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ESMA Launches Call for Evidence on the Retail Investor Journey: Understanding Retail Participation in Capital Markets

Introduction

This Circular is being addressed to **investor and consumer organisations**, and it seeks input on how retail investors experience key aspects of the investment process and whether certain regulatory requirements support or hinder their engagement with capital markets. This circular is also relevant to **investment firms, credit institutions, and other entities subject to Directive 2014/65/EU on Markets in Financial Instruments (MiFID II) when providing investment services (“firms” or “investment service providers”)** as well as to **trade associations and other stakeholders involved in financial regulation, investor education, and retail investment market developments.**

Background

The Malta Financial Services Authority (the ‘Authority’) would like to inform all relevant stakeholders that on 21 May 2025 the European Securities and Markets Authority (‘ESMA’) has issued a [Call for Evidence on the Retail Investor Journey](#) and relative [Summary for national consumer organisations](#)

Objectives

Encouraging retail investor participation in capital markets is a key component of the Savings and Investment Union (SIU) vision, as it supports long-term investment and provides individuals with opportunities to grow their savings. However, despite efforts to promote retail participation, a significant portion of household savings remains parked in low-yield bank deposits. Hence, ESMA suggests that there may be scope for many European households to invest more of their financial wealth to meet their financial goals, while bringing broader economic benefits.

Investor protection is becoming increasingly important from an EU financial regulation perspective, with MiFID II and other relevant frameworks playing a crucial role in safeguarding retail investors. However, while many of its provisions are designed to safeguard retail clients, there is a concern that some regulatory requirements may have unintentionally introduced unnecessary complexity. Regulatory disclosures, suitability assessments, and periodic reporting may not always translate into better investor outcomes. Instead, they may potentially deter capital market participation by making the investment process feel daunting or inaccessible to non-professional investors.

With a view to building a truly effective framework, ESMA feels that it is important to assess whether MiFID II requirements and other relevant frameworks strike the right balance between investor protection and ensuring that retail investors can easily understand and navigate the investment process. Re-assessing and possibly simplifying the investor journey, without compromising on safeguards, can help create an environment where retail investors feel more confident navigating financial markets. Ensuring that information provided to and collected from retail investors is meaningful, rather than mere compliance exercises, can improve investor engagement and decision-making.

Hence through this Call for Evidence, ESMA aims to gather input from stakeholders on key aspects of the investor journey, particularly the MiFID II regulatory requirements that impact retail investors when engaging with capital markets. The Call for Evidence seeks to assess whether these requirements effectively support investor protection while also ensuring accessibility and ease of engagement. ESMA is particularly interested in understanding whether certain disclosure, suitability and appropriateness requirements, as designed or implemented, may create unintended obstacles for retail investors. While robust investor protection measures are essential, it is important to assess whether they remain effective and proportionate, especially in a digitalised investment environment.

Contents and Areas covered in the Call for Evidence

This Call for Evidence covers various aspects of the investor journey both from a regulatory and non-regulatory perspective.

The first section provides background information, including the objectives of the Call for evidence and the broader Savings and Investment Union (SIU) context.

The Call for Evidence first examines non-regulatory barriers to retail investor participation in capital markets and then proceeds to explore specific regulatory requirements that directly impact retail investors, as follows:

- **Regulatory disclosures:** Examining whether disclosures (such as for example, costs and charges, product risks, firm information) are structured in a way that supports informed decision-making or if they risk overwhelming investors with excessive complexity.
- **Suitability assessment:** Gathering views on the information firms collect to assess whether investment products align with an investor's investment objectives, financial situation, knowledge and experience, and as of more recently, sustainability.

The Call for Evidence also examines specific trends affecting retail investor engagement and includes questions to try to understand, for example, why younger investors are more drawn to speculative and volatile assets (example, cryptocurrencies) over traditional investment products; whether digitalisation and certain influences (example, social media,

perceptions of low barriers) contribute to this trend; and how the increasing shift to online platforms and mobile apps affects investor engagement.

The main areas covered by the call for evidence are further highlighted below:

- key retail market trends, such as the appeal of speculative products for younger investors and the influence of social media on investment decisions;
- the practical application of MiFID II requirements in areas such as regulatory disclosures, assessment of suitability and appropriateness; and
- additional areas such as investor experience under the European crowdfunding framework and broader reflections on how to strike the right balance between investor protection and enabling informed risk-taking.

Way Forward and Next Steps

In this regard, the MFSA encourages your direct participation in ESMA's call, by completing the Call for Evidence found on the following link: [Call for evidence on Investor Journey](#). Furthermore, the MFSA would highly appreciate if participants can provide the MFSA with a copy of their reply by sending the completed Call for Evidence on the following email address: csuinvestments@mfsa.mt

The completed Call for Evidence shall be submitted to ESMA **by not later than 21 July 2025**. Following the call for evidence, ESMA, based on responses received, together with National Competent Authorities, will assess whether specific regulatory adjustments or clarifications may be needed to enhance investor protection and retail engagement in financial markets.