

4 March 2016

Submission to the Joint Committee of the  
European Supervisory Authorities

**VIA ONLINE SUBMISSION FORM RE: JOINT DISCUSSION PAPER ON  
AUTOMATION IN FINANCIAL ADVICE**

Dear Joint Committee:

Financial Planning Standards Board Ltd.'s (FPSB<sup>1</sup>) European member organizations (collectively, FPSB Europe) are pleased to provide comments on ESA's Joint Committee Discussion Paper on Automation in Financial Advice. FPSB Europe consists of eight nonprofit professional financial planning bodies, including:

- 1) Österreichischer Verband Financial Planners (Austria)
- 2) Association Francaise des Conseils en Gestion de Patrimoine Certifies (France)
- 3) Financial Planning Standards Board Deutschland (Germany)
- 4) Financial Planning Standards Board Ireland
- 5) Financial Planning Standards Board Nederland (The Netherlands)
- 6) Swiss Financial Planners Organization (Switzerland)
- 7) Finansal Planlama Derneği (Turkey)
- 8) Chartered Institute of Securities and Investments/Institute of Financial Planning (United Kingdom)

Established in 2004, FPSB's mission is to benefit the public by establishing, upholding and promoting worldwide professional standards in financial planning. Working through our member organizations, represented in Europe by the organizations above, FPSB and its member organizations develop, promote and enforce internationally consistent, locally relevant standards so that:

- The public can identify qualified, competent and ethical financial planners;
- Practitioners can distinguish themselves as qualified, competent and ethical financial planning professionals; and
- Consumers, regulators and other key stakeholders can have confidence in the financial planning profession and in financial planning professionals, and recognize the benefits financial planning offers to individuals and society.

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<sup>1</sup> FPSB manages, develops and operates certification, education and related programs for financial planning organizations to benefit the global community by establishing, upholding and promoting worldwide professional standards in financial planning. FPSB demonstrates its commitment to excellence with the marks of professional distinction – CFP, CERTIFIED FINANCIAL PLANNER and CFP Logo Mark. FPSB has a nonprofit member organization in the following 26 territories: Australia, Austria, Brazil, Canada, Chinese Taipei, Colombia, France, Germany, Hong Kong, India, Indonesia, Ireland, Israel, Japan, Malaysia, New Zealand, the Netherlands, the People's Republic of China, the Republic of Korea, Singapore, South Africa, Switzerland, Thailand, Turkey, the United Kingdom and the United States. For more, visit [fpsb.org](http://fpsb.org).

FPSB owns the international CERTIFIED FINANCIAL PLANNER certification program outside the United States, and has licensed the member bodies of FPSB Europe to oversee the administration, promotion and enforcement of CERTIFIED FINANCIAL PLANNER certification in Europe.

CERTIFIED FINANCIAL PLANNER professionals meet rigorous competency, ethics and practice standards, qualifying them to develop financial planning strategies that assist clients in achieving their financial and life goals. CERTIFIED FINANCIAL PLANNER professionals are part of a growing global community of financial services practitioners who place clients' interests first as part of their commitment to financial planning professionalism, and who embrace FPSB's Code of Ethics and Professional Responsibility and Financial Planning Practice Standards.

As of 31 December 2013, there were 153,376 CFP professionals in 25 countries and territories worldwide, with close to 5,000 CERTIFIED FINANCIAL PLANNER professionals practicing in Austria, France, Germany, Ireland, the Netherlands, Switzerland and the United Kingdom.

### **About FPSB's Standards**

FPSB's standards are based on a global framework that includes empirical research of the abilities, professional skills and knowledge needed to practice financial planning. FPSB and its member organizations have developed initial education, assessment, experience and ethics requirements, as well as continuing professional development standards for financial planning professionals globally. FPSB Europe's member bodies have localized these global standards and certification requirements for applicability in each of their territories, and maintain the relevancy of these standards through regular analyses of the practice of financial planning in Europe.

### **What is Financial Planning?**

FPSB and its member organizations define financial planning as the process of developing strategies to assist clients in managing their financial affairs to meet life goals. The process of financial planning involves reviewing all relevant aspects of a client's situation across a large breadth of financial planning activities, including interrelationships among often conflicting objectives. At the end of the financial planning process, a financial planner may or may not recommend products to a client.

Although financial planning is gaining prominence as a professional practice globally, people who call themselves financial planners often do so with little or no training or oversight. FPSB seeks to position financial planning oversight and models of professionalism within, or adjacent to, existing or proposed regulatory frameworks, whereby regulators and professional financial planning bodies work together to protect and benefit consumers.

## **FPSB Europe's Point of View**

FPSB Europe's responses to ESMA's questions are through the rubric of financial planning – a client-centric, process-driven professional practice that can help (re)build trust and restore the public's confidence in the marketplace and financial intermediaries. If you have any questions on our submission, or would like additional information, please feel free to contact me at +353 (87) 6997543 or [paul.grimes@fpsb.ie](mailto:paul.grimes@fpsb.ie) or FPSB's CEO Noel Maye at +1-720-407-1902 or [nmaye@fpsb.org](mailto:nmaye@fpsb.org). We appreciate the opportunity to participate in ESMA's comment process.

Respectfully submitted,



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 Joint Committee Discussion Paper on automation in financial advice Financial Planning Standards Board/FPSB Europe

## Financial Planning Standards Board/FPSB Europe

[« Back](#)

### 1. Do you agree with the assessment of the characteristics of automated financial advice tools presented in this Discussion Paper? If not, please explain why.

As a network of nonprofit standards-setting, professional financial planning and CERTIFIED FINANCIAL PLANNER certification bodies, the member organizations of FPSB Europe agree, for the most part, with the ESA's assessment of the three main characteristics of automated financial advice tools, but would add some refinements to what has been presented.

1.1 Without/Limited Human Intervention – Output: The primary market likely to initially access automated advice tools will be individuals with simple needs, those comfortable handing decision-making over to automated services, and those not served by an in-person adviser(s) – the “non-advised” community. However, for those seeking holistic financial planning or services dealing with more complex inheritance, retirement or tax matters, the current algorithm-driven elements of the automated tools are unlikely to replace the value of, or need for, an in-person financial adviser or financial planner. As automated tools evolve into next-generation platforms, and as the non-advised community transitions to dealing with wealthier clients and more complex advice needs, a likely future automated advice model will not call for reliance on either robo-advice or in-person advice but rather on a hybrid model that can embrace or transition automated advice users to a combination of automated and in-person advice services.

1.2 Without/Limited Human Intervention – Input: The ESA Paper focuses on the “lack of human attributes such as emotional response, bias, judgment,” etc. as a positive element of the automated tools. But regulatory authorities and others need to be clear that, in the face of changing client circumstances or market conditions, the “lack” of human attributes is fixed only after the automated tool has been programmed. The underlying assumptions of the tool's algorithm(s) are very much dependent on the human (or corporate) biases and judgments of its programmers and therefore biases and judgments are “baked into” the tool from the start and “fixed,” until reprogrammed to address a new market situation. Moreover, while removing human attributes can add to more consistent, less emotion- or bias-driven recommendations, it has the downside of losing the adaptive nature of an in-person financial adviser or professional financial planner relationship in the face of changing client situations, needs or wants.

1.3 The Output Is, or Is Perceived to Be, Advice: Whether the automated tools provide “advice” or “information/guidance” is likely to be one of the bigger challenges in terms of the rollout of these tools and services throughout Europe. While MiFID is tackling the issue of what constitutes retail investment advice, the circumstances in which automated-advice tools can be classed as “information or guidance tools” and when they can be considered to be providing “regulated advice” remains a gray area. Whether consumers can justifiably consider the output of the automated tools to be “advice” also brings into focus how firms will deal with the expectations and obligations around providing advice to customers who do not provide sufficient information for automated tools to provide appropriate and compliant outputs to clients. Europe's regulatory regime for automated financial advice will have to address how firms can adequately manage internal controls to supervise robo-advisers, and address the risk to both firms and clients when clients fail to provide robo-advisers with sufficient information to produce an appropriate output or level of advice. Holger Spielberg, head of Digital Innovation at Credit Suisse, framed the correct focus for developing automated investment services when he said, “At the end of the day, we need to look ... [at] the user – the recipient of financial services. We need to put them at the forefront.”

### 2. Are there any other relevant characteristics of automated financial advice tools?

The output from automated tools tends to be more focused on one financial sector, be it banking, insurance or investing – as such, the output from the tool is more aptly described as “investment advice” or “insurance advice” rather than “financial advice.” In fact, the vast majority of “advice” being provided by robo-advisers is more specifically “investment advice” as part of a client's wealth management strategy. Regulators might consider requiring automated-advice providers, through appropriate naming and descriptions, to disclose the limitations of the scope of the output being delivered and to call out that the recommendations being made by the tools do not necessarily take into account the interrelationships across a breadth of the client's financial options to present an optimal solution. If the consumer has an expectation that the output from the tool is “general financial advice,” then regulators should hold the provider to the same expectations as those required of an in-person adviser.

### 3. Are you aware of examples of automated financial advice tools being used in the banking, insurance, and/or securities sectors? Please provide examples, giving details of their operating process.

As a network of nonprofit standards-setting, professional financial planning and CERTIFIED FINANCIAL PLANNER certification bodies, the member organizations of FPSB Europe do not offer automated financial advice, nor have we conducted research into automated tools and offerings in each financial sector in our countries. Some of the automated tools we are aware of include:

- In Turkey, FPSB's member organization is aware that some online-banking services include advice around alternative personal loans or extension of credit-card debt. In addition, some Turkish banks provide an auto-investment option for cash surpluses in a personal or corporate account. In this case, the account owner would define the criteria

by which these cash surpluses could be invested.

- In Ireland, FPSB's member organization has observed that local and international institutions are increasingly using automated advice tools to advise clients on portfolio suitability, with an aggregation facility included. This type of advice falls under the category of portfolio rebalancing, and the "advice" tends to encourage replacing out-of-house investments with in-house products, and may not fully consider how the client's overall financial situation might be affected by fees, tax losses, or risk when consolidating investments with one bank.
- In France, FPSB's member organization notes that, in the life insurance sector, Advize permits automated allocations of unit-link products based on Morningstar ratings. And Yomoni, a French online discretionary investment startup rolled out, its first products last year which provided automated interfaces for risk profiling, after obtaining authorization from France's financial regulator.
- Spanish bank, BBVA, announced a partnership with FutureAdvisor in January 2016, where the bank will soon introduce its own automated investment advice software and clients can start investment management based on advice provided by a robot, with features that will include market movement based auto-rebalancing or tax loss harvesting.

**4. Do you offer/are you considering offering automated financial advice tools as part of your business model? If so, please briefly describe: i) what type of entity you are, e.g., long established, start-up, a product provider, an intermediary; ii) the service you provide (e.g. to what extent do you integrate human interaction in the tool you provide?); iii) the nature of your clients; iv) your business model; v) who developed the automated tool (i.e. an external company or developed internally?); and vi) the size of your activity and/or forecast activity?**

N/A. As a network of nonprofit standards-setting, professional financial planning and CERTIFIED FINANCIAL PLANNER certification bodies, the member organizations of FPSB Europe do not offer automated financial advice.

**5. Do you consider there are barriers preventing you from offering/developing automated financial advice tools in the banking, insurance and securities sectors? If so, which barriers?**

While this question does not apply directly to FPSB Europe (which is comprised of nonprofit standards-setting, professional financial planning and certification bodies), FPSB's member organizations observe that, in some countries in Europe (e.g., Turkey), automated advice (for banking, insurance or securities) is not defined in the regulatory framework, which could be a barrier to organizations wishing to offer automated advice tools because they would need to seek regulatory approval to operate. FPSB's member organization in Germany notes that conformity to regulation could also impact the development or offer of automated-advice tools in that territory given that several models would not work if the client is not an "execution-only" client, because of the complexity involved. Additionally, FPSB Europe member organizations commented that the biggest barrier for firms offering/developing an automated-advice tool was the concern about how the services would be regulated, and whether firms could face retroactive regulatory action for services offered as guidance/information that was later deemed to be advice by the authorities. Given the newness of the concept and platforms, firms in Europe are likely going to push for more intelligent (rather than just more) regulation in the robo-advice space, and request flexible enough regulation that will allow a nascent industry to establish itself and evolve

**6. Do you consider the potential benefits to consumers to be accurately described? If not, please explain why.**

Automated-advice tools will enable financial planners and financial advisers to increase practice efficiencies or cost-effectiveness; serve clients who are younger, lower-income or with fewer investable assets; and free financial advisers and financial planners to devote more time to activities that bring added value to clients. Automated-advice tools could be useful for clients with less-complicated financial needs, but such tools (on a stand-alone basis) would not be appropriate for high-net-worth clients with complex financial needs and situations. Automated-advice tools should be seen as a complement to, but not a replacement for, working with a competent, ethical financial planner or financial adviser who acts in the client's best interests.

FPSB Europe agrees, for the most part, with the ESA's description of the potential benefits to consumers, but would add that the benefits of automated advice tools also bring additional shortcomings or risks.

(B1) FPSB Europe agrees that automation will provide consumers with a lower-cost option to human advice. However, paying the lowest price may not always be the soundest criterion for obtaining the best advice to guide decision-making for financial and life goals and a sound retirement. The notion of "sometimes, you get what you pay for" will need to be clearly understood by customers.

(B3) While the ability of automated tools to more readily facilitate cross-border transactions brings benefits to consumers, it also brings added risks, particularly for retail and unsophisticated investors.

(B4) While automation will enable consumers to access financial advice in a faster, easier and non time-consuming way, speed isn't always a plus when it comes to consumers engaging in financial decision-making. Some financial decisions that consumers need to make should be made for the mid- and long-term. Furthermore, ready access to automated advice and portfolio rebalancing tools could lead some consumers to jump in and out of financial instruments and the markets when they should be sticking to their mid- and long-term financial strategies. Global research conducted by FPSB among 19,000 consumers in 19 countries, with several thousand from Europe, showed that people felt more confident and were better at sticking to their financial strategies when they had a financial plan and worked with a professional financial adviser or financial planner to guide their financial decision-making.

(B5) FPSB Europe agrees that a well-developed algorithm could ensure equal and similar advice to all consumers with similar characteristics. However, consumers with similar characteristics shouldn't necessarily receive equal or similar advice. It's the nuances and differences of human nature that need to be meaningfully addressed by the advice tool or the financial adviser or financial planner if true value is to be delivered. While the robo-advice tool might ask a thirty-something couple their child's age, will it ask if the child is a special needs child with substantial long-term care needs? Will the robo-advice tool ask if the person had dual nationalities, one of which is U.S., which comes with substantial

tax obligations? Will the robo-advice tool ask if the customer is willing to earn less in the market so she can write a book? And the list goes on – by default, the robo-investment advice tools will profile users into broad categories, and what financial advice and financial planning needs to be able to do is to assess each person's unique goals and objectives to ensure they achieve their financial and life goals.

**7. Are you aware of any additional benefits to consumers? If so, please describe them.**

Depending on the richness of the tool, regulatory requirements, and/or the commitment of the financial institution to financial education, FPSB Europe sees the potential to educate consumers about basic financial concepts through online advice tools. Because consumers prefer tools that are understandable and easy to use, firms that incorporate videos, infographics, definitions or other explanations into their automated advice tools could successfully win business from consumers who desire to learn more about their finances. In research conducted by FPSB in 2015, European consumers frequently cited "simplifying and explaining financial matters" as a reason to work with a financial professional. An automated-advice tool that also simplifies and explains financial matters to clients could provide the added benefit of financial education and ultimately, increase the financial capability of Europe's consumers.

**8. Do you see any differences in the potential benefits arising for consumers in each of the banking, insurance and securities sectors?**

FPSB's member organization in Turkey suggests that, given that the products and services offered in banking and insurance tend to be more straightforward (one-dimensional) and aimed at specific needs (e.g., a home mortgage, a life insurance policy, etc.), the potential benefits for consumers could be greater from automated services in banking and insurance. In the securities sector, the level of complexity of products and decisions increases, as does exposure to risk and loss of capital; therefore, the benefits arising for automated advice users in the securities sector come with added risks.

**9. Have you observed any of these potential benefits to consumers? If so, please provide examples and describe the kind of benefit that has accrued.**

FPSB Europe's member organizations have observed the ease of use and cost-efficiencies of automated advice tools generally, but as a network of nonprofit standards-setting, professional financial planning and CERTIFIED FINANCIAL PLANNER certification bodies, do not have specific examples to provide.

**10. Do you consider the potential benefits to financial institutions to be accurately described? If not, please explain why.**

FPSB Europe agrees, for the most part, with the ESA's description of the potential benefits to financial institutions, but would add that the benefits of automated advice tools also bring additional shortcomings or risks.

(B8) Yes, financial institutions will incur lower costs to provide advice to broad segments of the market. However, firms will incur increased costs associated with the ongoing maintenance of a larger client base, and moving a certain percentage of those clients into in-person advised situations once certain wealth levels or assets under management are reached.

(B10) Yes, while automation can provide for a more consistent consumer experience, the automation will need to eventually allow for variability in customer goals, needs and objectives, despite on the surface appearing to fit a general consumer profile. This becomes increasingly important to firms from a compliance and regulatory point of view when customers consider the service being delivered to be advice.

(B11) Algorithm logic and automated processes are easier to audit when it comes to guidance and product distribution recommendations, but not necessarily easier to audit wholesale when dealing with the needs and peculiarities of individual advice clients and the recommendations made to them.

**11. Are you aware of any additional benefits to financial institutions? If so, please describe them.**

Generally, use of automated-advice tools is not widespread globally or in Europe but likely to grow within the next 12-18 months. When FPSB Ltd. surveyed CERTIFIED FINANCIAL PLANNER professionals on how they would use automated-advice tools, it was mainly: (1) to gather client information to support personalized advice delivery; (2) for transactional matters, freeing up the planner to focus on the client relationship and on the delivery of actual advice; (3) to reduce business costs, improve back-office efficiencies, pass savings on to clients, or serve a less-wealthy client base; (4) as a complement to personalized advice; (5) to check the consistency/accuracy of their recommendations; and (6) to incorporate external specialized advice providers into the practice's offering to clients.

Expanding on the paper's note in item 40, FPSB's member organization in Turkey observed that firms using automated advice tools may no longer see the need to open branch offices, because of the potential to expand their customer base online, thus providing substantial cost savings to the firm.

**12. Do you see any differences in the potential benefits arising for financial institutions in each of the banking, insurance and securities sectors?**

FPSB Europe's German member organization considers that sectors that already experience a higher cost of regulation, such as the banking sector, may move faster into the automated advice space.

**13. Have you observed any of these potential benefits to financial institutions? If so, please provide examples and describe the kind of benefit that has accrued.**

As a network of nonprofit standards-setting, professional financial planning and CERTIFIED FINANCIAL PLANNER certification bodies, the member organizations of FPSB Europe do not offer automated financial advice, and therefore have not observed these benefits first-hand.

**14. Do you agree with the description of the potential risks to consumers identified? If not, explain why.**

FPSB Europe agrees strongly with the description of the potential risks as set forth in the Discussion Paper. Automated advice brings opportunities and threats to the financial

services marketplace, potentially putting more retail investors at risk while also increasing access to advice and products to larger segments of society. As described by the ESAs in this section, FPSB Europe strongly believes that automated-advice tools could be useful for clients with less complicated financial needs, but such tools (on a stand-alone basis) would not be appropriate for high-net-worth clients with complex financial needs and situations. Additionally, FPSB Europe believes that automated-advice tools should not be viewed as a replacement for human interaction with a client. Rather, regulators should require issuers of automated advice to provide fee-based support to those consumers who experience financial losses after executing advice, provided such consumers create suitable logs with issuers and regulators prior to availing of the advice.

If end users assume they are getting “advice,” regulators should require firms to classify the output of automated advice tools as advice and regulate automated advice in the same manner as human advice. In addition, regulators should require firms to ensure the data in automated-advice tools is based on up-to-date client information and risk profiling, and mandate a client check-in/review at least annually on the appropriateness of the advice based on (potentially changing) underlying objectives.

**15. Do you consider there to be any risks to consumers missing? If so, please explain.**

While FPSB Europe agrees that the Discussion Paper does a good job of describing the risks, FPSB Europe’s member organizations have the following additional comments for consideration by the ESAs:

Re: Risks related to consumers having limited access to information, and/or limited ability to process that information:

The type of products offered through automated advice tools may affect the risk level posed to consumers. The more complex the product, the greater the risk that consumers will not understand what they’re purchasing. As the paper acknowledges in Point 51, consumers may unduly dismiss warnings as “legal small print.” FPSB Europe believes that while asking consumers to check a box acknowledging their understanding of the product and its associated risks may protect the product seller, it doesn’t necessarily protect the consumer. Regulators should require automated-advice providers to provide clearly visible, easily understood warnings to clients that in the absence of good/sufficient information, the output may not be appropriate. Additionally, regulators should determine how firms should best prepare users for the output recommendation – since users are going to approach robo-advice with an outcome in mind, the responses will be channeled to delivering an outcome that the client thinks he or she needs. Lastly, regulators should consider if complex products should be provided via automation to retail customers.

To Point 54, “advice” provided by an automated tool that only considers one or more stated objective not only provides a potential disservice to the client; it also enables the client to “game” the system to achieve a desired result. For example, if a client (or a person working on behalf of a client) wishes to purchase a specific product, regardless of whether the product is suitable or reflects the client’s best interests, the person could manipulate the information provided to achieve a desired result. At a minimum, regulators should require clients of automated-advice providers to acknowledge the correctness of the data supplied, creating some level of responsibility on the part of the client for the automated advice provided.

FPSB Europe believes strongly that the potential exists for consumers to receive product recommendations or “advice” that favors the firm at the expense of the consumer. Examples of this could be that the automated-advice tool recommends proprietary products only, that it gives preference to certain client profiles where the firm sees opportunities to “upsell” to other/additional products, or that the recommendations result in churning. Regulators should require firms to implement safeguards to protect clients from mis-selling by requiring a fiduciary level of care for advice provided by automated-advice tools. Additionally, regulators should develop guidelines on the processes to be followed by the developer of automated-advice tools, and assume firms will manage conflicts of interest and disclosure requirements in the delivery of automated advice as a compliance and risk management issue, no different than traditional advice delivery. Lastly, regulators should require automated-advice providers to be registered/approved through an industry body, or based on regulatory guidelines, with clear guidelines on what products and services can be provided to consumers via automation, a competency profile of the issuers of automated advice, and a statement disclosing their client net worth requirements.

To Point 62, FPSB Europe agrees and would advocate for a consistent definition of “advice,” as well as regulatory guidance on the steps that would need to be taken by a firm (either through human interaction or automated tools) to assess the appropriate information needed to provide a client with recommendations based on the client’s best interests. Regulators may wish to set bright lines on when the use of an automated tool constitutes advice, as opposed to providing an execution-only platform, and provide guidance on the specific policies and procedures firms should have in place when using automated tools, such as who should be permitted to use the tools, what type of education and training investment professionals should have before using the tools, and what types of supervision firms should use to oversee staff using the tools.

Automated-advice tools provide no deterrent to emotional investing. Those who work with a personal financial planner or other financial professional could receive verbal counsel during a negative market event to help the client put the event into perspective and consider its consequences in the context of a long-term strategy. With no such counsel provided by automated advice tools, consumers may lose potential earnings and incur additional fees by reacting to negative market news and taking action on their own. Regulators might encourage firms to consider automated advice as a tool for financial advisers and financial planners, provided alongside a process focused on providing advice aligned to the client’s needs and objectives.

Regulators need to educate the public about automated advice and increase the public’s awareness of the implications of using automated tools over taking advice from a financial adviser or professional financial planner. Automated-advice tools could lead more people to become “do-it-yourselfers,” at the mercy of an automated system that may not be able to deal with complexity or that may not advise in the client’s interests. However, younger generations, who are already comfortable with technology, may use social media to provide public feedback or critiques about their experiences, which could place pressure on purveyors of automated-advice tools to respond with better products.

**16. Do you see any differences in the potential risks arising for consumers in each of the banking, insurance and securities sectors?**

No.

**17. Have you observed any of these risks causing detriment to consumers? If so, in what way?**

No.

**18. Do you agree with the description of the potential risks to financial institutions identified? If not, explain why.**

FPSB Europe agrees with the description of the potential risks identified by the Discussion Paper.

**19. Do you consider there to be any risks to financial institutions missing? If so, please explain.**

To Point 82, FPSB Europe sees the potential for consumer confusion if the "advice" provided by an automated tool is inconsistent with the advice provided by a human at the same company. In addition, if the human adviser only has access to the client data collected by the automated tool, he or she may have insufficient information on which to base a recommendation, potentially resulting in advice that does not suit the client's best interests.

With the cost efficiencies provided by automated advice tools, firms may not see the need to retain highly qualified human advisers who can assist clients who need additional advice, or experience problems understanding an automated advice tool. Firms may instead focus on having technical experts who can troubleshoot the software or who are product experts, rather than on having competent, ethical financial advisers and financial planners who can assess a client's stated and unstated needs and make appropriate recommendations.

**20. Do you see any differences in the potential risks arising for financial institutions in each of the banking, insurance and securities sectors?**

No.

**21. Have you observed any of these risks causing detriment to financial institutions? If so, in what way?**

No.

**22. Would you agree with the assessment of the potential evolution of automated advice? Please provide your reasoning.**

FPSB Europe agrees with the assessment of the potential evolution of automated advice as described in the Discussion Paper.

**23. How do you think that the market for automation in financial advice will evolve in the near future in the banking, insurance and investment sectors? Please also provide details of any relevant data or information to support your views, where available.**

Based on current trends, FPSB Europe's member organizations see strong potential for growth in the use of automated tools for financial services in Europe.

**24. Are there any other comments you would like to convey on the topic of automation in financial advice?**

FPSB Europe believes that automated-advice tools should be a complement to, but not a replacement for, working with a competent, ethical financial adviser or financial planner who acts in the client's best interests. We see the potential for automated-advice tools to save time and money for both clients and financial planners, enabling financial advisers and financial planners to serve lower-and middle-income clients, and freeing financial advisers and financial planners to devote more time to activities that bring added value to clients. However, FPSB also believes that automated-advice tools have the potential to undermine the value of financial advice and financial planning, and could lead more people to become "do-it-yourselfers," at the mercy of an automated system that may not be able to deal with complexity or that may not advise in the client's interests.

FPSB research conducted in 2014 with practitioners and FPSB member organizations revealed that increasingly, consumers (particularly younger consumers) are becoming accustomed to using information from multiple sources, and that they don't necessarily assume that any source is absolutely correct. From a macro-economic point of view, however, FPSB believes that automated advice would be most beneficial to consumers if financial literacy were high enough for them to make informed choices. Considering the inconsistent level of financial education and consumer financial capability around the world, it's unlikely that automated advice (or any form of advice, for that matter) could be the perfect solution.

FPSB Europe is strongly of the opinion that legislators and regulators should create an expectation in the European marketplace that if end users assume they are getting "advice," firms should classify the output of automated advice tools as advice and regulate automated advice in the same manner as in-person advice.

**Contact name**

Paul Grimes

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<ul style="list-style-type: none"> <li>▪ Missions and tasks</li> <li>▪ Legal framework</li> <li>▪ Governance structure</li> </ul>	<ul style="list-style-type: none"> <li>▪ Single Rulebook</li> <li>▪ Implementing Basel III in Europe</li> <li>▪ Implementing FSB Key</li> </ul>	<ul style="list-style-type: none"> <li>▪ Review panel</li> <li>▪ Supervisory disclosure</li> <li>▪ Supervisory colleges</li> </ul>	<ul style="list-style-type: none"> <li>▪ EU-wide stress testing</li> <li>▪ EU-wide transparency exercise</li> <li>▪ EU Capital exercise</li> </ul>	<ul style="list-style-type: none"> <li>▪ National competent authorities for consumer protection</li> <li>▪ How to complain</li> </ul>	<ul style="list-style-type: none"> <li>▪ Press newsletter</li> <li>▪ Speeches</li> <li>▪ Calendar</li> </ul>

- Internal organisation
- Annual Reports
- Careers
- Budget and accounts
- Procurement
- 5th Anniversary

Attributes on resolution matters

- Topics

- Training and staff exchange

Global Systemically Important Institutions (G-SIIs)

Other Systemically Important Institutions (O-SIIs)

Risk dashboard

Risk Assessment Reports

Review of consistency of Risk Weighted Assets

Quantitative impact study/Basel III monitoring exercise

Credit institutions register

Risk indicators guide

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