

■ EDITORIAL

Stock market investment fees: clarity and protection of investors' interests

The AMF monitors the fees charged to stock market investors through its Household Savings Observatory. The observation is that there has been a moderate downward trend in fees.

For retail investors in equities, the arrival of European "neobrokers" has been accompanied by the promotion of extremely low fees and a renewed decline in the average brokerage fees charged by online brokers, after several years of stability.

Investor protection concerns arise when the profitability of such offers is primarily dependent on clients trading large volumes.

The playful nature of trading applications must not lead to excessive "gamification", minimising risks and favouring a highly speculative and short-term vision of stock market investment, which should instead be well thought out and diversified.

The AMF supports the European Commission's proposal to end the practice of payments for order flow, whereby some intermediaries are paid by a third party based on the number of orders processed.

On the collective investment front, the slow but steady downward trend in fees continues. However, there are wide variations in pricing practices. Ongoing fees for French equity funds average 1.7% per year; however, fees are below 1% for some funds and above 3% for others.

Given the impact of these fees on medium- and long-term investment performance, it is in the investor's best interest to compare the fees of funds with similar investment strategies before investing in a particular fund.

Legibility of fees, which could be improved, and fair pricing for the services provided are important issues for the regulator. The fees charged must protect the interests of the investor in accordance with the regulations.

The AMF will support any initiative that gives retail investors an easy, understandable way to see an all-inclusive fee schedule for all savings products sold. ■

■ FOCUS

Equity investment: still many young newcomers in 2021

The under-35s accounted for a third of new investors in 2021.

The number of young people investing in equities for the first time was very high in 2020, especially during the first lockdown. Overall, 116,000 people under 35 (out of a total of 410,000 new investors) invested in equities for the first time in 2020.

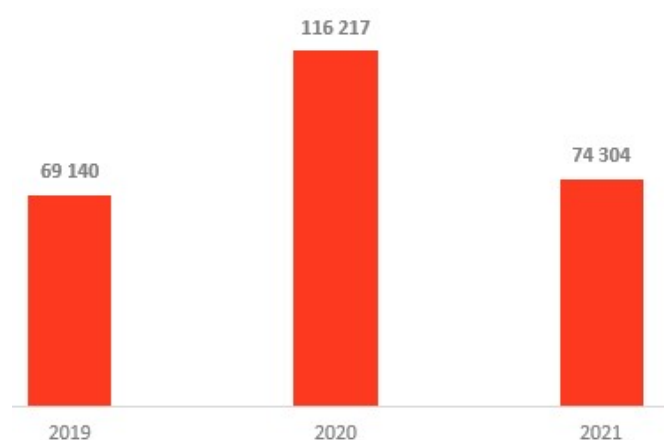
74,000 new young investors in 2021

There continued to be a significant number of new investors in 2021, with 74,000 investing for the first time, representing 35% of the total 217,000 first-time investors. The under-25s accounted for 11% of these new investors.

The median age of all first-time investors was 44 years (46 years in 2020).

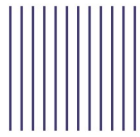
The median age of all equity investors was 56 in 2020 and 58 in 2021. ■

Annual change in the number of new retail equity investors under 35



Source: transaction reports, AMF

¹ "New investors" are those who traded in a financial instrument for the first time on or after 1 January 2018, when transaction reports started being submitted to the regulator. They are partly individuals returning to the markets after a period of inactivity and partly individuals trading for the first time.



Stock market investment fees: the downward trend continues

Direct investments in equities

We took a look, as every year, at the fees charged by investment services providers for stock market orders placed over the internet.

Banks: fees stable for a year

The cap on PEA (equity savings plan) fees, which came into effect in July 2020, initially led to a decrease in brokerage fees at traditional banks and an increase in custody fees (see Newsletter No.42). Over the past year, fees have remained relatively stable, although one bank did reduce the brokerage fees on its securities accounts.

Banks: average fees for internet orders (Euronext Paris)

	PEA	Securities account
€1,000 order	0,49% (€5)	0,76% (€8)
€5,000 order	0,48% (€24)	0,52% (€27)
€10,000 order	0,48% (€48)	0,51% (€52)

Source: AMF. Fees of 9 banks on 01/01/2022

At a traditional bank, it is generally less expensive to place orders from a PEA than from a securities account.

Banks: average custody fees (shares listed in Paris)

		PEA	Securities account
€10,000 portfolio	5 investments	0,50% (€50)	0,54% (€54)
	10 investments	0,68% (€68)	0,73% (€73)
€60,000 portfolio	5 investments	0,30% (€183)	0,27% (€161)
	10 investments	0,33% (€200)	0,30% (€180)

Source: AMF. Fees of 9 banks on 01/01/2022

Some banks charge higher custody fees for PEAs than for securities accounts particularly with high large portfolios.

Portfolio transfer fees

The cost of transferring a portfolio from a bank depends on the number of lines in the portfolio and the listing venue of the securities held. Transferring unlisted securities is more expensive than transferring listed securities. For a portfolio of seven lines of shares listed in Paris, the average transfer cost is €100 for a PEA and €92 for a securities account.

Because of the €150 cap on PEA transfer fees, transferring a PEA with more than 10 lines is less expensive than transferring the same portfolio from an ordinary securities account. ■

Simulation of the total annual cost at banks

Our simulation takes an investor placing 12 orders of €5,000 per year with a portfolio worth €60,000 spread over 10 lines of shares listed in Paris.

Banks : stock portfolio total annual cost

	PEA	Securities account
Brokerage fees (12 orders €5,000)	€288	€313
Custody fees (€60,000, 10 lines of shares)	€200	€180
Total annual cost	€488	€493

Source: AMF

In this scenario, the average annual cost is the same for a PEA and a securities account: about 0.8% of the value of the portfolio.

Online brokers: the arrival of “neobrokers” reduces average fees

Before the “neobrokers” arrived, brokerage fees charged by online brokers, which are much lower than those charged by traditional banks, had not decreased for several years. However, fees have decreased following the arrival of these new intermediaries, with some promising virtually free stock market orders.

Average brokerage fees – including those of three neobrokers – are now lower than fees charged by more established online brokers.

Average brokerage fees charged by online specialists

Trading venue / Order amount		7 enseignes	10 enseignes
Euronext Paris	€1,000	0,34% (€3,4)	0,25% (€2,5)
	€5,000	0,20% (€10,0)	0,14% (€7,1)
	€10,000	0,16% (€15,9)	0,11% (€11,4)
New York (NYSE, Nasdaq) : €5,000		0,33% (€16,7)	0,23% (€11,3)
Francfort : €5,000		0,36% (€17,9)	0,25% (€12,7)

Source: AMF. Fees charged on 01/01/2022. The list of 10 brokerage firms includes three neobrokers offering investment services from another European country

With these online-only brokers, no custody fees are charged provided, however, that clients choose the most appropriate pricing formula for the planned activity (we have selected the formulas corresponding to a limited number of stock market orders).

The average total annual cost of a portfolio of shares listed in Paris for an investor placing 12 orders of €5,000 per year is €63, or 0.14% of the total value of a €60,000 portfolio.

Collective investment fees

Investors in collective investment undertakings (CIUs) pay ongoing annual operating and management fees. These fees differ from one fund category to another and from one fund to another.

Fees for equity and balanced funds continue to fall

Ongoing fees for all French CIUs open to the public stood at 1.25% overall in 2020, almost the same as in 2019 (1.26%).¹

However, the downward trend in annual fees for equity funds continued in 2020. Average ongoing fees for the 2,374 equity funds surveyed, across all categories, were 1.51% in 2020 (1.55% in 2019, 1.57% in 2018, 1.66% in 2017, 1.70% in 2016, 1.74% in 2015).

In addition, average fees for the 838 diversified funds identified were 1.46% in 2020 (1.48% in 2019, 1.61% in 2018, 1.70% in 2017, 1.80% in 2016, 1.85% in 2015).

Ongoing fees in 2020 for a selection of CIU categories

Six Financial Information categories (number of funds)	Average fee (%)	
	2020	2019
US equities (154)	1,23	1,23
Asia/Pacific equities (124)	1,35	1,62
European equities (1 441)	1,51	1,53
of which french equities (136)	1,72	1,76
of which européen equities (237)	1,92	1,93
International equities (outside of Europe, 316)	1,71	1,71
Theme and sector equities (339)	1,49	1,51
Euro area diversified (223)	1,19	1,23
European diversified (66)	1,37	1,40
International diversified (549)	1,58	1,59
Target-date funds (81)	1,29	1,28
Euro-denominated convertible bonds(712)	0,60	0,61
High-yield bonds (248)	0,78	0,88
International bonds (218)	0,89	0,93
Absolute performance – multi- strategy(122)	1,27	1,11
Absolute performance – directional strategy (559)	1,66	1,71
Euro cash (274)	0,15	0,13

NB: For equity funds invested in French equities, the average annual ongoing fees applied in 2020 were 1.72%, compared with 1.76% in 2019.

Source: Six Financial Information, Six Financial Information categories, December 2021

Equity investments: passive and active management

The 102 equity exchange traded funds (ETFs) surveyed in 2020 had average annual fees of 0.37% (ranging from 0.09% to 0.85%). Furthermore, the 37 equity funds classified as “index funds” had average fees of 1.07% (ranging from 0.12% to 1.96%).

For “actively managed” equity funds,² across all categories, average total expense ratio (TER), combining ongoing fees and any performance fees, was 1.68%, the same as in 2019 and 2018.

The average TERs applied in 2020 were 2.16% for the 225 European equity funds, excluding index funds and ETFs (1.97% in 2019), and 1.86% for the 130 French equity funds (1.83%). ■

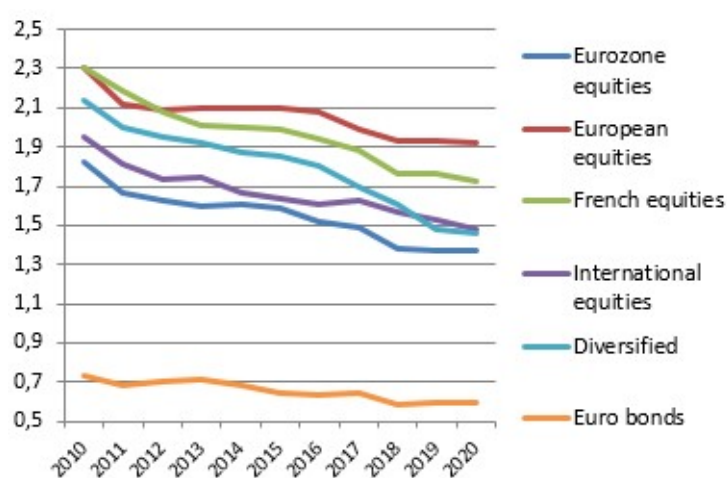
² Equity funds considered as “active” here include all equity funds except those identified as index funds and ETFs.

Downward trend since 2010

Between 2010 and 2020, average ongoing fees decreased for the main fund categories.

For French equity funds, over 10 years, ongoing fees fell from 2.3% to 1.7%. In the diversified fund category, ongoing fees fell from 2.1% to 1.5%.

Change in average ongoing fees of French CIUs from 2010 to 2020, by major category, in %



Source : Six Financial Information, AMF categories, December 2021

In 2020, the 2,230 “actively managed” equity funds (all equity funds except those identified as index funds and ETFs) accounted for 94% of all equity funds. Average ongoing fees of these funds have fallen by 0.3 to 0.5 percentage points since 2015, depending on the category.

¹ Source: Six Financial Information, a fund measurement and analysis agency, tracks the fees of French funds open to the public (around 6,000 funds). These fees are stated in each fund’s Key Information Document (KID). The averages are calculated without weighting by fund size.

NEWS

French people's saving capacity remains high

Households' opinions on their savings capacity have remained high since March 2020 compared with the long-term average (1987-2021).

This is also the case for their opinion on savings opportunities, which reached an all-time high in the spring of 2021 (positive balance of opinion of 44 for a long-term average of 17) and has remained high ever since (positive balance of 33 in January 2022).

Source: *Monthly consumer confidence survey, INSEE, January 2022*

Savings surplus continues to grow

The additional savings generated since the beginning of the health crisis were estimated at €169 billion at the end of September 2021, compared with €157 billion at the end of June 2021.

In the first three quarters of 2021, French households saved around €126 billion, mainly in current and savings accounts. This exceeds the figure of €112 billion for the whole of 2019. In 2020, French households put aside €200 billion.

Sources: *"L'impact de la crise du Covid-19 sur la situation financière des entreprises et des ménages, à fin octobre 2021" ["The impact of the Covid-19 crisis on the financial situation of companies and households at the end of October 2021"]*, Banque de France, 15 December 2021; *Financial statements of non-financial agents*, Banque de France, February 2022

Employee savings grew in the first half of 2021

More than €11 billion was paid into employee savings plans and employee retirement savings plans (PERCO/PER Col) in the first half of 2021, compared with €10.3 billion in 2020 and €11.3 billion in 2019. Two thirds were invested in equity funds. Net inflows stood at almost €3.1 billion. At the end of June 2021, there were €162 billion of assets under management.

PERCOs and PER Cols accounted for €25 billion of assets under management (+21% in one year). In the first half of 2021, deposits to these products reached €1.85 billion (€1.75 billion in 2020).

Source: *Association Française de la Gestion Financière (AFG, French Asset Management Association)*, October 2021

Life insurance: 38% of payments into unit-linked policies

Investments in unit-linked policies remain at a high level. Contributions to unit-linked products amounted to €58 billion in 2021 and net inflows to €35 billion. The percentage of payments into unit-linked policies stood at 39% in 2021 (35% in 2020 and 28% in 2019).

Source: *France Assureurs (French Insurance Federation)*, February 2022

High inflows into real estate investments

Net inflows into real estate investment companies (SCPIs) stood at €7.4 billion in 2021, up 22% on 2020. At the end of 2021, the capitalisation of SCPIs reached €78.6 billion, up 10% year-on-year. Public real estate collective investment undertakings (OPCI) recorded net inflows of €200 million. Their assets under management were €20.7 billion at the end of 2021 (+3.6% year-on-year).

Source: *Association Française des Sociétés de Placement Immobilier (ASPIM, French association of real estate investment companies)/Institut de l'Épargne Immobilière et Foncière (IEIF, French institute of real estate and land savings)*, January 2022

€5.6 billion paid into life insurance PERs in 2021

In December 2021, 139,000 French people took out a retirement savings plan (PER) in the form of a life insurance policy and paid in almost €2 billion. On top of this, there were transfers from older retirement savings policies to PERs. Total net inflows into PERs were €5.6 billion in 2021.

At the end of 2021, there were 2.6 million policyholders with a life insurance PER at an insurance company, with almost €30 billion in assets under management, almost 50% of which was invested in unit-linked products.

Source: *France Assureurs (French Insurance Federation)*, February 2022

The PER: significant room for improvement

In June 2021, the Kantar institute measured awareness of the new French Retirement Savings Plan (PER) and how many of the people surveyed hold one.

Of the French people surveyed, 45% said they had heard of the PER, including 15% "specifically".

18% of French people said they held at least one retirement savings product, 13% an individual retirement savings plan (PER, PERP, Madelin, Préfon, etc.) and 9% an employee retirement savings plan (PERCO, Article 83, PERO, PER Col, etc.).

One in two respondents said they would like better support (60% among those under 25) and felt they lacked the information they needed to prepare for retirement.

Source: *3,047 people, representative of the French population aged 15 and over, SoFia 2021, Kantar, July 2021*



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