

# THE AMF HOUSEHOLD SAVINGS OBSERVATORY NEWSLETTER



## ÉDITO

### Advertising: vigilance is essential

Providing retail investors with good information is essential to protect them. The AMF constantly monitors the promotional publications of financial intermediaries (banks, investment advisers, asset management companies, etc.). It adapts to changing practices and to the transfer of traditional advertising from the web to social media and mobile apps.

It also aims to detect inappropriate or misleading communications and ensure compliance with the protective measures on risky trading products ("Sapin 2" Act and European Product Intervention measures).

There are still many inducements to engage in speculative trading (see pages 2 and 3). In 2020, however, aggressive or imbalanced advertisements for complex and risky financial instruments have been far less numerous, which is a tangible consequence of the action of the European regulators and a sign that investor protection is progressing.

But vigilance must be maintained, especially in the case of direct marketing from outside the European Union.

Moreover, regarding collective investment products, the AMF observes an increasing number of advertisements using "sustainable finance" as a selling point. This expression should not be abused in a field in which transparency with respect to investors is essential.

The AMF is keen to protect investors' trust by limiting the risk of "greenwashing". For example, it recently made the obligations of financial players more stringent.<sup>1</sup> The latter must demonstrate significant consideration of non-financial factors in "responsible" investment management to be able to cite this as a valid reference to savers. ■

<sup>1</sup> Position-Recommendation DOC-2020-03: Information to be provided by collective investment schemes incorporating non-financial approaches

## FOCUS

### A lack of benchmarks regarding investment returns

The link between the return on a financial investment and its degree of risk is not grasped properly by a large proportion of French people.

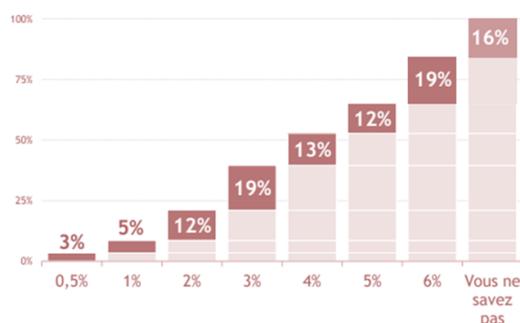
In the annual survey of public financial literacy by Banque de France, 1 when questioned regarding the interest-rate level above which a proposed safe and liquid investment would seem to them "too good to be true", six out of ten French people replied they would be suspicious only above 3%.

An interest rate of between 2% and 3% per year therefore does not seem suspicious to most of the French for a safe and liquid investment, even though such a return can no longer be guaranteed from these investments.

It is significant that younger persons situated a suspicious rate of return at a lower level than their elders, possibly because they have fewer memories of rates of return of 3% or more from guaranteed investments.

<sup>1</sup> "Survey of public financial literacy in France", 2,153 people surveyed in June 2020 forming a representative sample of the French population aged 18 and over, [Audirep survey for Banque de France](#), July 2020

You are proposed a safe investment, for which your money is not locked in. You are informed that this investment yields a certain interest rate per year. Above what interest rate do you think that this proposal is probably "too good to be true"?



Source: Banque de France, July 2020

### Launch of the "Rendez-Vous de l'Épargne"

With support from Banque de France, the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and the AMF are organising a series of conferences on savings, in the form of webinars. The aim is to provide savers with keys to understanding in a novel economic environment, heighten their vigilance to cope with financial scams, and raise their awareness of the role of savings in the economy.

[To register for the Rendez-Vous de l'Épargne.](#)

# Publications and advertising on investments



The AMF performs thorough monitoring of promotional publications and advertising on financial investments.

## Promotional publications

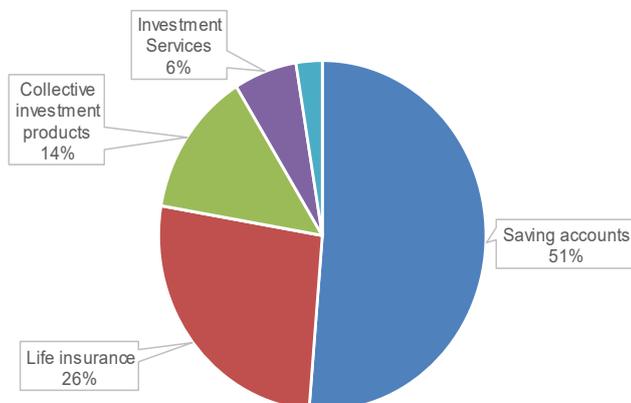
By monitoring the promotional publications of financial institutions, the AMF stays informed of the investment offering intended for retail investors.

On their own publication media (website, newsletters, etc.), financial institutions still primarily promote life insurance and passbook savings accounts. The practice of "gifts" for subscription remains common (financial incentives in euros, reduced fees on deposits, or boosted interest rates on passbook savings accounts and the "euro funds" of life insurance contracts).

### Savings accounts promoted heavily...

In the first half of 2020, publications for passbook savings accounts (taxable or tax-exempt) were relatively more numerous than in 2019 (1 out of 2 versus 1 out of 3), at the expense of life insurance and collective investment products. As a result of the health crisis, there were substantial deposits on passbook savings accounts in the first half.

Figure 1: Promotional publications in the first half of 2020, by product family



Source: Kantar, AMF calculations, September 2020

### ... as well as investments in unit-linked life insurance contracts

With regard to life insurance, "euro funds" are now promoted less than unit-linked contracts. The incentive to invest in non-guaranteed financial instruments is often provided by stressing a boosted interest rate for the "euro fund".

Several life insurance contracts have been launched without a "euro fund" (i.e., exclusively unit-linked).

*In Q2 2020, these incentives for diversification in non-guaranteed financial instruments coincided with a continuing high level of investments in unit-linked policies (34% of investments in life insurance contracts, see page 4).*

### Formula-based investments in banks and price offers from online investment specialists

On the whole, investment products and services were less frequently promoted by financial institutions in the first half of 2020.

Of the publications intended for the majority of clients, one in five concerned collective investment products or services (three out of ten in 2019).

In the case of collective investment products, financial institutions mainly highlighted their new formula-based investments.

Regarding investment services, financial institutions mainly promoted the opening of PEA plans and lower charges for equity transactions.

Most of the promotion campaigns stressed attractive price offers, especially by online investment specialists. There were also numerous incentives for the transfer of existing securities accounts or PEA plans to the advertiser.

## Far fewer unlawful advertisements for trading

The "Sapin 2" Act, which came into force in 2017, established a ban on all forms of advertising sent directly or indirectly, via electronic media (emailing, online advertising banners, radio, television, etc.), to private individuals concerning financial instruments that are very hard to understand and potentially very risky (forex, binary options, highly-leveraged CFDs, etc.).

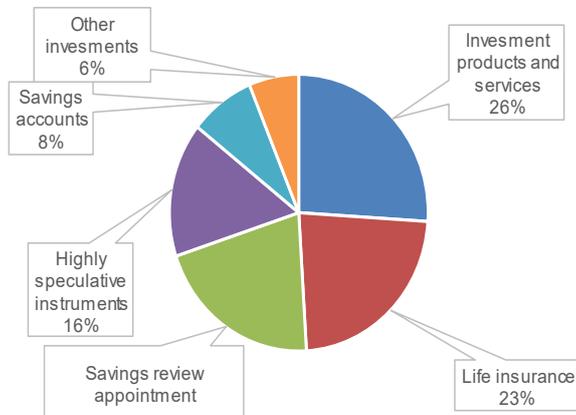
Furthermore, in 2018 the European Securities and Markets Authority (ESMA) established measures banning (binary options) or restricting (CFDs) the marketing of certain risky products to retail clients. These measures were carried over into national law in 2019 for an indefinite period of time.

The AMF conducts active monitoring to detect such prohibited advertising. It has noted a significant fall in the number of these advertisements detected, from 94 in 2017 to 10 in 2019. In the first half of 2020, only two prohibited advertisements were identified, infringing the two protection systems mentioned in the preceding paragraph. ■

## Advertising

In advertising for investments, the proportion of advertisements for investment products, excluding highly speculative trading, remains stable (26% from January to July 2020, versus 24% in 2019).

Figure 2: Breakdown of advertising by product type, from January to July 2020 (internet and press publications)



Source: Kantar, AMF calculations, September 2020

In life insurance, numerous advertisements by insurance brokers and financial investment advisers (FIAs) concern low-cost contracts making it possible to invest in units of account in the form of real estate investment companies, ETFs or directly held shares.

Advertisements encouraging a contact (savings review appointment) are mostly posted by asset management companies and FIAs. They are seldom posted by the major bank networks.

There are still numerous inducements to use highly speculative instruments, targeting the general public: seven out of ten ads are published on media intended for the general public. The advertisers are usually investment service providers offering their services from the European Union.

### The responsible investment selling point

From January to July 2020, one out of eight ads used sustainable finance as a selling point, whether for collective investment products or life insurance contracts, or to encourage contact for a savings review or advice. This selling point still concerned only one out of 12 ads in 2019.

## Focus on investment products and services

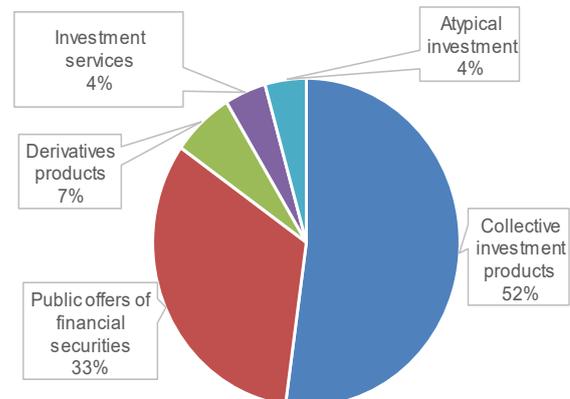
One-quarter of advertisements for investments concern investment products and services.

Of the investment advertisements (excluding inducements for highly speculative trading), collective investment products account for about one out of two ads. Half of these ads concern investments in rental property (SCPIs). They are frequently posted by asset management companies specialised in these products.

Advertisements for investment services are increasingly less numerous (17% in 2018, 6% in 2019, 4% in 2020): online investment specialists have refocused their communications on their life insurance contracts.

While advertising for investment products and services is usually disseminated on media intended for the general public (six out of 10 ads), either via the internet or in newspapers and magazines, this is not the case for public offers of financial securities (IPOs, public tender offers), which usually target investors. From January to July 2020, advertisements of this type represented one-third of the ads identified. Half of them concerned initial public offerings (Paulic Meunerie, Munic, etc.).

Figure 3: Focus on investment products and services (excluding highly speculative trading offers): breakdown of advertisements from January to July 2020



Source: Kantar, AMF calculations, September 2020

## AMF monitoring of promotional publications and advertising

The AMF monitors the publications of financial intermediaries (banks, financial investment advisers, asset management companies, online savings specialists, etc.). The publications analysed are promotional messages disseminated by financial institutions on their own communication media ("self-promotion"), and also advertisements published in various media.

For self-promotion, the main communication media are financial institutions' websites. The AMF also identifies new investment advertisements, for all types of advertisers and dissemination channels: internet, press, mobile apps, social media (Facebook), emails, etc.

The statistics presented in this special report concern ads disseminated on the internet (banners) and in press publications (newspapers and magazines). An advertisement is registered once a month and whenever it is disseminated in various media. To determine the public targeted, the AMF classifies the media, according to their audience or readers, as investors, savers or the general public. For example, a media not specialised in economics or investments is considered as targeting the "general public", while a media which covers only the stock exchange is characterised as targeting "investors". ■



## Review of household savings

The latest Insee estimates confirm the sharp increase in savings.

Household consumption fell in Q2 2020 (-11.5 %) due to the lockdown, while disposable income declined by only 2.3%, and the financial savings rate (financial investments only, including the amounts left deposited on a current account) quadrupled, to 19.5% of income, compared with 4.6% on average in 2019. The total savings rate, for its part, stood at 27.4% (versus 14.9% in 2019).

## Forced savings which could be held onto for many months

The household confidence survey points to the persistence of a high household savings rate until the end of 2020.

The proportion of households considering that their present and future savings capacity is positive has been at a high level for the past three months. And the proportion of households considering that it is a good idea to save increased further in September, to a level well above its average long-term level.

## These extra savings are not invested

The savings accumulated by households during the crisis (money not spent during the lockdown period and upon lockdown easing) are stored as bank savings (including on current accounts).

This is what is shown by the Banque de France figures: the net flows of household financial savings into bank deposits (after deducting debt repayments) reached €86 billion on a cumulative basis from March to July 2020.

Sources: Insee (quarterly national accounts and monthly household confidence survey, 29 September 2020), Banque de France (The impact of the Covid-19 crisis on the financial position of households and businesses, 4 September 2020)

## Life insurance fund outflows

From January to August 2020, life insurance posted negative net inflows of €6.5 billion, the largest such decline since 2012.

Over the same period, however, investments in unit-linked contracts remained positive (+€12.5 billion, versus €10 billion in 2019).

Unit-linked investments accounted for 34% of inflows, a far higher proportion than in 2019 (24%).

Source: Fédération Française de l'Assurance, September 2020

## Slower growth of investments in real estate

According to Aspim, in the first half of 2020 real estate investment companies and funds (SCPIs and OPCIs) for retail investors received €5 billion in inflows, down 8% year on year. SCPI net inflows, at €3.7 billion, declined 20%. At the same time, retail OPCIs inflows (€1.6 billion) increased by 32%.

At mid-2020, the market capitalisation of SCPIs reached €69 billion (+14% yoy), while OPCIs stood at €20 billion (+17%).

Source: "SCPIs and OPCIs in the second quarter of 2020: growth checked by the health crisis", Association française des sociétés de placement immobilier (ASPIM), July 2020

## An increasing number of investors in ETFs

In the first half of 2020, the number of retail clients investing via ETFs was more than in 2018 and 2019.

147,000 retail clients placed at least one ETF buy or sell order in Q1 2020, and then 109,000 in Q2. These are the most "active" quarters for ETFs since the start of 2018, the inception date of the system of transaction reporting to the AMF.

The average number of active investors in ETFs was 72,000 per quarter in 2018, and 86,000 in 2019.

Source: AMF, financial instrument transaction reporting, September 2020

## Spring 2020: One in four investors say they reinvested

In a sample group of investors, the AMF questioned 119 holders of investment products on their attitude during the lockdown period. They replied as follows.

2 out of 3 investors made no change to their investments in the spring of 2020 and over half said that they placed their extra savings in bank deposits, like the majority of savers.

However, 1 in 4 investors said they took advantage of this period to reinvest.

Moreover, last July 7 out of 10 considered that this was "a good time to invest in the stock market".

Of the sample group members:

2 in 10 planned to "invest more in equities or funds" in the following months;

- less than 3 in 10 "would definitely not make any change in their investments";
- more than 3 in 10 were waiting to "see what would happen" before making changes in their investments;
- 1 in 10 replied that they definitely wanted to make "more secure investments".

Source: CSA for the AMF, 119 holders of investment products (equities, funds, etc.) surveyed in June and July 2020