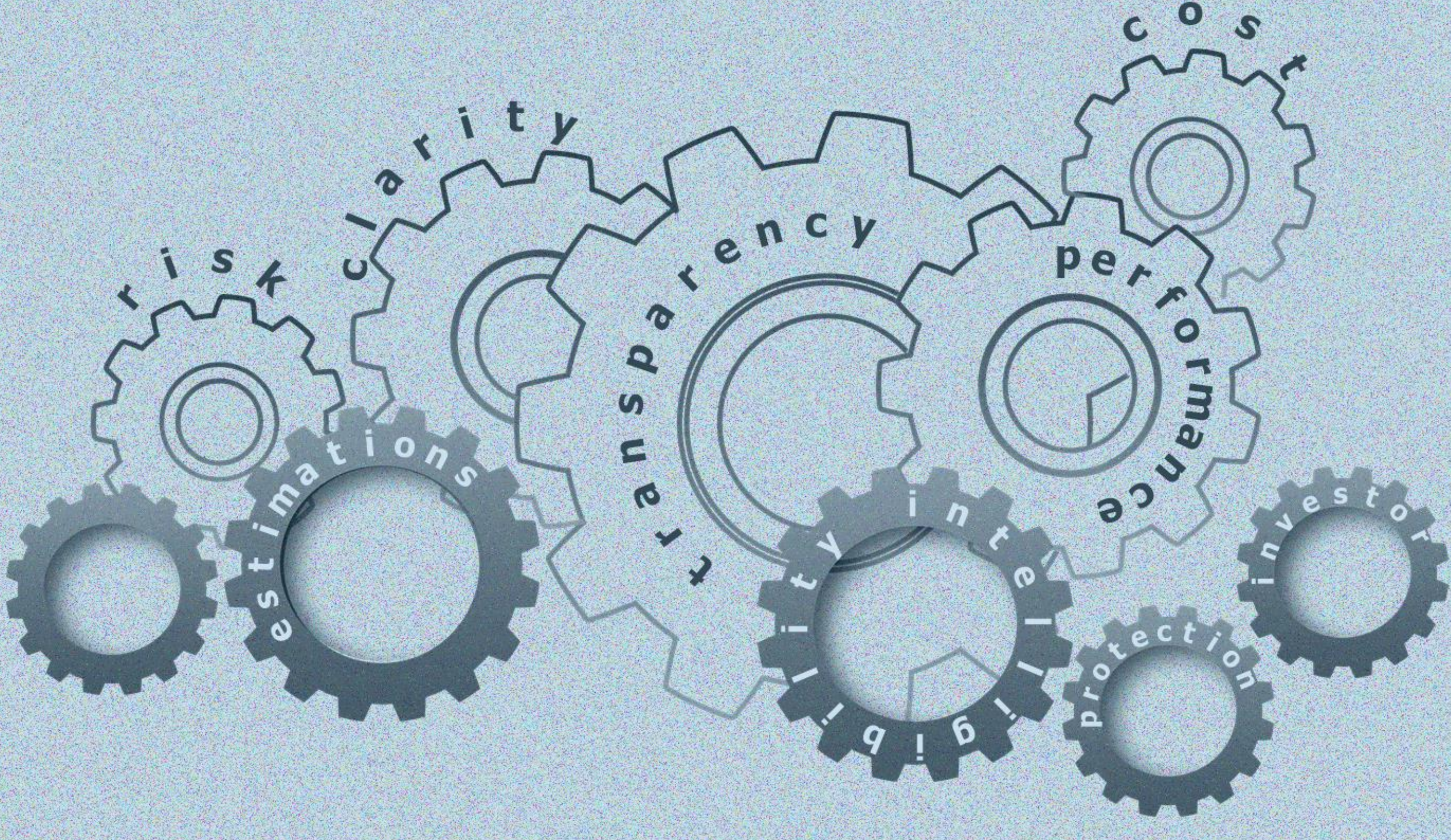
BETTER FINANCE MiFID II and PRIIPs Implementation Study:



Are the News Rules Serving their Purpose?

BF BETTER FINANCE
The European Federation of Investors and Financial Services Users
Fédération Européenne des Épargnants et Usagers des Services Financiers

About BETTER FINANCE

BETTER FINANCE, the European Federation of Investors and Financial Services Users, is the public interest non-governmental organisation advocating and defending the interests of European citizens as financial services users at the European level to lawmakers and the public in order to promote research, information and training on investments, savings and personal finances. It is the one and only European-level organisation solely dedicated to the representation of individual investors, savers and other financial services users.

BETTER FINANCE acts as an independent financial expertise and advocacy centre to the direct benefit of European financial services users. Since the BETTER FINANCE constituency includes individual and small shareholders, fund and retail investors, savers, pension fund participants, life insurance policy holders, borrowers, and other stakeholders who are independent from the financial industry, it has the best interests of all European citizens at heart. As such its activities are supported by the European Union since 2012.

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EXECUTIVE SUMMARY

More than a year after the entry into force of the revised Markets in Financial Instruments Directive (MiFID II) and of the Regulation on Key Information Document for Packaged Retail and Insurance-based Investment Products (PRIIPs KID), BETTER FINANCE sought the views and experience of its member associations and their individual members on the effectiveness of thes new rules on investor protection and disclosure. This study analyses the responses in light of the question "*are these new investor protection and disclosure rules serving their purpose?*"

BETTER FINANCE gathered input through two surveys, one addressed to individual investors and one to BETTER FINANCE members:

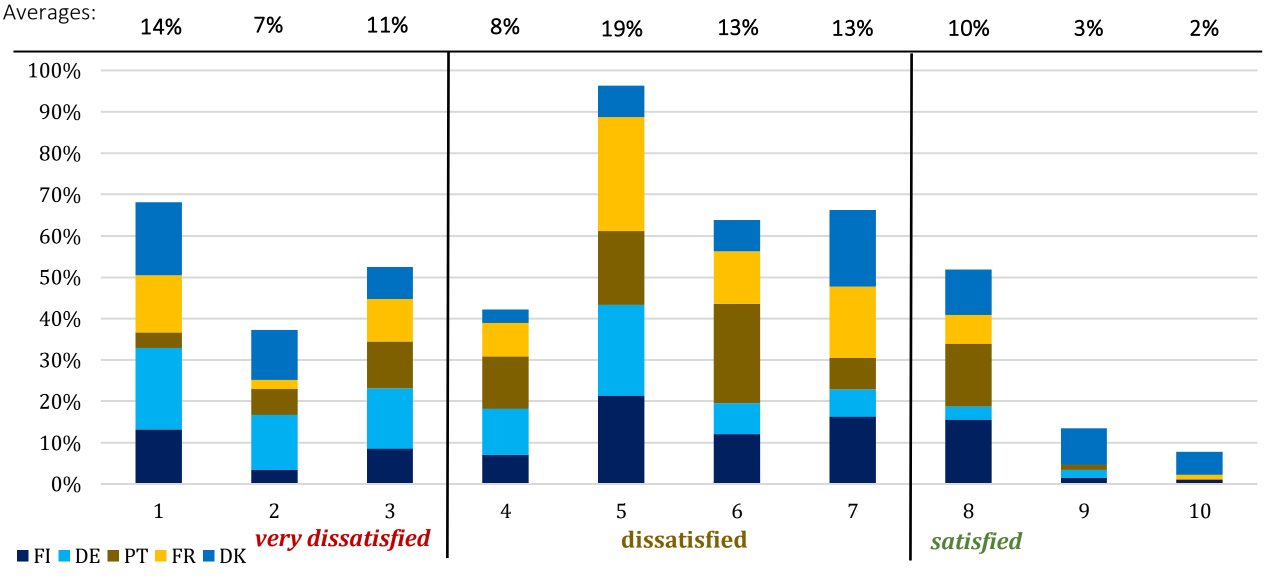
- ***Individual investor questionnaire***: 12 questions (open-end, multiple choice answers);
- ***Questionnaire for member organisations***: 8 questions (open-end, multiple choice answers).

The questionnaires addressed three overarching questions:

1. *Have the new rules improved the situation of private investors?*
2. *Do private investors feel better informed?*
3. *What are the main shortcomings of these new regulations?*

Totalling **977** individual respondents and **13** national member associations participating in the survey, the results from the ***key questions*** can be summarised as follows:

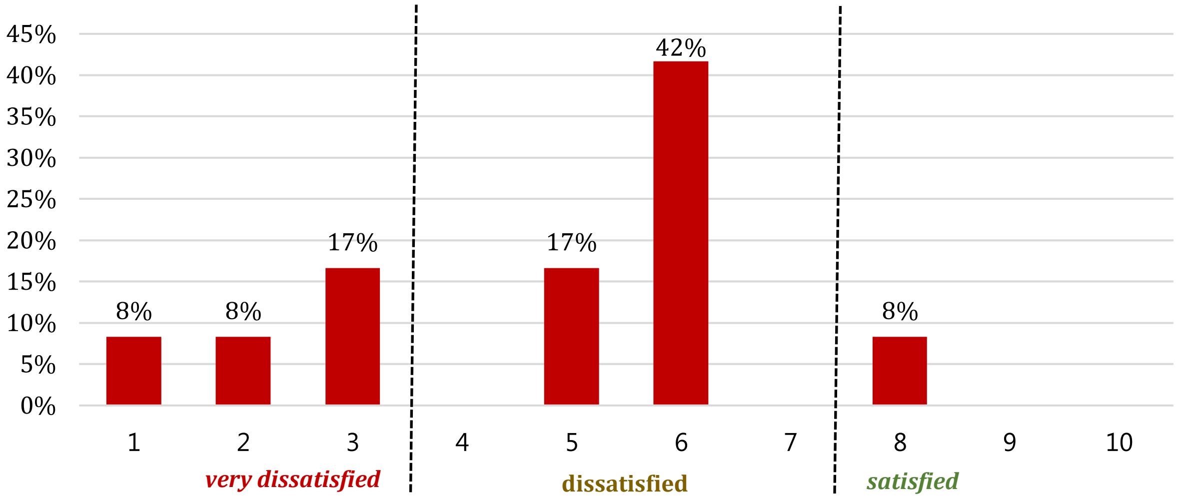
What is your overall assessment of the new financial market regulations applicable since 01/01/2018? (individual respondents)



Source: BETTER FINANCE, DSW survey (2019)

Of the total respondents that answered to this key question, *what is your overall assessment of the new financial market regulations applicable since 01/01/2018?* (rated from 1 to 10), **almost 85% are dissatisfied** (1 to 7), and the rest are satisfied with the outcome of the new rules (15%, 8 to 10).

What is your overall assessment of the new financial market regulations applicable since 01/01/2018? (member organisations)



Source: BETTER FINANCE, 2020

BETTER FINANCE's member organisations were also mainly dissatisfied, with 92% of respondents indicating a level of 6 out of 10 or below with the new MiFID II and PRIIPs rules. As we can see, the results do not significantly differ between individual respondents and BETTER FINANCE members.

In terms of areas for improvement, most respondents (individuals/BETTER FINANCE members) indicated the ***clarity and intelligibility of information*** as the most common area that needs improvement.

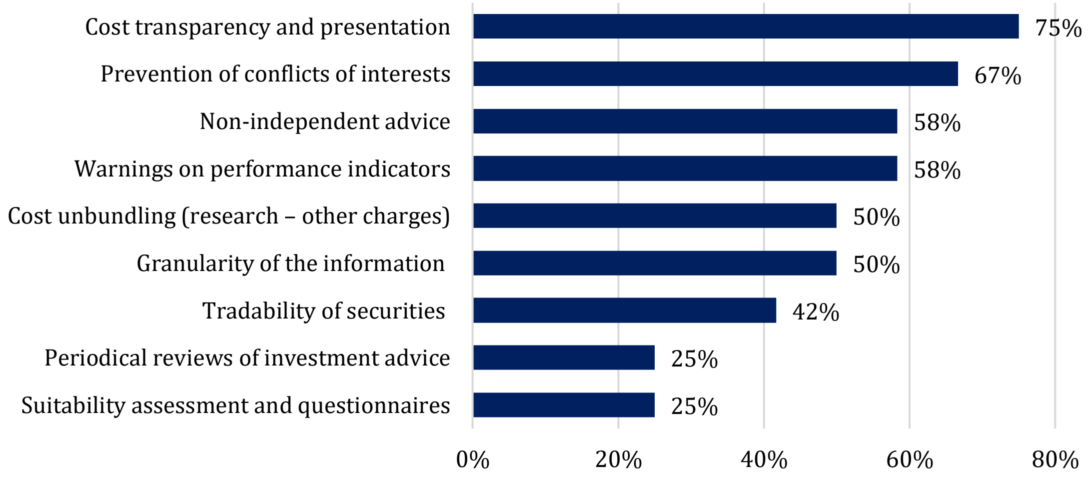
On which of the following areas do you see room for improvement? (individual respondents)

	FI	DE	PT	FR	DK	**AVGs**
Clarity/intelligibility of information	43%	43%	78%	67%	38%	**48%**
Risk transparency	51%	28%	76%	48%	56%	**42%**
Amount of information	24%	39%	51%	38%	43%	**36%**
Cost transparency	26%	27%	71%	40%	34%	**32%**
Performance transparency	31%	24%	47%	36%	28%	**29%**
Quality of advice	15%	20%	57%	22%	18%	**22%**
Suitability assessment and questionnaires	27%	24%	8%	15%	12%	**21%**
Other	13%	22%	10%	3%	13%	**16%**
Tradability of securities	14%	5%	8%	11%	24%	**10%**

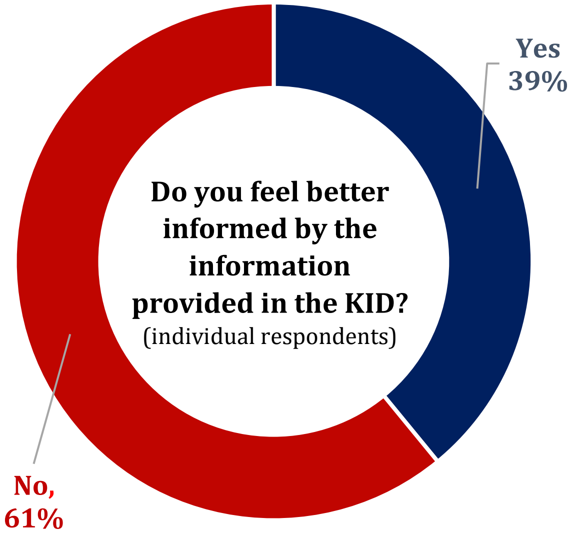
Source: BETTER FINANCE, DSW survey

BETTER FINANCE's members also indicated the main area for improvement being the clarity and intelligibility of information, followed by the amount of information received and the risk, cost and performance transparency.

On which of the following areas do you see room for improvement? (BF members)



Source: BETTER FINANCE, 2019



Most individual respondents are dissatisfied with the new pre-contractual disclosure documents (*key information document*, KID) for packaged retail and insurance-based investment products (PRIIPs).

Of the total 914 responses to the question "*Do you feel better informed by the information provided in the KID?*", 61% (517) indicated that the new disclosure format did not improve the situation or their understanding of key information of "retail" investment products.

Source: BETTER FINANCE survey (2019)

To the question whether **amendments to the new financial market rules are needed**, all responding BETTER FINANCE member organisations answered yes, indicating:

- the need to amend the PRIIPs Regulation;
- better regulation is needed: fewer rules and more principles-based approach, in addition to less onerous transaction reporting
- the need to further harmonise pre-contractual information for investors: align the PRIIPs KID with MiFID II, reduce the amount of information and only disclose significant and meaningful information;
- the need to return to consistency, comparability, simplicity and actual data on costs and performances in pre-contractual disclosures for individual, non-professional investors;
- that the most important issue for consumers continues to be the private retirement provision: of those who are able to regularly put some money aside, they too often have to choose only from poorly performing, opaque, costly and complex products;

POLICY RECOMMENDATIONS

Improve pre-contractual disclosures for individual, non-professional investors

BETTER FINANCE undertook these surveys and analysis in order to assess the effectiveness of the new investor protection and disclosure rules and to provide evidence for policy recommendations.

These recommendations aim at improving pre-contractual disclosures under MiFID II and the PRIIPs KID Regulation and the overall level of investor protection.

1. Minimize inducements and conflicts of interests in "retail" investment products

Conflicting incentives affecting finance professionals' (investment firms) duties towards non-professional investors (retail clients) give rise to certain practices that are of significant concern for BETTER FINANCE and its member organisations. The most prominent such practices are that of non-independent investment advice, portfolio management and execution of "retail" trade orders.

In essence, these practices generate a conflict between the investment firms' natural and commercial inclination to receive (more) remuneration from third-parties (sometimes, enabling them to sell their services as "free" to retail clients) and their legal duty to "*act fairly, professionally and in accordance with the best interests of their clients*" (Art. 24(1) MiFID II). MiFID already separates investment advice in non-independent (remunerated by third-parties) and independent (remunerated by the client) in Art. 24 MiFID II. MiFID II also prohibits commissions and other "inducements" (a term obscure to most retail investors). BETTER FINANCE recommends, at the very least, to extend these rules to all retail products, i.e. extend them to insurance-based investment products ("IBIPs") and to structured investment products offered by banks.

Moreover, BETTER FINANCE learned about another, equally detrimental, practice generating conflicts of interest: payment for "retail" order flows. The issue is detailed in the recent BETTER FINANCE Report on *Consumers' Access to EU Equity Trade Data*[1] and in an earlier press release on the GameStop case.[2]

In light of the responses of individual investors and BETTER FINANCE member organisations, our recommendation to EU policy makers is – at the very least:

- urgently harmonise conflict of interest rules in financial product distribution across sectors, i.e. extend the MiFID II rules on independent advice and on portfolio management to insurance, pensions, and banking products;
- ban inducements for execution-only services;
- ban payments for order flows in EU "retail" trading.

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[1] BETTER FINANCE, 'Consumer Access to EU Equity Trade Data: A BETTER FINANCE Research & Policy Report' (25 March 2021), available at: https://betterfinance.eu/wp-content/uploads/BETTER-FINANCE-Report-Consumer-Access-to-EU-Equity-Trade-Data-25032021.pdf.

[2] Press Release: "GameStop Case Highlights Discrimination of "Retail" Investors in Stock Markets" (4 March 2021), BETTER FINANCE, available at: https://betterfinance.eu/wp-content/uploads/PR-GameStop-highlights-Discrimination-of-Non-professional-Investors-in-Stock-Markets-04032021.pdf.

2. Clarity and intelligibility of information

The former have also been unanimously recommended to the European Commission by its High Level Forum on the Capital Markets Union in June 2020.[3]

Most individual respondents to the survey highlighted that jargon is too often used and the information disclosed (either under MiFID II or PRIIPs disclosures) is hard to “digest”. This is in spite of several regulations requiring “plain” language and avoidance of technical language.

We believe that **more standardisation is needed in how disclosures are formulated**; if the presentation and language is not improved, “retail” investors will continue to feel demotivated or overwhelmed by the technicality of information and will not engage, defeating the purpose of these new rules, i.e. to help investors make an informed investment decision.

In other words, BETTER FINANCE recommends EU authorities to study and enhance the language requirements in pre-contractual disclosure and better enforce the rule on “clear, and not misleading” information provided to non-professional investors. Also, the format of key information disclosures must be adapted to smart phone users, as this is the now most common tool for younger generations to get information.

3. Amount of information

Another significant issue highlighted by individual investors is the amount of information disclosed, point on which the BETTER FINANCE members also concur. In our view, disclosures should be as simple and short as possible, standardised across sectors, and intelligible (avoiding technical language or jargon).

While, in theory, this approach would re-balance the information asymmetry that defines the relationship between professionals and consumers, it has been proven not to work in practice. Most often, as scholarly publications and these surveys show, consumers of financial services will face “information overload”, which deters the addressee of a disclosure document to read it by default.

EU legislation should reduce and harmonise the number of pre-contractual disclosure documents across jurisdictions. To give an example, “retail” clients have been so far presented with a UCITS KIID and, in parallel, a PRIIPs KID; from 2022, clients will be presented a PRIIPs KID and a PEPP KID and, potentially, another disclosure document for IORPs, alongside all other disclosure documents required at national level.

In addition, it is significantly important to streamline the amount of information, explanations, and warnings included in “retail” client disclosures: BETTER FINANCE is a strong proponent of investor education and prominent warnings, but making pre-contractual disclosures more complex – which requires additional explanations and warnings – is not a solution. The information disclosed in a KID must be simple, concise, and intelligible, and the explanations and warnings in a KID must be those necessary to understand the risks of investing and of the product itself, not of the limitations a certain concepts used (such as *performance scenarios*) implies.

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[3] ‘A New Vision for Europe’s Capital Markets: Final Report of the High-Level Forum on the Capital Markets Union’ available at: https://ec.europa.eu/info/sites/default/files/business_economy_euro/growth_and_investment/documents/200610-cmu-high-level-forum-final-report_en.pdf.

4. Cost, risk and performance transparency

Among the elements that require improvements according to individual and members respondents, the most prominent were those on cost, risk, and performance. As such, BETTER FINANCE recommends **harmonisation between and a simplification of MiFID II and the key information documents (PRIIPs / UCITS)** on these key components.

5. Key Information Documents for "retail" investment products

Although the PRIIPs KID could have been a textbook example of how pre-contractual disclosure for individual investors would meet the needs and expectations of its addressees, the shift from actual cost, risk and performance data to *future scenarios* (estimations) – themselves based on 5 year past performances which are not disclosed) has proven detrimental.

BETTER FINANCE recommends to EU authorities (EU Commission, EU co-legislators) to postpone the UCITS KIID exemption until the already legally overdue full review of the PRIIPs KID Regulation (level 1 and 2) are completed.

BETTER FINANCE also stresses the need to harmonise and **ensure that a single, standardised and comparable document is available for all retail investment products in the EU**. BETTER FINANCE has firmly supported both the UCITS KIID and PRIIPs KID initiatives, albeit we have formulated several times over the recent years' recommendations for improvement on the latter's substance.

BETTER FINANCE's calls, and the forthcoming reviews, should not be understood or used as a back door for deregulation or to extract categories of retail investment products out of the scope of simple, fair, clear, and not misleading pre-contractual disclosures. On the contrary its scope of coverage should be extended to domestic and EU occupational and personal pension products to facilitate comparison and the EU citizen's choice between various savings and investment options.

6. Create an additional qualified, non-professional client category

Both individual savers and BETTER FINANCE members pointed out to the large, often unnecessary or not helpful, amounts of information disclosed and procedures that retail investors must go through in order to access directly capital markets or other financial products.

The Final Report of the High-Level Forum on the Future of the Capital Markets Union ("*A New Vision for Europe's Capital Markets*"[4]) recommended the creation of a "**non-professional category of investors**". According to the Report (p. 98), the Commission was invited to create this intermediary category (in-between professional and retail clients) under MiFID II and alleviate the information requirements for these qualified investors.

As such, BETTER FINANCE recommends creating an additional non-professional client category – that of **qualified non-professional investors** – in which "retail" clients can opt to be treated as such, just as it is with the professional client treatment. The criteria should be rather tied to the level of knowledge and understanding of capital markets, and not to the investable amounts or certain minimum trading thresholds.

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[4] European Commission, 'A New Vision for Europe's Capital Markets: Final Report of the High-Level Report on the Capital Markets Union' (10 June 2020), available at: https://ec.europa.eu/info/sites/info/files/business_economy_euro/growth_and_investment/documents/200610-cmu-high-level-forum-final-report_en.pdf.

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Are the New Investor Protection and Disclosure Rules Serving their Purpose?

BETTER FINANCE MiFID II / PRIIPs Implementation Survey

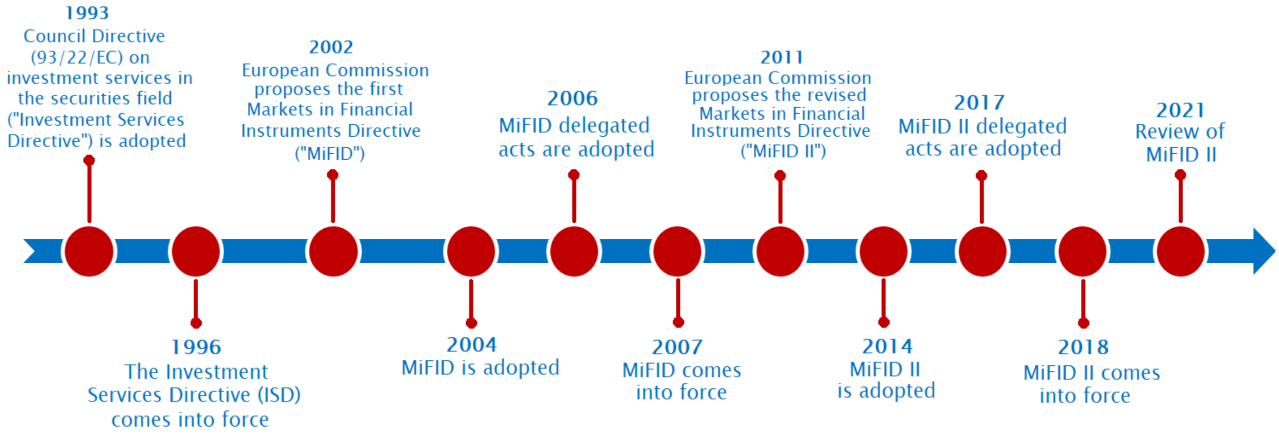
INTRODUCTION

Markets in Financial Instruments Directive (MiFID II)

On the 1st of January 2018, the revised provisions of the Markets in Financial Instruments Directive (MiFID II) entered into force, strengthening the EU investor protection regime in areas such as distribution, advice and pre-contractual disclosures.[5] MiFID II represents the main source of rights protecting the interests of individual, non-professional investors and its history mirrors, in more than one way, the recent progress in building the single market for capital movements and investments.

MiFID II is the successor of the first Markets in Financial Instruments Directive (MiFID), adopted in 2004 (entered into force in 2007) and replacing the Investment Services Directive (ISD) which was adopted in 1993 under the European Commission headed by Jacques Delors.

EU securities markets regulation: timeline*



Source: BETTER FINANCE own composition, 2021; *very much simplified

From the point of view of "retail" (individual, non-professional) investors, MiFID II creates four main areas of investor protection rights:

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[5] Among others; MiFID is a very large legislative act, covering a wide array of securities markets topics.

MiFID II at a glance	
Disclosures	Investment firms must: • inform clients about the costs, risks, and performance (if applicable) of the investment services and products offered; • prevent and manage, or disclose the potential sources of conflicts of interests; • how can complaints be made, how they will be handled and what is the competent authority; • communicate with clients in a language that is fair, clear, and not misleading;
Investment Advice	**Independent** advisors: • must assess the suitability of the recommended portfolio and products; • must disclose that the recommendation is provided on an independent basis; • must pass on any third party fees received to the client; • must assess a sufficiently wide array of products;
	Non-independent advisors: • must assess the suitability of the recommended portfolio or products; • must disclose that the recommendation is not provided on an independent basis; • can retain payments from third parties; • can assess a restricted range of products;
Conduct of business	Investment firms and their delegates must: • act in the best interests of their clients; • act fairly and professionally; • must assess if the products chosen are appropriate for the client's profile (discretionary management); • must deliver to the client best execution reports;
Client categorisation	**Professional** clients are those entities which are required to be authorised or regulated to operate in the financial markets or whose main activity is to invest in financial instruments, such as: banks, insurers, investment firms, pension funds, derivatives dealers etc.
	Retail clients are those who are not professional clients and do not opt to be treated as such; in order to be considered professional client on a voluntary basis, an investor must (any two of the following): • have carried out an average of at least 40 trades per year during the last 4 years; • the size of the portfolio of investments exceeds €500,000; • works or has worked in the financial sector for at least one year in a professional position, which requires knowledge of the transactions or services envisaged;

Source: BETTER FINANCE, 2020

For finance professionals worldwide, MiFID is not merely an abbreviation for a legislative act, but a concept. Similar to other EU labels (such as the GDPR), MiFID represents the spearhead of EU cooperation and decisiveness to harmonise and integrate the 27 (formerly 28) local securities markets into a one, efficient, transparent, safe and globally competitive market for financial services and investments. In the words of the European Commission, MiFID "*is the core pillar of EU financial market integration*".[6] MiFID has become a global reference point in securities markets regulation. Nevertheless, MiFID was not created to boost the EU's capital markets position in the world economy, but to protect its main beneficiaries: individual, non-professional investors (EU households).

Yet, MiFID is far from accomplished, especially since the 2014 reform has indirectly "backfired" against individual, non-professional investors in several ways. In January 2021, the European Commission announced in its Work Programme the review of the MiFID II and MiFIR

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[6] Explanatory Memorandum of the Proposal for a Directive of the European Parliament and of the Council on markets in financial instruments repealing Directive 2004/39/EC of the European Parliament and of the Council, COM(2011) 656 final, p. 1, available at: https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0656:FIN:EN:PDF.

frameworks,[7] on the background of the COVID-19 recovery package (including MiFID II temporary amendments[8]) being adopted, and the PRIIPs level 2 review in course.

Key Information Document (PRIIPs KID)

Disclosing all there is to know about an investment does not help non-professional investors make an informed decision; rather the contrary.[9] The growing complexity of capital markets and of financial instruments creates an information overload even for finance professionals, reason for which EU authorities saw the need for simplification.[10]

Retail clients can understand an investment if they are presented with a summarised version of the key information about the investment in question. Therefore, in 2010, EU law required the publication of the first simplified pre-contractual disclosure document (the *key investor information document* - KIID) to any potential investor in an EU mutual fund (UCITS[11]). The UCITS KIID[12] turned into a success story: a standardised, clear, intelligible 2-pager document presenting information about the fund's investment strategy, risks, and actual costs and performance.

As such, the European Commission took the initiative to extent the KIID to all retail investment products and in 2016 proposed a regulation on the *key information document* (KID – one "i") for packaged retail and insurance-based investment products (PRIIPs)[13]. The difference between the KID and the KIID (two "i") should have been simply the scope of coverage: extended from mutual funds only (UCITS) to all retail investment products.

However, the dialectic behind the PRIIPs KID changed: instead of informing investors about information that is certain (e.g., the total cost figure of the past year or the past performance of the product), it now makes future simulations and estimations on almost all characteristics of the investment product.

The table below summarises the main differences (with visual examples) between the two – still coexisting – product information sheets: UCITS KIID and PRIIPs KID.

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[7] Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Commission Work Programme 2021: A Union of vitality in a world of fragility, COM(2020) 690 final, ANNEX I, pt. 14, available at: https://eur-lex.europa.eu/resource.html?uri=cellar%3A91ce5c0f-12b6-11eb-9a54-01aa75ed71a1.0001.02/DOC_2&format=PDF.

[8] Council of the EU, 'Capital Markets Recovery Package: Council Agrees its Position' (consilium.europa.eu, 21 October 2020), available at: https://www.consilium.europa.eu/en/press/press-releases/2020/10/21/capital-markets-recovery-package-council-agrees-its-position/.

[9] Ján Šebo, Daniela Danková, Ivan Králik, 'Pan-European Personal Pension Product Level 2' (January 2020) : BETTER FINANCE Technical Working Paper 1/2020, p. 49 *et seq.*, available at: https://betterfinance.eu/wp-content/uploads/BF-Technical-Working-Paper-PEPP-1_2020.pdf.

[10] In the Explanatory Memorandum accompanying the proposal to revise the UCITS IV Directive (2008), section 5.3 explains the reasons for changing from the *simplified prospectus* to the KIID - Proposal for a Directive of the European Parliament and of the Council on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS), COM(2008) 458 final, available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2008%3A0458%3AFIN.

[11] UCITS stands for Undertakings for Collective Investment In Transferable Securities.

[12] Regulated through Commission Regulation (EU) No 583/2010 of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and of the Council as regards key investor information and conditions to be met when providing key investor information or the prospectus in a durable medium other than paper or by means of a website, http://data.europa.eu/eli/reg/2010/583/oj.

[13] Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs), http://data.europa.eu/eli/reg/2014/1286/2019-08-01.

KIID vs KID Comparison

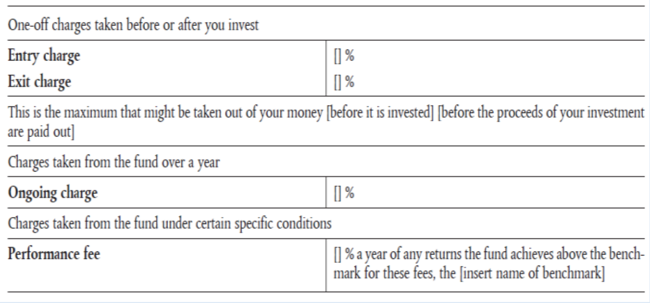
Length

UCITS Key Investor Information Document (KIID)	PRIIPs Key Information Document (KID)
2 sheets (1 page)	3 sheets (1.5 pages)

Cost information

UCITS Key Investor Information Document (KIID)

Previous year's (actual) ongoing fees, entry/exit fees, and performance fees (if applicable)

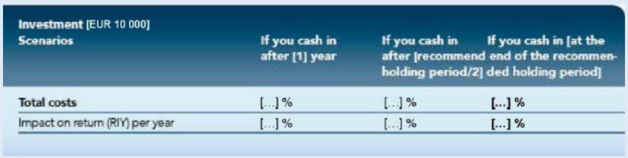


One-off charges taken before or after you invest	
Entry charge **Exit charge**	[] % [] %
This is the maximum that might be taken out of your money [before it is invested] [before the proceeds of your investment are paid out]	
Charges taken from the fund over a year	
Ongoing charge	[] %
Charges taken from the fund under certain specific conditions	
Performance fee	[] % a year of any returns the fund achieves above the benchmark for these fees, the [insert name of benchmark]

PRIIPs Key Information Document (KID)

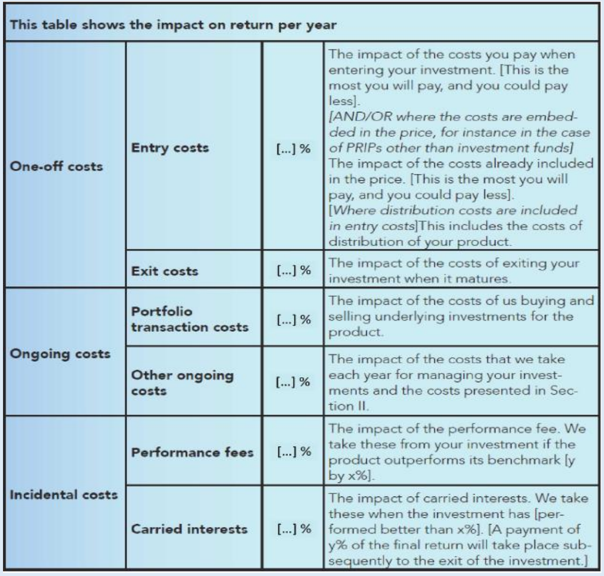
Three "Reduction-in-Yield" computations based on one return scenario, expressed in relative (%) and absolute (€) terms and a table detailing and explaining the individual costs

"RiY"



Investment [EUR 10 000] **Scenarios**	**If you cash in after [1] year**	**If you cash in after [recommend holding period/2]**	**If you cash in [at the end of the recommended holding period]**
Total costs	[...] %	[...] %	**[...] %**
Impact on return (RIY) per year	[...] %	[...] %	**[...] %**

Cost composition

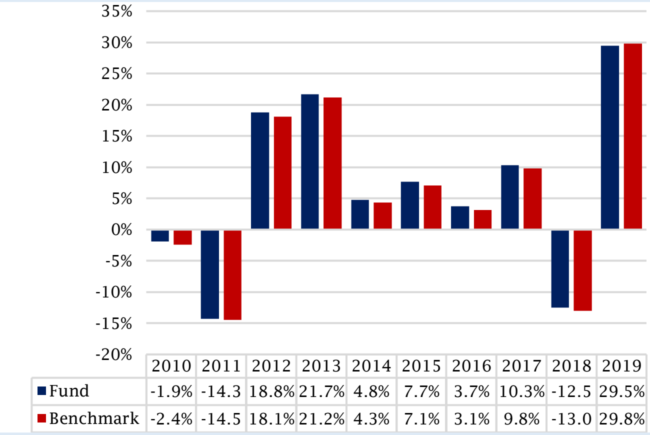


This table shows the impact on return per year			
One-off costs	**Entry costs**	[...] %	The impact of the costs you pay when entering your investment. [This is the most you will pay, and you could pay less]. *[AND/OR where the costs are embedded in the price, for instance in the case of PRIPs other than investment funds]* The impact of the costs already included in the price. [This is the most you will pay, and you could pay less]. [*Where distribution costs are included in entry costs*]This includes the costs of distribution of your product.
	Exit costs	[...] %	The impact of the costs of exiting your investment when it matures.
Ongoing costs	**Portfolio transaction costs**	[...] %	The impact of the costs of us buying and selling underlying investments for the product.
	Other ongoing costs	[...] %	The impact of the costs that we take each year for managing your investments and the costs presented in Section II.
Incidental costs	**Performance fees**	[...] %	The impact of the performance fee. We take these from your investment if the product outperforms its benchmark [y by x%].
	Carried interests	[...] %	The impact of carried interests. We take these when the investment has [performed better than x%]. [A payment of y% of the final return will take place subsequently to the exit of the investment.]

Performance information

UCITS Key Investor Information Document (KIID)

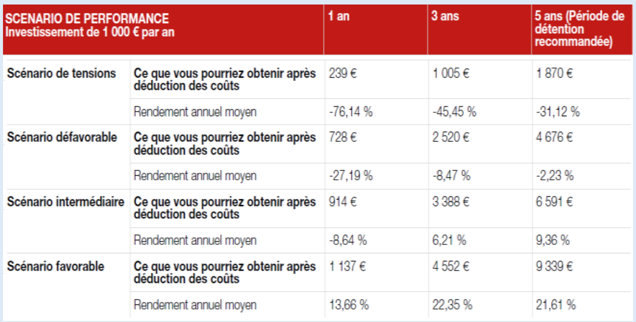
The previous 10 years past performance of the product in comparison with its market index benchmark



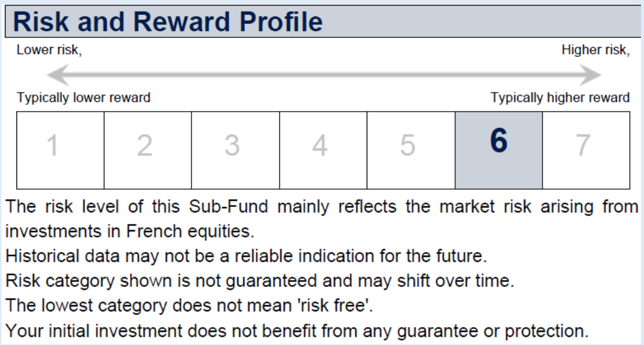
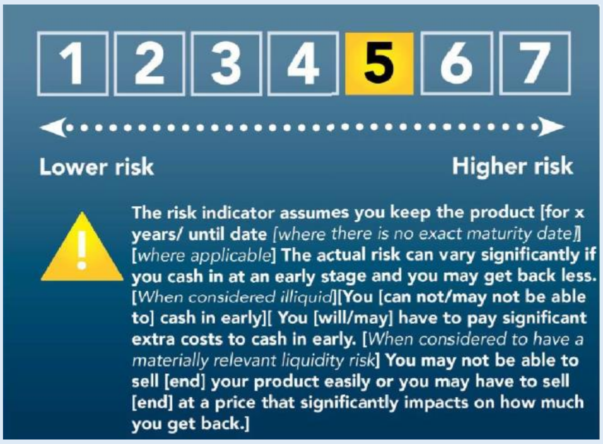
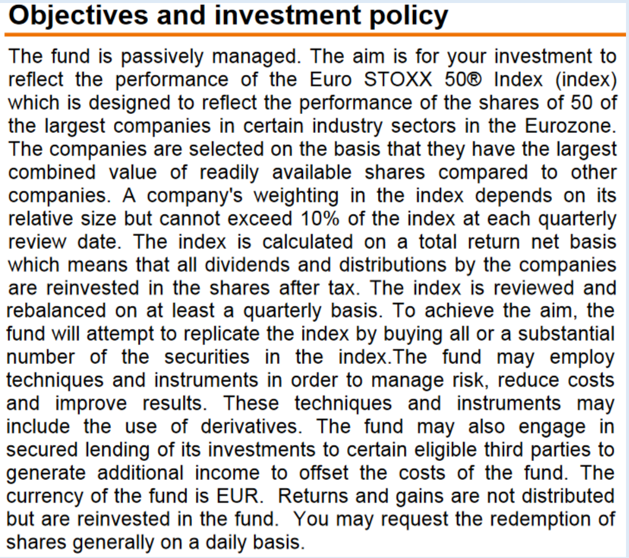
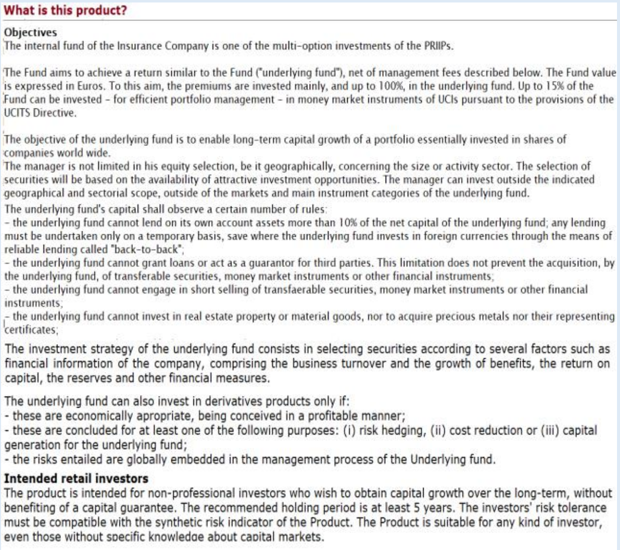
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
■ Fund	-1.9%	-14.3	18.8%	21.7%	4.8%	7.7%	3.7%	10.3%	-12.5	29.5%
■ Benchmark	-2.4%	-14.5	18.1%	21.2%	4.3%	7.1%	3.1%	9.8%	-13.0	29.8%

PRIIPs Key Information Document (KID)

Twelve return estimations based on three periods in the future (1 year, intermediary holding period, recommended holding period) and four scenarios (favourable, moderate, unfavourable, stress) expressed in relative (%) and absolute (€) terms



SCENARIO DE PERFORMANCE **Investissement de 1 000 € par an**		**1 an**	**3 ans**	**5 ans (Période de détention recommandée)**
Scénario de tensions	**Ce que vous pourriez obtenir après déduction des coûts**	239 €	1 005 €	1 870 €
	Rendement annuel moyen	-76,14 %	-45,45 %	-31,12 %
Scénario défavorable	**Ce que vous pourriez obtenir après déduction des coûts**	728 €	2 520 €	4 676 €
	Rendement annuel moyen	-27,19 %	-8,47 %	-2,23 %
Scénario intermédiaire	**Ce que vous pourriez obtenir après déduction des coûts**	914 €	3 388 €	6 591 €
	Rendement annuel moyen	-8,64 %	6,21 %	9,36 %
Scénario favorable	**Ce que vous pourriez obtenir après déduction des coûts**	1 137 €	4 552 €	9 339 €
	Rendement annuel moyen	13,66 %	22,35 %	21,61 %

Risk information	
The UCITS KIID uses a summary risk-reward indicator (SRRI) calculated on the basis of the average volatility of the fund on the past 10 years (or maximum available, if less than 10 years). The SRRI is expressed on a scale from 1 to 7, from lower to higher risk; 1 does not mean "no risk", whereas 7 does not mean "absolute risk" (same for the PRIIPs SRI).	The synthetic risk indicator (SRI) makes an estimation of the future risk profile, and possibility of losses, of the product using the past 5 years performance data of the product. The risk indicator is estimated based on the assumed holding period: *"The risk indicator assume you keep the product [for x years/until date]; The actual risk can vary significantly if you cash in at an early stage and you may get back less"*.
 **Risk and Reward Profile** Lower risk, Higher risk, Typically lower reward Typically higher reward 1 2 3 4 5 **6** 7 The risk level of this Sub-Fund mainly reflects the market risk arising from investments in French equities. Historical data may not be a reliable indication for the future. Risk category shown is not guaranteed and may shift over time. The lowest category does not mean 'risk free'. Your initial investment does not benefit from any guarantee or protection.	 1 2 3 4 **5** 6 7 **Lower risk** **Higher risk** **The risk indicator assumes you keep the product [for x years/ until date** *[where there is no exact maturity date]* *[where applicable]* **The actual risk can vary significantly if you cash in at an early stage and you may get back less.** *[When considered illiquid]* **[You [can not/may not be able to] cash in early][You [will/may] have to pay significant extra costs to cash in early.** *[When considered to have a materially relevant liquidity risk]* **You may not be able to sell [end] your product easily or you may have to sell [end] at a price that significantly impacts on how much you get back.]**
Product description	
The first section describes information such as the financial instruments invested in, dividend and redemption policy, whether it is managed in comparison or reference to a benchmark, etc.	More detailed information and descriptions of the investment product, investable assets, strategy and techniques used, including a section on **"intended retail investors"**.
 **Objectives and investment policy** The fund is passively managed. The aim is for your investment to reflect the performance of the Euro STOXX 50® Index (index) which is designed to reflect the performance of the shares of 50 of the largest companies in certain industry sectors in the Eurozone. The companies are selected on the basis that they have the largest combined value of readily available shares compared to other companies. A company's weighting in the index depends on its relative size but cannot exceed 10% of the index at each quarterly review date. The index is calculated on a total return net basis which means that all dividends and distributions by the companies are reinvested in the shares after tax. The index is reviewed and rebalanced on at least a quarterly basis. To achieve the aim, the fund will attempt to replicate the index by buying all or a substantial number of the securities in the index.The fund may employ techniques and instruments in order to manage risk, reduce costs and improve results. These techniques and instruments may include the use of derivatives. The fund may also engage in secured lending of its investments to certain eligible third parties to generate additional income to offset the costs of the fund. The currency of the fund is EUR. Returns and gains are not distributed but are reinvested in the fund. You may request the redemption of shares generally on a daily basis.	 **What is this product?** **Objectives** The internal fund of the Insurance Company is one of the multi-option investments of the PRIIPs. The Fund aims to achieve a return similar to the Fund ("underlying fund"), net of management fees described below. The Fund value is expressed in Euros. To this aim, the premiums are invested mainly, and up to 100%, in the underlying fund. Up to 15% of the Fund can be invested - for efficient portfolio management - in money market instruments of UCIs pursuant to the provisions of the UCITS Directive. The objective of the underlying fund is to enable long-term capital growth of a portfolio essentially invested in shares of companies world wide. The manager is not limited in his equity selection, be it geographically, concerning the size or activity sector. The selection of securities will be based on the availability of attractive investment opportunities. The manager can invest outside the indicated geographical and sectorial scope, outside of the markets and main instrument categories of the underlying fund. The underlying fund's capital shall observe a certain number of rules: - the underlying fund cannot lend on its own account assets more than 10% of the net capital of the underlying fund; any lending must be undertaken only on a temporary basis, save where the underlying fund invests in foreign currencies through the means of reliable lending called "back-to-back"; - the underlying fund cannot grant loans or act as a guarantor for third parties. This limitation does not prevent the acquisition, by the underlying fund, of transferable securities, money market instruments or other financial instruments; - the underlying fund cannot engage in short selling of transfaerable securities, money market instruments or other financial instruments; - the underlying fund cannot invest in real estate property or material goods, nor to acquire precious metals nor their representing certificates; The investment strategy of the underlying fund consists in selecting securities according to several factors such as financial information of the company, comprising the business turnover and the growth of benefits, the return on capital, the reserves and other financial measures. The underlying fund can also invest in derivatives products only if: - these are economically apropriate, being conceived in a profitable manner; - these are concluded for at least one of the following purposes: (i) risk hedging, (ii) cost reduction or (iii) capital generation for the underlying fund; - the risks entailed are globally embedded in the management process of the Underlying fund. **Intended retail investors** The product is intended for non-professional investors who wish to obtain capital growth over the long-term, without benefiting of a capital guarantee. The recommended holding period is at least 5 years. The investors' risk tolerance must be compatible with the synthetic risk indicator of the Product. The Product is suitable for any kind of investor, even those without specific knowledge about capital markets.

Source: BETTER FINANCE own composition, 2020, based on the KIID Regulation, PRIIPs Regulation 2017/653 and one actual PRIIPs KID and UCITS KIID

The PRIIPs KID became mandatory from the 1 January 2018 (same time as MiFID II), with the exception of UCITS, which are still allowed to publish the "double-i" KIID until the end of 2021.[14]

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[14] According to Art. 32.1 PRIIPs Regulation, "*Management companies as defined in* [UCITS V Directive], *investment companies* (…) *and persons advising on, or selling, units of UCITS* (…) *shall be exempt from the obligations under this Regulation until 31 December 2021*" – this provision was modified through Art. 17.1 of Regulation (EU) 2019/1156, adopted on 20 June 2019.

Given the entry into force of two major EU legislative acts in the field of investor protection, BETTER FINANCE sought the views of individual, non-professional investors and of its member organisations on their implementation and whether these are perceived to have improved the situation for retail investors.

Methodology and scope

To undertake this research project, BETTER FINANCE defined two target audiences: first, individual, non-professional investors (part of the beneficiaries of the MiFID II / PRIIPs regimes), using the networks of BETTER FINANCE's national member associations; second, BETTER FINANCE's member organisations.

The research team designed a short, simple survey (13 questions with single choice, multiple-choice or open answer) which was translated by the participating BETTER FINANCE member associations and distributed to their networks in **5 jurisdictions: Germany, Denmark, Portugal, Finland and France**.

The survey questions concern the respondents (2 questions concerning the age, years active in investing, number of trades per year etc), MiFID II implementation (6 questions), PRIIPs (3 questions), and general (2 questions). The questionnaire is estimated to take between 3 to 4 minutes to fill in and submit.

The surveys have been available for several months as of April, May, June, August, and October 2019 in order to gather as much input as possible. The surveys (in other jurisdictions than the ones mentioned above) that did not get a significant and sufficient amount of answers (at least 50) have been excluded from the scope of the report.

The questions were written in a simple, clear and intelligible language – avoiding jargon as much as possible – and mostly proposed single or multiple-choice answers in order to make it easier for non-professionals to respond. Even so – with a short, simple and user-friendly questionnaire, not all of the total 977 respondents (across the five jurisdictions) fully answered all questions in the survey, with an average of two out of three questions skipped.

In analysing the results (see the results section below), the research team needed to standardise the "open question" responses (i.e. those that required written input from the respondents) in order to quantify the results. In doing so, the research team applied consistently a few rules on standardising responses – where this is the case, the report includes a ***Note*** for the reader. To take a simple example: for the question "*Do you feel better informed by the information provided in the key information documents (KIDs)?*", an answer such as "*What is a KID?*" was marked as a "No" for the purpose of results analysis.

In addition, in order to obtain a granular analysis of results and standardise the responses to form clearer messages, the research team created three "satisfaction" categories for the questions with scores as an answer (single option, scale from 1 to 10). These questions (5 in total across the survey) seek to assess the level of satisfaction or dissatisfaction with a particular topic.

As such, the research team sought to delimit at which point can a consumer be considered "satisfied" or "dissatisfied" with a particular topic or set of information. The research team chose 7-8 as the tiebreaker, meaning that any score equal or above to 8 out of 10 would signify that the individual respondent is satisfied, whereas anything equal or below to 7 would mean that he or she is dissatisfied. The research team further divided the dissatisfaction scale into two categories: any choice (score/rating) from 1 to 3 out of 10 would fall in the "very dissatisfied", followed by the rest (from 4 to 7 out of 10) which would simply be dissatisfied.

As such, we obtained three different categories, as showcased in the image below:

What is your overall assessment/impression of the new financial market regulations applicable since 1 January 2018?
Scale 1 – 10 (poor – excellent)

Lastly, a small number of responses could not be taken into account as they were not related to the question, e.g. for the same question as above, an answer such as or "*It remains unclear how derivative instruments affect returns*" was not considered.

In addition, BETTER FINANCE surveyed also its member organisations with a similar questionnaire (shorter but amended to reflect the voice of their constituents). The questionnaire for BETTER FINANCE member organisation was similarly structured: questions regarding the implementation of MiFID II (5 questions) and of the PRIIPs KID (4 questions). There are no additional methodological notes concerning this survey.

Respondent universe

Given the complexity of the two topics and their inherent jargon, responding to the survey as an individual, non-professional investor proved both unattractive for the majority of BETTER FINANCE organisations' members and difficult. To give an example, for those working in financial regulation the difference between MiFID II or IDD disclosures and the PRIIPs disclosure document (the Key Information Document) is clear and requires no further explanations; however, for "retail" clients (even those who take financial action more often), the question "*Are you aware of the new key information document available from 1 January 2018?*" proved that many consumers did not acknowledge the change (more details in the results section below). Therefore, the research team expected a lower participation rate and endeavoured to simplify all survey questions and present them in terms that non-professional savers and financial services users could relate to.

Nevertheless, on the individual investors' side, the survey gathered **977 responses** (completed surveys)[15] in **five EU jurisdictions**: **Germany, Finland, France, Denmark, Portugal** (by number of respondents, in descending order).

The age of the respondents ranged from 19 to 88 years old and was divided into three cohorts: under (and including) 30 years old, 30 – 50 (and including) years old and over 50 years old. The youngest group of respondents was observed in Portugal, where 55% of respondents were aged between 30 and 50 years old, and the oldest in France, where 86% of respondents were more than 50 years old. The average age of respondents (all jurisdictions) was in the + 50 years old cohort by a wide margin (73% vs 21% vs 5%, in descending order).

Table 1. Age of respondents*

Age cohort	FI	DE	PT	FR	DK
<= 30	11%	2%	10%	5%	3%
< 30 - 50 <=	26%	17%	55%	9%	12%
50 >	63%	81%	35%	86%	85%

Source: BETTER FINANCE, 2020; * As % of total respondents per jurisdiction

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[15] The surveys had many more visitors, but the results only took into account those respondents that went through and submitted the responses; for instance, in Germany, 49% of visitors completed the survey and were taken into account for the analysis of results.

Judging by the number of active years of investing and trading (Table 2), it is clear that only experienced savers among BETTER FINANCE's constituents were able to answer the survey. In Germany and Denmark, all respondents had at least 1 year of investing experience, while in France, Finland and Portugal there was four respondents in total that had invested for less than 1 year.

Table 2. Active years of investing of respondents*

Years	FI	DE	PT	FR	DK
< 1 year	0.4%	0%	3%	1%	0%
<= 3 years	3%	2%	8%	4%	3%
+ 3 years	96%	98%	90%	95%	97%

Source: BETTER FINANCE, 2020; * As % of total respondents per jurisdiction; **NOTE**: figures are rounded up and do not amount to 100%;

The vast majority of respondents had significant investing experience (97% on average across jurisdictions with more than 3 years active in investing). The most experienced respondents were in France, where 71% of respondents indicated they had been investing for at least 20 years at the time when results were collected, ranging up to 65 years active, followed by Finland (53% with more than 20 years, ranging up to 50 years) and Portugal (46% with more than 20 years, ranging up to 35 years).

In terms of the current value[e] of financial assets (active investments), the majority of respondents had invested at least €100,000 by the time of filling the questionnaire, with most respondents exceeding the €100,000 threshold in Denmark (76% of total), Germany (66%), France (62%) and Finland (60%). In Portugal, the majority of respondents (72% of total) had less than €100,000 of active investments, but had higher "extremes" (top 95% percentile by value) than in France, for instance.

Table 3. Value of investments*

in €	FI	DE	PT	FR	DK
< 100k	40%	34%	72%	38%	24%
100k - 300k	27%	66%[a]	14%	23%	76%[a]
+ 300k	33%		13%	39%	

Source: BETTER FINANCE, 2020; * As % of total respondents per jurisdiction; [a] more than €100,000

Note: *[e] the value of active investments is estimated for four reasons: first, none of the respondents indicated a precise figure (e.g. €50,567), but rounded up; second, some of the respondents answered "around/ between/ less/ roughly" €X; third, the survey did not specify "financial assets" in the sense of the European System of Accounts 2010, reason for which we assumed a small margin of error (+/- 5% of respondents) adding up the values of "non-financial" investments as well; finally, in very few, isolated instances (roughly 10 respondents), the research team suspects "typos" in the responses – the research team could not cross check with other answers to validate the figures.*

The questionnaire also surveyed how much capital the respondents still had to invest. A smaller part of individual savers in Finland, Germany, Portugal and France had more than €50,000 of savings to be invested, while Danish savers being the opposite (47% vs 53%).

Table 4. Value of assets to be invested

in €	FI	DE	PT	FR	DK
<=50k	82%	54%	85%	79%	47%
>50k	18%	46%	15%	21%	53%

Source: BETTER FINANCE, 2020; * As % of total respondents per jurisdiction

Most respondents can be qualified as voluntary and financially active. The research team surveyed how frequently the respondents invested, and on average what sums per year, and found that the Portuguese respondents were the most active investors, with more than 53% taking financial action on more than 50 occasions per year, but usually less than €5,000 on average per trade.

Table 5. Trading frequency[e] p.a.

# of trades	FI	DE	PT	FR	DK
< 50 pa	93%	84%	47%	84%	74%
=> 50 pa	7%	16%	53%	16%	26%

Table 6. Average value[e] of trades

value in €	FI	DE	PT	FR	DK
<= 5000	74%	47%	59%	78%	41%
> 5000	26%	53%	41%	22%	59%

Source: BETTER FINANCE, 2020; * As % of total respondents per jurisdiction;

Note: *[e]the total number of trades per year and the average values are estimates as most of respondents did not indicate or calculate the precise figures, but provided averages.*

Finally, the questionnaires[16] also asked the respondents whether they had a professional qualification or whether they acted as simple "retail" savers. With a few exceptions in each jurisdiction surveyed, all respondents answered as individual, non-professional investors.

Table 7. "You are answering as:"

capacity	FI	DE	PT	FR	DK
Individual investor	255	-	75	88	76
Other market participant	4	-	4	2	2

Source: BETTER FINANCE, 2020; * As % of total respondents per jurisdiction

Therefore, concerning the universe of respondents, a few conclusions can be drawn: the majority of investors that answered the questionnaires are aged more than 50 years old, have extensive investing experience (almost a majority with more than 20 years of experience), and mostly between €100,000 and €300,000 worth of financial assets. The respondents are also very active in investing, with the vast majority taking less than 50 trades per year with an average value of up to €5,000.[17]

For the survey with BETTER FINANCE's Member Organisations, the research team gathered the input from 13 individual investors organisations representing shareholders, bondholders, life insurance policy holders, financial services users, from 9 jurisdictions: Belgium, Germany, Denmark, Greece, Spain, France, Luxembourg, Portugal, and the UK.

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[16] With the exception of the questionnaire for German respondents.

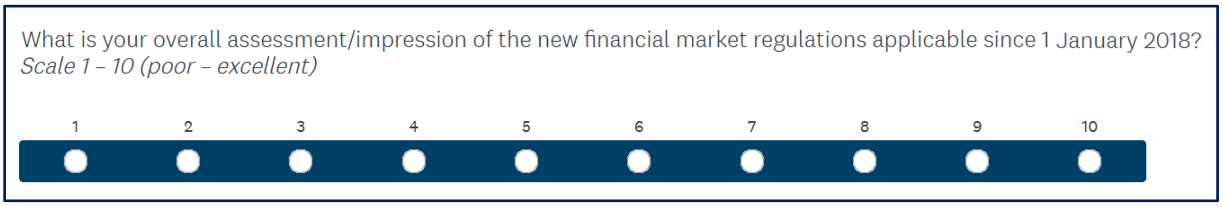
[17] **Note:** In Germany, the survey did not comprise the question about the capacity of respondents ("*You are answering as:*"), reason for which the results are marked as "-".

RESULTS

The *Results* section presents and analyses the responses to the two surveys collected by the research team from individual, non-professional investors and from BETTER FINANCE Member Organisations. This section starts with the analysis of *individual investors* and ends with that of *BETTER FINANCE members*.

Individual investors

The answers and analysis of individual investors will be presented by questions, in the order these were drafted in the survey. This section omits all questions and answers presented in the *Respondent Universe* sub-section above.



What is your overall assessment/impression of the new financial market regulations applicable since 1 January 2018?
Scale 1 – 10 (poor – excellent)

Completion rate: 93%

This question and the following had the most responses, with a completion rate of 93%. The least satisfied respondents with the new financial market regulations (MiFID II / PRIIPs) were the German and French respondents, with only 14% and 8% of responses indicating a score higher than 7 (on a scale from 1 to 10). The lowest scores were observed from DE and DK investors (48% and 38% below 4), while the PT and FI were more middle-grounded: on average, 66% rated the new regulations between 4 and 7 on a scale from 1 to 10. The most satisfied individual investors were observed in the results from the Finnish survey, where almost 1 in 5 rated the new regulations equal or above 8 out of 10.

However, the results are skewed to the lower side of the satisfaction scale, where between 4% and 20% of respondents gave the poorest score (1/10), whereas very few (only among the Finnish, French and Danish) gave the highest score (10/10) to the new regulations that came into force on 01.01.2018.

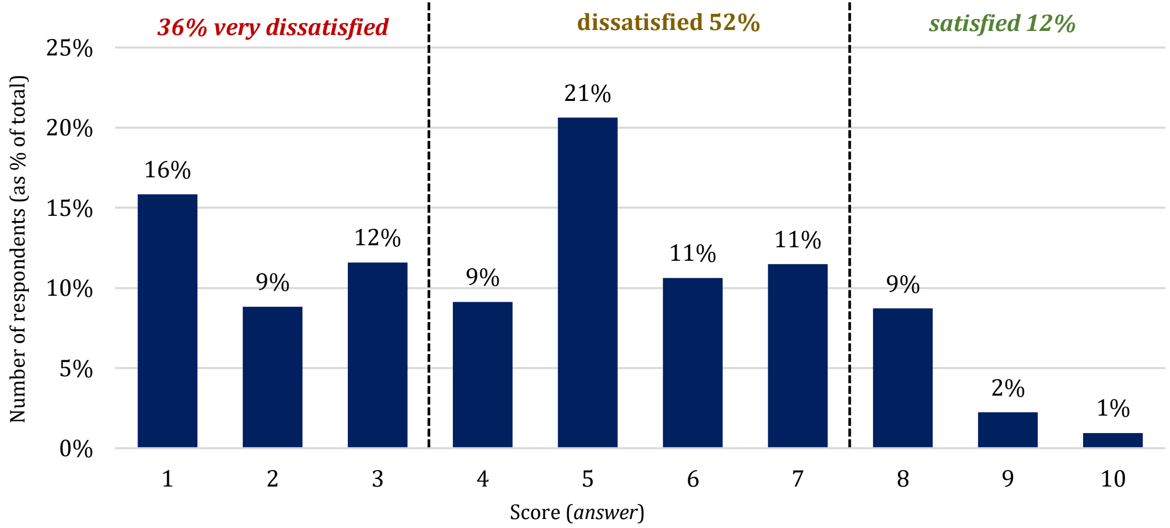
Table 8. Results Q1 (OVR assessment) by jurisdiction

Score	FI	DE	PT	FR	DK
1	13%	20%	4%	14%	18%
2	3%	13%	6%	2%	12%
3	9%	15%	11%	10%	8%
4	7%	11%	13%	8%	3%
5	21%	22%	18%	28%	8%
6	12%	8%	24%	13%	8%
7	16%	7%	8%	17%	19%
8	16%	3%	15%	7%	11%
9	2%	2%	1%	0%	9%
10	1%	0%	0%	1%	5%

Source: BETTER FINANCE, 2020

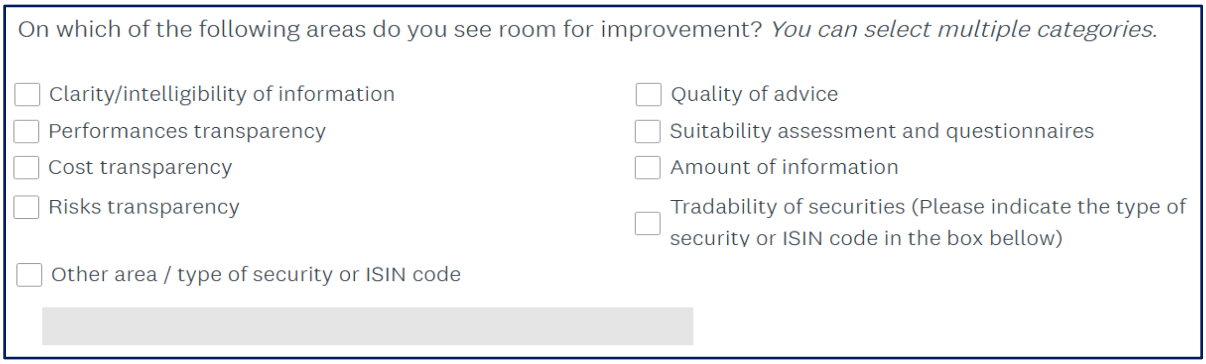
In overall, **88% of individual respondents across the five jurisdictions are less than satisfied** (score 1-7) **with the new financial market regulations**, however the majority rating the new regulations in the middle range (4-7 out of 10).

Graph 9. Aggregated results Q1 (overall assessment)



Source: BETTER FINANCE, 2020

Across all survey questions that asked respondents to give a score on a scale from 1 to 10, this question recorded the highest percentage of "*very dissatisfied*" responses (37%), heavily skewed to the lower part of the scale.



On which of the following areas do you see room for improvement? *You can select multiple categories.*

☐ Clarity/intelligibility of information
☐ Performances transparency
☐ Cost transparency
☐ Risks transparency
☐ Quality of advice
☐ Suitability assessment and questionnaires
☐ Amount of information
☐ Tradability of securities (Please indicate the type of security or ISIN code in the box bellow)
☐ Other area / type of security or ISIN code

Completion rate: 93%

The second question sought to understand on which particular topic individual, non-professional investors felt there is the highest need for improvement. The question was a multiple-choice answer, with respondents being able to choose from one to all possible answers; there was no respondent that ticked all boxes. The results by jurisdiction are summarised in Table 10 below.

Table 10. Results Q2 (areas of improvement) by jurisdiction

Topic	FI	DE	PT	FR	DK
Clarity/intelligibility of information	43%	43%	78%	67%	38%
Amount of information	24%	39%	51%	38%	43%
Risk transparency	51%	28%	76%	48%	56%
Cost transparency	26%	27%	71%	40%	34%
Performance transparency	31%	24%	47%	36%	28%
Suitability assessment and questionnaires	27%	24%	8%	15%	12%
Quality of advice	15%	20%	57%	22%	18%
Tradability of securities	14%	5%	8%	11%	24%
Other…	13%	22%	10%	3%	13%

Source: BETTER FINANCE, 2020

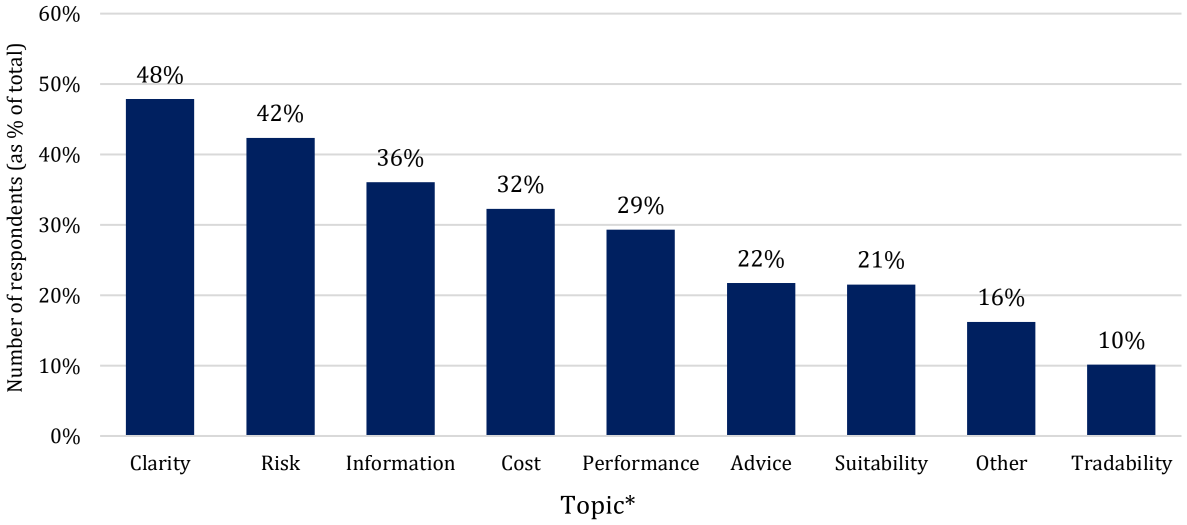
The level of clarity and intelligibility of information ranked highest or in the top three answers among all respondents: overwhelmingly, 78% of Portuguese respondents deem that the areas that need improvement are clarity and intelligibility of information, risk and cost transparency, and ranked performance transparency 5th, after the amount of information.

For Finnish respondents, the answers were more equally distributed, without too high variations: most indicated that risk transparency (51%) is the top area that requires improvement, followed by the level of clarity and intelligibility of information (43%) and performance transparency (31%).

In Germany, most respondents (48%) ranked also clarity and intelligibility of information as the area that needs improvement, followed by the amount of information (39%), cost (28%) and risk (27%) transparency. French respondents indicated that, after the need for more clarity and intelligible information in pre-contractual disclosures (68%), risk and cost transparency (40% and 38%) are areas that require improvement, whereas the amount of information and performance transparency (38% and 36%) ranked fourth and fifth.

Lastly, most Danish respondents highlighted risk transparency (56%) as the area that needs improvement, followed by the amount of information (43%) and clarity and intelligibility of information (38%). Performance transparency also ranked fifth (28%).

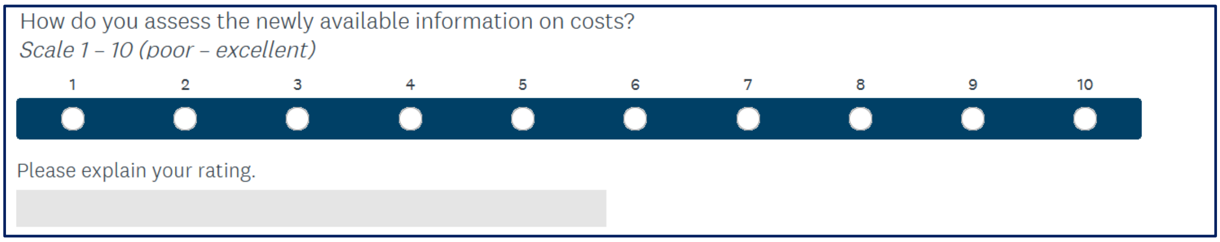
Graph 11. Aggregated results Q2 (areas for improvement)



Source: BETTER FINANCE, 2020; *the full names of the topic categories are: clarity/intelligibility of information; amount of information; risk transparency; cost transparency; performance transparency; suitability assessment and questionnaires; quality of advice; tradability of securities; other.

In overall, most respondents chose the level of clarity and intelligibility of information (48% average) as the area that needs improvement, followed by risk transparency (42%) and the amount of information (36%). The level of tradability of securities was the least chosen by the individual respondents across jurisdictions (10%).

In the "other" bin of answers, we have observed the following topics mentioned by the respondents: main concerns relate to information overload, regulatory paternalism (re: client categorisation and disclosures, allowed investments), increased complexity and lack of tradability of certain securities.



How do you assess the newly available information on costs?

Scale 1 – 10 (poor – excellent)

1	2	3	4	5	6	7	8	9	10
○	○	○	○	○	○	○	○	○	○

Please explain your rating.

Completion rate: 92%

The third (this) question, the fourth and fifth sought to find the views of individual investors on the newly available information on costs, risk and performance in the pre-contractual documentation, to be corroborated with the answers to the second question (*areas for improvement*) above. Note that these three questions relate to the information presented in the PRIIPs KID (cost, risk, and performance), but the question – as many others – was reworded in simpler terms in order not to confuse or disincentivise the respondents from answering on topics that seem unclear for them. These three questions are corroborated also with those explicitly mentioning the PRIIPs KID. This question was the second-most answered question in the survey.

Cost disclosure is an important topic for individual, non-professional investors – as seen from the analysis to the second question above: it ranked fourth (out of 9) in the areas that needed improvement.

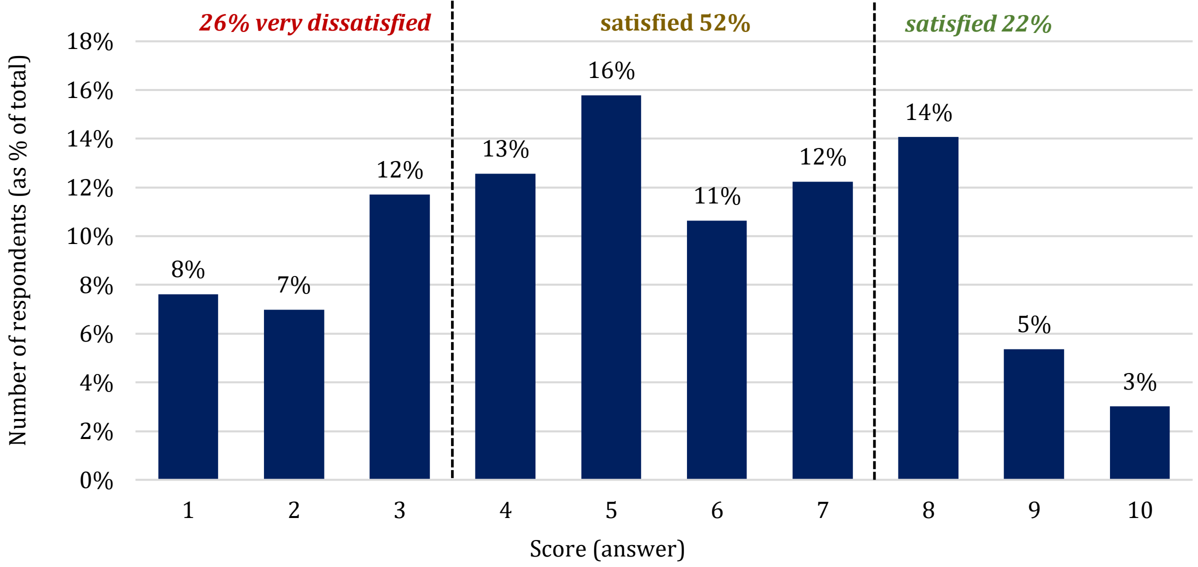
Table 12. Results Q3 (cost information) by jurisdiction

Score	FI	DE	PT	FR	DK
1	2%	13%	1%	6%	7%
2	4%	10%	6%	3%	7%
3	5%	16%	13%	10%	9%
4	9%	13%	29%	12%	7%
5	19%	11%	18%	22%	23%
6	16%	7%	10%	12%	11%
7	16%	9%	11%	13%	16%
8	19%	11%	11%	16%	16%
9	9%	5%	1%	3%	2%
10	2%	5%	0%	2%	0%

Source: BETTER FINANCE, 2020

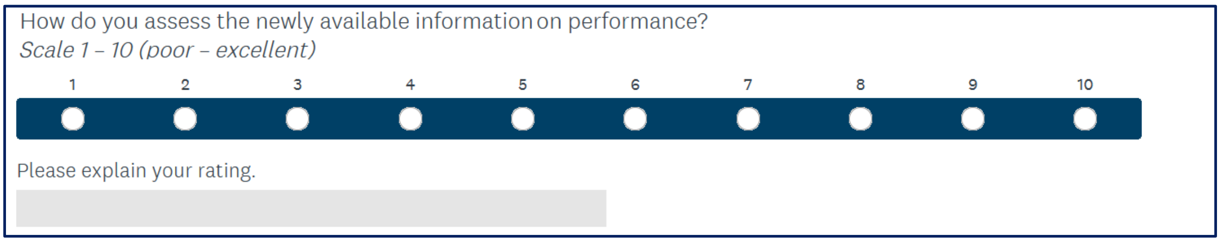
The least satisfied by the cost information available in the PRIIPs KID were German respondents, where 39% rated it between 1-3 (*very dissatisfied*), and only 21% between 8-10 (satisfied). On the other side of the spectrum, the least dissatisfied with the new cost information were Finnish investors, where 30% rated the new cost information between 8-10 (satisfied) and only 11% between 1-3 (very dissatisfied). The most occurrent rating across the jurisdictions was 5/10 (19%, 11%, 18%, 22%, 23%) and, of course, the least chosen answer was that of 10/10 (2%, 5%, 0%, 2%, 0%).

Graph 13. Aggregated results Q3 (cost information)



Source: BETTER FINANCE, 2020

The weighted average shows that the individual respondents to this survey are vastly dissatisfied with the new cost information: 78% (1 – 7/10) vs 22% (8-10/10). However, compared to other questions, the skewness of the distribution of answers is more centric (5-6/10), although the research team did not observe significant variations compared to the dispersion of answers with the other score-based questions (see Conclusions section below).


How do you assess the newly available information on performance?

Scale 1 – 10 (poor – excellent)

1	2	3	4	5	6	7	8	9	10
○	○	○	○	○	○	○	○	○	○

Please explain your rating.

Completion rate: 89%

In BETTER FINANCE's view performance is one of the most important pre-contractual disclosures for individual investors, but the trickiest to deal with. Studies in behavioural finance observed that "retail" investors tend to underestimate risks, emphasize positive returns or overestimate their ability to predict returns, even apply "*hyperbolic discounting of future costs*".[18] Finance professionals know that "*past performance is not a reliable indicator of future returns*"[19] and know to apply the necessary caveats to return estimations; however, non-professional investors do not have the same reflexes. The PRIIPs Consumer Testing Exercise of 2015 found, among other, that:

- "*respondents often wrongly assess likelihoods when shown performance scenarios*";
- "*respondents made mistakes even when presented with information on probability*" of the estimated returns;
- "*respondents perform better when presented with simpler information*", which in our BETTER FINANCE's view is a clear-cut, actual (past) return data;
- "*a minority of participants understood that the costs shown might not represent the actual costs they will pay*"; and

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[18] David Merenda, 'Protection of Retail Investors' (6 December 2018) Prague Law Working Papers Series 2018/III/1, p. 2.

[19] Art. 44(4)(e) MiFID II DR.

- "*most cost section's questions posed difficulties in understanding for participants*".[20]

Non-professional investors would naturally prefer to know how the investment will perform: who wouldn't? However, information that can incentivise non-professional investors to make incorrect assumptions or draw inaccurate expectations should not be disclosed in regulatory reporting documents. Even if retail clients would not be inclined to act irrationally, such information is at least confusing.

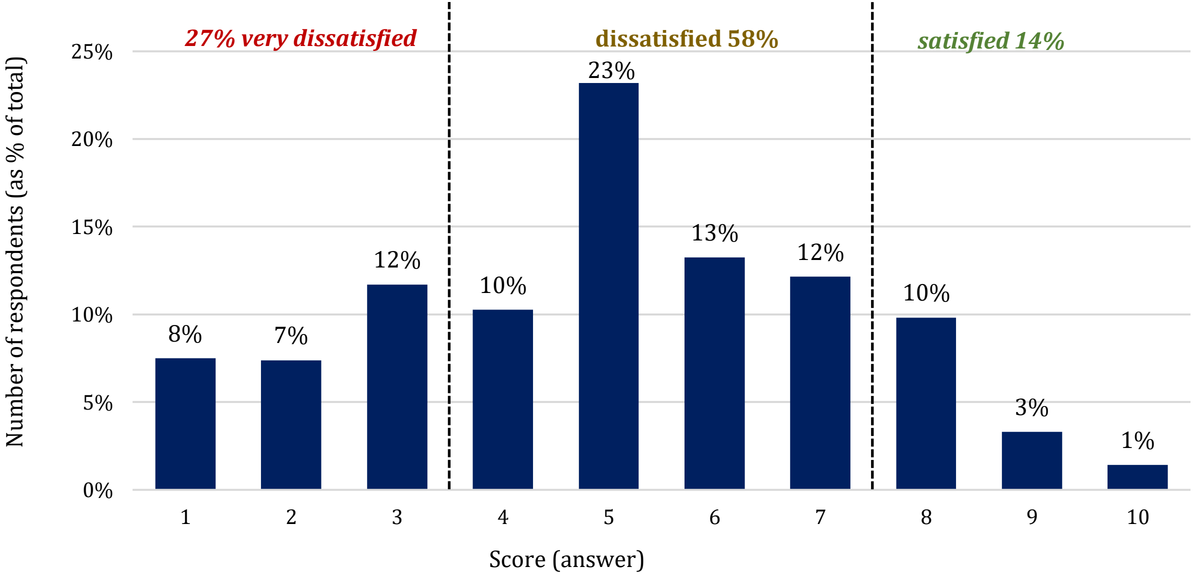
Table 14. Results Q4 (performance info) by jurisdiction

Score	FI	DE	PT	FR	DK
1	2%	12%	1%	4%	9%
2	3%	11%	4%	4%	11%
3	4%	16%	9%	15%	13%
4	9%	12%	15%	7%	4%
5	24%	20%	33%	22%	31%
6	16%	10%	14%	17%	20%
7	19%	8%	11%	21%	7%
8	16%	7%	13%	7%	3%
9	6%	2%	1%	1%	3%
10	0%	2%	0%	2%	0%

Source: BETTER FINANCE, 2020

It can be observed from Table 14 and Graph 15 that 86% of individual respondents are dissatisfied with the new performance disclosures, with the least satisfied in Denmark (only 6% rated the performance information between 8-10/10), and the most satisfied in Finland (22% gave a score between 8-10%).

Graph 15. Aggregated results Q4 (performance information)



Source: BETTER FINANCE, 2020

In the authors' view, it is still a conceptual conflict that EU financial regulation warns that "*past performance is not a reliable indicator of future results*"[21] but obliges product manufacturers to

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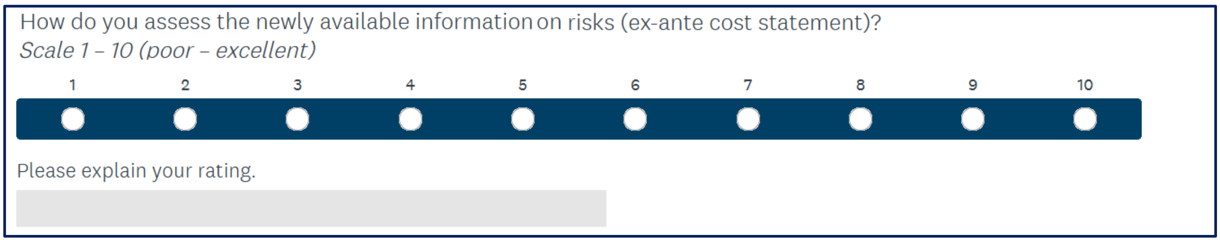
[20] European Commission, 'Final Report: Consumer Testing Study of the Possible New Format and Content of for Retail Disclosures of Packaged Retail and Insurance-based Investment Products' (2015) 18, available at: https://ec.europa.eu/info/sites/info/files/consumer-testing-study-2015_en.pdf.

[21] Art. 44(4)(e) MiFID II DR

estimate future results based exactly on past performance.[22] In light of the answers to the second question (*what areas for improvement*), specifically that the most selected topic that needs improvement is the *clarity and intelligibility of information* (48%), followed by the amount of information (42%), it is clear that complicating the performance section has proven very detrimental to individual investors.



How do you assess the newly available information on risks (ex-ante cost statement)?
Scale 1 – 10 (poor – excellent)

1	2	3	4	5	6	7	8	9	10
○	○	○	○	○	○	○	○	○	○

Please explain your rating.

Completion rate: 82%

This question offered as well just one answer possibility (a score from 1 to 10) and it was completed by 82% of participants; however, the research team observed that almost all French respondents (97%) have skipped this question, reason for which those answers are not considered in the overall assessment as they are not representative.

Table 16. Results Q5 (risk information) by jurisdiction

Score	FI	DE	PT	FR	DK
1	4%	16%	13%	0%	9%
2	3%	9%	11%	0%	9%
3	5%	16%	19%	0%	12%
4	9%	13%	19%	0%	11%
5	25%	18%	16%	33%	23%
6	13%	9%	6%	67%	16%
7	19%	8%	4%	0%	11%
8	14%	6%	10%	0%	5%
9	5%	2%	3%	0%	4%
10	2%	3%	0%	0%	0%

Source: BETTER FINANCE, 2020

The lowest satisfaction rate for this question was recorded for Danish participants, which gave a score equal or above to 8 out of 10 only in 9% of responses, whereas 61% ranked the newly available risk information between 4 and 7 out of 10;.

On the other side, Finnish participants indicated the highest scores, with 21% of responses scoring between 8 and 10 to this question, only 12% of respondents being very dissatisfied (1-3/10) and the rest 67% being in between (dissatisfied, 4-7/10).

Finally, German and Portuguese participants were on the middle ground: 11% and 13% were satisfied with the newly available risk information, 41% and 43% were very dissatisfied.

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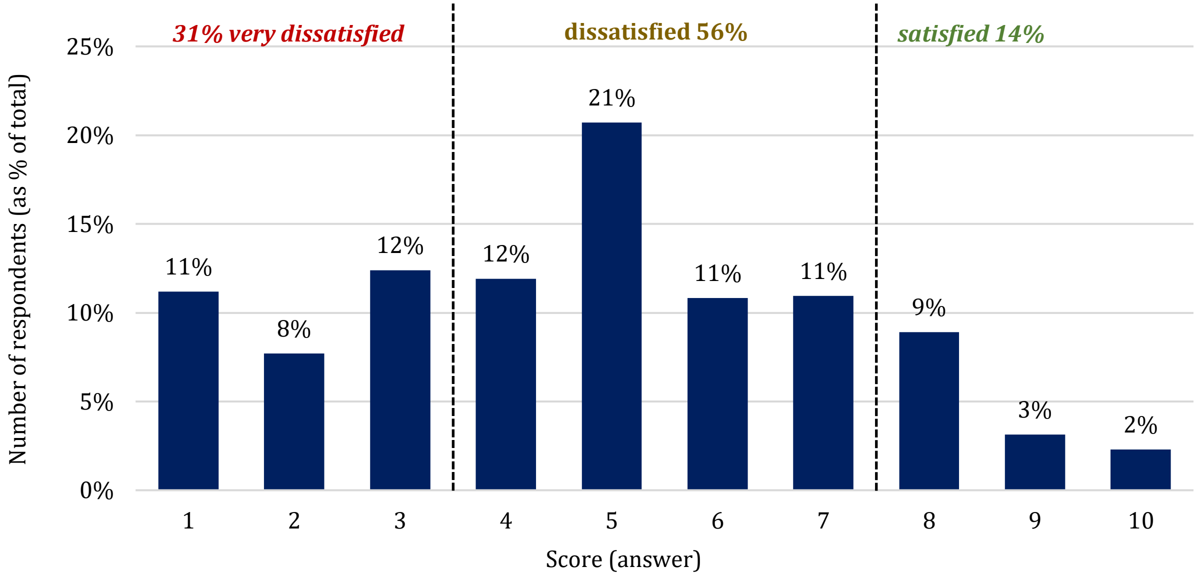
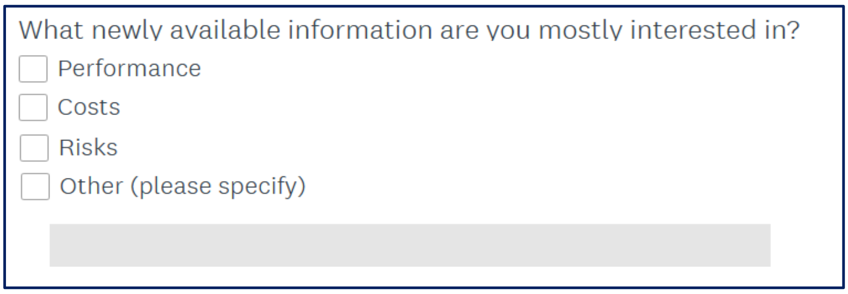
[22] Annex II, pt. 9, read in conjunction with pt. 4 of Annex IV of Commission Delegated Regulation(EU) 2017/653 of 8 March 2017 supplementing Regulation (EU) No 1286/2014 of the European Parliament and of the Council on key information documents for packaged retail and insurance-based investment products (PRIIPs) by laying down regulatory technical standards with regard to the presentation, content, review and revision of key information documents and the conditions for fulfilling the requirement to provide such documents, OJ L 100/1.

Graph 17. Aggregated results Q5 (risk information)



Source: BETTER FINANCE, 2020;

The aggregate results for the question on risk transparency are similar to those on cost and performance disclosure (Q3 and Q4 above): 31% of respondents are very dissatisfied with the new risk information (1-3/10) compared to 27% for Q3 and Q4; 56% are dissatisfied (4-7/10) compared to 58% (Q4) and 52% (Q3); finally, 14% are ranked risk information equal or above to 8 out of 10, which is the same as for performance (Q4 – 14%) and slightly lower than for cost disclosure (Q3 – 22%).



What newly available information are you mostly interested in?

☐ Performance
☐ Costs
☐ Risks
☐ Other (please specify)

Completion rate: n/a

The sixth question was open-ended, the participants being allowed to make any choice between 1 single answer and all four (including the additional input). As such, it is difficult to assess how many (as % of the total) answered this questionnaire; nevertheless, analysing the number of times each answer option was selected, we can estimate that each respondent indicated, on average, two topics they are most interested in.

Table 18. Results Q6 (areas most interested in) by jurisdiction

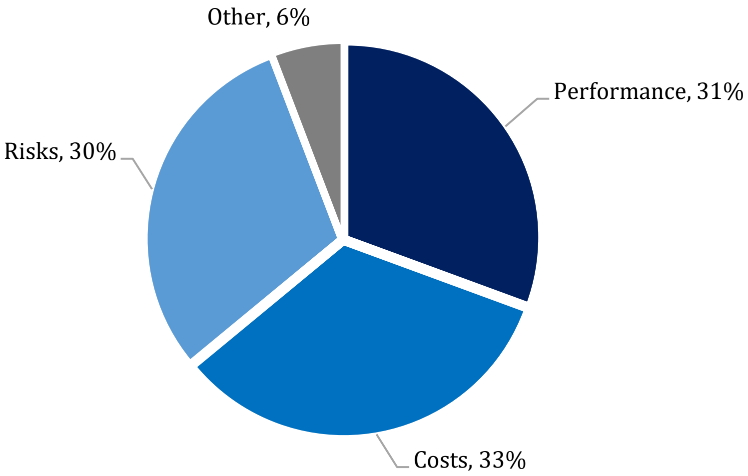
Topic	FI	DE	PT	FR	DK
Performance	31%	31%	21%	40%	31%
Costs	37%	34%	35%	26%	34%
Risks	25%	27%	38%	28%	32%
Other	7%	8%	5%	6%	3%

Source: BETTER FINANCE, 2020

Performance disclosure ranked the first for French respondents (40% of choices), with a significant gap to risk (28%) and cost (26%) information. For Finnish and German respondents, performance ranked the second most relevant area of disclosure (35%, and 31%), followed by risks (25% and 27%), while for Portuguese and Danish respondents, performance ranked third (31% and 21%).

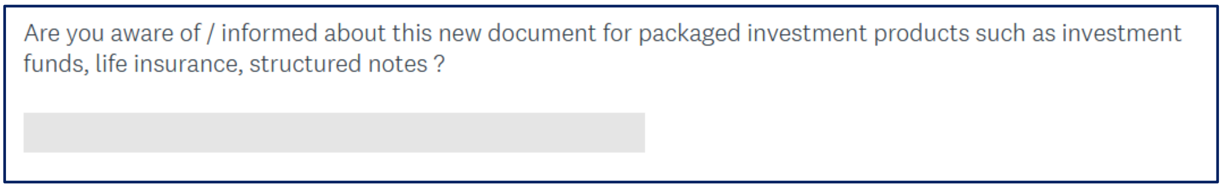
In the "other" category for responses, participants highlighted: financial key figures, economic background information, multi-year portfolio performance information, market estimates, alpha to benchmark, current information about the company, ESG disclosures, information about the exercise of shareholder rights, liquidity information, portfolio manager information, more detailed portfolio content and investment strategy for ETFs, or tax information.

Chart 19. Aggregated results Q6 (areas most interested in)



Source: BETTER FINANCE, 2020

On average, 33% of responses indicated costs as the most relevant topic of pre-contractual disclosures, 31% chose performance information and 30% chose risk information. However, considering that the question was multiple-choice, we can observe that the three essential information categories (cost, risk and performance) weigh almost the same in the eyes of non-professional investors.



Are you aware of / informed about this new document for packaged investment products such as investment funds, life insurance, structured notes ?

Completion rate: 86%

This question was meant to identify weaknesses in the publication and/or dissemination of the PRIIPs KID to individual investors. However, the research team observed that even financially literate, active investors are very much confused about the new PRIIPs KID, with the majority of them being most probably unable to identify it among the different number of pre-contractual disclosures delivered.

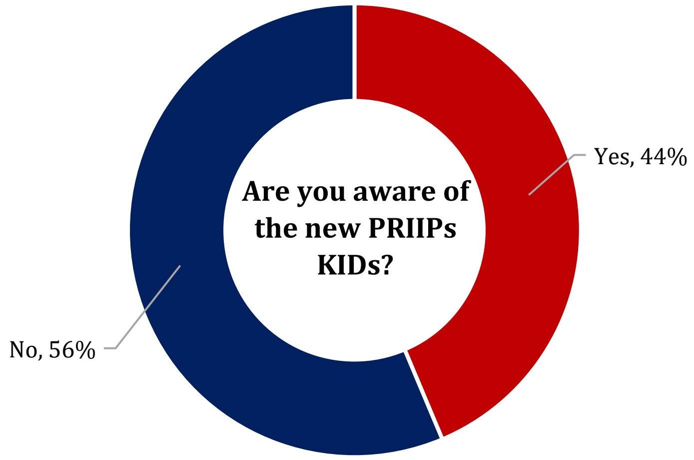
Table 20. Results Q7 (KID awareness) by jurisdiction

Answer	FI	DE	PT	FR	DK
Yes	40%	47%	77%	20%	27%
No	61%	53%	23%	80%	73%

Source: BETTER FINANCE, 2020

Table 20 shows that most individual investors believe that they have not seen or been informed of the new pre-contractual disclosure document for retail investment products. With the exception of Portuguese respondents, of which almost 8 out of 10 have seen or been informed of the KID before, the other respondents (the highest degree in Denmark, 73%) answered no to this question.

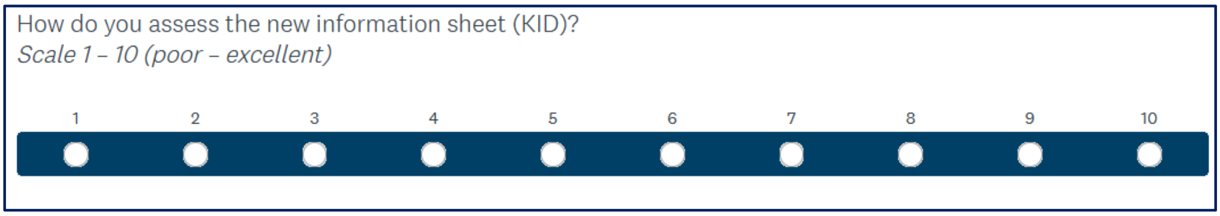
Chart 21. Aggregated results Q7 (KID awareness)



Source: BETTER FINANCE, 2020

On average, Graph 21 above shows that the majority of individual respondents are unaware or have never been presented with a PRIIPs KID. While several other explanations could be weighed in (e.g., that 58% of respondents simply never bought or browsed a PRIIP), the research team believes it highly unlikely that in almost two years of implementation and across – on average – 75 active investments, these individual investors have not come across a PRIIP even once. It may be that the KID dissemination or disclosure is not sufficiently prominent for non-professional investors (among the many documents "retail" clients are presented with) or that "retail" clients did not pay attention to all pre-contractual disclosures delivered to them.

In short, the research team believes that the clear finding of this question is to show how even active individual investors (members of investor associations) are confused with the PRIIPs KID, both if they heard of it, seen it or not.


How do you assess the new information sheet (KID)?
Scale 1 – 10 (poor – excellent)

1	2	3	4	5	6	7	8	9	10
○	○	○	○	○	○	○	○	○	○

Completion rate: 74%

Question 8 complements questions 3, 4, and 5 (cost, risk, and performance) and sought to obtain the overall assessment of individual investors concerning the new PRIIPs KID. This question recorded the lowest completion rate in the survey for individual investors, i.e., 74% of the total number of respondents that submitted the responses.

Table 22. Results Q8 (KID assessment) by jurisdiction

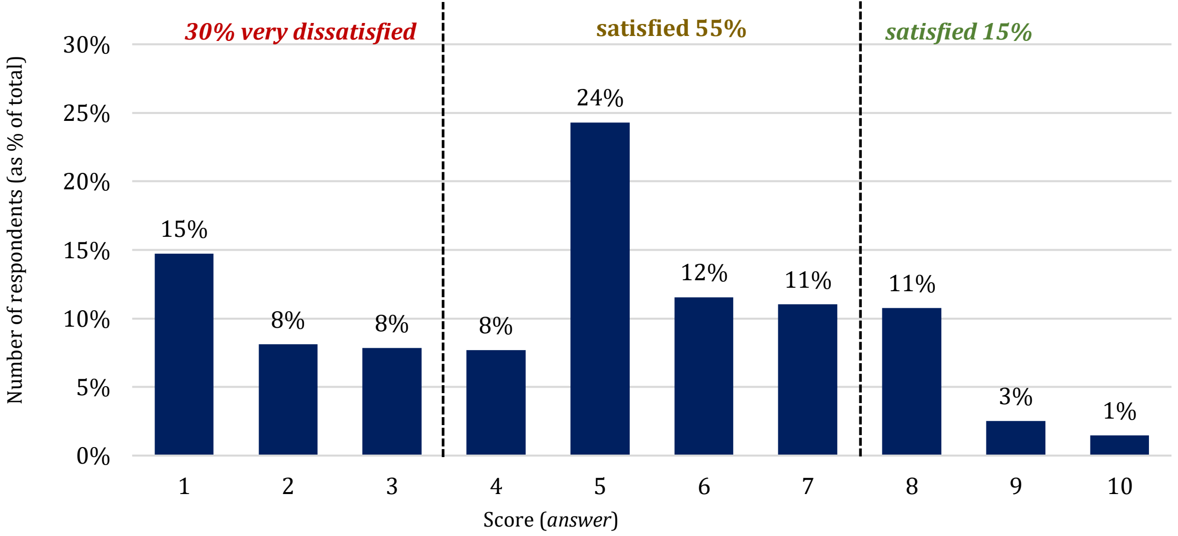
Score	FI	DE	PT	FR	DK
1	10%	22%	1%	15%	0%
2	3%	12%	5%	6%	9%
3	5%	11%	4%	5%	9%
4	5%	11%	9%	5%	0%
5	27%	24%	24%	21%	17%
6	13%	8%	18%	19%	0%
7	14%	4%	16%	20%	35%
8	16%	5%	22%	6%	26%
9	5%	1%	1%	2%	4%
10	2%	2%	0%	1%	0%

Source: BETTER FINANCE, 2020

Looking at individual investors' responses across jurisdictions, we can observe the degrees of satisfaction or dissatisfaction differ significantly between jurisdictions, compared to the other questions. However, the weighted averages for this question fall in line with those of the other questions (for the very dissatisfied, dissatisfied and satisfied response bins) – as it can be seen in the Graph 32 below (Conclusions section).

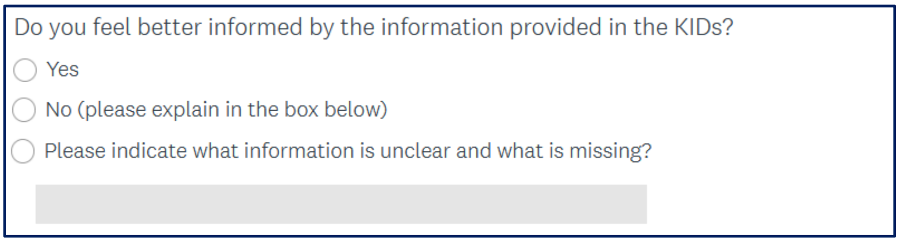
We can observe three groups of responses, categorised by jurisdiction and the concentration of ratings. First, the "most satisfied" were the Finnish and Portuguese respondents, 23% of which (on average) scored the PRIIPs KID between 8-10/10. In the middle, there are the Danish and French respondents, of which 75% and 65% were dissatisfied with the disclosure document (score between 4-7/10). Last, the German investors were the least satisfied, of which 45% gave the lowest scores for this question: 45% rated the new KID between 1-3/10.

Graph 23. Aggregated results Q8 (KID assessment)



Source: BETTER FINANCE, 2020;

Overall, the majority of respondents (85%) are dissatisfied with the pre-contractual disclosure for retail investment products, of which 30% are very dissatisfied.



Do you feel better informed by the information provided in the KIDs?

○ Yes

○ No (please explain in the box below)

○ Please indicate what information is unclear and what is missing?

Completion rate: 89%

Perhaps one of the most important questions concerning the new PRIIPs KID was this one, which asked directly participants whether they felt that the new disclosure document helped them be better informed.

Table 24. Results Q9 (KID impact) by jurisdiction

Answer	FI	DE	PT	FR	DK
Yes	48%	26%	73%	48%	65%
No	52%	74%	28%	52%	35%

Source: BETTER FINANCE, 2020

We observed two abnormal response averages, for Portuguese and Danish respondents, which were mainly satisfied with the new PRIIPs KID: 73% and 65% indicated that the new key essential information document informs them better of the investment product. The answers were cross-checked with those from Questions 3 (cost), 4 (performance), 5 (risk) and 8 (overall assessment) in Table 25 below:

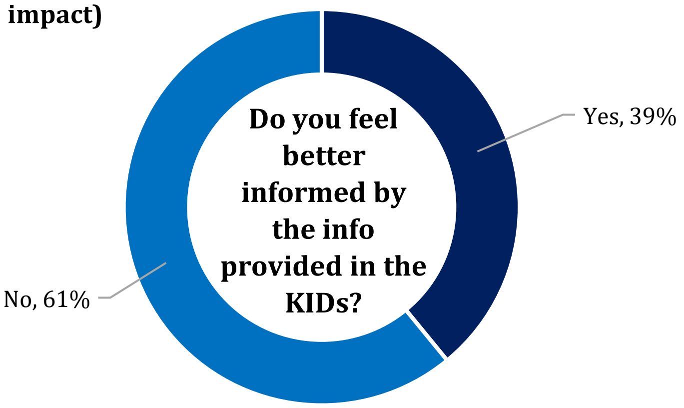
Table 25. Cross-check analysis

		PT	Q9	DK	Q9
Q3 (cost)	Dissatisfied	88%	No: 23%	72%	No: 35%
	Satisfied	12%		18%	
Q4 (performance)	Dissatisfied	86%		94%	
	Satisfied	14%		6%	
Q5 (risk)	Dissatisfied	87%	Yes: 77%	91%	Yes: 65%
	Satisfied	13%		9%	
Q8 (overall)	Dissatisfied	77%		96%	
	Satisfied	23%		4%	

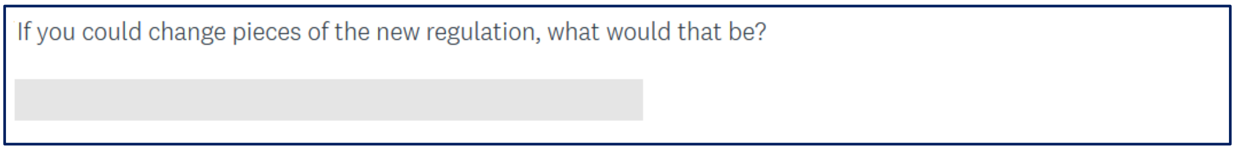
Source: BETTER FINANCE, 2020

The only reasonable explanation found by the research team is that the respondents may have misunderstood the question as the responses to this Question contradict the answers to four related questions.

Chart 26. Aggregated results Q9 (KID impact)



Source: BETTER FINANCE, 2020



If you could change pieces of the new regulation, what would that be?

Under this question we analysed the responses and gathered them under eight categories of suggestions: those related to reducing the amount of information, opt-out for experience investors (from retail disclosures), improving the intelligibility of disclosures and, particularly, of cost information, lessening the amount of regulation, enhance the tradability of certain products and others (miscellaneous).

Most participants to the survey indicated that the amount of information submitted is too large and it needs to be reduced; others highlighted the need to improve the intelligibility of disclosures (in line with Q2 above) and improve cost disclosures.

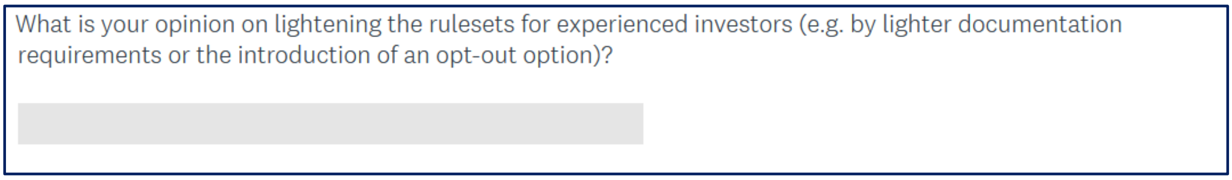
Many respondents provided written input for the “other” responses, with half of them very specific on what changes would be needed. Among Finnish investors, we observed that many called for enhancing tradability of ETFs, especially US-based ones, while others called for a lightening of the existing regulatory framework. The same calls were observed from Danish, French and Portuguese respondents as well: a plea for lighter documentation and regulation. One respondent indicated that the rules seemed to be made to serve financial institutions (“*banks*”) and that investing in capital markets has become more of an activity designed for large investors and specialists.

The research team also observed many comments asking for a lightening of rules and restrictions for experienced investors, based on their trading experience, wealth, or the fact that they are already clients of a certain investment firm.

One notable comment on the need to add an intermediary category of semi-qualified investors came from a Finnish respondent (translated in EN, truncated):

> “(…) *I think the regulation should also take into account investors’ experience at some sensible level. Now all non-professional investors are treated as full beginners, and I myself have to fight every corner against these EU child locks, even though I trade almost another thousand each year in shares alone, not to mention derivatives. I invest in a very broad diversification, globally and preferably directly. I am not a professional, but very active and I think much more experienced even after a short time than more long-term stake investors. Still, I am treated like a beginner and have been permanently wrapped in bubble wrap that holds an EU directive*”.

The same recommendations came from Portuguese and French individual respondents as well. Many other called for more information on historical performance of investment products and instruments (PT, DK, FR).

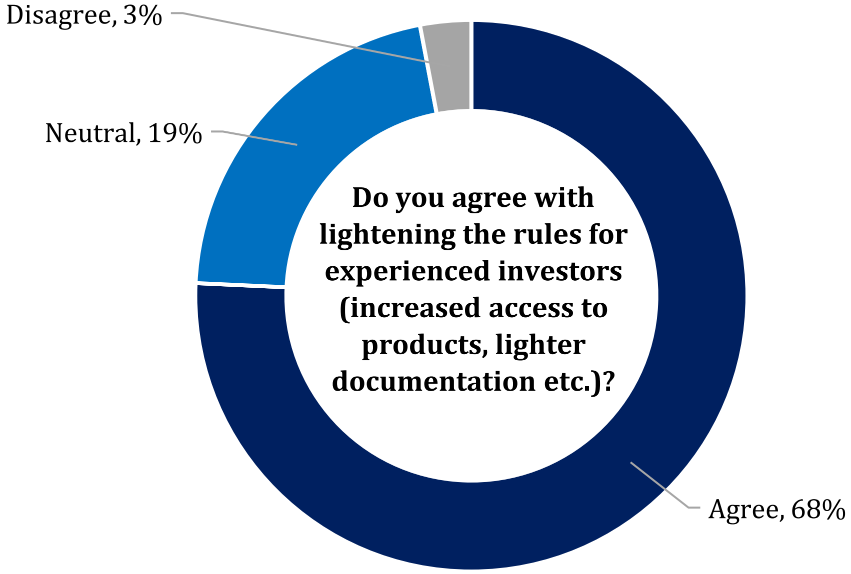


What is your opinion on lightening the rulesets for experienced investors (e.g. by lighter documentation requirements or the introduction of an opt-out option)?

In light of the answers to the previous question, where many investors asked for a lightening of bureaucracy (and bureaucratic procedures) and of the pre-contractual documentation, 53% of Portuguese respondents were in favour of the proposal, while 41% did not express any opinion and 6% disagreed, arguing that it would only leave individual investors unprotected and would not bring any significant advantage.

Among Finnish respondents, 61% agreed to lighten the rulesets for experienced investors, while 15% were neutral and 24% disagreed, but most have not explained why. In Germany, 74% believe it would be meaningful or very meaningful, whereas in Denmark 66% share this opinion. Among the neutral answers, 18% of German and 14% of Danish respondents indicated this, while 8% and 19% of German and Danish participants disagreed (either saw it detrimental or needless).[23]

Graph 27. Aggregated results Q12



Source: BETTER FINANCE, 2020

On average, we can observe that 68% of participants in the four jurisdictions are in favour of lightening the rulesets for experienced investors (such as increased access or tradability of financial instruments and products, or lighter documentation), 19% are neutral on the topic and 3% disagree or oppose this initiative.

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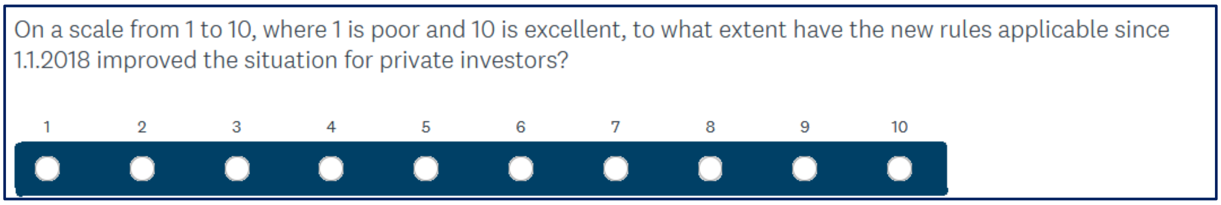
[23] Due to an issue in the coordination process, the individual investors' survey in French did not comprise this question.

BETTER FINANCE member organisations

The answers and analysis of member organisations will be presented by questions, in the order these were drafted in the survey. Note: all questions have been answered by the BETTER FINANCE members (completion rate is 100% for all).

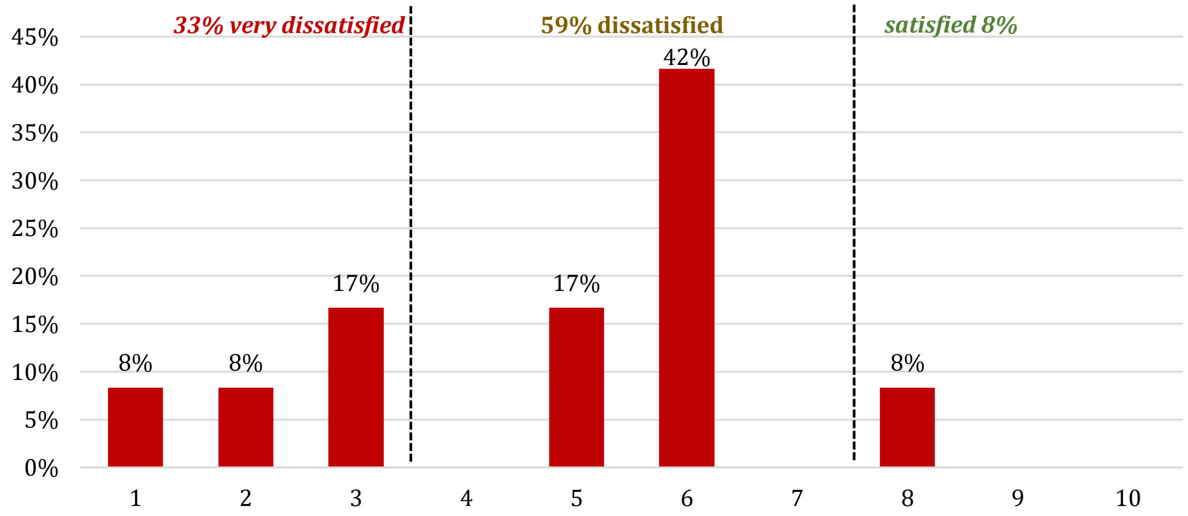


On a scale from 1 to 10, where 1 is poor and 10 is excellent, to what extent have the new rules applicable since 1.1.2018 improved the situation for private investors?

1	2	3	4	5	6	7	8	9	10
○	○	○	○	○	○	○	○	○	○

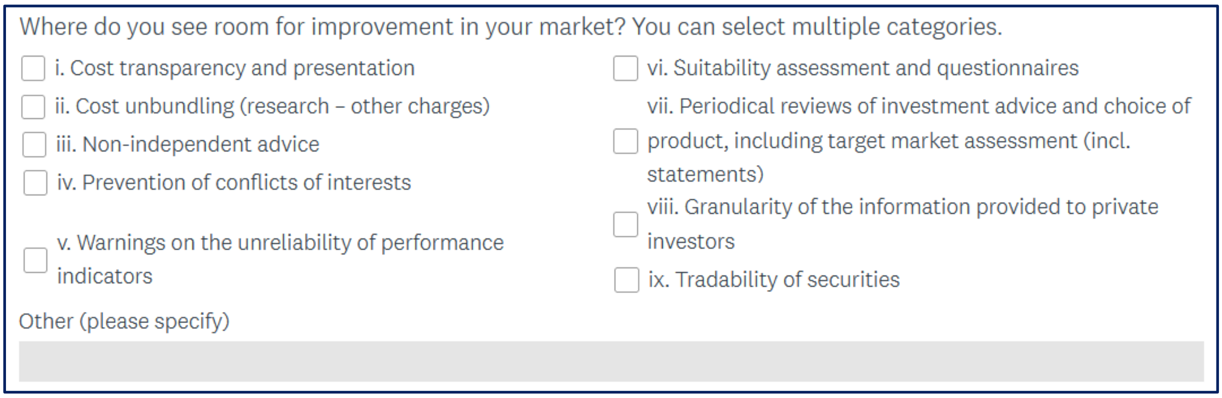
Since the number of BETTER FINANCE member organisations to the survey is (understandably) lower compared with the individual respondents' survey, the dispersion of responses is limited. As it can be seen in the table below, the new capital markets regulatory frameworks received no scores of 4, 7, 9, and 10 out of 10.

Graph 28. Results Q1 - members



Source: BETTER FINANCE, 2020

The vast majority of participating BETTER FINANCE member organisations are less than satisfied with the new regulations that came into force on the 1st of January 2018: almost half of respondents accorded a score of 6 out of 10 (42%), and almost one in six members rated the new pieces of legislation at 5 out of 10. A few respondents feel that the situation has improved to a limited extent (8% scored the new frameworks at 8 out of 10, falling in the *satisfied category*) and 33% were very dissatisfied (1-3/10) with the newly applicable provisions.



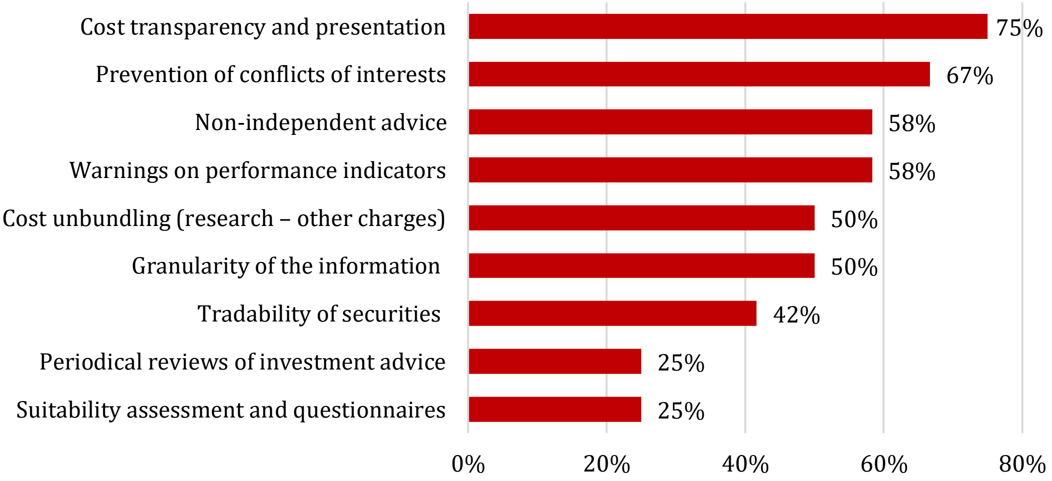
Where do you see room for improvement in your market? You can select multiple categories.

☐ i. Cost transparency and presentation
☐ ii. Cost unbundling (research – other charges)
☐ iii. Non-independent advice
☐ iv. Prevention of conflicts of interests
☐ v. Warnings on the unreliability of performance indicators
☐ vi. Suitability assessment and questionnaires
☐ vii. Periodical reviews of investment advice and choice of product, including target market assessment (incl. statements)
☐ viii. Granularity of the information provided to private investors
☐ ix. Tradability of securities

Other (please specify)

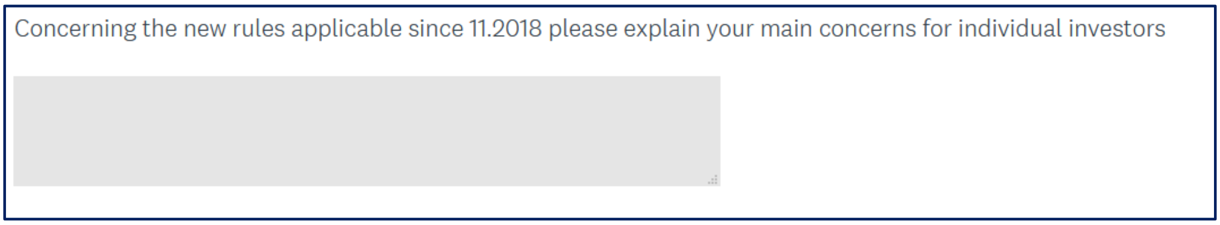
Interesting findings can be drawn from the assessment of Question 2 on *what areas for improvement* are recommended by BETTER FINANCE member organisations. The majority of participants chose at least four categories: the transparency and presentation of cost information (75%), the need to prevent conflicts of interest in retail investment services (67%), the need to ensure fair distribution mechanisms for individual investors ("non-independent advice", 58%) and the need to change the warning on performance indicators (58%).

Graph 28. Results Q2 - members



Source: BETTER FINANCE, 2020

Other specific recommendations, depending on the jurisdiction concerned, were aimed at improving the tradability of certain securities, on the unbundling of research costs or at the suitability assessment and questionnaires in the investment advice process for non-professional clients.



Concerning the new rules applicable since 11.2018 please explain your main concerns for individual investors

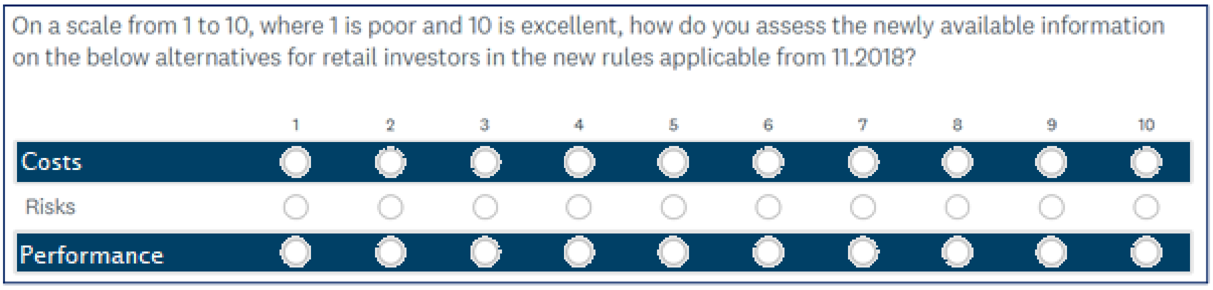
BETTER FINANCE's members listed a series of issues that affect their individual members and other retail investors in their respective jurisdictions. To begin with, some highlighted problems regarding the ineffective monitoring of auditors, lack of transparency of financial statements of listed companies, conflict of interests between banks, supervision of auditors, or for example the extreme bureaucracy for private investors to open a stock brokerage account.

Second, they mentioned that the regulation seems heavily impacted by institutional representative groups ("lobbyists") and does not really improve the framework for individual investors in a meaningful way. The protection framework for the unexperienced investors qualifies rather as a red tape than guidance, and whereas bank-advisors can use it as a legal disclaimer, it does not help educate the new investor towards financial understanding.

Third, other members pointed to the loss of research (and increased dependence on paid-for research due to MiFID II unbundling), inconsistency of cost reporting, and the huge data overhead which is effectively borne by end investor, charged by increased brokerage and custody firms.

Fourth, other issues highlighted referred to the information overload and less securities available for trading, especially bonds, and the inconsistencies between MiFID II and PRIIPs in terms of disclosures. What is more, some indicated the use of MiFID II by intermediaries to further drive away individual investors from capital markets and push them even more to packaged, complex and fee-laden products.

Lastly, the issue of cost disclosures was highlighted, in particular to the PRIIPs "Reduction in Yield". This indicator is not considered appropriate because it refers to future potential return and not to actually paid contributions or premiums. On product complexity, it was mentioned that the KIDs and financial education campaigns are not sufficient if product manufacturers do not offer products which are "transparent, simple and cost-effective" like the PEPP could be.



On a scale from 1 to 10, where 1 is poor and 10 is excellent, how do you assess the newly available information on the below alternatives for retail investors in the new rules applicable from 11.2018?

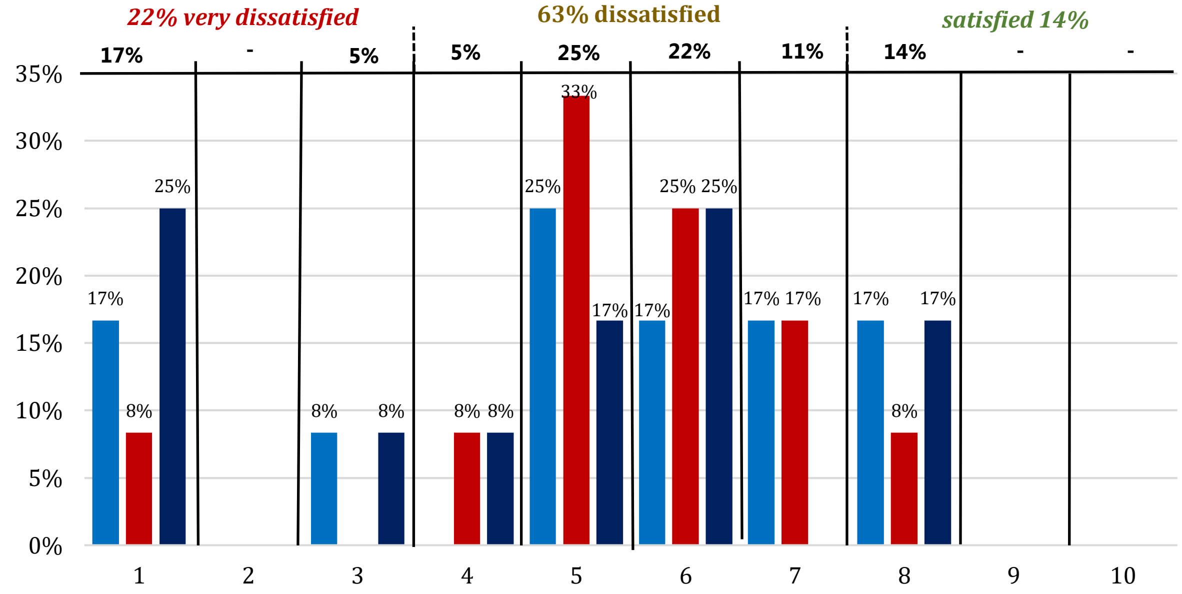
	1	2	3	4	5	6	7	8	9	10
Costs	○	○	○	○	○	○	○	○	○	○
Risks	○	○	○	○	○	○	○	○	○	○
Performance	○	○	○	○	○	○	○	○	○	○

Analysing the skewness of answers, the research team observed that costs and risk recorded (relatively) the highest percentages of satisfaction among BETTER FINANCE's members, with 17% of respondents scoring the new cost and risk information 8 out of 10. Out of all participants, most rated the new cost information as a 5 out of 10 (25%), followed by 17% for 1, 6, and 7 out of 10.

The new information disclosure on risks (the synthetic risk-reward indicator) is perceived slightly better, with 67% of answers giving a score equal or above to 4 out of 10; the scores are very similar to those given to the cost information.

The performance section is, perhaps, one the most debated topics between stakeholders and EU authorities. BETTER FINANCE, as shown in the results of this survey, has always held that past, actual and simple information on the historical returns of investment products is preferable, not because it would be a better indicator for future returns (see Art. 44(4)(e) MiFID II DR), but because it enables the potential non-professional client to assess if and how well the product managers has achieved its stated objectives in the past.

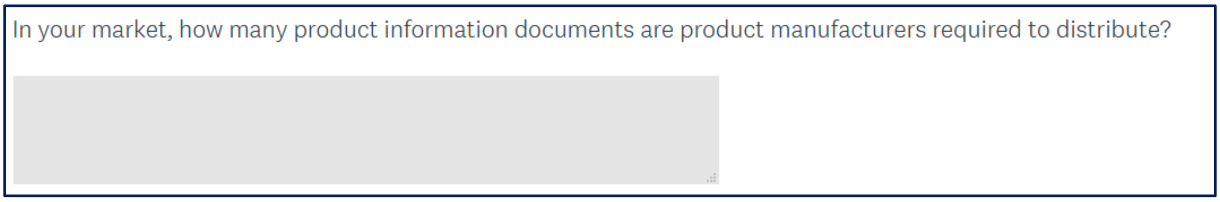
Graph 29. Results Q4 - members



Source: BETTER FINANCE, 2020; light blue bars = cost; red bars = performance; dark blue bars = risk;

Among respondents. 83% are dissatisfied with the performance estimations presented in the PRIIPs KID, this question recorded the lowest level of satisfaction (only 8% of respondents rated it equal to 8 out of 10) of all three categories. Among the respondents that were "very dissatisfied" (8%), all rated the new return estimations disclosed to non-professional clients the lowest possible on our scale (1 out of 10).

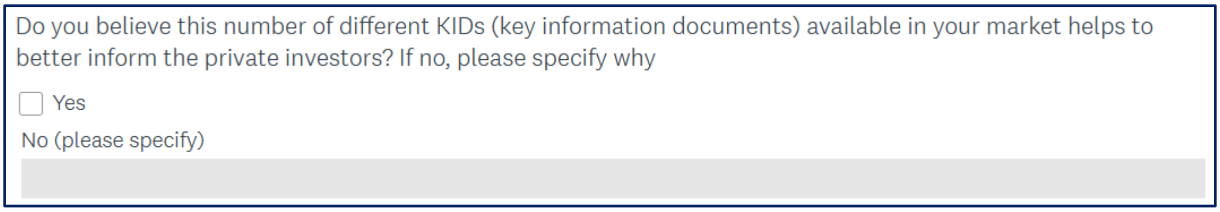
In overall, only 14% of participants' answers indicated satisfying level of the new cost, risk, and performance information, although pointing to the need for improvement.



In your market, how many product information documents are product manufacturers required to distribute?

Based on the input from the German member organisations, BETTER FINANCE sought to identify if EU law conflicts with national legislation in terms of the pre-contractual disclosure documents that are required by law to be offered to individual investors. To this end, the research team learned that In Germany there are four KIDs by insurers only: IPID (non-life following to IDD), KID for PRIIPs (life-insurances / IBIPs), KID for occupational pensions (following to IORPs II), and national PIDs for state allocated pensions (Riester / Rürup), to which the UCITS KIID must be added.

However, the member associations from other EU Member States did not highlight the same issue (i.e. too many different product information sheets to be sent to individual investors).



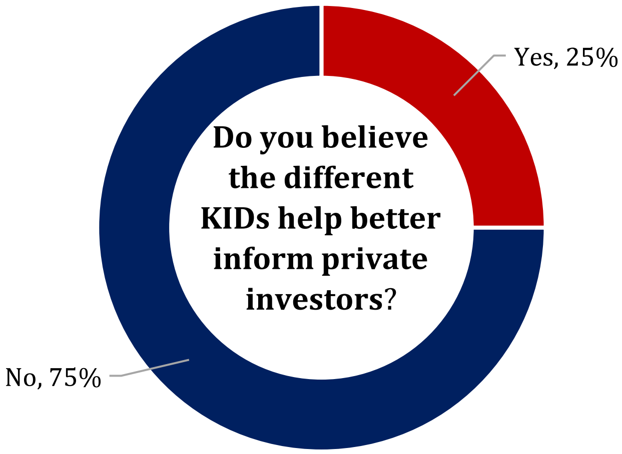
Do you believe this number of different KIDs (key information documents) available in your market helps to better inform the private investors? If no, please specify why

☐ Yes

No (please specify)

The majority of respondents believe that such a large number of different, unharmonized and inconsistent product information sheets does not help individual investors make an informed decision.

Graph 30. Results Q6 - members



Source: BETTER FINANCE, 2020

Too much and too different information can become misleading, especially if the various KIDs are not harmonised to enable comparison of key features of the product. These documents are little or not read by investors. Investors wish to "understand the content" of the set of documents through explanations received from investment professionals, so the existence of several disclosure documents does not help at all.

Do you believe amendments to the new financial market regulations are necessary in your market? If yes, what/in which area do you see a need for amendments?

○ No

○ Yes (please specify)

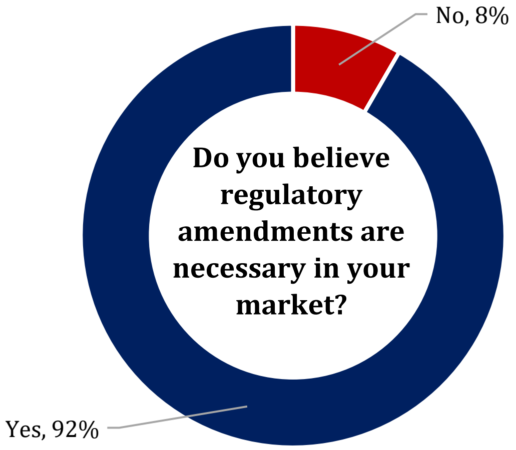
BETTER FINANCE member organisations pointed out to several amendments that are needed in order to enhance retail investor protection in EU jurisdictions. To begin with, members highlighted the need to enhance auditor liability and ensure that regulatory or supervisory authorities are independent in order to avoid conflicts of interest. Second, members pointed to the need to ensure more clarity and intelligibility of pre-contractual disclosures. To this effect, the need to reform the PRIIPs Regulation to eliminate misleading estimations on cost, risk and performance was suggested, also in light of aligning the MiFID II disclosures with those required for retail investment products.

At the same time, recommendations aimed at simplifying the regulatory framework, to reduce burdensome procedures for individual, non-professional investors and harmonise precontractual information to investors, as well as to reduce the amount of information to significant and meaningful information only.

Some members highlighted that the most important issue for consumers and citizens continues to be the private retirement provision. Those who are able to regularly save and invest can choose only amongst underperforming products: complex financial products which are neither transparent, nor cost-effective.[24] The ongoing low interest rate phase worsens this problem, further fuelled by inflation.

Regarding shareholder rights, a BETTER FINANCE member associations indicated the need for a full review of the effects of MiFID II, pursuant to which a number of changes have affected shareholder services (such as the withdrawal of broker advisory services). Moreover, there is still no requirement for nominee shareholders to ensure that beneficial owners (EU citizens as long-term investors) are kept fully up-to-date with company announcements (details of AGMs, EGMs etc.) and that actual shareholders are able to attend their investee companies' AGMs and exercise their voting rights at no additional cost.

Graph 31. Results Q7 - members



Source: BETTER FINANCE, 2020

Overall, **92% of BETTER FINANCE's member organisations that participated at this survey recommended to amend or reform the two most important pieces of EU regulation impacting individual, non-professional investors: MiFID II and PRIIPs**.

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[24] BETTER FINANCE *Study on the Correlation Between Cost and Performance in EU Equity Retail UCITS* (June 2019), available at: https://betterfinance.eu/wp-content/uploads/BETTER1.pdf.

CONCLUSIONS

This section analyses side-by-side the responses of individual investors with those of BETTER FINANCE's members on a series of questions that sought to identify the same opinions, or were worded similarly: Questions 1 (*overall assessment of the new financial market regulations*) Questions 2 (*areas for improvement*), Questions 3, 4, and 5 (assessment of the newly available information on cost, risk, and performance) and Questions 12 and 6 (*recommended changes to existing capital markets legislation*).

Table 32. Individual vs BF Members response correlation

Question	Satisfaction category	Individual respondents No. of respondents (%)	BF Members No. of respondents (%)
Q1	Very dissatisfied	37%	33%
	Dissatisfied	52%	57%
	Satisfied	12%	8%
Q3	Very dissatisfied	27%	25%
	Dissatisfied	52%	59%
	Satisfied	22%	17%
Q4	Very dissatisfied	27%	8%
	Dissatisfied	58%	84%
	Satisfied	14%	8%
Q5	Very dissatisfied	31%	33%
	Dissatisfied	56%	50%
	Satisfied	14%	17%
Q8	Very dissatisfied	30%	N/A
	Dissatisfied	55%	N/A
	Satisfied	15%	N/A

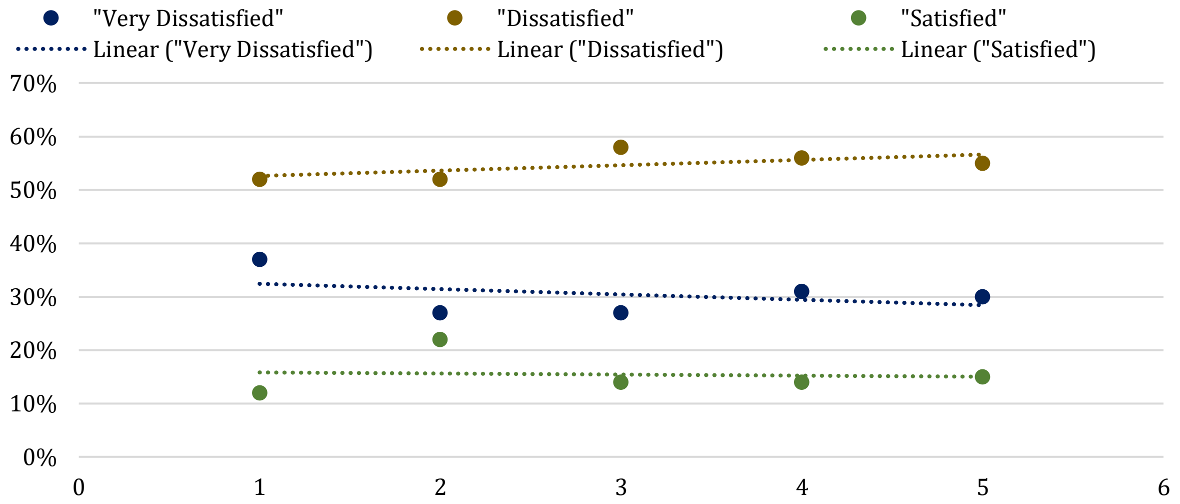
Source: BETTER FINANCE, 2020

The aggregate scores given by individual respondents and BETTER FINANCE members on the questions that were similar or surveyed the same topic did not differ significantly, with the exception of the topic of performance estimations in the PRIIPs KID (Q4). There, in answers to question 4, the views of individual members are more equally distributed across the satisfaction scale, yet significantly skewed to the lower side. On average, 85% of individual investors are less than satisfied with the new return estimations scenarios available in the key information document, compared to 92% for BETTER FINANCE members.

However, BETTER FINANCE's members scores are heavily concentrated in the "dissatisfied" category (4-7/10 scored by 84% of respondents), whereas only 58% of individual investors shared the same view; on the other hand, individual respondents are in a larger proportion "very dissatisfied" with this newly available information (27% of the total), compared to the 8% share of BETTER FINANCE members.

Looking at the correlation between the responses of individual investors across the five questions mentioned above, we can see no significant variations from the average: the standard deviations of the percentages of respondents in each of the three satisfaction categories are small, ranging between 3% and 4%. Indeed, on the topics that are interrelated, i.e. assessment of the newly available information in the pre-contractual disclosure documents and of the documents themselves, as a whole – the levels of dissatisfaction are constant, and very low.

Graph 33. Standard deviation of answers (all, Q1,3-5,8)



Source: BETTER FINANCE, 2020

As highlighted in the analysis of the individual investors' responses, the majority (55%) of answers were in the middle ranges (4-7/10, "dissatisfied"), followed by the 30% share of "very dissatisfied" scores (1-3/10) and, finally, the small margin (15%) of beneficiaries of the newly available regulations, which rated these topics equal or above to 8 out of 10.

On the qualitative side of the survey (written inputs), the research team could also observe a correlation of answers between individual respondents and BETTER FINANCE's members: the need to reduce the amount of information disclosed to non-professional savers, streamline, clarify and make it more intelligible was among the top five requests in both participants' universes.

At the same time, among the top five recommendations were the need to improve disclosures overall and to simplify and unburden the investment advice processes for non-professional investors. In this sense, Questions 12 (individual investors) and 8 (BF members) show that overwhelmingly both beneficiaries of the new investor protection rules and retail investor activists see a need to introduce a new category of qualified non-professional investors in order to enable the "retail" clients who are more financially literate or have more trading experience receive tailored information and have access to a wider, more diversified range of financial instruments.

European Commission

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