

MEMO# 31384

September 13, 2018

European Supervisory Authorities' Report on Automation in Financial Advice

[31384]

September 13, 2018 TO: ICI Global EU Capital Markets Union Task Force
ICI Global Regulated Funds Committee
International Operations Advisory Committee RE: European Supervisory Authorities' Report
on Automation in Financial Advice

On 5 September 2018, the Joint Committee (JC) of the European Supervisory Authorities (ESAs) published its second report (“the report”) on developments in the automation of financial advice.[\[1\]](#) The report follows an earlier discussion paper (DP) in 2015[\[2\]](#) and a first report in 2016.[\[3\]](#)

The report presents the results of a monitoring exercise undertaken by the ESAs into the development of automated financial advice.[\[4\]](#) The monitoring exercise, carried out through a survey of domestic regulators across the EU (“national competent authorities”), revealed the following high-level findings:

- The overall number of firms and customers involved in automated financial advice is still quite limited;
- The risks and benefits of automated financial advice identified by the ESAs in the development of the DP and first report seem to be still valid;
- Automated financial advice services are being offered, through partnerships, by established financial intermediaries, rather than by pure FinTech firms; and
- While some new trends seem to have emerge (such as the use of Big Data, chatbots and extension to a broader range of products) there seems to have been no substantial change to the overall market since the first report.

The report also contains summaries of recent sectoral work carried out by the ESAs in the area of automation in financial advice, including guidelines produced by ESMA on certain aspects of the MIFID II suitability requirements.[\[5\]](#) The results of the monitoring exercise are also presented in more detail.[\[6\]](#)

On the basis of the above findings, the ESAs have concluded that no immediate follow-up actions are required by the ESAs and further monitoring will only be done if and when the development of the market and market risks warrant this.

Giles Swan
Director of Global Funds Policy, ICI Global

endnotes

[1] Joint Committee Report on the results of the monitoring exercise on ‘automation in financial advice, 5 September 2018, available from <https://esas-joint-committee.europa.eu/Publications/Reports/JC%202018%2029%20-%20JC%20Report%20on%20automation%20in%20financial%20advice.pdf>

[2] Joint Committee Discussion Paper on automation in financial advice, 4 December 2015, available from https://www.esma.europa.eu/sites/default/files/library/jc_2015_080_discussion_paper_on_automation_in_financial_advice.pdf

[3] Joint Committee Report on automation in financial advice, 16 December 2016, available from [https://esas-joint-committee.europa.eu/Publications/Reports/EBA%20BS%202016%20422%20\(JC%20SC%20CPFI%20Final%20Report%20on%20automated%20advice%20tools\).pdf](https://esas-joint-committee.europa.eu/Publications/Reports/EBA%20BS%202016%20422%20(JC%20SC%20CPFI%20Final%20Report%20on%20automated%20advice%20tools).pdf)

[4] This is broadly defined by the ESAs as “advice provided to consumers without, or with little, human intervention... and instead (relying) on computer-based algorithms and/or decision trees.”

[5] https://www.esma.europa.eu/sites/default/files/library/esma35-43-869-_fr_on_guidelines_on_suitability.pdf

[6] Section B, the Report