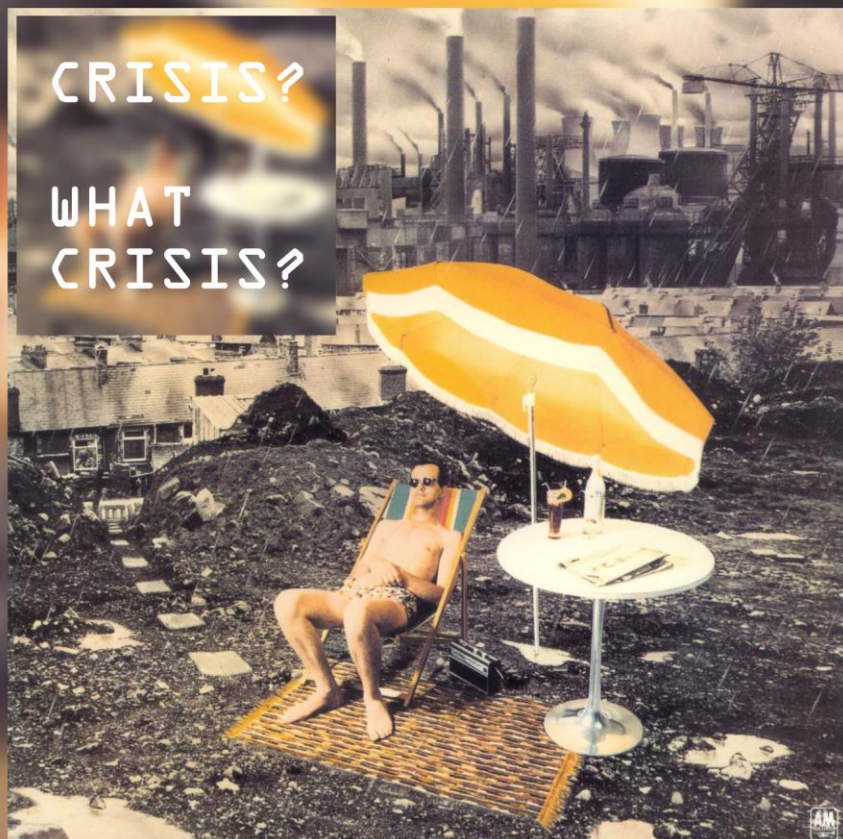


# ANNUAL REPORT



2016

**BF BETTER FINANCE**

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



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## LETTER FROM THE CHAIR

### BETTER FINANCE now recognized and supported by EU Law

As financial markets started recovering from the 2008 crisis, so did the confidence of those responsible for the crisis in the first place. Conveniently ignoring the fact that it is the taxpayer that footed the bill of their excesses and recklessness, the financial industry seeks to remove the 'shackles' that have been imposed on them and return to 'business as usual'. Since then, the EU Public Authorities have been prioritizing "financial stability" (helping banks to avoid going belly up or rescuing them in case they do) at the expense of user protection and conduct of business rules. Politicians and regulators with short memory spans are inclined to forget the nature of the financial crisis, those who were responsible for it as well as those who suffered from it.

Now more than ever, BETTER FINANCE has to ensure that the protection of users of financial services is moved up the priorities ladder of the EU Authorities, rather than it being dropped altogether. A host of regulations saw the light of day over the last few years. Whereas BETTER FINANCE repeatedly managed to get investor and consumer protection on the agenda of policy makers, more remains to be done, as recognised by the European Commission itself: *"while the ESAs have started to shift attention and resources to analyse risks to consumers and investors and undertake more work to increase supervisory convergence, work in this area must be accelerated"*. Some may be happy that the 'regulatory tsunami' has subsided, but now the time has come to make sure that rules are upheld and enforced and that the financial lobbies do not succeed in undoing these important achievements for European end-users of financial services.

Thankfully policy makers across the EU have recognised the useful role played by BETTER FINANCE and the importance of giving financial services users a voice as well as the possibility to defend their interests.

A proposal from the Commission to the Parliament and to the Council put forth in June 2016 calling for a regulation supporting the activities carried out by BETTER FINANCE and Finance Watch was adopted on 17 May 2017 - providing for a programme running for the period of 2017- 2020 with an overall maximum budget of EUR 6 000 000 - aimed at enhancing the capacity of both NGOs to participate in EU policy making in the field of Financial services.

By supporting our activities, the European Union clearly highlights the importance of taking into account the interests of European citizens in financial policies, and not only the views expressed by the financial sector professionals.

Thanks to this crucial support, BETTER FINANCE will be able to carry on and expand its activities to ensure that the public at large is informed about the issues at stake in financial policies, to involve civil society in the EU legislative process and to bring about well-balanced legislation that works for EU citizens as savers and financial services users.





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## 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 stakeholders who are independent from the financial industry, 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 counterbalance the influence of financial institutions in the EU financial policy-making process. To achieve this, we successfully engage 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 establish better governance of financial supervision for all European citizens.

## STATE OF PLAY

In 2009, for the first time, all types of financial services users such as individual shareholders, fund investors, insurance policy holders, bank savers, pension funds participants, borrowers and others, joined forces to create BETTER FINANCE. Previously, there was no organisation dedicated to the interests of all individual financial services users, representing them

at European level and involved in influencing financial services policies.

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 Commission has been supporting BETTER FINANCE to enhance the involvement of financial services users in the policy-making in the area of financial services.

Unfortunately, to this day, the need for rebalancing has not 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. The stakeholder groups of the European Supervisory Authorities, in particular, are still dominated by the financial industry and / or its providers. It is one of our long-term priorities to reduce this imbalance across EU institutions.

## WHO WE ARE



Euroshareholders was created in 1992 and gathered about 30 individual shareholder organisations in Europe. With a view on efficiency Euroshareholders merged into BETTER FINANCE in December 2012

This constituted a very important landmark towards a fully unified representation of the interests of all financial users at European level. This merged Federation now operates under the name "BETTER FINANCE" representing the three other brands that relate to distinct areas of interest (Euroshareholders for shareholder and



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corporate governance issues, EuroInvestors for investor issues other than shareholders and EuroFinuse for all other financial end-user issues). Thus, BETTER FINANCE is one of the very few organisations working indeed “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 European financial services user organisations themselves (and other stakeholders independent from the financial industry). 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 5 million financial services users in more than 35 countries, including the 28 European Member States.

## BETTER FINANCE PRIORITIES

In response to the 2008 financial crisis, policy makers have been focussing heavily on “financial stability”. At the same time, individual savers and investors have been subjected to varying degrees of Financial Repression and the protection of EU citizens as investors, savers and financial services users has not been a priority. Customer protection actually ranks sixth and last of the objectives of the new European Supervisory Authorities created in 2010.

Today, with consumer trust in financial services and products still at an all-time low across the EU, BETTER FINANCE cautiously welcomes some positive signs from policy makers indicating a possible shift of priorities from financial stability to consumer protection.

It is BETTER FINANCE’s overarching priority to ensure that this renewed dedication to the protection of individual European savers and investors remain at the top of the agenda of European financial policy makers. Crucially, the wellbeing of financial end-users relies on the willingness and ability of EU politicians and regulators to balance the interests of financial intermediaries with those of the financial users in the real economy: issuers of equity and debt on the one side and savers and investors on the other. Over the recent decades the European economy evolved into a financial type of capitalism where the link between savers and the real assets in which their funds are deployed has been loosened, and where decision-making power has increasingly shifted to financial intermediaries as “agency” owners (“other people’s money”) instead of beneficial owners or end-investors.

To restore confidence in financial markets, promote an open, transparent, efficient and sustainable funding of the economy and ensure the effective protection of financial consumers, BETTER FINANCE’s priorities focus on public policies on the one hand and actual enforcement of those policies on the other.

### **1. Unified, transparent, liquid, fair and accessible capital markets to the benefit of end-investors and the real economy**

The role of capital markets is to provide adequate and attractive funding for real economy issuers of equity and debt, while providing end-investors with a decent and sustainable return on investment. But in Europe the role of end-investors - individual ones in particular - has declined dramatically over recent decades due, in part, to the publicly favoured development



of fee-laden “packaged” products sold by financial intermediaries who still leave most of the investment risks to their clients. Similarly EU non-financial real economy issuers of equity and debt have been crowded out by financial institutions, which are now the biggest issuers in Europe after the governments. Fortunately, policy makers are now becoming more aware of these realities thanks to the “Capital Markets Union” initiative launched by the European Commission.

Sixty years after the Treaty of Rome a “common market” for capital and for financial services is still nowhere in sight except for few exceptions like UCITS funds. The high fragmentation of capital and financial services markets - especially for individuals - is causing a lot of detriment to real economy users. In particular, tax discriminations against cross-border savers and investors inside the EU are still widespread and must be dismantled.

#### **Key policy initiatives/campaigns:**

**#CMU #MIFID II**

### **2. Improved and more consistent investor and consumer protection across all retail financial products in the EU underpinned by effective redress for all EU citizens**

The lack of trust of users of financial services, particularly in pension and investment products and mortgages, is at least partly due to a plethora of mis-selling scandals, frequently exacerbated by the fact that there is little or no possibility of redress for abused investors, savers, policy holders of insurance contracts and other users. Financial services users also suffer from an inconsistent regulatory framework and supervision that are inadequate to ensure their protection.



Further improvements to the governance, effectiveness and efficiency of the ESAs – EBA, EIOPA and ESMA – are paramount to ensure that the ESAs are able to effectively contribute to building the Capital Markets Union, to further progress towards supervisory convergence and towards better enforcement to enhance consumer protection in the internal market.

Therefore we believe that strengthening and harmonising protection rules and their public enforcement, and developing effective Europe-wide collective redress schemes allowing shareholders and other investors and savers to get compensation for losses and damages, is crucial.

#### **Key policy initiatives/campaigns:**

**#ESAS #SUPERVISORY CONVERGENCE  
#ENFORCEMENT #REDRESS #MIS-  
SELLING #CLOSET INDEXING #FOREX  
#RETAIL FINANCIAL SERVICES ACTION  
PLAN**

### **3. Better governance of publicly listed companies and pension and investment funds by facilitating the engagement of minority shareholders and fund participants**

We believe that it is possible to prevent many of the problems that affect shareholders and society as a whole by improving corporate governance and business culture in the EU and ensuring that





small and minority shareholders have a say in the most important decisions of companies. In the same sense, the voice of pension fund participants has to be heard and they have to be appropriately represented in the supervisory bodies of private pension schemes.



**Key policy initiatives/campaigns:**

**#SHAREHOLDER RIGHTS #EUROVOTE  
#ESG #SRI**

4. **A Capital Markets Union that will restore retail equity investments to their proper place, whilst improving the long-term net returns of intermediated investment products**

For too long individual investors and savers have been crowded out of equity markets and pushed into frequently under-performing packaged products. The fragmentation of equity markets has meant that individual savers and investors have, for all intents and purposes, been limited to data on, and transactions in, regulated venues, while the larger part of transactions are now being executed in the 'dark' by "professional" players. The CMU provides the opportunity to promote equities as a simple, cheap, liquid and transparent long-term investment tool and to end their discrimination at the retail point of sale. It should, for example, be avoided that life

insurance companies have a privileged access to CMU investments. Instead the consumer himself should get a more direct and cheaper opportunity to invest in CMU activities. Simultaneously - and in particular in an era of low returns - it is important to reduce the costs charged by intermediaries who stand between the investor and the companies operating in the real economy and address the acute lack of adequate, clear and reliable information on the performance and price of packaged investments.

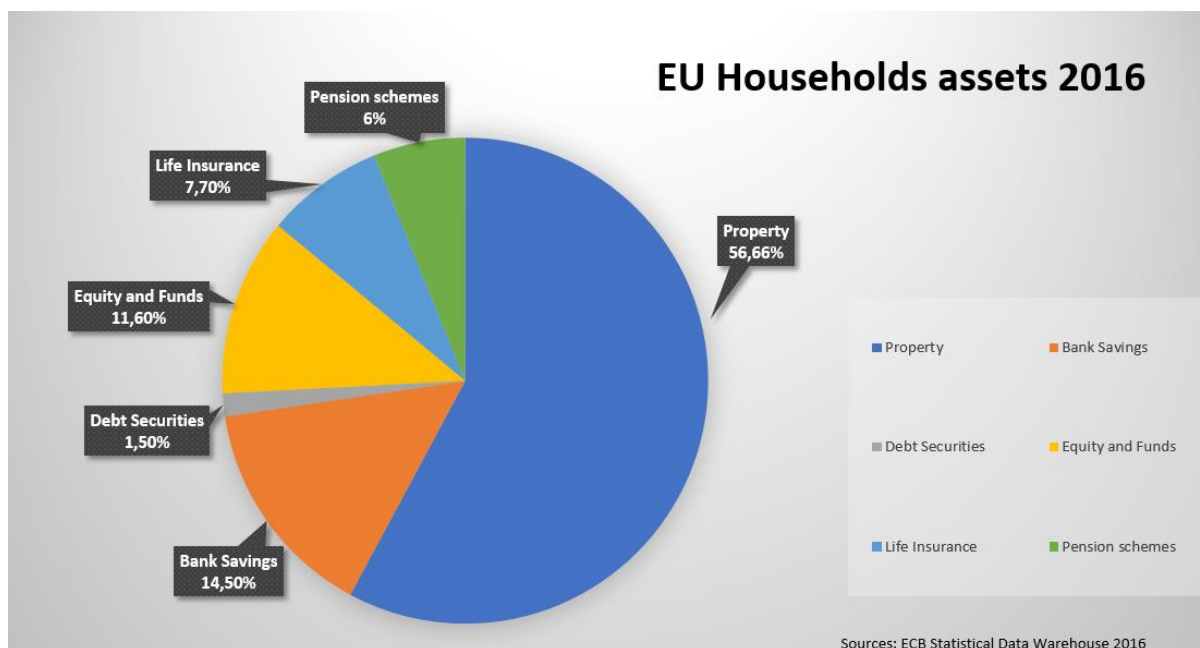


**Key policy initiatives/campaigns:**

**#CMU #PROSPECTUS #PRIIPS #LONG-TERM #PENSIONS #PEPP**



## SCOPE



The scope of retail financial services covered by the activities of BETTER FINANCE is very broad, and – 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:

- the tens of millions of shareholders including employee shareholders, and equity warrants holders. To ensure their appropriate inclusion in capital markets, it is important not to lose sight of the many related financial activities including:
  - financial reporting (to ensure it provides a fair representation of the financial situation of listed companies and in a comparable way),
  - audit (to ensure audit reports are reliable and without conflicts of interests),
  - corporate governance,
  - capital market infrastructure (e.g. dividend payments, fair capital markets, fair securities lending, exercise of cross-border voting rights).
- individual bondholders – still very active in Member States such as Italy or Belgium; ;
- individual investors and savers in “packaged” products such as investment funds (UCITs<sup>1</sup> and more importantly AIFs<sup>2</sup>);
- savers in banking products, in particular bank savings accounts which are the number one households’ savings products in the EU;
- life insurance policy holders;
- pension fund participants and other pension savers in personal pension products;

<sup>1</sup> Undertakings for Collective Investment in Transferable Securities

<sup>2</sup> Alternative Investment Funds





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- mortgage borrowers;
- credit card holders;
- retail users of foreign exchange services; the forex market being the biggest and yet unregulated financial market of all, impacting EU citizens in many ways, in particular when they purchase goods and services in another currency than their own, or when they travel abroad.

## BETTER FINANCE FOR A BETTER SOCIETY

Finance often seems far removed from our daily lives. The increasing complexity of products and services and the increasingly tenuous links between financial activities and the real economy, in which people operate and live, make it often seem irrelevant and far too technical for the average citizen to engage with. Yet finance touches virtually every sphere of human endeavour – from individuals and households to corporations and governments.

Over the years 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 as "agency" owners.

For too long individual investors and savers have been crowded out of equity markets and pushed into too often under-performing packaged products. The fragmentation of equity markets has meant that individual savers and investors have, for all intents and purposes, been limited to data on, and transactions in, regulated venues, while the larger part of transactions are now being

executed in the 'dark' by "professional" players.

We're at a crossroads where we must choose between leaving capital markets in the sole hands of a few financial intermediaries (managing "other people's money" as a founder of the United States SEC once called it) or seize the unique opportunity we're presented with, to rethink how capital markets and finance work, bring the different market participants together and restore much-needed trust.

The European Commission itself identifies EU households as the main source of long-term financing for the real economy, and calls for the link between their savings and the real economy to be strengthened. Despite this recognition, the interests of individual European citizens as savers, investors and users of financial services run the permanent risk of being subjugated to those of the financial industry, in the name of "financial stability".

Whereas financial stability is obviously paramount to avoid major crises that would damage all stakeholders, an obvious questions beckons: what good is financial stability if it does nothing for society, its citizens and the real economy?

Today retail financial services remain ranked as one of the worst consumer markets across the entire European Union according to the European Consumer Markets Scoreboard, and trust in these markets has been lost. Regaining this trust through good governance, integrity and transparency is paramount... as without this trust, failure lurks around the corner.

## HIGHLIGHTS OF 2016

2016 will go down in history as the year that saw the United Kingdom, against all



expectations, abandon the European Project and set out on its own, as well as the election of Trump as the US President, ushering in an unprecedented period of uncertainty.

Whereas it's anyone's guess where the Trump Presidency will lead us, the challenges facing the EU following the BREXIT vote are slightly more evident, although they remain very difficult to quantify.

As the European Union's largest financial centre, the UK – in particular the City of London – was expected to play a central role in the EU's Capital Markets Union (CMU) project. The impending BREXIT therefore raised crucial questions regarding the success of a future CMU without London, such as whether the CMU is likely to remain a political priority for the EU.

One of the main worries identified post-BREXIT is the potential loss of passporting rights, as a result of which many financial institutions from the UK are looking into ways to mitigate the effects of the loss of such rights by exploring options such as setting up subsidiaries in other EU Member States.

With BREXIT on the table, 2016 threw shade on the future of the European finance sector: it is widely viewed that, despite its imperfections, EU financial regulation offers a predictable and consistent regime providing clarity and certainty for market participants. A BREXIT should not become a pretext for abandoning the current EU regulatory landscape, which remains infinitely better than having to deal with 28 different regimes.

Fortunately, the BREXIT fever has not spread to the UK's investor and financial user organisations, and BETTER FINANCE's UK members have not even raised the question of exiting the European Federation.

From this perspective, BETTER FINANCE continued to fight for more transparency, better governance, more harmonisation and better EU-wide regulation with a focus on consumer trust and enforcement of rules. At the centre of this uphill struggle is the necessity for a CMU that is dedicated to fostering retail investment into capital markets, an EU-wide equity culture, addressing excessive and often conflicted intermediation as well as promoting direct retail investments into the real economy, growth and jobs, such as employee share ownership.

In 2016 BETTER FINANCE launched its CMU Barometer® in order for citizens to track its progress via key indicators that monitor the performance of the CMU Action Plan from the point of view of savers and investors. In all, the most important post-crisis EU investor protection rules are yet to be implemented almost ten years after the crisis (MiFID II, SRD II, Prospectus, IDD, IORP II, PRIIPs), and one of the key improvements in terms of investor information (the 2010 "KIID" Regulation for funds) will very sadly be dismantled.

At the forefront of the 2016 regulatory agenda in Brussels were the PRIIPs and MiFID II rules. Both faced delays as some fundamental questions were raised by BETTER FINANCE and others with respect to their implementation. Issues of inconsistency were also raised.

Whilst calling for transparency on performance, with the PRIIPs regulation, the European Authorities ended up doing the exact opposite and killed any prospect of transparency on real performance and fees of long-term investment products. The elimination of all information on past performance and on the product's benchmark in the PRIIPs KID, and their replacement by future absolute (i.e.: without any reference to benchmarks) performance "scenarios" is sheer nonsense and violates



fundamental MiFID II information rules. BETTER FINANCE now hopes that the work started by the EC with the CMU Action to improve the transparency of performance and fees of long-term savings will enable EU savers to be informed at long last on whether the products they are sold have ever provided any decent returns at all.

The focus on these regulations, as well as ongoing cases of mis-selling and investor abuse (think Volkswagen, Fortis, Bankia, etc.) also sparked some in-depth research by BETTER FINANCE in 2016, including a hard look at falsely active funds (“Closet Indexing”).

2016 also saw positive developments and BETTER FINANCE enthusiastically supported the proposal by the European Commission to launch a Pan-European Personal Pension product (PEPP). As it stands, European citizens are restricted to national markets where tax-incentives frequently discriminate against savings products emanating from other Member States. Differing national tax treatments and incentives for pension products are the main obstacle to the establishment of a Europe-wide market. Without such a standardised pan-European product that benefits from the same tax treatment across the EU, the ticking of the pension’s time bomb will grow louder very quickly.

## MAIN ONGOING PROJECTS & CAMPAIGNS

### **EUROVOTE**

The financial crisis of 2008 revealed significant deficiencies in corporate governance, partly due to a lack of shareholder engagement. To this day EU individual investors continue to face many obstacles in exercising their voting rights and actively engaging in the governance of

the companies they invest in, especially cross-border.

The European Commission’s Green Paper on the long-term financing of the European economy identified insufficient long-term shareholder engagement, in particular among institutional investors but also among individual ones, as an important obstacle. But, as it stands, the brand new Shareholder Rights Directive falls dismally short of addressing these issues. For this very reason an online tool to facilitate shareholder engagement across borders such as the EuroVote service by BETTER FINANCE is still indispensable.

EuroVote was developed in 2010 to help give small shareholders a voice in European companies and to test the implementation of the 2007 Shareholders Rights Directive. As an online information platform facilitating cross-border proxy voting within the EU, it makes it easier for shareholders to exercise their voting rights at General Assembly Meetings held in another EU country.

In 2016, the EuroVote service counted with about 1.500 issuers, up from 79 in 2015. Thanks to EuroVote, cross-border shareholders can pass on their proxies to the shareholder association based in the country where the General Assembly meeting of the company takes place.

The BETTER FINANCE member organisations attend hundreds of General Assembly meetings and vote on behalf of all shareholders who transferred their proxies to them according to our general voting guidelines developed for that purpose.

As long as the European Authorities do not make the exercise of shareholder voting rights across borders within the EU as easy as it is domestically (as, by the way, foreseen by the “single market” put forth 60 years ago by the Treaty of Rome), BETTER FINANCE will continue to highlight this





issue and ensure that at least the EuroVote platform is at their disposal.

## **CHECK YOUR FUND**



For years now the active management of investment funds has suffered criticism. Following years of persistent failure by the majority of “active” fund managers to outperform capital markets, the evidence in favour of index investing - also known as “passive management” - is building up.

Indeed, actual results tend to demonstrate that with high fees and scarce talent, it is almost impossible for active managers as a whole to outperform the market in the long-term.

Since there's a lot more money to be made from active management than from indexing, advisors and managers continued to spin the truth for years. But in the face of increasing evidence highlighting the disappointing performance of active management, fund managers sometimes turn to other tactics to justify the high fees.

Some turned to indexing and several financial institutions have steadily reduced fees by offering and promoting exchange-traded funds (ETFs) that track indices, offering a better deal in the long-term than a majority of “active” funds. Other managers have started resorting to practices such as “index hugging”... This allows them to limit the risk of underperformance by clinging to an index but without advertising the fact that, for all intents and purposes, they are charging “active management” fees for what

is essentially passive management. The practice of “closet indexing” is very misleading and the promotion and distribution of such funds causes substantial detriment because the investor is paying for a service that he or she is not receiving.

BETTER FINANCE repeatedly denounced this practice and in October 2014 lodged a request with the European Securities and Markets Authority (ESMA) for “closet indexing” to be investigated on a pan-European basis. Nearly a year and a half later, on February 2nd 2016, ESMA published a statement providing details of its work on potentially falsely active funds and released some of the long-awaited results of its investigation.

These results confirmed that investor detriment is possibly very serious since ESMA found that up to 188 funds - i.e. 15 % of the equity UCITS funds it analysed - could potentially be falsely active based on quantitative measures available, a number that could have been much higher had ESMA been able to collect metrics on all UCITS equity funds as well as all the other equity funds that are widely sold to retail investors such as alternative Investment funds (AIFs).

However, ESMA never disclosed the funds that were uncovered by its investigation as potentially falsely active, nor did it disclose in which countries they are domiciled, leaving EU investors in the dark.

This is why BETTER FINANCE decided to replicate the ESMA study as closely as possible and - based on the same quantitative analysis performed by ESMA - to disclose the list of the UCITS equity funds, including those that are potentially “closet indexers” according to the ESMA methodology, but also those that ESMA excluded from its analysis.

Following up on its replication of the ESMA investigation into Closet Indexing, BETTER FINANCE launched [www.checkyourfund.eu](http://www.checkyourfund.eu),



allowing stakeholders and individual investors to go through the results of the research and, in some cases, find out whether their investments are potentially falsely active according to the ESMA criteria. The database of the 2332 available funds is easily searchable by simply entering a fund's ISIN code.

Whereas not constituting a fully comprehensive and conclusive analysis of closet indexing in Europe, the searchable database can be an important tool for individual investors seeking to avoid detriment and a first step in the identification of closet trackers.

Our goal is to update this research and online tool and database tool and complement them with new findings.

Watch this space!

### **REAL RETURNS OF LONG-TERM & PENSION SAVINGS**



Investment and private pension products persistently remain one of the worst performing retail services markets of all throughout the European Union according to the European Commission's consumer markets scorecards. The Commission also points out that *"other reasons for not saving long-term are the often poor performance of financial intermediaries to deliver reasonable return and costs of intermediation"*.

That being said, pension savings appear to be one of the few retail services where

neither the customers nor the public supervisors are properly informed about the real net performance of the services rendered. Indeed, apart from the OECD (the Organisation for Economic Co-operation and Development) publications on the real return of certain "pension funds", BETTER FINANCE could not find recent comprehensive studies on the real returns of pension savings in the EU.

In 2013 BETTER FINANCE therefore initiated research into long-term savings and started to collect, analyse and report on the actual past performance of long-term and pension savings products. The "Private Pensions: the Real Return" report is updated and expanded upon on a yearly basis and now covers more than 85% of the EU population, measuring performance over 16 years.

Whereas crucial, it is clear that rehabilitating equity and bond investing for EU individual investors will not eliminate the need to improve the long-term net returns of intermediated - "packaged" - investment products which will - and should - remain the principal vehicles for individual long term financial savings. In this light it will be indispensable to address the acute lack of adequate, clear and reliable performance information.

BETTER FINANCE's study covers all long-term packaged products (occupational pension funds, life insurance, personal pension plans, etc.) that are actually used by EU citizens to save for retirement, and has exposed the underperformance of too many packaged products compared to inflation (the evolution of the cost of living) and to the underlying capital markets. A lot of these products have failed to protect the real value of EU savings (net of inflation) since the beginning of this century.



## **TRANSPARENCY OF PERFORMANCES OF INVESTMENT PRODUCTS (A CMU<sup>3</sup> ACTION)**

The new implementing rules for retail investment product disclosures (Key Information Documents or “KIDs” for “PRIIPs”) announced by the European Commission at the beginning of 2017, constituted a major step back in terms of investor protection, removing all requirements for standardised disclosure of the real past performance of products and of their benchmarks from the KID, replacing it with “future performance scenarios” instead.

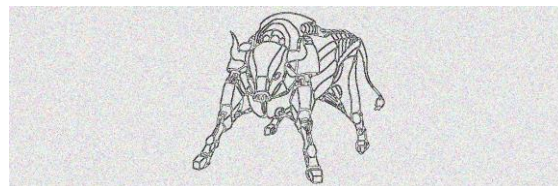
The new rules represent a substantial regression in investor protection in Europe. Individual investors will be left with unintelligible, misleading, non-comparable Key Information Documents (KID) for Packaged Retail and Insurance-based Investment Products (PRIIPs) and will not be able to find out whether a product has ever made or lost money, and whether it has performed better or worse than other comparable ones.

All of this is completely inconsistent with one of the key goals of the Capital Markets Union (CMU) initiative which calls for more transparency on performance. It is also contradictory to the reply that BETTER FINANCE received to its letter to the EC on these issues, stating that “[the EC] *agrees that information on past performance is of great relevance to form reasonable expectations on possible future outcomes – in particular if measured in a standardised and comparable manner*”.

The approach to the PRIIPs KID is indicative of the wider approach to transparency and disclosure by regulators and policy makers. For this reason BETTER FINANCE will continue to highlight the need to do more to

improve the transparency of the real (not putative) performance and fees of packaged retail investment products.

## **ROBO-INVESTING AND ADVICE**



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

<sup>3</sup> Capital Markets Union





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.

For all these reasons, BETTER FINANCE is keeping a close eye on developments in this emerging sector, publishing an annual report on the state of play among competing Robots and Cyborgs.

### **RESPONSES TO CONSULTATIONS, PARTICIPATION TO EXPERT CONSULTATION GROUPS AND OWN INITIATIVE POSITION PAPERS**

Throughout 2016 BETTER FINANCE responded to public authorities' consultations in the area of financial regulation impacting financial services users and non-industry stakeholders. This was achieved by relying on the expertise of our Brussels-based team and on our unique network of independent experts from our national member organisations. BETTER FINANCE also published own initiative position papers based on upcoming and relevant legislative measures and other issues related to financial services users that arose during the year.

In 2016 BETTER FINANCE maintained its leading role as a European end user / civil society organisation involved in the financial advisory groups to the EU authorities, having obtained and maintained

no less than 19 expert memberships in the European Commission's Financial Service User Group (FSUG) and in the ESAs<sup>4</sup> Stakeholder Groups alone. BETTER FINANCE experts were elected vice chairs of three of the four ESAs' Stakeholder Groups.

## **MEMBER ORGANISATIONS**

BETTER FINANCE advocates and defends the interests of financial services users and other independent stakeholders at European level, by promoting awareness, research and information in relation to «Investments, Savings and Personal Finances». To this end BETTER FINANCE brings together member organisations pursuing the same objectives in one organisation, structured on a supranational level all the while respecting the European principle of subsidiarity. BETTER FINANCE is composed of active, associate and honorary members.

Members help determine BETTER FINANCE's strategic and operational priorities by participating in the drafting of responses to public consultations and in General Assemblies. The General Assembly is composed of all BETTER FINANCE members and usually meets twice a year. Hereunder you will find a list of all our members listed alphabetically by country:

### **Austria - IVA - Interessenverband für Anleger**

The IVA Investors' Association is an independent advocacy group for private minority shareholders and investors. IVA can only enforce the rights of minority shareholders and investors effectively if they get together and pool their votes at general meetings.

[www.anlegerschutz.at](http://www.anlegerschutz.at)

<sup>4</sup> European Supervisory Authorities



## BF BETTER FINANCE

### **Belgium - VFB - Vlaamse Federatie van Beleggingsclubs en Beleggers**

The Flemish Federation of Investment Clubs and Investors is a non-profit organisation that informs individual investors and investment clubs on the management of financial assets. Communication, information and training focuses primarily on equities. The organisation has some 90 corporate and some 6000 paying individual members.

[www.vfb.be](http://www.vfb.be)

### **Bulgaria - Bulgarian Investors Association – Investassoc**

The Bulgarian Investors Association is protecting the interests and expanding the investment culture of retail investors. In addition it supports the development of the capital market in Bulgaria, the harmonisation of the Bulgarian legislation affecting corporate governance and capital market, thereby upholding the principles of awareness, transparency and integrity of the capital market.

[www.investassoc-bg.org](http://www.investassoc-bg.org)

### **Bulgaria - Bulgarian Financial Forum**

The Bulgarian Financial Forum (BFF) was founded in May 2004 and is a group of professionals, focussed on whistle-blowing and attracting public attention to bad practices in terms of consumer protection in the financial area and especially banking, insurance and pension insurance. BFF constantly increases its network of representatives, covering today 4 major towns of Bulgaria: Sofia, Varna, Bourgas and Plovdiv and negotiating with three others to be covered in the very near future.

[www.bfforum.org](http://www.bfforum.org)

### **Czech Republic - SCS - Sdružení českých spotřebitelů, o.s.**

SČS activities are focused on the regional dimension of security and development services in the field of consumer protection. This includes providing advice and ensuring the flow of information, but also and especially the development of contacts and cooperation with various stakeholders at regional level.

[www.konzument.cz](http://www.konzument.cz)

### **Denmark - DAF - Dansk Aktionærforening**

The Danish Shareholders Association is striving to promote shareholding among private investors and to become an active policy-maker and lobbyist regarding stock market questions.

[www.shareholders.dk](http://www.shareholders.dk)

### **Finland - Osakesäästäjien Keskusliitto ry**

The Finish Shareholders Federation is a national association of shareholders. Its purpose is to promote shares as savings and other personal asset management. The main tasks of the Alliance are lobbying and providing the right information to authorities and the general public.

[www.osakeliitto.fi](http://www.osakeliitto.fi)

### **France - FAIDER - Fédération des Associations Indépendantes de Défense des Epargnants pour la Retraite**

FAIDER is the French federation of investors and life insurance policy holders associations. It is a Federation of 15 associations counting in turn about 1.5 million individual members.

[www.faider.org](http://www.faider.org)



**France - A.D.A.M. - Association pour la défense des Actionnaires Minoritaires**

A.D.A.M. the Association of Minority Shareholders is an association founded in 1991 whose purpose is to defend the collective interests of investors. The president, Colette Neuville, represents about 5,000 members as investors.

[www.adamt.fr](http://www.adamt.fr)

**France - F2iC - Fédération Française des Clubs d'Investissement**

F2iC is the Federation of Individual Investors and Investment Clubs. It is an independent non-profit organisation that serves individual shareholders, members or investment clubs. In over 40 years F2iC has trained approximately 3 million individuals in the stock market.

[www.f2ic.fr](http://www.f2ic.fr)

**Germany - DSW - Deutsche Schutzvereinigung für Wertpapierbesitz**

DSW is Germany's oldest and largest association for private investors. Founded in 1947, DSW has a longstanding tradition in representing the interests of individual investors and in providing investment education. It has more than 30,000 members and represents them at more than 650 general meetings in Germany & abroad.

[www.dsw-info.de](http://www.dsw-info.de)

**Germany - Bund der Versicherten - BdV**

Bund der Versicherten e.V., the German Association of Insured, aims at safeguarding the interests of the insured as a consumer protection association, mainly by general information and advice for its members on insurances and pensions and by activities and measures controlling and implementing the compliance of insurers to the economic and judicial order. It was created in 1982 and has over 50.000 members.

[www.bunddersicherten.de](http://www.bunddersicherten.de)

**Iceland - Samtök sparifjáreigenda**

Samtök sparifjáreigenda - the Icelandic Savers Association - serves to protect the interests of investors towards the government, politicians, issuers of shares and other securities, the media and others that could affect the interests of investors. In addition, the association aims to promote interest in and knowledge of investment strategies and general savings. Samtök sparifjáreigenda is a full member of BETTER FINANCE.

<http://sparife.is/>

**Italy - Consumatori Associati**

The Association was set up in 2002 as a clearing house between companies and consumers. It maintains complete independence from political parties.

[www.consumatoriassociati.it](http://www.consumatoriassociati.it)

**Italy - Assorisparmio**

The Associazione Italiana Risparmianti - located in Milano - is the first Italian association to develop material and promote knowledge about capital markets and investment products among citizens. Assorisparmio supports non-institutional investors across Italy and provides its partners with advice and assurances, including in front of all competent courts.

[www.assorisparmio.org](http://www.assorisparmio.org)

**Lithuania - Lietuvos Vartotojų Institutas**

The Lithuanian Consumer Institute is a non-governmental non-profit organisation established in 2000. The goals of the Lithuanian Consumer Institute include the protection of consumers' economic and safety interests, education, training, promotion of fair commercial practices.

[www.vartotojai.lt](http://www.vartotojai.lt)





**Latvia and Lithuania - Lithuanian Investors / Lithuanian and Latvian Shareholders Association**

The Lithuanian and Latvian Shareholders Association promotes investment in the securities markets in Lithuania and Latvia. The association covers both Latvia and Lithuania.

[www.investuotojams.eu](http://www.investuotojams.eu)

**Luxembourg - INVESTAS asbl - Association Luxembourgeoise des Investisseurs Privés**

INVESTAS' mission is to promote savings, encourage investments and defend the interests of securities holders.

[www.investas.lu](http://www.investas.lu)

**Malta - Malta Association of Small Shareholders - MASS**

The Maltese Shareholders' Association is an independent organisation which represents the interests of individual shareholders in Malta.

<http://mass.org.mt/>

**Norway - Aksjonaerforeningen i Norge**

The Norwegian Shareholders Association represents and assists private shareholders in the Norwegian securities market.

Members of the Association answer questions, provide support and safeguard the interests of retail investors, companies, brokers, fund managers and the public.

Aksjonaerforeningen hosts a variety of events, seminars, conferences and lectures, and publishes the journal "shareholder".

[www.aksjonaerforeningen.no](http://www.aksjonaerforeningen.no)

**Poland - SII - Stowarzyszenie Inwestorów Indywidualnych**

SII the Polish Association of Individual Investors is the largest organisation of stock

investors in Poland, operating since 1999. It focuses on the comprehensive support of investors through education and analysis, conferences and training, and legal activities.

[www.sii.org.pl](http://www.sii.org.pl)

**Portugal - ATM - Associacao dos Investidores e Analistas Técnicos do Mercado de Capitais - ATM**

ATM - the Portuguese Investor Association was founded in 1998 with the main objective of providing training and information to investors in the capital market and to further promote investment.

[www.associacaodeinvestidores.com](http://www.associacaodeinvestidores.com)

**Romania - AIPC - Romanian Capital Market Investors Association**

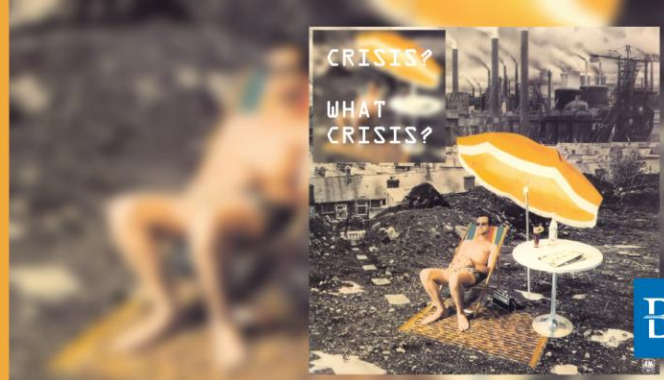
The AIPC is an independent organisation which represents the interests of private investors in Romania. Apart from helping private investors to invest more wisely, the AIPC campaigns to protect the rights of shareholders in public companies and promotes improved standards of corporate governance.

[www.aipc.ro](http://www.aipc.ro)

**Romania - AURSF - Asociata Utilizatorilor Romani de Servicii Financiare**

AURSF aims at representing the interests of Romanian financial services' users at national and European levels. AURSF focuses on solving key issues that greatly affect Romanian investors such as the personal bankruptcy law and restrictions on abusive practices of debt collectors, fighting for a clearer framework for taking collective action against abusive clauses and for the introduction of caps on interest rates.

[www.aursf.ro](http://www.aursf.ro)



**Romania - AARO - Asociatia Actionarilor Din Romania**

Romanian Shareholders Association

[www.aaro.ro](http://www.aaro.ro)

**Russia - USIR - Russian Union of Shareholders and Investors**

USIR, the Russian Union of Shareholders and Investors, is focusing on improving financial literacy of minority shareholders through the exchange of best practice. In addition, USIR monitors the activities of management boards of major shareholders of companies, implements new forms of international cooperation to protect the rights and interests of minority shareholders, and facilitates the exchange of experience between the Russian stock market and their counterparts from other countries.

[www.fingramota.com](http://www.fingramota.com)

**Slovakia - Institute of Savings and Investment**

The Institute of Savings and Investment is an independent, non-political and non-profit association concerned with the education of and support for its members in relation to financial markets. The purpose of the ISI is to support and provide educational activities related to investing and trading on international financial markets. To this end ISI publishes educational material and provides mentoring activities aimed at developing expertise and knowledge in financial matters.

[www.mojeuspority.sk](http://www.mojeuspority.sk)

**Slovenia & Croatia - Vseslovensko združenje malih delničarjev**

VZMD is a non-governmental organization representing the rights and interests of minority shareholders in the Republic of Slovenia. It is trustworthy and respected partner both in preparing legislation in the

area as well making decisions on the future of many companies and in a broader social, European and international context.

[www.vzmd.si](http://www.vzmd.si)

**Spain - ADICAE - Asociacion de Usuarios de Bancos Cajas y Seguros**

ADICAE is a Spanish consumer organisation specializing in the protection, training, complaint, claim information and the rights of banking and insurance service users.

ADICAE was founded in 1990 and has established itself as one of the largest consumer associations with a nationwide presence. ADICAE is member of the Council of Consumers and Users of Spain and represents consumers on the Advisory Committee of the National Stock Exchange and on the Advisory Board of the Department of Insurance.

[www.adicae.net](http://www.adicae.net)

**Spain - AEMEC - Asociación Española de Accionistas Minoritarios de Empresas Cotizadas**

AEMEC, the Spanish Association of Minority Shareholders of Listed Companies, is a non-profit organization created to defend and protect the interests of minority shareholders, creating channels of communication between listed companies and their shareholders and encourage effective participation and exchange generating a climate that encourages associative collective defence of shareholder rights.

[www.aemec.eu](http://www.aemec.eu)

**Sweden - Aktiespararna - Swedish Shareholders Association**

Aktiespararna, founded in 1966, is an NGO with some 60.000 individual and paying members. SARF focuses on consumer protection by lobbying for legislation that promotes and defends private investments



in shares and related products. Companies in the market are monitored and SARF members professionally represented at close to 500 GAM's each year. The private long-term investment strategy is conveyed through extensive information in the monthly house journal "Aktiespararen" (the Investor) and through training seminars and website programs. Across the country some 150 local clubs offer close to 1.000 meetings each year with company presentations and market comments. The affiliated youth organization "Young Shareholders" manages a nationwide PPP-project on private economy and investments for high school students with 20.000 participants.

[www.aktiespararna.se](http://www.aktiespararna.se)

#### **United Kingdom - ShareSoc**

ShareSoc is dedicated to the support of individual investors - private shareholders - as opposed to institutional investors although directors or employees of institutions can join as individual members if they wish.

[www.sharesoc.org](http://www.sharesoc.org)

#### **United Kingdom - UKSA - UK Shareholders Association**

UKSA, the UK Shareholders' Association, is the independent organisation which represents the interests of private shareholders in the United Kingdom. Apart from helping private shareholders to invest more wisely, UKSA campaigns to protect the rights of shareholders in public companies and promotes improved standards of corporate governance.

[www.uksa.org.uk](http://www.uksa.org.uk)

#### **International Associate Members**

##### **EFES - European Federation of Employee Share Ownership**

The European Federation of Employee Share Ownership acts as the umbrella organisation of employee shareholders and all companies, persons, trade unions, experts, researchers, institutions looking to promote employee ownership and participation in Europe. EFES in turn has many member organisations from civil society including trade unions and other employee organisations.

[www.efesonline.org](http://www.efesonline.org)

##### **CFA Institute**

The CFA Institute is the largest global association that certifies financial analysts with more than 115,000 members working to shape an investment industry where investors' interests come first, financial markets function at their best, and economies grow.

[www.cfainstitute.org](http://www.cfainstitute.org)

**Cameroon** - Association de Défense des Actionnaires Minoritaires du Cameroun

**Lebanon** - Lebanese Investors Association





## FINANCIAL OVERVIEW

### BETTER FINANCE expenses in 2016

1 - Staff costs	€ 357.930
2 - Travel and subsistence costs	€ 20.409
3 - Depreciation costs of equipment or other assets	€ 2.205
4 - Other costs, services	€ 128.931
<b>Total 2016 costs</b>	<b>€ 509.480</b>

### BETTER FINANCE income in 2016

1 - Membership fees	€ 125.411
2 - Partnering	€ 70.700
3 - EU grant	€ 277.882
4 - Other	€ 28.510
<b>Total 2016 income</b>	<b>€ 502.504</b>

## MEET THE TEAM



**JEAN BERTHON** is President of BETTER FINANCE and since January 2009 President of FAIDER, the federation of savers and life insurance policy holders in France. He is a financial expert for the European Commission serving as Alternate of the Financial Services User Group. He is also expert in several committees and working groups of the European Securities and Markets Authority (ESMA), the French Financial Markets regulator (AMF) and the French Banking, Insurance and Pensions regulator (ACP). He also serves as Officer in the Groupe Consultatif Actuariel Européen, the European organisation of actuaries.

He started his career as an actuary at Caisse des Dépôts et Consignations in France, and worked in several French Banks, most recently as Chairman and Managing

Director of Demachy-Worms & Cie Gestion. Mr Berthon also founded and is Vice Chairman of the Board of Directors of la Fondation du Risque, a French foundation which aims to finance and develop academic and business oriented research in risks.



**JELLA BENNER-HEINACHER** is Vice-President of BETTER FINANCE and managing director of the Deutsche Schutzvereinigung für Wertpapierbesitz (DSW),

the leading shareholder association in Germany. As a German attorney who studied in France, Switzerland and the U.S., she is responsible for international activities.

Ms Benner-Heinacher is also chairwoman of the European Corporate Governance Services (ECGS) in London, and a member of the Stock Exchange Board in Düsseldorf. Furthermore she is responsible for Corporate Governance issues as well as for DSW's participation in the legislation procedure at both national and international level. Additionally, she is a member of the supervisory boards of K+S AG, and A.S. Creation AG.



**AXEL KLEINLEIN** is vice president of BETTER FINANCE and spokesman of the German Association of the Insured (BdV) since

2011 (with a short interruption in 2013). He was born in 1969 near Würzburg.

After finishing his studies in mathematics at the University of Cologne and at the Free University of Berlin, he worked as an actuary for Allianz Lebensversicherung in Stuttgart (in 1998-1999). From 2000 on he was responsible for the section of life insurances of Stiftung Warentest in Berlin, the most important public foundation for



product ratings in Germany. Three years later he went to Assekurata Assekuranz Rating-Agentur in Cologne, where he published several studies on the life insurance industry and was also in charge of public relations. In 2004 Mr. Kleinlein founded Math Concepts in Berlin, his own research company specialized in insurance mathematics and journalism. In 2007 he additionally worked as a specialist on retirement provision and capital investments for VZBV (Federal Association of Consumer information Centers - the state's "consumer voice") in Berlin.

As Spokesman of BdV he is entirely responsible for the presence of BdV in the mass-media and for the representation of BdV in those public institutions and organizations linked to insurance issues in which consumer interests ought to be represented at the federal level (like VZBV and the insurance ombudsman).

Furthermore, as Spokesman of BdV, he is invited to expert hearings by committees of the German Federal Parliament (Bundestag). He is responsible for all BdV comments on draft legal acts or regulations at the national level (by Federal Ministries of Justice, of Finance or others) and on the European level (mainly for EIOPA and the other ESAs).



**LARS MILBERG** is vice president of BETTER FINANCE and former Board Member of Aktiespararna (CEO: Joacim Olsson), the leading shareholder association in Sweden.



**GUILLAUME PRACHE** is the Managing Director of BETTER FINANCE, the European Federation of Investors and Financial Services Users. He is also one of the experts representing financial

services users before the European Commission (as member and vice chair of the Financial Services User Group – FSUG), before the European Securities & Markets Authority (as member and former chair of the ESMA Securities & Markets Stakeholder Group), before the European Insurance and Occupational Pensions Authority (as member of the EIOPA Occupational Pensions Stakeholder Group) and before the French financial regulator AMF.

He started as a magistrate at the French Court of Auditors, and has an extended and international experience in financial matters, most recently as Chief Financial Officer of US-based Rhône-Poulenc Rorer, Inc., a "Fortune 500" publicly-listed pharmaceutical company (today Sanofi) from 1997 to 2000, and then as Managing Director of the European subsidiary of the Vanguard Group, Inc., a global leader in asset management, from 2000 to 2006.

He has taught asset management for the CIWM (Certified International Wealth Manager) program, and wrote two books (and various articles on economics and finance).



**ARNAUD HOUDMONT** joined the team at BETTER FINANCE as its Chief Communications Officer following a varied and multi-faceted career in the world of communication, press relations and research at the heart of Europe. During this time he worked closely with policy makers from the European Commission, the European Parliament and private sector stakeholders on topics such as youth employment, entrepreneurship, health policy, sustainability and innovation. Prior to this he earned a master's degree in Global Communication from Goldsmith's College (University of London) and a bachelor's



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degree in International relations from Sussex University.

At BETTER FINANCE Arnaud is responsible for all communications activities and the continued development of an inclusive communication strategy aimed at reaching all interested parties and stakeholders. He speaks fluent Dutch, English and French and has a very good working level of Spanish.

Arnaud is a member of the European Crowdfunding Stakeholder Forum (ECSF), formed to assist the EC in developing policies for this upcoming form of capital formation.



**SIBILLE ALLGAYER** is Finance and Administration Officer of BETTER FINANCE. Before joining the BETTER FINANCE team, Sibille Allgayer worked on EC-funded projects for an international development consultancy as well as various NGOs. She has worked on topic including public financial management, good governance, socio-economic development and migration, thereby gaining a good understanding of EC regulations and financial procedures, as well as wider project management experience. Sibille has a master's degree in International Relations from Sussex University, UK, and a bachelor's degree in Development Studies and

Economics from the School of Oriental and African Studies (University of London).

At BETTER FINANCE, Sibille is in charge of the administrative and financial aspects of the organisation. She is fluent in French, English and German.



**ÁLEX RODRÍGUEZ TOSCANO** is Policy Officer at BETTER FINANCE. He earned a bachelor's degree in economics at Carlos III university of Madrid (Spain), doing his last year at Kingston university of London (United Kingdom).

He then enrolled in an MSc on Development and International Relations at Aalborg University (Denmark). As part of this master's degree he did a professional internship at Autonomous university of Madrid (Spain), where he published another paper on Spanish investments in Latin America. His final thesis was about the internationalization of firms through M&A.

He has worked as an economic consultant for Cordillera Ltda, Fresno Consultancy and in the Savings and Investment department at ADICAE, the Spanish Consumer and Banking User's Association. Alex speaks Spanish, English and French, and has notions of Portuguese.



# **BF BETTER FINANCE**

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



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