

To:

**European Securities and Markets Authority**

202-203 Rue de Bercy

75012 – Paris

France

Milan, 21 July 2025

**RE: AIPB Feedback to ESMA's "Call for evidence on the retail investor journey: understanding retail participation in capital markets"**

Dear Sirs,

The Italian Private Banking Association (*Associazione Italiana Private Banking*) (**AIPB**) welcomes the opportunity to respond to the European Securities and Markets Authority's (**ESMA**) call for evidence "*On the retail investor journey: understanding retail participation in capital markets*" (the **Call for Evidence**) launched on 21 May 2025.

AIPB is pleased to offer its contribution to ESMA's initiative, which is aimed at **better understanding retail investor's experiences** and the **factors influencing their participation in capital markets**.

In line with our commitment to **promoting efficient wealth management practices**, we provide insights derived from **extensive industry experience** and **direct interaction with private banking institutions** operating with retail clients.

The feedback provided in this document highlights key aspects influencing investor behavior, particularly emphasizing the **importance of tailored investment advice**, and **the pivotal role of financial advisors** in fostering informed and active market participation.

**Annex A** (*AIPB Data and Methodology*) provides more information about the data used by AIPB to answer to the Call for Evidence and the methodology followed by us for the collection of such data.

\* \* \* \*

#### **AIPB: Role and Mission**

*Established in 2004, AIPB brings together leading national and international private banking operators, universities, research centers, service providers, industry associations, and legal and professional firms. This interdisciplinary network combines its distinctive expertise to **foster, develop, and broaden the***

**culture of Private Banking**, addressing the needs of families and individuals with significant wealth and complex investment requirements.

AIPB's mission is to **promote the recognition of the unique nature and role of Private Banking** within both the financial sector and society at large.

Since the date when our Association was created, we have been working with Italian and EU institutions as well as with other stakeholders to **increase the awareness on the importance of the role of investment advisory and portfolio management services** to guide retail clients in making **investment decisions that are aligned with their investments' needs and objectives** and increase their **understanding and knowledge of financial markets**.

Private banking institutions provide enhanced investment advisory and portfolio management services which are characterized, among others, by the use of **sophisticated investment products and analytical tools, on-going portfolio monitoring activities** and the provision of **value-added services in the field of wealth management and succession planning**. Most of the clients benefitting from such enhanced services qualify as retail clients under the existing MiFID2 framework.

The peculiarities of the services provided by private banking institutions are not acknowledged though under the EU legislation, as the same rules apply to retail investors **regardless of the nature and quality of the service provided by the bank or investment firm**. We believe that this "one-size-fits-all" approach fails short to take into account the **specific needs of private banking clients** and we have always advocated the adoption of a more tailored approach to support the development of the private banking industry.

\* \* \* \*

## RETAIL INVESTOR JOURNEY: UNDERSTANDING NON-REGULATORY BARRIERS TO RETAIL INVESTOR PARTICIPATION

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

As anticipated above, over the years AIPB collected several data and information on a number of aspects concerning the relationships between retail investors and Italian banks / investment firms as regards the provision of investment services.

One of the questions posed to retail investors in the context of these surveys regarded the reasons why they choose to invest in capital markets. While this approach is indirect, it offers meaningful insights into the opposite behavior – namely, why some retail investors do not invest in capital markets.

The main reasons cited by investors for choosing to invest include:

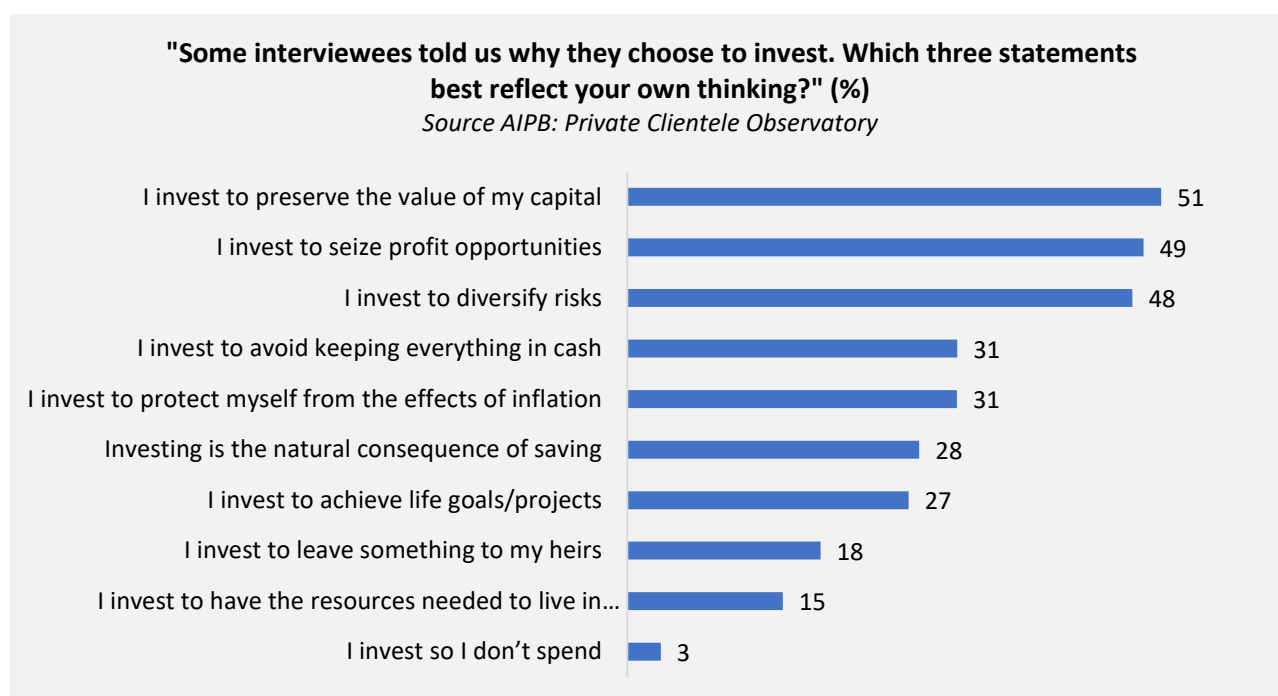
- the desire to preserve the real value of capital (51%);
- the opportunity to earn returns (49%); and
- the need to diversify risk (48%).

**These responses suggest that retail investors who refrain from investing often do so because they do not perceive the urgency or relevance of these factors.**

For example, retail investors who prefer to hold cash rather than investing in financial instruments may underestimate the effects of inflation, not fully understand the benefits of diversification, or prioritize liquidity and capital protection due to limited financial literacy.

Another important element emerging from the surveys conducted by AIPB is that **only a small percentage of respondents stated that they invest “to avoid spending” (3%)**, indicating that purely precautionary motives are rarely sufficient to drive investment behavior. Conversely, when such precautionary motives prevail – *e.g.*, risk aversion or complexity – they may lead retail investors to prefer bank deposits over investments in financial instruments.

The above considerations highlight **the importance of targeted advisory support and financial education**. These two factors are those that make investors **more aware of long-term risks** (such as inflation) and of the **potential advantages of a diversified investment strategy**.



Besides the considerations illustrated above and although we do not have any data supporting this conclusion, we believe that the **retail investors' attitude to invest in financial instruments is also affected by cultural, social and other economic factors**.

For instance, **investors' risk appetite** – which is shaped by social and cultural attitudes towards financial risk – **influences investment decisions significantly**. In contexts where conservative investment behaviors prevail, capital market participation may remain lower.

**The need for individuals to set aside private savings to support their retirement is also crucial in shaping investment behaviors.** The specific structure of social security systems may impact retail investors' propensity to participate in capital markets. Countries with robust State welfare programs, where reliance on personal investment for retirement security is lower, may have a reduced incentive for retail investors to engage in capital markets.

Similarly, **retirement programs that are clearly linked to investments in capital markets** – due to the approach followed by local pension funds or pension institutions – may create a stronger incentive to enhance financial literacy and education, and a higher propensity to invest in financial instruments.

Finally, one should consider also that in some countries (including Italy) **retail savings are significantly invested in assets that do not qualify as financial instruments, such as in particular real estate.** The higher is the percentage of personal or family assets invested in real estate property, the higher might be the incentive to keep the remaining savings in bank deposits (as opposed to investing them in riskier financial assets).

When looking at the behavior of Italian retail investors, it is indeed essential to **consider the broader structure of household wealth, which is deeply shaped by cultural and systemic factors.**

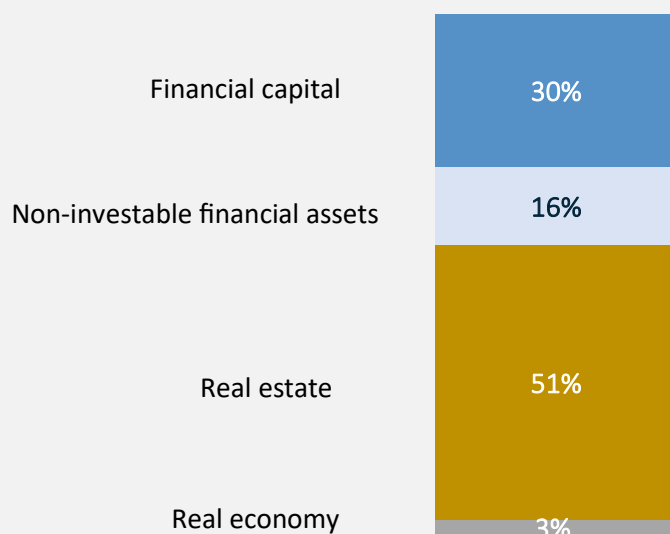
For instance, Italy is characterized by a **structural preference for real assets**: approximately **51% of total household wealth is held in real estate**, and an additional 16% is tied up in non-investable financial assets. This leaves **only 30% of wealth as financial capital available for investment.**

**The distribution described above reflects not only economic choices but also a cultural model.** In Italy, wealth is often associated with **tangible ownership**, especially real estate, rather than with financial instruments. Moreover, **the strong public welfare system** – particularly in healthcare and pensions – **has historically reduced the perceived need for individuals to build financial reserves through market investments.**

Understanding this structural mindset is key. Rather than labeling investors as risk-averse or uninformed, it is more accurate to recognize that in Italy wealth has traditionally served a different function compared to other countries – one rooted in stability, inheritance, and utility, rather than optimization or return.

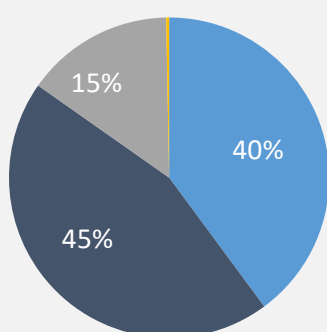
### Distribution of household wealth in Italy

Source: Prometeia



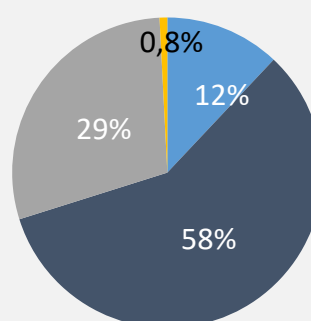
### Distribution of households' financial wealth

Source: Prometeia  
0,3%



### Distribution of Private households' financial wealth

Source: AIPB-Prometeia



■ Cash / Liquidity ■ Bonds ■ Equities ■ Private Markets

■ Cash / Liquidity ■ Bonds ■ Equities ■ Private Markets

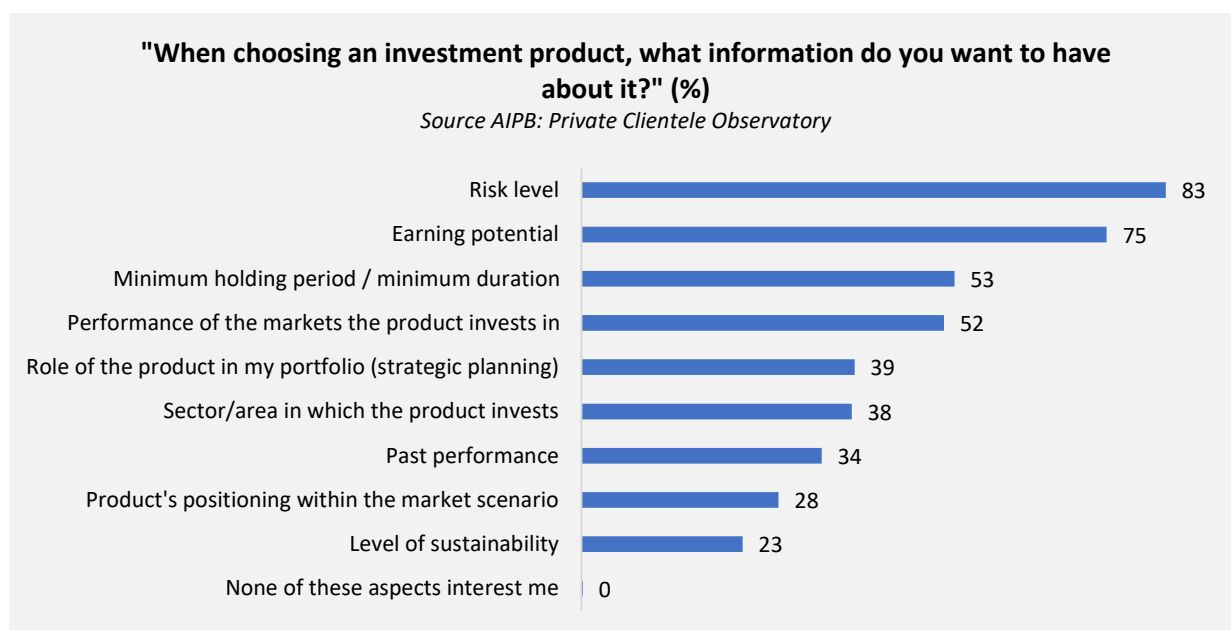
**Q2. To what extent do retail investors find investment products too complex or difficult to understand? Please select one of the following options and please explain and provide practical examples, or evidence drawn from experience, where available:**

- A major barrier to investment
- A moderate concern, but not the main factor
- ✓ **A minor issue compared to other factors**
- Not a concern at all

Our data show that, while all investment products can be potentially complex for retail investors – particularly those involving derivatives, structured components, or alternative asset classes – **the key issue for them lies not in the nature of the products themselves, but in the absence of tailored financial advice.**

**The role of financial advisors is essential in bridging the understanding gap.** For private banking institutions product complexity must be addressed not by simplifying products across the board, but by equipping investors with the tools, explanations, and contextualization they need to make informed choices. This proactive role of advisory services helps transform what might be a barrier into an opportunity for financial empowerment.

This perspective is further supported by what investors themselves declare as their informational priorities. When asked what they want to know when choosing an investment product, respondents most frequently indicate the **risk level** (83%) and **earning potential** (75%), followed by the **minimum holding period** (53%), the **performance of the markets in which the product invests** (52%), and the **strategic role** of the product within their portfolio (39%). Although aspects like sustainability (23%) or the product's positioning in the market context (28%) are less often mentioned, they still reflect a demand for more nuanced and contextualized product knowledge.



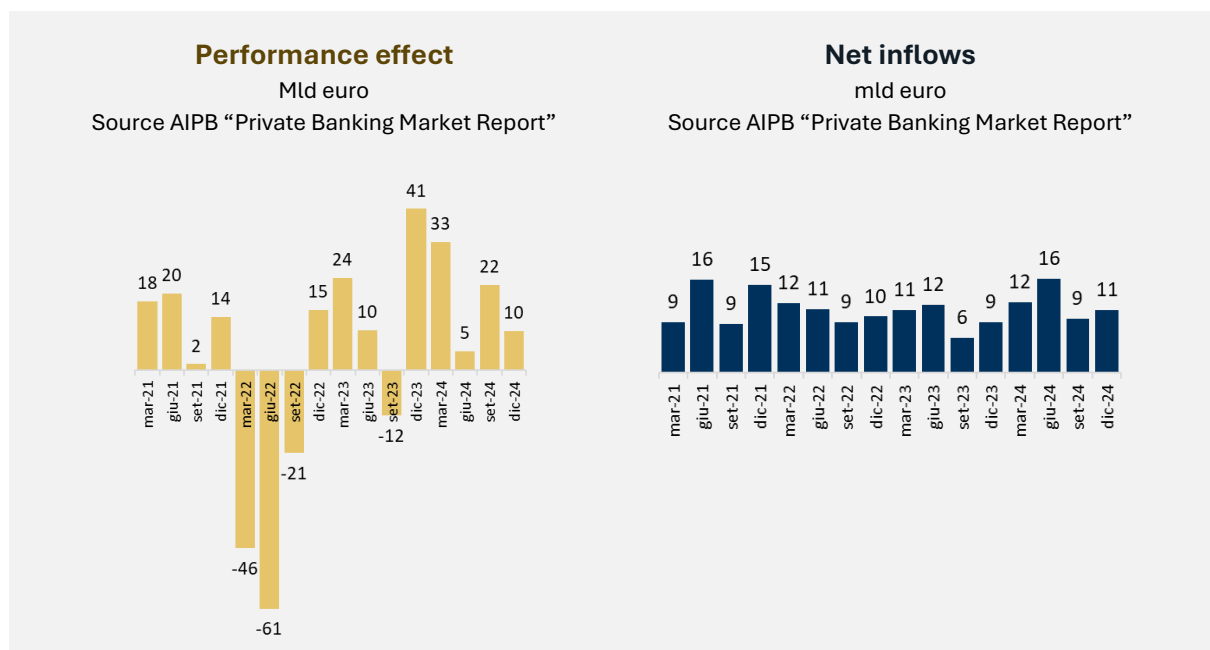
In most of the cases retail investors **do not clearly perceive and understand the differences among various investment products**. This is where the role of the investment advisor becomes crucial: rather than relying on self-education and training by retail customers – which could often lead to undesirable outcomes, such as investments in crypto-assets, contracts for difference (CFDs) or other risky products, due to the marketing done on social media (see below) – **the regulatory framework should promote and facilitate the offer of enhanced advisory or portfolio management services to retail clients**, in order to allow them to make informed decisions and/or invest their assets efficiently.

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

- Yes, negative experiences strongly discourage future investment
- Somewhat, but other factors (e.g., trust, risk appetite) play a bigger role
- ✓ **No, past experiences with poor returns are not a major factor in investor decisions**

Empirical evidence drawn from the private banking segment in Italy indicates that negative market conditions do not necessarily lead to a contraction in investment activity among retail clients. **Even during particularly adverse periods** – such as the year 2022, marked by widespread negative performance across asset classes – **net inflows remained positive**.

This observation suggests that clients engaged in private banking tend to maintain a strategic approach to asset allocation and demonstrate resilience in the face of volatility. The role of investment advisors is of course important in this context: despite experiencing periods of unfavorable market conditions, **investors who received competent financial advice tend to maintain or even increase their exposure to financial markets**.



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

- Yes, fees are a major obstacle to investment

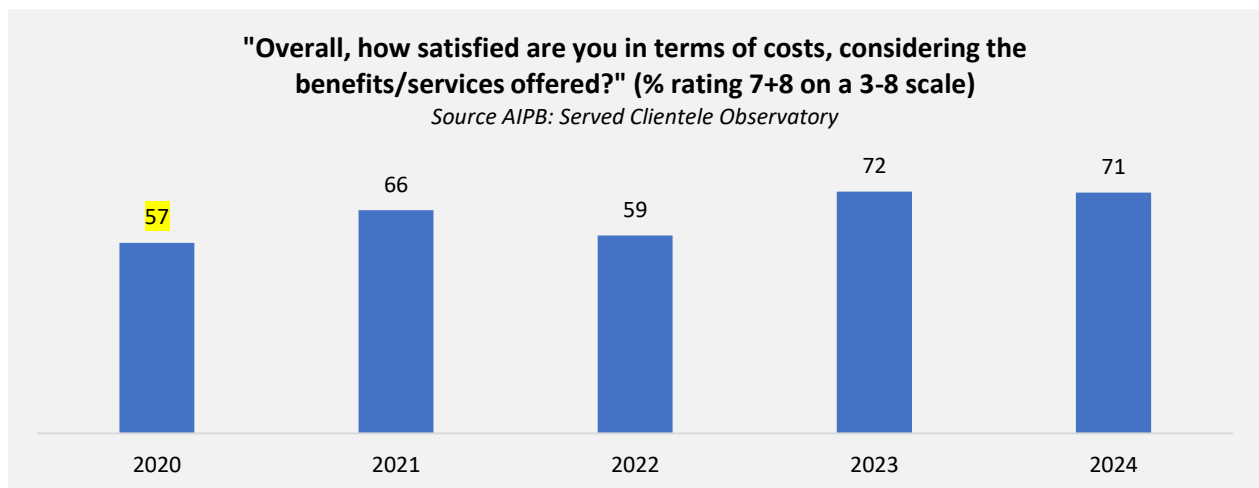
- ✓ **Somewhat, but investors consider other factors as well**
- No, fees are not a significant concern for most retail investors

Evidence from the private banking segment suggests that when the advisory experience is advanced, personalized, and continuous, **clients are not only supported in their investment journey but also empowered to evaluate the service they receive**. In such contexts, **cost is not assessed in isolation, but rather in light of the perceived value**. This allows clients to differentiate between “what has a cost” and “what has a value,” making fees more acceptable when accompanied by high-quality, transparent, and effective advisory services.

Concerns about costs might arise **when the service offered is perceived as generic or transaction-driven**. In contrast, in the context of ongoing and enhanced advisory relationships, clients tend to appreciate the value provided and are more inclined to assess costs within a **broader framework of trust, personalization, and long-term financial planning**.

Therefore, the key element from an investor’s perspective is not the presence of fees *per se*, but the ability of the bank or investment firm to make those fees transparent and meaningful **through a value-driven experience**. This reinforces the importance of the role of banks and investment firms in translating cost structures into tangible client benefits in the context of the provision of advisory services.

The above considerations are confirmed by our data, **showing that an overall satisfaction with costs – when evaluated in relation to the benefits and services received – has increased significantly over time: from 57% in 2020 to 71% in 2024, marking a 14% percentage points**.



The data illustrated above demonstrate that **the level of fees cannot be assessed independently from the value of the service**. Clients who benefit from enhanced investment advice and additional value-added services are happy with the level of the fees applied to them – including those fees that are paid by the client on top of the inducements (if any) received by the investment firm.



**These considerations equally apply when fees are embedded within the investment product**, such as in the case of inducements. In such scenarios, the embedded fees typically do not significantly impact the overall product performance to the extent of causing client dissatisfaction, as shown by the data referred to above.

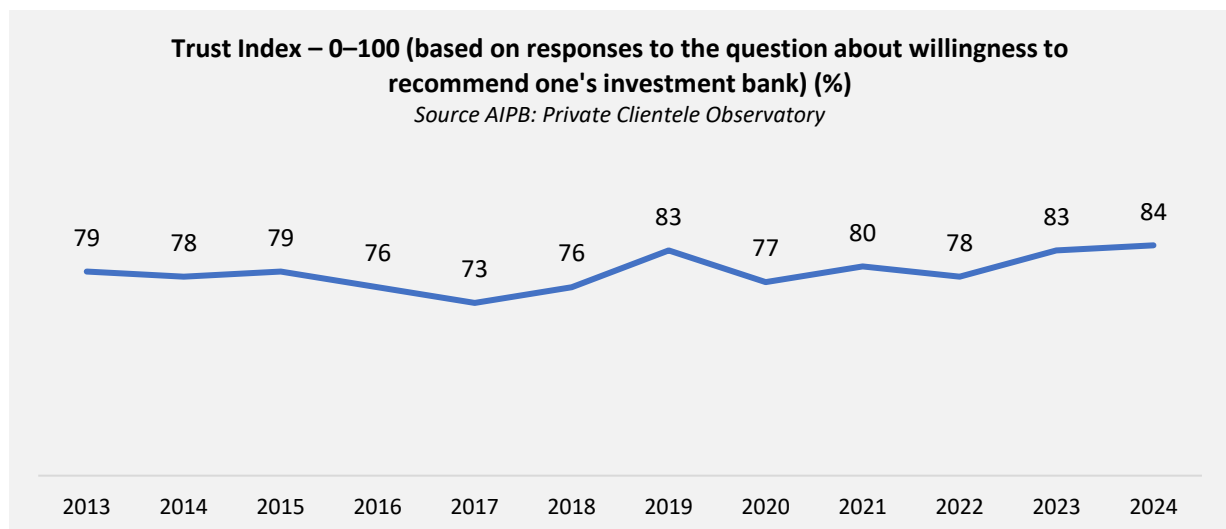
Therefore, **fees and costs alone do not discourage retail investors from participating in capital markets**, to the extent that **they are justified in the light of the quality of the service and they do not significantly affect the performance of the investment products**. Investors evaluate fees in the context of service quality, overall transparency and perceived value of the service provided by the bank or investment firm.

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

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

In the context of advised clients, trust levels remain consistently high, even during periods of market volatility or external shocks such as the COVID-19 pandemic. This resilience underscores the **stabilizing effect of structured advisory relationships**.

For instance, the trust index among advised clients consistently remained above 70, reaching 84 in 2024. These figures highlight that, while trust can be influenced by external factors, a robust advisory model effectively maintains investor confidence.



It is also worth pointing out that the **transparency of investment products does not significantly influence retail investor decisions**, as retail investors rely on their financial advisors and rarely engage directly with

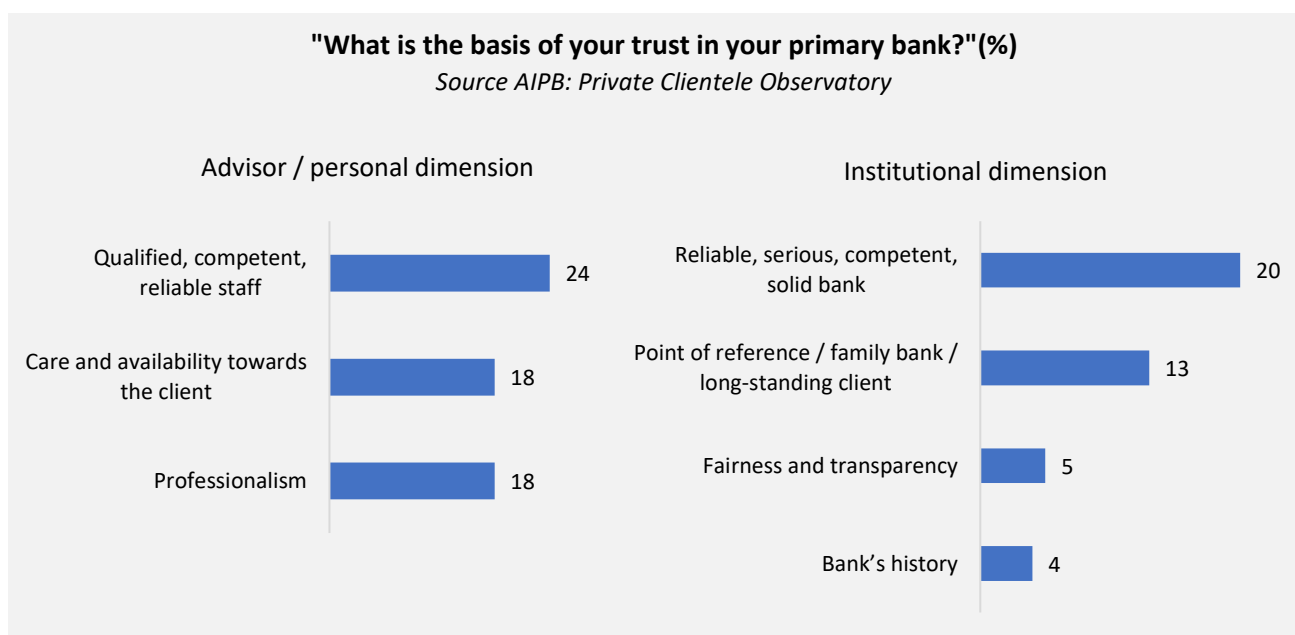
detailed transparency documentation. **This reliance on professional advice diminishes the direct impact of detailed product disclosures on investment behavior.**

The feedback gathered from the private banking segment highlights that **trust in investment service providers is primarily built on positive elements**, especially within the **advisor-client relationship**.

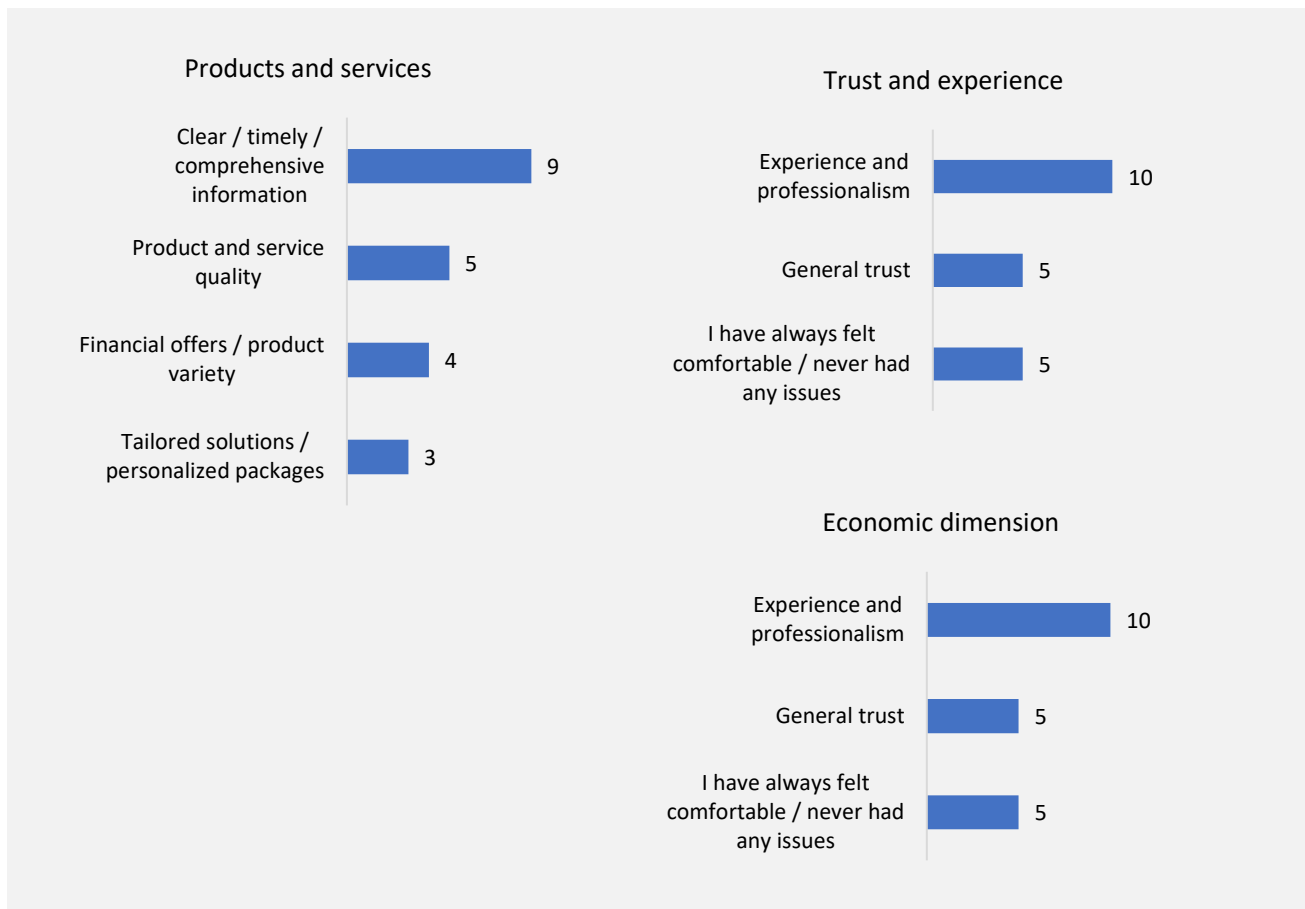
According to AIPB data, **66% of advised clients** spontaneously cite the **personal relationship with the advisor** as the key source of trust<sup>1</sup>. This includes qualities such as being qualified, competent, and reliable (24%), attention and availability towards the client (18%), and professionalism (18%). The advisor's ability to propose tailored solutions and demonstrate in-depth expertise also plays a meaningful role.

Beyond the personal dimension, **41% of respondents highlight institutional credibility** – such as seeing the bank as reliable, serious, and competent (20%), or having a long-standing relationship with it (13%) – as another foundational element of trust. Other contributing factors include the **quality and clarity of information provided (20%)**, previous **positive experiences (19%)**, and **economic benefits** such as attractive returns (8%).

In summary, the data collected by AIPB do not reveal specific distrust among advised investors. Instead, they underscore the **importance of human competence, institutional solidity, and clear communication** in fostering long-lasting trust.



<sup>1</sup> Answers are given based on a scale from 3 (lowest) to 8 (highest). The values on the graphs represent the percentages of clients answering either 7 or 8.



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

Based on our research, investors recognize **the importance of having a trusted financial advisor when navigating complex investment decisions or products.**

When asked: *“Regardless of what you consider your level of financial literacy to be, what or who has played a role in shaping your financial knowledge?”* **63% of the respondents chose the financial advisor.** This highlights that retail investors do not simply seek more information: they value guidance – *i.e.* someone who can translate information into relevant, comprehensible insights, tailored to their financial goals.

The advisor is not perceived as a passive source of information, but as an **active partner in the development of financial understanding.** The central role attributed to financial advisors underlines the fact that **access to competent, personalized advice is one of the most effective forms of support in helping investors overcome difficulties in understanding investment products.** Enhancing this access – particularly for those currently without structured advisory relationships – can therefore play a key role in reducing barriers to market participation.

**"Regardless of what you consider your level of financial literacy to be, what or who has played a role in shaping your financial knowledge?" (% of respondents replying "Yes")**

Source AIPB: Private Clientele Observatory



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

In the context of private banking clients, the scope of investment advice is broad and highly diversified, reflecting a **mature and strategic approach to portfolio construction**.

Rather than focusing on a narrow range of instruments, advised investors typically **receive guidance that spans the full spectrum of asset classes** – from traditional products such as equities and bonds to more sophisticated instruments including ETFs, structured products, private market funds, and insurance-based solutions.

As illustrated by the asset mix chart which is attached below, a wide range of products is represented in the portfolio of private banking clients.

This points to a **virtuous investor behavior, where advice is not limited to what is most familiar or liquid**, but is instead aligned with **long-term financial goals, risk profiles, and diversification principles**. The result is a well-balanced portfolio strategy, often combining liquid instruments with alternative investments and insurance-linked products, allowing for both protection and growth over time.

### Private Banking investors portfolio

Source AIPB: Private Banking Market Report



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

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

The data collected by AIPB show that, while the lack of financial education or investment knowledge is certainly important in shaping the investors' reluctance to invest in capital markets, **the financial literacy of investors is often underestimated by the investors themselves.**

Rather than revealing widespread knowledge gaps, **the OECD financial literacy test administered to our advised clients highlights a high level of financial awareness and competence.** When faced with key questions on interest rates, inflation, risk–return relationships, and portfolio diversification, the vast majority

of respondents answered correctly. These results suggest that advised clients are **not only well-informed, but also able to apply core financial concepts** in a practical and consistent way.

The presence of a **structured advisory relationship likely plays a key role in reinforcing these skills and turning abstract notions into concrete, decision-making tools.**

When asked to self-assess their financial competence, **only 46% of respondents rated themselves at 7 or 8 on a scale from 3 to 8**, despite their objectively strong performance on the OECD test. This gap between perceived and actual competence indicates a form of cautious humility, but also **underscores the importance of the advisor as a point of validation and reassurance.**

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

As highlighted in the paragraphs above, **cultural preference for non-financial assets** is a major factor discouraging investment in financial instruments. In countries such as Italy, a significant portion of household wealth is allocated to real estate and other tangible assets. This cultural inclination **limits the pool of capital available for financial market investments.**

Other non-regulatory barriers that have not been mentioned in the paragraphs above may include the **dependence on informal sources of advice**, as well as **short termism.**

Many retail investors that are not supported by professional investment advice rely on informal advice and word-of-mouth recommendations. This dependence can lead to **misconceptions or misinformation regarding investment risks and opportunities**, discouraging informed and effective participation in capital markets.

As to short-termism, retail investors that are not supported by professional investment advice may **focus on short-term performance rather than on their long-term objectives.** This short-term perspective could amplify concerns regarding market fluctuations, thereby discouraging consistent market participation and long-term capital accumulation strategies.

The above regulatory barriers could be addressed by **strengthening the role and importance of investment advisory and portfolio management services**, which are key to permit an optimal allocation of the capital saved by retail investors.

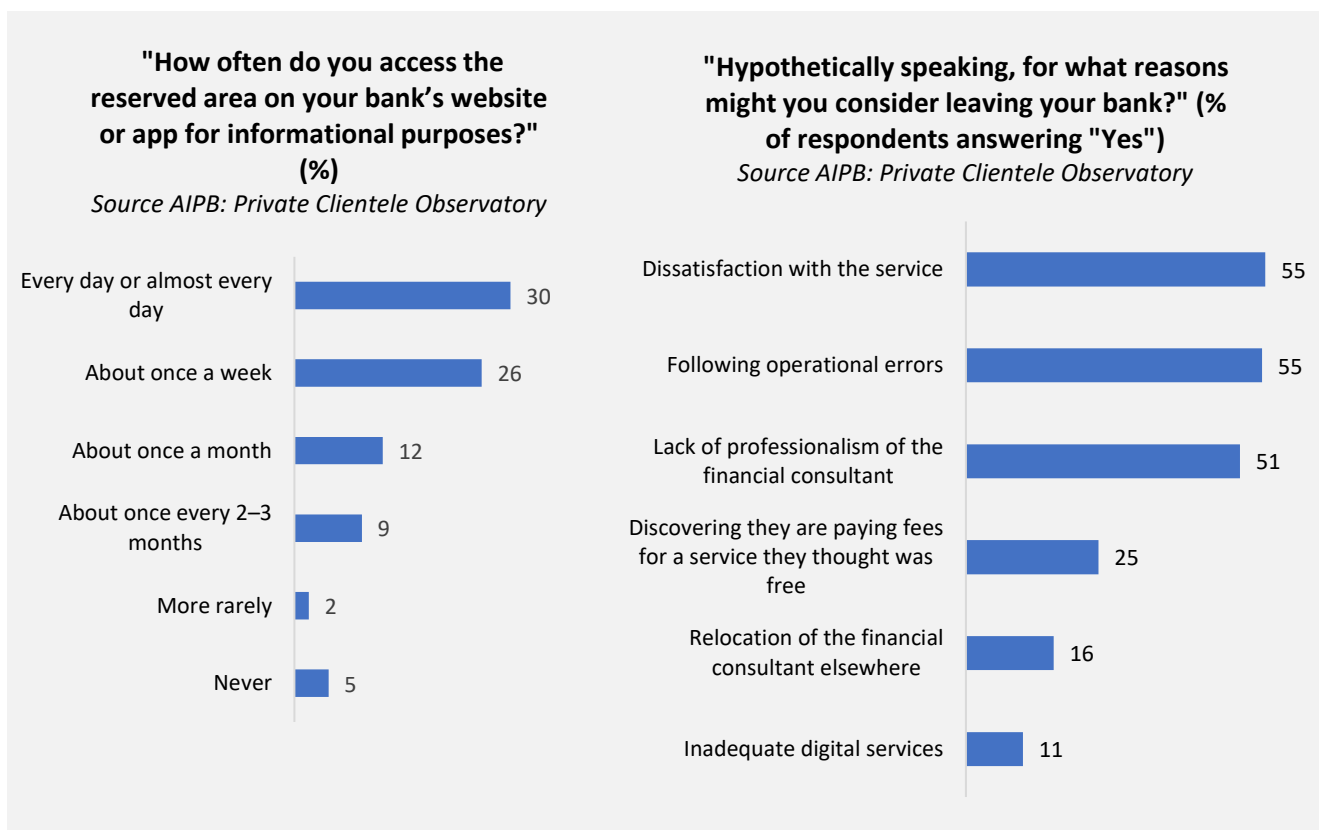
**Q11: What role do digital platforms and mobile applications play in shaping the investor journey? Are there digital features or tools that have simplified the investment process or improved investor understanding and decision-making? Conversely, are there aspects that may complicate the experience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

Private banking clients are **digitally literate**: over half of our respondents report regularly accessing the reserved area of their bank's website or app (56%). This confirms that digital engagement is **widespread and well-assimilated** within the segment. Importantly, this behavior is consistent across different age groups, with only a predictable decline among clients over 74.

However, the role of digital platforms remains **instrumental rather than decisive**. These tools are primarily used to **facilitate communication**, provide **real-time access to portfolio information**, and support **document sharing and reporting**. They do not drive investment decisions or deepen engagement on their own.

Only **11%** of clients say they would consider switching provider due to inadequate digital services, a figure far lower than dissatisfaction related to **poor service (55%)** or **operational errors (55%)**. This indicates that **human advisory quality and operational reliability** remain the key drivers of satisfaction and loyalty. Again, this behavior is consistent across all age groups.

While digital innovation can enhance understanding, especially for younger or data-driven clients, its value depends on how well it supports the overall advisory model. In private banking, **technology is a tool, not a differentiator**.



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

The effectiveness of the existing mechanisms for filing complaints and obtaining redress is **not perceived as a key element driving investor decisions**. We do not see any material inefficiencies or complexities in complaint handling processes that may discourage investor participation.

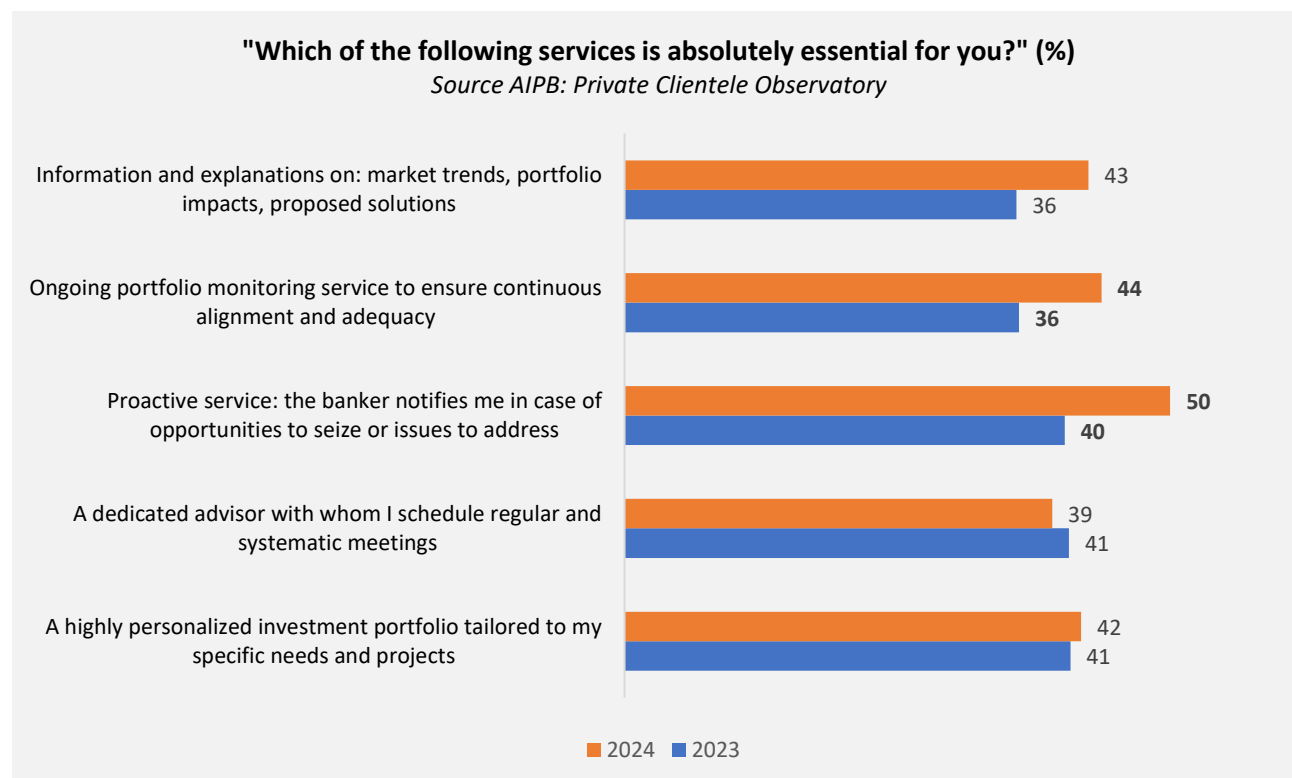
Under Italian law retail investors are indeed entitled to file their complaints with an alternative dispute resolution (**ADR**) system that was specifically created to manage all disputes concerning the provision of investment services or asset management activities. The Italian ADR mechanism works well and is a valuable instrument to protect investors' rights in case of disputes with Italian financial institutions.

**Furthermore, it must also be noted that** in the context of private banking, clients benefit from **preventive support mechanisms** that reduce the need for escalation.

Among the **several key components** that define the advisory model, two services exemplify this proactive approach: **the continuous portfolio check-up**, which ensures regular monitoring of performance and ongoing suitability of investments; and the **proactive service**, in which the banker notifies the client in case of opportunities or potential issues.

According to AIPB data, both activities referred to above are increasingly considered essential by advised clients. The share of investors who view ongoing monitoring as essential rose from 36% in 2023 to 44% in 2024, while proactive communication by the banker saw an even more significant increase: from 40% to 50% over the same period. **This suggests that the ability to detect and address issues early through structured advisory follow-up contributes to reduce frictions.**

As a result, the role of formal redress systems becomes residual, **since the advisory model itself acts as a first line of resolution**, both for technical issues and for alignment with the client's evolving needs. In such frameworks, dissatisfaction tends to be addressed through direct, trusted advisor interaction rather than through impersonal channels.





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

**Improving financial literacy** could be an effective strategy to tackle the main elements that discourage retail investors' participation in capital markets – which are highlighted in our response to Q1 above.

Another important initiative that could help increasing retail investors' participation in capital markets is represented by the **creation of a Savings and Investment Account (SIA)**, as per the proposal recently made by the European Commission in the context of the Savings and Investment Union.

The initiative related to the creation of a EU framework for the offer of SIAs should simplify the retail investors' journey, by giving them access to a **simple, transparent and easily accessible investment tool** and enabling them to invest in a **selected group of financial instruments' and products' categories**, which should be easily understandable by them.

The SIA can work as the entry point for retail investors in order for them to start investing in capital markets.

At the same time, we believe that the following measures could also help increasing the participation of retail investors in capital markets:

- Retail investors benefitting from enhanced financial advisory or portfolio management services should be entitled to **access a broader universe of investment products** – including, where appropriate, more complex instruments – that better align to their investment needs.

The existing Product Oversight and Governance (POG) rules create an over-protection effect for private banking clients, acting as a constraint that prevents financial institutions from offering investment products that would be best suited to match the investors' goals (such as for instance alternative investment funds or ELTIFs). Although the current POG framework allows for limited deviations from the target market definition – primarily for diversification purposes – such flexibility remains narrowly framed and insufficient to fully address the needs of private banking clients receiving high-quality, personalized advice.

To address this issue, the regulatory framework should specifically focus on recognizing the pivotal role of investment advisors in guiding clients through the investment process. It should create incentives aimed at improving the quality of advisory services and reward banks and investment firms who deliver services that are closely aligned with the clients' need.

- The **tax leverage is also very important in promoting further investments in financial instruments**. Introducing **favorable tax regimes for long-term investments by retail investors** could help creating the right incentives to increase the portion of capital that is invested in capital markets by retail investors in the EU.

## RETAIL INVESTOR JOURNEY: UNDERSTANDING THE APPEAL OF SPECULATIVE AND VOLATILE INVESTMENTS AMONG YOUNG INVESTORS

**Q14a: Do you believe that young investors are more attracted to speculative and volatile markets (e.g., cryptocurrencies) rather than traditional investments (e.g. investment funds)? If yes, what are the main reasons for this?**

- ✓ **The expectation of high returns**
  - The perception of lower costs (e.g., no management fees, low transaction costs)
  - The ease of access and fewer entry barriers compared to traditional investments
  - A preference for decentralised, non-intermediated investments
- ✓ **Influence from social media and online communities**
  - Distrust in traditional financial institutions and advisers
  - Other (please specify)

The data collected by us in the private banking segment suggest that younger investors have a **higher propensity to engage with speculative and volatile instruments** – such as crypto-assets – compared to more traditional investments. This difference is particularly pronounced in both current exposure and future investment intentions.

In 2024, **22% of clients under the age of 44 declared an intention to invest (or invest further) in crypto-assets, compared to just 13% among those over 54**. A similar gradient is observed in the portfolio composition of private banking clients: **17% of the under 44 group currently hold crypto-assets, versus 11% in the 55+ segment**. While not a majority phenomenon, this signals a greater openness among younger investors to incorporate non-traditional, high-volatility assets into their portfolios.

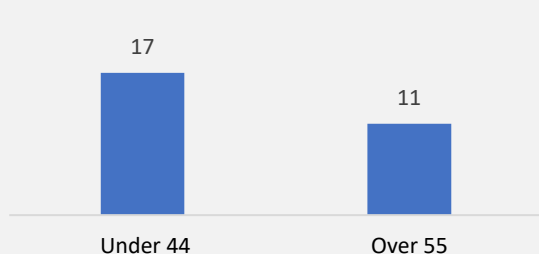
This generational divergence is further supported by differing levels of familiarity with digital financial instruments.

When asked about their knowledge of digital assets such as NFTs, utility tokens, and security tokens, **17% of investors under 44 claimed to know them “well” or “fairly well”, a share notably higher than the 12% reported among older clients**. The prevalence of answers such as “I’ve heard of them” (58%) also suggests that these products are part of the broader informational environment in which younger investors operate – which is often shaped by social media, peer influence, and digital-native narratives.

As to the motivations behind this behavior, all the factors listed in the question appear to be relevant and likely interact in shaping individual investment choices. However, based on the available data, **speculative intent** – *i.e.* the search for high, short-term returns – seems to emerge as the predominant driver among younger investors.

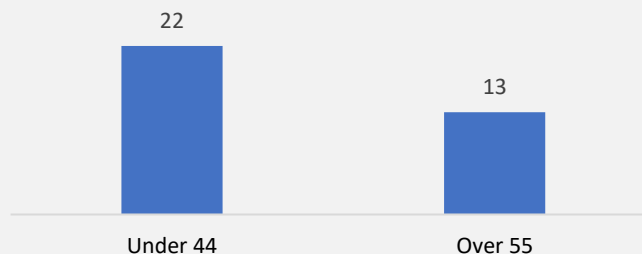
**"Have you invested in  
cryptocurrencies/cryptoactivities?"  
(% of respondents answering "Yes")**

Source AIPB: Private Clientele Observatory



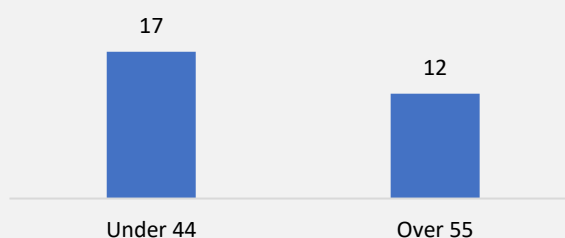
**"Do you think you will invest in  
cryptocurrencies/cryptoactivities in the  
future?" (% of respondents answering  
"Yes")**

Source AIPB: Private Clientele Observatory



**"Would you say you are familiar with  
digital assets?" (% of respondents  
answering "Yes")**

Source AIPB: Private Clientele Observatory



## RETAIL INVESTOR JOURNEY: ENSURING MEANINGFUL AND EFFECTIVE DISCLOSURES FOR RETAIL INVESTORS

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

When accompanied **by clear, simple, and well-structured documentation**, MiFID II disclosure requirements can indeed support transparency in the investment process. Accessible materials help investors understand the products and services they are engaging with, and lay the groundwork for more informed decision-making.

However, careful attention should be given to avoiding information overload, which can undermine the intended purpose of transparency. An excessive volume of detailed or technical content may lead to

confusion or disengagement, ultimately discouraging investors from meaningfully interacting with the documents.

It must however be noted that **documentation alone is not sufficient**. What truly shapes the investor's understanding is the **explanation and contextualization provided by the banker or advisor**. This is especially relevant in the private banking segment, where investment choices often involve a higher level of complexity and personalization.

Survey data from our constituency reinforces this point. As already illustrated in our response to Q6, the financial advisor is consistently identified as the individual who has contributed most to clients' financial knowledge. This central role underscores the **importance of human mediation in making disclosure materials meaningful and actionable**.

In summary, while MiFID II disclosure obligations can enhance transparency when presented effectively, their real impact depends on the quality of the advisory interaction. **It is through dialogue – not documents alone – that clients fully grasp the implications of investment decisions and develop financial confidence. This is clearly reflected in the breadth of topics covered during advisor-client interactions**, as shown in the chart below.

From portfolio performance to market outlooks, new product evaluations, administrative tasks, and risk management discussions, clients engage in a wide range of conversations with their bankers.



**This variety consolidates the advisory experience and gives substance to the notion that financial understanding is built through relationship, not regulation alone.**

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

The introduction of the PRIIPs KID has indeed been **helpful in improving retail investors' understanding of investment products** by presenting critical information in a standardized and accessible manner.

However, to maximize its effectiveness, it is crucial to ensure that **the standard of information presentation is consistently harmonized across different product categories**. Without uniform standards, investors may become confused or overwhelmed, undermining the original purpose of the document.

As highlighted in our response to Q15a, particular care must be taken to **prevent information overload**, as an excessive volume of detailed content can overwhelm investors, causing confusion or disengagement and ultimately hindering their full engagement with the document.

Finally, **the drafting process for the KID should be simplified**. Specifically, sections that complicate the document – such as detailed performance scenarios – should be either simplified or eliminated. These sections often not only make the KID harder for retail clients to understand but also increase the complexity and cost of preparation for banks and investment firms. **Simplifying these aspects would greatly enhance the document's overall utility and accessibility for retail investors.**

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

Retail investors generally find **costs' and charges' disclosures helpful**, particularly as provided through the PRIIPs KID and MiFID II-related reporting. These disclosures have significantly enhanced transparency, enabling investors to better comprehend the overall cost structure associated with their investments.

**Introducing additional disclosure requirements is unnecessary**, as the current regulatory framework already provides sufficiently detailed and comprehensive information. Further obligations could potentially lead to **investor confusion due to information overload**, diminishing the intended protective benefits.

Instead, efforts should prioritize improving the clarity and accessibility of existing disclosure documents. In particular, simplifying key materials such as the KID – especially by revising complex sections like performance scenarios – would significantly enhance investor understanding and usability, as previously highlighted.

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

We have no evidence or data concerning the layering of information on costs and charges by banks and investment firms on the Italian market.

**Q20: Do retail investors find the quarterly statements helpful in keeping track of their investments?**

*Please select one of the following options and please explain and provide practical examples, or evidence drawn from experience, where available.*

- Yes, it provides clear and relevant information
- ✓ **Somewhat, but the frequency could be lower**
- No, the information is usually readily available to the retail investor online and thus the statements do not have much added value
- Mixed views (please elaborate)

Our data show that **the annual statement is widely appreciated and considered essential** by clients, as it offers a comprehensive and consolidated view of their portfolio and investment performance.

Beyond the formal documentation, however, what private banking clients **value most** is the opportunity to have **multiple meetings with their banker throughout the year**, tailored to their preferences and service model. These meetings typically address a range of topics – from **market outlook and macroeconomic scenarios to portfolio performance and rebalancing needs** – and represent the true moment of assessment and strategic reflection.

**This ongoing relationship is enabled by an enhanced advisory model** – a service that clients recognize and are willing to remunerate further. **Enhanced financial advice** is not limited to a one-off recommendation, but consists in a **personalized, proactive, interactive, continuous, integrated, and systematic process**, designed to align investments with evolving needs and market contexts.

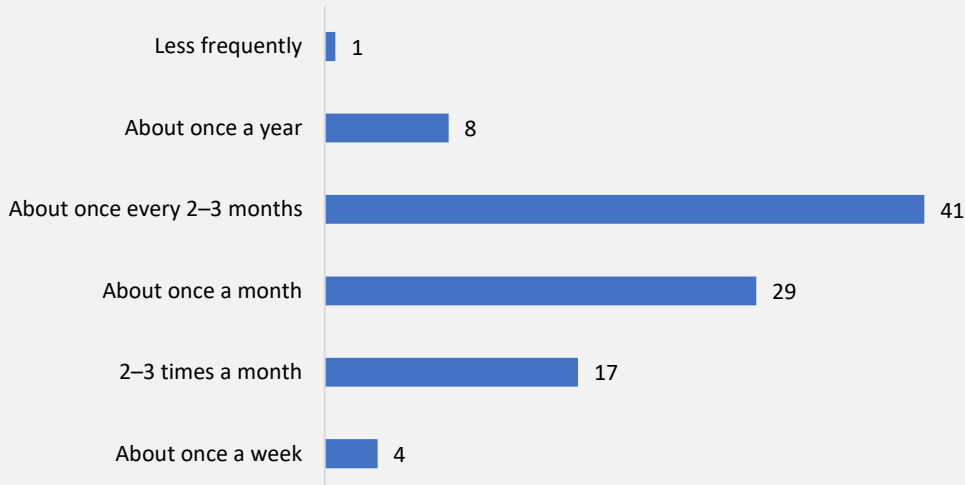
Enhanced financial advice is delivered through a **structured relationship model**, where the private banker plays a central role by combining high professionalism, deep product and market knowledge, and ongoing, up-to-date training. At its core lies a **continuous and proactive listening-and-feedback dynamic**, which helps anticipate needs, identify opportunities, and foster trust.

In this context, while quarterly statements may offer informational support, it is the **ongoing advisory interaction** that provides real value, personalization, and relevance to the client.

The data shown in the table below indicates the frequency of the meetings held with financial advisors by private banking clients in Italy.

**"How many times have you had phone, video-call, or in-person contact with your financial advisor/contact person in the past 12 months, regarding your financial position?" (%)**

Source AIPB: Private Clientele Observatory



**Q21a: Do retail investors find the information on every 10% depreciation of leveraged instruments, or the portfolio value in case of portfolio management, helpful in keeping track of their investments?**

- Yes, it provides timely and relevant information
- Somewhat, but the trigger for sending the information could be improved (e.g., when the performance of the portfolio is x% worse than the benchmark, if a benchmark has been agreed)
- No, this information may arrive at a moment of temporary market stress, triggering impulse-driven investment decisions at the wrong time
- ✓ **Mixed views (please elaborate)**

The information on every 10% depreciation is **useful and relevant**. However, its value depends on **how it is used within the advisory relationship**.

In the private banking context, such notifications are most effective when they prompt a **timely discussion between the advisor and the client**. This allows the client to evaluate the situation **without emotional reactions** and to decide – based on the economic context and the characteristics of their portfolio – whether it is appropriate to keep the investment notwithstanding the 10% depreciation, or to make changes.

The ability of the advisor to intervene at the right time **plays a key role in supporting rational and informed decision-making**.

Conversely, in the absence of the financial advisor's support, the notification on every 10% depreciation **could lead to fire sales or divestments** and could **further discourage retail investors to invest in financial markets**.

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

The effectiveness of the 10% loss reporting would be enhanced if it were **systematically integrated into the advisory process**.

Rather than representing an isolated alert, the notification should serve as a **prompt for the advisor to contact the client, provide context, and assess possible actions**. This assessment should not focus exclusively on the individual investment, but should be framed within a broader portfolio perspective – considering the client's overall asset allocation, investment horizon, and financial objectives, etc.

**Digital tools can support this process by offering synthetic overviews or scenario analyses**, but the central element remains the ability to interpret the signal in light of the portfolio as a whole and to support the client in making informed, non-emotional decisions.

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

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

Within the context of **purely digital investment services**, where ease of access and user experience are crucial factors, **the complexity of the customer due diligence (CDD) process in line with AML/CFT requirements can indeed constitute a significant barrier**. This challenge primarily impacts fully digital investment platforms and is particularly relevant to younger retail investors, who generally expect streamlined and rapid onboarding experiences.

Conversely, **for advisory and investment services that are not exclusively digital or not specifically targeted towards younger investors, the onboarding process, including AML/CFT-related due diligence measures, generally does not constitute a critical obstacle**. Retail clients who engage with these services typically place greater value on personalized advice and professional interaction, and therefore perceive AML/CTF due diligence as less of a deterrent to initiating investments.

Within the private banking sector specifically, there is a **notable challenge associated with the perception of higher AML/CFT risk due to the substantial amounts typically invested**. Regulators frequently categorize private banking clients as inherently higher risk, resulting in more rigorous and complex onboarding processes. This heightened scrutiny can **significantly complicate the investment experience**, potentially discouraging these clients from participating actively in financial markets through specialized advisory services.



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

With respect to fully digital investment processes, the onboarding experience for retail investors is primarily impacted not by the substantive content of customer due diligence (CDD) requirements, but rather by the **number and complexity of the questions posed during the process**.

A **lengthy and complicated onboarding questionnaire** can negatively influence user experience, potentially deterring retail investors – particularly younger, digitally-oriented clients – from accessing investment services.

In contexts other than fully digital services, notably within the private banking sector, some issues regarding the investor journey may arise from the **detailed and quite intrusive nature of certain AML/CFT measures** (e.g. questions on the source of funds), which should be applied only in case where there is actually a high risk of money laundering or terrorism financing.

As noted above, regulators tend to see private banking clients as high-risk clients by default for AML purposes. This circumstance leads to the application of enhanced due diligence measures by financial institutions.

However, **private banking clients often perceive the rigorous approach required by regulators as burdensome**. Such overly intrusive measures may lead to **client frustration or dissatisfaction**, negatively affecting their onboarding experience and possibly reducing their willingness to engage in investment activities through specialized advisory services.

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

A number of structural and administrative elements function as *de facto* barriers to the cross-border provision of investment services and to the ability to attract retail investors. These barriers arise **both from the perspective of foreign firms seeking to access the Italian market and from that of retail investors looking to invest in foreign financial products**.

A primary impediment is **the requirement imposed on foreign financial institutions to appoint a fiscal representative in the investor's country of residence when offering investment services directly to retail clients**. This fiscal representative is generally responsible for fulfilling local tax obligations on behalf of the institution, including, where applicable, withholding tax compliance. The obligation to appoint such a representative **significantly increases operational and regulatory burdens**, particularly for firms that operate exclusively through digital platforms or that lack a physical establishment in the relevant jurisdiction. As a practical matter, **this requirement discourages cross-border competition and limits the range of investment services available to retail investors**.

From the retail investor's standpoint, a further major obstacle is the **disparate tax treatment applicable to certain non-domestic investments**. In many cases, income from non-domestic or non-EU financial products is subject to **less favorable tax treatment** compared to income from domestic or EU ones. This differential treatment may render cross-border investments less attractive, even where such products are subject to robust regulatory oversight in their home jurisdictions.

In addition, **retail investors who invest through foreign institutions or in non-domestic financial instruments frequently face onerous tax reporting requirements**. For example, reporting obligations related to foreign financial assets, including the completion of specific informational frameworks and the potential application of wealth-based taxes, may constitute a barrier. These compliance burdens often deter retail clients from engaging in cross-border investments, encouraging them instead to **favor domestic products for which tax obligations are typically settled at source by local financial institutions**.

Another substantial barrier lies in the **lack of a streamlined mechanism for claiming withholding tax relief at source on cross-border income**. Although double taxation treaties often entitle investors to reduced rates of withholding tax, the administrative complexity involved in securing such relief – including linguistic challenges, extensive documentation requirements, and procedural delays – can render the process inaccessible to most retail investors, effectively nullifying the benefits of treaty protections.

Finally, **the absence of consistent interpretive guidance from national tax authorities**, coupled with **the risk of diverging legal interpretations** – particularly in sensitive areas such as anti-abuse rules, tax residency, and the determination of beneficial ownership – contributes to a **climate of legal uncertainty**. This legal fragmentation disincentivizes cross-border operations and creates potential exposure for retail investors who may inadvertently fail to meet complex foreign tax obligations.

While the EU guarantees the principles of freedom of establishment and free movement of capital, **national tax regimes continue to act as material impediments to the realization of a fully integrated capital market**. **Greater harmonization at the Union level** – particularly with respect to the taxation of investment income, the mutual recognition of foreign financial institutions for withholding tax purposes, and the simplification of personal tax compliance obligations – **would meaningfully reduce existing barriers and foster deeper cross-border retail investor engagement**.

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

Tax-related issues remain **one of the most significant non-regulatory barriers to the development of a truly integrated retail investment market within the European Union**. Despite the EU's legal framework supporting the free movement of capital and the cross-border provision of financial services, the **fragmentation of national tax systems** creates **substantial disincentives for retail investors seeking to invest in products offered from other Member States**.

One key deterrent is the **lack of tax neutrality across borders**. Retail investors often face different tax treatment depending on the jurisdiction in which a product is issued or the service provider is based. This includes differing rules on the taxation of financial investments, as well as varying approaches to the timing and characterization of income. Such disparities can result in **foreign investment products being taxed less**

**favorably than domestic equivalents**, not because of their risk profile or structure, but solely due to their place of issuance or administration.

Furthermore, **compliance complexity is a major barrier**. In many Member States, investors must individually report and pay taxes on income earned from foreign investments, which may involve complex calculations, documentation in foreign languages, and a lack of automated systems for tax withholding or information exchange. In contrast, **domestic investments often benefit from simplified, source-based taxation** (e.g., through withholding at source or through financial institutions acting as tax agents). The additional administrative burden of **reporting foreign-sourced income** – especially when tax is not automatically withheld – creates a **strong incentive to remain within domestic markets**.

Another structural issue is the **inefficient implementation of double taxation treaties**. While such treaties typically provide relief mechanisms (e.g., reduced withholding tax rates), in practice, obtaining treaty benefits is burdensome for retail investors. Procedures for tax relief at source or for refunding excess withholding tax are frequently paper-based, vary widely across jurisdictions, and often lack transparency or predictable timelines. These practical difficulties often **result in double taxation becoming a real cost, further eroding the net return from cross-border investments**.

Legal uncertainty also plays a role. Tax treatment of financial instruments can vary not only in substance but also in **interpretation across Member States**. **Ambiguities around concepts such as beneficial ownership, tax residence, or the classification of financial products can expose retail investors to the risk of audits, penalties, or retroactive taxation**. Such uncertainties disproportionately affect individual investors who typically lack the resources to seek professional advice or engage in disputes with tax authorities.

In conclusion, while the EU has made significant strides toward harmonizing regulatory aspects of the capital markets, **tax fragmentation remains a critical obstacle to cross-border retail investment**. Without more coordination in tax treatment, simplified reporting standards, and efficient relief mechanisms, **retail investors will continue to prefer domestic products**, limiting the success of the Capital Markets Union and undermining the goal of increasing retail participation in EU capital markets. Addressing these tax-related barriers is essential to **building a more competitive, accessible, and integrated investment landscape for all EU citizens**.

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

In the private banking segment, efforts to make investment service agreements more accessible focus less on radically simplifying the legal documents – which must meet regulatory and contractual standards – and more on **ensuring that their content is fully understood through the advisory relationship**.

This approach is particularly important for **clients who feel they lack sufficient financial education**. In these cases, the advisor plays a key role in translating contractual language into clear explanations, helping the client understand the nature of the service, the roles and responsibilities involved, and the implications of their choices.

Rather than relying solely on the format of the documents, the emphasis of the regulatory framework should be placed on **creating the conditions for meaningful comprehension through structured conversations, contextual examples, and a progressive engagement with key contractual elements**. This enables clients to sign not only with awareness, but also with confidence in the process.

**Q29: To what extent do retail investors find the process of regularly/periodically providing and updating personal and financial information for suitability assessments clear and workable? Please explain and provide practical examples, or evidence drawn from experience, where available.**

The data collected by us in the private banking segment in Italy suggest that **the process of collecting and updating personal and financial information for suitability assessments is not only workable, but is also viewed as a meaningful component of the advisory relationship**.

This is due to the fact that the client profiling and assessment phase – conducted both at the outset and throughout the client relationship – goes well beyond MiFID II minimum requirements, enabling **a more comprehensive and dynamic understanding of the client's goals and investment expectations**.

Private banking institutions systematically **collect a wide range of information that exceeds regulatory obligations**. This includes education level, professional background, past investment behavior, frequency and volumes – gathered not only through the MiFID II questionnaire, but also via internal systems such as CRM and transactional data. This integrated approach ensures coherence, enriches client profiling with operational insights, and reduces the burden of repetitive questioning by drawing on data already available within the bank.

Equally robust is **the assessment of clients' economic and financial standing**. Most operators collect income data, financial commitments, and real estate holdings in a structured way. More advanced dimensions – such as real wealth, share of wallet, and future cash flow projections – are gradually being integrated into the profiling process, reflecting a forward-looking approach to wealth planning.

**The evaluation of investment objectives is also an integral part of the profiling activity**. Information such as risk appetite, investment goals (in terms of risk-return profile), and both objective and subjective time horizons is collected almost universally via the questionnaire, with reference to the portfolio as a whole. However, the systematic capture of more granular needs – such as insurance-related objectives or project-specific financial goals – remains limited and often occurs only marginally at the point of sale.

All in all, when properly embedded in the advisory dialogue, **the collection and periodic updating of personal and financial data is recognised as a valuable exercise** – one that enhances trust and supports the delivery of high-quality, personalised advice aligned with clients' evolving needs and preferences.

### Information requested from the client or collected directly by the Bank (%)

Source AIPB: *The State of Suitability Models in Italy*

Information	MiFID Survey	Internal Systems (e.g. CRM)	Point of Sale	External Sources	Information Not Requested
Education Level	100	0	5	5	0
Profession	100	0	5	5	0
Risk Appetite	100	0	5	5	0
Investment Purpose (Expected Risk-Return Profile)	100	37	5	5	0
Sustainability Preferences	100	0	5	5	0
Nature of Past Investments	95	37	5	5	0
Income	89	5	5	5	5
Financial Commitments	89	37	5	5	5
'Subjective' Time Horizon	89	0	11	5	5
Real Estate Assets	79	11	5	16	16
Investment Frequency	74	47	0	5	5
Financial Assets (Third Parties)	74	0	5	21	21
'Objective' Time Horizon	74	0	5	5	26
Insurance / Protection Objectives	68	0	5	21	21
Investment Volumes	63	37	5	16	16
Financial Assets (Held at Bank)	58	47	5	5	5
Real Wealth	37	0	0	58	58
Nature of Services Used in the Past	32	11	5	5	68
Share of Wallet at the Bank	21	0	5	0	74
Expected Changes in Future Cash Flows	21	0	5	5	74
Multiple Project-Based Objectives	21	0	5	0	74

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

We believe that regulators can enhance the efficiency and user-friendliness of the investor information collection process without undermining the objectives of investor protection and suitability assessment.

To achieve this, regulators could establish guidelines promoting **simplified, harmonized, and standardized questionnaires**, which would reduce complexity and enhance comparability across different financial institutions. The use of these standardized questionnaire should be of course without prejudice to the possibility for each bank or investment firm to collect additional information or pose further questions to the investor – but at least should ensure that there is a minimum set of common information collected in a standardized and simple manner.

Regulatory measures could also encourage financial institutions to **avoid repetitive collection of information already available, thus minimizing unnecessary burdens on investors**. In this context, leveraging the upcoming regulatory frameworks on Open Finance and the Financial Data Access (FIDA) initiatives could be particularly effective. These new regulations could facilitate **secure, standardized sharing of investor information among financial institutions**, effectively creating a **portable “information database”** containing investor-provided data.

Ultimately, clear regulatory support for these measures would not only simplify information collection but also **strengthen investor engagement, promote transparency, and ensure consistently high standards of investor protection** across the financial market.

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

In recent years retail investors have shown a **significant increase in awareness regarding ESG matters**. This heightened investor sensitivity has been accompanied by the **proactive development of ESG-focused investment products** by financial institutions, largely driven by **regulatory initiatives designed to promote sustainability preferences**.

Despite these positive developments, in some instances the existing regulatory framework has created **unintended barriers that hinder financial institutions from fully capitalizing on ESG themes**.

Specifically, **the compliance obligations triggered when investors express explicit sustainability preferences can be excessively burdensome**. Such demanding regulatory requirements carry the risk of producing counterproductive outcomes, *i.e.* that financial institutions adopt a more cautious stance, refraining from actively promoting or offering ESG-oriented products, in order to avoid the excessive burdens deriving from ESG compliance.

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

While sustainability is still a relatively recent dimension in the investment landscape, feedback from the private banking segment indicates that **clients, when accompanied by a competent advisor, are capable of expressing their preferences in a meaningful and structured way**.

Data gathered from private banking operators confirm this perspective: **96% of clients** are reported to have either low (38%) or medium (58%) difficulty in understanding the distinction between sustainable products and traditional ones – indicating widespread clarity on this fundamental aspect.

Likewise, **79% of clients** show low (12%) or medium (67%) difficulty in grasping the broader impact of investments on society and the environment.

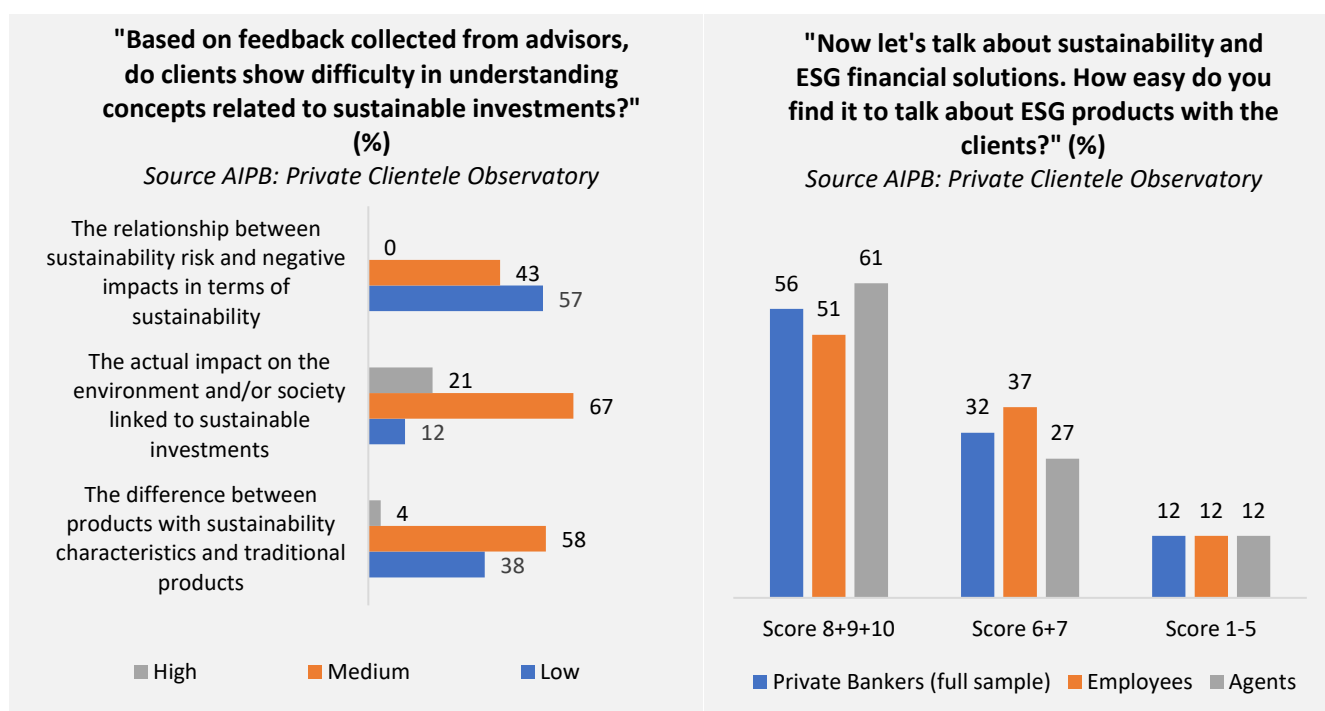


Even when it comes to more abstract dimensions – such as the relationship between sustainability risk and negative impacts – the level of challenge remains moderate, with **57% of operators** indicating that clients experience only medium difficulty.

The above data are further reinforced by the perspective of bankers themselves.

When asked about their ability to engage with clients on sustainability and ESG topics, **88% of private bankers** reported high or medium ease (56% gave a top score of 8-10, and 32% scored 6-7). This level of confidence is mirrored across contractual types, with **90% of agents** and **88% of employees** declaring they feel adequately equipped to handle such conversations. These figures confirm that the advisory side is not only ready to address ESG-related demands, but is actively fostering dialogue and understanding in this area.

In conclusion, AIPB's data show that **banks and investment firms have not observed significant barriers in clients' ability to express sustainability preferences**. Rather, they have found that **when ESG themes are integrated into structured advisory interactions, clients respond with engagement, comprehension, and increasing confidence**. The key to this outcome lies in **the quality of the advisor-client relationship** – a space where complex themes become accessible, and preferences can be shaped into concrete investment decisions.



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

Based on our experience – and although we have not gathered any specific data on this matter – **retail investors find suitability reports beneficial in understanding the rationale behind specific investment recommendations.**

Suitability reports provide transparency and clarity, outlining how proposed investments align with the investor's personal financial objectives, risk profile, and sustainability preferences. Consequently, they play a significant role in enhancing investor confidence and understanding of the investment decision-making process.

However, **the effectiveness and perceived value of these reports depend largely on their clarity and conciseness.** Excessively detailed or overly technical suitability reports may inadvertently obscure key messages, reducing their utility to retail investors. Ensuring that suitability reports are concise, clearly structured, and easy to comprehend is essential for maximizing their value.

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

AIPB has not conducted any surveys among its members on how the suitability reports have been prepared in order to ensure that they are drafted in a concise, clear, and valuable manner. The practices in this field diverge also on the basis of the **nature of the service provided to the clients**, as well as of the **features of the clients themselves.**

What we observe is that banks and investment firms tend to develop **simplified templates for suitability reports**, which are structured to clearly highlight the key investment rationales and relevant investor-specific details, thus enhancing clarity.

The focus of the suitability report is on **presenting some core messages** aimed at highlighting the reasons why the investment is considered to match the client profile, investment objectives, risk tolerance, investment horizon and sustainability preferences.

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

- ✓ **Yes, it is an effective safeguard.**
- Somewhat, but there is room for improvement.
- No, it is not particularly effective.
- Mixed views (please elaborate).

It is quite uncommon for Italian investors that are serviced by private banking institutions to engage in investment activities outside of advisory or portfolio management services. Consequently, the practical relevance of the MiFID II appropriateness assessment is limited for this segment, and **we have not collected meaningful data over the years on the effects of the appropriateness test on investment behaviors.**



However, we believe that the appropriateness test under MiFID II is designed with the rationale that **investors engaging in non-advised transactions should possess sufficient understanding of the products they select and the associated risks**. In cases where a product is deemed potentially inappropriate, the investor should be duly informed, but should have the autonomy to proceed with the investment decision.

Adopting an overly protective or paternalistic regulatory approach in this context – such as for instance by strengthening the investor information duties and making the appropriateness test more similar to the suitability test under MiFID II – could prove counterproductive by **diverting investors away from financial products toward non-financial or riskier assets**.

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

We believe that **the current MiFID II appropriateness rules adequately serve their intended purpose, effectively ensuring retail investors comprehend the risks associated with traditional investment products**.

If the regulators want to address innovative services involving the bundling of payments, savings, and investment features, they should **amend or review the rules on product bundling to specifically address this type of products**.

**Q38: Are educational tools used during the onboarding process for retail clients? In your experience, are these tools primarily aimed at improving financial literacy, or are they mainly used to justify client access to complex financial products? Please explain and provide practical examples, or evidence drawn from experience, where available.**

While AIPB does not have specific quantitative data regarding the use of educational tools during the onboarding process, our experience suggests that the most effective method for enhancing clients' financial literacy is through **active and continuous engagement, primarily facilitated by professional financial advisors and portfolio managers**.

**Educational tools provided as part of the investor onboarding journey** – such as explanatory materials or interactive digital content – **may have limited efficacy if used in isolation**. Rather, meaningful financial education is best achieved through **personalized advisory services that guide investors in a practical learning-by-doing approach**. Such an approach ensures that clients genuinely understand the investment choices they make, the risks involved, and the rationale behind each decision.

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

No, we believe that **the current approach to the appropriateness test does not constitute a barrier to retail investors' engagement in financial markets.**

**This approach appropriately balances investor autonomy with necessary investor protection,** fostering confidence among retail clients while mitigating the risks associated with uninformed or inadequately informed investment choices.

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

AIPB's opinion is that the current regulatory framework tends to **over-protect retail investors, particularly in the context of advanced advisory or portfolio management services provided to private banking clients.**

Applying general retail protection standards uniformly to sophisticated investors in the private banking sector creates unintended and distortionary effects. Such excessive regulation may inadvertently limit the investment opportunities available to these clients, ultimately diverting capital flows toward non-financial assets and away from productive financial market investments.

To address these issues, **regulatory policy should more explicitly recognize and promote the central role of financial advisors and portfolio managers.** Placing these professionals at the heart of the regulatory framework would ensure that sophisticated investors receive tailored and adequately calibrated protections that reflect the quality of the service provided to them.

**A differentiated regulatory approach should be adopted for enhanced advisory and portfolio management activities.** Simplifying the compliance obligations for these services would facilitate **more agile and effective investment decision-making processes.**

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

There are specific aspects of the retail investor experience, particularly regarding private banking clients, that **are not sufficiently addressed either in the current MiFID II regulatory framework or in the present consultation.**

Notably, as already anticipated in the paragraphs above, **the current “one-size-fits-all” approach to retail investors under MiFID II disregards the specific features of enhanced investment advisory or portfolio management services** that are provided in the context of the private banking business.

This uniform approach results in **overly protective regulations applied equally to all retail clients,** including private banking clients who typically possess **substantial financial portfolios and distinct investment objectives.** Such an approach inadvertently restricts these investors from accessing suitable investment

opportunities that align better with their risk tolerance, portfolio size, and inter-generational wealth management goals. In practice, this leads to distortions in the market, often causing these investors to divert funds away from capital markets toward non-financial assets such as real estate, thereby limiting the effective channeling of private capital into productive financial investments within the EU.

To address this gap, **we propose introducing simplifications for EU banks and investment firms providing enhanced investment advisory and portfolio management services to retail clients.** This simplified framework should allow for greater flexibility in investment choices, including alternative assets and equity instruments.

Enhanced advisory or portfolio management services should be defined by EU law on the basis of the involvement of highly qualified personnel, the utilization of advanced technological tools, and tailored periodic assessments and monitoring of client portfolios. These services would also integrate supplementary value-added offerings such as inter-generational wealth management, strategic advisory services, and comprehensive financial education.

\* \* \* \*

AIPB remains fully available to engage in further dialogue and contribute its expertise to support the development of a successful and balanced framework.

Yours faithfully,

Associazione Italiana Private Banking (AIPB)

## Annex A

### ***AIPB Data and Methodology***

One of AIPB's missions is to conduct extensive and in-depth researches on the **evolution of the Italian private banking market**. We regularly publish **reports and researches on key aspects of the Italian market** and use the data collected in order to **provide insights on the main industry trends**.

The data and insights referenced throughout this paper have been gathered through various robust research initiatives undertaken by AIPB.

Specifically, our analysis draws upon several comprehensive studies, such as in particular the following:

- the **Private Clientele Observatory** (*Osservatorio della Clientela del Private Banking*), jointly developed by AIPB and the independent research institute **BVA-Doxa** in **2006**, represents one of the longest-running and most methodologically rigorous initiatives dedicated to the study of Italy's private investors. The research is based on **face-to-face interviews (Computer Assisted Personal Interviewing – CAPI)** conducted annually with a statistically robust and representative sample of **Italian households holding financial assets exceeding €500,000**. This segment constitutes the reference population for the Italian private banking sector. The primary objective of the Observatory is to **monitor the evolving needs, expectations, and preferences** of private investors, with particular attention to their relationship with financial intermediaries and the advisory services received;
- the **Serviced Market Report AIPB** (*Report del Mercato Servito AIPB*), launched in **2007** and conducted on a **quarterly basis**, is a proprietary research initiative developed and managed directly by the **AIPB Research Department**. It is based on a structured survey completed by **AIPB's 40 member institutions**, which together account for **nearly the entire private banking market in Italy**. The purpose of this report is to ensure **systematic monitoring of the market** through the analysis of key indicators: **net new money inflows**, the **market effect** on assets, and the resulting **overall variation in Assets under Management (AuM)**. In addition to tracking AuM developments, the survey captures the **evolution of investment products**, offering insights into changes in the composition of private banking portfolios and in client preferences;
- the **State of Suitability Models in Italy** (*Lo Stato dei Modelli di Adeguatezza in Italia*, 2024, Prometeia & AIPB) and **Integration of Sustainability Preferences into Advisory Processes** reports (*L'integrazione delle preferenze di sostenibilità nei processi di consulenza*, 2024, AIPB), namely two research initiatives that were conceived as **non-recurring qualitative surveys**, each developed to address **specific regulatory developments** relevant to the private banking industry. Their main objective was to **assess the state of implementation** of newly introduced requirements among AIPB member institutions, with a focus on how private banks have translated evolving regulatory obligations into their advisory frameworks and internal processes. While the former, developed with Prometeia, engaged **19 private banking intermediaries** and analyzed how suitability models were structured in light of existing MiFID II requirements and ESMA guidance, the latter involved **21 member institutions** to monitor the integration of clients' sustainability preferences into investment advice following the recent updates to the MiFID II framework;

- the **Private Bankers and Market Challenges** report (*I Private Banker e le Sfide del Mercato*, 2024, Research Dogma & AIPB), namely a recurrent CAWI (**Computer-Assisted Web Interviewing**) survey, carried out **every three years** since **2008**, and specifically addressed to **private bankers**, i.e. the financial advisors employed by AIPB member institutions. The survey aims to **map the self-assessment** of these professionals with respect to the **services they provide** and the **competencies they bring to bear** in supporting private clients. It captures bankers' own perceptions regarding the adequacy, strengths, and limitations of their advisory role. By systematically collecting this feedback, the initiative enables the **identification of areas for improvement**, both at the individual and organizational level, thereby contributing to the ongoing development of **professional standards** and the **effectiveness of advisory processes** in the Italian private banking sector. The **2024 edition** involved more than **2,500 private bankers**, providing a comprehensive and up-to-date overview of the frontline experience within the industry.

Collectively, these initiatives provide comprehensive and reliable insights into investor behavior and market dynamics, underpinning AIPB's feedback provided to ESMA in the context of this paper.