Date: 4 December 2015
JC/2015/087

PRESS RELEASE

ESAs seek stakeholder input on automation in financial advice

The Joint Committee of the three European Supervisory Authorities (ESAs) – EBA, EIOPA and ESMA – has launched a *Discussion Paper on automation in financial advice*, aimed at assessing what, if any, action is required to harness the potential benefits of this innovation and mitigate its risks.

The ESAs have seen, with the increasing digitalisation of financial services, a growing number of financial institutions offering automated tools when providing advice or recommendations to consumers, often referred to as *robo-advisors*. These could potentially change the way consumers and financial institutions interact when buying or selling financial products.

The Discussion Paper explains the concept of automation in financial advice, where a financial institution provides advice or recommendations to consumers without, or with very little, human intervention and relies instead on computer-based algorithms and/or decision trees, and highlights potential benefits and risks associated with this particular innovation.

Steven Maijoor, Chair of the Joint Committee, said:

> “Financial innovation is important and, at its best, contributes to economic growth. However, this can only be achieved and sustained where consumers have confidence in such innovations. Our role as European Supervisory Authorities is to monitor new financial activities and to take action where appropriate.
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> “In this Discussion Paper, we recognise that markets are evolving and we want to open up the debate about this potential shift in the way financial institutions interact with consumers.”

The potential benefits the ESA’s have identified include lower costs, higher consistency of advice and a bigger number of customers that can be reached. While the potential risks could include the inability of consumers to talk to a human advisor who can guide them through the process and provide clarifications, as well as the increased vulnerability to various types of IT failures.

The Discussion Paper is available on the websites of the three ESAs: EBA, ESMA and EIOPA. The closing date for responses is 4 March 2016.

JOINT COMMITTEE OF THE EUROPEAN SUPERVISORY AUTHORITIES

Notes for editors

1. The Joint Committee is a forum for cooperation that was established on 1 January 2011, with the goal of strengthening cooperation between the three European Supervisory Authorities (European Banking Authority, European Securities and Markets Authority and European Insurance and Occupational Pensions Authority).

2. The Joint Committee allows the ESAs to cooperate in ensuring consistency in their practices. In particular, the Joint Committee works in the areas of consumer protection and financial innovation; supervision of financial conglomerates, accounting and auditing; micro-prudential analyses of cross-sectoral developments, risks and vulnerabilities for financial stability; and measures to combat money laundering.

3. The three ESAs are mandated in Article 9 of their respective founding regulations to “monitor new and existing financial activities”, “adopt guidelines and recommendations with a view to promoting the safety and soundness of markets and convergence of regulatory practice”, and to “bring together all relevant competent national supervisory authorities with a view to achieving a coordinated approach to the regulatory and supervisory treatment of new or innovative financial activities”.

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