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Distribution of retail investment services: open borders while ensuring investor protection at the local level

Within the framework of its Capital Markets Union action plan, the European Commission published a Green Paper on retail financial services in December 2015. Benoît de Juvigny, Secretary General of the Autorité des Marchés Financiers explains the broad lines.

We heartily endorse the European Commission's goal of creating a truly European market for retail financial services. Eliminating the barriers to the free circulation of products and services within the European Union is one of its founding principles. It is the very essence of the internal market that has been gradually built over many years.

In the Green Paper on retail financial services it published last December, the Commission noted that markets are still too fragmented and competition is insufficient. Thus, it decided to launch a public consultation to determine what actions could be taken to allow European consumers to fully benefit from the internal market for savings, insurance and banking services.

In its response, the AMF, which regulates one of Europe's biggest savings markets, wanted to show that with respect to households' consumption of financial goods and services, there is a need to remain pragmatic and base actions on a few basic observations gleaned from experience.

First of all, we recognise the European success of the UCITS. Owing to the progressive harmonisation of regulations since 1985 and the creation of a highly fluid passport system within the Union, UCITS collective investment products are clearly the international gold standard for cross-border products. For example, in France more than half of all UCITS sold are from other European Union Member States.



"There is still work to be done to regain investors' trust if we want them to risk investing their savings in products created In France or in Europe." Benoît de Juvigny

Second, we must recognise language barriers and especially the importance of the local sales networks in hampering the distribution of foreign products. It would be wrong to underestimate these factors, but over the medium term, and possibly even in the short term, they are likely to be mitigated by changing consumption models driven by the development of new technologies ranging from digital distribution platforms to product comparison tools. These developments will disrupt both system architectures and clients' buying behaviour.

There is also a deeper aspect to this discussion. That of the large differences in European consumers' level of financial education and the risks that a generalised offering without local oversight would pose to the protection of the most vulnerable investors. It would be a mistake to limit local regulators' ability to monitor marketing efforts within their territory in the name of a single market.

I am convinced that there is still work to be done to regain investors' trust if we want them to risk investing their savings in products created outside their country. To regain this trust, we must maintain or even strengthen local regulators' ability to monitor marketing efforts aimed at the retail investors in their territory. The point is not to have redundant supervision, but to continue to ensure that marketing materials, for example, remain balanced and sufficiently comprehensible by individuals to whom they are intended for.

This sharing of roles, which recognises the competency of the host-country regulator, is effective and necessary to reassure retail clients when they invest in French or European products.

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Capital Markets Union : AMF's response to the European Commission's Green
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