

# Retail participation in EU capital markets

## 1. Current state of retail participation in EU capital markets

### 1.1 Retail investment remains underdeveloped in the EU

An industry speaker emphasised that retail participation varies significantly across regions. According to a global retail investment study conducted in 2025, US households allocate around 30% of their wealth to equities compared with much lower levels in Europe (around 9% in Germany, 5% in France and 2% in Ireland). Retail participation in the EU is constrained by several factors, including lower confidence in financial markets, a less developed direct brokerage sector and the limited use of incentives such as tax-advantaged accounts or auto-enrolment mechanisms. Evidence suggests that such incentives could materially increase participation. In Ireland, for example, 51% of non-investors indicated they would consider investing if they had access to a tax-advantaged account. The gap between the US and Europe reflects both structural and cultural factors. In the US, participation has been largely driven by long-standing policy frameworks, notably tax-advantaged retirement accounts such as 401(k)s and IRAs, which encourage early and sustained investment, whereas European savings have traditionally flowed towards bank deposits, real estate and public pension systems rather than capital markets. Against this backdrop, strengthening retail participation in the EU is key as it supports wealth accumulation and limits inequalities linked to exclusion from capital markets.

A second industry speaker confirmed the existence of a structural imbalance in Europe, with a large share of household wealth (around €10 trillion) held in bank deposits and low-yield savings, despite some exceptions notably in the Nordics. This limits both individual returns and the EU's capacity to finance innovation, competitiveness and strategic priorities. Retail participation represents the missing demand-side pillar of the EU capital markets ecosystem. Even a partial reallocation of retail savings could unlock significant additional market-based financing, improve risk sharing and enhance market resilience, thereby supporting both individual wealth accumulation and the overall efficiency and competitiveness of European markets.

A third industry speaker stressed that retail participation across the EU remains highly heterogeneous, both across countries with strong examples such as Sweden and the NL, and across age groups and gender. Cultural attitudes to risk, emotional barriers and varying levels of financial literacy continue to hinder retail investor participation and the shift of savings towards capital markets. This affects

both the size of capital markets and citizens' financial outcomes.

### 1.2 New momentum driven by ETFs and younger investors

An industry speaker observed that recent trends point to some progress, including the rapid growth of ETF savings plans. A 2025 study showed that more than 15 million regular ETF savings plans were active in the EU at the end of 2025, representing a 40% annual increase, with projections reaching 53 million by 2030. This trend is particularly promising, given the role of ETFs as an accessible entry point for first-time investors due to their simplicity, low cost and diversification potential. More broadly, effective onramps must be available for novice investors to build trust and confidence and facilitate the transition from savings into productive investment.

A regulator pointed to encouraging developments among younger and more digitally engaged investors, noting that participation among those aged 18 to 40 has increased significantly in recent years, with investment levels rising fourfold. ETFs are often their first investment, contributing to a strong increase in ETF volumes over the past years. However, this increased participation is largely taking place through neobrokers and crypto-asset service providers on an execution-only basis, lowering barriers to entry but also creating new risks, particularly heightened exposure to fraud, with crypto-assets accounting for a significant share of fraud alerts and therefore representing a key supervisory priority.

## 2. Improving financial literacy and investor information

### 2.1 Conditions for effectively developing financial literacy

The panellists emphasised the importance of improving financial literacy to foster greater retail participation, while highlighting key conditions for its effectiveness.

A regulator highlighted that across the EU, only around 20% of citizens demonstrate a high level of financial literacy and noted that many individuals tend to overestimate their financial knowledge, despite widespread misunderstanding of basic financial concepts. Survey results in Austria show for example that one third of respondents believe dividends are guaranteed, nearly half consider that stock markets are gambling, and a similar proportion believe that small regular investments are ineffective. These findings underline the need to strengthen financial

literacy, with greater coordination of national initiatives and improved sharing of best practices at EU level to achieve meaningful impact.

An industry speaker agreed that financial literacy is essential to support informed and sustainable retail participation, particularly through a better understanding of diversification, long-term investment and measured risk-taking.

A second industry speaker stressed that financial institutions are identified by investors as their preferred source of information, above traditional and social media or the education system. One key reason is that 42% of retail investors prefer learning by doing. Embedding financial education components directly within investment journeys, beyond traditional product information, can therefore be particularly effective. For example, the integration of a short optional learning module into the U.S. Individual Retirement Account (IRA) enrollment process on their online platform, led to a significant increase in the funding of accounts. This illustrates that targeted educational interventions during the investment process can help overcome many of the educational and emotional barriers to retail investment. This also confirms that the EU's financial literacy strategy should involve strong coordination with the private sector.

A third industry speaker agreed that financial education should not be limited to classroom-based initiatives but embedded throughout the investment journey, particularly in a context where investing is not part of everyday life conversations in Europe. Knowledge alone is insufficient and must be translated into action through behavioural design, including mechanisms such as auto-enrolment, default options and digital financial planning tools. This requires closer collaboration between public authorities and industry to integrate these features directly into financial products and investment processes. Financial literacy should also focus on enhancing accessibility and clarity using plain language to build confidence and make investing more mainstream.

A regulator underlined that "learning by doing" can be a challenging approach in the retail investment context, as building trust takes time but can be quickly undermined if insufficiently informed investors encounter problems. From a supervisory perspective, it is therefore essential to ensure both an adequate level of financial literacy and effective investor protection, alongside strengthened fraud prevention, particularly in digital and execution-only environments.

An official stressed that while financial literacy is essential and the EU strategy, aimed at strengthening coordination, promoting the exchange of best practices and monitoring progress across Member States, represents an important step forward, it is not sufficient on its own to increase retail participation. Evidence suggests that higher levels of knowledge do not necessarily translate into higher investment activity, as behavioural factors such as mistrust, fear of loss and inertia play a significant role. The 2023 Eurobarometer for example shows that some of the countries with the highest level of financial literacy do

not have the highest levels of retail participation, illustrating the weak link between knowledge and actual investment behaviour.

The official also noted that while financial literacy creates awareness, trust is the key driver of action. Strengthening trust requires making financial concepts more accessible, reducing complexity and demystifying financial markets so that they feel understandable and relevant for non-experts. Greater consistency and coordination is also needed in financial literacy efforts across institutions. Currently, multiple actors - including national authorities, the European Commission, the OECD, central banks and the private sector - run parallel initiatives, often with similar objectives but limited alignment. This fragmented landscape risks diluting impact, as citizens are exposed to inconsistent messages, reducing clarity.

The official further emphasised the importance of targeted approaches, using appropriate channels for different groups, such as trusted local institutions for older and more rural populations and digital tools or social media for younger citizens. A more tailored and behavioural approach is needed, focusing not only on increasing knowledge but also on building confidence and enabling individuals to act.

A regulator also called for a less patronising approach towards retail investors, underlining the need to empower individuals through simple, clear and actionable information. Financial literacy efforts should focus on key concepts such as the risk-return trade-off, the long-term impact of fees, diversification and the benefits of long-term investing, delivered through channels that effectively reach investors.

## **2.2 Improving investor information, protection and trust**

A regulator emphasised that the value for money (VfM) measures of the Retail Investment Strategy (RIS) are a critical component for building retail investor trust, with strong evidence that excessive product costs undermine long term investment outcomes. The introduction of VfM principles in the conduct rules of retail product producers and distributors should therefore be beneficial. While the RIS provisions may appear complex, they pursue clear objectives, notably identifying and quantifying total product costs and assessing whether these costs are justified and proportionate, with the aim of exercising discipline rather than regulating prices.

Another regulator acknowledged the opportunities associated with increasing retail participation but stressed the importance of addressing the related risks from a supervisory perspective. Clear guiding principles are needed to ensure that investors understand both opportunities and risks and invest within their financial capacity, particularly in periods of market volatility. A key supervisory objective is to ensure that investors understand how to invest, which has become easier with digital platforms, what they are investing in and the risks associated with different products, as well as what is permitted and what constitutes fraud. Investor protection must also operate effectively at both domestic and cross-border levels.

### 3. Conditions for an effective implementation of Savings and Investment Accounts (SIAs)

Several panellists considered that SIAs can play a significant role in supporting retail participation, building on the best practices observed in certain Member States. The Commission's blueprint was generally welcomed, while a number of conditions for its effective implementation were highlighted.

An official stated that the Commission's blueprint is a step in the right direction but identified several areas of improvement. SIAs risk adding complexity if their objectives and features are not clearly communicated and if the non-binding nature of the blueprint leads to fragmented implementation across Member States and the emergence of multiple national versions, potentially weakening confidence and limiting participation. While tax incentives, which feature prominently in the current proposal, play a key role, additional incentives should be considered to support uptake. Strong conduct supervision will be essential to build trust and ensure fair and comparable outcomes for investors, including transparent costs, clear presentation of returns, effective complaint handling and advice aligned with investors' interests. Raising awareness around SIAs will also be critical to ensure their effective uptake, requiring substantial communication efforts once the framework is implemented.

A regulator stressed that, for SIAs to be effective, they must provide access to attractive products with appropriate incentives and efficient distribution channels, particularly through digital platforms. A pragmatic approach is required, building on successful national SIA models such as those in Sweden and France, given that certain key elements, notably tax incentives, remain under national competence. The French PEA (Plan d'Épargne en Actions) provides a relevant example of an effective framework combining tax incentives with increasingly digital distribution, enabling access through online platforms and apps, which has helped to expand its distribution and attract new retail investors to equity markets.

The regulator also stressed the importance of simplifying the retail investment journey in this context. Regulatory developments should avoid adding unnecessary complexity and instead support the evolving mindset of retail investors, who are increasingly willing to take some investment risk. In this regard, recent developments in the RIS negotiations, including the removal of the initially proposed best-interest test and the decision not to further extend the appropriateness test, are positive steps towards a more proportionate and accessible framework.

An industry speaker stated that SIAs could be a game changer but are not a silver bullet. A holistic strategy is required, combining SIAs with financial literacy efforts. Simplicity and flexibility are critical design features, with the objective of making SIAs as easy to

open and use as a standard bank account. Broad product eligibility is also important to build trust and confidence, including access to diversified investment vehicles such as ETFs and ELTIFs and where appropriate tokenised assets, as well as geographic diversification to mitigate home bias. While tax incentives remain an important driver, overly complex tax reporting requirements should be avoided, as should excessively restrictive investment ceilings that may discourage participation. Flexibility in withdrawals is also important. While investors should be encouraged to invest for the long term with recommended holding periods and clear communication on the benefits of long-term investing and compounded returns, the ability to access funds remains important to maintain trust and confidence. From an industry perspective, the framework must remain commercially viable and scalable, avoiding burdens such as restrictive fee caps, as illustrated by lessons from the PEPP experience, which could limit provider participation.

A second industry speaker agreed that Member States should develop SIA frameworks building on successful examples such as ISAs in the UK and ISK accounts in Sweden, with a design that simplifies investing, particularly from a tax and administrative perspective, and encourages retail investor uptake. Where investment mandates or tax rules require investment in the EU or in specific Member States, these should remain limited, simple and easy to understand, as excessive complexity or constraints may deter investors. SIAs should therefore be designed with a simple structure at the outset, allowing it to develop over time and only adding sophistication where necessary, in order to maximise accessibility and participation.

The second industry speaker also emphasised that the success of SIAs and more generally of actions to develop retail participation will depend on broader market conditions. A sufficient pipeline of investable assets is needed, supported by ongoing reforms in areas such as securitisation, listings, venture capital and growth funding, as well as initiatives such as the proposed 28th regime, aimed at enabling more EU companies to scale, remain private for longer and ultimately list in Europe. The integration and efficiency of market infrastructure must also be improved, including through initiatives such as the Market Integration and Supervision Package (MISP), to ensure that capital can flow effectively across the EU.

### 4. Role of digital channels and digitalisation

A regulator emphasised that digital platforms have become increasingly prominent in European markets in recent years, contributing to lower entry barriers, simplified onboarding and more immediate participation. However, supervisory frameworks have not kept pace with these developments, particularly in a cross-border context, as supervisory tools remain largely national while risks, notably fraud, which has

increased significantly in the digital space, are increasingly cross-border. National authorities can act against fraud through measures such as criminal complaints or website blocking, but these tools are often too slow and insufficient to address the speed and scale of digital fraud, especially on social media, and may require coordination with multiple authorities, taking several days or even weeks. Stronger coordination at EU level is therefore needed, with ESMA playing a central role in aligning and strengthening supervisory tools.

The regulator also pointed to the “trusted flagger” mechanism under the Digital Services Act as a potentially effective instrument to accelerate the identification and removal of illegal content online, given the difficulty in engaging with large global social media platforms. The growing influence of influencers also needs to be addressed. While they can play a key role in reaching younger investors, they raise important regulatory questions regarding the distinction between marketing and financial advice, which entail different responsibilities. More broadly, digitalisation can support retail participation only if innovation is accompanied by stronger investor protection, faster and more effective enforcement mechanisms and improved tools to combat fraud, noting in particular that existing investor warnings often lack sufficient visibility to be effective.

An industry speaker emphasised that digital investment platforms can significantly broaden retail participation by offering more intuitive, accessible and education-integrated investing experiences. Their mobile-first investment platform has attracted a younger and more diverse customer base, with an average age of around 35, approximately 40% women and around half first-time investors, illustrating the potential of digital channels to reach previously underserved segments. Greater engagement with personal finances through such platforms can improve investor outcomes, provided that digital innovation is deployed within a robust regulatory and consumer protection framework. In today's digital age, closer coordination on fraud prevention is also needed. The role of technology in expanding investor access, lowering costs, and supporting financial inclusion is now widely recognized by policymakers at the international level, including at G20 level.

The industry speaker also pointed out parallel structural changes in financial markets, with companies remaining private for longer and a growing share of value creation taking place before listing, limiting retail access to early-stage growth opportunities. In this context, tokenisation represents a structural opportunity to address this imbalance by lowering entry thresholds, enabling fractional ownership and facilitating regulated liquidity for assets that have traditionally been illiquid. The MISP also provides an opportunity to strengthen the regulatory framework for tokenised financial instruments and move towards more scalable solutions.

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## Wrap up

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The Chair concluded that retail participation in the EU remains too limited. The €10 trillion held in deposits by EU households underscores the scale of untapped investment potential and the resulting opportunity cost for both households and capital markets. The Irish case illustrates this broader imbalance, with households holding around 38% of financial assets in cash and deposits and only around 2.3% in direct investments, compared to an EU average of 7.5%.

Low participation reflects a combination of factors, including fear of losing money, perceived lack of resources to invest and limited knowledge of investment options, highlighting the importance of financial literacy as a key enabler of participation. Trust is also essential to drive participation and requires coordinated and consistent messaging across public authorities and industry, as well as communication tailored to different audiences.

Digital channels, which are growing in importance as younger investors engage differently with financial services can improve investor access while also requiring careful supervision to address associated risks. Savings and investment accounts are also an important tool. Their design should prioritise simplicity, including simplified tax reporting, and follow a gradual approach to support effective uptake.