



EFPA Think Tank Prague 2018



CURRENT SITUATION OF FINANCIAL SERVICES



Just exiting the
banking crisis and
consolidation



Increasingly, a
European sector
with European rules
and solutions



A mass of distrustful
customers on need
of renewed trust
in the financial sector



Enormous challenges
ahead for banking
and financial services

CHALLENGES AHEAD



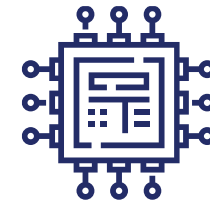
Regulation

High compliance requirements of macro and micro prudential regulation (including professional qualifications for those dealing with customers)



Demand transformation

Of qualified advice and services providing more value for money



Digitalization

Robo-advice solutions to support personal advice and to help reduce advice gaps

EFPA: COMPETENCES, ETHICS, COMPLIANCE, PROFESSIONAL QUALITY



The EFPA BENCHMARK



Guaranteed knowledge and competences through independent certification and CPD



A quality standard all over Europe



Ethical standards to add trust



ESMA compliant, focus on self-regulation, full professionalization



ESMA and national supervisors' compliant through 4 levels of certifications of qualifications



A European professional response to regulatory and market threats for financial advice and planning, back in 2000

EFPA BRIEF INTRODUCTION

- ▶ +40,000 certificate holders
- ▶ 12 countries+
- ▶ Over 70 corporate partners
- ▶ Over 100 accredited universities and training centers
- ▶ Local and European events
- ▶ Links to regulators and other stakeholders
- ▶ Independent SQC (Standards and Qualifications Committee)
- ▶ Structures for continuing education and CPD

EFPA COMMUNITY

EFPA membership is the result of a detailed and demanding affiliation process to **ensure the standards are applied** alike in each country with equivalent programs, exams, continuous education for recertification and code of ethics.

EFPA Affiliates may also promote the standards outside their respective countries.

By doing so, EFPA is also present in other European and non European countries.



COUNTRY	EFP	EFA	EIP	EIA	2017
Austria		947			947
CZ Republic		262			262
Estonia					
France	1069	1230			2299
Germany		241			241
Ireland					
Italy	132	3392			3524
Poland	101	402			503
Spain	422	13540	3388	85	17435
UK					
TOTAL	1724	20014	3388	85	25211

COUNTRY	2016	2017	2018*
Austria	1012	947	1231
CZ Republic	206	262	333
Estonia			40
France	1774	2299	2979
Germany	242	241	1600
Hungary			50
Ireland			
Italy	3331	3524	4428
Poland	412	503	614
Spain	13252	17435	22938
UK			18000
TOTAL	20229	25211	52214

ESTIMATES EFPA CERTIFICATES HOLDERS FOR 2018 (*)



(*) According to information received as per May 1st, 2018, or, in absence of info, using the same increase in 2018 than in 2017 plus (in Italy and Spain) DAF/DEFS transformation to EIP

THE 4 EFPA STANDARDS AND LEVELS OF CERTIFICATION



European Financial Planner™ (EQF 6)

Highest standard. Integrated practice of financial planning including estate planning, international taxation, retirement and insurance needs, integration of their own business valuation, in addition to a holistic financial advice. The educational programs should be covered in a minimum of 40 classroom days or 320 tuition hours or equivalent.



European Financial Adviser™ (EQF 5)

Full (comprehensive) practice of financial advice. Refers to professionals who offer a rigorous service of assessing clients needs and developing financial solutions, particularly concerning investments (at portfolio level), but also including insurance / retirement / credit / financing solutions. The educational programs should be covered in a minimum of 20 classroom days or 160 tuition hours or equivalent.



European Investment Practitioner™ (EQF 4)

Certification designed to meet the requirements set by art.18 of the ESMA Guidelines in knowledge and competences for staff giving investment advice. The training programs should be covered in a minimum of 10 classroom days or 80 tuition hours or equivalent.



European Investment Assistant™ (EQF 3)

Certification designed to meet the requirements set by art. 17 of the ESMA guidelines on Knowledge and competences for staff giving information about investment products, investment services or ancillary services. The training program should be covered in a minimum of 5 classroom days or 40 tuition hours or equivalent.

BENEFITS OF EFPA CERTIFICATES FOR FINANCIAL INSTITUTIONS AND PROFESSIONALS

- ▶ **Improve staff competences:** deeper understanding of financial products and better capability to explain them to clients.
- ▶ **Compliance** (Specially under new European regulation).
- ▶ Increase the **effectiveness** of professional **training through certification**.
- ▶ Increase **self-confidence** when dealing with clients.
- ▶ Continuing **professional development**.
- ▶ European standards and growing **network**.

EFPA SYNTHESIS



Setting standards



Ethics commitment



Certification body



For financial advice and
planning in European
financial services



Continuous education



Let's talk!

Prof. EMANUELE CARLUCCIO
EFPA CHAIRMAN



EFPA THINK TANK SUMMARY





TOPICS

- > 1. How to build a questionnaire and how to present it to the client?
- > 2. How to choose the best portfolio and fulfil customer needs?
- > 3. How to monitor the investment solution and how to do post-sale activity?



RESULTS

> WE GOT 16 CONTRIBUTIONS

- > 1. How to build a questionnaire and how to present it to the client?
 - > **8 contributions**
- > 2. How to choose the best portfolio and fulfil customer needs?
 - > **6 contributions**
- > 3. How to monitor the investment solution and how to do post-sale activity?
 - > **2 contributions**



RESULTS (2)

> 1. How to build a questionnaire and how to present it to the client?

> CHALLENGES:

- > Asymmetric information between advisors and clients.
- > Sometimes too sophisticated questions (technical oriented questions).
- > Customers' needs might change during the process.
- > Not clear the risk tolerance/no behavioral aspect/not possible to select „no answer“

> SOME SOLUTIONS:

- > Provide information not only one time: every time customers needs change.
- > Ease the visualisation of the portfolio → Currently too mathematical/statistical → Fintech
- > Simplify it → use basic terminology, focused on behavioral biases (How?)
- > Focusing to improve layout format (different colors, font, etc.)

Ich bin 50 Jahre alt und möchte langfristig Geld anlegen.

Mein Nettoeinkommen pro Monat beträgt 5.000 €.

Meine Ausgaben pro Monat betragen 2.500 €.

Meine Reserven reichen für 36 Monate, um selbst unvorhergesehene Ausgaben und Verpflichtungen zu decken.

Mein frei verfügbares Vermögen für Anlagezwecke beträgt 50.000 €.

Davon möchte ich 50.000 € einmalig und zusätzlich (optional) _____ € monatlich bei quirion zum Vermögensaufbau anlegen.

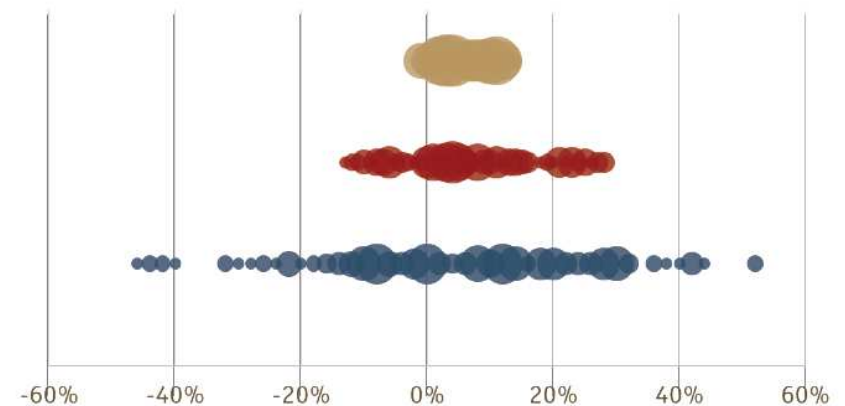
Meine Risikotoleranz ist sehr gering

GLOBALES ANLAGEPORTFOLIO 20 % AKTIEN / 80 % ANLEIHEN



*Erwartete Rendite p. a., nach Kosten: Beachte, dass Simulationen und historische Werte keine verlässlichen Indikatoren für eine künftige Wertentwicklung sind.

Max Gewinn 23,3 % p. a. Max Verlust -8,0 % Erholungszeit 18 Mon.



7

3

1



RESULTS (2)

> 2. How to choose the best portfolio and fulfil customer needs?

> CHALLENGES:

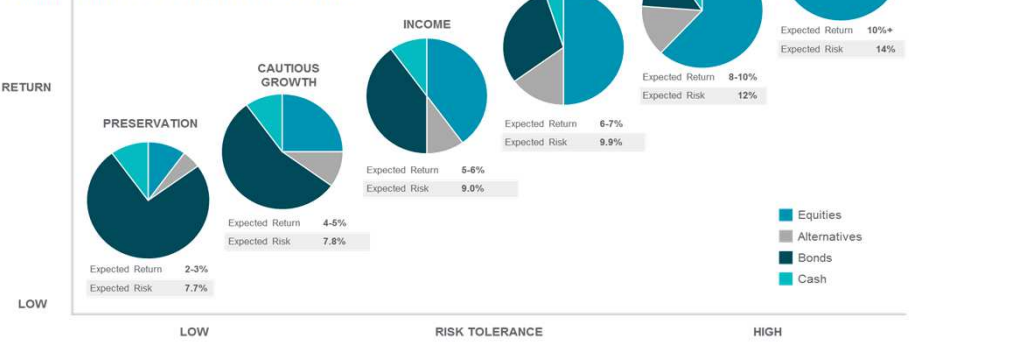
- > Proceed from the questionnaire and life situation of client.
- > Asset allocation, liquidity requirements → what is the risk tolerance level?
- > How the client understands and feels the risk?
- > How to combine all asset classes?

> SOME SOLUTIONS:

- > Each client has the same Nobel portfolio.
- > Set a target return.
- > Explain the impact of risk and type of risks.
- > Diversification by using also negative correlation (not only geographic, but currencies, sectorial, etc.)
- > Combination of both active/passive investments.

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	4Q13	Cum.	Ann.
REITs 31.6%	MSCI EME 34.5%	REITs 35.4%	MSCI EME 39.8%	Barclays Agg 5.2%	MSCI EME 79.0%	REITs 27.9%	REITs 8.3%	REITs 19.7%	Russell 2000 38.8%	S&P 500 10.5%	MSCI EME 197.7%	MSCI EME 11.5%
MSCI EME 26.0%	DJ UBS Cmdty 21.4%	MSCI EME 32.6%	DJ UBS Cmdty 16.2%	Cash 1.8%	MSCI EAFE 32.5%	Russell 2000 26.9%	Barclays Agg 7.8%	MSCI EME 18.6%	S&P 500 32.4%	Russell 2000 8.7%	Russell 2000 138.3%	Russell 2000 9.1%
MSCI EAFE 20.7%	MSCI EAFE 14.0%	MSCI EAFE 26.9%	MSCI EAFE 11.6%	Market Neutral 1.1%	REITs 28.0%	MSCI EME 19.2%	Market Neutral 4.5%	MSCI EAFE 17.9%	MSCI EAFE 23.3%	MSCI EAFE 5.7%	REITs 128.5%	REITs 8.6%
Russell 2000 18.3%	REITs 12.2%	Russell 2000 18.4%	Market Neutral 9.3%	Asset Alloc. -24.0%	Russell 2000 27.2%	DJ UBS Cmdty 16.8%	S&P 500 2.1%	Russell 2000 16.3%	Asset Alloc. 14.9%	Asset Alloc. 4.6%	S&P 500 104.3%	S&P 500 7.4%
Asset Alloc. 12.5%	Asset Alloc. 8.3%	S&P 500 15.8%	Asset Alloc. 7.4%	Russell 2000 -33.8%	S&P 500 26.5%	S&P 500 15.4%	Cash 0.1%	S&P 500 16.0%	Market Neutral 7.9%	Market Neutral 3.8%	MSCI EAFE 104.1%	MSCI EAFE 7.4%
S&P 500 10.9%	Market Neutral 6.1%	Asset Alloc. 15.2%	Barclays Agg 7.0%	DJ UBS Cmdty -35.6%	Asset Alloc. 22.2%	Asset Alloc. 12.5%	Asset Alloc. -0.6%	Asset Alloc. 11.3%	REITs 2.9%	MSCI EME 1.9%	Asset Alloc. 100.1%	Asset Alloc. 7.2%
DJ UBS Cmdty 9.1%	S&P 500 4.9%	Market Neutral 11.2%	S&P 500 5.5%	S&P 500 -37.0%	DJ UBS Cmdty 18.9%	MSCI EAFE 8.2%	Russell 2000 -4.2%	Barclays Agg 4.2%	Cash 0.0%	Cash 0.0%	Market Neutral 62.7%	Market Neutral 5.0%
Market Neutral 6.5%	Russell 2000 4.6%	Cash 4.8%	Cash 4.8%	REITs -37.7%	Barclays Agg 5.9%	Barclays Agg 6.5%	MSCI EAFE -11.7%	Market Neutral 0.9%	Barclays Agg -2.0%	Barclays Agg -0.1%	Barclays Agg 56.0%	Barclays Agg 4.5%
Barclays Agg 4.3%	Cash 3.0%	Barclays Agg 4.3%	Russell 2000 -1.6%	MSCI EAFE -43.4%	Market Neutral 4.1%	Cash 0.1%	DJ UBS Cmdty -13.3%	Cash 0.1%	MSCI EME -2.3%	REITs -0.2%	Cash 17.1%	Cash 1.6%
Cash 1.2%	Barclays Agg 2.4%	DJ UBS Cmdty 2.1%	REITs -15.7%	MSCI EME -53.2%	Cash 0.1%	Market Neutral -0.8%	MSCI EME -18.2%	DJ UBS Cmdty -1.1%	DJ UBS Cmdty -9.5%	DJ UBS Cmdty -1.1%	DJ UBS Cmdty 9.0%	DJ UBS Cmdty 0.9%

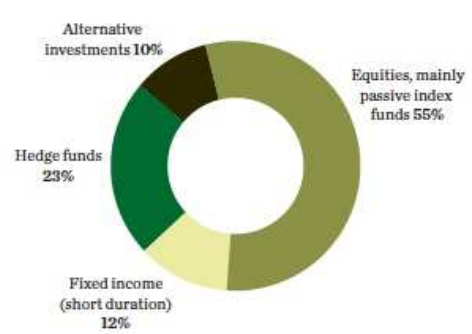
Source: Russell, MSCI, Dow Jones, Standard & Poor's, Credit Suisse, Barclays Capital, NAREIT, FactSet, J.P. Morgan Asset Management. The "Asset Allocation" portfolio assumes the following weights: 25% in the S&P 500, 10% in the Russell 2000, 15% in the MSCI EAFE, 5% in the MSCI EM, 25% in the Barclays Capital Aggregate, 5% in the Barclays 1-3m Treasury, 5% in the CS/Tremont Equity Market Neutral Index, 5% in the DJ UBS Commodity Index and 5% in the NAREIT Equity REIT Index. Balanced portfolio assumes annual rebalancing. All data represent annual return for stated period. Past performance is not indicative of future returns. Data are as of 12/31/13, except for the CS/Tremont Equity Market Neutral Index, which reflects data through 11/30/13. "10-yr" returns represent period of 1/1/04 - 12/31/13 showing both cumulative (Cum.) and annual (Ann.) over the period. Please see disclosure page at end of index definitions. *Market Neutral Returns include estimates of the impact of market movements on the Markets - U.S. Data are as of 12/31/13.



WARNING: Forecasts are not a reliable guide to future performance. There is no guarantee that portfolios will achieve their expected return.

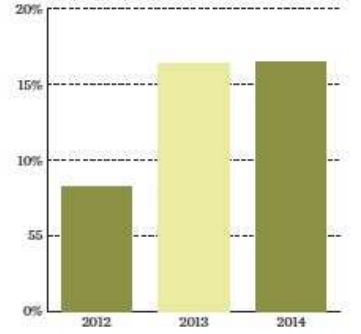
Source: Davy

Asset allocation



Source: The Nobel Foundation (asset allocation: end 2014)

Returns (%)



Asset	Average Return	Volatility	Corolation	% of portfolio	contribution to P
Europe equities	8%	30%	Base	20%	1.600%
Global Equities	7%	25%	1	15%	1.050%
Europe Bonds	3%	23%	1	5%	0.150%
US real estate	8%	5%	0	10%	0.800%
Europe real estate	4%	5%	0	10%	0.400%
P to P investing	7%	0%	0	10%	0.700%
Leasing fund	6%	1%	0	10%	0.600%
Long term care fund	10%	5%	0	10%	1.000%
RE & lending	10%	5%	0	10%	1.000%
Gold	2%	30%	-1	0%	0.000%
Oil	2%	30%	-1	0%	0.000%
Target return				100%	7%
Average		13%			



RESULTS (3)

> 3. How to monitor the investment solution and how to do post-sale activity?

> CHALLENGES:

- > Changing the life situation/education level/risk perception.
- > More/less disposable liquidity.
- > Reach the investment goal.
- > Rapidly changing on the market – behavioral aspect.

> SOME SOLUTIONS:

- > Warn the client on specific issues linked with selected solution (liquidity, potential profit/loss, level of risk, etc.)
- > Periodic/annual meetings with the client.
- > Reporting to the client.
- > Improve client 's financial education.



CONCLUSIONS

- > There is not just one correct solution.
- > Knowledge and experience of the advisor is key, but also his/her approach to the risk.
- > The questionnaire does not cover all the issues (behavioral biases).
- > Too algorithmical/mathematical approach.
- > Is advisor/clients portfolio flexible enough to offer a fast reaction if changes in the market?