



07 March 2023

## **Mystery shopping campaign to bank branches: progress made in the questioning to client, improvements needed in the information provided**

**The new AMF mystery shopping campaign, carried out for the first time as part of a European exercise coordinated by ESMA, shows that institutions are conducting a more in-depth analysis of the situation of future clients than in the previous wave. However, there is still significant work to be done on how fees are presented and on providing clients with the suitability report.**

The AMF has conducted mystery shopping campaigns since 2010, both in branches and online, to look at market practices from the point of view of retail investors and at the proper application of the regulations stemming from the Markets in Financial Instruments Directive (MiFID II). These visits are carried out by a specialised institute based on a scenario defined by the AMF. They are not an inspection exercise but a valuable tool for monitoring marketing practices. The exercise coordinated by the European Securities and Markets Authority (ESMA), in which ten other regulators participated, focused more specifically on the costs and charges of financial products.

As part of this campaign, conducted between June and October 2022, some 210 mystery visits were made to the 11 major retail banks according to the two typical profiles already used in previous waves: a "risk-loving" investor, with a relatively high income and willing to take risks, and a "risk-averse" investor, with a slightly lower income and less open to risk. In both cases, the mystery visitor was aged around 40 and was seeking investment advice after

receiving a donation of up to €50,000, with the aim of increasing the value of his/her savings over a ten-year period, in preparation for retirement.

MiFID II requires investment services providers to collect information from their clients about their knowledge and experience, financial situation, ability to bear losses, investment objectives and risk tolerance. Since August 2022, investment services providers also have to collect their clients' sustainability preferences, so that they can advise them on suitable financial services and instruments.

## **The main findings of this campaign**

- Most of the institutions visited have generally improved the way they take MiFID II obligations into account when questioning the client, in particular about the client's financial situation and ability to bear losses;
- Although some progress has been made, there are not enough questions about the client's knowledge and experience (about 6 out of 10 cases);
- The question about risk tolerance is asked only in half the cases;
- Communication regarding the benefits and drawbacks of the products and tax wrappers is not always balanced;
- Information about fees is presented in just over half of cases and is often fragmented;
- The suitability report that the advisor should systematically provide to the investor was only provided in 8% of cases to risk-lovers and 11% to risk-averse clients;
- Sustainability preferences are starting to be mentioned, in a rather general way, given that the obligation to ask questions in this area came into force during the campaign.

While improvements were noted, these practices, which are sometimes non-compliant with regulations, are a problem. The institutions must correct this. The results of these mystery visits will be reported in bilateral meetings with the various institutions visited and to the sector's professional associations in the coming weeks.

### **About the AMF**

*The AMF is an independent public authority responsible for ensuring that savings invested in financial products are protected and that investors are provided with adequate information. The AMF also supervises the orderly operations of markets. Visit our website <https://www.amf-france.org/en> URL = [https://www.amf-france.org/en]*

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