

# Report

On the 2023 Cross-border Provision of Investment Services to Retail Clients in the EU and EEA



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## Executive Summary

### Reasons for publication

Further to past exercise carried out in 2023, the ESMA Board of Supervisors agreed to conduct on an annual basis a structured data collection exercise on the cross-border provision of investment services to retail clients in the EU/EEA. The collection and analysis of data was carried out by ESMA and national competent authorities (NCAs). The outcome of the data collection and analysis is summarised in this Report to be published on the ESMA website. The Report endeavours to mirror the state of cross-border investment services in the EU/EEA, with particular focus on the analysis of firms' retail clients and complaints data across the EU/EEA, as well as for each Member State on a home-host basis. These are key pieces of information which are necessary to carry out NCAs' supervisory mandate on firms' cross-border activities. The results ultimately enhance our understanding of the state-of-play of cross-border investment services towards retail clients in the EU/EEA in accordance with MiFID II and constitute a first necessary evidence base for more effective monitoring of financial markets, with particular emphasis on the investor protection objective of NCAs and ESMA.

### Content

This ESMA Report aims to provide a detailed analysis of the cross-border activity of passported firms across the EU and EEA Member States for the 2023 reference year. The Report does not include data on the provision of services by firms in their Home Member State.

Building upon the accumulated expertise of previous data collection exercises and various methodological improvements, the present Report aims at providing a high-level analysis of various aspects of the EU/EEA market for cross-border investment services.

Analysing the results of the 2023 data, the present Report finds that:

- The European market for cross-border provision of investment services in 2023 comprised 386 firms across 30 EU/EEA Member States providing services to about 8 million retail clients in other Member States. Firms also reported to have received a total of about 7,500 complaints from cross-border retail clients.
- Compared to 2022, the cross-border market for investment services in the EU/EEA formally grew by 1.6% in terms of firm numbers, by 5% in terms of retail clients' number, while the number of complaints increased by 31%.
- A relatively high concentration of firms with cross-border investment activity in a few EU countries was observed, with three (3) countries being home to about half the

number of EU/EEA firms (192 of all 386 firms): Cyprus (20%), Luxembourg (15%), Germany (14%). While accounting for 37% of the total firm number, four (4) jurisdictions (CY, LT, DE, IE) are home to firms that provide cross-border investment services to 76% of EU/EEA retail clients.

- Three (3) jurisdictions reported no firms with cross-border activity (HR, RO, SI), while seventeen (17) other jurisdictions reported less than ten (10) firms with cross-border activity (1-9 firms each).
- Twenty-one (21) Member States are home to firms providing cross-border investment services to retail clients in a rather large number of host Member States (10 or more). Firms based in Cyprus, Germany, Austria, the Netherlands, Ireland, and Lithuania reported that their firms provide services to retail clients in all other Member States.
- Similar to 2022, investment firms dominate the market for cross-border provision of investment services (56% investment firms versus 44% credit institutions).
- 72% of all investment firms engaged in cross-border activity (155 out of 216) are based in 6 Member States (CY, LU, NL, DE, MT, SE). Meanwhile, 80% of all credit institutions (136 out of 170) are based in 5 Member States (DE, LU, FR, AT, BE).
- The four (4) most important destinations of investment services cumulatively account for 53% of the total number of retail clients: DE (1.6 million clients), FR (1 million clients), ES (827 thousand clients) and IT (728 thousand clients).
- The average number of cross-border clients per firm is about 20,700 clients. Four jurisdictions (LT, IE, HU, LV) reported on average more than 60,000 clients per firm, while accounting for only 4% of all EU/EEA firms with cross-border activity.
- Countries with significant cross-border activity also recorded higher numbers of complaints. Firms based in Germany (35%) and Cyprus (24%) received the majority of complaints pertaining to cross-border investment services in 2023.

### **Next steps**

ESMA aims to continue performing the data collection exercise on annual basis.

## 1 Background

1. The monitoring of existing and new financial activities across the EU is a cornerstone of the founding Regulation of the European Securities and Markets Authority (ESMA). Under the freedom to provide investment services and activities, any investment firm and credit institution authorised and supervised by the competent authorities of another Member State may freely provide investment services and activities, as well as ancillary services within the EU/EEA, provided that such services and activities are covered by its authorisation<sup>1</sup>. Home NCAs are responsible for the supervision of cross-border investment services and for communicating the necessary information to the host NCAs.
2. In addition, the strategic priority on enhancing the protection of retail investors, envisaged in the 2023-2028 ESMA Strategy, foresees the reinforcement of ESMA's convergence work, *“particularly with regards to the supervision of cross-border activities, aiming to prevent significant consumer detriment by fostering a common supervisory culture and consistent supervisory outcomes for investors”*.
3. Due to the importance of the topic of supervision of cross-border investment services, ESMA decided in 2023 to oversee an annual data collection exercise on key aspects of cross-border investment services, which are of particular importance for ESMA's investor protection mandate. The analysis of the submitted information would be subsequently analysed by ESMA and the results would feed in annual reports on the cross-border provision of investment services in the EU/EEA.
4. Against the backdrop of the previous ESMA-coordinated Cross-Border Data Collection (CBD) exercise in 2023<sup>2</sup>, the 2024 exercise has seen the participation of all EU/EEA NCAs. This Report summarises the main results of the 2024 CBD exercise and the data provided to ESMA by NCAs on the 2023 activity of credit institutions (CIs) and investment firms (IFs) across 30 EU/EEA Member States.
5. The Report was motivated by a combination of factors that pertain to the importance of the cross-border perspective in the provision of investment services and the particular challenges that it may pose in the context of the EU supervision of financial services:
  - 1) Firstly, the development of the ever-closer single market in financial services and the parallel digitalisation of financial services render the provision of financial services easier in a cross-border context.
  - 2) Secondly, the recognition that a wider choice among financial services providers benefits retail investors through the channels of price and product

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<sup>1</sup> Article 34 of Directive 2014/65 (MiFID II)

<sup>2</sup> [ESMA performs an analysis of the cross-border investment activity of firms \(europa.eu\)](https://europa.eu)

competition. This enhanced level of competition urges firms to innovate and aim to offer improved services which would attract more consumers in the single market.

- 3) Thirdly, given supervisory concerns that have emerged in past ESMA discussions in the context of the freedom to provide services regime, i.e., the fact that host NCAs are facing issues with firms providing investment services in their jurisdictions on a cross-border basis, the ESMA Board of Supervisors (BoS) decided to launch in 2021 a peer review on the supervision of cross-border activity of investment firms. In its report, ESMA (2022) identified the need for home supervisors to significantly improve their approach in the authorisation, ongoing supervision and enforcement work, relating to investment firm's cross-border activities to retail clients<sup>3</sup>.
6. This recognition of the importance of the adequate supervision of cross-border investment services in the past years has also lent support to a regular and targeted data collection exercise. The exercise in 2022 yielded a 2023 analysis<sup>4</sup> which took stock of cross-border activity across 29 Member States and was based for the first time on non-anonymised firm-level 2022 data that were analysed by ESMA.
7. While methodological checks and data validation could be further improved with respect to data quality and the comprehensive coverage of the market, this Report aims to represent a more complete view of the EU/EEA market (30 Member States) for cross-border investment services than the analyses of results conducted on the basis of the previous ESMA exercise. Some country specific figures may have to be interpreted with a note of caution, as the firm-level reporting did not always follow the ESMA reporting instructions. As a result, certain discrepancies in the aggregation of figures may arise in cases where ESMA noticed that firms did not strictly follow the reporting template or reported partial information or when interpretation issues arose in the reporting of data.<sup>5</sup>
8. This Report is structured as follows. The next two sub-sections (1.1 and 1.2) present the main features of the data collection exercise and the reporting by NCAs to ESMA, as well as the exercise coverage. The subsequent section (2) provides the results of the data analysis and compares the information provided by the NCAs in terms of number and type of firms providing cross-border investment services per country (2.1), number of retail clients (2.2), and complaints numbers and reasons (2.3).

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<sup>3</sup> ESMA (2022), [Peer review on supervision of cross-border activities of investment firms](#)

<sup>4</sup> [ESMA performs an analysis of the cross-border investment activity of firms \(europa.eu\)](#)

<sup>5</sup> After several ESMA-NCA cross-checks and data validation efforts, it appears that the key reasons for discrepancies are: (i) the misreporting of data in this or previous reports, such as a firm in Sweden and a firm in Liechtenstein that did not respond to the ESMA-NCA data request for the 2024 exercise, and (ii) firms misunderstanding the reporting requirements, which led to ESMA issuing further clarifications. For example, a firm in Germany initially reported both active and inactive clients, and a firm in the Netherlands included data on services provided through a local branch, rather than only those provided on a freedom to provide services basis.

## 1.1 Data collection and reporting to ESMA

9. Between December 2023 and March 2024, ESMA and NCAs launched the collection of necessary information from firms operating with a passport in 30 EU/EEA jurisdictions and providing cross-border investment services to retail clients in the course of the 2023 reporting year. Between February and March 2024, NCAs validated the data submitted by firms and provided the information to ESMA in the form of raw firm-level data.
10. Similar to the past, only those firms that exceeded the threshold of 50 retail clients in at least one cross-border jurisdiction had to provide data<sup>6</sup>. Firms below the materiality threshold in all jurisdictions were not required to provide any data. This approach has allowed for clear proportionality in conducting the exercise, with no burden for firms below the materiality threshold.
11. To ensure data accuracy and, given the more complete view they have on national markets, NCAs were asked to conduct the necessary checks and validation prior to confirming to ESMA the completeness of information received from firms in a non-anonymised form. Firm-level data were subsequently analysed by ESMA staff, and the results of the analysis are included in the sections below.
12. ESMA received responses from all 30 EU/EEA NCAs. As shown in Table 1 below, this constitutes an increase by one NCA compared to the 2023 data collection. The 2024 CBD exercise also marked an increase of 6 firms compared to the 2023 exercise. The total number of firms with cross-border activity above the retail clients' threshold in the 2024 exercise totalled 386 firms, including both credit institutions and investment firms, up from 380 in 2023.

## 1.2 NCA participation

13. While the distribution of firms with cross-border activity across Member States was significantly concentrated in 2023 (see sections below for more details on the distribution of firms by home Member State), the average number of firms providing services from a home to a host Member State remained the same between 2022 and 2023<sup>7</sup>. In that regard, the 2023 Report comprises not only a larger number of participating NCAs, but also a larger number of firms (see table 1).
14. At the same time, firms of each home Member State taken together provided cross-border investment services to retail clients in about 17 other Member States on

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<sup>6</sup> This Report only summarises and represents a comparative and aggregate analysis of the information collected by NCAs and self-reported by firms across 30 jurisdictions.

<sup>7</sup> Including all participating NCAs, i.e., including those with no firms with cross-border activity.

average, i.e., more than half of the EU/EEA countries. This was slightly above the average of 14 host destinations of firms in 2022.

**Table 1.** Summary statistics on NCA coverage in 2024 and 2023 reports

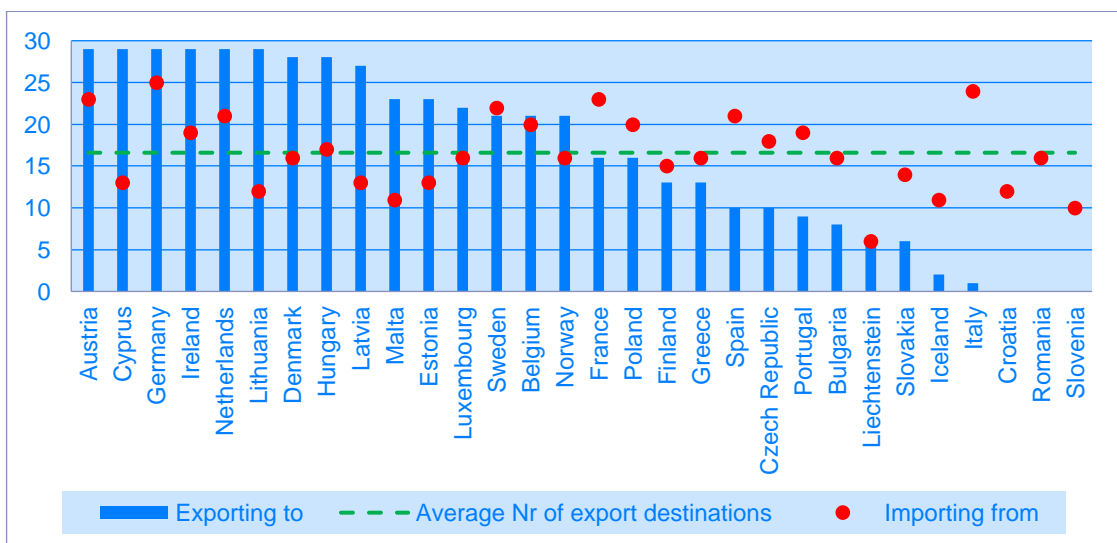
Report	Reference Year	Nr of Participating NCAs	Nr of Firms	Average Nr of Firms by Home MS	Average Nr of Host MSs by Home MS
2024	2023	30	386	13	17
2023	2022	29	380	13	14

Source: ESMA Staff calculations based on reporting by NCAs

## 2 Analysis of results

15. On average, firms of each EU/EEA Member State provided cross-border investment services towards retail clients in 17 other countries (see figure 1). Six NCAs reported cross-border activity of firms of their jurisdictions in all other EU/EEA Member States (29). These were the NCAs of Austria, Cyprus, Germany, Ireland, Lithuania, and the Netherlands. On the antipode, retail clients based in Germany and Italy, were recipients of cross-border services from firms in the largest number of other EU/EEA jurisdictions (24 and 23 countries respectively). Retail clients in Austria, France and Sweden followed, being recipients of cross-border services from firms homed in 22 Member States each.

**Figure 1.** Export and import Member States



Source: ESMA Staff calculations based on reporting by NCAs



16. The sections below provide breakdown information and more detail on each of the topics covered hereby.

## 2.1 Number and type of firms

17. As per the information reported to ESMA, a total of **386 firms** – homed in 27 out of the 30 EU/EEA Member States covered by the 2024 ESMA exercise – provided cross-border investment services to retail clients in 2023. Most EU/EEA countries (17 of them) were home to less than ten (10) firms providing cross-border investment services, while 10 NCAs reported being home to more than ten (10) firms. Three NCAs<sup>8</sup> reported no firms providing such services. In this regard, the average number of firms providing cross-border investment services to more than 50 retail clients in other Member States in 2023 was about 14 per home NCA, while it stood at 13 firms if the three NCAs with no firms cross-border activity are also accounted for.

18. The sample consisted of firms homed both in the twenty-seven (27) EU Member States, as well as three (3) EEA Member States (Iceland, Liechtenstein, and Norway). Out of the 386 firms, 6 firms are homed in the three (3) EEA Member States. In order to put figures into perspective compared to the previous year, EU countries were home to 363 firms providing cross-border services in 2022, while the two EEA countries (Liechtenstein and Norway) were home to 17 firms.

19. The reporting and description below allow for a split of the firms' number by home Member State, as well as an analysis by host Member State. We also calculate, analyse and report aggregate figures at EU/EEA level.

### The EU/EEA market for cross-border investment services remains highly concentrated.

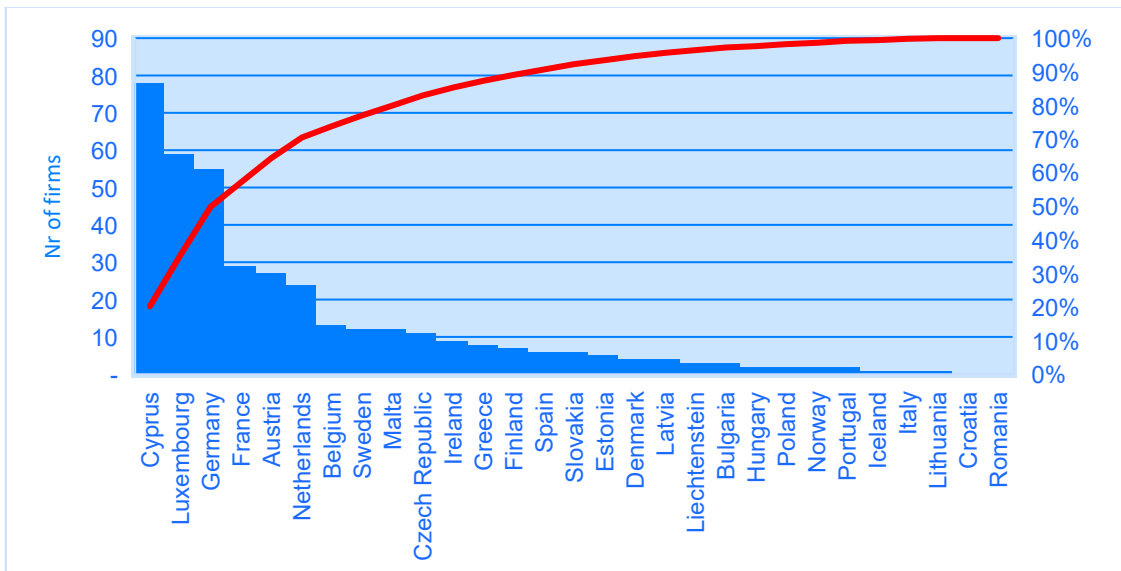
20. The distribution of firms by home Member State is found to be relatively skewed. Out of the thirty (30) EU/EEA countries, Cyprus, Luxembourg, and Germany accounted for about 50% of the 386 firms, being home to 78, 59 and 55 firms respectively (see figures 2a and 2b). This is broadly consistent with the number of firms homed in these jurisdictions in previous years (they accounted for 52% of all firms in 2022). CySEC reported in 2023 eleven (11) firms less than in 2022 (78 vs. 89 firms), while CSSF reported in 2023 three (3) firms less than in 2022 (59 vs. 62 firms). Germany, in the third place, reported six (6) more firms in 2023 compared to 2022 (55 vs. 49 firms). In terms of annual change, Cyprus, Liechtenstein, and France reported the largest decreases in terms of firm numbers between 2022 and 2023 (a fall of 11, 11 and 9 firms respectively between the two reporting years).

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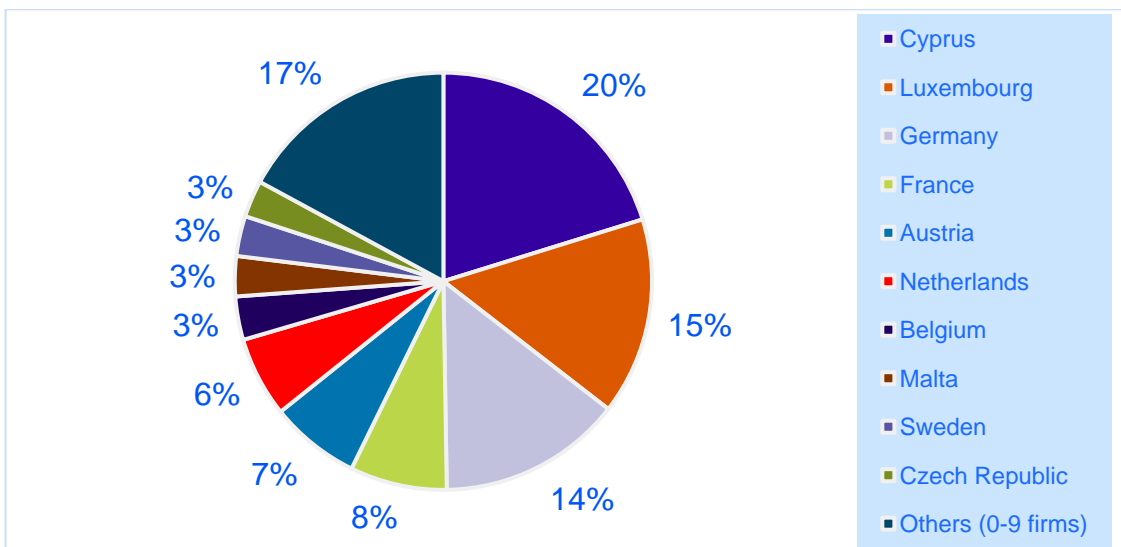
<sup>8</sup> Those of Croatia, Romania, and Slovenia.

**Figure 2.** Number of firms providing cross-border investment services, by home Member State

a. Distribution of firms across EU/EEA Member States



b. Shares of firms by home Member State



Source: ESMA Staff calculations based on reporting by NCAs

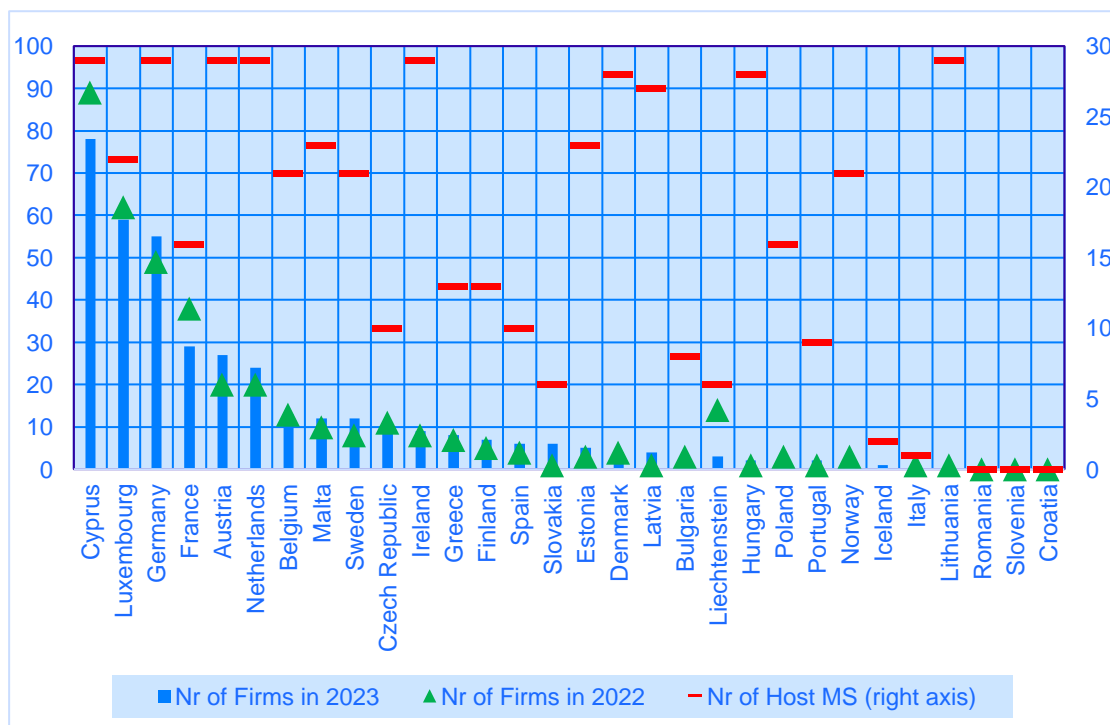
21. As shown in figure 2a above, only six (6) countries reported cross-border activity for more than 20 firms from their jurisdiction. Four (4) other NCAs reported between 10 and 20 firms of their jurisdictions offering services to cross-border retail clients above the materiality threshold.

22. The average number of firms by home Member State slightly decreased from 14.6 firms in 2022 to 14.3 firms in 2023<sup>9</sup>. While the total number of firms providing cross-border investment services in the EU/EEA increased by 1.3% between 2022 and 2023, some NCAs reported a decrease in the number of firms providing services from their jurisdiction. Out of the 30 NCAs in the 2023 sample, 14 NCAs reported an increase in the number of firms in 2023 compared to 2022, 6 NCAs reported a decrease, 9 NCAs reported no change in the number of firms, while 1 NCA had not reported firm numbers in the previous exercise.

*In most home Member States, firms providing cross-border investment services tend to diversify in terms of host Member States.*

23. Figure 3 below shows the number of firms by home Member State in 2023 and 2022, as well as the number of host Member States in 2023, i.e., towards how many other Member States their firms provided investment services.

**Figure 3.** Number of firms by home Member State and cross-border destinations



Source: ESMA Staff calculations based on reporting by NCAs

Note: No 2022 data for Iceland.

<sup>9</sup> Not taking into account Member States that reported being home to no firm with significant cross-border activity and Member Countries that did not participate in the 2023 Cro-Bo.Da.C. exercise.

24. Most home Member States reported that their firms provided cross-border investment services towards retail clients across many destinations. In this regard, 21 out of the total 27 NCAs reported that their firms provide services to retail clients in ten (10) or more EU/EEA Member States. The other six (6) NCAs which reported that their firms provide services to retail clients in less than ten (10) EU/EEA Member States accounted in total for about 4% of the total number of firms (16 out of 386 firms in total) in the sample.
25. Austria, Cyprus, Germany, Ireland, Lithuania, and the Netherlands were the only Member States reporting that their firms – taken together – exported investment services towards retail clients in all other EU/EEA Member States, i.e., towards 29 EU/EEA Member States (see figure 3). They were followed by Denmark (28 countries), Hungary (28 countries), and Latvia (27 countries).
26. A limited number of countries were home to firms that have concentrated their cross-border provision of investment services to a small number of destination countries. As per the reported information, Iceland and Italy export to retail clients situated in one (1) or two (2) host Member States. It should be noted that the same countries are also home to a small number of firms with cross-border investment activity (less than 3 firms each).

Investment firms account for 56% of the market for cross-border investment services.

## **2.2 The collected and analysed information allows to distinguish between the provision of investment services by investment firms (IFs) and credit institutions (CIs). In the total population of 386 firms of the 2024 exercise, their majority (56%) consists of investment firms, while 44% are credit institutions (59% and 41% respectively in the 2023 exercise). This translates into a total of 216 IFs and 170 CIs in the EU/EEA (figure 4 Number of retail clients)**

27. As per the information reported to ESMA by firms, and validated by NCAs, a total of 386 firms provided services to more than 50 retail clients in any jurisdiction, on a cross-border basis in 2023. From a firm reporting perspective, the 2023 market for cross-border investment services in the EU/EEA comprised about **8 million retail clients** was, or about 5% above the 2022 figure of 7.6 million clients. Figure 5 All other firms (i.e., 243 firms based in 23 Member States) reported a total of 1.88 million cross-border retail clients, accounting for about 24% of the total client number.

28. Given that the number of firms providing cross-border services varied significantly across Member States, and this could have a causal effect on the total number of retail clients, we have calculated the number of retail clients per firm by home Member State. As shown in figure 5 **Error! Not a valid bookmark self-reference.** below, the average number of cross-border retail clients per firm varied across countries, from 191 (for the only firm in Italy) to about 1 million retail clients (for the only firm in Lithuania).
29. **Figure 5** shows the repartition of retail clients by home Member State.
30. Variation in the annual percentage change is evidenced between 2022 and 2023, with countries like Lithuania, Latvia, Estonia, Portugal, and Slovakia being the top-5 Member States with the largest increase in the cross-border retail clients' number. They aggregately reported about 1.4 million clients in 2023 (up from 21 thousand in 2022). On the antipode, firms in Sweden, Liechtenstein and Germany shrank the most their cross-border client numbers. They aggregately reported about 1 million clients in 2023 (down from 3.2 million in 2022).

*Firms in three countries account for three quarters of the total EU/EEA retail clients.*

31. Cyprus-homed firms (78 in total) reported activity towards 3.4 million cross-border retail clients (up from 2.65 million in 2022). They were followed by Lithuania (1 firm with about 1 million clients, up from 557 clients in 2022), Germany (55 firms with about 1 million clients, down from 2 million clients in 2022), and Ireland (9 firms with about 650 thousand clients, up from 350 thousand clients in 2022).
32. Taken together, firms in these four countries accounted for about 76% of the total client number (about 6.1 out of 8 million EU/EEA retail clients of firms providing cross-border investment services). In terms of number of firms, they accounted for 37% of all EU/EEA firms with cross-border services, or 143 out of the 386 firms.a).

### **2.3 Cyprus is home to the largest number of investment firms (76 in 2023, down from 89 in 2022), while Germany and Luxembourg are home to the largest number of credit institutions (43 and 30 respectively, compared to 30 and 33 respectively in 2022) providing cross-border investment services (figure 4Number of retail clients**

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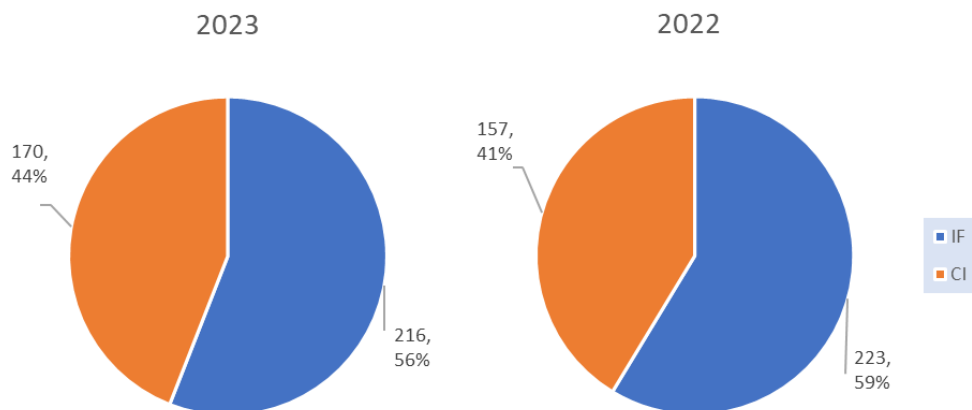
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39. About a fifth (20%) of all firms (CIs and IFs) providing cross-border investment services in 2023 were Cyprus-based IFs (76 firms). They also represented roughly a third (35%) of the EU/EEA total number of IFs. Luxembourg (29 IFs), the Netherlands (16 IFs), Germany (12 IFs) and Malta (12 IFs) followed concerning numbers of IFs. Taken together, these five Member States were home to about 67% of all EU/EEA investment firms providing cross-border investment services (145 out of 216 IFs in total).

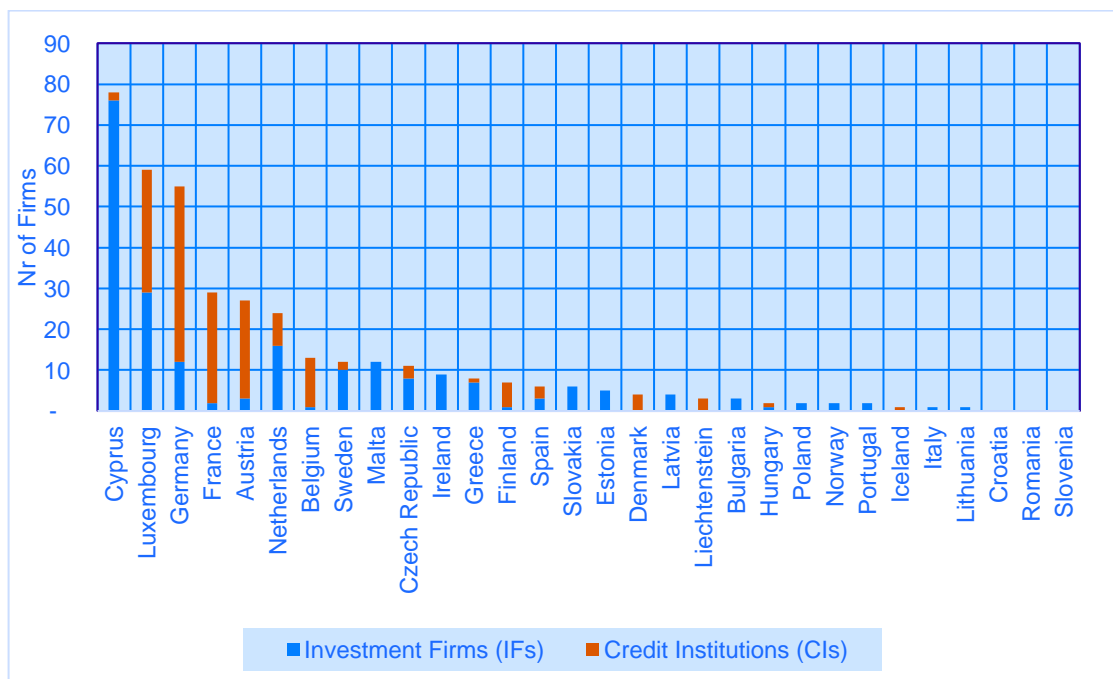
40. While Cyprus recorded in 2023 the highest number of firms providing cross-border investment services, 73% of all credit institutions that provided cross-border investment services (124 out of 170 in total) were located in four other jurisdictions: Germany (43 CIs), Luxembourg (30 CIs), France (27 CIs) and Austria (24 CIs). All other Member States taken together reported an aggregate of 46 CIs, or about 27% of the total number of EU/EEA CIs that provided cross-border investment services in 2023.

**Figure 4. Number of firms by home Member State and by type of entity**

a. Split by type of entity across all EU/EEA countries, 2023 and 2022



b. Split by home Member State and by type of entity, 2023



Source: ESMA Staff calculations based on reporting by NCAs

## 2.4 Number of retail clients

41. As per the information reported to ESMA by firms, and validated by NCAs, a total of 386 firms provided services to more than 50 retail clients in any jurisdiction, on a cross-border basis in 2023. From a firm reporting perspective, the 2023 market for cross-border investment services in the EU/EEA comprised about **8 million retail clients**<sup>10</sup> was, or about 5% above the 2022 figure of 7.6 million clients. Figure 5 All other firms (i.e., 243 firms based in 23 Member States) reported a total of 1.88 million cross-border retail clients, accounting for about 24% of the total client number.
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### Firms in three countries account for three quarters of the total EU/EEA retail clients.

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<sup>10</sup> Not necessarily corresponding to the number of persons with an account, as a person may have more than one account or be provided investment services by more than one firm abroad. The level of information collected through this exercise does not allow to cater for this.

<sup>11</sup> As noted in paragraph 7 and footnote 10 of this report, some country specific figures may have to be interpreted with a note of caution, due to misreporting of data or misunderstanding of the reporting requirements by a few firms.



(i.e., 243 firms based in 23 Member States) reported a total of 1.88 million cross-border retail clients, accounting for about 24% of the total client number.

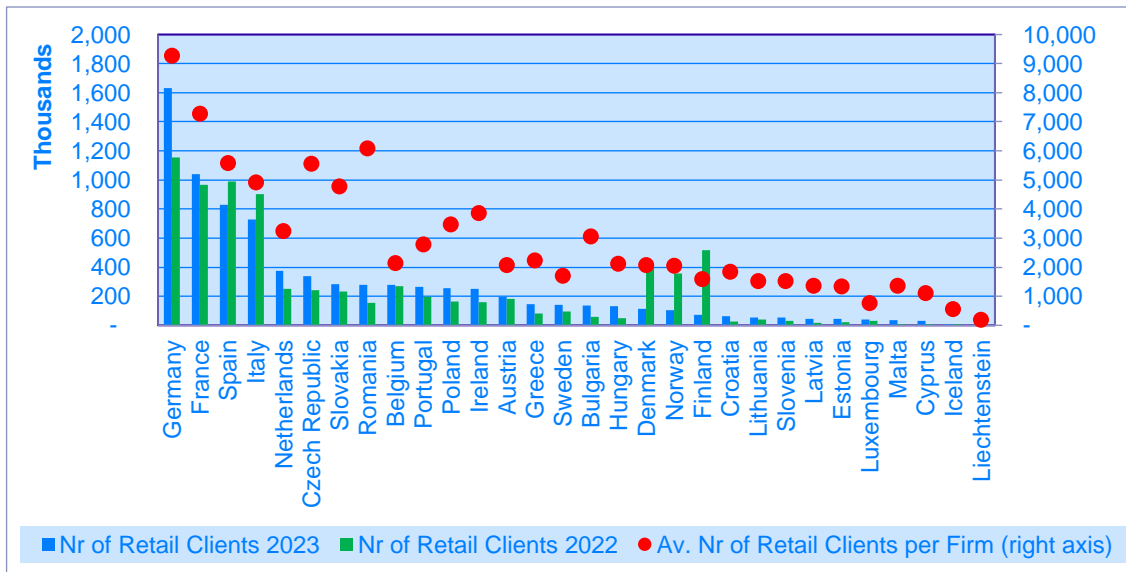
47. Given that the number of firms providing cross-border services varied significantly across Member States, and this could have a causal effect on the total number of retail clients, we have calculated the number of retail clients per firm by home Member State. As shown in figure 5 **Error! Not a valid bookmark self-reference.** below, the average number of cross-border retail clients per firm varied across countries, from 191 (for the only firm in Italy) to about 1 million retail clients (for the only firm in Lithuania).

**Figure 5.** Number of firms' cross-border retail clients, by home and host Member State

a. Number of clients by home Member State, 2023



b. Number of clients by host Member State, 2023

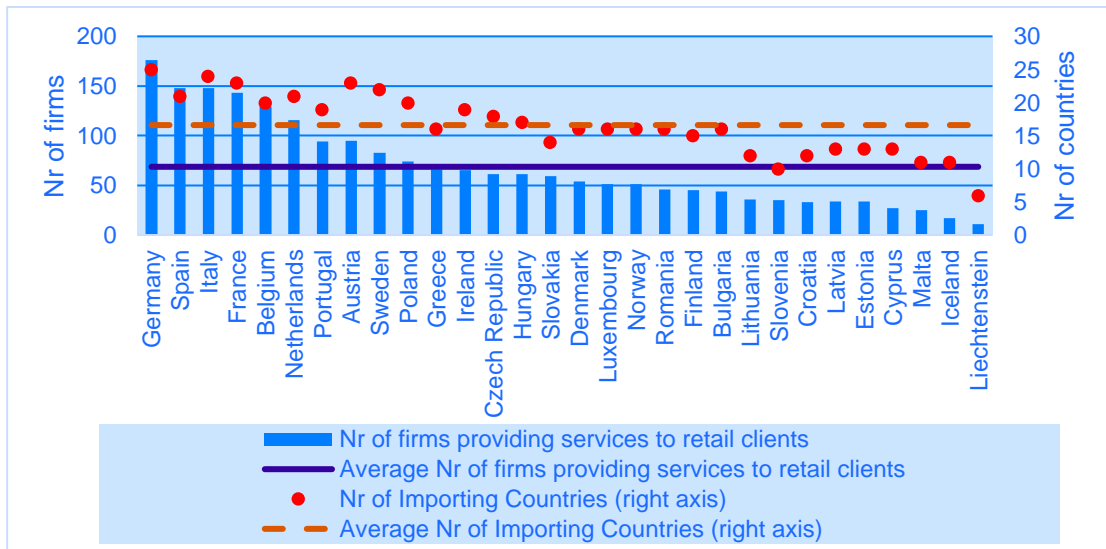


Source: ESMA Staff calculations based on reporting by NCAs

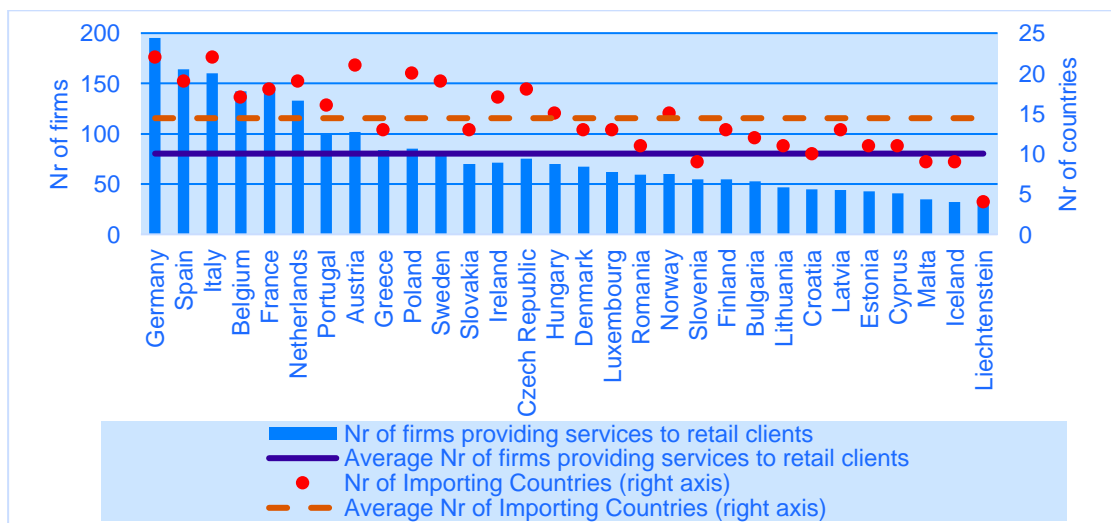
48. On the other hand, Germany-based retail clients were the main recipients of cross-border investment services (see figure 5 All other firms (i.e., 243 firms based in 23 Member States) reported a total of 1.88 million cross-border retail clients, accounting for about 24% of the total client number.
49. Given that the number of firms providing cross-border services varied significantly across Member States, and this could have a causal effect on the total number of retail clients, we have calculated the number of retail clients per firm by home Member State. As shown in figure 5 Error! **Not a valid bookmark self-reference.** a below, the average number of cross-border retail clients per firm varied across countries, from 191 (for the only firm in Italy) to about 1 million retail clients (for the only firm in Lithuania).
50. **Figure 5b).** Out of the 386 firms operating cross-border under the passporting regime in 2023 in the EU/EEA, 176 reported offering services to about 1.63 million clients Germany-based clients (up from 1.15 million in 2022). France, Spain, and Italy followed in terms of client numbers by host Member State, with a combined total of about 2.6 million retail clients receiving cross-border services in 2023, or about 33% of the total number of EU/EEA retail clients receiving such services.

**Figure 6.** Number of firms and countries providing services to cross-border retail clients, by host Member State

a. 2023



b. 2022



Source: ESMA Staff calculations based on reporting by NCAs

51. When considering the number of cross-border firms servicing these clients, it appears that Germany again tops the list, with about 9,300 German clients per cross-border firm. They are followed by French retail clients (about 7,300 clients per foreign firm), Romanian retail clients (about 6,100 clients per foreign firm), Spanish retail clients (about 5,600 clients per foreign firm), and Czech retail clients (about 5,600 clients per foreign firm).

52. While each country reported cross-border links with 17 other countries on average (see figure 6a), each of the 386 firms providing cross-border investment services in 2023 across the EU/EEA did so – on average – towards 20.7 thousand retail clients in other

EU/EEA countries<sup>12</sup>. This is slightly above the average of 20 thousand clients per firm in 2022. Besides, given that each firm provided cross-border services to clients based in 17 countries – on average – this translates into an average of about 1,244 clients per destination country (or about 11% below the respective 2022 figure of 1,400 clients). This, in turn, highlights the importance of home-host co-operation in terms of NCAs supervising the provision of cross-border investment services.

## 2.5 Complaints

53. This section presents the key findings pertaining to the origin and destination of complaints in the provision of cross-border investment services, as well as the main reasons giving rise to these complaints by retail clients. We analyse both the home country and the host country perspective, i.e., the figures pertaining to firms receiving complaints from cross-border retail clients, and the figures pertaining to retail clients filing complaints for cross-border services received by firms.
54. A total of **7,507 complaints** were reported to ESMA to have been submitted by retail clients to firms providing cross-border investment services in 2023. This represents an increase of 31% compared to the number of complaints reported in 2022 (5,718 complaints). Figure 7 **Error! Reference source not found.** below shows the repartition of complaints by home Member State of the firms.

*The concentration of complaints remains closely correlated with the provision of cross-border investment services, with a few exceptions.*

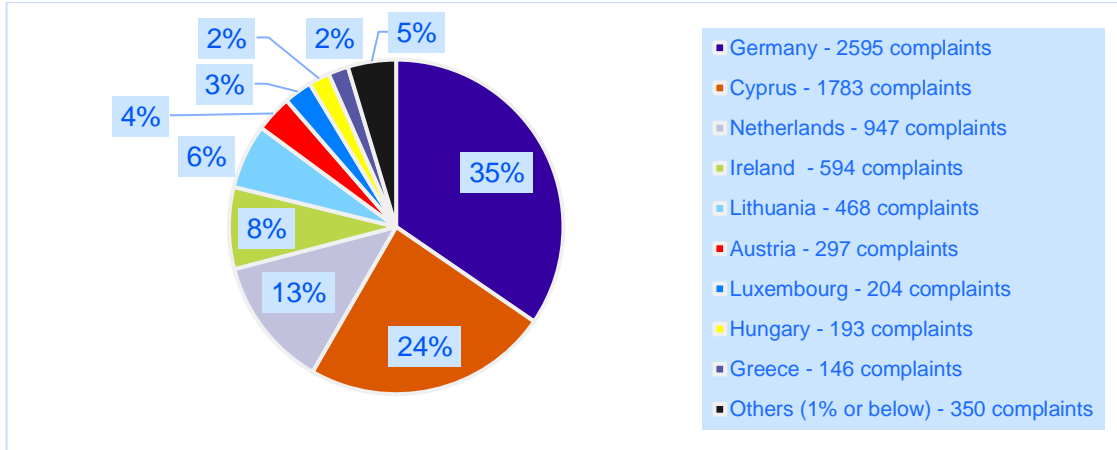
55. Similar to 2022, Germany- and Cyprus-based firms received the majority of complaints pertaining to cross-border investment services in 2023. Firms in these two countries (133 firms) reported having received about 59% of all EU/EEA-firms' complaints by retail clients. Germany-based firms accounted for 35% of all complaints (up from 29% in 2022), while Cyprus-based firms accounted for 24% of all complaints (down from 28% in 2022 of the 5,718 complaints reported in total in the EU/EEA).
56. Complaint numbers towards German and Cypriot firms were followed in 2023 by Dutch firms (947 complaints, versus 925 in 2022), Irish firms (594 complaints, versus 438 in 2022), and Lithuanian firms (468 complaints, versus 0 in 2022). This shows a broadly similar dispersion in the total number of complaints between 2023 and 2022.

### Figure 7. Complaints by home Member State

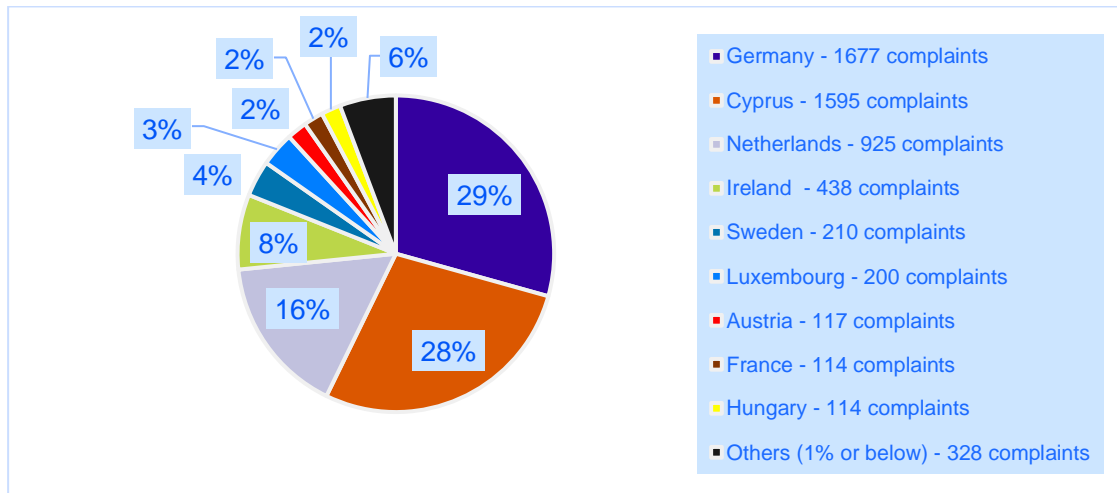
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<sup>12</sup> That is about 8 million cross-border clients for 386 firms in total (7.6 million for 380 firms in 2022). The figure may double count cross-border clients in case that the same clients are offered services by more than one firm based abroad.

a. 2023 data



b. 2022 data



Source: ESMA Staff calculations based on reporting by NCAs and firms

57. Similar to 2022, most NCAs (21 out of 30) reported that their firms received in 2023 less than 100 complaints in total. Nine (9) NCAs reported that their firms received more than 100 complaints, while two (2) of them reported more than 1000 complaints. Seven NCAs<sup>13</sup> reported no complaints being received at all by their firms.

58. Compared to 2022, a large increase is evidenced in the total number of complaints reported by firms in Germany, where 2595 complaints were received by 55 firms in 2023, while 1677 complaints were received by 49 firms in 2022 (55% increase). 78 Cypriot firms in 2023 received a total of 1783 complaints, which marks a 12% increase (or 188 complaints more) compared to the 1595 complaints reported by 89 firms in

<sup>13</sup> Three (3) of which had no firms with cross-border activity towards retail clients above the materiality threshold, while the other four (4) NCAs (Slovakia, Finland, Iceland, and Italy) reported a total of 15 firms.

2022. Lithuania, Ireland, Austria, and Greece also followed in terms of increases of the numbers of complaints received from cross-border retail clients between the two years, reporting increases of 468 (0 complaints recorded in 2022), 156 (36% above 2022 data), 150 (128% above 2022 data) and 94 (181% above 2022 data) complaints, respectively.

59. On the other hand, Swedish- and Belgium-based firms reported a decrease of 141 and 73 complaints respectively in 2023, compared to the 2022 figures (or 67% and 91% respectively). Other notable drops in the number of complaints received were reported by firms in Malta (from 38 complaints in 2022 to 13 complaints in 2023, or -66%), the Czech Republic (from 28 complaints in 2022 to 16 complaints in 2023, or -43%), and Liechtenstein (from 26 complaints in 2022 to 14 complaints in 2023, or -46%).
60. In order to investigate the relation between the overall number of complaints received and potential investor protection concerns, figure 8 shows the number of complaints per hundred thousand (100,000) retail clients by home country of firms. In interpreting these figures, it should be noted, though, that the definition of what constitutes a complaint is relatively broad ('a statement of dissatisfaction by the client'), possibly leading to different interpretations by firms on what to report as a complaint<sup>14</sup>. The EU/EEA firms providing cross-border services received on average 94 complaints per 100,000 retail clients, up from 75 in 2022 (see figure **Error! Reference source not found.8** below). In other words, they receive, on average, one complaint for every 1,060 clients.
61. This ratio varies significantly across countries. While, in some cases, countries with significant numbers of retail clients with cross-border activity also account for a considerable portion of the total number of cross-border complaints, the number of complaints per 100,000 retail clients calculated below shows that firms in the Netherlands have received the highest number of complaints per client (642 complaints per 100,000 clients<sup>15</sup>).
62. Greece-based firms followed with 418 complaints per 100,000 retail clients (146 complaints from a total of about 35 thousand clients). Sweden-based firms ranked third with 304 complaints per 100,000 retail clients (69 complaints from a total of about 23 thousand clients). On the contrary, firms based in Finland, Iceland, Italy, and Slovakia reported 0 aggregate complaints numbers, while the 28 firms based in Latvia, Belgium

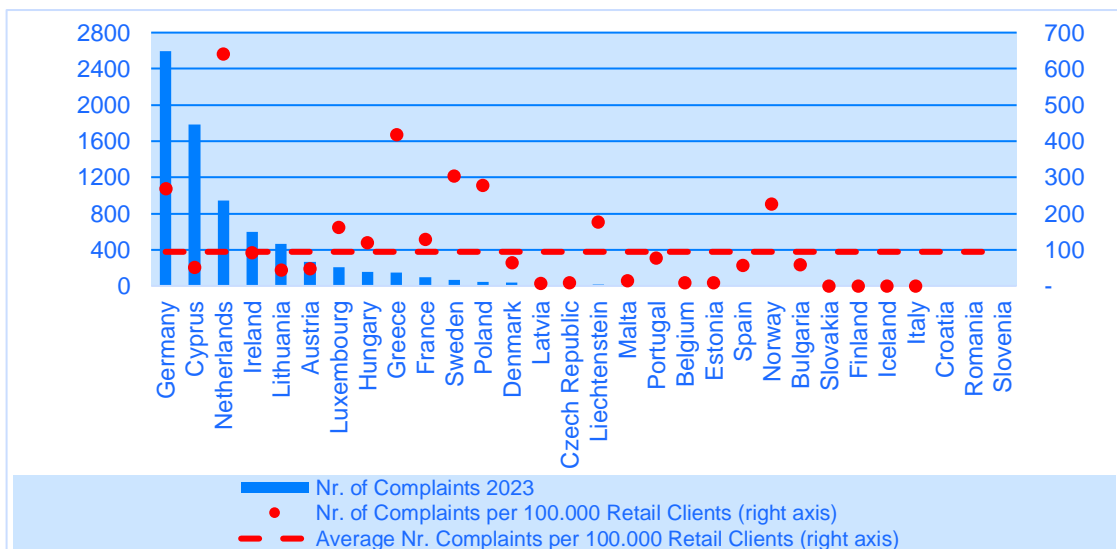
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<sup>14</sup> This problem was also identified by the [Joint Committee of the European Supervisory Authorities](#) when assessing the application of the Guidelines on complaints-handling in 2021: *'The most relevant issue for NCAs arising from the implementation of the Guidelines seems to be that the definition and interpretation of the term complaint is not sufficiently clear and precise.'*

<sup>15</sup> A total of 947 complaints reported by 24 firms in the Netherlands, with a total number of about 148 thousand cross-border retail clients. Of these 24 firms, one firm was responsible for over half of the total of 947 complaints reported by Dutch firms. It should be noted that most the complaints reported by this firm related to IT issues (please also see table 2 below). Indeed, this firm applied a low materiality threshold, for instance labelling client communications about activation e-mails received in the spam folder as a client complaint.

and the Czech Republic reported the lowest number of complaints per retail clients served, i.e., 8, 9 and 9 complaints per 100,000 retail clients respectively.

**Figure 8. Retail clients and complaints, by home Member State**

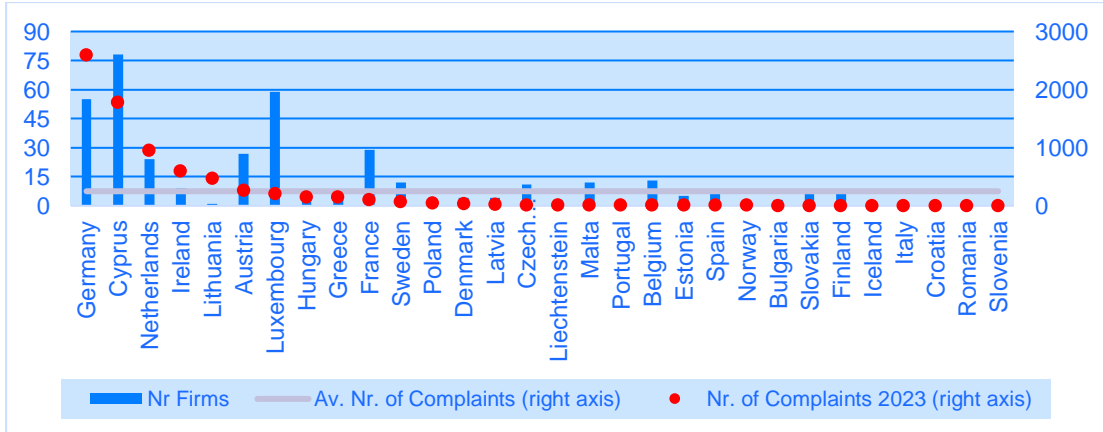


Source: ESMA Staff calculations based on reporting by NCAs

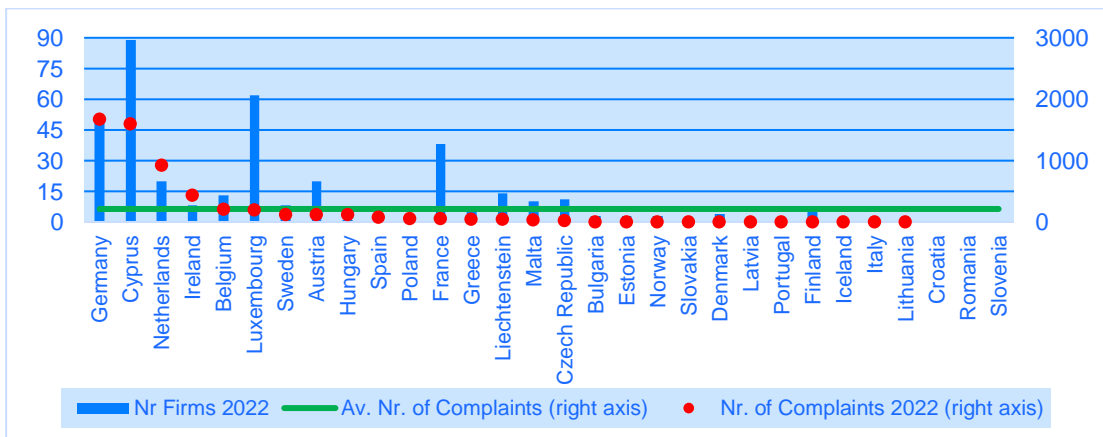
63. Likewise, it could be contended that countries with a significant number of firms within their borders would likely also register a proportionately high number of complaints. As shown in figure 9 below, the number of complaints (weakly) correlated to the number of firms providing cross-border investment services from a given country. The average number of complaints per country increased from 220 in 2022 to 250 in 2023 (see figures 9a and 9b).
64. The average number of complaints per firm was found to be 19 in 2023 (up from 15 in 2022). Varying significantly across EU/EEA Member States, the highest number of complaints per firm was observed in Lithuania, where the only firm providing cross-border services received 468 complaints (see figure 9Error! Reference source not found.c). Hungarian, Irish, German, and Dutch firms followed with 77, 66, 47 and 39 complaints per firm respectively (114, 55, 34 and 46 complaints per firm respectively in 2022).
65. On the antipode, 17 out of the 26 participating NCAs with cross-border activity in 2023 reported that their firms reported on average less than 10 complaints per firm. Despite being home to 46% of the total number of EU/EEA firms of the sample, firms of these 17 countries accounted for only 6% of all reported complaints. The latter constitutes a proof of the high skewedness in the geographical distribution of firms with high complaints from cross-border clients, lending support to investor protection policy initiatives and supervisory frameworks that place risk-based supervision at their core.

**Figure 9. Complaints and number of firms by home Member State**

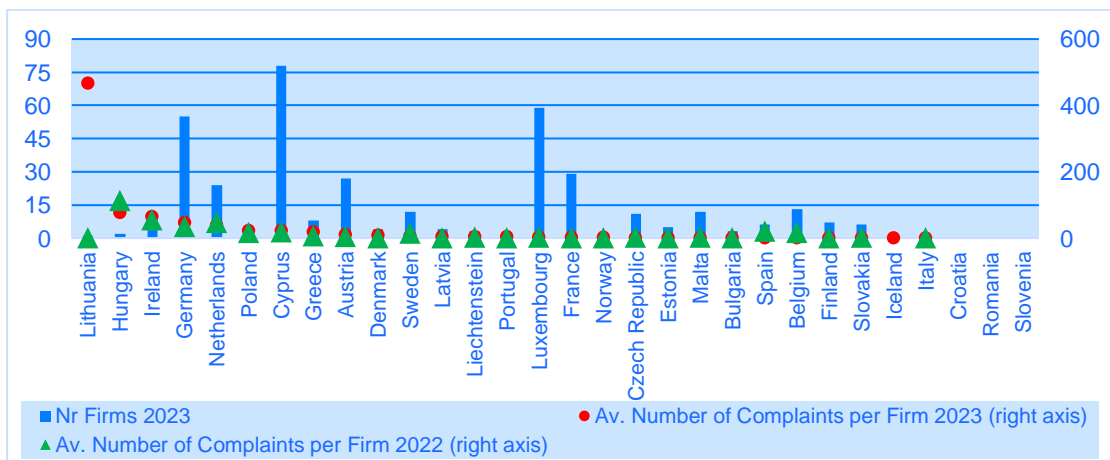
a. 2023 data



b. 2022 data



c. Complaints per firm, 2023 and 2022 data



Source: ESMA Staff calculations based on reporting by NCAs

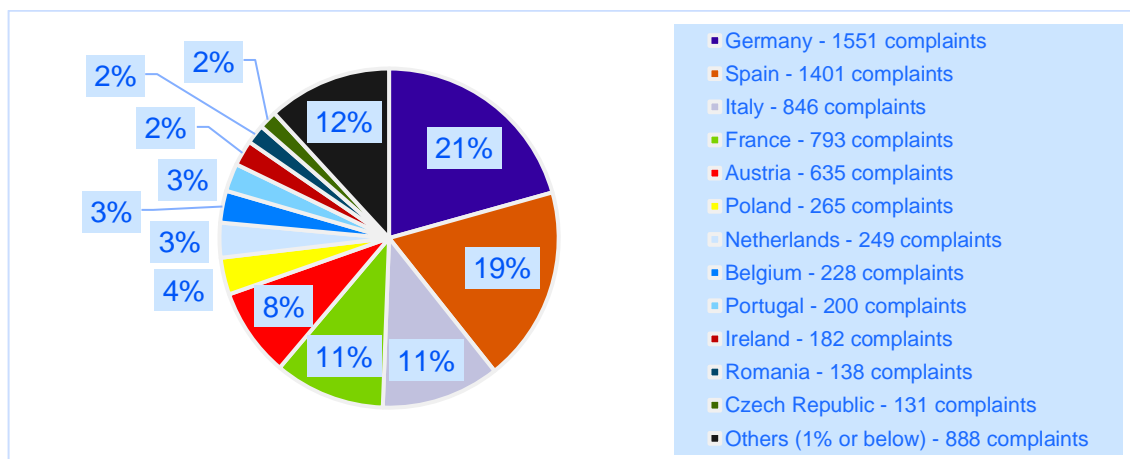


German, Spanish, and Italian retail clients lodged the highest number of complaints in 2023, collectively representing over half of the total complaints in the EU/EEA.

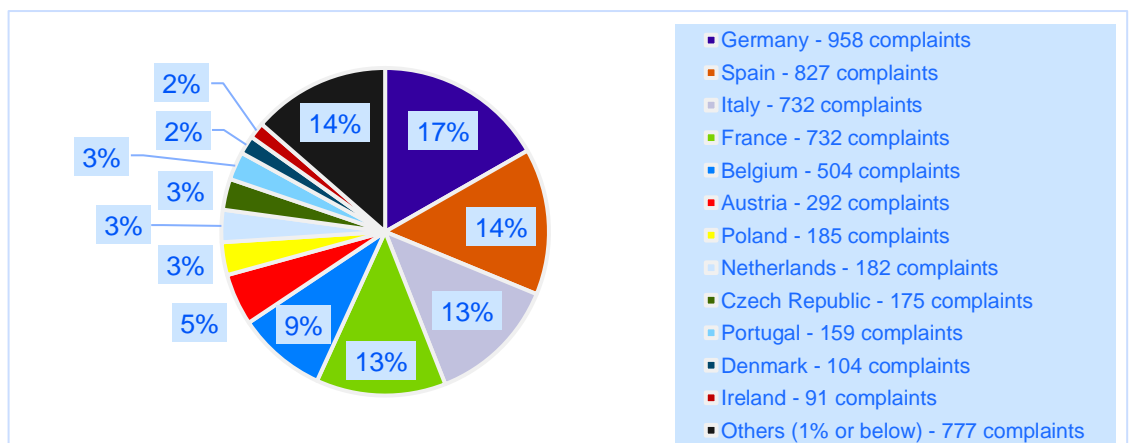
66. To shed light on the side of retail clients complaining about received cross-border services, it is also worth investigating the host country perspective of complaints. In that regard, figure 10 **Figure 10** shows the repartition of complaints by host Member State, i.e., the final recipients of cross-border investment services. Germany, Spain, and Italy were the top three countries whose retail clients filed the largest number of complaints in 2023 regarding cross-border services provided by foreign firms. Taken jointly, retail clients in these three countries accounted for about 51% of the total number of complaints filed for cross-border services in 2023 in the EU/EEA (up from 44% in 2022).

**Figure 10. Complaints by host Member State**

a. 2023 data



b. 2022 data



Source: ESMA Staff calculations based on reporting by NCAs

67. The 1.63 million Germany-based retail clients filed a total of 1551 complaints, or about 950 complaints per million clients (up from 831 complaints per million clients in 2022). This figure was about 17% below the EU/EEA average of 1139 complaints per million clients (up from 751 in 2022). The highest number of complaints per million retail clients was recorded in Liechtenstein, where 2,319 retail clients filed 22 complaints for cross-border investment services received, translating into 9,487 complaints per million retail clients. Austria and Cyprus followed with 3,203 and 1,955 complaints per million retail clients, respectively. The lowest number of complaints per million retail clients was recorded in Slovakia, with 223 complaints per million retail clients.

*Admin, customer services and contract fees and charges remain the key topics of concern for investors.*

68. Seeking to identify the main reasons triggering the filing of complaints by retail clients, the ESMA/NCA questionnaire also asked firms to note the number of complaints by topic, as they received them by cross-border retail clients. The “heatmap” in table 2 below identifies the most frequently reported complaint reasons. In this table, the bars within each cell also show the absolute number of complaints by topic received and reported by firms in each jurisdiction. For each home country, the table shows in shades of red-yellow-green the relative importance of complaint topics reported, where red refers to the most commonly reported complain reason for firms providing cross-border investment services from that country.

69. Numbers one (1) to eight (8) in the first row of the table refer to the eight complaint reasons asked in the firm-level questionnaire. Those included:

- 1) Quality or lack of information provided to the client,
- 2) Investment product not appropriate/suitable for the client,
- 3) Terms of contract/fees/charges,
- 4) General admin/customer services (including custody/safekeeping services),
- 5) Issue in relation to withdrawal of investor's funds from an account / issue connected to exit from the investment and redemption of funds,
- 6) Market event related,
- 7) IT issues, and
- 8) Other.

70. The result of this complaint reasons analysis shows that topics 3 and 4 dominate firm responses concerning the most pertinent issues faced by their cross-border retail

investors. This implies that cross-border retail clients primarily complained about the terms of contract/fees/charges and about issues pertaining to general admin/customer services (including custody/safekeeping services). Categories of complaint reasons 2 (investment product not appropriate/suitable for the client) and 6 (market event related) were the less reported ones.

**Table 2.** Most frequently reported reasons of complaints by home Member State

Home MS	Complaint Reasons							
	1	2	3	4	5	6	7	8
AT	12	0	39	51	0	77	4	54
BE	1	1	3	7	3	1	0	2
BG	0	1	1	0	0	0	0	1
CY	105	5	487	118	185	330	32	517
CZ	3	0	4	1	2	1	1	3
DE	31	16	223	1477	173	177	104	420
DK	0	0	11	1	0	0	1	24
EE	2	0	0	0	1	0	0	3
EL	4	0	0	0	0	0	1	94
ES	0	0	1	1	1	1	0	1
FI	0	0	0	0	0	0	0	0
FR	3	0	10	16	0	0	10	32
HR	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
HU	20	0	27	43	5	2	32	24
IE	82	0	74	185	32	28	38	184
IS	0	0	0	0	0	0	0	0
IT	0	0	0	0	0	0	0	0
LI	2	0	5	2	0	0	0	3
LT	35	1	20	0	57	43	89	274
LU	20	1	67	19	11	9	8	55
LV	1	1	2	4	7	0	0	3
MT	0	0	0	5	3	0	5	0
NL	72	1	126	152	121	18	334	167
NO	2	0	3	0	0	0	0	0
PL	0	0	7	3	0	4	10	19
PT	0	0	7	0	0	0	0	1
RO	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
SE	4	0	1	18	0	0	2	44
SI	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
SK	0	0	0	0	0	0	0	0
<b>SUM</b>	<b>399</b>	<b>27</b>	<b>1118</b>	<b>2103</b>	<b>601</b>	<b>691</b>	<b>671</b>	<b>1925</b>

Source: ESMA Staff compilation based on reporting by NCAs

Note1: Complaint reasons one (1) to eight (8) in the table refer to the eight topics mentioned in paragraph 55 above.

Note2: Zero number of complaints (0 values) were reported by firms in Finland, Iceland, Italy, and Slovakia. Croatia, Romania, and Slovenia reported no firms with cross-border activity in their jurisdictions.

Note3: Aggregation in the case of firm-level data may not add up to the total number of complaints, as not all firms provided break down by topic of the total number of complaints, while sometimes the same complaint might appear to have been categorised under more than one topic.