

PRESS RELEASE

ESMA makes recommendations to improve investor protection

The European Securities and Markets Authority (ESMA), the EU securities markets regulator, today advises the European Commission on certain aspects relating to retail investor protection. In the advice ESMA puts forward proposals that will make it easier for investors to get the key information they need to take well-informed investment decisions, whilst also protecting them from aggressive marketing techniques and detrimental practices.

Verena Ross, ESMA Chair, said:

“Increased retail participation in financial markets provides opportunities both for savers and for companies seeking financing, and we are encouraged to see that digital trends and new business models are contributing to making investing more accessible to the general public.

These developments do not however come without risk. Gamification techniques in trading apps and personal recommendations on social media may cause retail investors to engage in trading behaviour without understanding the risks involved. We are therefore setting out a number of proposals to ensure that these developments do not compromise investor protection in the EU”.

The proposals put forward aim at maintaining a high level of investor protection, while ensuring that retail investors can benefit from digitalisation opportunities. The recommendations relate to, among others:

- requiring machine readability of disclosure documents to facilitate the development of searchable databases available to the public;
- addressing information overload by proposing to define what is vital information and by using digital techniques such as layering of information;
- development of a standard EU format of information on costs and charges and aligning the disclosures under MiFID and the PRIIPs KID;



- possibility for NCAs and ESMA to impose on firms the use of risk warnings for specific financial instruments;
- addressing aggressive marketing communications; and
- addressing issues related to misleading marketing campaigns on social media and the use of online engagement practices, such as the use of gamification techniques by firms or third parties.

In addition, ESMA also supports the Commission's proposal to prohibit the receipt of PFOF to adequately address the serious investor protection risks arising from this practice.

Next steps

The advice has been submitted to the European Commission.

Notes for editors

1. The European Commission sets out in the September 2020 [CMU Action Plan](#) the aim to put capital markets at the service of people, offering them both increased investment opportunities, including sustainable ones, and stronger investor protection. Against this background, the CMU Action Plan announced the Commission's intention to propose a retail investment strategy, that should seek to ensure that retail investors can take full advantage of capital markets and that rules are coherent across legal instruments.
2. As part of preparing the retail investment strategy, in July 2021 the European Commission issued a [Request to ESMA for technical advice on certain aspects relating to retail investor protection](#). In particular, the European Commission called on ESMA to provide advice on Disclosures (chapter 2), Digital Disclosures (chapter 3) and Digital Tools and Channels (chapter 4). The European Commission also asked EIOPA and the Joint Committee to provide technical advice on similar and additional topics.
3. [ESMA35-42-1227 Final report on the European Commission mandate on certain aspects relating to retail investor protection](#)
4. ESMA is the European Union's securities markets regulator. Its mission is to enhance investor protection and promote stable and orderly financial markets.

It achieves these objectives through four activities:

- a. assessing risks to investors, markets and financial stability;
 - b. completing a single rulebook for EU financial markets;
 - c. promoting supervisory convergence; and
 - d. directly supervising specific financial entities.
5. ESMA achieves its mission within the European System of Financial Supervision (ESFS) through active cooperation with the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA), the European Systemic Risk Board, and with national authorities with competencies in securities markets (NCAs).

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