

## **CFA Institute survey indicates substantial impact of robo-advisers on investment management**

*Investment professionals concerned with flaws in automated advice, mis-selling of financial advice and data protection; institutional investors unlikely to use in lieu of advisers*

**SYDNEY, 28 April 2016** –Robo-advisers will have the greatest impact on the financial services industry in the short-to-medium-terms, according to a member survey titled [Fintech Survey Report](#) by CFA Institute, the global association of investment professionals.

An overwhelming majority of 70 per cent of respondents considered that mass affluent investors will be positively affected by automated financial advice tools in the form of reduced costs, improved access to advice and improved product choices.

The Fintech Survey, which measured the opinions of CFA Institute members globally, found it unlikely that automated financial tools will replace engagement with human advisers for high net worth and ultra-high net worth individuals. The implication is that the tailored nature of financial advice to these market segments is not as easily amenable to standardized automation tools typically provided by robo-advisers. These groups of investors, with large portfolios and potentially diverse and complex investment needs, are likely to continue to favor personalised human advice.

Respondents are most divided about the impact of financial advice tools on market fraud/mis-selling and on the quality of service, with a roughly even split between respondents who believe that the growing prevalence of financial advice tools will exacerbate or diminish market fraud and mis-selling. However, investment professionals made it clear that flaws in automated financial advice algorithms could be the biggest risk introduced by robo-advisers (46 per cent of respondents, a plurality), followed by mis-selling (30 percent) and data protection concerns (12 per cent).

Additionally, the survey addressed the impact of blockchain technology, the distributed ledger underpinning virtual currencies. The technology is being explored by financial services firms. The survey revealed that members believed clearing and settlement, alternative currencies and commercial banking are the top three areas most likely to be impacted by blockchain technology.

Mr Anthony Serhan, President CFA Society Sydney, said CFA's recent 'Investor Trust Survey' showed that trust was a big factor for Australian retail investors.

"Generally, trust has somewhat stabilised in the industry particularly where there is a personal recommendation by someone else the investor trusts," he said. "The question this Survey raises is whether robo-advisers offer the level of trust needed to engage retail investors," he said.

Mr Serhan concluded: "Fintech is attracting increased attention from consumers, investors, the investment management industry and regulators across the globe but there are definitely unresolved issues. CFA's survey confirms the belief that rapid technological innovation has the potential to shape and even disrupt the asset management industry however industry is not yet convinced that investors will be made unambiguously better-off."

### **For further information, please contact:**

Sue Morey, Head of Advocacy  
CFA Societies Australia and New Zealand  
T: +61 409 746 385  
E: [advocacy@cfas.org.au](mailto:advocacy@cfas.org.au)

### **About the study**

The Joint Committee of the European Supervisory Authorities (European Banking Authority, European Insurance and Occupational Pensions Authority, and European Securities and Markets Authority) requested comments on a Discussion Paper on the topic of automation in financial advice. The aim of this consultation was to provide input into the debate on whether the three ESAs need to adopt measures, if any, in order to promote ‘the safety and soundness of markets and convergence in regulatory practice’.

In order to inform the policy debate, CFA Institute conducted this global member survey using our Capital Markets opt-in survey panel. The survey was sent to members on the 5 February 2016 and closed on the 19 February 2016. 3,803 members were invited to participate in the survey; 775 valid responses were received for a response rate of 20 per cent and a margin of error of  $\pm 3.2$ .

#### **About CFA Societies Australia**

The CFA Societies of Sydney, Melbourne and Perth are not-for-profit associations of approximately 2,400 investment professionals; together representing the three Australian chapters of CFA Institute. Our members are engaged in a wide variety of roles across investment management and advice. Most of our members are holders of the Chartered Financial Analyst (CFA) designation. For more information, please visit <http://www.cfa-australia.com.au/>

#### **About CFA Institute**

CFA Institute is the global association of investment professionals that sets the standard for professional excellence and credentials. The organization is a champion for ethical behavior in investment markets and a respected source of knowledge in the global financial community. The end goal: to create an environment where investors’ interests come first, markets function at their best, and economies grow. CFA Institute has over 136,200 members in 145 countries and territories, including 129,800 CFA charterholders, and 147 member societies. For more information, visit [www.cfainstitute.org](http://www.cfainstitute.org).