ESMA proposes key risk indicators for retail investors

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The European Securities and Markets Authority (ESMA), the EU's securities markets regulator, today publishes an article on the development of key retail risk indicators (RRIs) for the EU single market. The proposed RRIs highlight risks around:

inexperienced investors;

use of digital tools by younger investors; and

spikes in overall trading during periods of market stress.

This development of RRIs is based on the new mandate ESMA recently received in this regard. ESMA is building on existing consumer analysis and indicators from the Trends, Risks and Vulnerabilities Reports to propose a conceptual framework that:

defines key terms;

considers how to measure risks practically; and

identifies sources of risk to consumers.

Within this framework, RRIs should aim to reflect market developments, especially the rise of online- or mobile-based retail trading.

Next steps

ESMA will continue to refine and develop RRIs to enhance its risk monitoring in this area. The article sets out several possible extensions to the analysis, including broadening the coverage in terms of the products and markets covered, and enhancing the evidence base on investor characteristics.

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