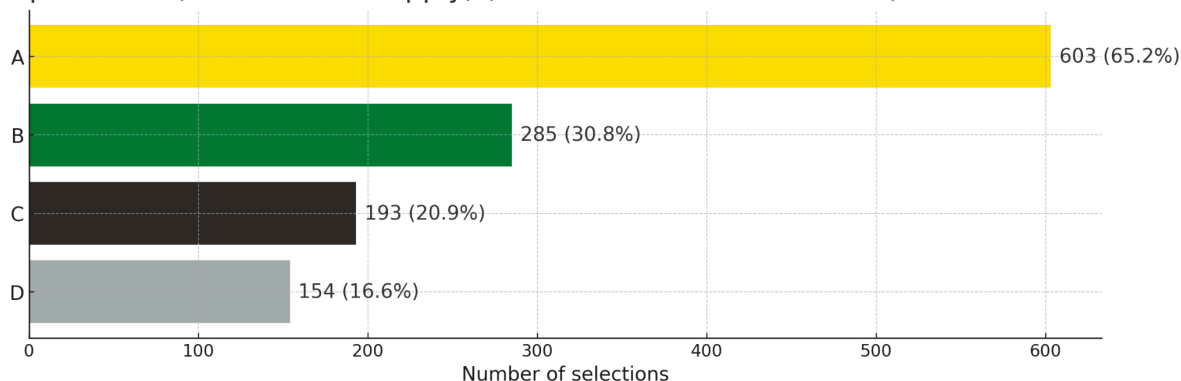
(ESMA Q6)

11. Do retail investors feel they have adequate access to investment advice and information when they encounter difficulties in understanding investment products? Select all that apply.

→ **65%: Financial education is often too poor to correctly understand the information/advice.**

→ **31%: Remuneration schemes should support access to advice, not just product sales.**

Do retail investors feel they have adequate access to investment advice and information when they encounter difficulties in understanding investment products? (Select all that apply) (N = 925, total votes = 1235)



- A. The financial education of retail investors is often too poor to correctly understand the information and investment advice offered to them.
- B. Remuneration schemes by financial institutions should support the access to financial advice rather than sales of products.
- C. From my experience, retail investors have adequate access to information and advice.
- D. There is limited opportunity to provide proper advice and relevant information to the average retail investor.

A **strong majority** of financial advisors believe that retail investors face **significant obstacles** in accessing and understanding investment advice and information, for different reasons:

- 603 votes received by option A, highlighting that *“the **financial education of retail investors is often too poor to correctly understand the information and investment advice offered to them.**”*
- 285 votes (30.8%) for option B, *“**remuneration schemes** by financial institutions should support access to financial advice rather than product sales.”*
- 154 votes (16.6%) pointing to **structural** limitations: opportunities to provide quality advice and relevant information to the average retail investor are limited.
- By contrast, only 193 respondents (20.9%) believe that retail investors already have adequate access to information and advice.

These results point out a widespread concern that investor understanding is hindered more by structural and educational barriers than by lack of advice infrastructure alone.

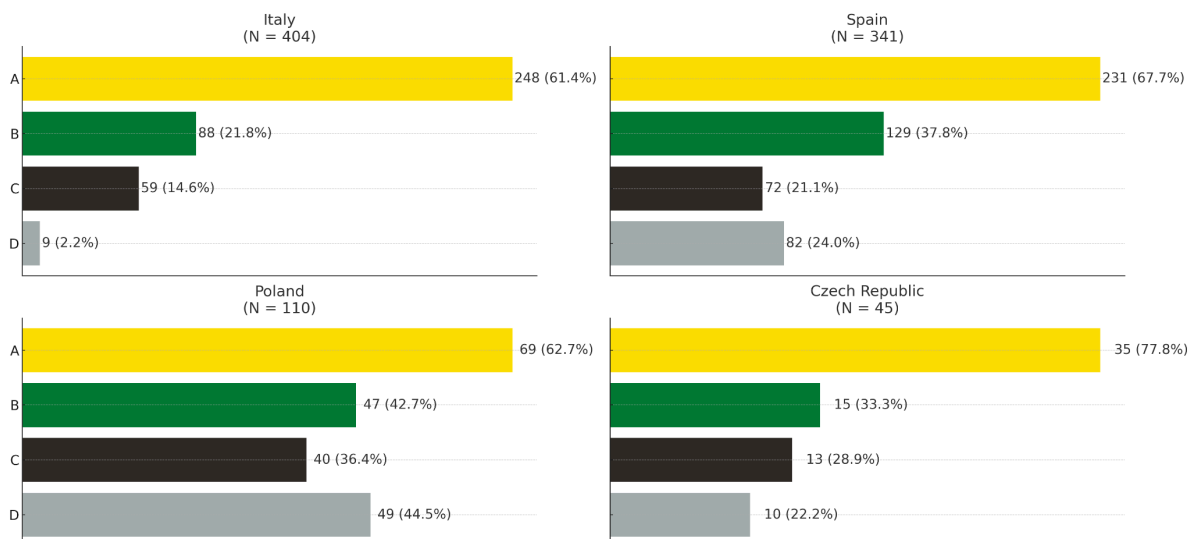
Retail investors find it difficult to access qualified advice. The offering mixes sales with advice, in what is known as advised selling. This makes it too difficult for retail investors to differentiate between salespeople and advisors.

Good financial advice requires establishing a dialogue with retail clients that builds a relationship of trust. 65.2% of those surveyed by EFPA believe that the financial education of retail investors is often too poor to correctly understand the information and investment advice offered to them.

Country-specific differences

- In Italy, concern about investor education is especially pronounced: 248 out of 404 valid respondents (61%) selected A, and only 59 (14,6%) believe that retail investors already have adequate access (C).
- In Spain, the response pattern is more evenly distributed, suggesting a broader view on the contributing factors, but overall only 21% believe that there is adequate access to information and advice.
- In Poland and Czech Republic, more advisors believe that the access is adequate: 36% and 29%.

Do retail investors feel they have adequate access to investment advice and information when they encounter difficulties in understanding investment products? (Select all that apply)



PRODUCT OFFER

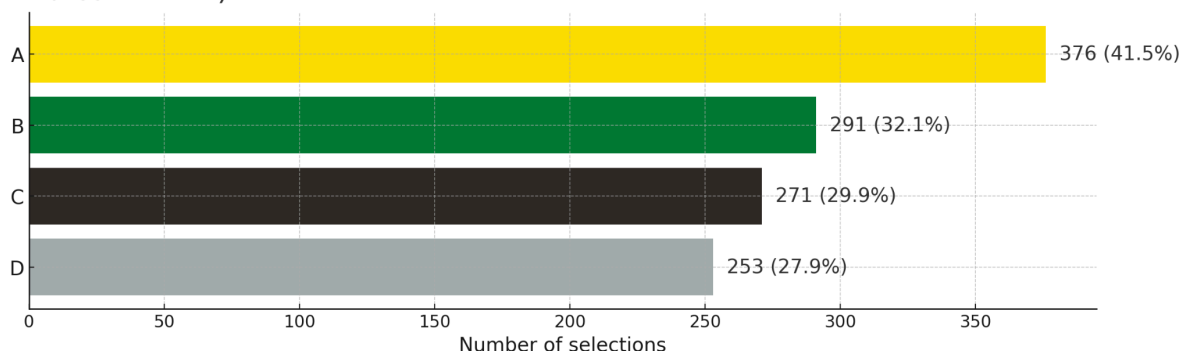
(ESMA Q7)

12. Does investment advice provided to retail clients typically cover all types of investment instruments/products (e.g. shares, bonds, investment funds, ETFs), or are certain products rarely advised? Select all that apply.

→ **41%:** Some products like bonds/ETFs are often not covered due to lack of remuneration or firm focus.

→ **32%:** Offer structure is driven by remuneration schemes.

Does investment advice provided to retail clients typically cover all types of investment instruments/products (e.g. shares, bonds, investment funds, ETFs), or are certain products rarely advised? (Select all that apply) (N = 907, total votes = 1191)



- A. Some of them are often not covered (mainly single bonds and ETF) since they don't offer any remuneration to the distributor/due to a focus on own products by the financial institution.
- B. The structure of the offer is driven by remuneration schemes by financial institutions
- C. All of the above instruments/products are typically covered
- D. Some of them are often not covered (single stocks) since they are too risky for a retail investor.

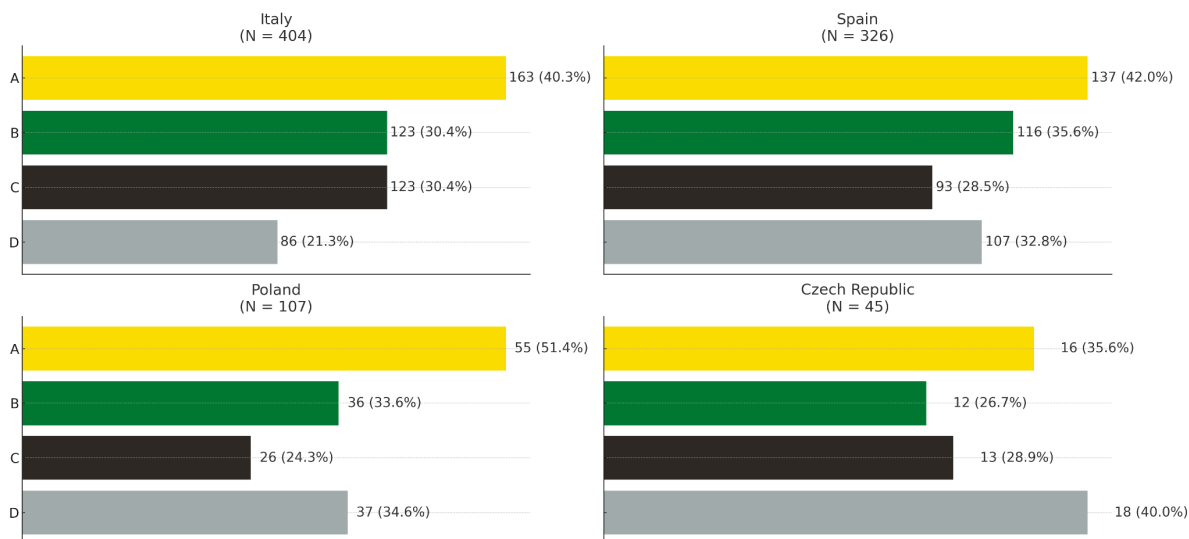
The respondents' answers regarding what types of products/instruments are typically recommended to investors are important. The majority response (41.5%) is that some of these products are often not covered (mainly individual bonds and ETFs) because they offer little remuneration to the distributor or because the financial institution focuses on its own products. In addition, 32% of respondents consider that the structure of the offer is determined by the remuneration systems of financial institutions. Given these findings, there is room for improvement in remuneration systems to make them compatible with the necessary autonomy of advisors to select the products best suited to the client's profile.

Country-specific insights

- Between 24% and 30% of advisors in the 4 main countries analysed believe that all products are covered.
- In **Italy**, a lesser portion of advisors (21%) compared to other countries (33% to 40%) think that some products are not covered due to the risk factor - this is probably due to the different client profile served by IFAs who are better represented in the Italian sample.

Again, country by country, the results reveal a majority perception that financial institutions' incentive structures shape the investment products offered to retail clients. While some advisors believe in a broad, neutral offering, many suggest that business models — especially remuneration schemes — and to a lesser extent, risk considerations, act as limiting factors. The trend is strongest in Italy and Spain, while Poland and the Czech Republic show a more even distribution of views.

Does investment advice provided to retail clients typically cover all types of investment instruments/products (e.g. shares, bonds, investment funds, ETFs), or are certain products rarely advised? (Select all that apply) (N = 907, total votes = 1191)

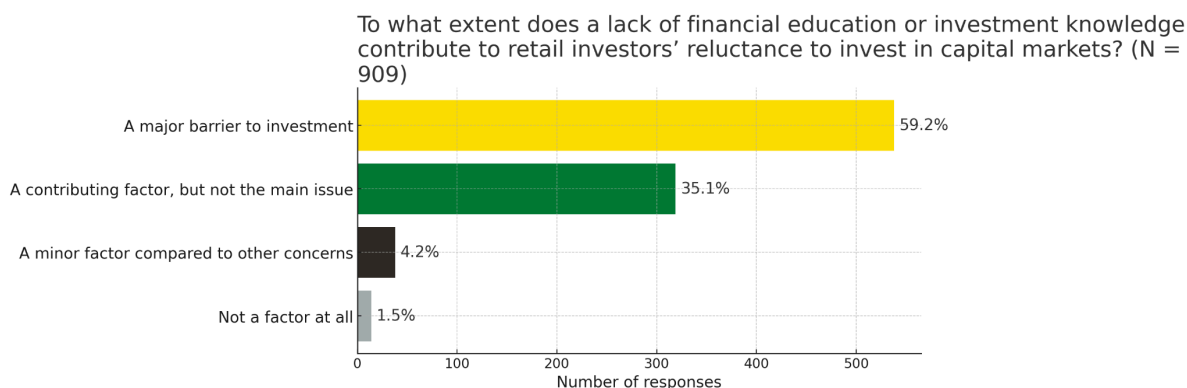


FINANCIAL EDUCATION

(ESMA Q8a)

13. (Q8a) To what extent does a lack of financial education or investment knowledge contribute to retail investors' reluctance to invest in capital markets?

→ **59% say it's a major barrier, 35% see it as a contributing factor.**



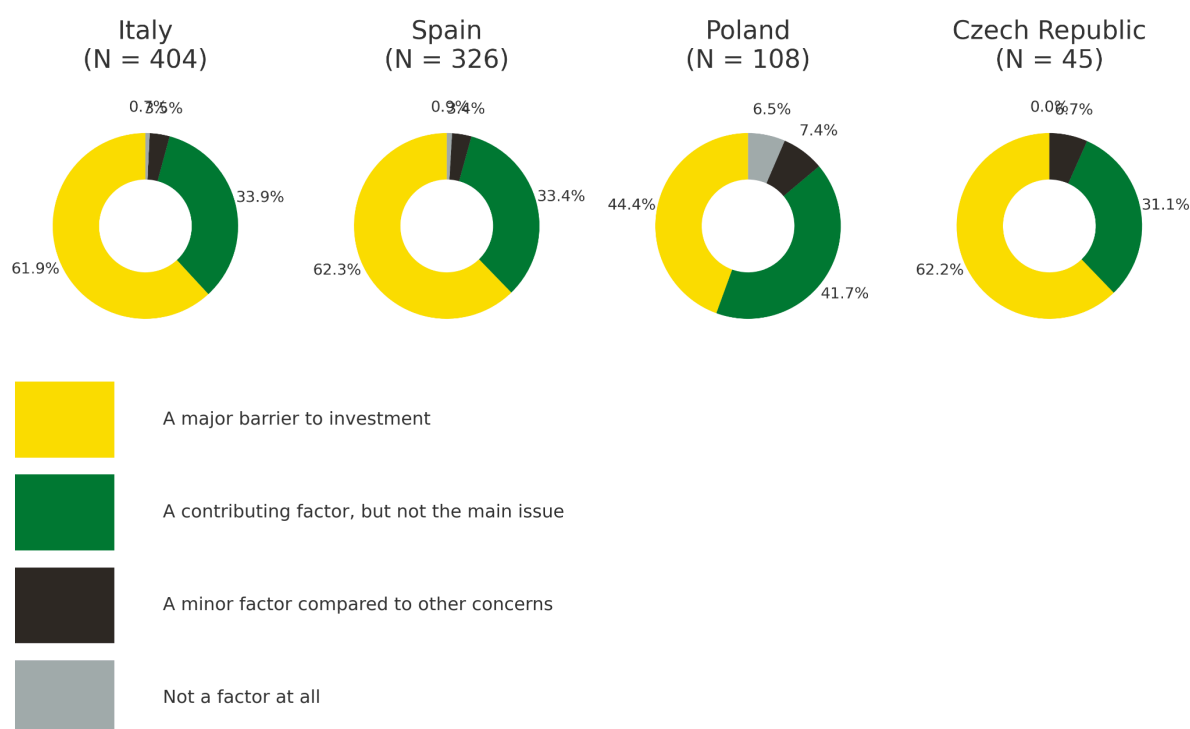
Financial education and advice are complementary factors in facilitating savers' access to capital markets. A clear majority of advisors (**59.2%**) view the lack of financial education or investment knowledge as a *major barrier* to retail investor

participation in capital markets. Another **35.1%** consider it a *contributing factor*, while only **4.2%** downplay it as a *minor concern*, and **1.5%** say it's *not a factor at all*.

National responses further underline this consensus. In **Spain** and **Italy**, the belief that low financial literacy is a major obstacle is especially strong—reflecting perhaps more frequent first-hand encounters with hesitant or uninformed clients, particularly among **tied agents** and **bank employees**. In **Poland**, while this view remains dominant, there's a slightly higher share of advisors who see knowledge gaps as a secondary issue—suggesting other factors, such as trust or product design, may be more salient in those contexts.

These results reinforce earlier findings (e.g., in Question 6) and make clear that **advisors widely perceive education as a critical enabler** of investment participation. The responses point to the value of not only improving general financial literacy but also equipping advisors themselves to act as *educators* and interpreters of financial information for their clients.

To what extent does a lack of financial education or investment knowledge contribute to retail investors' reluctance to invest in capital markets?



THE INVESTMENT DECISION

(ESMA Q9)

14. (Q9) Do factors such as fear of losing money, distrust of financial markets or preference for familiar products play a role? Which seems to have more weight?

→ **65% cited fear of losing money, 21% indicated the preference for familiar products.**

	Fear of losing money	Preference for known and familiar products	Mistrust in financial markets
All countries	65.2	21.4	13.4
Italy	62.4	27.0	10.6
Spain	71.3	14.8	13.9
Poland	69.8	12.3	17.9
Czech Republic	53.3	35.6	11.1

According to advisors, the dominant psychological barrier preventing retail investors from entering capital markets is the **fear of losing money**—selected by **65.2%** of respondents. This is followed by **preference for familiar products** (21.4%) and **mistrust in financial markets** (13.4%).

When comparing across countries, this pattern largely holds, but with some national variation in emphasis. **Spain, Italy and Poland**, with high shares of bank-tied advisors, report particularly strong investor aversion to loss, while **Poland** also shows a relatively higher incidence of *mistrust in markets*—perhaps reflecting past volatility or regulatory experiences. In the **Czech Republic**, the preference for *familiarity* also appears more frequently than average, aligning with earlier results highlighting hesitancy toward complex or novel products.

These findings confirm that psychological and emotional factors—particularly fear—play a major role in retail investment reluctance. They also support the idea that building **confidence and emotional resilience** through advisor-client relationships may be as important as improving technical knowledge.

(ESMA Q14a)

15. What factors most influence young investors' decision to invest in speculative assets such as cryptocurrencies rather than in traditional products?

→ **62% said desire for quick profit, 32% cited crypto marketing exposure.**

Country	Desire for profitability in the shortest time possible	High exposure to information and marketing about cryptocurrencies	Capacity to assume greater risk
All countries	62.3	32.0	5.8
Czech Republic	82.2	15.6	2.2
Italy	56.4	38.9	4.7
Poland	68.2	24.3	7.5
Spain	64.6	28.6	6.8

Advisors overwhelmingly believe that the main psychological trait influencing retail investors' decisions is the **desire for short-term profitability**, quoted by 62.3% of respondents. This is followed by exposure to marketing and media hype (32.0%), while only 5.8% believe that investors' behavior is driven by a true capacity to assume greater risk.

Across countries, the dominance of the short-term profit motive is consistent. In Italy and Spain, advisors are slightly more likely to note the influence of marketing—perhaps reflecting local media dynamics or product trends.

According to a recent specific survey by EFFA Spain among its members on investments in cryptocurrencies, the majority (61.5%) stated that their clients were interested in incorporating cryptocurrencies into their portfolios. According to the CNMV (the Spanish National Securities Market Commission), men invest more than women, with young people showing a preference. The main reason for young people is to make quick profits through a short-term strategy, as demonstrated by EFPA's present survey.

Advisor perspective:

These results suggest that from the advisors' point of view, retail investors are driven more by emotion and short-term thinking than by long-term planning or genuine risk tolerance. This puts advisors in a difficult position: they must balance clients' eagerness for quick gains with the need to manage risk and recommend sustainable investment strategies.

It also highlights the critical role of advisors in setting expectations and correcting behavioral biases. If advisors perceive investors as overly reactive or short-term focused, their challenge is not just technical guidance but behavioral coaching—an increasingly central function in modern financial advice.

INFORMATION AND TRANSPARENCY

(ESMA Q15b)

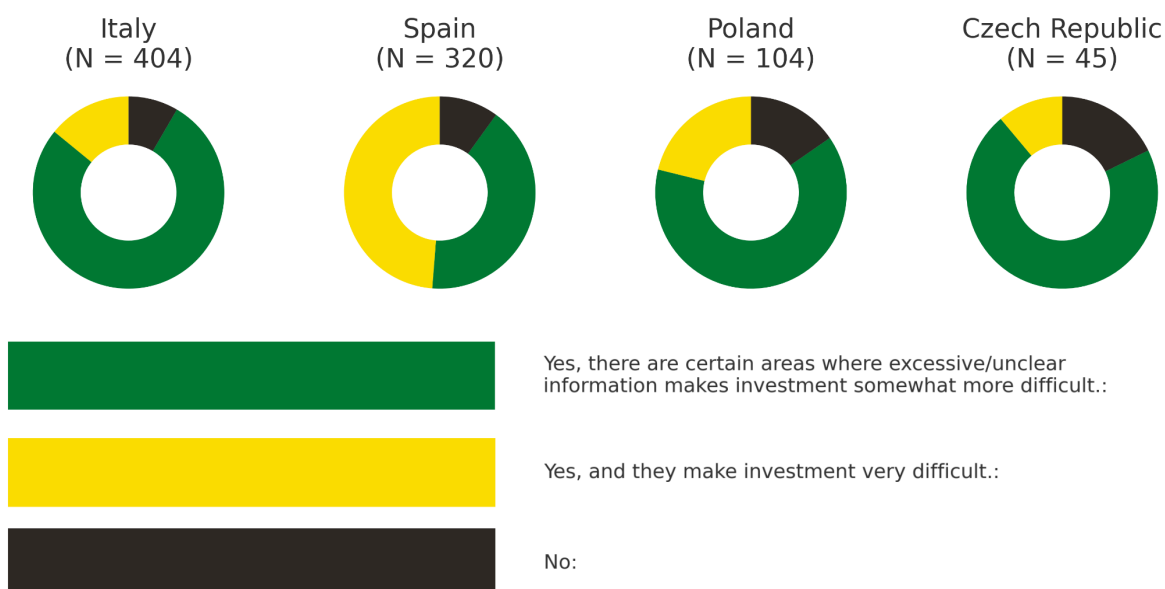
16. Are there specific areas (e.g. costs, risks, product features) where excessive or unclear information makes investment difficult?

→ **62% said somewhat difficult, and another 27% found it very difficult.**

	Yes, there are certain areas where excessive/unclear information makes investment somewhat more difficult.	Yes, and they make investment very difficult.	No
All countries	62.3	27.4	10.3
Czech Republic	71.1	11.1	17.8
Italy	77.5	14.1	8.4
Poland	63.5	21.2	15.4
Spain	41.2	48.8	10.0

A strong majority of advisors (62.3%) believe that certain areas of regulation are excessively complex, even if not all regulation is problematic. Another 27.4% go further, saying regulations make investment very difficult, while only 10.3% say regulation is not an issue for retail investors. Spanish advisors stand out, 49 percent believing that this makes advice very difficult.

Are there specific areas (e.g. costs, risks, product features) where excessive or unclear information makes investment difficult?



From the advisor's perspective, this reflects the tension between **regulatory protection** and **accessibility**. Advisors see themselves as navigating a complex framework on behalf of clients who are often overwhelmed. The finding reinforces a recurring theme: while investor protection is essential, **overly complex regulation may unintentionally discourage participation**, particularly if advisors themselves struggle to interpret or explain it. Simplifying key processes and improving how rules are communicated could help rebuild confidence and reduce friction.

There is a high level of compliance with MiFID II disclosures. However, the objective of providing clarity to retail investors and enabling them to compare different financial products has not yet been achieved. To achieve this objective, it would be necessary to simplify and standardise the format, including harmonising the MiFID II transparency requirements with those of PRIIPs and IDD.

(ESMA Q16a)

17. Do retail investors find the PRIIPs KID helpful in understanding investment products?

→ In total 52% said either “yes” or “cannot say from my practice”, while 48% said “no”.

	No	Yes	I cannot say from my practice.
All countries	48.2	28.8	23.0
Italy	55.0	32.4	12.6
Spain	44.8	25.4	29.8
Poland	33.0	32.1	34.9
Czech Republic	51.1	13.3	35.6

When asked whether retail investors find the **PRIIPs KID** helpful in understanding investment products, nearly **half of all advisors (48%)** said **no**, and yet an even larger group (**52%**) was either **unable to judge or said yes**.

Country-wide, there was more scepticism in **Italy (55.0%)** and the **Czech Republic (51.1%)**, where majorities believe the document fails to help investors. By contrast, about **32%** see it as clearly useful in Italy and in **Poland**, while this share is much lower in the other countries. **Spain** falls in between, with **44.8%** saying it's unhelpful and a notable **29.8%** expressing uncertainty.

The PRIIPs KID contains key information so that the customer's financial advisor can better explain the product to them. EFPA supports the view of its usefulness for retail investors to understand investment products. However, the findings from our survey among advisors suggest that many advisors view the PRIIPs KID as **failing to fully serve its intended purpose**. Whether due to technical language, generic content, or lack of contextualization by advisors, it appears that **a simplified, more investor-friendly version might be needed**, possibly supported by advisor-led explanations.

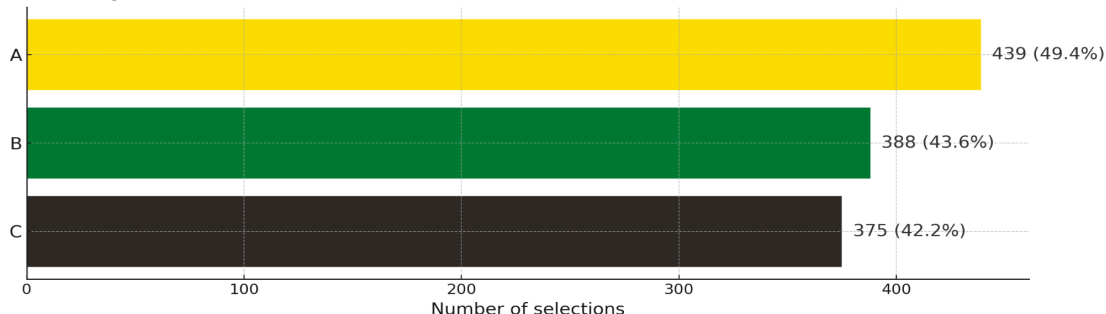
(ESMA Q26)

18. Based on your interactions with retail investors, do regulatory disclosures, marketing materials and contractual documents support investor understanding, or do they contribute to the confusion? (Select all that apply).

→ **49%**: Disclosures feel overwhelming to clients.

→ **44%**: The information is necessary, but advisors should help interpret it.

18_Based on your interactions with retail investors, do regulatory disclosures, marketing materials and contractual documents support investor understanding, or do they contribute to the confusion? (N = 889, total votes = 1202)



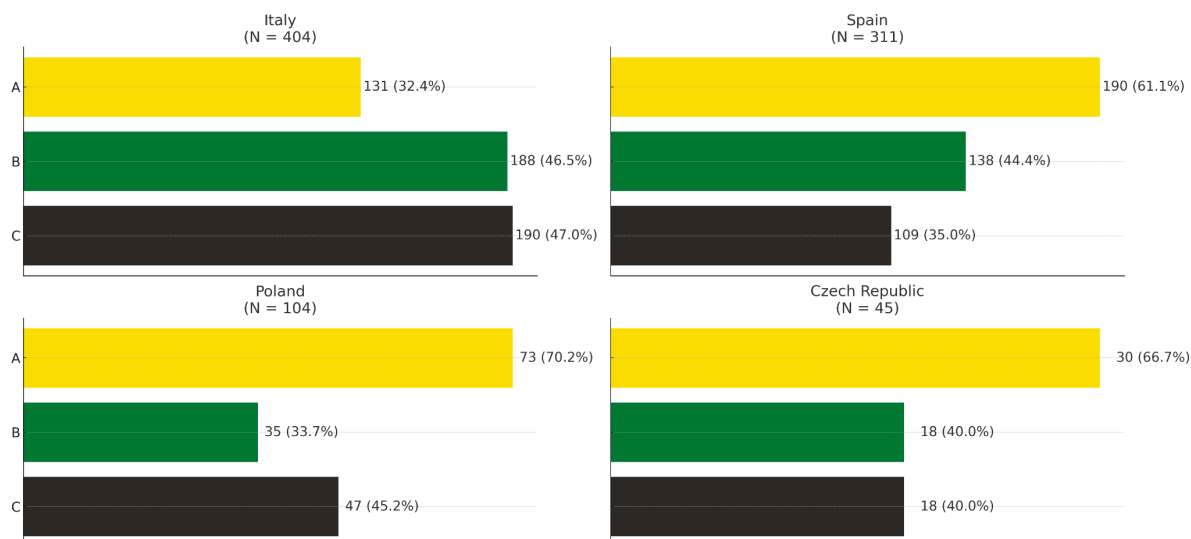
- A. Regulatory disclosures feel overwhelming to clients.
- B. Marketing materials and contractual documents could be presented in a better way.
- C. The information presented is necessary, and the advisor should help the client to understand it.

The responses to question 18 reveal a strong perception that regulatory disclosures and related materials contribute to investor confusion rather than clarity. A large majority of respondents selected either **A** ("Regulatory disclosures feel overwhelming to clients") or **B** ("Marketing materials and contractual documents could be presented in a better way"), highlighting concerns about the complexity and presentation of information.

In contrast, only a small minority selected **C** ("The information presented is necessary, and the advisor should help the client to understand it"), suggesting that relatively few respondents believe the current documentation is inherently appropriate and just needs advisor support.

Interestingly, the country-specific breakdown reveals a notable deviation in **Italy**, where a significantly higher share of advisors selected option **C**, indicating more confidence in the value and necessity of existing disclosures, possibly reflecting different regulatory practices, training, or advisor-client dynamics in that country.

18. Based on your interactions with retail investors, do regulatory disclosures, marketing materials and contractual documents support investor understanding, or do they contribute to the confusion? (N = 889, total votes = 1202)



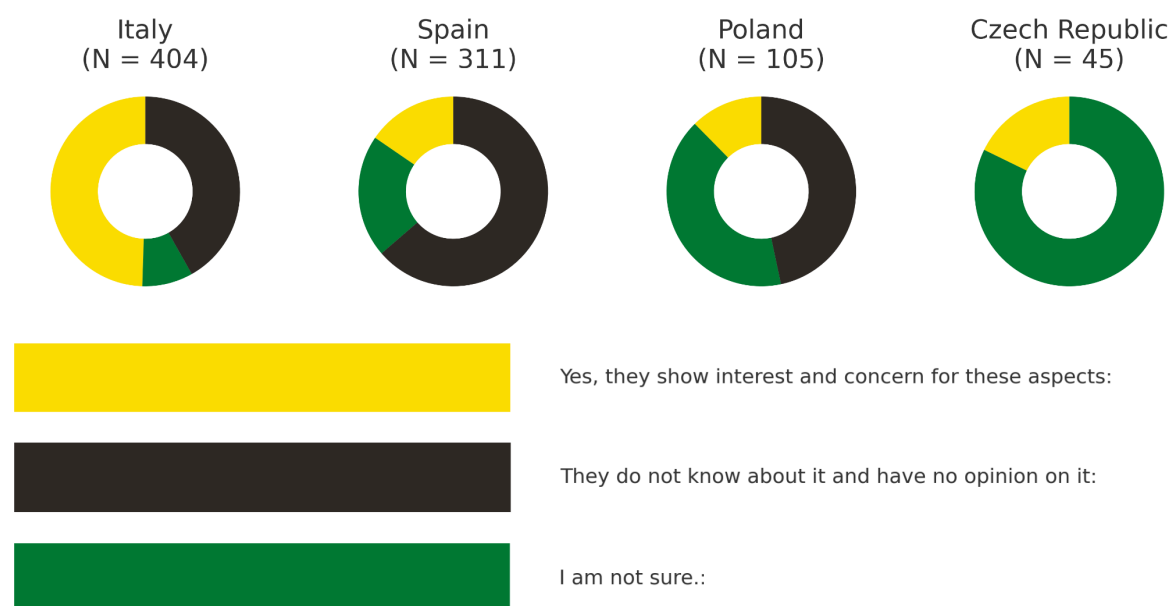
SUSTAINABILITY PREFERENCES

ESMA Q33

19. Have retail investors expressed concerns about "sustainability preferences" and how are they integrated into the investment process?

	They do not know about it and have no opinion on it	Yes, they show interest and concern for these aspects	I am not sure.
All countries	48.0	30.9	21.1
Italy	41.8	49.5	8.7
Spain	63.7	15.4	20.9
Poland	46.7	12.4	41.0
Czech Republic	0.0	17.8	82.2

Have retail investors expressed concerns about "sustainability preferences" and how are they integrated into the investment process?



When asked whether retail investors express concerns about **sustainability preferences** and how they are integrated into investment decisions, nearly **half of advisors (48.0%)** said investors **do not know about it or have no opinion**, while **30.9%** reported **active interest and concern**, and **21.1%** were unsure.

The differences across countries are striking. In **Spain**, a clear majority (**63.7%**) of advisors say clients are unaware or uninterested in sustainability preferences, while only **15.4%** observe genuine concern. A similar pattern appears in **Poland**, where **46.7%** say investors lack an opinion and just **12.4%** report concern—though a high **41.0%** remain unsure. In these 2 countries, most of the advisors interviewed come from commercial banks.

In contrast, **Italy** presents a more engaged picture, with nearly **half (49.5%)** of advisors noting that investors show real interest in ESG factors, and only **8.7%** unsure. This is related to the different type of clientele attended by tied agents and IFA. In the **Czech Republic** most advisors (**82.2%**) are unsure.

The results indicate that **sustainability remains a largely advisor-driven topic**, with actual investor engagement still limited or inconsistent. Clients do not fully understand the relevance of “sustainability preferences” in relation to investment advice. The high uncertainty—especially in the Czech Republic and Poland—suggests that ESG issues may not yet be fully embedded in client conversations, possibly due to limited awareness, insufficient product integration, or a mismatch between regulatory emphasis and client priorities. In all countries, financial

education needs to be expanded to explain to savers the importance of considering sustainability in the investment process.

MARKETING AND COMPLIANCE

(ESMA Q35b)

20. Do you believe that suitability reports are a useful tool for investor protection and do they provide significant value for the client?

	They are a good reference to guide counselling	They do not provide real value to the customer	They are essential to protect and personalise the investment
All countries	43.5	33.0	23.6
Italy	42.3	36.6	21.0
Spain	46.5	22.9	30.6
Poland	41.9	39.0	19.0
Czech Republic	37.8	48.9	13.3

Across all countries, most advisors see **suitability reports** as helpful: **43.5%** believe they are a **useful reference to guide counselling**, and another **23.6%** say they are **essential for investor protection and personalisation**. Notably, exactly one third (**33.0%**) think these reports **do not provide real value** to clients.

Differences among countries highlight varying levels of confidence. In **Spain**, advisors are the most positive: only **22.9%** say they lack value. In contrast, in the **Czech Republic** and Poland, **49%** and **39%** downplay their value.

These insights suggest that while suitability reports may serve a regulatory purpose, their **practical value in client relationships is unevenly perceived**. In markets where the reports are better integrated into advisory conversations, their usefulness is more appreciated. In others, they may be seen as bureaucratic rather than client-oriented tools.

EFPA maintains that suitability reports are a useful and effective tool for preventing mis-selling.

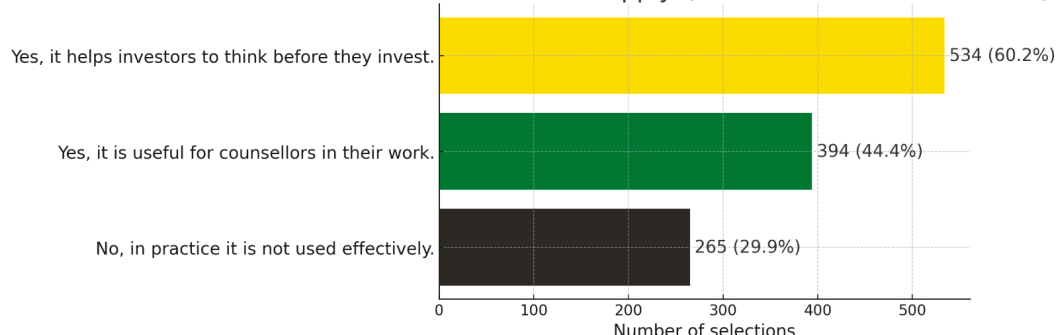
(ESMA Q36a)

21. Do you think the MiFID II suitability assessment helps to ensure that retail investors understand the risks of the products they invest in? Select all that apply.

→ **60%**: Helps investors to think before they invest.

→ **44%**: It is useful for counselors in their work.

Do you think the MiFID II suitability assessment helps to ensure that retail investors understand the risks of the products they invest in? Choose all answers that apply. (N = 887, total votes = 1193)

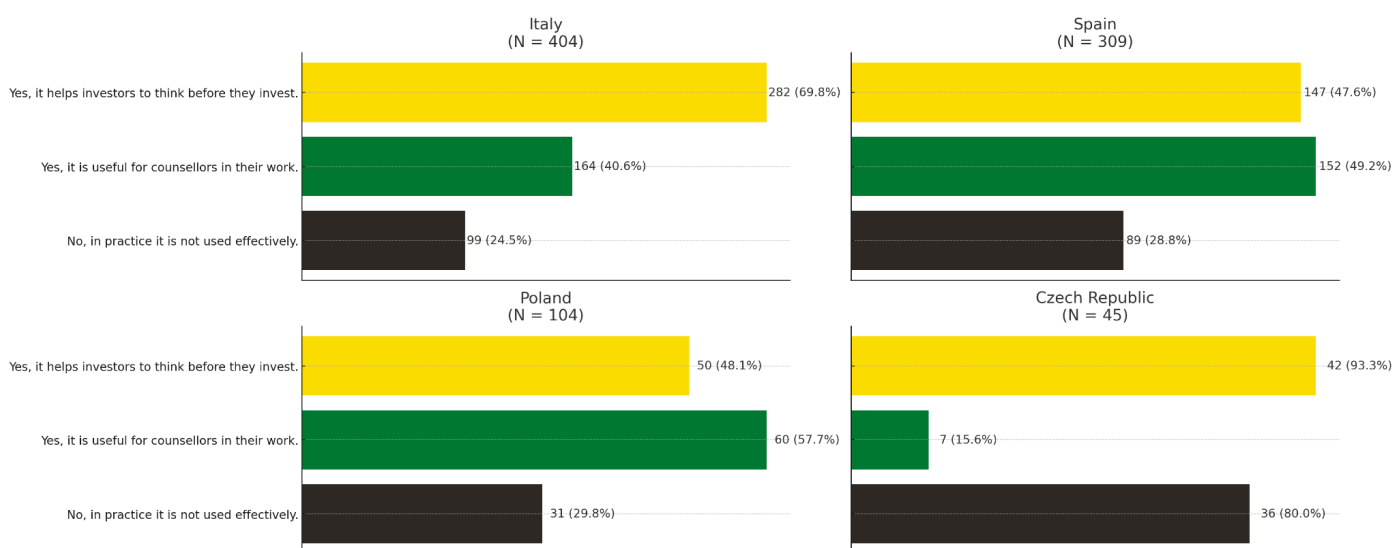


The responses reveal a strong belief in the **usefulness of the suitability assessment**. Out of 887 valid respondents:

- **698** out of 887 respondents selected either **A** or **B** (or both),
 - Of these, **230** selected **both A and B**,
- Still, about **30% (265 respondents)** selected option **C**, which argues that the suitability assessment is not used effectively in practice.

This confirms that a large majority of advisors view the suitability assessment as a **helpful tool for investors and/or advisors**, while a minority are sceptical of its effectiveness and support the view that it should be improved.

Do you think the MiFID II suitability assessment helps to ensure that retail investors understand the risks of the products they invest in? Choose all answers that apply.



At the country level, there are differences:

- In **Italy** and **Spain**, the vast majority selected A or B (or both), with only 99 and 89 choosing C respectively.
- In **Poland**, the same trend holds, though with a smaller sample.
- In contrast, the **Czech Republic** stands out, with **49** selecting A or B, and a relatively high **36** selecting C — suggesting greater scepticism about the assessment's real-world value among advisors in that market.

(ESMA Q39a)

22. Do you believe that the appropriateness test creates any barrier to retail engagement in financial markets?

	More flexibility is needed in the process of assessing client knowledge and experience	The appropriateness test is a useful tool and should be maintained	Yes, the appropriateness test and other formalities take too much time and discourage the retail investor
All countries	42.3	34.8	22.9
Italy	Question not presented	Question not presented	Question not presented
Spain	39.9	40.3	19.8
Poland	39.6	26.7	33.7
Czech Republic	57.8	20.0	22.2

When asked whether the **appropriateness test creates a barrier to retail investor engagement**, most advisors lean toward reform rather than elimination. Across all countries, **42.3%** call for **more flexibility** in assessing client knowledge, while **34.8%** support **maintaining the test as it is**, and in contrast only **22.9%** believe it **discourages investors due to time-consuming formalities**.

Among countries, some clear contrasts emerge. In the **Czech Republic**, advisors strongly favor reform: **57.8%** want more flexibility and only **20.0%** think the current test should be preserved. **Spain** shows a similar reformist stance, with **39.9%** calling for flexibility and **40.3%** still supportive of the existing system—suggesting a more divided but engaged position. **Poland** stands out with the highest share (**33.7%**) of advisors saying the test **discourages investors**, while only **26.7%** support maintaining it. Data from **Italy** was not available for this question.

Overall, advisors see value in the **intent of the appropriateness test**, but they clearly perceive a **need to simplify and adapt it** to client needs. There is concern that the current format, though protective in theory, may be overly rigid and burdensome in practice.

EFPA's stance regarding the appropriateness test is aligned with the advisor's views. We believe that the test is a necessary barrier to protect the retail client, but it needs to be simplified. We support proposals from France and the Czech Republic to remove mandatory loss-bearing capacity and risk tolerance checks from the appropriateness test: they add administrative burden without clear value and blur the line between advice and product distribution.

Implications and Recommendations Based on the Key Findings

The following recommendations emerge from EFPA's consultation with certified financial advisors across Europe. They reflect consolidated professional insights into improving the retail investor experience and strengthening market participation, while upholding regulatory integrity.

- **Development of Financial Education Programmes:** there exists an urgent need to design and implement accessible, comprehensible financial education initiatives that elucidate fundamental investment principles and demystify capital markets. Such programmes should empower savers by enhancing awareness of the comparative benefits of investing—particularly the potential for returns exceeding those of conventional bank deposits—and the tangible risks inherent to investment decision-making.
- **Enhancing Transparency and Building Trust:** clarity must be introduced into the distinction between product-based sales and the provision of financial advice. To foster trust, advisory models must prioritize impartiality and transparency, potentially through reassessment of existing remuneration structures. Clients must perceive financial advisors as professionals committed to tailoring investment strategies to their individual profiles. The present regulatory bifurcation between 'independent' and 'non-independent' advisors has generated confusion among both advisors and clients; regulation should affirm that all advisors are bound to act in the best interests of their clients. National financial authorities are encouraged to lead awareness campaigns that emphasize the value of professional financial advice in facilitating investment decisions.
- **Simplification of Investor Information:** efforts must be undertaken to simplify informational and marketing documentation. Enhancing the clarity and accessibility of such materials is critical to improving investor comprehension and mitigating misunderstandings during the investment process.
- **Strengthening Risk Communication and Setting Realistic Expectations:** effective communication regarding investment risks and anticipated returns requires further enhancement, particularly for younger investors inclined toward speculative financial instruments. Clear messaging is essential to ensure that performance expectations are appropriately aligned with individual risk tolerance and market realities.
- **Streamlining Regulatory Procedures:** to balance investor protection with more dynamic participation in capital markets, simplification of regulatory procedures is warranted — particularly regarding suitability assessments of investor knowledge and experience. Achieving policy objectives such as channelling bank savings into market-based investments necessitates reducing investor apprehension related to capital loss. A lucid and reliable legal framework, coupled with advisory support grounded in high professional

standards, is indispensable to cultivating confidence among savers. Accordingly, EFPA reiterates the need for stringent qualification criteria for financial advisors to ensure robust and client-centric guidance.