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**France Invest's contribution to the ESMA's
call for evidence on the retail investor journey**

France Invest would like to thank ESMA for the opportunity to contribute to its call for evidence on the retail investor journey. We fully support the objectives to empower consumers, enhance their participation in EU capital markets and help improved market outcomes. **Increased retail participation to capital markets will contribute to bridging the significant investment gap that hampers the competitiveness of the EU, while addressing key challenges** such as fostering innovation, decarbonizing the economy, and supporting small and medium-sized enterprises.

Private equity managers raise capital from investors looking for long-term yield which is then “pooled” into long-term (typically 10 years), illiquid, closed-ended and unleveraged funds and invested in non-listed businesses for an average of 5 years. Once these businesses have grown and/or evolved, thanks to both the financing and the know-how of managers, shares held in these businesses will be sold or listed on the stock market through an IPO. Profits made are then returned to investors towards the end of the fund's life.

As shown in our study¹, in 2024, **French private equity continued to open up to the general public**. With life insurance accounting for 76% of sales, new money was up 29% on 2023. The growing integration of private equity into long-term savings schemes (life insurance, pensions, employee savings) is reinforcing its place in French people's wealth. This trend could become even more pronounced in 2025, with the growing interest of the under-40s in our asset class and the implementation of the Green Industry Act, which came into force in October 2024.

The attractiveness of our asset class – private equity, including venture capital, infrastructure and debt financing - and the desire from some investors to commit capital into start-ups and scale-ups are driving an increasing number of private equity managers to offer products that are directly available to retail clients. This being said, **direct access to private equity by retail investors should be economically viable** i.e. complexity and cost should not represent insurmountable barriers to entry, in particular with regards the level of the tickets under consideration. In this context, the concept of investment advice in particular should be implemented in a pragmatic way, taking into account the long-term nature of our asset class.

As we promote broader retail investor participation in capital markets, and in particular in private equity, **we strongly advocate streamlining the retail client journey**. Heavy, complex and rigid regulations that would deter retail investors from participating to capital markets and which would generate unnecessary costs, which would eventually be passed on to clients,

¹ [Le non coté a accéléré son ouverture aux épargnants en 2024 | France Invest](#)

should be avoided. Conversely, we agree that **the appropriate level of investor protection should be ensured** and that the appropriate balance should be found. In addition, broader retail investor participation in capital markets cannot take place without deploying significant effort to **enhance the financial literacy of European investors**.

As a preliminary remark, we would like to highlight that **the MiFID II client classification is not appropriate to the nature of our asset class**. Indeed, the binary distinction between professional and non-professional investors is not suited to the nature, specificities and types of investors in the private equity asset class. As a result of this definition, many sophisticated investors are wrongly classified as retail investors, including (ultra) wealthy individuals, as well as members of asset managers' management teams. In other words, the MiFID II client categorization does not reflect the diversity of investors in private equity funds: the tests on which it is based do not capture all the investors who should be allowed to choose to be treated as professional clients.

We propose to allow (ultra) wealthy individuals and family offices, as well as executives, directors or employees involved in the management of a fund, to choose to be treated as professional clients, at their request, in accordance with the provisions of the EuVECA regulation. **The introduction of an objective threshold of 100k EUR to define a new category of “semi professional” clients** will not only make the identification of eligible investors extremely simple but will also ensure that eligible investors are not dependent on the willingness of financial service providers to accept their request to be treated as professional investors.

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

The main hindrances to investment in private equity by retail investors are described in a study we conducted in 2022².

This report shows that **retail access to private equity products remains hampered by a number of factors, the main ones relating to a general lack of general knowledge on the asset class, including a lack of understanding of the investment and fee structure, and to the illiquid nature of the products**. For instance, retail investors may not be offered products in our asset class, because they do not ask for them or because distributors do not feel sufficiently comfortable with them.

More recently, these barriers have begun to appear less insurmountable as a trend emerges: **retail investors are showing growing interest in private equity**, spurred in part by regulatory improvements introduced in 2015 and 2019, and further accelerated by the Green Industry Act, which came into effect in October 2024, facilitating their access to this asset class.

Q2a: To what extent do retail investors find investment products too complex or difficult to understand? Please select one of the following options and please explain and provide practical examples, or evidence drawn from experience, where available.

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

For a long time, private equity was reserved to institutional clients capable of investing amounts of several million euros, without liquidity for a decade, and managing commitments followed by progressive calls for funds. For the general public, the asset class appeared as complex and illiquid, and reserved - apart from so-called “tax” funds - to sophisticated investors with

² https://www.franceinvest.eu/wp-content/uploads/2022/09/France_Invest_Rendre_le_capital_investissement_accessible-2-1.pdf

substantial financial resources. Yet **the fundamentals of private equity are fairly straightforward: invest in unlisted companies, over a medium-to-long-term horizon, in a project to develop the companies supported, often with active governance.** In other words, private equity contributes to the financing of the EU's sovereignty, which may constitute another attractive feature of our asset class for retail investors.

Over the decades, private equity has matured and become better understood. Above all, it has been able to demonstrate its outperformance over the medium-to-long term compared with other asset classes, its resilience and low volatility compared with stock markets. Retail investors are progressively making more sense of the link between illiquidity and performance.

More recently, investors have been increasingly interested in private equity funds as part of a search for diversification, higher returns and lower volatility. The first stage in the "democratization" of private equity was initiated by wealthy individual investors or family offices but now the asset class increasingly attracts investors who commit smaller tickets, mainly through wrappers such as life insurance. **Ease of access seems to play a pivotal role with regards retail investors' engagement.** For instance, retail investors appear undeterred in buying crypto assets or structured products, which are easily accessible, regardless of how opaque or complex these instruments may be.

Q3: Do past experiences with low or negative returns significantly affect retail investors' willingness to invest again?

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

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

Private equity generally offers good returns. Our 2024 study shows that, at the end of 2024, evergreen funds, which represent 65% of assets under management, posted a cumulative return of nearly 32%. Thanks to their exposure to mature and resilient assets (secondary, infrastructure), they recorded an average annual return of 5.8%, an increase compared to the end of 2023³.

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

- Yes, fees are a major obstacle to investment
- **Somewhat, but investors consider other factors as well**
- No, fees are not a significant concern for most retail investors

First and foremost, we would like to emphasize that **costs should only be assessed in relation to benefits**, including volatility, diversification, investment strategy and expected net returns for investors, etc. Indeed, looking only at costs gives a partial view of a product and is misleading, in particular when comparing products.

The management of private equity funds inherently implies higher costs: as these funds apply an active management strategy, they require enhanced compliance, training and information effort for managers and distributors, etc. In other words, higher costs may be explained by higher quality. For instance, the costs attached to private equity funds should be assessed in relation to their higher performance and lower volatility as well as their additional benefits in terms of portfolio diversification and purpose (they invest in and support SMEs).

The level of management fees in private equity funds needs to be explained in relation to the resources allocated by managers to support the companies in which they invest, and their contribution to value creation. It is also worth noting that the relatively high level of commissions paid to intermediaries and distributors can significantly increase the level of fees paid by retail

³ https://www.franceinvest.eu/wp-content/uploads/2024/05/Enquete-retail-2023_France-Invest.pdf

investors.

The fee structure of private equity funds is specific and, as long-term investments, their returns materialize over the long-term. In general, private equity funds tend to post negative returns during the first few years (resulting from set-up costs, investment costs, management fees, an investment portfolio that has not yet reached maturity...), then to post increasing returns in subsequent years, as investments reach maturity. **This “J-curve” needs to be dealt with appropriately,** and distributors need to explain and educate investors, especially retail investors.

Last, another potential source of confusion lies in the calculation basis used in the context of private equity funds, which may appear unusual to retail investors. Educational effort is particularly needed in this respect.

In any case, it should be recalled that **our industry is already well regulated, and safeguards are already in place on the costs that may be charged to AIFs and their investors,** in particular retail investors. For instance, national competent authorities examine and approve the costs charged to a fund and its investors at the time of authorization of a new fund. In this context, it should be underlined that regulatory pressure, in particular reporting requirements with little proven added value for investors, may contribute to unnecessarily increasing costs. A fine balance should be found.

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

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

We are not aware of a lack of trust in our asset class. **Our industry is strictly regulated and efficiently supervised.** In particular, retail investors benefit from specific attention from both regulators and supervisors.

As explained previously, the main factors hampering retail access to private equity products relate to general lack of knowledge on the asset class, including a lack of understanding of the investment and fee structure, and the illiquid nature of the products.

- To try and improve the level of knowledge of investors, France Invest relentlessly pursues communication on the private equity asset class, in order to demystify it and consolidate its image, both towards distributors, investors and the general public.
- To try and address the liquidity needs of retail investors, redemption solutions may be put in place (e.g. through evergreen funds) or funds may be offered through wrappers ensuring liquidity windows (e. g. life insurance contracts).

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

Finance, including in particular private equity, is not a discipline taught at school. Even if retail investors' level of knowledge is improving, **financial advisors need to help them understand the specificities of private equity** and its different segments. In this context, it is essential to strengthen exchanges with prescribers, between asset managers and intermediaries, so that they know more about the asset class and the specific products they offer.

Regulation may in some instances not be designed taking into account the specificities of private equity and it may have the unintended consequence of blurring communication or restraining educational effort on our asset class. For instance, it may

be difficult to explain retail investors its main purpose, i.e. financing the real economy. From a general point of view, **the concept of investment advice should be implemented in a pragmatic way, taking into account the long-term nature of our asset class**. In addition, regulatory disclosure obligations tend to highlight the risks and costs of the product and leave less room for the presentation of its benefits.

For example, while trying to give investors information in a too simplified and too standardised manner, the PRIIPs KID may end up confusing retail investors about the basic nature of some of the products offered. The KID should be significantly simplified. More specifically, **the PRIIPs KID is not tailored to the specificities of private equity and retail investors are not provided with relevant information**.

The KID should be refined in order to better take into account the specificities of private equity funds. Some flexibility/possibility is needed to adapt/explain some key features which are specific to private equity products and for more room for notes in the template designed by the ESAs. More specifically, the level of detail on fees should be adjusted, performance scenarios should be removed for private equity funds as they are not meaningful. In the same way, the calculation of the synthetic risk indicator may contribute to a high perceived risk vis-à-vis some funds in our asset class. In other words, private equity may be illiquid but no more risky than other instruments such as crypto assets that can be distributed without any KID as they are not considered as PRIIPs.

The KID should also be updated in a timely manner in order to avoid confusing investors and generating unnecessary costs. If a PRIIP is a long-term product, its KID should not have to be invariably updated every year. Regulatory stability and certainty are required. More specifically, closed-ended funds which are no longer open for subscriptions after an initial subscription period should not be required to update their KID.

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

Private equity funds are typically distributed through an advised model, meaning with investment advice — especially when marketed to retail investors or high-net-worth individuals (HNWIs). Private banks and wealth managers often offer private equity funds as part of discretionary or advisory mandates, after assessing the client's risk profile, liquidity needs, and investment horizon. Retail or semi-professional investors typically cannot access private equity funds without going through a MiFID-advised process.

As explained previously, private equity may suffer from a lack of knowledge from prescribers and, for that reason, may be less commonly recommended, as many prescribers do not feel comfortable or are not willing to take the required time to explain its specificities to potential investors.

However, general understanding of private equity should continue to improve, as the Green Industry Act, which came into force in October 2024, mandates the inclusion of specific investment options in certain product offerings. In addition, digital platforms and applications can play a key role in making access to wrappers and investment funds more straightforward and user-friendly.

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

• **A major barrier to investment**

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

In the study we conducted in 2022, **insufficient financial education and general lack of knowledge were identified as major factors hampering retail investors' willingness to invest in private equity**. However, general understanding of private equity has improved and should continue to improve, as the Green Industry Act, which came into force in October 2024, mandates the inclusion of specific investment options in certain product offerings.

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

Apart from insufficient general knowledge on our asset class, non-regulatory barriers that may discourage retail investors from investing in private equity include:

- the **illiquid nature** of private equity funds (as well as the diversification rules set by distributors themselves);
- the **unavailability of secondary markets** for retail investors: investors who wish to redeem their shares or units of private equity funds should find opportunities to do so. In this context, the “industrialization” or digitization of administrative and legal procedures could make transaction costs and procedures more bearable.
- the **structure of portfolios and fees** (for instance, the “J curve” followed by positive returns) of private equity funds;
- **operational barriers** encountered for example by depositaries to address the specificities of private equity funds;
- the **lack of digitalization of distribution**: standardization and machine-readability of the data contained in existing retail investment information documents, such as PRIIPs KIDs or MiFID disclosures, should be encouraged in order to open business opportunities for third parties, for example by catering for the needs of advisers and retail investors who prefer direct access to execution only venues.

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

Digital platforms and mobile applications can certainly play a key role in shaping the investor journey.

The **standardization and machine-readability of the data** contained in existing retail investment information documents, such as PRIIPs KIDs or MiFID disclosures, should be encouraged in order to open business opportunities for third parties, for example by catering for the needs of advisers and retail investors who prefer direct access to execution only venues.

For example, in France, the “Bpifrance Entreprises 1” fund, set up by Bpifrance, could be subscribed into through a fully digital process, integrating both AML-FT and KYC procedures. This digital process was developed with the support of a software provider for wealth management industry whose solutions allow their clients to digitise their investment process, from client onboarding to due diligence and online subscription. Overall, the “Bpifrance Entreprises 1” fund - a private equity fund aimed at non-professional investors, with an entry ticket of EUR 5,000 - raised EUR 95 million, of which over EUR 20 million was collected through a digital subscription platform, which received over 100,000 visitors. About half of the individuals who used the digital subscription platform invested the entry ticket of €5,000. **With this fund, almost two thirds of the platform's subscribers made their first investment in private equity.**

This being said, **direct access to private equity by retail investors should be economically viable** i.e. complexity and cost should not represent insurmountable barriers to entry, in particular with regards the level of the tickets under consideration. **Digitalization can at this stage not reduce all costs** relating to private equity funds and platforms themselves imply certain costs.

In addition, we would like to recall that, when distributing their products through digital channels, in the context of KYC processes, our members not only have to comply with MiFID II requirements on suitability and appropriateness but also with fiscal and AML-FT obligations. **KYC obligations represent a significant barrier to entry and to reinvestment**, especially as they have to be fulfilled in relation to each and every investment, thus discouraging investors because of poor onboarding and ongoing experience in this respect. It should be allowed to **mutualize KYC obligations** to streamline and improve their investment or reinvestment journey.

Last, it is crucial that **investment advice is implemented in a sensible way in respect of online investments**. In practice, this service cannot be provided in the same manner in real life and online.

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

For our industry, **mechanisms for filing complaints and obtaining redress are regulated and part of a compulsory procedure**. In France, mediation is also an option available to unsatisfied clients. We are not aware of any evidence suggesting that these mechanisms, or their possible inefficiencies, hinder retail investment in private equity funds.

As explained previously, at this stage, the distribution of private equity funds to retail investors mainly takes place through wrappers such as life insurance contracts and any complaints would be primarily shared through this channel.

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

France Invest's main proposals to make private equity more accessible to retail investors are presented below:

– **Review the investor classification and introduce a definition of “semi professional investors”**. The binary distinction between professional and non-professional investors, developed in the context of regulated markets under the MiFID Directive, is not suited to the nature, specificities and types of investors in the private equity asset class. As a result of this definition, many sophisticated investors are wrongly classified as retail investors, including (ultra) wealthy individuals, as well as members of asset managers' management teams. In other words, the MiFID II client categorization does not reflect the diversity of investors in private equity funds. Indeed, the tests on which it is based do not capture all the investors who should be allowed to choose to be treated as professional clients;

We propose to allow (ultra) wealthy individuals and family offices, as well as executives, directors or employees involved in the management of a fund, to choose to be treated as professional clients, at their request, in accordance with the provisions of the EuVECA regulation. The introduction of an objective threshold will not only make the identification of eligible investors extremely simple, but will also ensure that eligible investors are not dependent on the willingness of financial service providers to accept their request to be treated as professional investors;

– **Make ELTIF the future vehicle of choice for marketing to retail investors at EU level by developing appropriate implementing measures and ensuring the consistent implementation of the Regulation across the EU;**

– **Ensure that the PRIIPs KID is concise and easily understood by retail investors and make it better take into account the specificities of private equity funds;**

– **Adapt the prudential requirements applicable to insurance companies and banks to the long-term equity investment**

horizon of private equity;

– Foster the **digitalization of the distribution** of private equity funds in order to provide enhanced investor experience. Encourage standardization and machine-readability of the data contained in existing retail investment information documents, such as PRIIPs KIDs or MiFID disclosures with a view to open business opportunities for third parties, for example by catering for the needs of advisers and retail investors who prefer direct access to execution only venues;

– Improve **financial literacy** in order to increase the protection of retail investors. The lack of understanding by retail investors of venture capital and private equity funds is a major factor which discourages or prevents them from investing in this asset class. France Invest has developed a digital training course to help distributors and end investors understand the basics of venture capital and private equity. Such a programme could inspire communication actions in other Member States or at EU level.

Q14a: Do you believe that young investors are more attracted to speculative and volatile markets (e.g., cryptocurrencies) rather than traditional investments (e.g. investment funds)? If yes, what are the main reasons for this? Please select one or more of the following options and please explain and provide practical examples, or evidence drawn from experience, where available.

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

When faced with a choice between (i) filing extensive and detailed paperwork and providing large volumes of personal information (which has to be up-to-date and may in some instances felt as intrusive), spending a long time with and remunerating an advisor or (ii) make a few clicks online, it is expected that **many investors will go for the option which they perceive as more user friendly and fun**. In addition, all the paperwork has to be updated during the relationship between the advisor and the client. Ultimately, clients may be inclined to accept higher risks when products are easy to use, in order to avoid administrative burdens. All in all, it usually proves much easier and faster to buy some cryptocurrencies online, for example, than to invest in a private equity fund.

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

We are not against transparency and agree that it contributes to informed decision making. Fee transparency, adequate risk disclosure and proper incentives mechanisms are three crucial pillars of a retail framework. We generally believe that the MiFID II regime in relation to costs and charges disclosure generally works well and that it helps investors make informed investment decisions.

However, **the rules aimed at protecting retail investors should not generate excessive costs or overly complex investor journeys, which would deter them from investing in capital markets and in particular private equity**. Also, the MiFID II and PRIIPs disclosure regimes should be aligned and consistent. As explained previously, an excessive volume of or overly complex information would probably discourage a significant number of retail investors from engaging in capital markets. Rather, investors should be provided with relevant and concise information.

In particular, to make sense, comparability and standardization should apply to comparable products which display common

features. A “one size fits all approach is not suitable across all capital markets. **Comparisons should be limited to products within the same asset class.** For example, please refer to our comments on the PRIIPs KID.

Q15c: For firms: Have firms observed cases where retail investors disengage or hesitate to invest due to the volume, complexity, or presentation of disclosures? If so, what are the main factors contributing to this? Which disclosures and contractual documents do firms consider genuinely necessary, regardless of specific legal requirements under MiFID II or other sectoral legislation? Please explain your reasoning and provide practical examples, or evidence drawn from experience, where available.

Yes, our members have witnessed cases where retail investors disengage to invest in private equity funds due to the volume, complexity and presentation of disclosures.

As explained previously, **most retail investors do not understand the content of the KID properly and are overloaded with information that is not necessarily relevant to them.** In our opinion, the KID does not enable retail investors to compare different investment products in different asset classes or offered by different investment providers. The KID should be significantly simplified and should better take into account the specificities of private equity funds. In particular, it should allow to highlight not only the risks and costs of a product but also its performance and benefits. For instance, the calculation of the SRI does not always reflect the genuine risk of private equity funds and in particular debt funds.

Another example relates to subscription forms, some of which are so complex that additional handwritten notes are required to clarify their content.

In the end, **the guidance offered by advisors plays a crucial role** in supporting retail investors in their decision-making process.

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

No. Most retail investors do not understand the content of the KID properly and are overloaded with information that is not necessarily relevant to them. In our opinion, the KID does not enable retail investors to compare different investment products in different asset classes or offered by different investment providers. The KID should be significantly simplified and should better take into account the specificities of private equity funds.

More specifically, the KID should be refined in order to better take into account the specificities of private equity funds. Some flexibility/possibility is needed to adapt/explain some key features which are specific to private equity products and for more room for notes in the template designed by the ESAs. More specifically, the level of detail on fees should be adjusted, performance scenarios should be removed for private equity funds as they are not meaningful.

In addition, the KID should be updated in a timely manner in order to avoid confusing investors and generating unnecessary costs. If a PRIIP is a long-term product, its KID should not have to be invariably updated every year. Regulatory stability and certainty are required. More specifically, closed-ended funds which are no longer open for subscriptions after an initial subscription period should not be required to update their KID.

Last, while we would welcome an improved KID, we would like to raise the Commission’s attention on the need for **regulatory stability and legal certainty** and to warn against overly frequent updates of the document, for the following 3 main reasons:

- First, retail investors who are presented with a document which is repeatedly modified in its format and content might get confused. Indeed, individuals who are less familiar with financial instruments and their related vocabulary might feel unsettled when provided with versions of a document which are similar but not identical. In the end, the document

might appear less trustworthy if changed too frequently;

- Second, some distributors might also have difficulties with keeping up to date, understanding and then explaining to investors the differences between the successive versions of the document;
- Third, the costs implied for KID producers should be taken into account. We would like to highlight here the cost of manufacturing a single PRIIPs KID, which amounts to between EUR 5k and EUR 7k (plus induced costs of IT tools) and the cost of updating a KID, which ranges between EUR 4k and EUR 6k. Indeed, the process of producing a KIID is quite complex and requires producers to collect data which is first processed by a service provider. After this initial processing, producers carry out checks and then ask their accounting service providers to make the relevant calculations, which they check. The data is then checked by their compliance and legal departments so that the document can be considered as a final document.

For these main reasons, we would encourage the Commission to refrain from revising the KID again once it has been streamlined and adapted to the specificities of private equity funds.

Q17: For firms: Do you measure investor engagement with KIDs and digital disclosures (e.g., click-through rates, reading time, or interactive tools)? Are these available in formats adapted to mobile-first environments? Please explain your reasoning and provide practical examples, or evidence drawn from experience, where available.

Our members report that high net worth individuals or “semi professional” investors generally do not read the KID as its content is not appropriate to them. Again, **the MIFID II client classification is not adapted** to our asset class and should be reviewed so that semi professional investors receive relevant information.

As far as digital disclosures are concerned, if dedicated tools may not be put in place to monitor investor engagement with these documents, it appears that online investment journeys that require prior consultation of the KID may deter a portion of potential investors.

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

Fee transparency, adequate risk disclosure and proper incentives mechanisms are three crucial pillars of a retail framework. However, the rules aimed at protecting retail investors should not generate excessive costs or overly complex investor journeys, which would deter them from investing in the relevant products. We generally believe that the MiFID II regime in relation to costs and charges disclosure generally works well and that it helps investors make informed investment decisions. This being said, the MiFID II and PRIIPs disclosures regimes should be aligned and consistent.

In particular, **cost disclosures in the PRIIPs KID are not appropriate for private equity funds** and do not allow retail investors to make informed decisions.

- The level of detail on fees should be reduced:
 - Investors are interested in the total cost of their investment, not necessarily in the breakdown of the different fees – in the same way as consumers are not necessarily interested in knowing how much money goes to the supermarket when they purchase yoghurts;
 - AIFMs and distributors receive a lot of queries about fees. Indeed, in most cases, investors are charged the full amount of their subscriptions at the time of their subscription and do not understand that fees are charged

during the life of the fund. They think that it is an additional outflow;

- A clear distinction should be made in the breakdown of costs between performance fees and carried interest. Both are not certain and fully depend on the final performance of the fund. However, performance fees can be considered as a contingent management fee, while carried interest is a value sharing mechanism;
- The calculation basis used in the context of private equity funds may represent a potential source of confusion for retail investors as it may appear unusual to them. Educational effort is particularly needed in this respect.

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

At this stage, the direct distribution of private equity funds to retail investors on digital platforms is rather limited and mobile applications are generally not available.

In any case, **a specific approach to advice and adequacy will have to be developed for online distribution.** Online engagement implies simplicity and rapidity. **The time and cost involved in the investment process should be proportionate to the amount invested,** i.e. investors should not be required to spend hours and pay significant costs to invest a limited amount of money (as compared to investing significant amounts).

Q20: Do retail investors find the quarterly statements helpful in keeping track of their investments? Please select one of the following options and please explain and provide practical examples, or evidence drawn from experience, where available.

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

We have not heard of any complaints from retail investors regarding quarterly statements.

Q21a: Do retail investors find the information on every 10% depreciation of leveraged instruments, or the portfolio value in case of portfolio management, helpful in keeping track of their investments? Please select one of the following options and please explain and provide practical examples, or evidence drawn from experience, where available.

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

The funds managed by our members are typically not leveraged so question 21a is not relevant to us.

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

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

- A major barrier to investment

- **A contributing factor, but not the main issue**

- A minor factor compared to other concerns
- Not a factor at all

In the context of their fundraising activity, **our members have to comply with AML-FT obligations and perform due diligence on investors**. As compared to institutional fund investors, which are considered as lower risk customers, non-institutional investors (such as family offices) might pose a greater risk from an AML perspective due to their more complicated ownership structures and the presence of trust arrangements.

KYC obligations represent a significant barrier to entry and to reinvestment, especially as they have to be fulfilled in relation to each and every investment, thus discouraging investors because of poor onboarding and ongoing experience in this respect.

In particular, AML-FT obligations include the identification of politically exposed persons and beneficial owners. **A key challenge for our members lies in identifying the ultimate beneficial owners and in particular the beneficiaries of mutual fund trusts (“fonds communs de placement”) which are not legal persons. As of yet, no register of beneficiaries of these vehicles is available. We would like to take this opportunity to reiterate our call for its introduction.** In addition, registration on public registers may not be easy or more costly in other Member States or third countries. For example, access for a transfer agent based in Luxembourg to French registers implies a lot of paperwork. Registers should be available freely for entities subject to this Regulation and processes should be simplified.

In our response to the EBA’s consultation on draft RTS, we insist on the **need to apply the proportionality principle**, especially as the new simplified customer due diligence measures appear more stringent than what is currently required.

- In particular, regarding information on the place of birth, we think that the city of birth is not relevant as long as the country name is provided. The city does not bring any value in terms of AML-FT checks. In addition, this piece of information may prove difficult to collect as it is not always shown on ID documents;
- Requiring translations of official documents would be burdensome and costly. We believe that no translation shall be required when documents are in an official language of the EU;
- The obligation to provide an original document or certified copy would increase the costs borne by the customers, as they would be the ones who would have to acquire and provide such a copy for themselves, their beneficial owners or persons purporting to act on their behalf. This will be even more challenging for customers from third countries.

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

Yes. Please see our response to question Q22.

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

Retail investors often lack clear information on how foreign taxation may affect their returns. Tax uncertainty therefore increases perceived investment risk, which can discourage participation in cross-border offerings.

- Countries differ in whether and how they tax **capital gains**, and whether non-residents are subject to them. Complex reporting or inconsistent treatment may deter investors from participating in foreign markets, or force service providers

to avoid offering certain products abroad;

- Dividend and interest payments made to non-resident investors are often subject to **withholding tax**, which varies by country and is not always reclaimable. This can discourage cross-border investment, as the net return to retail investors is reduced, especially when tax treaties are not effectively applied or are too complex to navigate;
- **VAT treatment** of financial services is inconsistent; some countries exempt them, others apply VAT, and some apply it selectively. These inconsistencies can lead to higher costs for investors and pricing complexities for providers.

In addition, investors may face **double taxation** (e.g., taxation of income both at the source and in the home country), and reclaiming excess tax can often be a heavy administrative burden. This disproportionately affects retail investors, who are less equipped to handle complex tax reclaim processes or afford professional advice. Reporting to tax authorities in multiple jurisdictions under domestic laws implies increased operational complexity and risk.

Even in the EU, where financial passporting exists, national tax barriers still limit cross-border retail distribution of investment products. For example, **national tax incentives typically apply only to domestic products**, deterring cross-border offerings.

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

Please see our response to question 24.

Fiscal regimes imply specific investment behaviours. For instance, in France, investors tend to use fiscal envelopes such as life insurance rather than make direct investments.

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

As ESMA rightly highlights, investors are often presented with a substantial volume of materials - both legal and marketing - which can lead to information overload. **Rather than facilitating informed decision-making, this excess of documentation may overwhelm investors**, making it difficult for them to identify and focus on the most relevant content. Consequently, they struggle to differentiate between the various documents provided, and cross-reference tables tend to compound the confusion instead of offering clarity.

We previously expressed our views on the PRIIPs KID in response to ESMA's earlier questions. In summary, we believe the document is not fit for purpose and fails to enable meaningful comparisons. This is primarily due to a lack of precision and inconsistent implementation across Member States, as well as within the various departments of a single national authority. Such inconsistencies risk eroding investors' trust - for example, key calculations are often based on differing methodologies. As a result, investors tend to rely more on marketing materials, which are simpler, tailored to the specific product, and considered reliable when issued by regulated entities. That said, it is worth noting that credit institutions and insurance companies continue to use the KID despite its limitations.

In any case, we firmly believe that **no additional documents—such as termsheets, even if intended to present simplified or summary information—should be introduced**.

When affluent or “semi-professional” investors - classified as retail under MiFID II - invest directly in private equity funds, they are typically required to sign a Limited Partnership Agreement (LPA). This agreement outlines key provisions such as capital

commitments, drawdown mechanisms, management fees, investment strategy and constraints, the manager's duties, and the rights of investors. Due to the complexity of LPAs, simplifying their content can be challenging. However, the investors in question are generally deemed capable of understanding the information presented.

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

The periodic requirement to provide and update personal and financial information for suitability assessments is often perceived by retail investors as lengthy, burdensome, and frustrating. Many of the questions are seen as intrusive or lacking relevance, which can ultimately discourage participation - some investors may even abandon the process altogether.

Moreover, **these assessments often fail to adequately account for the dimension of time.** Risk should be evaluated in relation to the investment's holding period. For example, in private equity, liquidity risk tends to be more significant than the risk of capital loss. When viewed over a longer time horizon, private equity may, in fact, appear less risky.

Last, as highlighted previously, it should be noted that suitability assessments cannot be directly transferred to a digital environment without appropriate adaptation.

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

One way to reduce the burden on investors could be to centralize the information collected from retail investors through a shared platform.

While the suitability assessment and the appropriateness test are investor protection tools which serve different purposes and apply in different contexts (the former applying when investment advice or a portfolio management service are provided and the latter applying to execution-only or non-advised services), the addition of both appropriateness and suitability assessments may be felt as redundant by retail investors. **Once a product has been assessed as suitable for a client by an adviser, the producer of that product should not be required to perform an additional appropriateness test on that client.** The producer should be able to rely on the assessment already performed by the advisor.

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

France Invest generally supports the development of a more sustainable finance and the integration of clients' ESG preferences in the MiFID II suitability assessments. A general positive outcome of such integration is the increased awareness of both clients and advisors on ESG matters. In particular, advisors have upgraded their practices and receive ongoing training.

This being said, **it may be difficult for retail clients to understand the aim and/or the content of the questions** they are asked by advisers. Helping them understand the concept of sustainability preferences and explaining how products may or may not meet their preferences may prove a time-consuming and onerous task, as the application of the different obligations set out by the relevant texts covering ESG matters may imply practical complexities. The introduction of ESG preferences into suitability requirements should not have a misleading impact on customers and market players.

In any case, **sustainability preferences integrated in suitability assessments will have to be revisited** and simplified in

the context of the upcoming SFDR review.

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

Please refer to our response to Q32.

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

To our knowledge, suitability reports offer limited value to clients, as they are rarely read or consulted.

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

Please refer to our response to Q35a.

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

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

We would like to recall here that **private equity funds are typically distributed through an advised model**, meaning with investment advice — especially when marketed to retail investors or high-net-worth individuals (HNWIs). Private banks and wealth managers often offer private equity funds as part of discretionary or advisory mandates, after assessing the client's risk profile, liquidity needs, and investment horizon. Retail or semi-professional investors typically cannot access private equity funds without going through a MiFID-advised process.

The MiFID II appropriateness and execution-only framework aims to ensure that clients understand the risks of a particular investment product when no advice is given. It therefore does not typically apply to the distribution of private equity funds to retail investors. We however acknowledge that it is an important element of investor protection. In our view, **there is no evidence that the “appropriateness test” is not well calibrated and it should not be made more complex** (in particular, no new rule should be added).

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

Please refer to our response to Q36.

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

In the context of the retailisation of our asset class, **France Invest strives to contribute and improve the financial literacy of retail investors and distributors**. For example, we developed online training materials, including 6 videos to help retail investors understand the specificities of the asset class and a digital training programme aimed at distribution networks. Both are available on our website⁴.

Also, France Invest and Bpifrance launched a website dedicated to improving financial literacy⁵.

In addition, we closely monitor the retailisation of our asset class through studies such as our new annual study on the investment of retail investors in private equity⁶.

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

As explained in our response to Q36a, private equity funds are typically distributed through an advised model, meaning with investment advice - especially when marketed to retail investors or high-net-worth individuals (HNWIs). Private banks and wealth managers often offer private equity funds as part of discretionary or advisory mandates, after assessing the client's risk profile, liquidity needs, and investment horizon. **Retail or semi-professional investors typically cannot access private equity funds without going through a MiFID-advised process**. The MiFID II appropriateness and execution-only framework typically does not apply to the distribution of private equity funds to retail investors.

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

As explained previously, the current regulatory framework should be improved to strike the right balance between protecting retail investors and allowing them to take informed investment decisions. In our view, the most pressing adjustments which are required concern the MiFID II client classification and the PRIIPs KID:

- First and foremost, **the MiFID II client classification is not appropriate to the nature of private equity**. Indeed, the binary distinction between professional and non-professional investors is not suited to the nature, specificities and types of investors in our asset class. As a result of this definition, many sophisticated investors are wrongly classified as retail investors, including (ultra) wealthy individuals, as well as members of asset managers' management teams. In other words, the MiFID II client categorization does not reflect the diversity of investors in private equity funds: the tests on which it is based do not capture all the investors who should be allowed to choose to be treated as professional clients;

We propose to allow (ultra) wealthy individuals and family offices, as well as executives, directors or employees involved in the management of a fund, to choose to be treated as professional clients, at their request, in accordance with the provisions of the EuVECA regulation. **The introduction of an objective threshold of 100k EUR to define a new category of "semi professional" clients** will not only make the identification of eligible investors extremely simple, but will also ensure that eligible investors are not dependent on the willingness of financial service providers to accept their request to be treated as professional investors;

- Second, to make it meaningful, **the PRIIPs KID should be adapted to the specificities of our asset class**. Some flexibility/possibility is needed to adapt/explain some key features which are specific to private equity products and

⁴ respectively <https://www.franceinvest.eu/boite-outils/epargnants-et-capital-investissement/une-minute-pour-tout-comprendre/> and <https://www.franceinvest.eu/digital-learning/#comprendre-le-capital-investissement>

⁵ [Le capital-investissement pour tous - Epargner Autrement](#)

⁶ [Le non coté a accéléré son ouverture aux épargnants en 2024 | France Invest](#)

for more room for notes in the template designed by the ESAs. More specifically, the level of detail on fees should be adjusted, performance scenarios should be removed for private equity funds as they are not meaningful. In the same way, the calculation of the synthetic risk indicator may contribute to a high perceived risk vis-à-vis some funds in our asset class. In other words, private equity may be illiquid but no more risky than other instruments such as crypto assets that can be distributed without any KID as they are not considered as PRIIPs.

The KID should also be updated in a timely manner in order to avoid confusing investors and generating unnecessary costs. If a PRIIP is a long-term product, its KID should not have to be invariably updated every year. Regulatory stability and certainty are required. More specifically, closed-ended funds which are no longer open for subscriptions after an initial subscription period should not be required to update their KID.

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

In conclusion, we wish to underscore the pressing need for substantial educational initiatives: the involvement of retail investors in capital markets is contingent upon enhancing financial literacy.

About France Invest

Established 40 years ago, France Invest brings together venture capital, private equity, infrastructure and private debt teams based in France, as well as the associated professions which support them. Its membership currently counts roughly 460 management firms and 200 associate members.

Private equity supports unlisted companies for a fixed period of time and provides them with the equity capital, through the acquisition of minority or majority stakes in their capital, needed to finance growth and transformation projects. It supports the creation of start-ups (venture capital), participates in the growth and transformation of many regional SMEs and mid-caps (growth capital) and contributes to the transfer of companies (replacement capital).

France Invest's members represent one of the main growth drivers for the French and European economy and support a significant portion of employment in France and Europe. In 2024, French private equity and infrastructure players invested €37 billion in 2,800 companies and infrastructure projects. They raised €39 billion from investors, over half of which abroad (just over one third at EU level excluding France), which will be invested over the next 5 years^[1]. In addition to that, in 2024, private debt players (structures financing companies and infrastructure projects) invested €13 billion in 317 transactions and raised €9 billion that will finance new transactions in the coming years^[2]. European companies, in particular start-ups and SMEs, are the main recipients of our members' investments. Over the 2018- 2023 period, over 530 000 jobs were created in companies backed by French venture capital and private equity^[3].

^[1] <https://www.franceinvest.eu/activite-du-capital-investissement-francais-en-2024/>

^[2] <https://www.franceinvest.eu/activite-des-fonds-de-dette-privée-en-france-en-2024/>

^[3] <https://www.franceinvest.eu/impact-economique-et-social-du-capital-investissement-francais-a-fin-2023/>