

# Public consultation on a retail investment strategy for Europe

Fields marked with \* are mandatory.

## Introduction

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

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### 1. Background for this consultation

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

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

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

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

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

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

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

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

## Responding to this consultation and follow up

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

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

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

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

More information on

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

## About you

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### \* Language of my contribution

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

\* I am giving my contribution as

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

\* First name

laetitia

\* Surname

boucquey

\* Email (this won't be published)

laetitia.boucquey@blackrock.com

\* Organisation name

*255 character(s) maximum*

BlackRock

\* Organisation size

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

Transparency register number

*255 character(s) maximum*

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

51436554494-18

### \* Country of origin

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

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- Bhutan
  
- Bolivia
- Bonaire Saint Eustatius and Saba
- Bosnia and Herzegovina
- Botswana
- Bouvet Island
- Brazil
- British Indian Ocean Territory
- British Virgin Islands
- Brunei
- Bulgaria
  
- Burkina Faso
- Burundi
  
- Cambodia
  
- Cameroon
- Canada
- Cape Verde
- Cayman Islands
  
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- Guinea-Bissau
  
- Guyana
  
- Haiti
- Heard Island and McDonald Islands
- Honduras
- Hong Kong
  
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- Iceland
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- Isle of Man
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- Montserrat
- Morocco
- Mozambique
- Myanmar/Burma
  
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- North Macedonia
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- Suriname
- Svalbard and Jan Mayen
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- Tanzania
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| <input type="radio"/> Denmark                          | <input type="radio"/> Liberia    | <input type="radio"/> Saint Lucia                                       |                                                            |

\* Field of activity or sector (if applicable)

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

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

- Social entrepreneurship
- Other
- Not applicable

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

### \* Contribution publication privacy settings

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

**Anonymous**

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

**Public**

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

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

## 1. General questions

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



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

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

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

*5000 character(s) maximum*

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

The current EU framework focuses justifiably on investor protection aspects of regulation with detailed provisions on the sale of investment products. It contains far less focus on the empowerment of retail investors. While the EU exhibits high levels of savings by retail investors, the allocation of these savings into capital markets remains low, indicative of a lack of empowerment. This is further corroborated by the outcomes of retail investor surveys including those conducted by BlackRock where retail investors give insights into the barriers which prevent them from investing.

BlackRock regularly conducts a People and Money survey on a global basis. Our most recent survey included investors in a number of EU countries: Germany, Italy, France, Belgium, the Netherlands, Spain, Sweden and Denmark. This survey brings out a number of issues which lead to a lack of empowerment of retail investors. We note that the survey we refer to in this consultation, was conducted during December 2019 and January 2020, so it does not take into account the COVID pandemic which started in Continental Europe in February 2020 and which has resulted in many EU jurisdictions of increased levels of precautionary savings. Our survey of retail investor attitudes in the EU highlights the following concerns which demonstrates the lack of empowerment felt by many investors:

- From our survey only 48% of European respondents indicated that they are confident making decisions about investing, significantly lower than for saving money, 65% claim to hold savings accounts, 29% stocks and shares and 12% fixed income instruments.

- The main reasons cited by respondents for holding cash rather than investment were:

- 1) ease of access
- 2) the fact that respondents didn't want to risk losing their cash
- 3) holding cash makes people feel comfortable

- 1 in 5 respondents believes they didn't have enough money to buy investments. In summary holding cash makes people feel safe and in control, conversely investing is seen as risky even though it is also seen as a long-term solution

To improve the trust of European citizens and to tackle issues around lack of control we encourage the Commission to consider additional steps to empower consumers. As well as an increased focus on financial literacy we strongly encourage the Commission to consider promote financial capability to fill the gap between generic financial education and the product sales process with the aim of empowering consumers to look at their financial position in the round and develop a lifetime plan to develop financial health and resilience. While we recognize that financial education remains a national competence, we believe the Commission can contribute to the empowerment of consumers by pushing forward with a financial capability framework which sets out a framework and best practices for lifetime financial planning in the form of ongoing financial health checks with the aim of boosting retail investors' resilience and capability.

We also believe that regulatory action looking at the overall outcomes consumers are trying to achieve will also assist firms connect more effectively with consumers and help tackle issues of lack of trust. We do believe that issues such as certification and aligning the incentive regime between different sectoral directives will give retail investors a clearer picture of what to expect from the financial sector.

We also welcome the renewed focus on digital enablement as a key part of the broader process of empowerment ranging from more interactive digital disclosure standards to account opening, know your client procedures and digital dashboards allowing consumers to have easy access to their accounts.

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

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

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

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

*5000 character(s) maximum*

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

As described in our ViewPoint “Putting the capital in the European Capital Markets Union” (available at <https://www.blackrock.com/corporate/literature/whitepaper/viewpoint-putting-the-capital-in-the-european-capital-markets-union-october-2019.pdf>), we support a meaningful policy vision to balance investor protection and investor inclusion with a focus on enabling greater retail investor participation.

On the investor protection side, we welcome the continued focus on this area. We note, however, that the increased levels of disclosures have not as yet resulted in more engagement from retail investors. As mentioned in our answer to question 1.1, from the BlackRock’s People and Money survey we note that the most important reason why people do not think investing is for people like them, is the fact they find the information to difficult to understand. In this regard, we encourage a holistic review of existing disclosures to minimize the multiple overlapping documents and disclosures to consumers and the inconsistencies in service delivery that exist today across the different legislative and regulatory pieces (MiFID, PRIIPS, IDD, UCITS, and SFDR disclosures)

A further important point to note is that investor protection measures are product-specific, whereas end investors are often largely agnostic about what type of investment product they buy and focus more on whether the products or solutions they are buying help them meet their financial goals. The regulation of investor disclosure should adapt to reflect the increasing move away from selling products to providing investment solutions designed to meet overall financial goals. Where consumers are sold standardised investment solutions, we recommend disclosure and reporting on key issues such as cost, performance and risk is made primarily at the portfolio level rather than at the level of the underlying building blocks. We would also encourage the development of more effective risk presentations for longer term investment solutions; focusing on risk over time rather than on volatility at a point in time. There is currently also much focus on ensuring consumers’ ESG preferences are correctly represented in products they purchase by and on developing eco/sustainability labels to avoid greenwashing. In this context we also recommend more focus

on how risk and ESG preferences will be aggregated at the level of a standardised portfolio offering.

Additionally, we strongly believe that digital distribution technologies can dramatically increase retail client engagement. The Retail Strategy must reflect the way consumers access information and invest, both today but also looking to the future, digital technologies are creating smart and engaging ways of enhancing the consumer experience and facilitating investment.

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

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

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

*5000 character(s) maximum*

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

The initial take-up of the European Long Term Investment Fund (ELTIF) by the market has been slow, with only a handful of ELTIFs launched to date. The slow take up can be partly attributed to the normal time to build familiarity with a new product (both from asset managers deciding whether and how to launch products, as well as distributors and end investors). Feedback from distributors is, however, increasingly positive that this is the type of vehicle they wish to include in a diversified portfolio. We believe is that the ELTIF is currently the most effective means by which EU non-professional investors can access long-term, private asset classes and for asset managers to offer such exposures in a scalable, purpose-built vehicle. The fact there are ELTIF products in the market already raising capital from the regime's target investors is practical evidence of the fact the ELTIF regime is functional to a degree, however, it is in need of targeted improvement in certain key areas in order to become a fully effective and established vehicle for long-term investment by a broader investor base and fulfill the aims of the Regulation. Further clarity on the regulatory 'pathway' to the intended market for the ELTIF could accelerate distributor take up and use of the ELTIF, as a standard component for portfolios for clients with a long term investment horizon. This pathway could also include aligning the current ELTIF suitability test with that more broadly applicable under Article 25 of MiFID.

We would support a proposal to allow ELTIFs to be structured as evergreen products, with flexibility to provide regular liquidity terms that are commensurate with the underlying portfolio and access to the full suite of liquidity management tools. Given the illiquid nature of a significant proportion of an ELTIF's assets this means funds of this nature could offer periodic liquidity windows commensurate with the liquidity profile of the underlying assets rather than regular dealing (e.g. daily/weekly) recognising financial stability issues with regular dealing funds investing in illiquid assets.

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

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

## **Please specify what other factor(s) might discourage or prevent retail investors from investing:**

*5000 character(s) maximum*

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

As mentioned in our response to question 1.1, based on our most recent BlackRock People and Money survey (including respondents from Germany, Italy, France, Belgium, the Netherlands, Spain, Sweden and Denmark) we can share the following insights.

Only 45% of those surveyed agree with the statement “Investing is for people like me”. This implies the other 55% already feel locked out of the investing world. The reasons cited for why people felt locked out included:

- o Information is difficult to understand
- o People feel financial institutions don’t care about them
- o They don’t see people like them in advertisements
- o 60% wish they could be more in control – and holding cash makes them feel in control, not investing

Additionally, 41% of respondents indicated having a way to invest small amounts (under €500) would help them start investing with another 31% saying easy access to their savings with no penalty would be a requirement.

These comments show that there are multiple interlocking issues which discourage retail investors from investing. Throughout our response we set out a number of recommendations as to how individual elements could be addressed more effectively. The complexity of the issues also highlights the importance of having a holistic overview of the needs of retail investors and how individual regulatory measures interact with the aim of ensuring they work together to simplify rather than complicate the investment process.

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

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

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

Please select as many answers as you like

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

**Please specify to what other area(s) you refer in your answer to question 1.6:**

*5000 character(s) maximum*

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

We believe that the empowerment of investors and potential investors should constitute one of the key angles for improvement of the consumer protection regime. Historically consumer protection has focused on product and intermediary regulation on core issues such as conflict of interests, clearer disclosure, product governance and greenwashing. As well as ensuring that these provision works as effectively as possible, we believe the regulatory framework for retail investment also needs to put the issue of investor empowerment at the heart of the retail investment strategy.

Multiple surveys of European investors, including BlackRock's People and Money Survey, repeatedly show that too many savers sit on the side-lines and do not invest their cash, even when held for long term savings goals. The COVID-19 crisis has increased historic levels of cash holdings as European consumers have moved to hold even greater levels of precautionary savings in low risk assets. And this is the case despite multiple legislative and regulatory initiatives on disclosures, reporting and regulation of products and intermediaries to drive a greater alignment of interests. Our challenge today is to create the right infrastructure at both EU and national level to empower the millions of European citizens with cash savings to invest in markets by building up understanding of the benefits of and trust and confidence in long term investment solutions, building on the existing high levels of consumer protection.

Reinforcing the investor empowerment agenda should run in parallel to and complement the broader capital markets agenda by developing a more investor-centric approach to developing Europe's capital markets which helps citizens plan and save for their long- and medium-term financial needs. In building a European that works for its citizens considerable focus has been placed on their physical and mental health and their quality of their environment but there has been relatively little focus on building up and maintaining lifetime financial health and resilience. A coordinated approach to developing a framework for financial health checks

enabling individuals to build up their own financial plan leading on to recommended actions as you would obtain following a health check would be valuable. We believe this approach would effectively complement the joint European Commission and OECD's project to develop a European financial capability strategy. A test of effective outcomes on financial resilience would be the effectiveness of individuals to manage debt, and build up adequate levels of short, medium and long term savings. Furthermore, the long-term equity financing needs of EU companies and SMEs and the transition to a more sustainable carbon neutral economy creates a natural funding demand and match with these long-term savings.

## Please explain your answer to question 1.6:

*5000 character(s) maximum*

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

## 2. Financial literacy

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

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



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

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

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

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

*5000 character(s) maximum*

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

In line with our answer to question 1.1, we very much support the increased focus on financial literacy. We also see the need for financial education initiatives to happen at different levels – EU, national and market participants or other stakeholders. In some areas direct EU action will be most effective, in others the establishment of best practices across Member States will be the tipping point for driving change, supported by the industry.

At the national level, to reach as many people as possible we need to start early and include financial education as part of national teaching syllabuses across primary, secondary and tertiary education (e.g. Wikifin School in Belgium) as well as promoting initiatives to develop financial education in the workplace to leave no-one behind.

In many jurisdictions we believe workplace initiatives to encourage investing can constitute practical and powerful educational tools: these can include access to financial planning and advice services, workplace savings schemes such as private pensions for the long term, employee share schemes which introduce employees to the basics of owning shares. The expectation from our own employees is that firms should be actively engaged in providing access to these services and educating employees on how to use them.

We are conscious that not all initiatives work for all countries but believe the Commission could develop a KPI framework for assessing what actions are most effective in which countries using a test and learn framework. The EU can play an important role by bringing experts together to exchange best practices and be one example of best-in-class public-private partnerships in this field. The Commission can also contribute to the empowerment of consumers by pushing forward with a financial capability framework which sets out a framework and best practices for lifetime financial planning in the form of ongoing financial health checks with the aim of boosting retail investors' resilience and capability.

Market participants and other stakeholders (NGOs, digital fintechs, etc..) also have a vital role to play in supporting these various initiatives coming from Member States or public-private partnerships.

## 3. Digital innovation

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

Open finance, (i.e. giving greater access to customer data held by financial institutions to third party service providers to enable them to offer more personalised services) can, in the field of investment services, lead to better financial products, better targeted advice and improved access for consumers and greater efficiency in business-to-business

transactions. In the [September 2020 digital finance strategy](#), the Commission announced its intention to propose legislation on a broader open finance framework.

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

**Please explain your answer**

*5000 character(s) maximum*

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

In our response to the Digital Finance Strategy consultation (available at <https://www.blackrock.com/corporate/literature/publication/ec-consultation-on-a-new-digital-finance-strategy-for-europe-fintech-action-plan-062620.pdf>) in 2020 we have said that from an asset management perspective, we see multiple benefits in an open finance policy for a variety of investment products and service.

We also welcome the Commission's recent initiative on the establishment of a digital identity and we encourage its further adoption into other processes to reduce much of the laborious and time consuming account opening procedures such as know your client and anti-money laundering processed many investors experience and which constitute a barrier to empowering investors. While we strongly support robust measures to tackle crime, we support the use of innovation to develop more effective processes to identify individuals than many of the existing paper-based processes available.

As mentioned in our answer to question 1.1, 60% of European respondents wish they could be more in control and holding cash makes them feel in control, not investing. An open finance approach could facilitate consumer control of their finances, for example by developing a personalised and portable fact find, with financial goals and targets, which the consumer controls. BlackRock's People and Money Survey also confirmed that people do value being able to see all of their accounts together in one place.

One of the risks we see in the increased digitisation of retail financial services is a failure to gain the trust of the consumer. Consumers do not like the idea of sharing data when it is not clear what value they get from doing so, therefore it is key to demonstrate the value of sharing their data. Above all consumers should have full control of their data and it should be easy for them to take away access should they no longer see the benefit of doing so. Businesses should be encouraged to clearly articulate the benefits to consumers of granting access to their data. Examples of benefits could be automated comparisons of financial products relevant to the individual that would not be possible without using data to understand their individual situation.

Another potential risk is financial exclusion for a certain group of consumers that do not have access to digital tools and therefore cannot/ less benefit from an open finance policy. Therefore, we strongly recommend to always maintain other ways to access financial services for these categories of individuals.

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

## Please explain your answer

*5000 character(s) maximum*

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

As mentioned in our response to question 3.1, we welcome the Commission's proposal on electronic identity. A digital ID and a personalised and portable fact find are key to improve consumer engagement, give them greater control of their finances and take out duplicative costs out of the investment process. The digital ID is not just a key enabler for portability of consumer information allowing citizens to shop around and to switch to more cost-effective service providers. It also facilitates the creation of dashboards allowing consumers to visualise their pensions and savings in a single place and avoiding orphaned assets in an increasingly mobile economy.

A digital ID can also help drive financial health initiatives. We encourage the Commission in setting out a framework for guidance on core issues of financial health at key life stages by making it easy for people to set up a financial plan which they are actively encouraged to review and update at key life stages (leaving school, starting work, changes in family circumstances, property acquisition, pre and at retirement).

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

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

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

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

## Please explain your answer to question 3.3:

*5000 character(s) maximum*

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

As well as being machine readable, information should also be digitally accessible and allow for interactivity to empower and engage consumers. Current disclosure documents are paper based and made available in a non-interactive pdf format. For example, there are a number of ways of presenting costs and performance information. Investors have different cognitive preferences to consuming data and disclosure standards rather than requiring a one size fits all approach, we should allow consumers to choose the presentation which is most intuitive to them based on a common set of data. In interactive disclosure model access to the underlying data sets by product manufacturers is as important as the individual disclosures themselves.

At a pan-industry level much of the underlying data is set out in industry standard templates developed by FinDatEx, a joint structure established by representatives of the European Financial Services sector industry. These include templates in PRIIPs, MiFID, Solvency II and in the near future an ESG template. We strongly encourage the Commission to work with FinDatEx to ensure common European-wide data standards, including the necessary level of machine readability.

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

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

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

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

*5000 character(s) maximum*

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

A level playing field across the EU and between a digital and non-digital environment should exist. In addition to the level playing field in terms of investor protection, we also believe the regulatory framework for investment products and services must adapt to allow for innovation and recognise the changes digital services bring.

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

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

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

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

*5000 character(s) maximum*

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

In line with our response to question 3.4, we believe a level playing field across the EU and all financial actors should exist.

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

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

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

*5000 character(s) maximum*

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

We agree on harmonization national rules as much as possible and support ESMA's recent guidelines on fund marketing communications in this context.

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

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

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

### Please explain your answer to question 3.7:

*5000 character(s) maximum*

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

Participants in our People and Money survey indicated that when making financial decisions they would like some way of knowing whether the information provided is trustworthy or not, and to be able to use digital tools or apps. That said, neither did most participants want to go down the route of managing their money entirely through technology. There is a preference for a balance between human interaction and technology and this is anticipated to only change marginally over the next few years (we have not tested whether this has changed since the COVID-19 pandemic). When asking European respondents where else besides their advisor they go for advice when making investment decisions:

- 9% said social media,
- 13% said online blogs and forums,
- 19% said they were ready to use digital investments tools on their own, and
- 39% looked for investment information online.

We recognise that younger people tend to use more social media platforms, as this is the way they access information and interact with people on a daily basis. Given the increasing role of these platforms, we believe that social media firms should work with regulators to ensure that investors are protected from market manipulation and potentially fraudulent comments which could incite harmful behaviour.

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

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

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

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

- Yes
-

No

- Don't know / no opinion / not applicable

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

*5000 character(s) maximum*

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

Please see answer to question 3.7

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

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

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

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

*5000 character(s) maximum*

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

We believe that investor protection rules in MiFID and MAR and underlying regulation offer a framework for sufficient protection but additional guidance from ESMA and NCA may be required to deal with specific circumstances.

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

- Not at all important
- Rather not important
- Neutral
- Somewhat important
-



Very important

Don't know / no opinion / not applicable

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

*5000 character(s) maximum*

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

In our opinion there are a number of product characteristics consumers may wish to prioritise. Provided the consumer can select which features are most important to them it can then be up to consumers which product features appear prominently.

## 4. Disclosure requirements

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

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

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

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

*5000 character(s) maximum*

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

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

**Question 4.2.1 PRIIPs Key Information Document**

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

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

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

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

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

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

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

*5000 character(s) maximum*

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

We have limited firsthand retail investor experience of the PRIIPs KID, based on the provision of our non-UCITS retail funds, due to the PRIIPs KID exemption for UCITS and the limited number of retail AIFs we offer.

The KID is currently designed to be provided in paper or in pdf format, but consumers are increasingly demanding access to key information in a more interactive, digital format which would be appropriate for use on a smartphone or a tablet. While we agree that the KID should help investors obtain an understanding of product characteristics and objectives, risk, performance and costs we do not believe that static, paper-based documents are an effective way of communicating these concepts to consumers. We also believe that the lack of past performance is a barrier to consumers and supervisions assessing whether a fund is delivering value to its investors. There are also a number of ongoing issues with the continued use of the slippage methodology for presenting transaction costs which we have discussed in our ViewPoint: Disclosing Transaction Costs: the need for a common framework (available at <https://www.blackrock.com/corporate/literature/whitepaper/viewpoint-disclosing-transaction-costs-august-2018.pdf>)

We believe key information should be provided in a two phase process; initial key information being presented in an interactive manner, and the ability for the consumer to have a pdf or paper document as the final stage of the process, evidencing the selection made. We welcome the more interactive approach shown

by the PEPP KID in this respect. We agree with EFAMA that this would facilitate the consideration of pre-disclosure information as part of a more holistic process alongside financial advice, ex-ante disclosures and increased levels of investor education.

**Question 4.2.2 Insurance Product Information Document**

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

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

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

--	--	--	--	--	--	--

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

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

	1 (insufficient)	2 (adequate)	3 (excessive)	Don't know - No opinion - Not applicable
Insurance Product Information Document (as a whole)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Information about the	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>



insurance distributor and its services				
Information on the insurance product (conditions, coverage etc.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Information on cost and charges	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Please explain your answer to question 4.2.2:**

*5000 character(s) maximum*

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

BlackRock does not provide these types of document so is unable to comment directly on consumer feedback.

**Question 4.2.3 PEPP Key Information Document**

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

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

Information about the safeguarding of investments	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Information on cost and charges	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Information on the pay-out phase	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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

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

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

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

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

*5000 character(s) maximum*

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

As the PEPP has not yet been launched we cannot comment from practical experience but note that the proposed format shows a number of improvements over the PRIIPs KID in terms of presenting risk over time and on performance presentation. We do however note that the PEPP is a retirement savings product and that it is not immediately comparable with other types of retail product.

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



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

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

*5000 character(s) maximum*

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

As an asset manager, our goal is to ensure that investors understand what they can expect from an investment product. In order to uphold investor protection however, it is important to ensure that a balance between accessibility and the use of precise legal language to avoid claims of misrepresentation. Much of the language used in the PRIIPs KID is already predetermined by regulation.

Due to the three page limit of the PRIIPs KID, fund managers do not have room to explain financial concepts that might be unfamiliar to consumers, particularly when considering the translations into various EU languages, some of which take up more characters than others. A more interactive approach would allow information to be layered in a more educative way to explain concepts such as an equity or a bond.

We believe that the answer to this question need to be considered alongside a broader assessment of how to improve the financial literacy and competency of consumers, especially in the context of an explanation of key concepts such as the characteristics of shares or bonds.

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

*5000 character(s) maximum*

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

The Key Information Document should be provided before sale is completed. As noted above we believe that pre-sale disclosure should move to a model of interactive disclosure with a written confirmation of the consumer's final choice to keep for legal certainty.

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

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

**Please explain your answer to question 4.5:**

*5000 character(s) maximum*

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

In the current PDF format, the PRIIPs KID does not enable clear comparison between products, as the onus falls to the consumer to extract the information from multiple static documents in order to achieve this. A digital tool that could identify and compare the different aspects of investment products could better enable retail investors to compare and promote value. This could also allow investors to select the specific aspects they are most concerned with comparing, such as costs or performance.

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

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

**Please explain your answer to question 4.6:**

*5000 character(s) maximum*

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

It would be practically impossible to compare across a range of different investment products in a clear, fair and accurate way. PRIIPs covers a wide range of products that work in very different ways to each other, and it is in trying to achieve this comparability, that the meaningfulness of the exercise has been compromised. For instance, PRIIPs currently dictates that transaction costs be calculated using the 'slippage' methodology, which is sensitive to factors such as data quality and availability, benchmark choices, and differences in the way different instruments trade. This can lead to misleading cost numbers when comparing across products designed to deliver very different outcomes such as structured and non-structured products.

Addressing comparability in the pre-contractual document would also make it much a much longer document, making it less likely to be read by retail investors. As mentioned in our response to question 4.5, a digital tool would be much more useful and nimbler in its ability to compare the different aspects of similar investment products. We also agree with EFAMA that this should only be one part of the investor's decision-making process, alongside ex-ante disclosures, high quality advice, and higher levels of investor education.

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

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

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

*5000 character(s) maximum*

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

We have set out concerns on the way product costs are implemented in our ViewPoint Disclosing Transaction Costs. The practical application of the multiple EU standards has presented both market participants and investors with a number of challenges. Crucially, there is no consensus on how to measure the transaction costs that portfolios incur. Across the EU we are seeing different conventions and methodologies emerge depending on the product or service provided. This adds to the confusion, as disclosures are heavily influenced by the markets in which fund managers, distributors, and investors are situated. Within the same jurisdiction, reports can be hard to compare; but across EU markets with differing standards, it becomes nearly impossible. In this context it is unsurprising that we have received consistent feedback from investors that they do not understand the data in the new disclosure standards.

Fundamentally, we see the objective of these disclosures as an instrument to empower end-investors to make better investment decisions.

- Ex-ante (pre-investment) disclosures help prospective investors understand the level of anticipated trading and transaction costs that a fund manager will engage in to achieve the fund's stated outcome, informing them in their product choice.
- Ex-post (post-investment) disclosures establish transparency around actual trading activity and the trading costs that a fund manager incurred. Investors should be encouraged to use transaction cost disclosures to understand how effective a fund manager is at generating the outcome set out in the portfolio's objective. As a result, criteria such as stability and comparability of the disclosures are essential attributes of any methodologies used:

1. Transaction cost disclosures should be judged according to their effectiveness in helping investors make better decisions about their investments. For both new and existing portfolios, the disclosures should serve as a tool for assessing how efficiently a fund manager achieves their stated objective. Additionally, disclosures should explicitly state which costs are already included in performance figures to avoid misrepresenting their impact. This approach highlights the importance of consistency and comparability in the metrics used.

2. Optimal methodology: There is no one simple formula that can adequately represent the costs of trading across multiple strategies and asset classes. Instead we recommend fund managers use a Modified Spread methodology to provide transaction cost disclosure to investors; when well executed it delivers the highest degree of consistency and comparability. Existing Spread methodologies should be enhanced by incorporating relevant factors that influence trading costs.

3. To ensure full accountability and transparency to investors, fund managers should have appropriate governance and oversight controls in place. Investor disclosures should include information of the material factors and assumptions used when reporting on transaction costs. We recommend fund managers adopt a governance and supporting disclosure framework based on the recently enhanced MiFID II best execution rules.

4. Supplementary information: End-investors would benefit from clearer attribution of costs which identifies the recipients of any charges and costs they pay (for example, fund managers, brokers, distributors, other intermediaries such as platforms, and tax authorities). Transaction cost disclosures could also be improved by providing separate information on the frequency of trading and cost of trading separately.

5. Transaction Cost Analysis: Slippage metrics are not suited to transaction cost disclosures, given their technical nature, exposure to market volatility, and sensitivity to underlying data, which leads to repeated instances of negative transaction costs even when averaged over the three year period required under PRIIPs. In the latest version of the PRIIPs RTS it appears likely that the inclusion of anti-dilution measures

while relevant to transacting investors understates the performance uplift remaining investors benefit from. More broadly slippage in our view is best seen as an important tool for portfolio managers and traders to improve investment performance rather than as a comparative disclosure tool.

We recommend the use of a Modified Spread methodology across regulations to remove noise and establish simple, consistent and intuitive transaction costs which will make it strongly preferable to Slippage based methodologies. While Slippage costs may seem objective, fund cost disclosures based on these metrics are not suitable for helping investors make better and more informed investment decisions. WAModified Spread methodology backed up by the disclosure, control and governance framework put in place under MiFID II for best execution should provide end investors with a useful framework for understanding transaction costs and help to eliminate confusion.

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

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

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

*5000 character(s) maximum*

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

We note that PRIIPs, PEPP and MiFID contain different approaches to presenting risks in products due to their being a number of different purposes in the respective risk disclosure frameworks. Before taking further steps to address these inconsistencies it is important to review the purpose and objectives of relevant risk disclosures. For example, the PRIIPS SRI shows the inherent volatility and risk return profile of a product. It does not however give an investor an indication of the overall risk profile of a portfolio of products in the context of an investor's investment time horizon. It is important that more flexibility in risk profiling at a portfolio level continues to be permitted in MiFID to allow advisors and portfolio managers to combine individual products with different inherent risk profiles to achieve the optimal balance between managing short, medium and long terms risks. An example of this broader approach can be seen in the PEPP KID which allows, for example, a lifecycling strategy with a high equity component to be presented as low risk when held for its recommended holding period based on the probability of a minimum return of invested capital.

A more digital approach would also allow investors to receive more meaningful individualised investment amounts rather than the current standardised €10,000 disclosure. This would be particularly helpful for investors wishing to invest smaller amounts.

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

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

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

*5000 character(s) maximum*

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

We express our concerns with the lack of explicit inclusion of past performance in the PRIIPs KID. We believe is important for investors to know how a product has performed in the past and we regret the decision not to carry forward the well established UCITS past performance methodology to PRIIPs. While past performance is not a guide to future performance, there a number of reasons to show past performance including historic proof of an active manager's ability (or not) to regularly outperform the fund's benchmark, or an index fund's ability to replicate the benchmark index. Depiction of past performance also facilitates an informed discussion on cost versus returns which is currently not feasible with the PRIIPs KID. This discussion is increasingly important given both investor and supervisory focus on the value provided by investment products such as investment funds where a meaningful discussion needs to reflect the interaction between both costs and performance.

The asset management industry has considerable experience of presenting past performance in a standardised way in UCITS. The UCITS presentation of performance also demonstrates the volatility an investor may encounter whereas the PRIIPS scenarios necessarily suggest smoothed performance paths. Furthermore, we believe that this approach of showing both past performance and future scenarios is fully consistent with the aim of showing "appropriate performance scenarios". We therefore believe that it is important that funds be able to show past performance, as well as future performance scenarios, in the KID. We are also supportive of the inclusion of a warning as to the relevance of past performance in the PRIIP KID, highlighting that it is not a reliable indicator of future results.

As noted above, a digital friendly approach which allows layer and interactive assessment of performance scenarios means that a linear length-based restriction becomes increasingly less relevant in assessing good consumer understanding.

We also caution against showing past performance in the form of an average and support the use of the existing UCITS KIID methodology. One of the essential benefits of showing actual past performance is to showcase a PRIIP's past volatility and the effect of specific market events – this reinforces messages such as the importance of long term investors remaining invested at times of heightened market volatility.

We agree that it would be helpful to have a statement explaining the relationship between past performance and future performance scenarios, making clear that past performance cannot be used to predict future performance and that future performance is no more than an illustration of possible outcomes.



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

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

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

*5000 character(s) maximum*

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

In our answer to question 4.7 (a) we set out a number of differences regarding the disclosure of transaction with reference to our longer ViewPoint which sets out the issues in more detail.

With the increased focus on ESG disclosures the current length limitations mean the that it will be challenging to deliver consumer relevant information in a meaningful and empowering manner. The ability to move to a more interactive format where more unfamiliar concepts can be layered would be beneficial in terms of delivering information to investors in an investor ready format.

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

	1 (not relevant)	2 (relevant, but not crucial)	3 (essential)	Don't know / No opinion / Not applicable
Product objectives /main product features	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Costs	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Past performance	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Guaranteed returns	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Capital protection	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Forward-looking				

performance expectation	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Risk	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Ease with which the product can be converted into cash	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

### Please explain your answer to question 4.8:

*5000 character(s) maximum*

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

We believe it is essential for consumers and advisors to have comparable information on features relating to the risk, performance and costs of retail investment products. In our response to questions 4.7 we have set out a number of areas where we see shortcomings in the current regulatory approach relating to the presentation of costs, risk and performance.

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

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

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

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

### Please explain your answer to question 4.9:

*5000 character(s) maximum*

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

We believe it is important to define the format of ex post cost disclosure and to ensure that it is made in a separate manner to ex ante cost disclosures such as PRIIPs to avoid over complicating disclosure formats. Developing the use of digital formats would allow cost information to be layered allowing more detailed cost breakdowns to be accessed by those investors or their intermediaries or wish to see more granular information.

We also note that the asset management industry and distributors have built a comprehensive infrastructure for transmitting costs and charges information using the European MiFID Template (EMT). This is subject to a formal governance process under the umbrella of FinDatEx (discussed above). The templates have been agreed after extensive discussion by all parties and after significant testing of fields and delivery mechanisms. We encourage the European Commission and ESMA to work with FinDatEx to ensure that any recommended changes to the current disclosure regime can be fully integrated into industry standard templates with sufficient lead time for appropriate testing. As such, we recommend minimising the use of ESMA Q&A to address issues of costs disclosure as this process brings uncertainty into what are now highly automated delivery mechanisms.

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

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

**Please explain your answer:**

*5000 character(s) maximum*

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

The reference to page length is built round an assumption that consumers are best served by a static, paper-based document. We believe that increasingly consumers want more convenient and more interactive disclosures that can more effectively respond to different levels of consumer understanding and differing consumer goals. We strongly support moving away from paper-based design towards a digital disclosure standard with layering of more detailed information and/or access to additional explanation of key terms. Discussions regarding maximum page length lead to an analysis of how concisely additional information fields can be included in a document such as KID rather than testing consumer understanding using a more flexible format. A focus on empowering consumers with a more flexible format would mean ensuring that consumers understand and are empowered to act on the core product features. The future inclusion of SFDR disclosures in the KID is a case in point where the narrative description needed to support investors in their decision-making processes are unlikely to be effectively accommodated in the current PRIIPs format. This is particularly the case given the increase text length when PRIIPs KIDs are translated into different languages.

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

**Please explain your answer:**

*5000 character(s) maximum*

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

More complex products are usually sold within the framework of MiFID appropriateness and suitability testing, so it is important to identify whether more complex products are being sold directly or through a regulated intermediary. Layering of information may assist in providing additional information or case studies on the risk associated with more complex product or non-linear product structures.

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

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

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

*5000 character(s) maximum*

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

We recommend following the approach adopted by the recent MiFID 'quick fixes' which established electronic disclosure by default but allows investors to request paper disclosure.

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

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

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

*5000 character(s) maximum*

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

As a general approach retail documents should be provided in the language commonly understood by the retail investors. Typically, this may be the investor's native language but in some jurisdictions with very high

levels of second language proficiency we believe NCAs should have the facility to allow publication in another widely recognized language of the EU. This is reflected in ESMA's recent guidelines on fund marketing communications. Here a useful compromise was found noting that the marketing communication should be written in the official language(s) where the fund is distributed. However, another language accepted by the national competent authorities is also permissible.

We note that SFDR requires additional sustainability-related information to be published as an annex to an investment fund prospectus which is not always translated. This requirement should not be the trigger for blanket translations of all prospectuses. A preferable solution for retail investors would be to integrate the core SFDR features (especially dynamic content) into retail disclosure documents noting, however, our concerns regarding page length in our response to Question 4.10 and our preference for this type of information to be presented in a layered and digital format.

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

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

*5000 character(s) maximum*

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

We support the work has undertaken in response to the PEPP KID and the ability to layer information and/or use drop down boxes to present more complex information or examples to aid investor understanding. The aim is to focus attention on the core information with additional layers to assist understanding and informed decision making.

It is also important to take into account the context in which these disclosure documents will be provided e.g. as a stand-alone document on an execution platform or as part of a wider conversation with an intermediary such as a discretionary manager or investment advisor which has regulatory duties to advise on product suitability.

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

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

## Please explain your answer to question 4.15:

*5000 character(s) maximum*

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

We support the use of a clear structure but note that further work with consumers is required to assess the benefits of allowing consumers to choose between different presentations (bar chart, graph, table) depending on their cognitive preferences provided the underlying source data is the same and the choice of presentations follows clear presentational standards.

We also support the use of hyperlinks and layering of information to allow core information to be accessed in a more intuitive and interactive manner than is currently the case.

## 5. The PRIIPs Regulation

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

### Core objectives of the PRIIPs Regulation

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

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

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

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

*5000 character(s) maximum*

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

The focus of PRIIPs on providing comparability between a wider range of differing financial products comes at the expense of core elements of information allowing consumers to take informed decisions as to the value of closely competing products. We have set out our concerns in relation to investment funds in our response to question 4.7, including concerns relating to the lack of past performance data, transaction cost disclosure and risk presentation.

We also welcome the opportunity provided by the Retail Investment Strategy to look across a retail investor's journey to include both financial capability and the role of intermediaries in assisting investors in their understanding of individual products and the role they play in a diversified portfolio with specific time horizons and risk appetite.

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

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

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

*5000 character(s) maximum*

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

As noted above we believe more flexibility in the presentation of core information between different product types would be beneficial in terms of driving greater investor empowerment. For example, performance presentations and considerations could differ for structured and guaranteed products as opposed to investment funds whose performance is linked to market performance. Differences also arise when we take considerations on cost and risk into account. An initial decision tree type presentation of what key features are paramount for consumers could, for example, be more beneficial in understanding the core differences between products. This could then be followed by a more tailored product by product approach. Digital presentation tools could assist in delivering this approach.

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

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

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

*5000 character(s) maximum*

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

As we currently offer a limited range of PRIIPs we do not have sufficient comparators to comment.

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

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



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

*5000 character(s) maximum*

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

We believe that it is asking too much of an individual document to meet all these objectives. As such the PRIIPs KID should be viewed as an initiative to provide general and standardized information about a PRIIP. Individualized suitability assessments and sustainability preferences form part of the broader MiFID requirements on suitability assessments by financial intermediaries and as such need to be seen as part of a broader distribution process. In practice investors build up a portfolio of products to meet their overall investment objectives and the value add from the intermediary process lies in the ability to effectively build and manage a portfolio of individual products for individual investors.

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

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

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

*5000 character(s) maximum*

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

There are a number of industry delivery mechanisms to access information on PRIIPs KIDs to comply with the pre-disclosure rules. We believe these are working efficiently.

In some jurisdictions we see a significant growth in the use of regular savings plans, e.g. Germany, and in this case a review of the rules on providing the KID for successive transactions. It may be that an annual notification where to find the latest PRIIPs KID may be more efficient than sending the document out multiple times if there have only been relatively minor changes to the product.

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

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

Other

## Please explain your answer to question 5.2.1:

*5000 character(s) maximum*

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

Overall, we are supportive of the increased transparency and comparability of data that a European wide database which includes information of products and costs) could bring. We see benefits in introducing a database to facilitate the access to existing information. Currently investors have to look for information on individual websites set up in different ways by individual fund managers, where the retrieval of information may not be very intuitive. There is therefore considerable 'attrition' that needs to be overcome in order to access the information. However, we would like to understand in more detail the overall objective, content and governance of such a database.

To be able to fully assess potential costs and benefits of this project it is imperative to understand the objective of this database and consequently the users (supervisors, third party intermediaries or end retail investors) and developers (ESMA public solution or a third-party commercial solution).

Professional investors often require reporting using a specific industry or national template, and so are likely to see less utility in a pan-European database. We are also keen to ensure that the development of such a database does not lead to increased or multiple reporting obligations on firms. We would prefer a one-time reporting portal from where data can be further disseminated to interested parties. As such we believe it is important to determine the core users of any such databases - would they in fact be retail investors or would the database be of more benefit to intermediaries providing services to retail investors. This is an important question as it determines the format, design and accessibility of any such database and the cost benefit of such information over and above industry standards such as the FinDatEx European PRIIPs template (EPT).

## The PRIIPs KID

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

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

## Please explain your answer to question 5.3:

*5000 character(s) maximum*

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

We support efforts by EIOPA to simplify the amount of core information needed by an investor in the design of the PEPP KID and believe there are lessons to be learnt in terms of simplifying the presentation of information in the PRIIPs KID. In terms of disclosures, there must be an alignment between the overarching MiFID and IDD frameworks and the disclosures in the PRIIPs KID. Instead of the latter developing its own disclosures and calculation methodologies, existing disclosure information (such as cost disclosures) should be copied and pasted into the PRIIPs KID. As noted above flexibility in the information provided by product

types would allow the disclosure of more targeted information, such as UCITS-style past performance disclosures for investment funds.

The ability to layer information using a digital disclosure format, following the example of the PEPP KID, would ensure that retail investors are not overwhelmed by the disclosures.

## Implementation and supervision of the PRIIPs Regulation

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

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

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

*5000 character(s) maximum*

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

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

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

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

*5000 character(s) maximum*

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

We are not aware of inconsistencies of supervision.

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

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

 €

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

*5000 character(s) maximum*

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

As we are currently moving to an updated solution to manage the volume of disclosures in the move from UCITS to PRIIPs disclosure standards we are not yet in the position to provide this information.

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

 €

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

*5000 character(s) maximum*

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

We are not yet producing PEPP KIDs.

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

 €

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

*5000 character(s) maximum*

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

We do not produce these documents.

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

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

 €

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

*5000 character(s) maximum*

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

As we are currently moving to a more automated solution we are not yet in the position to provide this information.

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

€

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

*5000 character(s) maximum*

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

We do not produce these documents.

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

€

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

*5000 character(s) maximum*

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

We do not produce these documents.

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

Please select as many answers as you like

- Collecting product data/inputs
- Performing the necessary calculations
- Updating IT systems

- Quality and content check
- Outsourcing costs
- Other

**Please specify to what other factor(s) you refer in your answer to question 5.8:**

*5000 character(s) maximum*

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

The cost of translating KIDs into multiple languages.

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

*5000 character(s) maximum*

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

The move to the PRIIPs KID from UCITS will necessitate the production of over 50,000 new KID documents across our EU product range. This requires significant IT resource to build out the new data sources to comply with the new RTS requirements and to build a tool to manage the volume of models to drive future performance scenarios. It requires the build of new end to process with significant quality and control checks. This is also a highly iterative process – for example where a translation exceeds the maximum permitted a review of the base language can be required and retranslation to bring the translation back into compliance with the maximum page limits.

## Multiple-Option Products

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

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

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

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

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

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

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

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

*5000 character(s) maximum*

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

**Scope**

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

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

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

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

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

*5000 character(s) maximum*

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

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

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

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

*5000 character(s) maximum*

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

Pension products have different time horizons and pay out and liquidity profiles from other investment products and need a specific format to be relevant to pension savers.

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

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

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

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

*5000 character(s) maximum*

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

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

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

- Yes
- No



- Don't know / no opinion / not applicable

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

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

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

*5000 character(s) maximum*

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

We believe the current rules on updating work well and that given the volume of documents concerned would add little benefit to investor understanding.

**Please explain your answer to question 5.12:**

*5000 character(s) maximum*

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

We believe an annual update and further updates in case of material changes provides an appropriate rhythm.

## 6. Suitability and appropriateness assessment

---

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

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

- Strongly disagree
- Disagree
- Neutral

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

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

*5000 character(s) maximum*

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

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

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

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

*5000 character(s) maximum*

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

As described in our Capital Markets Union ViewPoint (available at <https://www.blackrock.com/corporate/literature/whitepaper/viewpoint-putting-the-capital-in-the-european-capital-markets-union-october-2019.pdf>), we strongly believe the standards on suitability must evolve to recognise the importance of portfolio outcomes, rather than individual product outcomes, allowing a variety of products to be included which meet an individual's long-term risk appetite and other considerations such as inflation protection. We believe the portfolio level assessment would also be the right approach to take in the context of the integration of ESG preferences. In this context, we would like to highlight the ongoing work from the industry to standardise product classification under the new definitions of sustainability preferences. We are aware of that ESMA is also updating its suitability guidelines and we would very much support cooperation between the industry and ESMA to ensure a European solution that works for consumers. A consistent approach in assessing the suitability of sustainable products is an imperative for the success of the upcoming Retail Strategy and the Renewed Sustainable finance strategy.

As noted above in Section 3 we are also supportive of developing a portable suitability assessment system allowing investors who have given explicit consent to monitor their portfolios.

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

- Yes
-

No

Don't know / no opinion / not applicable

### Please explain your answer to question 6.3:

*5000 character(s) maximum*

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

We would also encourage the use of portable suitability profiles as one of the key tools to achieve greater simplification of the administrative burden of investment. As noted in our ViewPoint on Digital Investment Advice (available at <https://www.blackrock.com/corporate/literature/whitepaper/viewpoint-digital-investment-advice-september-2016.pdf>) we believe suitability assessments should be tailored to the clients' goals and the services that are being offered. In many cases, goal-based investing, where there is a single and specific investment objective, may require fewer inputs to assess suitability, whereas a financial advisor may need more information for more comprehensive portfolio management solutions that address different investment objectives over an individual's life. We also note the requirements of ESMA on suitability by digital advisors and the feedback on take on procedures by consumer bodies such as Better Finance. Digital advisors /portfolio managers should clearly state the objectives their services are designed to meet in order to ensure the services being offered are in line with client needs and objectives. The process also needs to remain engaging as possible to avoid the risk of consumers failing to complete digital take on procedures or failing to provide relevant information.

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

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

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

### Please explain your answer to question 6.4:

*5000 character(s) maximum*

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

We believe that the appropriateness assessment meet investor needs.

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

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

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

*5000 character(s) maximum*

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

We do, however, call for a reassessment of the blanket treatment of all AIFs as complex instruments which are then automatically subject to an appropriateness test. Many Member States have retail AIFs which are designed to be suitable for retail investors in their jurisdiction. Furthermore, a lack of liquidity should not lead to an automatic categorization of a fund as complex. Rather, the suitability and appropriateness processes should consider the investor's ability to give up regular liquidity for all or part of their portfolio. In such cases a fund which does not offer regular liquidity such as the ELTIF may often constitute a suitable investment choice for an investor who does not need immediate access to liquidity from all of their portfolio.

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

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

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

*5000 character(s) maximum*

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

We believe the current legal framework should apply equally to online services.

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

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

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

*5000 character(s) maximum*

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

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

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

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

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

*5000 character(s) maximum*

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

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

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

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

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

Yes

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

**Please explain your answer to question 6.9:**

*5000 character(s) maximum*

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

In line with our response to question 6.2 we would like to highlight the ongoing FinDatEx work to incorporate the new ESG requirements within the existing European templates. The collaboration between product manufacturers and distributors has previously resulted in good outcomes and processes (EMT), hence we support to continue this important work around integrating sustainability elements.

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

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

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

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

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

*5000 character(s) maximum*

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

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

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

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

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

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

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

*5000 character(s) maximum*

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

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

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

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

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

## Please explain your answer to question 6.13:

5000 character(s) maximum

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

## 7. Reviewing the framework for investor categorisation

---

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

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

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

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

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

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

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

	Yes	No	Don't know - No opinion - Not applicable



Introduction of an additional client category (semi-professional) of investors	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Adjusting the definition of professional investors on request	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
No changes to client categorisation (other measures, i.e. increase product access and lower information requirements for all retail investors)	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

## Please explain your answer to question 7.1:

*5000 character(s) maximum*

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

As set out in our response to the Public consultation on the review of the MiFID II/MiFIR regulatory framework in 2020 (available at <https://www.blackrock.com/corporate/literature/publication/ec-consultation-on-the-review-of-the-mifid-ii-mifir-regulatory-framework-051820.pdf>), we are aware that a new semi-professional investor definition could be one way to address these issues. However, we are also aware that the whole process of reclassification inherent in the introduction of a fourth level of client categorisation brings with it a number of operational complexities, and the burden of repapering clients with new contracts shortly after the significant changes brought in by MiFID II. We could see this new category addressing the investment needs of certain types of investor such as family offices and charities, but our experience tells us that they can usually categorise under the large undertaking tests. We therefore recommend further cost-benefit assessment of the number of clients who would benefit from such change before proceeding. We also note for clients investing in alternative assets (particularly on a buy and hold basis) may not pass the number of quantitative transactions required in a year to be classified as a professional investor.

We believe that the various issues could be addressed by targeted changes within the existing framework by:

1. Reviewing the conditions for opting up to professional client status – particularly in terms of the knowledge and experience required. This is particularly the case for certain types of retail clients with sufficient experience with financial markets, including (but not limited to) high-net-worth individuals, certain non-IORP pension funds and family offices.
2. Reviewing the application of the complex product definition to AIFs, to allow the easier inclusion of retail AIFs in the portfolios of clients with a long-term investment horizon, especially if their portfolio contains sufficient liquid assets to address short term potential liquidity needs.
3. Reviewing the suitability requirements for advised and discretionary managed portfolios regarding the inclusion of complex products when they have the potential to improve investment outcomes at the level of the client's overall investment portfolio. Currently the MiFID II rules encourage distributors to select a noncomplex product over a complex product which provides a disincentive to invest in long-term products with limited liquidity such as AIFs. Reassessing the interplay between product complexity and suitability could encourage greater investment into long-term products, especially for those clients who already have a suitable balance of liquid assets in their portfolio to their meet short term needs.

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

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

- No change
- 30 transactions on financial instruments over the last 12 months, on the relevant market
- 10 transactions on financial instruments over the last 12 months, on the relevant market
- Other criteria to measure a client's experience
- Don't know / no opinion / not applicable

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

*5000 character(s) maximum*

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

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

*5000 character(s) maximum*

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

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

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

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

*5000 character(s) maximum*

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

Distributor feedback we have received is that of the three tests for opt-up the financial assets test is the least onerous, rather it is the knowledge and experience tests which are too tightly drawn.

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

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

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

*5000 character(s) maximum*

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

We support both suggestions:  
- Extend definition to include relevant experience beyond the financial sector (e.g. in a finance department of a company)  
- Adjust the reference to the term 'transactions' in the criteria to instead refer to 'financial instruments'

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

*5000 character(s) maximum*

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

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

- No change
- Relevant certified education or training that allows to understand financial instruments, markets and their related risks
- An academic degree in the area of finance/business/economics
- Experience as an executive or board member of a company of a significant size
- Experience as a business angel (i.e. evidenced by membership of a business angel association)
- Other criteria to assess a client's ability to make informed investment decisions
- Don't know / no opinion / not applicable

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

*5000 character(s) maximum*

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

We support both suggestions:

- Relevant certified education or training that allows to understand financial instruments, markets and their related risks
- An academic degree in the area of finance/business/economics

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

*5000 character(s) maximum*

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

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

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

- No change

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

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

*5000 character(s) maximum*

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

## 8. Inducements and quality of advice

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

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

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

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

## Please explain your answer to question 8.1:

*5000 character(s) maximum*

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

- Ensuring transparency of inducements for clients: We support the disclosure of inducements allowing consumers to assess the costs and value provided by various service providers who receive these inducements.
- An obligation to disclose the amount of inducement paid: We believe these can be effective provided there is clear and consistent presentation of costs.
- Allowing inducements only under certain conditions: Inducements should be proportionate, in the best interest of investors and enhance the quality of the service provided to investors. We also support the current restriction on paying inducements in the case of discretionary management services and in the case of provision of independent financial advice.
- Obliging distributors to assess the investment products they recommend against similar products available on the market in terms of overall cost and expected performance: We agree that distributors should assess whether equivalent investment products can best meet investor needs, including by examining cost and complexity.
- Introducing specific record-keeping and reporting requirements for distributors of retail investment products to provide a breakdown of products distributed, thus allowing for supervisory scrutiny and better enforcement of the existing rules on inducements: We support a more consistent application of the rules on supervision and welcome ESMA's ongoing supervisory action in this area. Appropriate and proportionate record keeping requirements can assist in effective supervision.
- Introducing a ban on all forms of inducements for every retail investment product across the Union: As the retail investment markets in individual Member States differ significantly a blanket ban on all inducements is likely to have unintended consequences unless a comprehensive analysis of the distribution ecosystem in each Member State is conducted. Any such assessment would also have to consider the likely second order effects of such a ban and the likely cost benefit to different consumer types.

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

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

*5000 character(s) maximum*

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

We believe that an assessment of distribution ecosystem in each Member State is needed before we can address this question. As mentioned in our response to question 8.1, further consideration of a Union-wide ban should only proceed after a full analysis of the whole ecosystem for distribution and advice and a detailed assessment of second order implications on a Member State by Member State basis noting that these implications are likely to be different country by country.

In this context it may be useful to note that the much cited UK Retail Distribution Review was far more than an inducement ban with a significant focus on increasing advisor training and qualification with significant focus on the implications on the likely changes to advisor business models. We believe that issues to consider in any such assessment include:

- Scope of ban - the need to avoid targeting some product and distribution models as otherwise there is likely to be the risk of arbitrage between different distribution models
- Assessment of the existing economic model of advisors – e.g. independent bank employees and

insurance agents and the implications on the business model and whether any reassessment of client profitability will lead to certain client categories no longer being served

- Training and competence requirements for advisors in the new model
- Advice needs of the population - The UK's FCA for example conducted significant analysis of the UK population, cohort by cohort, and of their savings and investment needs. In the EU an equivalent country by country analysis should be conducted of what is needed to ensure and improve the financial health of consumers. There needs to be particular focus on the savings and investment needs of lower to middle income savers who are unlikely to be able to afford advice.
- Availability and quality of execution solutions on platforms
- Availability and practicality of alternatives to a blanket ban such as unit sales. In some non-EU jurisdictions such as South Africa the implementation of commission bans allowed advisers to deduct fee balances from account balances rather than requirement payment of upfront fees
- Tax implications of a move to advice. Directly invoiced advice is normally subject to VAT whereas commission payments are normally VAT exempt. Even if the cost of advice stays the same the consumer as a non VAT registered entity would perceive a material uplift in the cost of advice as retail consumer are not usually in a position to reclaim the VAT on fees.

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

**Please explain your answer:**

*5000 character(s) maximum*

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

please see above

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

*5000 character(s) maximum*

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

please see above

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

*5000 character(s) maximum*

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



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

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

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

*5000 character(s) maximum*

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

We note that there are significant disparities in the interpretation of permissible quality enhancement by NCAs which leads to different outcomes jurisdiction by jurisdiction.

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

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

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

*5000 character(s) maximum*

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

Yes, in many cases consumers choose an insurance wrapped investment option (such as unit linked contracts) to access certain tax benefits rather than there being any material difference in the underlying investment solutions. Accordingly, consumers should benefit from consistent standards between MiFID and IDD.

## Question 8.5 How should inducements be regulated?

Please select as many answers as you like

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

### Please explain your answer to question 8.5:

*5000 character(s) maximum*

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

This reflects our answer to question 8.1

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

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

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

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

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

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

*5000 character(s) maximum*

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

We support the suspension by the recent MiFID quick fixes of RTS 27 governing the best execution reports for trading venues, systematic internalisers and execution venues. We would also support suspension of RTS 28 detailing the best execution reports by investment firms. Investor feedback is that reports are generally not reviewed by investors, in particular retail ones. The lack of an intuitive reporting format means we find there is a low level of interest from clients in the reports generated, and where we do receive client feedback there is confusion on how to read and interpret the data reported - as the regulatory format does not reflect how clients would prefer the data to be reported.

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

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

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

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

*5000 character(s) maximum*

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

We believe that this could be a beneficial development to promote consumer trust and confidence. We would, however, like to understand how that would fit with existing frameworks and interact with local requirements. We note that there is a knowledge and competency framework under MiFID, regional requirements, and detailed ESMA guidelines - all to ensure that staff providing investment advice are properly trained and knowledgeable. Investment advice inevitably includes assessing national tax regimes, and so a portion of national certification will need to remain in place as a complement to any push to develop pan European standards or certification.

**If you would see merit in developing that voluntary pan-EU label, what would you consider the essential characteristics of such a label and how should it be similar to or different from those that already exist in the market?**

*5000 character(s) maximum*

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

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

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

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

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

*5000 character(s) maximum*

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

Yes, as they are subject to investor protection requirements such as MiFID suitability where ESMA has already considered a number of key issues which are applicable to Robo Advisors.

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

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

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

**Please specify to what other reason(s) you refer in your answer to question 8.10:**

*5000 character(s) maximum*

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

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

*5000 character(s) maximum*

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

Our survey of European savers shows that they place confidence in existing trusted providers and that they prefer access to a hybrid model where they have access to a physical individual even though they are happy to accept that many of the underlying processes are digital. See our ViewPoint on digital investment advice (available at <https://www.blackrock.com/corporate/literature/whitepaper/viewpoint-digital-investment-advice-september-2016.pdf>) for a wider discussion of the issues related to Robo Advice.

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

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

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

*5000 character(s) maximum*

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

## 9. Addressing the complexity of products

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

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

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

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

*5000 character(s) maximum*

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

We emphasise the importance of taking overall portfolio construction into account when determining whether the target market of a fund meets the needs of investor particularly in terms of risk appetite. At a portfolio level, the principles of risk diversification over the full time horizon of the client frequently lead portfolio managers or advisors to recommend a partial allocation to an instrument which, if held in its entirety, would not be suitable for an individual client. When taken within the context of the overall portfolio the product may help to generate greater return or provide hedging against longer terms risk such as inflation. This emphasizes the importance of assessing target market and risk at the level of the whole portfolio.

Complementary to the product governance rules, we are also strongly in favour of product classification for Exchange Traded Products (ETPs). The rapid growth of ETF assets under management demonstrates that both retail and institutional investors have found ETFs to be an attractive investment product. However, along with this growth, the market has seen a proliferation of more structurally complex ETPs, as well as ETPs with different risk profiles and more narrowly tailored investment objectives. Examples of these more complex ETPs include products such as exchange- traded Notes (ETNs), and leveraged and inverse ETPs. In our view, there is a need for clearer identification and categorization of ETPs, in order to help ensure that investors understand that certain ETPs have greater embedded market and structural risks and more complexity than others. Specifically, we believe that certain ETPs with complex structures and/or certain embedded risks should be identified and categorized by exchanges at the data feed level (via exchange listing rules or otherwise) as exchange-traded notes (ETNs), exchange-traded commodities (ETCs) or exchange-traded instruments (ETIs) rather than as ETFs.

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

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

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

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

*5000 character(s) maximum*

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

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

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

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

*5000 character(s) maximum*

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

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

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

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

*5000 character(s) maximum*

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

As noted in our answer to Question 9.1 we support better labeling of Exchange Traded Products.

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

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

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

*5000 character(s) maximum*

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

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

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

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

*5000 character(s) maximum*

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

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

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

**Please specify to what other aim you refer and explain your answer to question 9.2 f):**

*5000 character(s) maximum*

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

In line with our response to question 6.5, we also call for a reassessment of the blanket treatment of all AIFs as complex instruments. Many Member States have retail AIFs which are designed to be suitable for retail investors in their jurisdiction. Furthermore, a lack of liquidity should not lead to an automatic categorization of a fund as complex. Rather, the suitability process should consider the investor's ability to give up regular liquidity for all or part of their portfolio. In such cases a fund which does not offer regular liquidity such as an ELTIF may often constitute a suitable investment choice for an investor who does not need immediate access to liquidity from all of their portfolio. Here the question is not whether a product is complex but whether it is liquid and whether the investor can look up money for a predefined period.

## 10. Redress



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

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

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

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

*5000 character(s) maximum*

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

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

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

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

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

*5000 character(s) maximum*

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

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

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

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

*5000 character(s) maximum*

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

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

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

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

*5000 character(s) maximum*

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

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

Please select as many answers as you like

- Domestically?
- In a cross border context?

Please explain your answer to question 10.5:

5000 character(s) maximum

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

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

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

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

Please explain your answer to question 10.6:

5000 character(s) maximum

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

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## 11. Product intervention powers

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

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

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

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

*5000 character(s) maximum*

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

We have observed a number of actions taken by ESMA with regards to binary options and the sale of contracts for difference (CDF) to retail investors. We note that the exercise of these powers largely relates to products which are not subject to prior regulatory approval as is the case across the EU for retail funds such as UCITS.

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

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

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

*5000 character(s) maximum*

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

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

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

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

*5000 character(s) maximum*

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

As noted above the exercise of product intervention powers appears to have been made at a European level in respect of unregulated products where their features constitute a risk to retail investors. In the case of retail investment funds subject to pre-launch authorisation and supervision, NCAs have a number of powers regarding developments in the fund industry. These range from refusing authorisations to withdrawing authorisation from funds deemed unfit or even suspend investment funds in the interest of investors or of the public. The wide range of these powers appears sufficient to protect investors.

## 12. Sustainable investing

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

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

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

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

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

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

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

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

*5000 character(s) maximum*

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

Based on our People and Money survey we found out that awareness of the term “sustainable investing” is very low but once a definition is introduced people find the idea of it appealing. From the survey results it became also clear that there are many perceived barriers to Sustainable Investing. These concerns relate to measurement of sustainability, the possibility of taking on additional risk and sacrificing returns. But on the positive side, more than 1 in 3 non-investors say it would encourage them to invest for the first time, and 78% of existing investors would switch into sustainable investments all other things being equal. Overall, people care most about environmental issues ahead of social or governance issues and up to 60% say they would be interested in making investments to address these issues.

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

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

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

*5000 character(s) maximum*

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

We do support the Commission’s action around financial literacy and investment advisors in the Renewed Sustainable Finance strategy to improve the sustainability expertise and qualification of investment advisors and would encourage a close collaboration with the industry. We answer “No” as we do not think detailed guidance is necessary.

We recognize that the new framework around sustainable investments might come across as very complex for investors, distributors and advisors and overwhelm them with information. It will be very important to educate advisers on the upcoming changes and provide them with a consistent and simple approach around the distribution of funds. As mentioned in our response to question 6.1, the industry is working on the implementation of the Delegated Acts’ incorporation sustainability preferences into MIFID II, this will be a very important element of the ongoing efforts to improve financial adviser’s sustainability expertise.

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



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

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

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

*5000 character(s) maximum*

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

## 13. Other issues

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

*5000 character(s) maximum*

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

In line with our responses to section 1, we believe the Retail strategy is a great opportunity for the Commission to take additional steps to empower citizens to achieve their long-term savings goals while maintaining enhanced levels of consumer protection.

The EU has already established robust foundations for retail investment in Europe with the world's best in class investment product (UCITS), innovative long-term savings products such as the ELTIF, and a strong framework that focuses on investor protection (conduct, disclosure & transparency). But the continued high levels of precautionary savings indicate that our current framework still is not delivering for citizens. An investor centric policy focusing on both empowerment and protection offers enormous scope for better individual outcomes. Increased investor engagement is also key to European citizen involvement in the strategic projects of Capital Markets Union (CMU), post-COVID recovery and the transition to a sustainable economy.

We have not won the hearts and minds of consumers. But by putting the needs of the ultimate retail investor at the heart of policy initiatives we can create truly impactful and positive outcomes for investors and more broadly for the long-term funding of the EU economy.

To realise this potential we recommend prioritising three areas of policy action pillars: 1. financial capability and financial health checks to increase empowerment; 2. address the lack of trust and confidence in the advice process by delivering consistent outcomes and 3. increased focus on digital enablement to both simplify and engage more effectively with investors.

1. To ensure effective use of retail investor capital we need to build the infrastructure to support increased levels of financial capability. While we recognize that financial education remains a national competence, the Commission's financial capability framework can contribute to consumer empowerment with a focus on ongoing financial health checks to boost retail investors' resilience and capability. As much as we prioritise people's individual physical and environmental health we also need to realise that financial health is for everyone: All EU citizens need the tools to manage their financial health and wellbeing just as they need to manage their physical and mental health.

By doing so we can fill the gap between generic financial education and the existing regulated product sales process. The aim is to empower consumers to look at their financial position in the round by developing a lifetime plan to develop financial health and resilience. Health is always about maintaining a balance and it is no different when it comes to financial health with a balance between short, medium- and long-term goals.

Creating a public good infrastructure for all, would offer citizens access to regular financial health checks throughout their working life to set them on the right financial path with actionable recommendations on how to improve their financial resilience, as circumstances change, and who to turn to for further advice. This includes the optimal time and method to begin saving for retirement as well as managing debt.

We know we will not change people's understanding of finance or comfort with markets overnight but need both the public and financial service sectors to work together with other core stakeholders such as the social partners. In many Member States the workplace would be an ideal venue for pushing forward many of these initiatives with workplace access to investment and savings advice, working place savings schemes, employee share schemes or advice around the benefits of private pensions, maximising available employer contributions and /or tax incentives.

2. We can do more to build trust in financial advice by ensuring consistent and transparent outcomes when it comes to incentives and suitability at the point of distribution. This will help minimise the disparate outcomes, often the result of the application of different standards by type of product and intermediary. Actions such as certification and aligning the incentive regime between different sectoral directives will give retail investors a clearer picture of what to expect from the financial sector.

Further steps such as looking at the overall outcome a consumer is trying to achieve, will also assist firms connect more effectively with consumers and help tackle underlying issues of lack of trust.

3. We also welcome the renewed focus on digital enablement to engage and empower consumers more effectively. We view use of digital tools as a key part of the broader process of empowerment ranging from more interactive digital disclosure standards (tackling the shortcoming of the current PRIIPs regime), to account opening, know your client procedures and digital dashboards allowing consumers to have easy access to their accounts.

## Additional information

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Should you wish to provide additional information (e.g. a position paper, report) or raise specific points not covered by the questionnaire, you can upload your additional document(s) below. **Please make sure you do not**

**include any personal data in the file you upload if you want to remain anonymous.**

The maximum file size is 1 MB.

You can upload several files.

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

## **Useful links**

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

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

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

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

## **Contact**

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