

RETAIL INVESTMENT PACKAGE

Empowering retail investors on EU capital markets

May 2023

WHAT'S THE PROBLEM?



Retail investors struggle to access **relevant, comparable, and easily understandable information** to make informed investment choices



Retail investors are increasingly at risk of being unduly **influenced by marketing** on social media and new marketing channels



Financial advice may not always be in the best interest of retail investors



Some investment products do not always offer **value for money** to the retail investor

CONSEQUENCES

**ONLY
17%**

of EU household assets were held in financial securities (such as stocks or bonds) in 2021, well below US households (*Eurostat*)





40%

higher fees are paid by retail investors, compared with institutional investors (e.g. pension funds) (*ESMA costs and performance report*)

45%

of Europeans are not confident that the investment advice they receive from financial intermediaries is in their best interest (*Eurobarometer 2023*)

HOW DO WE PROPOSE TO SOLVE THE PROBLEM?

| MEASURES | OBJECTIVES |
|---|---|
| 1. Modernise disclosure rules, adapting them to the digital age and investors' sustainability preferences. | Make information about investment products and services easy to access and understand. |
| 2. Develop benchmarks against which the value of financial products need to be assessed. | Ensure that investment products bring real value for money to retail investors. |
| 3. Address potential conflicts of interest by banning inducements for "execution-only" sales and strengthening conditions where inducements are allowed. | Ensure that financial advice is aligned with retail investors' best interests . |
| 4. Ensure financial advisors examine retail investors' financial situation more carefully . | Ensure that financial advice better meets the needs and objectives of retail investors . |
| 5. Require that marketing be fair, clear and not misleading also via digital channels and influencers. | Protect retail investors from misleading marketing, including on social media . |
| 6. Improve both financial advisors' and retail investors' knowledge of financial markets . | Boost financial literacy so retail investors ask the right questions and make better decisions. |
| 7. Improve investor categorisation by reforming the eligibility criteria for professional investors. | Reduce administrative burdens and improve accessibility for sophisticated investors. |
| 8. Enhance supervisory cooperation between national competent authorities and European supervisory authorities. | Ensure that rules are properly and effectively applied in a coherent manner across the EU. |
| IMPACT | |
|  Help retail investors achieve better outcomes |  Increase retail investors' participation in EU capital markets |
|  Enhance trust and confidence in capital markets |  Contribute to the wider EU economy |