

Modernizing the EU retail investor experience

Technology has fundamentally reshaped how individuals engage with financial markets. Yet the EU's existing frameworks, including the Markets in Financial Instruments Directive II (MiFID II), still reflect assumptions from a pre-digital era. [Coinbase recently responded](#) to the European Securities and Markets Authority's (ESMA) call for evidence on the retail investor journey, and supports efforts to modernize the regulatory framework to reflect the realities of today's investors.

Background

Retail market participation in the EU remains below its potential. Overly complex disclosures, rigid suitability rules, limited market access, and outdated custody models hinder inclusion, innovation, and investor confidence. With a technology-neutral, proportionate approach, the EU can strengthen trust and enable broader engagement in capital markets, particularly as digital platforms, self-custody, and blockchain-native infrastructure redefine how retail investors interact with financial services.

Key Recommendations

Coinbase's response identifies six priority reforms to align MiFID II and related frameworks with the needs of today's digital-first investors:

- 1. Adopt digital first disclosures:** In our response, we promote simplified, interactive digital formats that use plain language, visual aids, and layered disclosures to improve investor understanding and engagement.
- 2. Modernize suitability and appropriateness rules:** Suitability assessments under MiFID II are burdensome and frequently disconnected. Simplified and dynamic risk profiling can streamline onboarding without compromising protection. Investor assessments should be adapted for the mobile-first, app-based context.
- 3. Recognize the role of digital platforms:** ESMA should actively support the role of digital tools that simplify the investor experience, improve access to education, and empower more retail users to engage in capital markets.

4. **Enable direct retail market access:** We encourage ESMA to explore how MiFID II can accommodate direct retail participation, with appropriate investor safeguards. Reducing reliance on intermediaries can enhance inclusion and efficiency.
5. **Embrace decentralized custody and blockchain settlement:** The authority is also encouraged to unify EU custody rules for digital assets, recognizing decentralized custody and blockchain settlement.
6. **Integrate MiCA-authorized stablecoins for settlement:** ESMA should explore how stablecoins authorized under MiCA can be used as settlement assets outside of the DLT pilot regime, improving efficiency without compromising financial stability.

Targeted Policy Gaps

ESMA's also omits several critical areas that are central to modern participation:

- **24/7 trading:** EU capital markets should evolve to reflect modern investor expectations and enable round-the-clock access where there is sufficient market demand.
- **Decentralized infrastructure:** Self-custody, smart contract-based management, and blockchain settlement mechanisms reduce risk and increase transparency, yet remain under-recognized in MiFID II.
- **Clarify crypto-asset classifications across the EU:** ESMA should issue guidance with clear examples to harmonize classification across member states.
- **Strengthen cross-border investor protections:** ESMA should work to align investor protection standards and disclosure obligations across jurisdictions.

Conclusion

The EU has a significant opportunity to align its retail investor framework with the expectations of a digital-native generation. MiFID II modernization should focus on proportionate, tech-neutral reforms that simplify access, enhance disclosures, and support decentralized infrastructure. By enabling innovation while upholding high standards of investor protection, ESMA can ensure that Europe's capital markets are inclusive, competitive, and built for the future.

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