PRESS RELEASE

CYBORGS VS ROBOTS: OUR 2017 RESEARCH REPORT ON ROBO INVESTING, ADVICE AND GUIDANCE

13 June 2017 – Today BETTER FINANCE will release its research report on Robo-Investing at the Seminar on Financial Guidance. Financial Guidance, as opposed to Advice, is a fee-based, rather than commission-based, model. This model should ensure a better alignment with client interests. As such Robo-Investing providers may actually be rather well placed to provide financial guidance and carry it into the future, since we found them to be mostly fee-based.

Robo- and Cyborg-Investing is still an emerging trend, but one that is growing and evolving rapidly. BETTER FINANCE believes that it can lead to significant benefits for EU citizens as savers and individual investors, and therefore to the real EU economy as a whole, in bad need of a more direct and stronger link between savings and the real assets they are invested in. Already now, the sector is providing significantly lower and more transparent fees, based – as mentioned – on a fee-based business model.

More importantly perhaps, Robo-Investing is creating better value for money by combining low overall pricing with the use of low cost index funds which, on average, have over-performed a majority of active funds over the mid- and long-term.

Even more recent innovations in this emerging business are also very exciting for savers and individual investors, such as pricing based on performance instead of assets as well as making direct individual equity investments easy and tailor-made to responsibility/sustainability criteria.

However, some caveats apply and these services are not without weaknesses. For instance, the fact that the services they provide are less customised than those of "human" advisors leads to less personalised services and certain investor needs may not be taken into account as a consequence.

Also, these platforms still deal with rather complex and difficult to understand products and services, requiring clients to be relatively financially literate to really understand the value of their offers.

What's more is that, at this stage, the future of this emerging model cannot be guaranteed as many of the players will face an uphill struggle to acquire the critical size required by their low-cost approach. This means that well-established financial institutions are encroaching on this niche market by either creating their own robo business or investing in robo start-ups. In this sense a real threat to the sector exists and established players could very well partially or totally strip it of the key benefits it currently provides to EU savers and individual investors.

BETTER FINANCE calls on EU Authorities to follow up on their "consumer financial services action plan" released on 23 March 2017, and help build independent web-based comparison tools for retail long-term and pension investments. BETTER FINANCE is ready to contribute to this process, since this constitutes a major challenge for EU citizens as long-term savers, for the Capital Markets Union initiative, for the EU economy and for the adequacy of our pensions and, even more so, for those of our children.

Please find the full BETTER FINANCE report here.

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