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**RETAIL INVESTORS AND THEIR
ACTIVITY SINCE THE COVID CRISIS:
YOUNGER, MORE NUMEROUS AND
ATTRACTED BY NEW MARKET
PARTICIPANTS**



amf-france.org

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EXECUTIVE SUMMARY

In April 2020, the Autorité des Marchés Financiers (AMF) published a study on retail investor behaviour during the Covid-19 crisis.¹ This study was performed on the basis of transaction reporting as per MiFID II (see box below), and revealed the considerable volumes traded by retail investors during the six weeks of high market volatility observed between February and March 2020. These transactions were initiated by existing investors, but also, for a significant proportion, new investors.

This new study, based solely on transactions in financial instruments falling within the jurisdiction of the AMF, shows that this renewed interest of retail investors for financial markets has not faded since then; their activity has remained comparable to its highest level observed in March 2020.

This activity, which was mostly captured by the traditional market participants (banks and online brokers), is now shared with a new type of intermediary whose offers are distinctive from the standpoint of new functionalities and brokerage fees: "neo-brokers", so far all located outside France but serving French retail investors within the framework of the free provision of services (European passport).

This study shows the inroads made by neo-brokers with new retail investors, in increasingly large proportions compared with other categories of intermediaries. It reveals significantly different profiles and behaviours of the clients of these different categories of intermediaries.

Among the main trends observed, we find:

- active investors are of a substantially younger age since the first quarter of 2020, with the neo-brokers having a significantly younger client base than the other categories of intermediaries;
- neo-broker clients are more inclined to trade complex instruments and, in the case of equities, to trade more volatile stocks than the clients of the other types of intermediary;
- a significantly higher trading frequency for neo-broker clients, but on smaller orders than those found for the clients of the other categories of intermediaries.

Thus, even on financial securities corresponding to conventional investments and falling within the jurisdiction of the AMF, neo-broker client activity differs significantly from the activities of the other categories of intermediaries.

However, as shown in the box on the following page, only the transactions of French clients relating to financial instruments for which France is the relevant market or to foreign financial instruments traded via intermediaries established in France are directly and automatically reported to the AMF. French retail investors's transactions on foreign financial instruments traded via a foreign intermediary therefore are not systematically reported to the AMF but may be requested to the national competent authority.

The AMF would need to have an exhaustive view in order to fully exercise its role of protection and education of French retail investors.

¹ https://www.amf-france.org/sites/default/files/2020-04/investisseurs_particuliers_actions_mars_2020.pdf

Box: Data used in this study

In accordance with Article 26 of MiFIR,² the European regulators collect the reports on financial instrument (FI) transactions executed by European investment firms (directly or through an approved reporting mechanism).³

With the reports received by the AMF directly from French investment firms and those received via the routing system between European authorities (TREM),⁴ the AMF has exhaustive knowledge of transactions in the following two areas:

- transactions executed by an investment firm established on French territory (including French branches of foreign investment firms);
- transactions executed on an instrument within the jurisdiction of the AMF or for which the underlying is within the jurisdiction of the AMF (hereinafter "FR FI").

This is the scope, wider than AMF's Active Retail Investors Dashboard⁵, that has been chosen for the present study.

The table below summarises the scope of transactions for which a report is received by the AMF:

	Investment firms established in France		Investment firms established outside France	
	FR FIs	Other FIs*	FR FIs**	Other FIs
French retail investors	YES	YES	YES	NO***
Non-French retail investors	YES	YES	YES	NO

This table calls for the following comments and additional information:

* The transactions on these FIs are routed by the AMF, via TREM, to the competent authority of the most relevant market in terms of liquidity.

** The transactions on these FIs are routed by the authority of the reporting entity, via TREM, to the AMF as the competent authority of the most relevant market in terms of liquidity.

*** These transactions, while they concern French investors, are not visible to the AMF.

At present the AMF therefore lacks direct and automated visibility⁶ over the transactions executed by French retail investors on instruments that are not within French jurisdiction under the European Market Abuse Regulation (MAR), when these investors use the services of investment firms not established in France (e.g. a French person trading a US stock via an intermediary established in another European country). Currently, according to one foreign neo-broker, the stocks most traded by its French clients in the third quarter of 2021 were foreign stocks, including highly volatile securities, outside the jurisdiction of the AMF.

This study covers 218 million transactions executed between the third quarter of 2018 and the third quarter of 2021 by French and foreign retail investors **on financial instruments for which the AMF is the competent authority of the most relevant market in terms of liquidity.**

² Regulation (EU) No. 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No. 648/2012.

³ ARM – *Approved Reporting Mechanism*.

⁴ TREM (*Transaction Reporting Exchange Mechanism*) is the IT tool established by ESMA so that the competent authorities may disclose to one another the transactions coming within their jurisdiction, when said transactions are executed by investment firms that these competent authorities do not supervise.

⁵ The Active Retail Investors Dashboard is centered only on French based investment firms declarations.

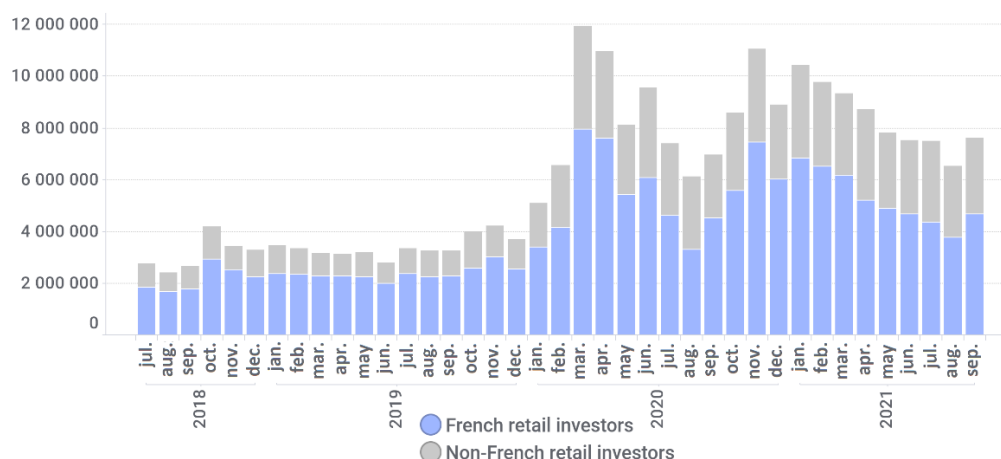
⁶ The transactions may be requested to the national competent authority.

1. RETAIL INVESTOR ACTIVITY

1.1. GROWTH IN RETAIL INVESTOR ACTIVITY

As shown in the following graph, retail investor's monthly activity more than doubled in March 2020 during the Covid-19 crisis and continued to trade financial instruments at a high rate, with a number of transactions which has stayed above pre-Covid levels.

Number of transactions performed by retail investors

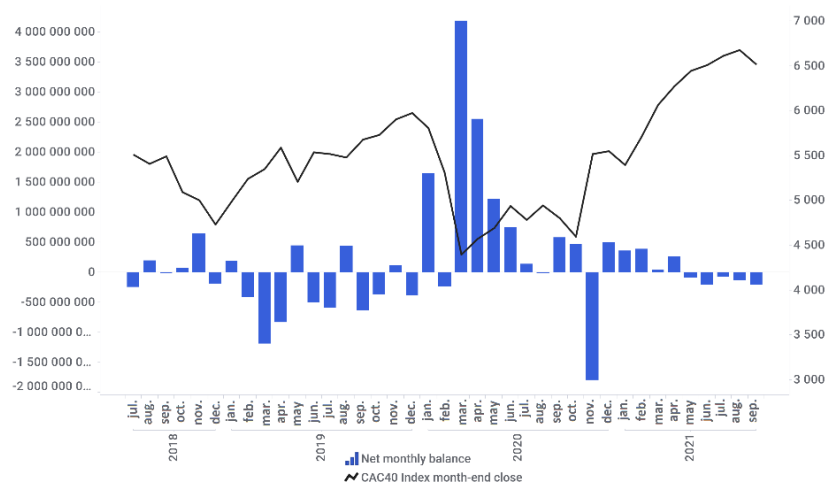


While the instruments within the AMF's jurisdiction traded by retail investors are mostly traded by investors of French nationality (the breakdown of transactions by amount, for equities only, stands at 72% for French investors and 28% for foreign investors), the proportion of transactions performed by non-French investors is increasing over time (41% in the third quarter of 2021 versus 33% in the third quarter of 2018).

The following graph is limited to equities and rights whereas the rest of this study is based on all financial instruments under AMF remit and shows that the steep decline of the CAC 40 stocks in March 2020 provided an entry point for retail investors, whose monthly balance of transactions shows a steady long position between March 2020 and June 2020.

As a significant exception, the very short position of the balance for November 2020 coincides with the sharp rise in the equity market following the announcements of positive results for Covid-19 vaccines.

Net monthly balance (purchases – sales) of amounts traded by retail investors in French equities, in euros

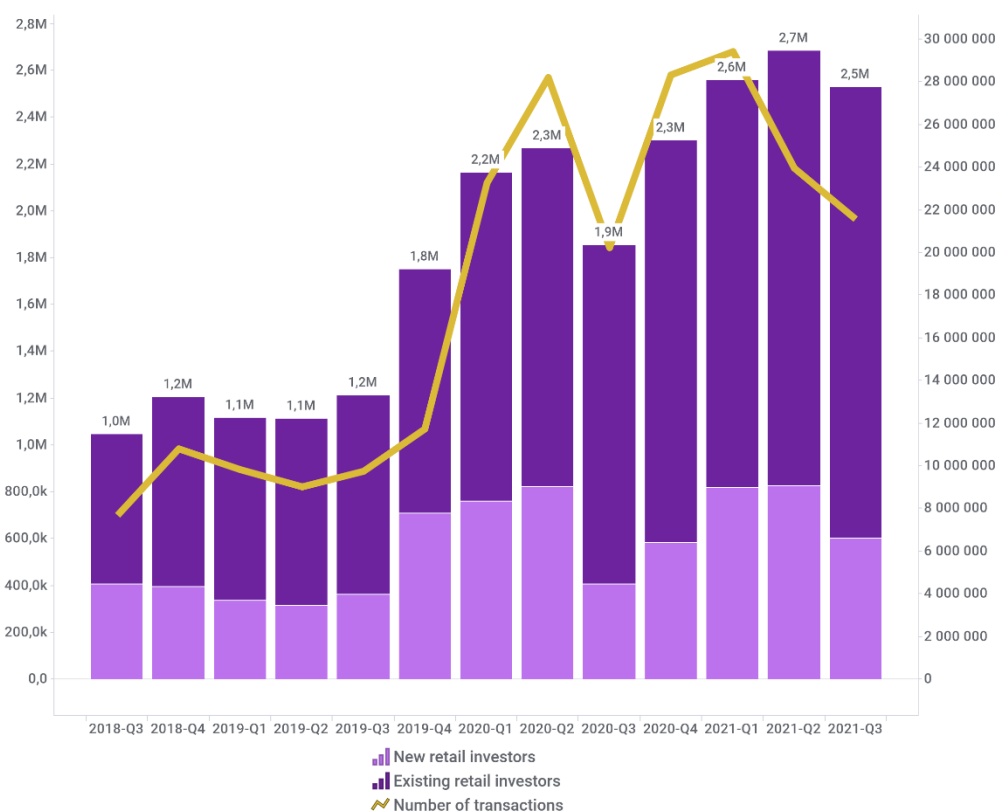


1.2. GROWTH IN THE NUMBER OF RETAIL INVESTORS

The following graph shows growth in the number of active retail investors quarter on quarter. By "active" investor, this means a retail investor who has performed at least one transaction on instruments within French jurisdiction during the quarter in question.

The "new investor" concept, for its part, corresponds to investors who had previously not performed transactions reported to the AMF under MiFIR since January 2018, the date from which this type of reporting applied. Accordingly, in the context of this study investors who had already performed transactions before that date will be considered as "new investors".

Number of active retail investors per quarter, including new investors



This graph leads to several significant observations:

- While the number of active investors per quarter stagnated around one million until the third quarter of 2019, a first large intake of new investors is noted in the fourth quarter of 2019, related to the initial public offering of Française des Jeux;
- Since the health crisis, equally large intakes of new retail investors then increased the overall number of retail investors active in the markets, in a context marked by lockdowns and increased teleworking;
- Lastly, this affinity for financial markets remained uninterrupted by the resumption of work with physical presence in a period of higher financial market volatility, because the number of active retail investors has doubled since 2020 and has remained at high levels (more than 2.5 million).

Moreover, the growth in the number of incumbent and new investors, compared with growth in the number of transactions for these categories of investors, shows that the new investors perform proportionally fewer transactions than incumbent investors.⁷

⁷ Comparison between the above graph and that provided in Annex 1.

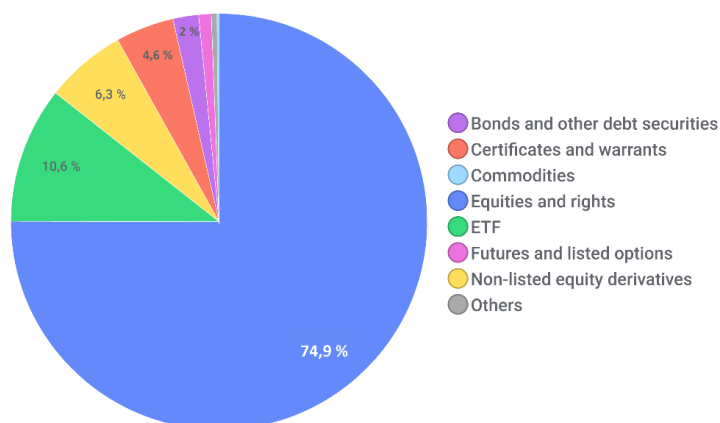
1.3. FINANCIAL INSTRUMENTS TRADED BY RETAIL INVESTORS

As shown by the following pie chart, equity transactions account for 75% of the total number of transactions. This figure reaches 85.5% if transactions in Exchange Traded Funds (ETFs) are included. All the instruments classified as "non-complex" in this study (equities and share rights, ETFs and bonds) account for 87.5% of the transactions performed by retail investors. However, it is interesting to note that the ETFs most often traded by retail investors are those offering an index leverage effect, which is a sign of retail investors' use of higher-risk products.⁸ In contrast, only a small number of transactions are performed on bonds and other debt products.

The remaining 12.5% of transactions are mostly transactions on equity derivatives, with a majority of Contracts For Difference (CFDs) and warrants.

This breakdown by type of financial instrument shows no significant change over time for the AMF reporting scope.

Breakdown of retail investors' transactions by type of financial instrument



For the equity scope exclusively, we note that:

- The five stocks most heavily traded (by amount) by retail investors are as follows:

Equity	Trading volume in €m	Weight of retail investors' transactions in the trading volume
Airbus	26,243	5.85%
TotalEnergies	23,259	5.19%
LVMH	16,229	3.62%
Société générale	13,768	3.07%
BNP Paribas	13,065	2.91%

- The breakdown of transactions by sector of activity fluctuates significantly over time for retail investors by comparison with all the transactions performed on Euronext, but one sector stands out over the study period for retail investors compared with transactions as a whole, namely the health sector.⁹

⁸ Although we cannot specify the proportion of these transactions performed for hedging purposes.

⁹ See Annex 2.

2. CHANGE IN RETAIL INVESTORS' INTERMEDIATION: THE GROWING IMPORTANCE OF THE NEO-BROKERS

The study of retail investors' transactions also reveals a change regarding the intermediaries they use to execute their transactions.

The study of this change led the AMF to distinguish between three categories of intermediaries, established based on expert evaluation, and thus dividing investment firms into three categories:

- So-called traditional banks;
- Online banks, which also includes traditional online brokers;
- Neo-brokers.

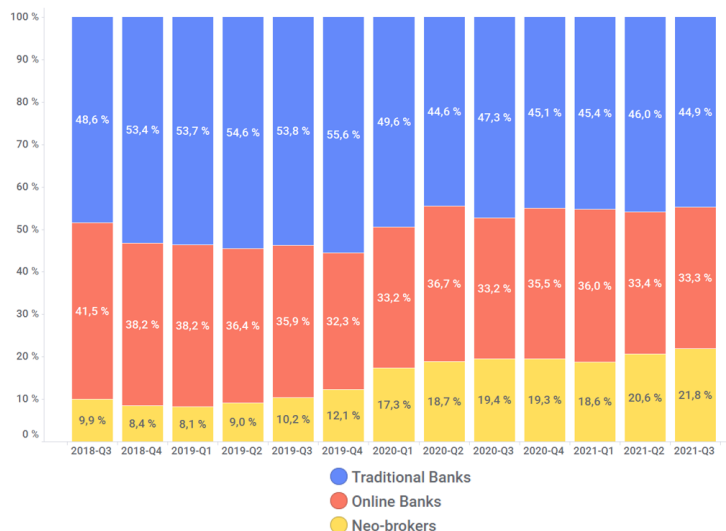
The alphabetical list of entities accounting for more than 0.5% of the total number of transactions analysed over the whole period is provided in Annex 3, together with the classification of each actor.

Among the last category's distinguishing factors, is the fact that some offers are presented as being "free"¹⁰ or supposedly available to everyone, such as "copy trading". (It is worth specifying, moreover, that both the so-called traditional banks and the online banks are located in France or in the European Union, whereas the neo-brokers are at present all located outside France, within the European Union.

2.1. GROWTH IN TRANSACTIONS CAPTURED BY TYPE OF INTERMEDIARY

The following graph shows the inroads made by neo-brokers in terms of the number of retail investor transactions intermediated by them, doubling their activity. This increase in the activity of neo-brokers is taking place, in terms of market share, at a different pace for "traditional" banks and online banks.

NUMBER OF TRANSACTIONS PER QUARTER AND PER INTERMEDIARY CATEGORY



In addition, it is worth noting that retail investors' trading in financial instruments within the AMF's jurisdiction (scope of this study) is handled by service providers who are not established in France, in the following proportions:

¹⁰ The offers presented as "zero fees" generally raise problems of client information concerning costs and charges, and may involve "payment for order flow" (PFOF) practices, on which ESMA communicated recently: <https://www.esma.europa.eu/press-news/esma-news/esma-warns-firms-and-investors-about-risks-arising-payment-order-flow>.

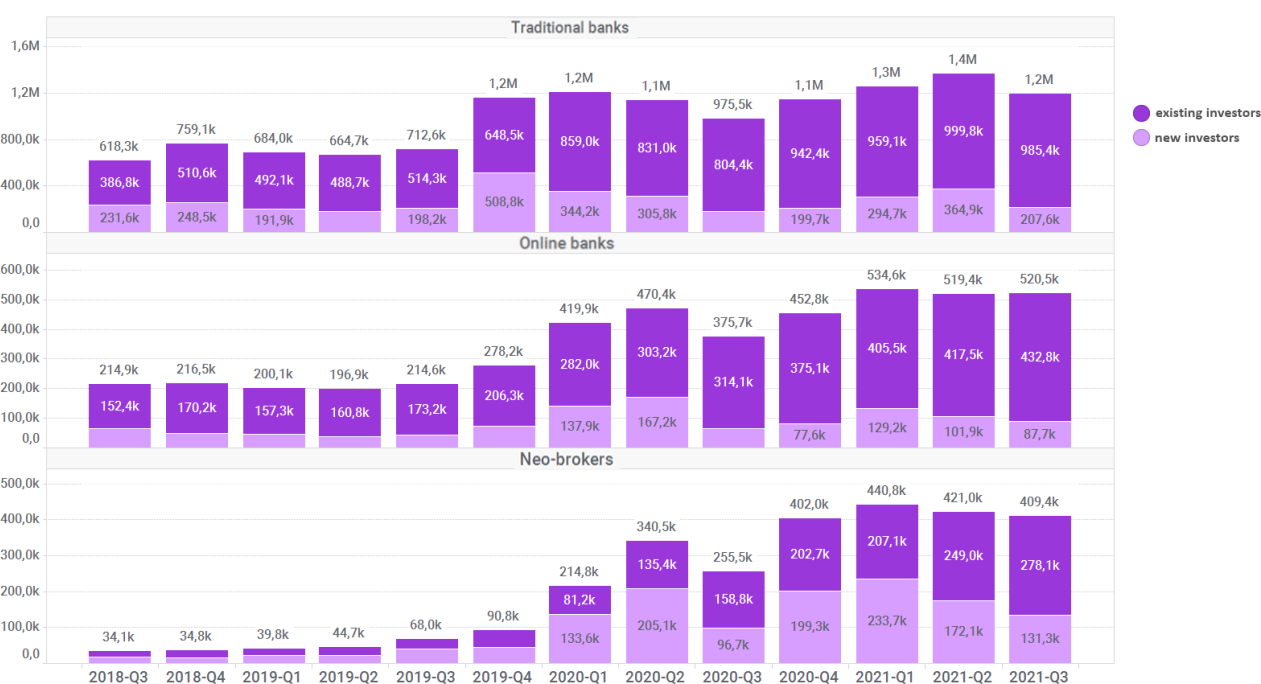
- 31% in the case of traditional banks, almost exclusively attributable to foreign investors;
- 15% for online banks, almost exclusively attributable to foreign investors;
- 100% in the case of neo-brokers, with French investors accounting for 43% and foreign investors 57%.

2.2. GROWTH IN THE NUMBER OF ACTIVE CLIENTS BY TYPE OF INTERMEDIARY

As regards new investors in financial instruments within the AMF's jurisdiction, the following graph shows that in two years, between the third quarter of 2019 and the third quarter of 2021, each category of institution's active client base increased from 712,600 active clients to more than 1,200,000 clients for traditional banks (+68%), from 214,600 active clients to more than 520,500 clients for online banks (+142%), and from 68,000 active clients to more than 409,400 clients for neo-brokers (+502%).

However, it should be noted that the sharp increase in traditional bank's clients in the fourth quarter of 2019 can be explained mainly¹¹ by the initial public offering of Française des Jeux, which attracted a large number of new investors exclusively via traditional banks and online banks, since participation in this IPO was not offered to clients by neo-brokers.

Number of active clients per quarter and per broker category, with new client counts



A more detailed analysis shows that the proportion of the neo-brokers' clients who perform transactions via other types of intermediary was around 10% in 2018 and has declined slightly to 7.5% in 2021.

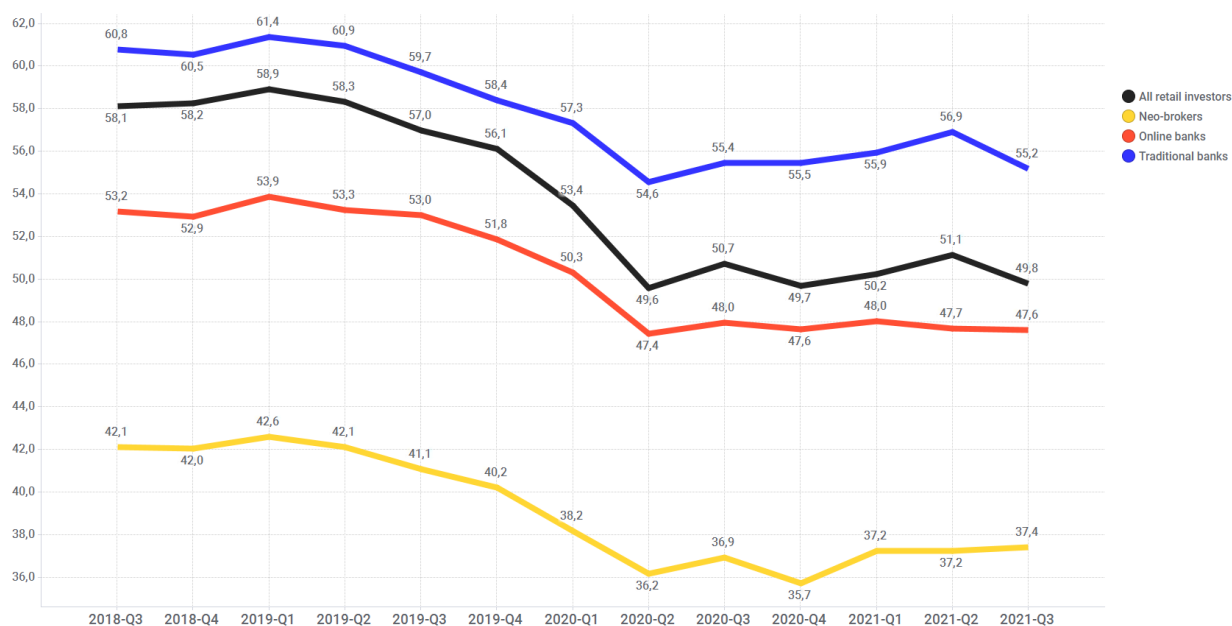
¹¹ Around 400,000 new clients subscribed to the Française des Jeux IPO out of 508,600 new traditional banking clients and 70,700 new online banking clients.

2.3. SEGMENTATION OF INTERMEDIARIES' CLIENTS BY AGE GROUP

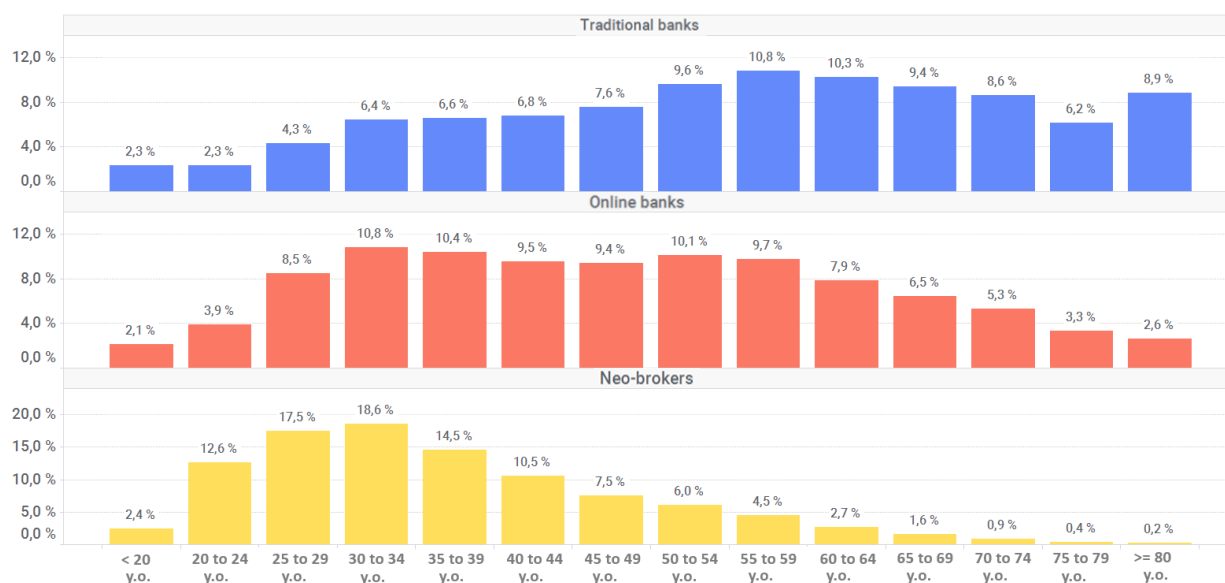
As shown in the following graph, the population of active investors has become significantly younger since the third quarter of 2018 regardless of the category of institution considered.

The fall in the average age of the broad population of active investors (black line) is even more pronounced due to the increase over time in the number of neo-broker clients, who have always been significantly younger than the clients of the other categories of institutions, with an average age of 36.8 years at present.

Average age of active retail investors, by category of investment institution and per quarter



Age distribution of active retail investors in the third quarter of 2021, by category of investment institution



3. DIFFERENT INVESTOR PROFILES FOR EACH TYPE OF INTERMEDIARY

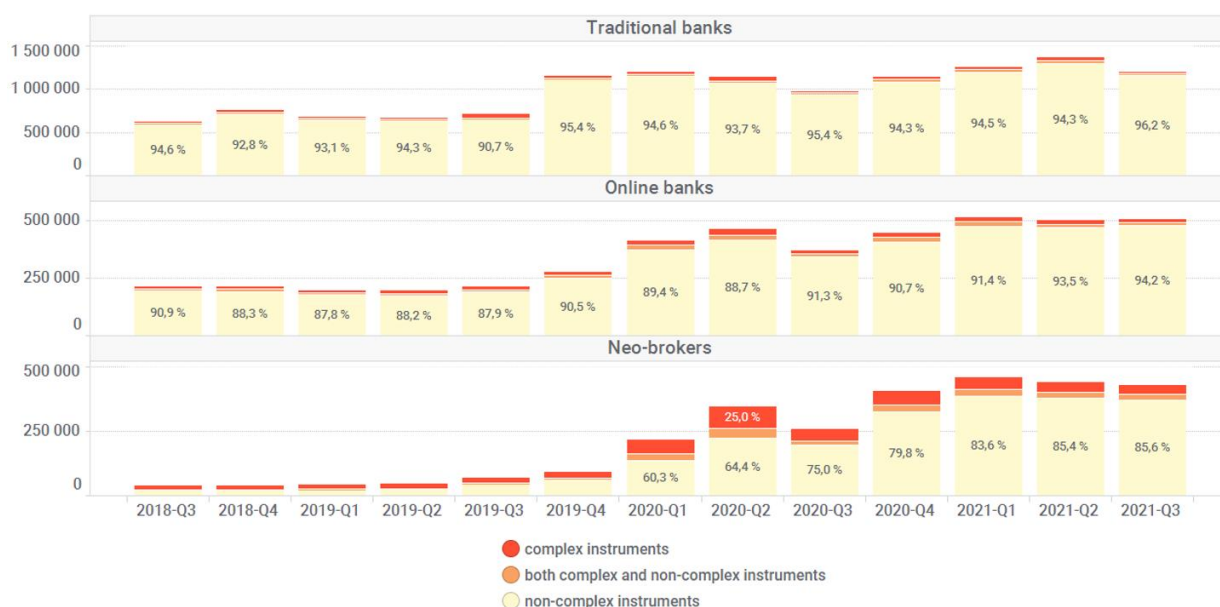
As mentioned above, the average age of active investors differs greatly depending on the type of intermediaries concerned. And yet, is there a difference between these investors in terms of types of investment.

3.1. PRODUCT TYPES

In this section, we examine the type of instruments traded by the clients of the various intermediary categories. For this purpose, the study distinguishes between two categories of financial instruments:

- a first category of non-complex instruments,¹² which for the purposes of the analysis comprises equities and subscription rights, bonds and ETFs;
- a second category of "complex instruments" which includes all the rest (mostly equity derivatives such as CFDs and warrants).

Breakdown of active clients depending on whether the products traded are complex or not



The graph above shows that the neo-brokers' clients prove more inclined to trade complex instruments, but that this proportion has declined over time. This decline can be explained by two trends. After being chosen by investors oriented more towards complex products, the neo-brokers are now winning new clients focused on simple products.

¹² Some of these instruments might, however, not be considered "non-complex" within the meaning of Article 25.4 of MiFID which in certain circumstances exempts investment firms from assessing the appropriateness of the services provided in light of clients' knowledge, expertise and experience. See also the "Guidelines on complex debt instruments and structured deposits" published by ESMA.

Most heavily traded stocks in terms of amounts by type of intermediary

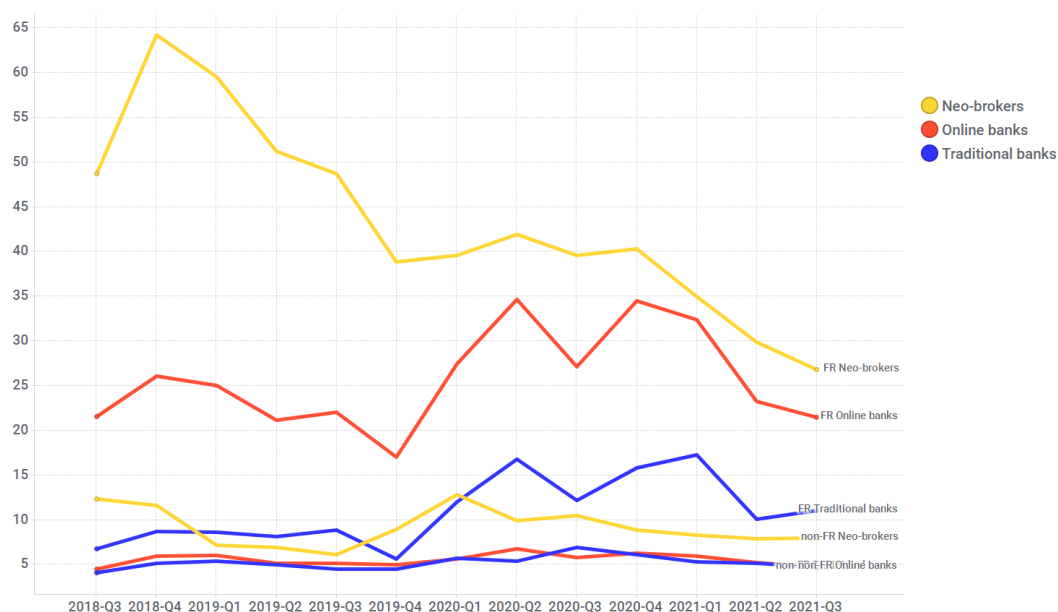
Rank	All entities	Ratio	Traditional banks	Ratio	Online banks	Ratio	Neo-brokers	Ratio
1	Airbus	5.9%	TotalEnergies	5.3%	Airbus	5.0%	Airbus	16.3%
2	TotalEnergies	5.2%	Airbus	4.7%	TotalEnergies	4.6%	Air France KLM	6.1%
3	LVMH	3.6%	LVMH	3.6%	Société générale	4.3%	Novacyt	5.1%
4	Société générale	3.1%	BNP Paribas	2.9%	Renault	3.9%	TotalEnergies	3.3%
5	BNP Paribas	2.9%	Société générale	2.7%	Air France KLM	3.5%	Renault	2.6%
6	Renault	2.8%	Air Liquide	2.5%	BNP Paribas	3.3%	Valneva	2.5%
7	Air France KLM	2.5%	Crédit Agricole	2.2%	LVMH	2.4%	LVMH	2.4%
8	AXA	2.0%	Renault	2.1%	CGG	2.0%	Société générale	1.8%
9	Sanofi	1.9%	Sanofi	2.1%	Technip	1.7%	BNP Paribas	1.4%
10	Air Liquide	1.9%	AXA	2.0%	Crédit Agricole	1.7%	Mcphyl Energy	1.4%
		32%		30%		32%		43%

The classification of the ten most heavily traded stocks by type of intermediary thus shows that even within the equity category, the neo-brokers' investors favour less liquid securities, outside the major indices. The high level of trading in shares of Airbus, which is included in the DAX and CAC indices, by the neo-brokers' clients can be explained, *inter alia*, by the high proportion of foreign retail investors, Germans in particular, who traded this security (72% of foreign clients versus 28% of French clients).

3.2. FREQUENCY OF EQUITY TRANSACTIONS AND AVERAGE AMOUNT

The study of the frequency of investors' transactions by type of intermediary shows that investors trading via neo-brokers always trade significantly more than the investors of the other categories of intermediaries, even though the trend towards new investors of a lower age weighed significantly on the average frequency of transactions in the past two years.

Average number of transactions performed by active clients, per quarter, by category of investment firm and according to the client's nationality



This higher trading frequency of younger investors via neo-brokers is accompanied by a far smaller average amount per transaction, thus reflecting a different approach to investment.

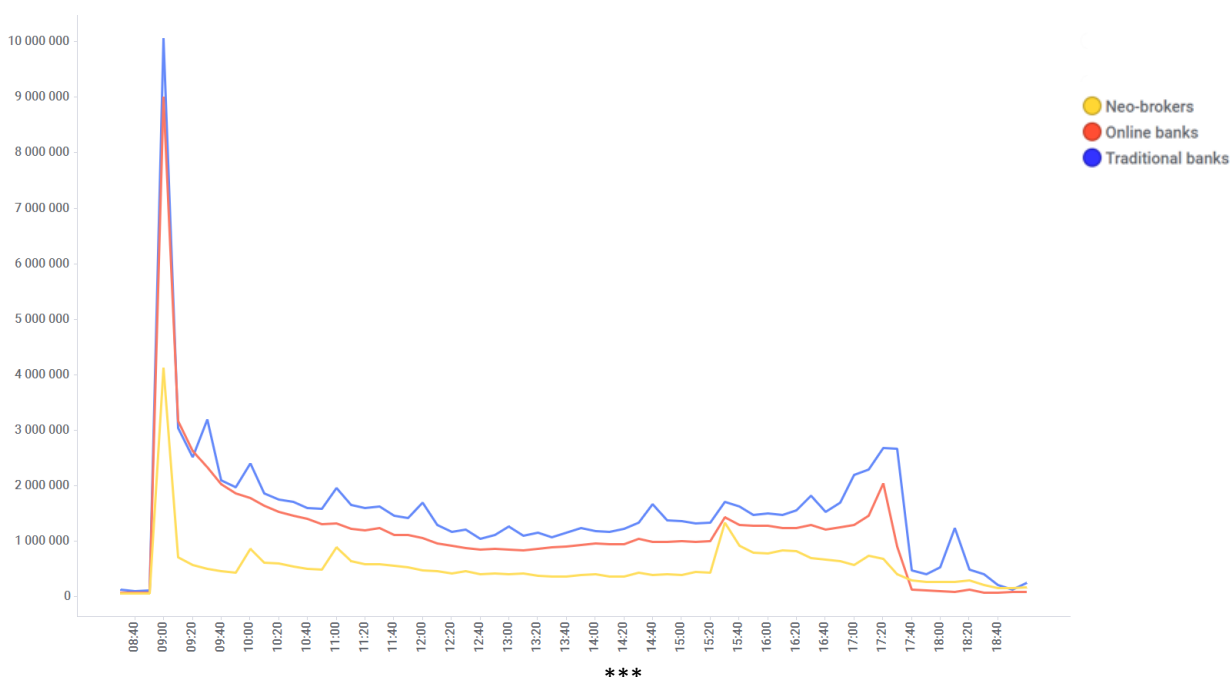
Amount of equity transactions

	Traditional banks	Online banks	Neo-brokers
Average transaction amount	€2,689	€2,651	€689
Median transaction amount	€1,319	€942	€61

3.3. BREAKDOWN OF TRADING DURING THE DAY

Lastly, the following graph shows a breakdown of trading during the day that is very different from the breakdown of volumes generally observed in markets,¹³ with flows being highly concentrated at the market opening in Europe. We note that the market opening in the United States (3.30 pm) has a greater impact on the number of transactions performed by the neo-brokers' clients than for the clients of other investment firms and, conversely, that the neo-brokers' clients take part even less in bidding at the close.

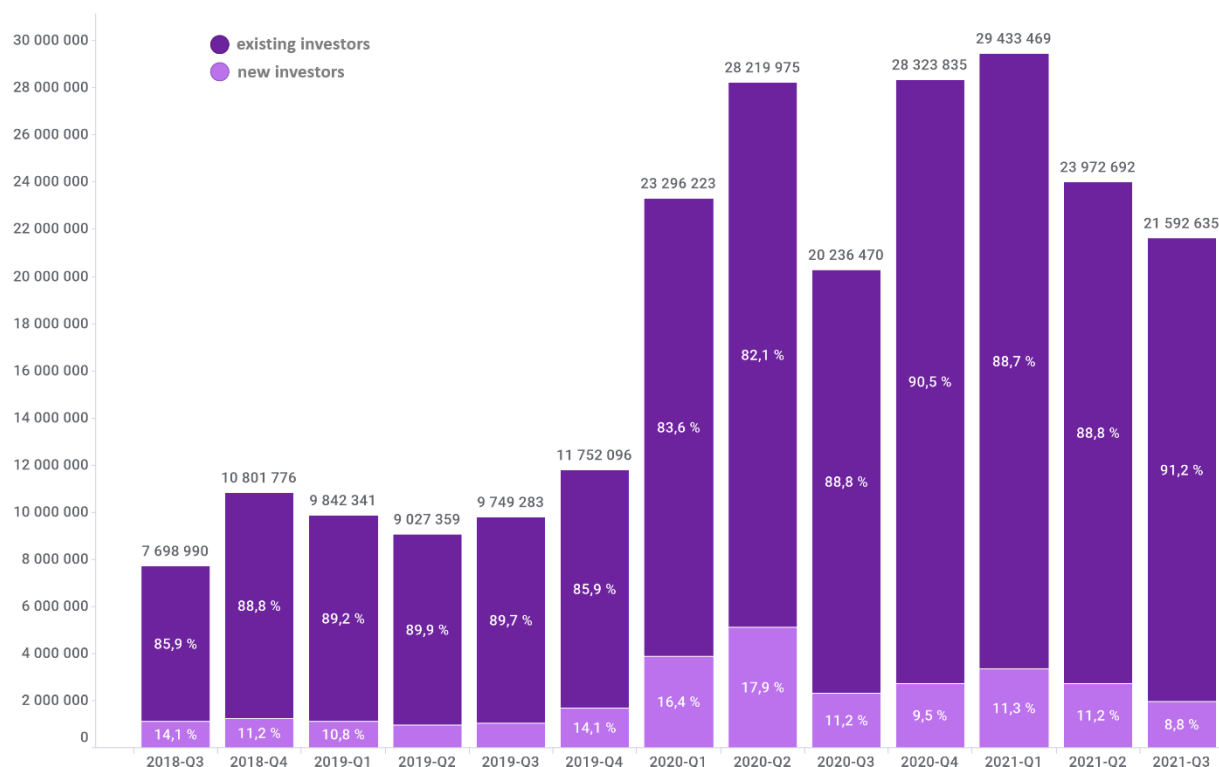
Number of transactions performed per ten-minute period



¹³ See "Growing importance of the closing fixing in share trading volumes", AMF, October 2019 <https://www.amf-france.org/fr/actualites-publications/publications/rapports-etudes-et-analyses/importance-croissante-du-fixing-de-cloture-dans-les-volumes-negociés-sur-actions>

ANNEX 1: NUMBER OF TRANSACTIONS PER QUARTER AND BY INVESTOR TYPE

Number of transactions by retail investors, of which new investors

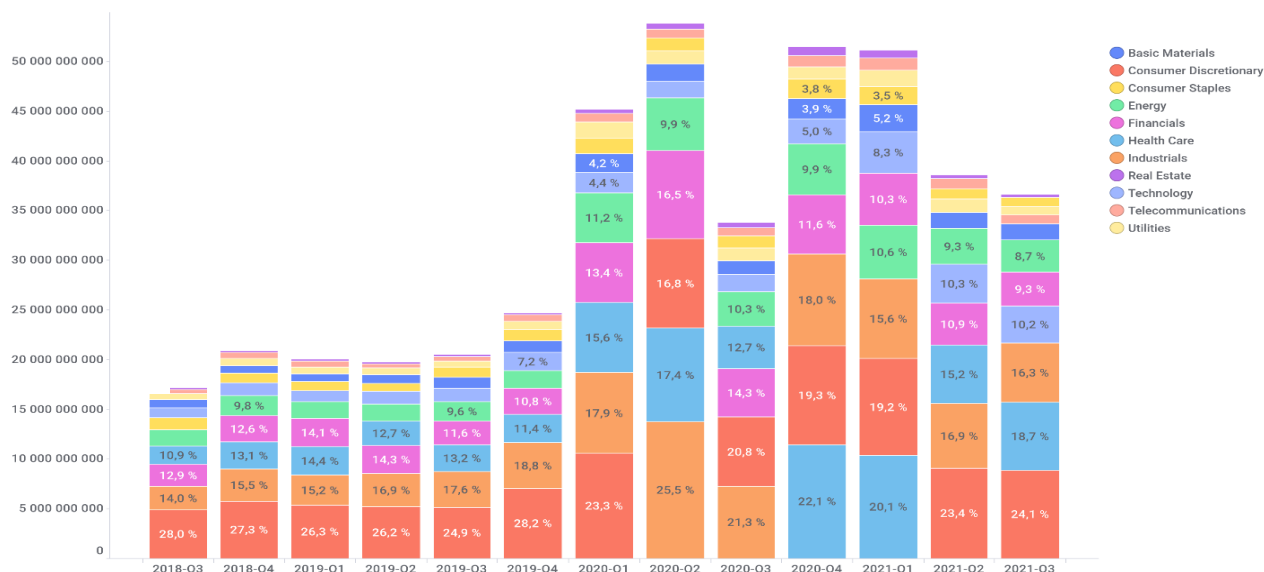


As a reminder, the "new investor" concept corresponds to investors who had previously not performed transactions reported to the AMF under MiFIR since January 2018, the date from which this type of reporting applied. Once a first transaction has been performed, an investor is therefore no longer considered "new" in the following quarters. In contrast, the "incumbent investor" concept covers investors who have performed at least one transaction during the previous quarters. An investor is considered incumbent in the first quarter of 2020 if they have performed at least one transaction since January 2018. An investor is considered new if they have performed no transaction since January 2018.

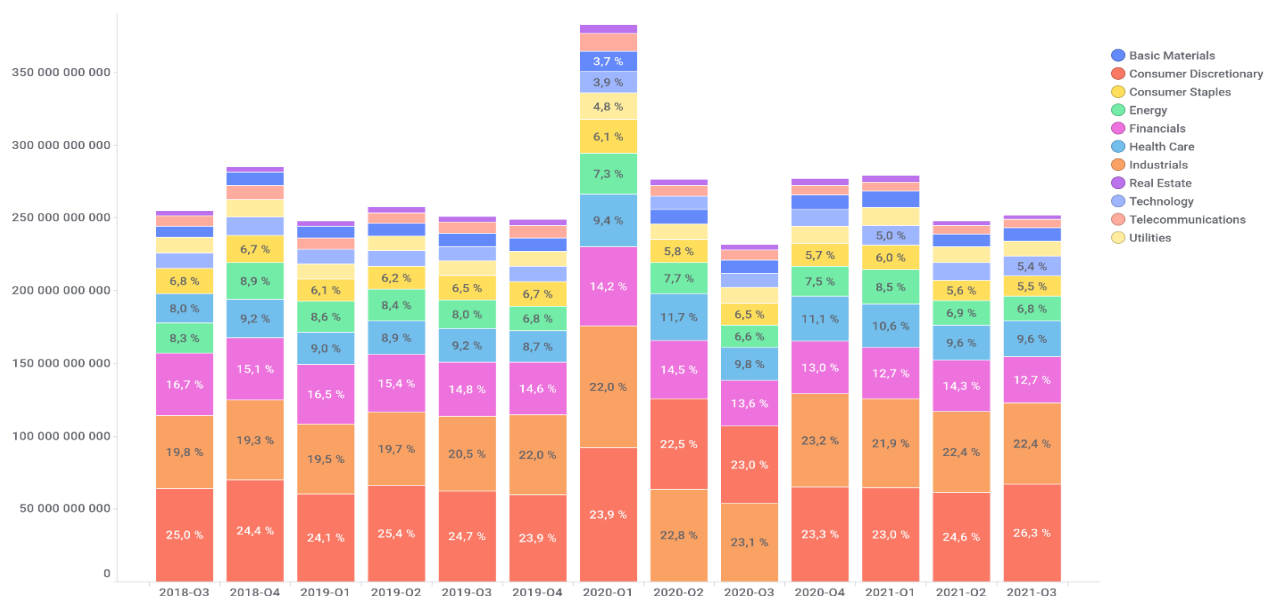
ANNEX 2: BREAKDOWN OF TRANSACTIONS BY SECTOR OF ACTIVITY

For the purpose of this study, the Industry Classification Benchmark (ICB) has been used to identify the sector of each security and thus compare the breakdown of retail investors' transactions (regardless of their place of execution) with those performed on Euronext, considering that transactions on Euronext appropriately represent the breakdown of transactions by security for the market as a whole, for all types of market participant.

Breakdown of the volume of retail investors' transactions in euros by sector of activity



Breakdown of the volume of transactions on Euronext in euros by sector of activity, for all market participants combined (therefore including institutional investors and proprietary traders)



On these graphs we note in particular the difference of magnitude between retail investors' transactions and those concluded on Euronext in the healthcare sector (in light blue) in the first and second quarters of 2020, then in the fourth quarter of 2020 and the first quarter of 2021, traded more frequently by retail investors.

ANNEX 3: LIST IN ALPHABETICAL ORDER OF ENTITIES ACCOUNTING FOR MORE THAN 0.5% OF THE TOTAL TRANSACTIONS ANALYSED

Traditional banks	Online banks	Neo-brokers
BNP Paribas	Arkea Direct	Activtrades
BPE	BinckBank N.V.	De Giro
Comdirect Bank	Bourse Direct	eToro
Commerzbank	Boursorama	Trade Republic
Credito Emiliano	EasyBourse	Trading 212
DekaBank Deutsche Girozentrale	IG Markets	
BPCE Group	ING	
Crédit Agricole Group	Interactive Brokers	
Crédit du Nord Group	Saxo Bank	
Crédit Mutuel Group / CIC		
KBC Securities		
La Banque Postale		
Max Heinr. Sutor OHG		
Nationale-Nederlanden Bank N.V.		
Rabobank		
Société Générale		