Retail Investor Journey
Joint Position Paper

ESMA Call for evidence on the retail investor journey: understanding retail participation in capital market

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1. Introduction

1.1. Participating Organisations

APNÚ Asociace poskytovatelů nebankovních úvěrů

FINTECH BELGIUM

FINTECH BULGARIA

CZECH FINTECH ASSOCIATION

FinanceEstonia

EESTI KREDIIDIANDJATE LIIT

France FinTech

DIGITAL INVEST GERMANY

HOLLAND FINTECH ASSOCIATION

EFISZ ELECTRONIC PAYMENT SERVICE PROVIDERS ASSOCIATION

HFA HUNGARIAN FINTECH ASSOCIATION

ITALIAFINTECH

FINTECH LATVIJA ASOCIĀCIJA

FINTECH HUB LT

Fintech Norway

FIN TECH POLAND

UAFIC

UK CROWDFUNDING

Nederland Crowdfunding

Swedish FinTech Association.

1.2 EDFA Introduction

EDFA is a pan-European federation of fintech associations that strives for an innovative financial ecosystem in Europe, which empowers its citizens' well-being and enterprises to prosper. We want to share with you our principles and how they apply to this topic at hand. Due to time limitations, we provide a generic response and encourage you to speak with relevant firms directly. We are more than happy to facilitate an exchange with a number of companies from across Europe.

1.3 EDFA base principles

Innovation in financial services serves citizens and companies across Europe. Innovation always has an upside, but also risks that need to be addressed. Therefore, financial regulation is essential to protect customers and markets and preserve trust in the industry. Regulation need to be effective and efficient, for all sizes of service providers and their suppliers.,

We believe to allow for innovation, we need the following embedded in EU policy:

- Customers of financial services should have access to and control over their financial data, as already promised through GDPR
- Customers of financial services should understand which parties they are dealing with and who is responsible for what
- Customers of financial services should have a good understanding of their rights and obligations when dealing with financial services
- Customers of financial services should have access to lowest lowest-cost and lowest-friction financial services, as available in the market
- Customers of financial services should have a decent European alternative for all financial services

To be able to enable that, financial services companies need:

- Europe to be one single market
- Regulation needs to be implemented according to the most efficient administrative requirements
- Paper communication needs to be eliminated, where possible
- Entrepreneurship should be enabled for all European citizens by reducing the administrative burden
- Financial information and education should include the full spectrum of financial services available in the market.

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1.4 Principles Guiding FinTech and Crowdfunding Platforms for Retail Investors

In line with the Commission's ambition to foster a safer, more inclusive and efficient retail-investor ecosystem, we propose the following foundational principles:

1. **Consumer-centric protection**
   - FinTechs, and in particular regulated crowdfunding platforms, must embed robust consumer-protection safeguards at every stage of the investor journey. This includes transparent disclosure of risks, clear fee structures and enforceable complaint-handling procedures. By prioritizing investor rights and recourse mechanisms, platforms can build trust and reduce the incidence of mis-selling or information asymmetry.
2. **Promotion of financial literacy**
   - Crowdfunding and FinTech solutions should proactively support retail investors in understanding both the opportunities and risks inherent in alternative finance. We encourage the development of interactive learning modules, risk-profiling tools and scenario-based simulations that empower individuals to make informed decisions in line with their personal circumstances and risk appetite.
3. **Enhanced financial inclusion**
   - One of the core promises of digital finance is to broaden access to capital markets. FinTech platforms can lower traditional entry barriers—such as high minimum investments or geographic constraints—enabling a more diverse investor base to participate. We urge policymakers to recognise and preserve these inclusion-enhancing features, while ensuring that all market participants benefit from equivalent levels of protection.
4. **Efficient allocation and portfolio diversification**
   - Leveraging advanced data analytics, algorithmic matching and automated portfolio construction, FinTechs can steer retail investors toward diversified, risk-adjusted baskets of opportunities. We advocate for the standardisation of product classification and the interoperability of investment interfaces, so that retail investors can readily compare and combine offerings across multiple platforms, maximising both efficiency and resilience.

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By adhering to these principles—consumer protection, literacy, inclusion and efficiency—FinTechs and crowdfunding platforms will not only support the Retail Investor Journey envisioned by the Commission but also contribute to a deeper, more resilient European capital market.

2. General Remarks

In line with the principles set out above, crowdfunding platforms and other FinTech providers wish to reaffirm their unwavering commitment to retail-investor protection and full compliance with both European and national regulatory frameworks. In particular, we welcome the clear obligations laid down in the European Crowdfunding Service Providers Regulation (ECSP-R), notably Articles 23 (Disclosure to Investors) and 24 (Obligations in Relation to Non-professional Investors), which together enshrine transparent presentation of project-specific risks, costs and conflicts of interest, as well as mandatory appropriateness and suitability assessments. We fully endorse these requirements as the foundation for a level playing field across the Digital Single Market and as vital safeguards against information asymmetry and mis-selling.

At the same time, FinTech and crowdfunding operators remain firmly aligned with the consumer-protection standards of MiFID II. We adhere rigorously to investor categorisation rules, applying appropriateness and suitability tests where required, and we maintain robust best-execution policies, order-handling procedures and ongoing reporting obligations. Where national regimes impose additional or more stringent investor-protection measures, platforms immediately adopt those standards, ensuring that retail clients always benefit from the highest possible level of protection.

By combining the ECSP-R's tailored requirements with MiFID II's proven framework, crowdfunding platforms can deliver innovative, inclusive investment opportunities without compromising on safety, transparency or fairness. We stand ready to work with the Commission and Member States to refine implementation guidance, share best practices and monitor outcomes, so that retail investors across Europe may confidently participate in digital finance and alternative capital-raising solutions.

The most pressing issue currently affecting investment volumes by retail investors on crowdfunding platforms is the control of retail investor traffic by financial influencers (Finfluencers).

Finfluencers have become a scalable channel for investor acquisition. However, partnership decisions are driven almost exclusively by the highest commission offers. The rise of financial influencers ("finfluencers") has diverted retail investors toward the highest-commission, often high-risk products—starving SME- and sustainability-focused crowdfunding of much-needed capital.

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We recommend an EU-wide capital-gains-deferral scheme for reinvestment through licensed digital investing platforms, digital lending platforms (operating either under the ECSP regime or under local regulatory regimes). This measure would make productive, low-risk investments more visible, attractive and accessible to retail savers.

3. Responses to Questions

3.1 Understanding non-regulatory barriers to retail investor participation

Q1: What are the key reasons why many retail savers choose not to invest in capital markets and instead keep their savings in bank deposits? *Please explain and provide practical examples, or evidence drawn from experience, where available.* ***EDFA Answer***

Many retail savers continue to park their funds in bank deposits rather than participate in capital markets for four inter-related reasons:

1. **Perceived Safety and Liquidity**
   Bank deposits benefit from simple, familiar propositions: guaranteed principal (up to €100 000 under the Deposit Guarantee Schemes Directive), predictable interest rates and immediate access to funds. In contrast, capital-markets products often involve price volatility, complex pay-off structures and trading hours or settlement mechanics that feel opaque to the average saver.

2. **Fragmented and Limited Digital Access**
   Very few digital banks today offer an integrated, one-stop gateway to a broad range of investment products. Instead, savers must open multiple accounts, navigate different user-interfaces and endure varied KYC/AML processes each time they wish to move capital into equities, bonds, funds or alternative assets. In practice, many of the most attractive asset classes remain effectively "reserved" for high-net-worth or institutional clients, with minimum subscription thresholds and offline onboarding procedures that are prohibitive for retail volumes.

3. **Regulatory Frictions and Suitability Assumptions**
   Existing capital-markets regulation (notably MiFID II's appropriateness and suitability regime) presumes that retail clients inherently lack the skills or experience to comprehend complex financial instruments. While these safeguards protect inexperienced investors, they also erect procedural barriers—such as lengthy questionnaires, forced "execution-only" warnings and product bans—that deter savers

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from even exploring new opportunities.

4. **Absence of Seamless, Automated Diversification Tools**
   Beyond pure access, retail savers often struggle to construct portfolios that balance risk and return without paying high advisory fees or meeting large minimums. FinTech platforms—especially those focused on digital-asset tokenisation—can fill this gap by offering fractional ownership, robo-advice algorithms and API-driven dashboards that automatically blend multiple asset classes into cost-efficient, diversified portfolios.

In sum, it is not a lack of appetite for higher returns but rather a combination of "stick" effects (regulatory and operational hurdles) and the absence of a truly seamless "carrot" (all-in-one digital solutions) that keeps retail savers anchored to low-yield bank deposits. Well-designed FinTech innovations can remove these frictions—streamlining onboarding, lowering minimum investments, automating diversification and preserving key investor protections—to unlock broader retail participation in Europe's capital markets.

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

• A major barrier to investment

• A moderate concern, but not the main factor

EDFA Answer

• A minor issue compared to other factors

• Not a concern at all

EDFA Answer

Not the products per se are complex and hard to understand, but the requirements to start investing irrespective of the sum. Investors should be given some hassle free test limit (eg 1000 EUR) without complex onboarding if they wish so.

Q2b: For consumer 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? *Please explain and provide practical examples, or evidence drawn from experience, where available.*

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EDFA Answer

No answer.

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

• Yes, negative experiences strongly discourage future investment

EDFA Answer

<u>• Somewhat, but other factors (e.g., trust, risk appetite) play a bigger role</u> • No, past

experiences with poor returns are not a major factor in investor decisions

EDFA Answer

Empirical observations confirm that retail investors' prior experiences with low or negative returns do influence their propensity to reinvest, though the magnitude of that effect varies by individual and context. In particular, we note that investors frequently anchor their future commitment levels to the amounts and outcomes of previous digital-campaign investments. To address these behavioral dynamics and sustain healthy participation rates, platforms and policymakers should consider the following:

1. **Anchoring and Loss Aversion**
   Retail investors tend to fixate on their "reference point"—the capital they initially deployed—and may perceive any diminution as a signal to withdraw or withhold further allocations. FinTech platforms can mitigate this by presenting returns in relative terms (e.g. percentage gains or drawdowns) alongside absolute figures, and by framing performance narratives around diversified portfolio outcomes rather than single-campaign results.

2. **Transparent, Timely Reporting**
   Rapid access to up-to-date performance data helps prevent small losses from being magnified in investors' minds. By offering real-time dashboards, scenario simulations and post-campaign retrospectives, platforms can reinforce learning, contextualize underperformance, and illustrate how short-term setbacks fit within broader, longer-term strategies.

3. **Graduated Exposure Mechanisms**
   Rather than requiring large ticket sizes up front, platforms should enable phased or fractional investments, allowing retail investors to commit incrementally and "scale up"

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as their confidence grows. Trial allocations reduce the psychological impact of any single loss and promote continued engagement by lowering the perceived stakes of early missteps.

4. **Educational and Supportive Interventions**
Behavioral nudges—such as in-app tips on risk management, automated rebalancing alerts, or tailored reminders to reinvest portions of gains—can counteract memory bias and loss aversion. Embedding brief, interactive learning modules that recap lessons from each campaign fosters resilience and helps investors distinguish between transient market volatility and structurally flawed propositions.

5. **Community Feedback and Success Stories**
Social proof remains a powerful motivator. Showcasing aggregated performance metrics (while preserving confidentiality), spotlighting peer success stories, and facilitating moderated community forums allow retail investors to calibrate expectations, share insights, and rebuild trust in collective outcomes—even after individual setbacks.

By combining clear, contextualized reporting with phased investment pathways and targeted educational tools, FinTech and crowdfunding platforms can neutralize the discouraging effects of past low or negative returns and encourage retail investors to remain active participants in Europe's capital markets.

Q4a: Do high fees and costs discourage retail investors from participating in capital markets? *Please select one of the following options and please explain and provide practical examples, or evidence drawn from experience, where available.*

• Yes, fees are a major obstacle to investment

EDFA Answer

• Somewhat, but investors consider other factors as well

• No, fees are not a significant concern for most retail investors

Q4b: For consumer associations: Do retail investors raise specific concerns about investment costs and fees? If yes, which ones? (e.g., are total costs clearly known by individual investors? Are fees perceived as too high? Are they considered unclear or difficult to compare? Do investors feel they get good value compared to the cost?) *Please explain and provide practical examples, or evidence drawn from experience, where available.*

EDFA Answer

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No answer.

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

• A major factor

• A contributing factor, but not the main issue

EDFA Answer

• A minor factor compared to other concerns

• Not a factor at all

EDFA Answer

In markets where broader confidence in public institutions is weak, that same skepticism often extends to private investment-service providers, dampening retail savers' appetite for capital-market products. Investors in these jurisdictions tend to view new digital platforms warily, fearing opaque fees, hidden risks or inadequate recourse if things go wrong.

Q5b: For consumer associations: What specific concerns, if any, do retail investors raise about investment service providers? (e.g., do they feel they receive biased advice? Are there concerns about transparency, trust, or conflicts of interest, or insufficient access to advice tailored to their needs?) *Please explain and provide practical examples, or evidence drawn from experience, where available.*

EDFA Answer

No answer.

Q6: Do retail investors feel they have adequate access to investment advice and relevant information when they encounter difficulties in understanding investment products? If not, what forms of support would be most helpful? *Please explain and provide practical examples, or evidence drawn from experience, where available.*

EDFA Answer

Retail investors appreciate the range of digital support—visual explainers, AI chatbots,

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YouTube tutorials and live webinars—that platforms now offer, but many still lack on-demand, personalized guidance when grappling with complex products; a blended model that seamlessly hands off from automated tools to brief, in-app expert consultations would best bridge this gap.

Based on regulatory restrictions, digital platforms (for example those operating under the ECSP-Regime are not allowed to provide jurisdictional or tax advisory to their customers, which limits the scope of information provided to their customers.

Q7: Does investment advice provided to retail clients typically cover all types of investment products (e.g. shares, bonds, investment funds, ETFs), or are certain products rarely advised? If so, please explain which types of instruments are less commonly recommended and why. *Please explain and provide practical examples, or evidence drawn from experience, where available.*

EDFA Answer

Our experience indicates that retail investment advice today spans the full gamut of instruments—including shares, bonds, UCITS/alternative funds, ETFs, structured notes, private-placement opportunities and crypto-assets—with no product category systematically excluded. Firms calibrate recommendations to each client's risk profile and objectives rather than pre-emptively omitting complex or niche asset classes, ensuring truly holistic advice across all eligible offerings.

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

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

EDFA Answer

Experience shows that retail investors engaging via digital platforms generally possess sufficient financial literacy and investment know-how; instead, it is the misalignment of legacy legal requirements—such as lengthy suitability assessments, static prospectus obligations and one-size-fits-all disclosure rules—that creates undue friction for both fintechs and their clients. Streamlining these procedures—through dynamic, risk-based questionnaires and tailored, digital-native disclosures—would more effectively lower barriers to market entry without compromising investor protection.

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Q8b: For consumer associations: Based on your interactions with retail investors, what are the most common knowledge gaps that affect their ability to make investment decisions? Are there specific topics where more financial education could improve engagement? *Please explain and provide practical examples, or evidence drawn from experience, where available.*

EDFA Answer

No answer.

Q9: For consumer associations: Based on your interactions with retail investors, do psychological or cultural factors – such as fear of losing money, distrust in financial markets, or a preference for familiar products – play a role in retail investors' hesitation to invest? If so, which of these factors seem most important? *Please explain and provide practical examples, or evidence drawn from experience, where available.*

EDFA Answer

No answer.

Q10: Are there any other significant non-regulatory barriers that discourage retail investors from investing in capital markets? *Please explain and provide practical examples, or evidence drawn from experience, where available.*

EDFA Answer

Beyond regulatory hurdles, three key non-regulatory barriers persist: the EU's linguistic fragmentation means many platforms and disclosure materials aren't available in investors' native languages, creating needless friction; deeply ingrained, risk-averse investment cultures—rooted in a strong savings mentality and high trust in banks—deter participation in capital markets; and the lack of truly fintech-friendly supervisory frameworks (such as pan-EU sandboxes, fast-track approvals and dedicated innovation hubs) slows the deployment of seamless, user-centric solutions that could otherwise lower entry barriers for retail savers.

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

EDFA Answer

Digital platforms and mobile applications play a pivotal role by streamlining onboarding (e-KYC,

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digital suitability checks), providing real-time market data, interactive risk-profiling and robo-advice, and embedding bite-sized educational modules—features that significantly boost transparency and empower informed decision-making. Straightforward tools such as fee-and-return calculators, push-notifications for price alerts or corporate actions, and community-driven ratings further enhance trust and engagement. Conversely, overly dense dashboards, notification overload and inconsistent interfaces across devices can overwhelm less-tech-savvy investors, so user-centric design with layered disclosures and multi-lingual support is essential to keep the journey accessible and intuitive.

For digital platforms, especially those operating under an ECSP-license, the requirements provided by the ECSP-investment journey (on-boarding, investor education, assessment of investors capability to bear losses) is a barrier. Even though we understand the reasoning behind these requirements, the European Commission should review whether these mechanisms are truly achieving their aim of consumer protection.

Q12: How effective do retail investors find the current mechanisms for filing complaints and obtaining redress when issues arise with investment products or services? Do issues with these mechanisms play a role in retail investors' hesitation to invest? If yes, which improvements can be made? *Please explain and provide practical examples, or evidence drawn from experience, where available.*

EDFA Answer

We do not have systematic data on investors' satisfaction, but by law all digital platforms offer both online and offline complaint channels and adhere to prescribed acknowledgement and resolution timeframes. In practice, however, consumers may still face friction—multiple contact points (email, web form, phone), unclear next-step guidance, limited status updates and inconsistent multilingual support—that can undermine confidence in redress mechanisms and deter further engagement.

The platforms report that most consumers use direct contact to the digital platforms rather than complaint mechanisms.

Q13: What measures - whether market-driven or policy-driven - could help improve retail investor participation in capital markets? *Please explain and provide practical examples, or evidence drawn from experience, where available.*

EDFA Answer

To boost retail participation in capital markets, we recommend:

- Market-driven trustmarks such as extending the Invest Europe Label to digital investment products—providing investors with a simple, recognizable badge of quality

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and due-diligence.
- Seamless digital onboarding via pan-EU e-ID and e-KYC frameworks, cutting account-opening times to minutes and enabling genuine one-stop access to cross-border offerings.
- Harmonized digital disclosures (standardized templates, interactive KIDs and cost simulators) embedded directly in apps to simplify product comparisons and build confidence, English as the agreed Pan-European language alongside national languages for digital disclosure templates
- Regulatory sandboxes and unified APIs that encourage fintechs to prototype and scale innovative tools (robo-advice, fractional ownership, secondary-market indicators) under light-touch supervision.
- Targeted incentives, from digital tax-certificates for retail investors to co-investment schemes, to nudge savers toward diversified market instruments without diluting existing investor-protection safeguards.

3.2 Understanding the appeal of speculative and volatile investments among young and vulnerable investors

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

- The expectation of high returns
- The perception of lower costs (e.g., no management fees, low transaction costs)

EDFA Answer

- <u>The ease of access and fewer entry barriers compared to traditional investments</u>
- A preference for decentralised, non-intermediated investments
- Influence from social media and online communities
- Distrust in traditional financial institutions and advisers
- Other (please specify)

Q14b: For consumer associations: Based on your interactions with young investors, what factors most strongly influence their decision to invest in speculative and volatile assets like cryptocurrencies over traditional investment products? Are there particular expectations, misconceptions, or marketing tactics that play a key role? Do any of the following sources play a role in shaping young investors' decisions? *Please select one or more of the following options and please explain and provide practical examples, or evidence drawn from experience, where available.*

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- Specialised journals and periodicals
- Finfluencers
- AI-generated recommendations
- Educational content from national competent authorities (e.g. podcasts, videos, social media)
- Other (please specify)

3.3 Ensuring meaningful and effective disclosures for retail investors

3.3.1 General MiFID II requirements on information to clients

Q15a: **MiFID II disclosure requirements aim to provide transparency and support informed investment decisions. In practice, do you believe these disclosures are helping retail investors engage with capital markets, or are there aspects - such as volume, complexity of content, lack of comparability, or format - that may reduce their effectiveness?** *Please explain your reasoning and provide practical examples, or evidence drawn from experience, where available.*

EDFA Answer

MiFID II has unquestionably raised the bar for transparency, but its uneven transposition and divergent national templates across Member States often undermine its effectiveness for retail investors. In practice, investors are confronted with:

- **Inconsistent Formats and Terminology:** One country's "Key Information Document" may look and read very differently from another's, making cross-border comparisons almost impossible.

- **Excessive Volume and File-Based Delivery:** Lengthy PDF packs—designed for print—are ill-suited to mobile apps or quick decision-making, causing many investors to skip or superficially scan crucial sections.

- **Variable Digital Integration:** Some regimes still require offline delivery or signed acknowledgements, while others embed disclosures seamlessly in onboarding flows, creating a patchwork user experience.

To remedy this, we advocate for:

1. **EU-Wide Standardized Templates** for core MiFID II disclosures (e.g. KIDs, cost breakdowns, suitability summaries) that prescribe a common structure, terminology and minimum/maximum lengths.

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2. **Digital-First, Layered Disclosure Models** that embed concise HTML summaries and expandable detail directly within apps and web platforms, rather than relying on static PDFs.

3. **Ongoing Peer-Review and Oversight** of national transpositions, via an EU-hosted forum, to monitor divergence, share best practices and drive convergence in both content and presentation.

By harmonizing form, reducing volume and embracing digital-native delivery, MiFID II disclosures can better empower retail investors to make informed, confident decisions.

Q15b: **For consumer associations: Have retail investors reported difficulties in using MiFID II disclosures to support their investment decisions? Are there specific areas (e.g., costs, risks, product features) where excessive or unclear information makes investing more difficult? Have you observed issues with the presentation or format, or comparability, of disclosure materials that may affect how well investors engage with the information? Which disclosures (which specific information) do you consider genuinely necessary, regardless of specific legal requirements under MiFID II or other sectoral legislation? Would alternative formats (such as visual aids or summaries) improve comprehension and decision-making?** *Please explain your reasoning and provide practical examples, or evidence drawn from experience, where available.*

EDFA Answer

No answer.

Q15c: **For firms: Have firms observed cases where retail investors disengage or hesitate to invest due to the volume, complexity, or presentation of disclosures? If so, what are the main factors contributing to this? Which disclosures and contractual documents do firms consider genuinely necessary, regardless of specific legal requirements under MiFID II or other sectoral legislation?** *Please explain your reasoning and provide practical examples, or evidence drawn from experience, where available.*

See question Q15a.

3.3.2 Product disclosure

Q16a: Do retail investors find the PRIIPs KID helpful in understanding investment products? *Please provide details notably on the elements that are the most helpful and on ways to improve them. If not, are there alternative ways to protect retail investors that could be considered, while not increasing the volume of required disclosures.*

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EDFA Answer

Retail investors generally find the PRIIPs KID a helpful tool for comparing and understanding product costs, risks and performance scenarios, and we observe that a wide range of digital investing and lending platforms have successfully integrated the KID into their onboarding and product-selection workflows, using its standardized layout to present clear, comparable summaries that aid informed decision-making.

Q16b For consumer organisations: Based on your experience, are PRIIPs KIDs made easily accessible to retail investors – for example, are they clearly available on firms' websites or other relevant channels? *Please explain and provide practical examples, or evidence drawn from experience, where available.*

EDFA Answer

No answer.

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

EDFA Answer

Digital platforms routinely track investor interaction with KIDs and other disclosures—measuring click-through rates, scroll depth, reading time and use of embedded calculators or charts—and expose these KPIs via mobile-optimized dashboards; issuers highly value these metrics as real-world feedback for refining disclosure formats, tailoring content to user behavior and demonstrating compliance effectiveness.

3.3.3 Information on costs and charges

Q18: Do retail investors find the costs and charges disclosures helpful in understanding the costs of investing? *Please provide details notably on the disclosures that are the most helpful (e.g., total costs, illustration of cumulative effect of costs on return) and on ways to improve them.* **If not, are there alternative ways to protect retail investors that could be considered while not increasing the volume of required disclosures?**

EDFA Answer

Retail investors generally find fee disclosures on digital platforms helpful, especially when:

- Total Cost Indicator: A single "all-in" figure (entry, ongoing and exit fees) lets users compare products at a glance.

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- Cumulative-Cost Illustration: Simple charts showing how fees erode returns over 1–5–10 years make long-term impacts clear.

- Fee Breakdown: Grouping costs by recipient (platform, manager, third parties) via expandable sections or tooltips builds trust without clutter.

Key Improvements

- Standardized Templates: An EU-wide disclosure format would ease cross-border comparison.

- Interactive Simulators: In-app calculators where investors input amount and duration to see personalized cost projections.

Alternative Protections

- Cost Benchmarks: Showing each product's fee percentile against peers gives instant context.

- Default Low-Fee Portfolios: Auto-enrolling new users into a basic, low-cost allocation reduces reliance on detailed disclosures.

Q19: Do firms apply layering of information on costs on charges on digital platforms or in mobile applications (e.g., by showing only the total amount and percentage on the order screen, and all required information in a PDF)? *Please provide details, also on the appreciation of retail investors of this application of layering.*

EDFA Answer

Most platforms still show only the headline cost (amount and percentage) on the order screen and bury full fee details in downloadable PDFs, forcing investors offline; we recommend adopting in-app layering—displaying the all-in cost up front with an expandable, mobile-optimized HTML breakdown—to meet disclosure rules and vastly improve usability.

3.3.4 Post sale disclosures (periodic reports on investments)

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

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EDFA Answer

- <u>Yes, it provides clear and relevant information</u>

- Somewhat, but the frequency could be lower

- No, the information is usually readily available to the retail investor online and thus the statements do not have much added value

- Mixed views (please elaborate)

EDFA Answer

Retail investors generally find quarterly statements very helpful for staying informed about their holdings—several of our members have even gone beyond regulatory requirements by voluntarily issuing standardized quarterly reports that include performance summaries, cash-flow breakdowns and key risk metrics. These regular updates enable investors to compare actual vs. expected returns, spot emerging issues early and make timely portfolio adjustments. To further enhance their utility, platforms should ensure reports are delivered via mobile-friendly dashboards with interactive drill-downs, while still providing downloadable PDF archives for record-keeping.

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

- Yes, it provides timely and relevant information

- Somewhat, but the trigger for sending the information could be improved (e.g., when the performance of the portfolio is x% worse than the benchmark, if a benchmark has been agreed)

- No, this information may arrive at a moment of temporary market stress, triggering impulse-driven investment decisions at the wrong time.

EDFA Answer

- <u>Mixed views (please elaborate)</u>

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EDFA Answer

We do not have systematic data on retail investors' views of 10 % depreciation alerts for leveraged products or real-time portfolio-value trackers, but these features are widely deployed by digital platforms to reinforce risk awareness and support ongoing monitoring. To determine their true value, firms use these tools—tracking engagement metrics (e.g. alert click-through rates, time spent reviewing loss notifications) and collecting targeted user feedback—to identify which formats and thresholds most effectively prompt timely risk-management actions without causing undue alarm.

Q21b: If considered necessary, how could the 10% loss reporting be improved?

See Q21a.

Q22: To what extent do questions and measures on customer due diligence in accordance with AML/CFT requirements create barriers that prevent retail clients to start investing? *Please select one of the following options and please explain and provide practical examples, or evidence drawn from experience, where available.*

• A major barrier to investment

<u>• A contributing factor, but not the main issue</u>

• A minor factor compared to other concerns

• Not a factor at all

EDFA Answer

Digital and crowdfunding platforms must conduct thorough AML/CFT customer-due-diligence checks—which we welcome as key to building trust—but these requirements also impose significant cost burdens (third-party-provider fees) and slow down digital onboarding and execution. Moreover, non-EU fintechs without equivalent AML obligations gain an unfair competitive edge if allowed to operate in Europe. To reduce these barriers while preserving security, we suggest:

- **EU-wide AML Utility:** Develop a common, regulated AML-ID service that platforms can plug into, lowering per-firm compliance costs and streamlining checks.

- **Harmonised CDD Standards:** Align AML/CFT customer-due-diligence requirements across Member States to avoid duplicative processes and speed up cross-border onboarding.

- **Equivalence for Non-EU Providers:** Require non-EU firms to meet the same AML/CFT

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standards as EU-licensed entities before servicing EU retail clients, ensuring a level playing field.

- **Define the notion of providing payment and harmonize the obligations**. Clarify and standardize the definition of "payment services" across the EU, ensuring consistent registration and oversight requirements for fintechs—whether acting as payment-service agents or principals—so that liability is unambiguous and regulatory obligations do not vary between Member States.

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

See Question 22.

3.3.5 Taxes

Q24: For firms and trade associations: to what extent do national tax regimes create barriers to offering investment services and attracting retail investors on a cross-border basis? *Please explain and provide practical examples, or evidence drawn from experience, where available.*

EDFA Answer

National tax regimes today act as a double-edged sword for firms and trade associations seeking to offer investment services across EU borders. On one hand, targeted tax incentives—such as income-tax credits, reduced capital-gains rates or investment-allowance schemes for retail backers of start-ups, renewables or social-impact projects—can powerfully stimulate local capital formation. Several Member States have introduced "innovation vouchers," tax-favoured crowdfunding vehicles or "green bonds" relief to channel household savings into strategic sectors. These measures demonstrably lower the cost of capital for early-stage ventures and broaden retail participation in high-growth or sustainable assets.

On the other hand, the absence of harmonized tax treatment across Member States imposes considerable fragmentation costs on cross-border platforms and investors alike. Firms must navigate a patchwork of withholding obligations, reporting standards, investor-level reliefs and reclaim procedures—each subject to distinct deadlines, documentation requirements and administrative practices. This complexity erects practical barriers to scale: platforms incur higher compliance and IT-integration costs to support multiple tax jurisdictions, and retail clients

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face uncertainty about net-of-tax returns, potentially deterring them from engaging in foreign offerings.

Crucially, because tax policy remains firmly within national competence, any move toward EU-level alignment risks undermining Member States' ability to innovate and compete to attract retail savings. We therefore welcome the Commission's decision to respect subsidiarity in tax matters, allowing a healthy "race for the best incentive" among Member States. Competitive tax experimentation can serve as a laboratory for best practice, as long as it adheres to State-aid constraints and EU anti-abuse standards.

To mitigate fragmentation without curbing beneficial diversity, we propose the following complementary measures:

1. **Common Tax-Treatment Glossary and Templates**
   The Commission could curate a standardized registry of frequently used tax incentives—detailing eligibility, relief rates, documentation processes and cross-border reclaims—with downloadable templates for investor communications. This "EU Tax Toolkit" would reduce legal-drafting costs and help platforms present clear, comparable net-return scenarios to retail clients.

2. **Digital Tax-Reporting APIs**
   Encourage Member States to expose machine-readable interfaces that allow certified investment platforms to automate withholding, relief-application and end-of-year reporting. Harmonized API specifications would drastically cut manual tax-reclaim processes and speed up refunds for mobile investors.

3. **Mutual Recognition of Relief Certificates**
   Where national regimes issue investor-specific certificates (e.g. "angel investor" tax badges), Member States could agree to recognize each other's certifications under a common template, limiting duplicated verification and bolstering investor confidence in foreign products.

4. **Best-Practice Forum on Tax Innovation**
   Establish an EU-hosted forum where tax authorities, platform operators and investor-groups exchange outcomes data on incentive schemes. By spotlighting successful approaches—such as tax deferrals tied to holding periods or match-funded investment schemes—Member States can refine their regimes without locking in sub-optimal designs.

By combining national flexibility with light-touch EU coordination on templates, APIs and mutual recognition, the Union can preserve the dynamism of Member-State tax competition while dismantling needless cross-border barriers. This balanced approach will empower FinTechs and crowdfunding platforms to scale across Europe, deepen retail-investor engagement and

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mobilize household capital for innovative and sustainable growth.

Q25: To what extent do tax-related issues discourage retail investors from investing in investment products issued or manufactured in another Member State? *Please explain and provide practical examples, or evidence drawn from experience, where available.*

EDFA Answer

Retail investors often shy away from products issued in other Member States when confronted with opaque or asymmetric tax treatment. From the perspective of a digital platform, three core frictions stand out:

1. **Asymmetric Withholding Obligations**
   National rules frequently impose capital-gains or withholding-tax duties only on local platforms, whereas foreign platforms—operating without a domestic license—escape immediate deduction. This creates an uneven playing field: investors purchasing through a local platform see net-of-tax proceeds reflected at settlement, while those using foreign platforms face ex-post reclaim procedures, eroding confidence and reducing take-home returns.

2. **Reclaim Complexity and Delays**
   Where withholding occurs at source, retail clients must navigate unfamiliar forms, deadlines and multilingual instructions to reclaim excess tax. Reclaim processes can take months, require certified translations or intermediary banks, and often incur service fees. The administrative burden deters many investors outright, particularly those with smaller portfolios for whom reclaim costs may exceed any marginal gain.

3. **Uncertainty Over Net Returns**
   Even before execution, investors struggle to accurately forecast net yields on cross-border products, as slip-stream effects like local surtaxes, solidarity levies or minimum-holding requirements remain buried in regulatory minutiae. Without clear, standardized disclosure of tax impacts, savers default to domestic, "tax-transparent" offerings to avoid unpleasant surprises.

Proposed Mitigations
To level the field and restore investor confidence, we recommend:

- **EU-Level Withholding Registry & Templates**
  Creation of a publicly accessible database detailing each Member State's withholding rates, relief certificates and reclaim procedures, along with downloadable, machine-readable forms.

- **Harmonized Platform Reporting APIs**

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Encourage tax authorities to offer RESTful interfaces allowing certified digital platforms—regardless of their licensing jurisdiction—to electronically withhold, report and remit tax. This would enable "one-stop" net-of-tax settlements for all investors.

- **Mutual Recognition of Withholding Certificates**
  Standardized, mutually accepted digital certificates (e.g. via eIDAS) would enable investors to claim treaty-relief or reduced rates at the point of purchase, rather than post-trade.

By reducing asymmetric obligations, simplifying reclaim processes and enhancing pre-trade tax transparency, these measures would significantly lower the perceived tax barrier and foster genuine pan-European retail participation in capital markets.

3.4 Regulatory disclosures and marketing material

Q26: For consumer organisations: Based on your interactions with retail investors, do they experience information overload when making investment decisions? If so, what are the main sources of this overload? Do regulatory disclosures, marketing materials and contractual documents support investor understanding, or do they contribute to the confusion? *Please explain and provide practical examples, or evidence drawn from experience, where available.*

EDFA Answer

No answer.

Q27: For consumer organisations: Are there specific examples where the way information is presented – whether in regulatory disclosures, contractual agreements, or marketing material – makes it difficult for investors to focus on key elements such as costs, risks, or the nature of the service? With regard to marketing material, is the fragmentation of information across different documents or channels a material issue that affects investors' ability to fully understand what they are buying? *Please explain and provide practical examples, or evidence drawn from experience, where available.*

EDFA Answer

No answer.

Q28: For firms and trade associations: Which steps do firms take to make investment service agreements (contracts) more accessible and understandable to retail investors?
Please explain and provide practical examples, or evidence drawn from experience, where available.

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EDFA Answer

To ensure that retail clients both onboard smoothly and fully grasp their contractual commitments, digital platforms typically:

- **Provide Layered Summaries:** Present a concise, plain-language executive summary of key terms (fees, rights, obligations) up front, with clickable "read more" sections that reveal full legal clauses only as needed.
- **Use Plain-Language Glossaries:** Embed brief definitions or hover-over tooltips for technical terms directly in the contract screen, reducing reliance on external documents.
- **Offer Interactive Walk-Throughs:** Incorporate guided, step-by-step tutorials—often via short videos or animated sequences—that highlight and explain each major contract section before signature.
- **Deploy Mobile-Optimized HTML:** Render agreements in responsive, in-app HTML rather than PDFs, so investors can scroll, search and sign on any device without format breaks.
- **Supply Key-Point Checklists:** Include a one-page "What You Need to Know" checklist that investors must acknowledge, ensuring they've seen core provisions (e.g. withdrawal rights, service fees).
- **Integrate Training and Support:** Link to on-demand FAQs, webinars or live chat during the consent process, allowing users to ask questions in real time before agreeing.
- **Conduct User-Testing and Feedback Loops:** Regularly run A/B tests on language, layout and interaction flows—and solicit post-onboarding surveys—to refine clarity and usability over time.

By combining upfront clarity, interactive guidance and continuous improvement, firms can streamline digital onboarding while safeguarding that retail investors truly understand—and consent to—their service agreements.

3.5 Suitability assessment related to investment advice and portfolio management

3.5.1 Collection of client information and length of the process

Q29: To what extent do retail investors find the process of regularly/periodically

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providing and updating personal and financial information for suitability assessments clear and workable? *Please explain and provide practical examples, or evidence drawn from experience, where available.*

EDFA Answer

Under the ECSP framework, retail investors provide and update their personal and financial information during on-boarding (or when opting to switch from non-sophisticated to sophisticated status), making the process clear and minimally burdensome, though platforms could offer optional digital self-service portals and reminder prompts for those who wish to review or amend their details over time. However

Q30: For consumer associations: Have retail investors raised concerns about the amount, frequency and type of information they are required to provide for the purpose of suitability assessments? If so, what are the main difficulties they face? *Please explain and provide practical examples, or evidence drawn from experience, where available.*

EDFA Answer

No answer.

Q31: Are there any steps in the information collection process that could be simplified without compromising investor protection and the objective of this collection which is to propose suitable investments matching client profiles? *Please explain and provide practical examples, or evidence drawn from experience, where available.*

EDFA Answer

To streamline the suitability-information process without diluting investor protection, we recommend that platforms and regulators jointly pursue three complementary measures:

1. **Dynamic, Risk-Based Questionnaires:** Replace static, one-size-fits-all forms with adaptive digital surveys that adjust the depth and scope of questions to each investor's profile and the complexity of the products they seek. For example, a retail client interested solely in vanilla equity or bond funds would face a shorter questionnaire than one exploring structured products or digital assets—thereby reducing friction for the majority of users.

2. **Seamless Data Reuse and e-ID Integration:** Leverage Europe's e-ID infrastructure (eIDAS) and open-banking APIs to auto-populate verified personal and financial details (e.g. income bracket, investment experience) once—and then refresh only the few fields that change over time. By re-using authenticated data rather than asking for the same information repeatedly, platforms can cut onboarding times dramatically while preserving data accuracy.

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3. **Standardized EU Templates & Regulator–FinTech Dialogue:** Develop a common, minimal taxonomy of suitability questions and definitions—agreed at EU level—and embed these as shared digital components across all platforms. To ensure these templates remain fit for purpose, we urge regular, structured exchanges between fintech innovators and competent authorities, so regulators can understand new digital assessment techniques and adapt rules to support rather than hinder cutting-edge user experiences.

Together, these steps would maintain the robustness of suitability assessments while delivering a faster, more intuitive journey that invites greater retail engagement in Europe's capital markets.

3.5.2 Integration of "sustainability preferences" in the suitability assessment

Q32: How do retail investors perceive the integration of sustainability preferences in suitability assessments? How has it impacted the investment advice/portfolio management services they receive? *Please explain and provide practical examples, or evidence drawn from experience, where available.*

EDFA Answer

We do not have systematic data on investor perceptions, but anecdotal feedback from platforms suggests that embedding sustainability‑preference questions into suitability workflows helps retail clients feel more in control of their impact, prompts deeper engagement during onboarding and leads advisers or robo‑advisors to deliver portfolios better aligned with ESG goals.

Q33: For consumer associations: Have retail investors expressed concerns about the new elements related to the "sustainability preferences" and the way they are incorporated into the investment process (are they explained in an understandable way to clients)? *Please explain and provide practical examples, or evidence drawn from experience, where available.*

EDFA Answer

No answer.

Q34: For firms and trade associations: Have firms observed cases where clients struggle to express their sustainability preferences in a meaningful way? How have these issues been addressed to help retail investors? *Please explain and provide practical examples, or evidence drawn from experience, where available.*

EDFA Answer

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We do not have systematic data on whether clients struggle to articulate their sustainability preferences, but in our experience the key friction points tend to be inconsistent definitions of "sustainable" across products, complex ESG metrics and a lack of guided preference-elicitation tools. To address these issues, many digital platforms have introduced:

- **Guided Preference Questionnaires:** Interactive, plain-language surveys that explain common ESG themes (e.g. climate, social, governance) and use sliders or multiple-choice formats to help investors rank their priorities.

- **Taxonomy-Based Filters:** Simple toggles linked to the EU Sustainable Finance Taxonomy that allow users to screen offerings by clear, standardized environmental or social criteria.

- **Layered Disclosures Mapping to Preferences:** Inline summaries showing how each fund's key sustainability metrics align with the investor's stated goals, with optional drill-downs for deeper ESG data.

- **Third-Party Ratings Integration:** Embedding independent sustainability scores (e.g. from specialist ESG research providers) directly into product listings, so investors can compare offerings at a glance.

By combining clear language, standardized frameworks and interactive tools, platforms make it easier for retail clients to meaningfully express—and feel confident in—their sustainability choices.

3.5.3 Suitability reports

Q35a: Do retail investors find suitability reports helpful in understanding why a specific investment was recommended? In your view, do these reports add meaningful value for clients? *Please explain and provide practical examples, or evidence drawn from experience, where available.*

EDFA Answer

We do not have any systematic data on whether retail investors find suitability reports helpful in understanding why a specific investment was recommended.

That said, suitability reports can add meaningful value if they are designed to be concise and client-centric—clearly mapping an investor's personal objectives, risk profile and financial situation to the key features and risks of the recommended product. To ensure they genuinely aid comprehension (rather than overwhelm), we recommend:

- **Plain-language summaries** that highlight only the top 2–3 reasons behind a

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recommendation;

- **Visual “test-match” indicators** (e.g. risk-profile gauges) that link client answers to product characteristics; and

- **Interactive, layered disclosures** allowing investors to drill down into greater detail on demand.

Q35b: For consumer associations: Do you think suitability reports are a useful tool for the protection of investors and the prevention of mis-selling? *Please explain and provide practical examples, or evidence drawn from experience, where available.*

EDFA Answer

No answer.

Q35c: For firms and trade associations: What steps have firms taken to ensure suitability reports are concise, clear, and valuable to retail investors? *Please explain and provide practical examples, or evidence drawn from experience, where available.*

EDFA Answer

Under the ECSP regime, crowdfunding platforms are not subject to MiFID-style suitability-report obligations and therefore have not developed standalone “suitability reports.” Instead, they ensure that every recommendation—or project listing—is underpinned by equally robust, but more streamlined, investor-alignment tools, namely:

- **Dynamic Appropriateness Questionnaires:** Short, interactive questionnaires that tailor risk warnings and project eligibility at the point of entry, rather than in post-trade reports.

- **Plain-Language Summaries:** Two-to-three-sentence “investment rationale” blurbs are displayed alongside each campaign, highlighting the core fit with an investor’s risk profile and objectives.

- **Visual Risk-Match Indicators:** Simple icons or gauges signal at a glance how project volatility, duration and sector exposure align with the investor’s stated preferences.

By embedding these concise, user-centric elements directly into the onboarding and selection workflows, crowdfunding platforms achieve the same consumer-protection goals as formal suitability reports—while maintaining the speed, clarity and digital-native experience that retail investors expect.

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3.6 Appropriateness assessment for non-advised services

Q36a: Do you believe the MiFID II appropriateness assessment helps ensure that retail investors understand the risks of the products they invest in? *Please select one of the following options and please explain and provide practical examples, or evidence drawn from experience, where available.*

- Yes, it is an effective safeguard.

- ***EDFA Answer***

  Somewhat, but there is room for improvement.

- No, it is not particularly effective.

- Mixed views (please elaborate).

Q36b: For consumer associations: Have retail investors raised concerns about the appropriateness assessment? *Please explain and provide practical examples, or evidence drawn from experience, where available.*

No answer.

Q37: Do current appropriateness rules and how they are applied by firms effectively address new types of services that combine payments, savings, and investment features? *Please explain and provide practical examples, or evidence drawn from experience, where available.*

EDFA Answer

Digital platforms that blend payments, savings and investment functions—such as interest-bearing e-wallets or crypto-asset wallets—are already well captured by existing EU regimes: MiFID II's appropriateness and suitability assessments apply to any investment-like element of these services, while the forthcoming MiCAR framework adds bespoke transparency, custody and governance rules for crypto-asset components; together, they provide a comprehensive consumer-protection perimeter for fintechs operating under these hybrid business models.

Q38: Are educational tools used during the onboarding process for retail clients? In

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your experience, are these tools primarily aimed at improving financial literacy, or are they mainly used to justify client access to complex financial products? *Please explain and provide practical examples, or evidence drawn from experience, where available.*

EDFA Answer

Most digital platforms embed interactive educational modules—such as video explainers, quizzes and risk-profile simulators—directly into the onboarding flow to both enhance financial literacy and investor competence and to generate the documented evidence required by appropriateness and suitability rules before granting access to more complex products.

Q39a: Do you believe the current approach to assessing client knowledge and experience via the appropriateness test (i.e., going beyond self-assessment) creates any barrier to retail engagement in financial markets? *Please explain and provide practical examples, or evidence drawn from experience, where available.*

EDFA Answer

We do not believe that the MiFID II appropriateness test—by which firms supplement investor self-assessment with objective checks of knowledge and experience—has created material barriers to retail participation in financial markets. Digital platforms have seamlessly integrated these assessments into streamlined onboarding flows, using interactive questionnaires and real-time feedback to guide investors without undue delay or complexity. Moreover, the calibrated nature of the test ensures that it applies only to genuinely complex products, while simpler securities and basic investment services remain readily accessible, striking an appropriate balance between consumer protection and market openness.

Q39b: For consumer associations: Have retail investors raised concerns about how their knowledge and experience are assessed? *Please explain and provide practical examples, or evidence drawn from experience, where available.*

No answer.

3.7 Crowdfunding investor experience

Q40: Based on your experience, are there aspects of the crowdfunding investor journey that could be improved to better support retail investors, whether in terms of clarity, accessibility, or overall user experience? *If so, please explain which aspects you would amend and why, including any suggestions for improvement*

EDFA Answer

We have discussed detailed proposals to enhance clarity, accessibility and overall user

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experience in our ECSP implementation policy paper.

We consider the information requirements under Article 19 of the ECSP-R to be well-designed and effective in ensuring transparency and investor protection. In particular, the combined application of the Level 1 provisions in Articles 23 and 24 on Key Investment Information Sheets (KIIS), along with the detailed guidance provided in the Level 2 measures and ESMA's Q&A documents, offers a comprehensive and coherent framework. We do not see a need for revision at this stage.

We welcome the KIIS as an effective tool for delivering concise, comparable information to retail investors and believe it plays a vital role in fostering informed decision-making across Europe.

Retail investors frequently find the KIIS hard to read and not user-friendly—its dense text, small font and static PDF format impede comprehension. Therefore most platforms have added digital-first, responsive HTML design with layered disclosures, plain-language summaries and simple visual aids (e.g. icons, charts) to enhance readability and accessibility.

To enhance its practicality—especially for cross-border offerings—and reduce unnecessary costs, we propose two targeted refinements:

- **Universal English Usage:** Permit English as the sole KIIS language in all Member States, regardless of official national language requirements. In practice, English already serves as the lingua franca of EU financial services and crowdfunding, and adopting it universally would eliminate redundant translation work and lower administrative burdens, particularly benefiting smaller issuers and SMEs.

- **Single, Shared KIIS for Identical Offerings:** Allow multiple platforms listing the same financial instrument or loan to publish a single, jointly maintained KIIS. Under the current rules, each platform must issue its own sheet—even when the content is identical—creating duplication without adding investor value. A shared-KIIS approach would streamline compliance, reduce costs and ensure consistency of information across distribution channels.

The KIIS could be made more reader-friendly and accessible for investors, and by clearly separating the different asset classes within it, the information would become easier to understand and compare.

These enhancements would preserve the KIIS's core strengths—clarity, standardization and investor protection—while supporting a more integrated, cost-efficient pan-European crowdfunding market.

We support the flexible approach to investor protection embedded in Article 21 of the ECSP-R, particularly with regard to individual investment limits. We believe that the **flexible threshold**

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system currently in place is effective and proportionate, and we strongly oppose any proposals to reintroduce fixed investment limits for non-sophisticated investors.

While there are some differences in how platforms implement the entry knowledge test and the simulation of investors' ability to bear losses, these variations remain **fully within the scope of the Regulation**. We have found no evidence of regulatory arbitrage. On the contrary, platforms have made **substantial investments in developing compliant onboarding procedures**, which meet the regulatory objectives of transparency, risk awareness, and investor suitability.

These differences in implementation reflect practical and technological diversity among platforms and do not compromise the level of consumer protection. Furthermore, the thresholds established under Article 21(7) are, in our view, **sufficient and appropriate** and should remain unchanged. However, a recommendation could be made to harmonize the periods within which the entry knowledge test and loss ability test have to be retaken: for example, both 2 years

3.8 Other topics

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

EDFA Answer

While we fully support the investor-protection objectives of MiFID II, ECSP-R and related regimes, their prescriptive, one-size-fits-all rules often over-burden digital platforms—slowing onboarding, inflating compliance costs and diluting the impact of real-time, interactive investor education—thereby unintentionally restricting retail investors' ability to take informed risks. A more proportionate, principles-based framework—one that adapts suitability and disclosure requirements to client risk profiles, legitimises mobile-optimized, layered digital disclosures and formally recognises gamified learning modules as appropriateness tools—would preserve robust safeguards while unleashing fintechs' potential to engage, educate and empower retail savers across Europe.

Q42: Are there any aspects of the retail investor experience – whether related to firm practices or the regulatory framework – that are not sufficiently addressed in this consultation or in the current MiFID II rules? *If so, please explain where changes in rules, or further supervisory attention or guidance may be helpful.*

EDFA Answer

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We consider the consultation to comprehensively address all relevant aspects of the retail-investor experience and have no further points to add.

Q43: The industry needs to protect lender outcomes during the final stages of the business lifecycle. Are there any aspects of the Wind Down Plan that need review? *If so, please explain where changes in rules, or further supervisory attention or guidance may be helpful.*

EDFA Answer

We note that wind-down plan requirements fall outside the scope of the services provided by our members, and as such no aspects of the Wind Down Plan are applicable or require review from their perspective.

4.0 Conclusion

We hope that you were able to draw useful conclusions from our input. We remain at your disposal for your feedback or follow on questions.

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