

Financial Guidance

FSMA's actions and a supervisor's point of view

FSMA

AUTORITEIT
VOOR FINANCIËLE
DIENSTEN
EN MARKTEN

AUTORITÉ
DES SERVICES
ET MARCHÉS
FINANCIERS



Jean-Paul Servais

Chairman, Belgium Financial Services and Market Authority (FSMA)

Vice Chairman, International Organization of Securities Commissions (IOSCO)

Chairman, IFRS Foundation Monitoring Board

Chair of ESMA's Financial Innovation Standing Committee (FISC)

Professor (lecturer) at the ULB (Free University of Brussels)

Better Finance – BEUC - OEE - 13 June 2017

Summary

- 1. Overview of the current situation in Belgium**
- 2. Regulated services: lessons learned**
- 3. FSMA's approach with regard to financial guidance (in a nutshell)**
- 4. Some thoughts about financial guidance and investment advice**

1. Overview



Several tools are possible to try to meet financial consumers' need or improve their awareness about financial matters:

Investment advice

- MiFID investment service
- Several enhanced requirements with MiFID II

Financial planning

- Is not a MiFID service **but regulated** in Belgium (similar types of requirements as for MiFID services)

Financial education

- **Financial education**: improve consumers financial literacy to enhance their capacity to make informed decisions
- **Wikifin.be**: helps consumers with their financial decisions (covering several life events)

2. Regulated services: lessons learned

Investment advice ?	Financial planning ?
<p>The provision of personal recommendations to a client, either upon its request or at the initiative of the investment firm</p> <p><u>in respect of one or more transactions relating to financial instruments</u></p>	<p>A consultation about the <u>optimization</u>, amongst others of the structuring, the planification with regards to a given time horizon, the protection, the legal structure or the handing down <u>of a client's assets</u>, taking into account the client's demands and needs, <u>excluding the provision of any type of investment service or any kind of advice recommending one or more transactions regarding one or more financial instruments</u></p>

- It is **important to distinguish the services amongst themselves** as the applicable legal requirements differ from one service to another one
- **Pure asset allocation**, i.e. not including recommendations regarding specific financial instruments, **is not investment advice**
- In Belgium, **only firms authorized** to provide investment advice **can call themselves investment advisers**, same types of rules exist for independent financial planners

2. Regulated services: lessons learned

- Customers should be provided with **high quality investment advices**: MiFID I helped to achieve this goal by improving the quality of advices
 - **However**, FSMA's on-site visits show that **there is room for improvement**
 - MiFID II includes **several elements** that should further enhance the quality of investment advices provided and of investors' protection

2. Regulated services: lessons learned

Examples of elements foreseen by MiFID II to improve the current situation:

- **Training of Staff**
 - **Improve knowledge and competence** of a.o. staff providing investment advice
- **Better information**
 - **Better description of scope and nature of the advice services** provided
 - **Costs and charges**
- **Improved new requirements:**
 - **regarding the suitability assessment** (new focus on client's risk tolerance & ability to bear losses)
 - **ex-ante provision of a suitability report**
 - possibility to provide **periodic suitability assessment**
 - **enhanced requirements regarding inducements** (concerning enhancement test and disclosure to clients)
- New concept: « **independent investment advice** »

3. FSMA's approach with regard to financial guidance

FINANCIAL EDUCATION

WIKIFIN.BE: 3 PILLARS



**FINANCIAL
PORTAL &
CAMPAIGNS**



**EDUCATIONAL
SYSTEM**



STAKEHOLDERS

3. FSMA's approach with regard to financial guidance

1st pillar – website & campaigns

Strategic objective

Provide the **greatest possible number** of people with neutral, **independent**, practical, and **free** information, in order to help them take informed financial decisions at key stages of their lives.

- **Website (portal)**
 - 5,300,000 visits since launch in 2013
 - 2,000,000 visits last 12 months
 - 16,200 subscribers to the newsletter
- **Information campaigns for the general public:**
 - Launch of new interactive tool, supported by strong public relations
 - Partnerships
 - E.g.: tool to compare interest rates on savings accounts; inheritance simulator; real estate simulator; pensions quiz, etc.



3. FSMA's approach with regard to financial guidance

2nd pillar - Educational system

Strategic objective

Make sure all students, when they leave school, have the **skills, knowledge** and **attitude** necessary to understand the society in which they live & are able to make **informed financial choices** at **various** stages of their lives.

- Approach: bottom-up and top-down
- Lobby: to encourage the **school systems and policymakers to include financial education in the curriculum**
- Material: **wide range of material** (differentiation of methods, content, for different target groups)
- Train the trainer: programmes for teachers

PLATFORM FOR TEACHERS: Wikifin@school platform

Free educational materials:

- Course materials: > 250
- 2,700 members in just 18 months
- Tools : Demo Bank, BudgetPr€t



3. FSMA's approach with regard to financial guidance

3rd pillar - Stakeholders

Wikifin: **co-ordinator of FE multi-stakeholder initiatives** in Belgium

Together develop tools/events as co-ordinator:

- **Belgian Money Week** (E.g. 2017: + 50,000 students)
- Work on structural partnerships
- Share information, regular meetings, conference...



Scientific **research**:

- Wikifin Chair Financial Literacy
- Project financial literacy@School

4. Some thoughts



Several tools are possible to try to meet financial consumers' need or improve their awareness about financial matters:

Investment advice

- MiFID investment service
- Several enhanced requirements with MiFID II

Financial planning

- Is not a MiFID service **but regulated** in Belgium (similar types of requirements as for MiFID services)

Financial education

- **Financial education**: improve consumers financial literacy to enhance their capacity to make informed decisions
- **Wikifin.be**: helps consumers with their financial decisions (covering several life events)

Is more needed?

4. Some thoughts

- **Is more needed?**
 - **Answering to this question may require to first answer to the following questions (a.o.)**
 - **How will MiFID II impact in practice the quality of investment advice services?**
 - **Are retail client ready to pay for independent investment advice?** If so, what percentage of the population will be ready for that?
 - **Will retail clients pay sufficient attention to costs and charges** before making investment decisions?
 - **Shouldn't we have one single set of requirements for advice whatever the financial assets advised is** (financial instruments, insurance contracts, etc)?
 - Belgium anticipated IDD: extension of MiFID requirements to the distribution of insurance contracts
 - keep in mind that currently at European level we have sectoral directives

4. Some thoughts

- **Should we create a notion of financial guidance** (besides the concept of advice)?
 - regulation has a **cost**: are customers ready to pay for financial guidance?
 - is there not a **risk that regulating financial guidance might hamper the development of such guidance**? Necessity to find the right balance between customer protection and provision of guidance
- **Full harmonization** of information and conduct of business requirements across assets/products types **is important**

Questions?