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Retail investment: how to attract retail investors to EU capital markets?

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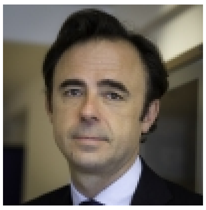

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Objectives of the session

This roundtable discussed the importance of retail investors for the development of capital markets in the context of the CMU, the main obstacles to overcome and the regulatory and market-driven actions needed to increase the engagement of retail investors in securities markets. The role that technological innovation may play in developing retail investment was also examined.

Executive Summary

Retail investment needed to be redeveloped

Both institutional and retail investment in securities had decreased over the last few years. In the current economic conditions, greater participation from retail investors was necessary. Capital markets needed retail investors in order to develop and retail investors needed capital markets to get better returns on their money than with savings products. In Europe the two did not interact sufficiently. It could have been assumed that retail investors would complement their portfolios with securities in order to have higher returns, but this was generally not the case. The reality of the situation was that investments in funds and shares were unsatisfactorily low, investments in bonds had plummeted and cash and deposits were increasing. Moreover 85% of investors had less than €50,000 to invest in capital markets.

There were many reasons behind this situation. The current European culture favoured saving over investment. There were also issues related to financial education, the limited development of pension products and tax. A shift in that dynamic and asking retail investors to take more risks in their investments was necessary, but was difficult to achieve and would take time, particularly in the current economic circumstances and at a time of low confidence.

Retail investors also lacked experience of the functioning of capital markets and generally were the last ones to gain from upcoming momentum in the market and the last ones to get out from a market that was slowing down.

There were many obstacles to further developing retail investment

A first obstacle was a lack of trust in financial markets. Surveys had indicated that whilst savings gave investors feelings of confidence and control, investments gave them feelings of confusion and anxiety. The market was riskier and less certain, and so work needed to be done to build trust. Restoring trust required providing investors with the appropriate information and advice, as well as strengthening financial education. Better information was preferable to more information. Investors also needed more experience of the capital markets in order to better understand how markets fluctuated, the related risks and how profits could be made.

Less than one in five investors actually got some advice with their investments either because they were not able or willing to pay for it. This was significant, as it had been established that individuals who received assistance did then go on to think longer term and make more appropriate investments.

There were four stages identified on what investors considered when deciding what to do with their money. First was the understanding of investment products; second was being sold the product; third was maintaining a flow of information on the development of the product; and finally was the issue of redress, should the investment go wrong. Each stage carried the potential to significantly impact trust in the financial market. Regulation should help in this respect, but improvement would take time. Some speakers also considered that the regulations aiming at improving investor protection could have negative side-effects that needed to be considered, making it more difficult for intermediaries to sell investment products and making cost higher and access to the markets more difficult in some cases.

Some improvements should be expected from the Capital Markets Union (CMU) action plan

The EU Commission (EC) had worked on the regulatory framework over the recent years in an attempt to provide retail investors with better information, improve investor protection and rebuild trust, but those regulations were still in the implementation phase.

The CMU had relaunched the idea of the personal pension plan, possibly in the form of a 29th regime, some proposals for which would follow later in the year. Tax incentives were a key issue to examine in this regard with the Member States. A public consultation would also be launched, prior to the summer, on what more could be done to create a single market for investment funds in order to generate better returns for investors. Furthermore, the EC planned to conduct a study on retail investment products and how the European market functioned, to see whether retail investors could access sustainable products on cost effective terms. They also wanted to analyse how the policy framework should develop for the market to benefit from online based services.

Finally, they had not reached a decision on the financial services green paper. A policy paper would be tabled after the summer which could have additional actions to help retail investors get better value for money when entering capital markets.

The CMU was ultimately favouring more harmonisation and actions to attract more investment in the EU. Attracting investment within the EU could be done through the three routes: internationalisation by encouraging more cross-border investment notably with a stronger role of on-line platforms, disintermediation which would reduce the obstacles created in the market by intermediaries, and long term thought compensating the usual short-term bias of investors.

Additional actions were suggested regarding advice, investment products and market infrastructure

Actions to make investment advice more affordable and accessible were needed to restore trust. European regulations should help in this respect. A proposal had also been made by investor representatives to require advisors to connect with their customers regarding their portfolio on an annual basis.

Moreover the retail capital market ecosystem needed to be restored. Retail investors were currently taken aback by the fragmentation and complexity of the European market, a panellist emphasised. Multiple venues were focusing on institutional investors, blue chip securities and execution-only services, which was damaging the ecosystem serving retail investors stock exchanges were a part of. Local intermediaries that could serve retail investors were stifled by constant changes in regulation. Regulatory developments such as MiFID would help create greater transparency and reduce costs in markets, a panellist pointed out.

Favouring simpler investment products more directly connected with the markets and the companies concerned was also suggested. This would be a way of better aligning the long term interests of investors with those of the companies they were investing in and of developing the experience investors had with capital markets and their fluctuations. Some speakers regretted that investors were often driven towards packaged products which were more difficult to understand than ordinary securities and were more costly. Actions to foster investment in stocks and bonds were not emphasised enough in the CMU, some considered. A suggestion was made that distributors should be required to show and explain differences between complex investment products and simpler, cheaper alternatives. This was however considered to be difficult to enforce through regulation. Another suggestion was to favour simple fund structures that would allow retail investors to invest in SMEs that could for example provide them with specific rights in return.

Technology could also help to facilitate retail investment

Technology had the potential to link individuals with the capital markets more efficiently, and to simplify the paper chase currently used in taking out investment products. Two thirds to four fifths of people dropped out of the investment process because of the on-boarding process required when making investments.

Robo-advice had the potential to be used to provide guidance with investment decisions, asset allocation and consistent client servicing in a cost effective way, reducing significantly the data collation process in particular. Additionally, giving an individual a view of their entire balance sheet was thought to be important for encouraging a long term perspective. However, it was strongly suggested that robo advice could never replace face to face consultations; it could only supplement them. The two could work in tandem to create a superior service that would be led by human experts. The on-line version of robo-advice would indeed be more appealing to millennials, people who had smaller amounts to invest or those who liked 24/7 accessibility, some suggested. Work in the directions of cybersecurity, confidentiality, and investor protection also had to be considered.

Technology often came with fear and excitement. The task of the regulators was not to fear such instances of new technology, but to understand them. In the future, they needed to collaborate more with those investing in and producing technology, in order to elaborate appropriate rules.

Crowdfunding and peer to peer lending was one technological development that had already arrived. Such solutions offered many advantages (direct contact, developing a sense of community) but also came with less investor protection and required more risk analysis.

Developing a digital investment passport comprising all the data required to provide an individual with appropriate investment advice would allow to better leverage such technological solutions, making the relevant data easily accessible. Individuals however needed to be in charge of their own data and to own it, some emphasised, in order to be able to share it whenever, with whomever and to whatever extent they wished, which was not the case in all jurisdictions.

Detailed Summary

Introduction

This session was related to the implementation of the Capital Markets Union (CMU) Action Plan. The greater engagement of retail investors was necessary to achieve the objectives of the CMU and for capital markets to develop in Europe. The present context with regard to investment was quite challenging. The detention of securities by institutional investors such as insurance companies had gone down for different reasons including accounting and prudential requirements. The holding of securities by retail investors had also significantly decreased over the last few decades. For example, the direct ownership of European households in shares has dropped from 28% in 1975 to about 10% at present and a large part of individual savings were held in bank accounts and savings products with relatively short maturities.

The session would cover the obstacles to retail investment, the regulatory and market-driven actions that could be implemented to develop retail investment, and the role that technology could play in this regard.

1. The current state of retail investment in the EU and the obstacles to a greater engagement retail investors in the capital markets

The current engagement of retail clients in capital markets was insufficient

One industry representative emphasized that retail investors (i.e. households or average people and not highly trained professional investors), only had small amounts of money to invest. 85% of their customers had less than €50,000 to invest in capital markets, and his institution had about 50 million bank accounts and 50% of the market share in Germany.

He believed that developing the participation of retail investors in capital markets had become more important in the current economic conditions. Low interest rates and poor performing savings accounts had made the average person’s investment planning essential. Term deposits and savings accounts were not able to compensate for the inflation rate and might even show negative rates in the future. In the current circumstances it could be assumed that the average retail investor would have complemented their portfolio with securities in order to have a higher return. However, this was generally not the case.

According to the Deutsche Bundesbank in March 2016, private household cash and deposits had increased to €2 trillion in 2015, whereas bond investments had plummeted by more than a quarter. Investments in shares and investment funds remained unsatisfactorily low. It was not a question of cross border or domestic investment since both of them were dependent on the risk an investor was willing to take and other individual aspects.

One investor representative stated that the European culture was to save rather than invest. Changing this, the other way round, like in the US, was not utopian, but a step in Europe towards more of an equity culture was necessary.

A regulator agreed that cultural change was important. The cultural problem in Europe was around bringing more retail investors into the capital markets. The problem was asking retailers and households to enter risky investments in difficult economic circumstances. The question of how to encourage riskier investments in times of low confidence, even in regulated markets, was challenging. Unsurprisingly they were not seeing many results so far.

A policy-maker explained that capital markets needed retail investors in order to develop and retail investors needed capital markets to get better returns on their money. In Europe the two did not meet because of structural reasons, such as trust, financial education, the limited development of private pensions and tax. The issues linked to cultural aspects and societal choices differed between EU member states as well as between the EU and the US. Acting on those factors was difficult, and took time.

An investor representative suggested that retail investors were at a crossroad. They could be defined as people having € 25,000 to up to € 1 million in investments. At the crossroad, retail investors could go left towards savings and depositories for a 0.5 0.7% return on their savings; they could go right: completely passive in ETF or funds, earning more but also paying higher costs and having no perspective on what the market would be; or they could go forward towards a diversified portfolio with cash, bonds, equity and ETFs. That latter route was preferable, as it helped people align their long term interests with medium term liquidity.

There was a difference between the terms according to which people thought they invested in, and what they actually invested in, the investor representative believed. People tended to overreact to bad news and react late to good news. The retail investor was predominantly the last person to gain from upcoming momentum and was the last one to get out of a market that was slowing down. To change this, experience, knowledge and education were needed. Having more experience of the functioning of capital markets was essential; investors needed to experience losses and gains in securities markets to better understand the risks and how profits could be made.

A lack of trust and confidence in capital markets and a need for better information and advice

An industry representative noted that a group of retail investors had been asked what they felt emotionally about investments and savings. The findings had indicated that investments were associated with worry, confusion and anxiety, whereas savings made individuals feel more confident and in control. He concluded that there was an emotional behavioural aspect there. 60% of people thought that investments were akin to gambling, which led back to the issue of trust.

An investor representative explained that trust in the financial system had decreased because risk in the market was higher and there was more uncertainty.

An industry representative emphasised that proper information was the key issue; the less informed investors were about the products they bought, the higher was the risk that they would lose money. There was a need for advice which was offered for example through channels created by asset managers that offered advice and risk mitigation measures. There was a general lack of confidence in capital markets. Thus investors' confidence in providers, products, and the stability of the financial markets had to be strengthened. That would involve discussing investment products with individuals and understanding their specific needs and investment experience. Ultimately they needed to be provided with the right information, which would then build trust. It was a long term task, and not easy. Face-to-face contact was often needed and this could be more easily provided through a branch network. Finally, trust had to be accumulated through financial education of the capital markets for retail investors. Financial education had to be complemented by the information offered by market participants, otherwise it would not work. Other speakers agreed on the importance of financial education.

He continued that regulatory aspects and trust in the financial system were essential for retail participation in capital markets. Consumer protection was important in building trust, but regulations aimed at protecting both investors and savers (MiFID, PRIIPs, IMD2 etc). had brought about many negative side effects which had kept retail investors away from capital markets. Regulatory aspects determined both access and cost to clients and imposed many constraints on banks in particular. That consequently made investment advice more important; and barriers to advice stronger.

There were many practical obstacles to further retail investment in the selling process of securities

A regulator thought that many obstacles to further retail investment were clearly related to the process that the investor went through when considering what to do with their money. It started with information and whether they could understand what different products or services involved. Literacy was a part of this. That information was often complex and overwhelming. Second was the selling process, in which many investors had faced negative experiences either because of the negative circumstances of the financial crisis or because of the behaviour of some financial advisors. There had been serious mis selling in some cases, which had damaged confidence in investing in certain products. Third was an issue of maintaining a flow of information on what consumers had and how it would develop. Finally was the issue of redress and knowing where to go if things went wrong and getting a quick response.

All of those issues had an impact on trust in the market, the regulator believed, at both the national and cross border level. They needed to be addressed if they wanted better retail investor involvement in capital markets across Europe. Regulation would help rather than hinder the situation, the regulator believed: the information point would be somewhat addressed by the requirements related to PRIIPS and MiFID; the Prospectus Directive proposals could help with the quality of advice and information that investors received; and technology had the potential to provide assistance too.

An investor representative agreed with the point on redress. He stated that if they wanted to restore trust they had to make sure that if trust was damaged by failures of any sort such as mis-selling, then there was a possibility of getting compensation.

2. Possible regulatory and market-driven solutions for increasing retail investment

Improvements expected from the Capital Markets Union (CMU) action plan

A policy-maker noted that the EU Commission had tried to answer some of the questions on the issue of trust. He said that a lot of work had gone into the regulatory framework over the past few years. Those regulations should benefit retail investors but were still in the implementation phase and would be reviewed in due course; the intention was for retail investors to get more and better information. He hoped that with MiFID they would also be better able to address conflicts of interest within the context of investment advice.

Turning to the CMU he noted that with it the idea of a European personal pension plan had been relaunched: a simple product harmonised across the EU, possibly in the form of a 29th regime that would make it easier for people to save for their pensions. Some recommendations would be made later in the year that could lead to legislative proposals in the year to follow. A key point to consider was that appropriate tax incentives were needed in order to develop this proposal, which could only currently be done at the national level. The EU Commission would engage with member states to see what could be done in that respect.

Further actions had been taken under the CMU, related to investment funds. Despite the success of UCITS, the market for investment funds in Europe was not yet delivering all the benefits that it should. There were various restrictive barriers that needed to be removed in order for investment funds to benefit from higher economies of scale and increase the returns for investors: i.e. different marketing requirements, high cross-border notification fees, discriminatory tax treatments. There were four times more mutual funds in the EU than the US and the average size of EU mutual funds was seven times lower than in the US. That contributed to the average fees of equity funds being much higher in the EU than in the US: 170 bps in the EU compared to 74 bps in the US. The objective was not to mimic the US, but more could be done to create a single market for investment funds that could generate better returns for investors. A public consultation would be launched on that issue prior to the summer.

He continued that the EU Commission wanted to conduct a comprehensive study on retail investment products to understand how the market at large functioned in Europe. They wanted to assess whether retail investors could access suitable products on cost effective and fair terms. Too often retail investors were offered products that were too complex, high cost and of little use, the policy-maker felt.

The EU Commission also wanted to analyse how the policy framework should evolve to benefit from the new possibilities offered by online based services. The outcomes of the study could then lead to policy action, but first there had to be a better understanding of the way the market functions.

An investor representative felt that the issue of developing retail investment was not well addressed in the current European legislative initiatives. For the retail part, the CMU referred to the green paper on financial services, which referred back to the CMU for investment issues.

The policy-maker explained that they had not yet come to a conclusion regarding the financial services green paper. A policy paper would be tabled after the summer, wherein there could be additional actions which could help retail investors get better value for money when going into capital markets.

A regulator added that the CMU was the beginning of a new regulatory cycle. They were moving towards more harmonisation, which did not require additional regulation but initiatives with investors and consumers. There was also an objective with the CMU to attract more investment within the EU; this had three characteristics. First was internationalisation. People were investing at present in their home countries for fear of the global situation; the CMU encouraged more cross-border investment. The second was disintermediation and reducing the need for intermediaries that put obstacles in the market; that was achievable by usual tools of best practice, but some innovative legislative and supervisory solutions could also be needed. Third was to think long term, as retailers tended to think short term. This was necessary to boost growth. Any measures that were going in these directions and that were part or not of the original CMU scope should be facilitated, the regulator emphasised, such as pension schemes or connections with the insurance industry.

The regulator wondered how regulators could support trust in the global financial environment. They could not change the way the European economy was moving, or influence political decisions which could have significant impact on trust in the Eurozone at large. However they could facilitate cross-border investment by making access to cross-border on-line platforms easier. They could also build a regulatory and supervisory environment likely to strengthen the trust of investors and market participants with the support of ESMA in particular, but the results would not necessarily come quickly.

Accessibility of information and financial advice

An investor representative considered that European investors were not asking for more information, but for better information. They wanted the information necessary to make informed investment decisions. Help was needed in that area. The quality of advice had a high impact on the outcome. He had been in discussions with ESMA and other Europe institutions for a couple of years on the prospect of an obligation for portfolio advisors to connect with their customers on an annual basis. The new Key Investor Information Document (KIID), which had to be revised every year was a step in that direction.

An industry representative agreed that investors needed help when investing their money. A survey of 13,000 individuals across eight countries in Europe had revealed that they were favouring savings. Over 50% of their assets were in cash because of the difficulty for them to access capital markets. There was much asymmetry in this process and many clients did not get enough help. Less than one in five actually got some advice either because they were not able or willing to pay for it. Individuals needed help with their investments at the point of use and advice needed to be more accessible. Surveys showed that when they had assistance, individuals did think longer term and made some investments. That could have a profound impact on their long term wealth attributes and thus it was incredibly important.

An investor representative considered that trust in the capital markets would not be restored by only calling for actions against financial illiteracy. Investment advice had to be more affordable, simpler and accessible for a larger group of individuals. This was necessary for retail investors to be more involved in the capital markets and to restore trust.

Preserving the retail investment ecosystem

A market infrastructure representative felt that retail investors were currently taken aback by the excessive fragmentation and complexity of European securities markets. There were currently more than 250 different markets in the EU and more than 100 MTFs, many of which were focused on institutional investors, blue chip stocks and execution-only services. Many of these venues were not contributing to price formation, taking prices from the main markets and not offering any services to investors and issuers. A fair share of the trading was also happening “in the dark”. In fixed income the situation was worse; most of the trading was OTC. It was a heavily intermediated market with high fees for investors and much information asymmetry.

He thought that that was hurting the ecosystem required to serve retail investors. The ecosystem was indeed made up of many different players, such as local brokers and advisors, who were close to retail investors and spoke their language. These intermediaries did not originate their own products and were therefore less prone to conflicts of interest. Unfortunately these local players which were essential for the functioning of the markets were being stifled by the constant changes in regulation such as MiFID, because they did not have enough resources to cope with them. Stock exchanges were a second element of the ecosystem. They had always been the trading venue of choice for retail investors because they provided price formation in a multilateral and transparent environment; and because they provided services that other trading venues did not, such as on-going disclosure and training for retail investors, mechanisms for handling complaints and redress procedures such as investors’ ombudsmen. Some stock exchanges also provided financial education for students or secondary school-children.

In Spain 26% of the equity holdings were directly in the hands of households, compared with 10% in the rest of Europe, the market infrastructure representative explained. This large proportion of retail investors was positive and benefitted the whole financial community but it was a cost for the stock exchange and was difficult for them to maintain. It would be easier for them to concentrate on execution-only services and blue chip stocks.

A regulator stated that MiFID would help a great deal in creating greater transparency in some markets across the board, whether they were regulated or not. That was a difficult change, but it would provide huge benefit and would make a big difference. Transparency existed in some markets but should be expanded. Having a range of markets available for different types of investors would also be beneficial. The reduction of the overall cost of trading that had resulted from MiFID I had also led to benefits that needed to be acknowledged.

Addressing the issue of product complexity

A market infrastructure representative regretted that most investors were driven towards packaged products which provided more benefit to the sellers of the products than to the investors and were more difficult to understand for investors than ordinary securities.
That was to the detriment of investments in shares, in plain vanilla ETFs or bonds, which had demonstrated that they were less costly, provided better long term returns and provided direct financing to companies, which was what was sought.

He advised that they needed to level the playing field more by concentrating on investor education. In the CMU and the retail financial services green paper, in the chapter devoted to retail investors, there were many suggestions regarding pension products, which were useful, but he had not seen any word on making things easier for investors to invest in stocks or bonds. Investing directly in securities helped investors to learn about the market more so than investing in a packaged product that was likely to be difficult for them to understand.

An investor representative suggested that one thing that could be done was that if a distributor was offering a complex or expensive product, they should then be obliged to show a comparable, simple, cheaper product as well and explain why they advised the first one over the second. A regulator replied that that could not be part of a legal text, but was up to the market to do. If a regulator told distributors to do that, it would be considered as over regulation, and telling people how to do their jobs. The investor representative responded that that idea was based on current MiFID rules. There was a reference made in the initial text to comparable advice, before all the present political discussion about independent vs non-independent advice, monetary benefits, etc had started; that had been proposed before the crisis; he thought that going back to that idea would help.

The speaker moreover agreed that getting money directly into equity or bonds issued by companies had to be easier so that the long term interests of investors could be better connected with those of the companies they wanted to invest in. Otherwise there would be mismatches that would lead to failures and eventually trust would never be restored. Trust was slow to build and could go away very quickly. He suggested that it should be easier and more attractive for investors to get direct access to the capital markets. Solutions should also be proposed to remove unhelpful intermediaries between the providers of capital and the companies that needed the capital. It should for example be easier to build up funds to invest in SMEs which would offer those who invested in the fund to have the first rights to subscribe to new equity when the companies concerned needed it or would go for a listing. Such simple structures were not new ideas, but were the kind of things that they needed to do and had not yet been explored in detail.

A regulator stated that independent advice meant advising on a range of different products. That was important for the quality of advice given, but also for providing the right choice to investors. It was not about selling the most profitable product but about acting in the interest of the investor and making sure that the investor got what was needed.

3. Leveraging technology and fintech developments

A question was whether new advances in Fintech such as robo advice and data aggregation services could help to answer some of the questions raised.

The potential benefits of robo advice

An industry representative stated that technology gave both fear and excitement. It could help to link individuals with the capital markets much more efficiently. There was asymmetry within the financial markets. With a smartphone it was possible to get into unsecured debt within minutes, but for taking out an investment product going through an extensive paper chase was necessary. Two thirds to four fifths of people dropped out of the investment process because of the on-boarding process required when making investments, this was a massive paper chase. He continued that that paper chase could take weeks and was difficult. Admittedly there were understandable security and confidentiality reasons, but it needed to be simplified.

The speaker suggested that robo advice could be an appealing solution in that respect. With an easy to use interface it could be used to provide better guidance. It could provide asset allocation in an accessible and cost effective way, and could offer consistent client servicing, particularly around data aggregation. This could help retail clients to navigate the capital markets and to avoid pulling out at the wrong moment and instead drip-feed their investments in order to improve their long term wealth. He added that giving individuals a view and understanding of their entire balance sheet and providing more holistic advice was important in getting them to think long term. He continued that robo-advice reduced the cost of advice because much of the on-boarding process was done by the individual. Data could be populated quickly, even more so with an individual digital investment passport (see below), as opposed to paying a typical £1,000 in the UK for the advice process. The costs could be massively reduced across Europe. Robust industry standards and protocols were however needed to permit such data aggregation. They also needed to commit to high levels of cybersecurity and confidentiality.

Another industry representative agreed that robo advice could help to collect information more efficiently and could provide figures to underline an investment objective that investors already had in mind. But he believed that robo advice would never replace face to face advice, and suggested that it could supplement a personal meeting with a financial advisor and be appropriate for certain investors. Financial advice was more than just information about investment opportunities, and so there were some things that robo advice would not be able to achieve. He believed that both worlds could be linked to achieve a better process that used wider information, but emphasised that it always had to be led by (human) experts.

The previous industry speaker agreed. He reported that in the UK they had initially seen robo advisors purely on the robo side. However, they had since had robo advisors working with actual advisors to build a technical interface. Therefore the two were coming together to drive down costs of collating data, getting information and providing investment plans.

A regulator acknowledged the reduction in cost, but did not think that it would be the right solution for everyone. For people with smaller amounts to invest or those who were quite tax savvy and liked the possibility to look at different investment possibilities on a 24/7 basis it could be an interesting proposal. Such an automated service also clearly had a far better ability to move investments across borders, which was another feature to its advantage. There were risks and benefits that needed to be further investigated; but it was a new development which was extremely important and which regulators would follow. It was important that ultimately there were sufficient protection for investors, and that the operational risks arising were properly addressed.

Another regulator highlighted that when it came to fear and excitement regulators were the professionals of non excitement, or should be so. He argued that they should not fear technology, but this required understanding it and collaborating with those who were producing technology and investing in it. There should be more work towards that. He noted that one major technological development was already active: crowdfunding and peer to peer lending, based on electronic platforms. He commented that it was a very modern thing to do and it had advantages – direct contact, developing a sense of community - but there were also risks that required thorough risk analysis that should be part of the platforms themselves. The crowdfunding system also offered less protection for investors than traditional ways of investing that had to be taken into account.

A digital investment passport

An industry representative stressed that in the UK the industry had been working with the Government to develop a digital investment passport which would enable to evaluate very simply the financial situation of an individual and put investors in charge of their own data in a way that allowed them to share it whenever, with whomever, and to whatever extent they wished. Some European officials were supportive of that initiative and it was thought that it could help to better connect European investors with capital markets. Data ownership issues however needed to be considered, as rules differed across European jurisdictions. In some of them data was the property of individual clients, in others it was the property of the institution the data had been given to. He argued that it should be the individual's own data, and individuals should have the freedom to instruct whomever they wanted to share it with whomever they chose.

An investor representative agreed that a digital financial passport was a good idea towards bringing down the cost of advice, particularly for advice paid in hourly rates. He agreed that it would be helpful if individuals owned their own financial data. They would then have a better understanding of their financial situation and this would also help them to gain more experience of investment.