



BF BETTER FINANCE

The European Federation of Investors and Financial Services Users
Fédération Européenne des Épargnants et Usagers des Services Financiers

ANNUAL REPORT 2019





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LETTER FROM OUR CHAIR

Thanks to BETTER FINANCE, the voice of EU Citizens as savers, investors and financial services users, is increasingly being heard in Brussels and across Europe.

Whether as individual investors, shareholders, savers, life insurance policy holders, pension fund participants or borrowers, European citizens are all users of financial products and services. It follows that the financial crisis affected every single household in the European Union.

For too long individual investors and savers have been wrongly advised on equity markets and pushed into under-performing packaged products. To ensure long-term growth it will be key to rehabilitate equity investment across the board and ensure a level playing field for all market participants.

It is important to keep in mind the fact that households are the main source of funding for long-term investment in the European economy and that EU Citizens as Financial Users should once again find their rightful place at the heart of EU Capital Markets.

In 2019, as part of its mission to restore confidence in capital markets, BETTER FINANCE further boosted its presence in EU financial regulatory and policy-making processes, providing a counterbalance to the disproportionate influence of financial institutions.

With 29 experts in 14 different financial expert advisory groups set up by EU public authorities, BETTER FINANCE continues to be the main user-side organisation to provide crucial and much-respected expertise in the name of financial end-users.

In January 2019, BETTER FINANCE published its "Key Priorities for the Next Five Years" that would go a long way towards improving the financial welfare of EU citizens and strongly benefit the real economy. These priorities were well-received by most European political groups, illustrating the broad support BETTER FINANCE enjoys by EU policymakers.

Improving on its own record, BETTER FINANCE also delivered an unprecedented volume of independent research, position papers and responses to public consultations in the field of investor protection and other key issues for financial services users, such as long-term and pension returns, robo-advice, sustainable finance, costs and performances of equity retail funds, the CMU and collective redress, amongst others.

2019 set the tone for the next 5 years. You can count on BETTER FINANCE to continue the fight for a fair and sustainable finance for all!

A handwritten signature in black ink, appearing to read 'Axel W. C.'.



OUR MISSION

The goal of the European Federation of Investors and Financial Services Users ("BETTER FINANCE") is to act as an independent financial expertise and advocacy centre to the direct benefit of European financial services users.

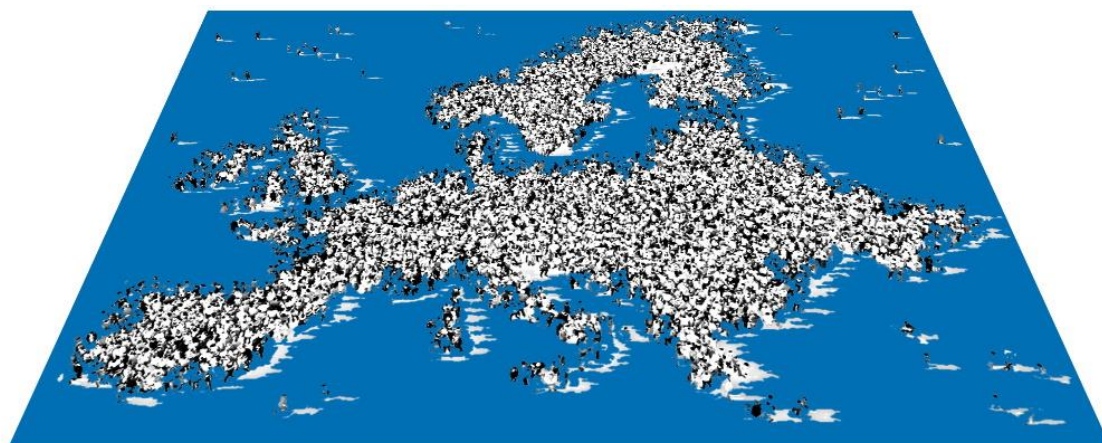
Since the BETTER FINANCE constituency includes individual and small shareholders, fund and retail investors, savers, pension fund participants, life insurance policy holders, borrowers, and other financial services users, we have the best interest of all European citizens at heart.

BETTER FINANCE believes that the financial system exists to serve the real economy. For this reason, our mission is focused on restoring confidence in capital markets and financial intermediaries and

promoting a sustainable finance for its users.

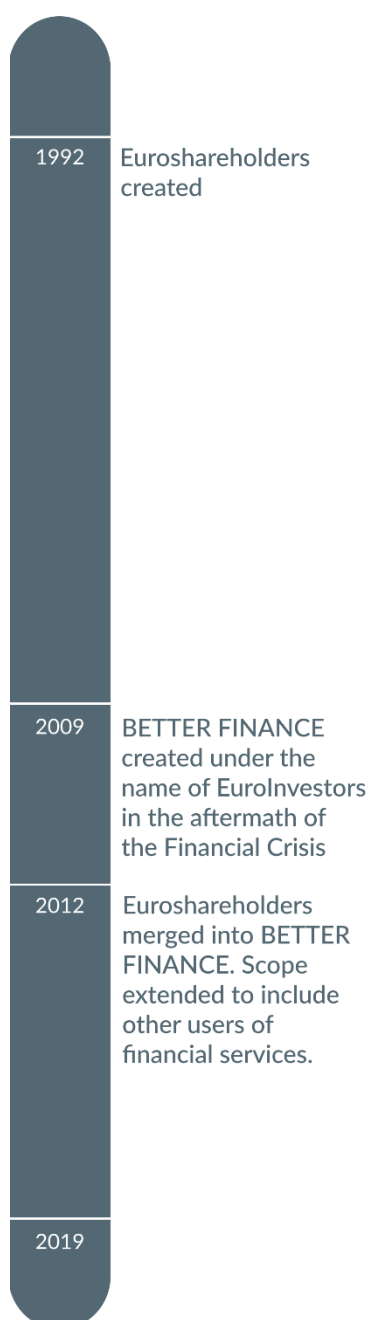
BETTER FINANCE tries to balance the influence of financial institutions in the EU financial policy-making process. To achieve this, we:

- successfully engage in EU financial policy advisory groups and processes,
- in campaigns to provide relevant information and better protection for end-users,
- promote market integrity and transparency for individual investors and non-industry stakeholders,
- and push for better governance of financial supervision for all European citizens





WHO WE ARE



BETTER FINANCE was created in 2009 in the aftermath of the 2008 financial crisis to give consumers of financial services a voice.

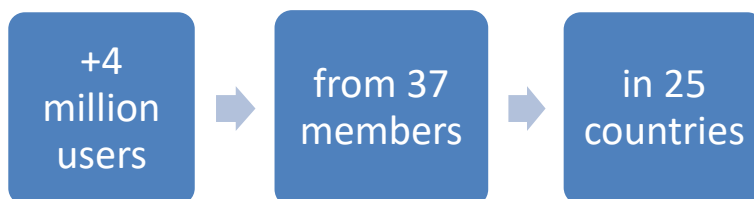
BETTER FINANCE's predecessor, Euroshareholders, was created in 1992 and gathered about 30 individual shareholder organisations in Europe. Euroshareholders joined BETTER FINANCE in 2012.



This constituted a very important landmark towards a fully unified representation of the interests of all financial users at European level. Thus, BETTER FINANCE is one of the very few organisations working "in the interests of the many, and not the few".

BETTER FINANCE directly benefits European end-users of financial services (and non-industry stakeholders) as its members are dedicated non-profit European financial services user organisations themselves. They act as representatives of financial services users in their respective EU Member States, thereby ensuring proper governance, independence and prevention of conflicts of interests.

BETTER FINANCE represents about 4 million financial services users through 37 organisations in 25 countries, including 18 European Member States.



European Commission 2017-2020 Action Programme Enhancing the Involvement of Consumers and Other Financial Services End-Users in Union Policymaking



■ BETTER FINANCE Share ■ Total Grant Amount for 2019

2019 | EFFICIENT USE OF PUBLIC MONEY



7 staff members
in Brussels



29 experts in EU advisory groups



10 events & conferences
across the EU & beyond



26 press
releases

17 responses to consultations
from EU authorities and 10 own
initiative position papers



BETTER FINANCE defended savers'
and investors' interests in 38
public debates and events

5 newsletters: EU Financial
Policy News and Analysis



6 research
reports



STATE OF PLAY

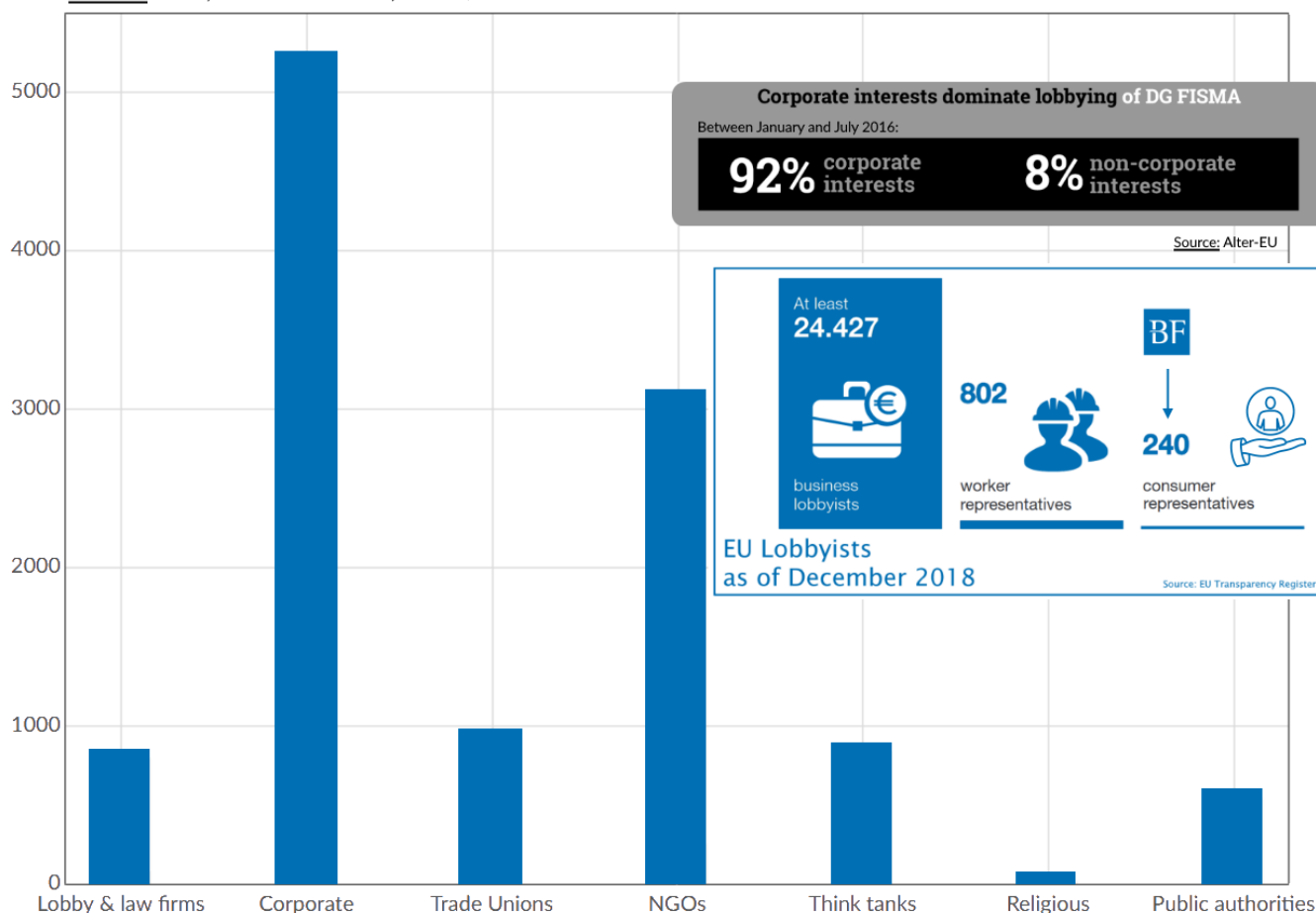
Prior to the creation of BETTER FINANCE, European financial policy makers were almost exclusively confronted with, and advised by, financial industry representatives.

Since 2012, the European Union has been supporting BETTER FINANCE to enhance the involvement of financial services users in EU policymaking in the area of financial services.

To this day, the need for rebalancing hasn't been fully met: the few financial user-side advocates at EU level are still dwarfed by the thousands of lobbyists working for the financial industry.

Distribution of organisations per category on the EU transparency register

Source: lobbyfacts.eu (15 May 2020)





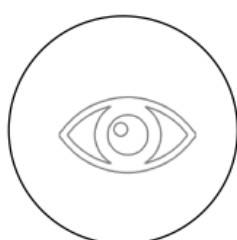
KEY PRIORITIES 2019-2024

Key Priorities for the Next Five Years | 2019-2024

2019 European Elections: BETTER FINANCE calls for a NEW DEAL for EU Citizens as Savers and Investors! To this end it has outlined [10 key financial policy priorities for 2019 – 2024](#) and is asking EU Politicians to address the critical issues we are confronted with through this [online questionnaire](#).



1. Better access to simple and transparent products



Transparency

One main aim of CMU 1.0 (2015) was to improve the funding of the EU economy and to offer better returns to EU long-term and pension savers by fostering retail investments into capital markets. BETTER FINANCE recommends the following measures:

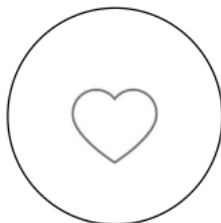
a. Direct access to **simple** investment products (such as **equities, bonds, index ETFs and UCITS funds**) that are getting EU citizens as investors closer to real economy assets, instead of estranging them further into more packaged, complex, opaque and fee-laden products.

In particular, at least one alternative investment option in PEPP should allow for the direct investment in equities, bonds and plain vanilla index ETFs. MIFID II should clearly allow

intermediaries to advise clients on such simple and direct products and PRIIPs should not apply to plain vanilla corporate bonds and the like as those are already subject to the prospectus disclosures.

- b. A better alignment of distributors' incentives with clients' returns by **minimizing conflicts of interests** in the distribution, in particular by following-up on the retail investment markets assessment conducted by the EC in 2017 with an Action Plan, and by addressing short-termism.

2. Make the European capital markets more attractive for EU citizens as savers and investors

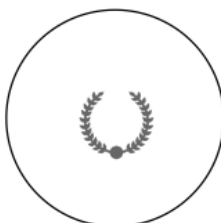


Attractiveness

The CMU can only succeed if individual investors invest more into the real economy. BETTER FINANCE recommends the following measures:

- a. **Ensure proper enforcement of EU rules against mis-selling.** As European Parliament's and BETTER FINANCE's studies show, several key EU rules regarding retail investors', policyholders', savers' and mortgage borrowers' protection are not adequately and consistently enforced. European Supervisory Authorities (ESAs) must use their new product intervention powers.
- b. **Use taxes as an incentive, not as a punishment:** Provide tax incentives for long term and pension investors and eliminate existing tax discriminations for individual investors in the EU such as double taxation of dividends etc.
- c. **Increase the responsibility of institutional investors** e.g. by establishing a fiduciary duty to exercise all voting rights, disclose securities lending/collateralization and short selling to the end investor/ beneficial owner, and ban the re-lending or re- collateralization of securities.
- d. **Impose consistent investor protection and level playing field between the regulated capital markets and the "dark" venues** generated by MiFID I and that now capture more than half of capital market transactions.
- e. **Introduce cost free cross-border voting for retail investors within the EU** reflecting the increasingly international portfolios of individual investors to help regain their trust and to ensure a stronger governance of companies.
- f. **Introduce the same level of shareholder protection as a standard all over the EU. Introduce common delisting rules for all EU-Member States.**

3. Improve the competitiveness of European capital markets for SMEs



Competitiveness

Despite the benefits of public listings, EU markets struggle to attract new issuers. BETTER FINANCE recommends the following measures:

- a. **Increase the attractiveness of EU stock exchanges for EU SMEs in general, e.g. through tax incentives.** EU stock markets are still struggling to attract IPOs and London is still the most important market for IPOs in the EU. Therefore, BETTER FINANCE suggests that the Commission builds on the experience and expertise built up in well-established capital markets to find out how to make EU stock exchanges more attractive.

- b. **Strengthen the IPO market in Continental Europe.** The Commission should review the regulatory barriers to small firms for their admission to trading on public markets to ensure that the regulatory environment for the SME Growth Markets is fit for purpose.

4. Better access to comparable, fair, clear and not misleading information



Clarity

To be an individual investor is not a full-time job. Therefore, essential information should be provided in the easiest way possible to allow individual investors to understand and compare investment offers. BETTER FINANCE recommends the following measures:

- a. **Improve transparency on performance and fees** of all investment products by developing the initial work of the ESAs, and by **urgently reviewing the PRIIPS Regulations**: reinstate the comparable disclosure of long term past performances relative to the benchmarks of the providers, eliminate the unreliable future scenarios, reinstate intelligible, comparable and comprehensive disclosures on costs and fees.
- b. For **Insurance-Based Investment Products (IBIPs)**, key cost disclosures should distinguish between performance-related ones and risk coverage ones, and disclosures on annuities (pay-outs) must be much clearer and include if/how they will protect clients against inflation.
- c. **Simplify** and standardize as much as possible the information included in the various key information documents (KIID, KID, PBS, summary prospectus, etc.), which should be short, simple and comparable and thereby easy to understand for investors. It is also the prerequisite for reliable web comparing tools.
- d. Create public or at least independent **EU-wide web-based comparison tools**, to enable an objective comparison of all investment products.
- e. **Differentiate between inexperienced and experienced investors.** MIFID rules led to an **overprotectiveness** of investors regardless of their experience. Experienced investors should be able to act as semi-professionals and should be able to opt out of the high protective mechanisms introduced for inexperienced investors.

5. Improve long-term and sustainable value creation



Sustainability

Scientists, governments, companies and investors first need to have a common understanding about which economic activities are deemed sustainable. BETTER FINANCE recommends the following measures:

- a. Introduce a clear and compulsory **taxonomy** for “green” products, and progressively widen the taxonomy; not be limited to only “E” (Environment) but also extended to the “S” (Social) and “G” (Governance) criteria.
- b. Adopt a well-designed and controlled **ecolabel** based on the taxonomy.
- c. Improve the long-term engagement of asset managers (“other people’s money”) with investee companies and introduce a better alignment of asset managers’ and distributors’ incentives with clients’ long-term returns.
- d. “Green” products must deliver decent returns for long-term and pension savers and a high degree of transparency on how the money invested has been used. In particular, insurers’ Asset /Liabilities Management (ALM) must end its over-reliance on Sovereign debt

investing and provide decent real long-term returns (“value for money”) to pension savers, including during the pay-out phase.

- e. Follow up on **employee share ownership best practices** with a CMU “Action”.

6. Ensure fair and equal access to redress



Fairness

Creating a more favourable environment for companies to list on EU public markets needs to go in line with a strong protection of EU citizens investing in listed companies – not only during the listing but also where companies seek to exit the public markets via a delisting. BETTER FINANCE recommends to:

- a. **Introduce common rules for collective redress for all EU investors: Improve the EC’s “New Deal for Consumers”** and the new collective redress mechanism by including direct investors in the proposed collective redress scheme,
- b. Introduce compulsory collective redress schemes comparable to the Dutch system across all Member States.

7. Promote investor education as key to the success of a real CMU

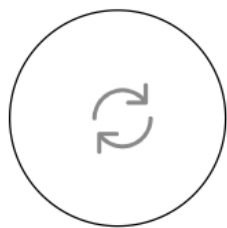


Knowledge

OECD surveys on financial literacy show that less than 40% of the adult population is able to understand very basic notions such as compound interest or return. BETTER FINANCE recommends the following measures:

- a. **Provide basic financial math and investment education already at school.**
- b. **Require the distributors of retail investment products** to improve the financial education of their staff members, especially with respect to equities, bonds and ETFs, and minimize their conflicts of interests with regard to more indirect, more complex and more commission-laden investment products.
- c. Financial education efforts from the industry should be monitored and supervised by independent bodies.
- c. **Introduce an investors’ license** as an important tool for investing.

8. Ensure the consistency of all EU financial user protection rules



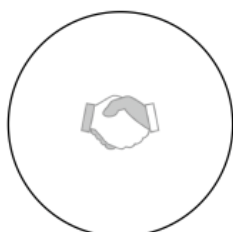
Consistency

The various new regulations, e.g. MiFID II, PRIIPs, IDD, Solvency II, IORP II, and rules applicable to banking products (savings accounts, structured notes, etc.) led to inconsistent standards of disclosure which creates confusion among investors and unnecessarily increases the workload for distributors and manufacturers and by that costs for investors. BETTER FINANCE recommends to:

- a. Eliminate inconsistencies between existing investor and policyholder protection rules (e.g. between MIFID II and PRIIPs, IDD and IBIPs) as well as between various conduct of business rules, in particular on conflicts of interests (“inducements”) and on cross-selling.

- b. Harmonize all pre-contractual key information documents of substitutable investment, insurance and pension products at the points of sale.

9. Sustain the EU support to the involvement of financial services users in EU policy making

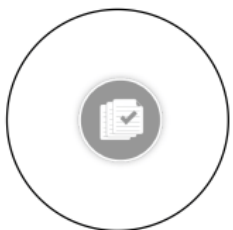


Support

BETTER FINANCE recommends:

- a. To fairly assess and sustain the EU support - started following the 2008 crisis - to better involve investors and other users of financial services in the EU financial policy making process.
- b. To ensure that independent experts from User Organizations are **adequately represented and compensated** at all expert consultative groups of the EU institutions (especially ESAs and Commission).

10. Increase the efficiency of EU institutions' procedures



Efficiency

The legislative process of PRIIPs illustrates the difficulties of introducing effective EU regulations and reduces the credibility of the work of the EU Authorities vis-à-vis its citizens. BETTER FINANCE recommends the following **steps to increase the efficiency** of the work of the EU institutions:

- a. Enhance supervision of Product Oversight and Governance requirements: The ESAs should be encouraged to fully use their new product intervention powers and sanction any kind of misbehaviour by manufacturers and distributors.
- b. Introduce the possibility to give certain EU institutions, such as ESMA or EIOPA, **the right to ask for minor corrections of a directive** when it becomes clear that there are practical obstacles coming up once a directive is implemented.
- c. **Solve fundamental and structural problems during the Level 1 procedure**, not postponed to the Level 2 and Level 3 discussions.
- d. The European Commission, Parliament and Council should regularly **publish the state of their "Trialogue"** negotiations in order to inform the public in a timely manner and prevent any possible unilateral lobbyism by the industry.
- e. **Provide for reasonable transition periods for each EU legislative measure.**

High-Level Forum on the European Capital Markets Union: European Savers one step closer to getting Sustainable Value for their Money

In November 2019, BETTER FINANCE's Managing Director, Guillaume Prache, was appointed to the European Commission's High-Level Forum on the Future of CMU (HLF CMU) as one of the only two representatives of EU Citizens as Savers and Investors out of the 28 HLF members. Despite being dwarfed by the at least 18 members representing financial institutions and intermediaries, BETTER FINANCE was able to, at least partially, get through many of its Key Priorities outlined above.

The HLF CMU published its "New Vision for Europe's Capital Markets" with a list of key recommendations, of which several were proposed by BETTER FINANCE, including:

- Curbing conflicts of interest in financial advice and distribution
- Clear, fair, non-misleading and comparable key information disclosures
- Stop excluding individual investors in listed equities and bonds from the EU collective redress regulatory project
- Promoting employee share ownership plans (ESOPs) as a powerful way to better fund SMEs

This is good news for EU Citizens as Financial Users, although it is too early to declare victory. Restoring much-needed trust amongst individual investors will only be possible if policymakers take this report into account and seriously engage with its "game changing" proposals.



SUPPORT FOR OUR CAUSE

“



**“10 years well spent,
10 years of serious
engagement with [the
European
Commission].”**

Mario Nava, Director for
Horizontal Policies, DG
FISMA, European
Commission

“



**“I will continue to listen
carefully to what
BETTER FINANCE and
its member
organisations are
saying.”**

Sven Giegold,
MEP

BETTER FINANCE enjoys the support of the European Commission. Even though it partly funds BETTER FINANCE activities, there is no implied endorsement by the EU or the European Commission of work carried out by BETTER FINANCE, which remains the sole responsibility of BETTER FINANCE.

“



“Retail investors need to make sure that they have an impact on the public debate... in that sense I think BETTER FINANCE has done an excellent job.”

Steven Maijor, Chair of the
European Securities and
Markets Authority (ESMA)

“



“The voice of the retail investors is being heard, they are, like you, BETTER FINANCE... you participate in most of the panels that I can think of.”

Wolf Klinz,
MEP

“



“I really think that it is very important for us... to have both views [of the industry and financial services end-users].”

Gabriel Bernardino, Chairman of the
European Insurance and Occupational
Pensions Authority (EIOPA)



OUR SCOPE

The scope of retail financial services covered by the activities of BETTER FINANCE is – to our knowledge – the broadest of all European end-user and civil

Society organisations involved in financial services. Among others, our activities focus on the interest of the following constituents:





2019 CAMPAIGNS

Capital Markets Union (CMU): Lest more is done to attract EU Households into Capital Markets, the CMU project will fail

Over the recent decades, the European economy degenerated into a financial type of capitalism where the link between owners and issuers of securities (the real economy) has been severed, and where decision-making power finds itself increasingly in the hands of financial intermediaries ("other people's money").

BETTER FINANCE believes that the CMU initiative provides the ideal opportunity to return capital markets to their natural participants. There is an abundance of investable private capital in Europe, with households desperately looking for positive real returns on their long-term and pension savings in an environment of ever lower interest rates, high and opaque fees, complex investment products and financial repression.

European citizens as savers and investors stand to greatly benefit from a well-designed CMU, aimed at strengthening the link between their savings and the real assets into which their funds are deployed, as well as providing better returns. The European Commission itself highlighted that EU households are the main source of long-term financing for the real economy.

For the CMU to succeed, European citizens, as individual investors and savers, should be at the heart of the project.

2019 CMU Assessment Report

In 2019, following up on its 2015 Briefing Paper with its 23 proposals towards creating an effective and citizen-friendly CMU, BETTER FINANCE carried out a targeted assessment of the progress achieved by the European Union (EU) in establishing a Capital Markets Union after four years of implementation.

Key indicators that tracked the performance of the CMU Action Plan showed limited progress, with a real "boost" of retail investments into capital markets failing to materialise and ample room for improvement, in particular with regard to the distribution and advice on retail financial products, investor protection and redress, SME access to financing on public markets and the improvement of long-term returns for savers.





2019 CAMPAIGNS

KPI 1 - Equity Market Funding vs Bank Funding



Status: Slight progress

- ➔ Most sectors in capital markets in the EU have shrunk relative to the size of the economy over the past decade. Nevertheless, non-financial corporation (NFC) debt rose to 75% and the level of bank funding decreased to 181%.

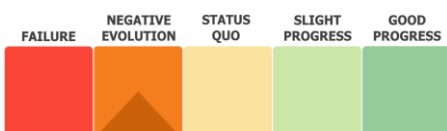
KPI 2 – SME participation in capital markets



Status: Negative evolution

- ➔ The number of SMEs and start-ups going public has decreased. With many Eastern European markets lagging behind, equity trading in the EU is concentrated in a handful of trading venues in Western Europe.

KPI 3 – Retail investments in capital markets



Status: Negative evolution

- ➔ There has been a decline of direct individual ownership of securities. EU households keep most of their savings in complex, opaque and costly banking products or packaged investment products.

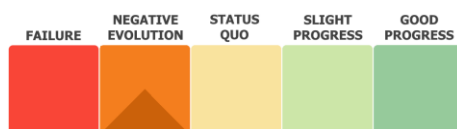
KPI 4 – The EU equity investment culture



Status: Unchanged

- ➔ 10-year data from EU Member States shows a correlation between regulatory incentives and the number of employee shareowners. However, their number has been in decline since 2011 and EU authorities are yet to act in this area.

KPI 5 – Savings returns for retail investors



Status: Negative evolution

- ➔ Despite a 10-year bull market for European equities and bonds, most long-term and pension savings products did not, on average, return anything close to those of capital markets, due to the fact that most EU citizens invest less, and less directly, in capital market products, but are instead pushed into more “packaged” and fee-laden products.



2019 CAMPAIGNS

Pension Savings: The Real Return: Pensions Inadequacy

The high fees often charged by European Pension Providers prevent many EU Citizens from enjoying a decent retirement.

For the seventh year in a row, BETTER FINANCE embarked on the herculean task of gathering all the data on private pensions in 17 EU Member States and published its annual report on the real net returns of long-term and retirement savings in Europe. Despite the fact that the European Supervisory Authorities (ESAs) have a legal duty to collect, analyse and report data on “consumer trends” in their respective fields, the “Pension Savings – The Real Return” Report remains the sole and unique study looking at the performance and costs of long-term and savings products in the European Union.

If it were not for this report, EU citizens and public supervisors would remain completely in the dark with regards to the real net performance and costs of those products that form the backbone of the European pension system.

Whereas the report was even wider in scope in 2019, covering 17 pension systems

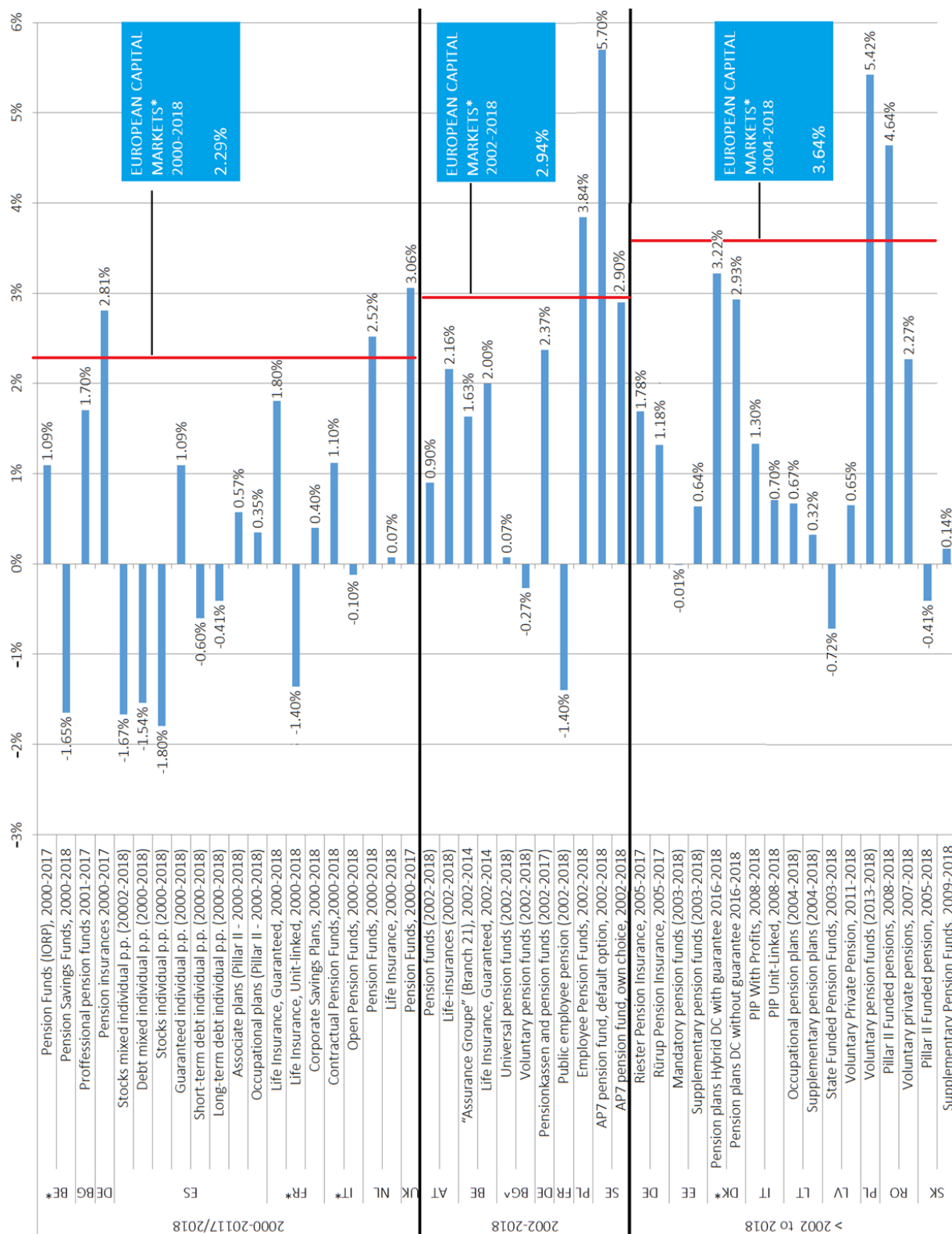
and 87% of the EU population, the results unfortunately continued to point to the same worrying conclusion:

For years public authorities have insisted on the fact that that citizens need to take their responsibility and start saving more and for longer to achieve income adequacy at retirement. So far, our research indicates this advice may be misplaced: in far too many instances, saving more would only make you lose more. Crucially, it ignores a key reason as to why too many long-term and pension savings are failing to provide for an adequate replacement income: insufficient and sometimes even negative long-term real (after inflation) returns.

Whereas asset allocation and unsuitable investment styles may share a part of the blame, fees and commissions are the main reason behind low returns on pension products, destroying the real (after inflation) value of pension savings over the long-term. Inflation, though conveniently ignored, also plays an important role in destroying the value of your savings.



Annualised Real Returns of Pension Savings Compared to that of European Capital Markets





2019 CAMPAIGNS

Sustainable Finance: BETTER FINANCE surveyed financial analysts and consumer stakeholders on “Green” Investments

Besides addressing crucial environmental and social issues, the concept of sustainable finance should translate into investment products that are exemplary in complying with EU investor protection, governance and conduct of business rules. An investment can be as ‘green’ or ‘sustainable’ as you like, individual investors as long-term and pension savers will not entrust their lifetime savings to such products if they do not address their primary need for sustainable long-term value creation.

Pension adequacy is at stake and defusing the pensions timebomb is a key challenge for European citizens. To have a real impact on ESG issues, sustainable finance, its taxonomy, its benchmarks and its ecolabels must incorporate the most basic of requirements for sustainable finance such as fair, transparent, clear and non-misleading investor information.

Whereas it is crucial for public policies that address negative externalities to be put in place, “green” investment products should not be developed at the expense of individual long-term and pension savers. If sustainable finance is to achieve what it set out to do, it should first ensure long-term and sustainable value creation and pension adequacy for EU Citizens as savers and investors. The sustainable investment industry needs to, at the very least, lead by example and apply ESG criteria to its own activities - especially the Governance one - and be exemplary in terms of compliance with EU consumer and investor protection rules. Ideally, an integrated and sustainable long-term horizon framework should be woven into investment management practices and be integrated in fundamental analyses and decisions. Transparency, designing the adequate indicators and properly measuring and reporting those, are key success factors.



2019 CAMPAIGNS

BETTER FINANCE has been very active at the heart of several expert and stakeholder groups of the European Union dealing with different aspects of sustainable finance. As

BETTER FINANCE also advocated for high standards for the rules and criteria governing green activities, thresholds, engagement and investor protection.

In its responses to 10 consultations from the European Commission and the European Securities and Markets Authority just in 2019, BETTER FINANCE advocated, amongst others:

- for a review of the non-financial reporting directive that would allow for investors to access comparable and granular data on environmental, social and governance risks of companies.
- for a taxonomy that also addresses the S (social) and G (governance) aspects of ESG disclosure.
- for clear, intelligible, non-misleading disclosure of non-financial information from financial advisor and product manufactures.
- against the proliferation of ESG benchmarks. ESG products should be benchmarked against mainstream benchmarks as too many different benchmarks would merely increase confusion amongst individual investors.



part of the sub-group on the Ecolabel Criterion 1.1, BETTER FINANCE took a strong position against the reduction of thresholds at portfolio and company level of the Ecolabel.



2019 CAMPAIGNS

Fund Research: The more you pay, the less you get

Research in 2019 by BETTER FINANCE on the Correlation between Costs and Performance of EU Retail Equity Funds established an unmistakeable negative correlation between returns and fees

BETTER FINANCE measured the performance over the last ten years of EU equity retail funds from Belgium, France and Luxembourg in comparison with their benchmarks and found that only 27% of surviving funds with a sufficiently long track record managed to outperform the market over 5-year rolling quarterly periods .

This confirmed that few active fund managers are able to offset the impact of the fees they charge and that it is mostly up to luck whether an investment will beat the market. It also established, through very robust statistical evidence, that the higher the fees, the fewer the active funds that manage to outperform (i.e. generating a positive “alpha”) their relevant capital markets’ returns.

Fees are nearly single-handedly to blame for the disappointing returns of many actively managed funds.

What’s more is that occasional overperformance seems to be down to luck, with no causal link to fees or stock-picking skills, as no persistent outperformance could be discerned.

Selecting a fund is a fundamental decision for an individual investor. Unfortunately, this research by BETTER FINANCE clearly showed that over the last ten years, up to 2017, the average investor only had a 1-to-3.7 chance of choosing an equity fund that would outperform its benchmark on any 5-year holding period. Low-cost equity index funds or directly held diversified portfolios of equities are therefore a valuable alternative option that should be offered to individual investors.

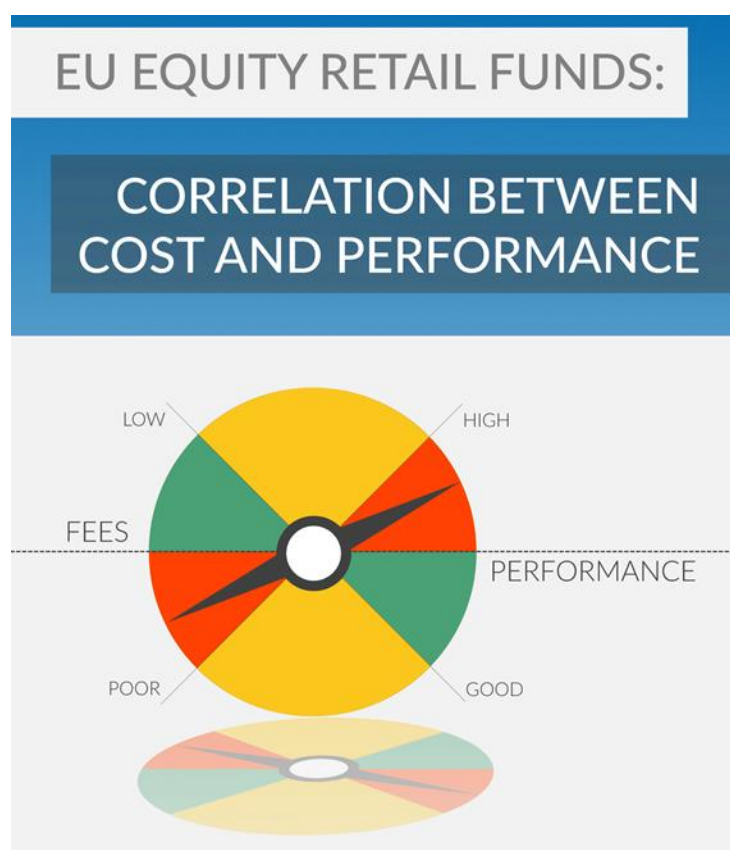
The research also firmly established the negative impact of the level of fund fees on excess return.



2019 CAMPAIGNS

Strikingly, this research carried out by BETTER FINANCE found that only 20% of funds were able to deliver excess returns for five consecutive years, while only 3% of analysed funds performed better than their markets for seven consecutive years.

For the remainder, basically, only a marginal number of funds (2 funds or 0.1% of all analysed funds) were able to beat their respective benchmarks for the entire analysed period of 10 years.





2019 CAMPAIGNS

Robo-Advice - A Look Under the Hood 2.0.: Robo-Advice Holds Great Promise but Disappoints on Suitability

For years now BETTER FINANCE has been calling for Capital Markets to be returned to their natural participants: European households and EU Citizens as individual long-term savers and investors. Robo-advice could pave the way for their return, provided the platforms abide by EU investor protection rules and comply with basic requirements such as fair, transparent, clear and non-misleading investor information.

BETTER FINANCE has been keeping an eye on the continuous expansion of automated investment advice. In the ongoing environment of low capital market returns these new players could make a real difference on the actual performance of financial advice and investment management.

The rise of robo-advice holds a lot of promise for individual investors, potentially killing two birds with one stone: by allowing EU citizens to invest directly in equities, it brings individual

savers closer to the assets they are invested in and the real economy, and by leaving out the middlemen and opting for low-cost index funds, robo-advice can keep prices down.

The success of robo-advice hinges on its capacity to keep costs low. Most providers use a simplified fee model, usually limited to an “advice” fee and underlying fund fees. It is providing better value for money by combining low overall pricing with the use of low-cost index funds which. But there is a flipside to the coin: many of the platforms covered in the 2019 study by BETTER FINANCE left a lot to be desired in terms of transparency and suitability.

Robo-advice could also be a fitting vehicle to better inform individual investors about investing in general and sustainable finance in particular. Much more can be done to help investors understand the products on offer and their related risks.



MAP OF THE 11 EUROPEAN ROBO ADVICE PLATFORMS FEATURING IN THE 2019 BETTER FINANCE REPORT, INCLUDING OVERALL FEES BY INVESTOR PROFILE

Figure 5





2019 CAMPAIGNS

Financial Education

BETTER FINANCE strongly believes that financial literacy is a crucial component of the empowerment of EU citizens, helping them manage their finances and avoid unnecessary risks and excessive debt or even possible financial exclusion. It is key to improve trust in financial markets and encourage the participation of individual investors and households in capital markets.

While financial education is crucial, it is important to note that it cannot be considered a substitute for reliable information and consumer protection efforts, and should in no way relieve financial institutions of their duty to provide individuals and businesses with effective, clear and comprehensible information. The financial industry should focus on offering simple and standardised products, since financial literacy amongst EU citizens remains, on average, very low.

In 2019, in coordination with its Working Group on Financial Education, BETTER FINANCE has further engaged

in financial education initiatives, focussing on the production of visual materials and videos, and publishing two explainer videos:

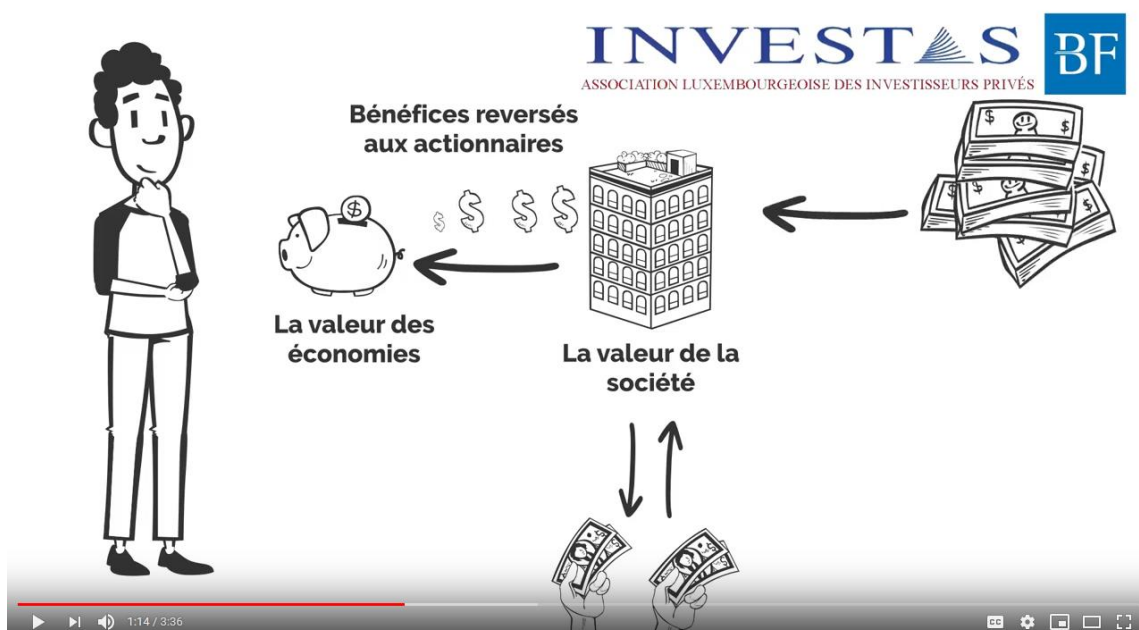
- **“PEPP Capital Protection: Scam!”**: a video highlighting the issue with the Pan-European personal Pension Product's "Capital Guarantee", of concern to all EU Citizens
- **“Investing in Shares”**: an information video targeting young people titled “Investing in Shares”, explaining everything there is to know about investing in stocks and providing the basic tools to analyse the different aspects of the companies in which to invest

Throughout 2019, BETTER FINANCE also developed an extensive database of independent European providers of financial education with the aim of creating an online interactive website where information on independent providers can be easily accessed.





2019 CAMPAIGNS





2019 CAMPAIGNS

BETTER FINANCE intensifies its Campaign for Collective Redress and calls for a real "New Deal" for Consumers

The Council should stop their Boycott of Consumer Rights and give EU Citizens access to Collective Redress

BETTER FINANCE has long advocated for an EU-wide collective redress mechanism for all financial services users, including small and individual shareholders or employee shareholders.

Legal disputes are expensive and time-consuming. Consumers across the EU who have fallen victim to products or services that cause them harm, more often than not, do not try to obtain redress or compensation for the damages incurred, simply because it is not a viable option to go through legal proceedings on their own. In cases of mass harm, then, it makes sense for consumers to go to court together. The same obviously goes for consumers of financial products or services.

Unfortunately, this is easier said than done. In fact, there are still 9 EU Member States without any system to collectively claim compensation, whereas the Collective Redress system in others is woefully inadequate.

At the end of 2017, the European Commission (EC) announced that it would address these issues at EU level, through the review of the Injunctions Directive, which did not give harmed consumers the possibility to obtain redress or compensation.

In his State of the Union address of 13 September 2017, the Commission President Jean-Claude Juncker announced the "New Deal for Consumers", repealing the Injunctions Directive and aimed at strengthening enforcement of EU consumer law and enabling consumers to join forces across borders and undertake collective actions whilst also seeking redress or compensation. Yet, consumers of financial products were excluded again.

In BETTER FINANCE's view, the proposal, now going through interinstitutional negotiations, is inadequate. It is dumbfounding that, despite the fact that the EC highlights the need to regain the trust of individual investors, the proposal excludes individual investors from its scope.





2019 CAMPAIGNS



BETTER FINANCE

Key proposals for the Collective Redress Directive

Proposal for a Directive of the European Parliament and of the Council on representative actions for the protection of the collective interests of consumers, and repealing Directive 2009/22/EC - {SWD(2018)98final} - 2018/0089 COD

INCLUDE ALL FINANCIAL SERVICES USERS

Currently, the scope of the Directive would not cover direct investors, such as small and individual shareholders

ENABLE THE OPT-OUT SYSTEM

Consumers must be helped to obtain redress, which would also serve competition and the economy

EMPOWER CONSUMER NGOS

Too stringent criteria would exclude most of them; minimum harmonisation would lead to forum-shopping

ARTICULATE WITH ADR MECHANISMS

Alternative Dispute Resolution, validated by a judge, may prove faster, cheaper and provide relief for the judicial system



OUTREACH & ADVOCACY





EVENTS

APRIL 04, BUCHAREST, ROMANIA

International Conference - A New Deal for Romanian and European Financial Users: BETTER FINANCE 10th Anniversary Event.



MAY 15, BRUSSELS, BELGIUM

Press Conference - Announcement of the Results of the Key Priorities Questionnaire



JUNE 06, BRUSSELS, BELGIUM

Release of BETTER FINANCE Research on the Correlation between Performance and Costs in EU Equity Retail Funds and the Launch of the Scientific Council



JUNE 28, BEIRUT, LEBANON

International Conference: Conduct of Invest Rules in the EU and Worldwide



SEPTEMBER 25

Launch of the 2019 Edition BETTER FINANCE Pensions Report



OCTOBER 2-3, SKOPJE, NORTH MACEDONIA

BETTER FINANCE & Fintech Guardian "Insurtech Conference and Expo 2019"



NOVEMBER 11, LONDON, UNITED KINGDOM

On the 5th of November, the FRC held its annual update event for private investors in collaboration with UKSA and ShareSoc



NOVEMBER 12, BRUSSELS, BELGIUM

Joint International Conference with FESE, the Federation of European Stock Exchanges: "Capital Markets Union 2024".



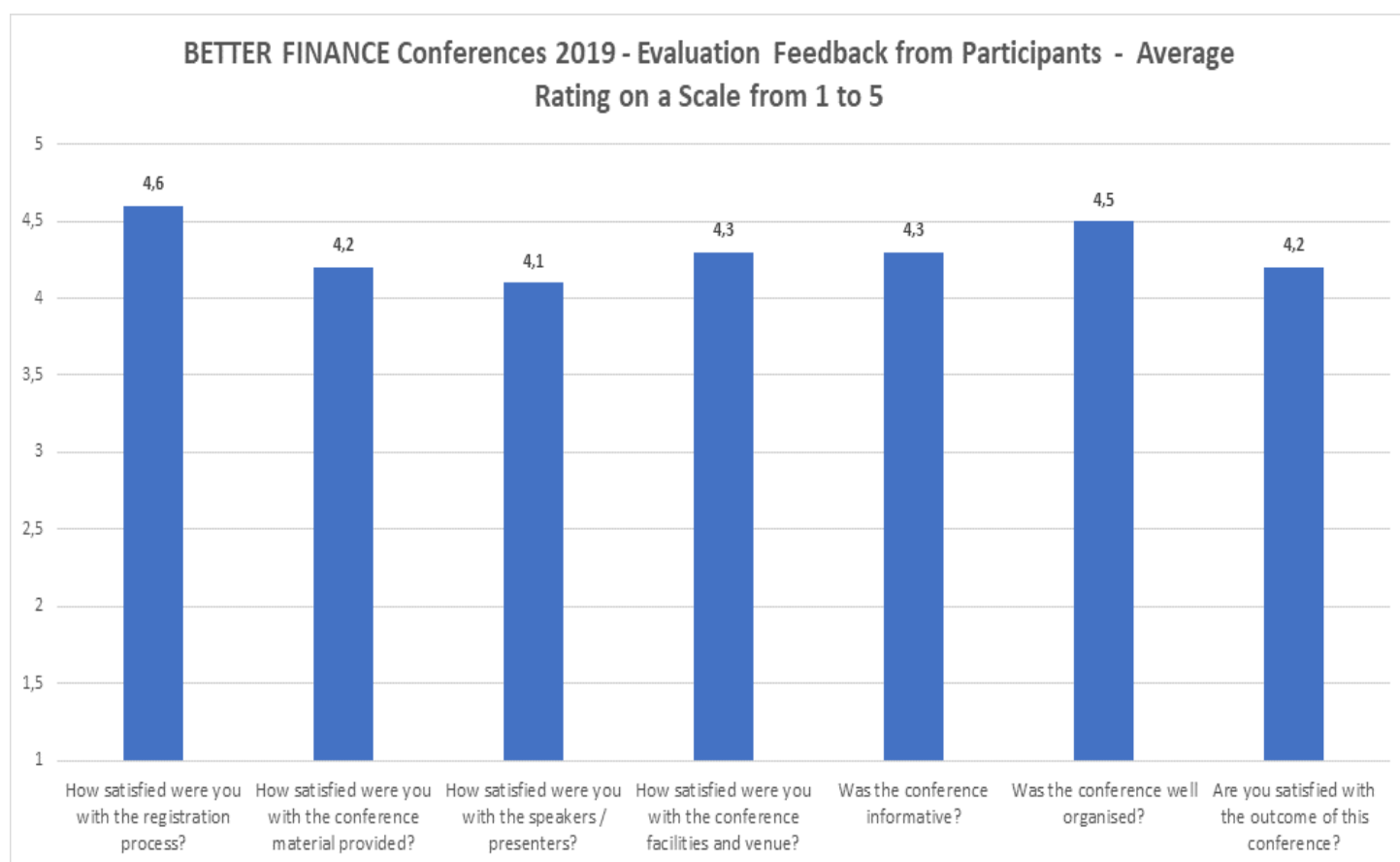
NOVEMBER 19, BRUSSELS, BELGIUM

BETTER FINANCE and the CFA Institute, with the support of Accountancy Europe and Nasdaq, organised a joint International Conference on "Sustainable Value for Money"





EVENTS



BETTER FINANCE ORGANISED OR CO-ORGANISED NINE INTERNATIONAL EVENTS IN 2019. AS USUAL, BETTER FINANCE'S MEMBERS PLAYED AN IMPORTANT ROLE IN HELPING ORGANISE CONFERENCES IN THEIR RESPECTIVE COUNTRIES, BRINGING A NATIONAL PERSPECTIVE TO THE ONGOING EUROPEAN DEBATES AND BRINGING EU FINANCIAL POLICY CLOSER TO LOCAL STAKEHOLDERS, NATIONAL PRESS AND PUBLIC AT LARGE.



COMMUNICATION

2019 OVERVIEW - BETTER FINANCE OUTREACH IN NUMBERS



43

Media Articles
(incl. 5 Financial
Times Articles)



26

Press
Releases



2172

Followers on
Social Media



1082

Newsletter
Subscribers



17

Responses to Public
Consultations



10

Events throughout
Europe + Middle-
East



5665

Research Report
downloads

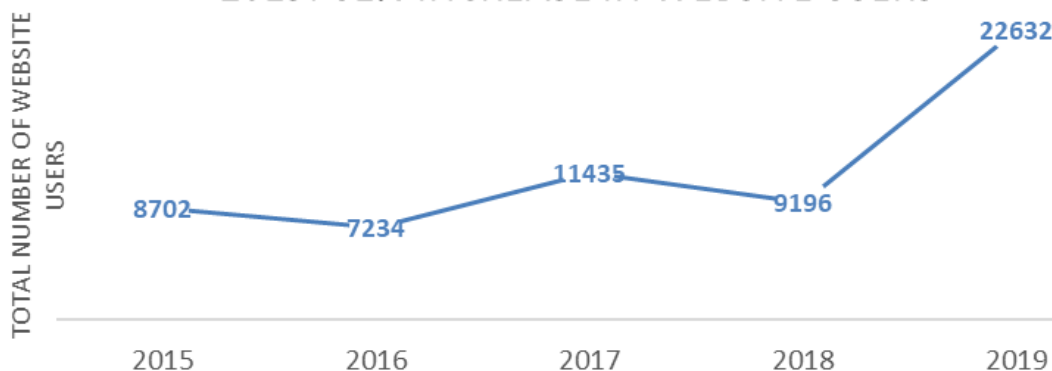


22632

Website
visitors



EVOLUTION OVER 5-YEAR PERIOD FROM 2015 TO 2019: 61% INCREASE IN WEBSITE USERS





MEMBER ORGANISATIONS

Country	Member Organisation	Website
Austria	IVA - Interessenverband für Anleger	www.anlegerschutz.at
Belgium	VFB - Vlaamse Federatie van Beleggers	www.vfb.be
Bulgaria	Fintech Guardian	www.fintechguardian.eu
Cameroon	Association de Défense des Actionnaires Minoritaires du Cameroun	No website
Czech Rep.	SCS - Sdružení českých spotřebitelů, o.s.	www.konzument.cz
Denmark	DAF - Dansk Aktionærforening	www.shareholders.dk
European Union	EFES - European Federation of Employee Share Ownership	www.efesonline.org
Finland	Osakesäästäjien Keskusliitto ry	www.osakeliitto.fi
France	A.D.A.M. - Association pour la défense des Actionnaires Minoritaires	No website
France	CGPC - Association française des Conseils en Gestion de Patrimoine Certifiés	www.cgpc.fr
France	F2iC - Fédération des investisseurs individuels et des clubs d'investissement	www.f2ic.fr
France	FAIDER - Fédération des Associations Indépendantes de Défense des Epargnants pour la Retraite	www.faider.org
France	GAIPARE - Association pour l'amélioration de la retraite et de l'épargne	www.gaipare.com
Germany	BdV - Bund der Versicherten	www.bunddersicherten.de
Germany	DSW - Deutsche Schutzvereinigung für Wertpapierbesitz	www.dsw-info.de
Iceland	Samtök sparifjáreigenda	www.sparife.is
International	ShareAction	www.shareaction.org
International	Transparency Taskforce	www.transparencytaskforce.org
Lebanon	Lebanese Investors Association	www.bouloslawoffice.com
Lithuania	Lietuvos Vartotojų Institutas	www.vartotojai.lt
Lithuania	Lithuanian Investors Association	www.investuotojams.eu
Luxembourg	INVESTAS - Association Luxembourgeoise des Investisseurs Privés	www.investas.lu
Malta	MASS - Malta Association of Small Shareholders	www.mass.org.mt



MEMBER ORGANISATIONS

Country	Member Organisation	Website
Norway	Aksjonaerforeningen i Norge	www.aksjonaerforeningen.no
Poland	SII - Stowarzyszenie Inwestorów Indywidualnych	www.sii.org.pl
Portugal	ATM - Associação dos Investidores e Analistas Técnicos do Mercado de Capitais	www.associacaodeinvestidores.com
Romania	AIPC - Romanian Capital Market Investors Association	www.aipc.ro
Romania	AURSF - Asociata Utilizatorilor Romani de Servicii Financiare	www.aursf.ro
Russia	USIR - Russian Union of Shareholders and Investors	www.fingramota.com
Slovakia	Institute of Savings and Investment	www.mojeuspory.sk
Slovenia	VZMD - Vseslovensko združenje malih delničarjev	www.vzmd.si
Spain	ADICAE - Asociación de Usuarios de Bancos Cajas y Seguros	www.adicae.net
Spain	AEMEC - Asociación Española de Accionistas Minoritarios de Empresas Cotizadas	www.aemec.eu
Sweden	Aktiespararna - Swedish Shareholders Association	www.aktiespararna.se
Turkey	BORYAD - Borsa Yatirimcilar Derneği	www.boryad.org
UK	ShareSoc	www.sharesoc.org
UK	UKSA - UK Shareholders Association	www.uksa.org.uk

FINANCIAL OVERVIEW 2019

BETTER FINANCE Income for 2019	
Membership fees	170,579 €
Partnering income	88,985 €
EU Grant (see p.4)	410,000 €
Other Income	15,603 €
Total income	685,167 €
BETTER FINANCE Expenses for 2019	
Personnel Costs	505,281 €
Travel and subsistence costs	43,130 €
Other costs and services	151,091 €
Total expenses	699,502 €



MEET THE TEAM



Axel Kleinlein
President



Jella Benner-Heinacher
Vice-President



Jean Berthon
Vice-President



Guillaume Prache
Managing Director



Aleksandra Mączyńska
Executive Director



Edoardo Carlucci
Research & Policy Officer



Arnaud Houdmont
Chief Communications Officer



Matis Joab
Finance & Administration
Officer



Carlos Nava
Communications Assistant



Stefan Voicu
Research & Policy Officer



BETTER FINANCE activities are partly funded by the European Commission. There is no implied endorsement by the EU or the European Commission of work carried out by BETTER FINANCE, which remains the sole responsibility of BETTER FINANCE.

THE VOICE OF EUROPEAN



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