FINANSINSPEKTIONEN

A necessary step for a better savings market

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Summary

Most consumers find it very difficult to judge the quality of financial products. This applies in particular to long-term saving, because it often takes a very long time before the outcome of an investment is known. Furthermore, a great deal of research shows that people find it difficult to assess the expected outcome of an investment based on risk and historical return.

Independent advice would serve an important purpose in this respect by comparing and evaluating the products on the market, especially since consumers today need to take greater responsibility for their future finances. Independent advice would reduce the information disadvantage of consumers in relation to producers of savings products and help them make smart choices. This would in turn increase the ability of consumers to influence the services and products on offer on the savings market, so that products that cost too much or are inferior are eliminated. Unfortunately, the savings market currently features incentives that instead make consumers' choices more difficult. This leads to poor savings choices and therefore high costs for Swedish households.

Today, the most common way of obtaining payment for investment advice and insurance mediation is through commissions. This means that advisors and intermediaries get paid in the form of commissions from the producers of financial products instead of fees from the customer receiving the advice. The amounts in question have a big impact on the return on the customer's savings. However, the size of the commissions varies a great deal depending on the product and the firm, which gives rise to a conflict of interest that is very difficult to manage. Advisors and intermediaries face strong incentives to recommend products that generate the highest commission and not those that best suit the needs of the customer.

Finansinspektionen (FI) regularly sees in its supervision examples of where advice has been influenced by the commissions obtained by the advisor or insurance intermediary, rather than what is best for the consumer. The majority of commission income comes from the mediation of insurance policies that give rise to advice about financial instruments, and from advice regarding complex structured products. FI's investigations also show that funds that are sold through advisors have higher fees than those sold through, for example, fund trading platforms.

The rules in place today regarding the management of conflicts of interest have proven insufficient. The self-regulation initiatives of the industry have not helped, either. The problem is not that rules do not exist, that there is a lack of knowledge about the rules or that there is no supervision. The problem is that advisors and intermediaries are facing the wrong incentives and neither the current rules nor the industry can manage this. FI would therefore like to see a ban on all types of commission.

Today, there is basically no independent advice that can reduce the information disadvantage of consumers. Advisors who are not as dependent on commissions, such as those working at the banks, often instead face incentives to provide advice about the bank's products. It is often argued that a ban on commissions would harm competition on

the advisory market by favouring the large banks. FI finds, on the contrary, that a ban on commissions is a necessary step to improve competition. Only when independent advisors start to offer truly independent advice will the banks' dominance on the advisory market be challenged. In addition, the new rules emerging through the MiFID 2 directive will make it more difficult for banks to use variable remuneration, such as sales bonuses, for their advisors. These rules also state that firms must take greater responsibility for the products they develop, and for the consumers to which these products are sold. The new Mortgage Credit Directive, which will soon start to apply in Sweden, also sets out that the banks may not require customers to transfer their savings to the bank in order to obtain a mortgage, and that the bank must provide clear information about the individual cost of different products.

In the short term, a ban on commissions would entail a major adjustment for the industry. Moving from a business model in which the price of a service is not displayed to the customer to a model in which the price is displayed in the form of a fee is a challenge. Firms will need to demonstrate what value they are adding. Product firms that pay high commissions to get their products onto the market will instead need to compete on pricing and quality. FI believes this will lead to simplified advisory services and an increased range of lower-fee products. The transition costs must therefore be seen in relation to the benefits of a savings market that functions better in the long term. Several countries, such as the UK, the Netherlands and Australia, have drawn the same conclusion as FI and already introduced bans on commissions.

Banning commissions does not solve all the problems facing Swedish savers, but it is a necessary step towards a better functioning savings market. Only when the incentives generated by commission payments disappear will consumers be in a position to obtain good advice that reduces their information disadvantage on the financial market. This also means there is a greater probability that advisory services would be devised to meet actual consumer needs.

Introduction

Finansinspektionen (FI) has long witnessed problems on the savings market that are due to the conflicts of interest that arise when advisors and intermediaries receive payment in the form of commissions. FI would therefore like to see a ban on all commissions in investment advice, portfolio management and the mediation of life insurance. This report presents the conclusions from FI's analysis of the consequences of such a broad ban on commissions.

FI has long witnessed problems on the savings market that are due to the conflicts of interest that arise when advisors and intermediaries receive payment in the form of commissions. In its ongoing supervision, FI has observed numerous examples of how the size of the commission from producers, rather than the needs of the customer, influences which products are sold. FI has also conducted a number of studies and analyses of commission payments and distribution, all of which support the conclusions from FI's ongoing supervision, i.e. that advice aggravates, rather than reduces, the problems on the savings market.

In 2014 and 2015 two government inquiries proposed that FI be given the possibility of regulating commissions in the advice on and mediation of financial instruments and products.[1] The background to the inquiries is the clear conflict of interest caused by commission-based advice and mediation, which is reflected both in the European regulations and in the regulation of commissions in many other countries.[2] The inquiries therefore propose that FI be given the right to ban commissions that can have an adverse effect on consumer interests. Based on FI's analysis, this is practically all types of commissions, for investment advice and portfolio management as well as the mediation of life insurance that has elements of saving.[3] In fact, FI finds it difficult to see any examples of commissions that do not risk harming consumer interests.[4]

The purpose of this report is to present the conclusions from FI's analysis of a broad ban on commissions and the investigations, analyses and research that form the basis thereof. The report does not address how a ban on commissions should be devised in regulatory detail because it is as yet unclear how the Swedish law will be adapted to

1 "Stärkt konsumentskydd vid försäkringsförmedling" (Ds 2014:22) and "Värdepappersmarknaden, MiFID II och MiFIR" (SOU 2015:2).

2 The UK and the Netherlands are two examples of countries that have introduced bans on commissions for these types of services. However there are variations of such regulations in, for example, Australia, Finland and Denmark too.

3 Life insurance with elements of saving refers to all life and pension insurance apart from group life insurance and other pure term life insurance, and other personal insurance. Hereinafter in this report, the term "life insurance" is used to designate this.

4 In the securities market report, however, it is proposed that firms engaged in execution services, i.e. receiving and forwarding orders and executing orders, shall be able to continue receiving commissions provided that this does not occur in connection with investment advice or portfolio management.

introduce relevant directives.[5] In its work analysing the consequences of a ban on commissions, FI met with representatives from different areas of the industry as well as researchers who work with matters pertaining to consumer behaviour, financial economics and competition. FI was also in contact with other European supervisory authorities that have experience in similar regulation.

5 The relevant directives are the Markets in Financial Instruments Directive (MiFID 2, 2004/39/EC) and the Insurance Distribution Directive (IDD, not yet adopted)

General description of the savings market

A large proportion of households' financial assets are found in types of saving for which advice is common, but there are no comprehensive statistics about the extent of the market for financial advice to consumers. Commission is the most common way of charging for advice and mediation.

THE SAVINGS OF SWEDISH HOUSEHOLDS

Swedish households save in many different ways. People can save in bank accounts, through shares or funds, or in different types of insurance (such as private pension savings or occupational pension). A great deal of the financial assets of households also consists of tenant-owned homes. If tenant-owned homes are excluded, savings amount to just over SEK 9,000 billion (see Table 1).

Advice is mainly relevant for saving in funds, shares, bonds and insurance policies. Deposits with banks are not considered a financial instrument and thus are not covered by the rules about investment advice. Saving in investment funds is very common, especially because a great deal of saving in insurance policies also occurs indirectly in funds. At the end of 2014, total fund assets amounted to SEK 2,500 billion (which is not shown in Table 1).[6]

There are also other types of saving that are not really visible in the statistics, such as structured products[7]. Around SEK 150 billion is invested in structured products in Sweden today.[8]

Table 1: Households' financial assets

	SEK billion	**Percentage**
Bank deposits	1,462	17 %
Bonds	100	1%
Shares	1,608	19 %
Funds	804	10 %
Insurance (individual)	1,019	12 %
Insurance (collective)	3,321	39 %
Of which Premium Pension Funds	*835*	*10 %*
Other (cash, loans to other than banks, etc.)	125	1%
Total	**8,440**	**100%**

Source: Statistics Sweden – Households' transactions and position (Q3 2015)

THE FINANCIAL ADVICE MARKET

There are no comprehensive statistics about financial advice for consumers. In the Swedish Investment Fund Association's survey of fund

6 This figure excludes fund units owned directly by non-financial corporations.

7 A structured product is a security consisting of several, usually two, different types of financial instruments. It can for example be a combination of a bond and an option or future.

8 According to industry association Structured Investments in Sweden *(Strukturerade Placeringar i Sverige – SPIS)*.

saving in 2014, 76% of respondents stated that they save in investment funds. Out of these, over half (54%) stated that they selected a fund following a recommendation from an advisor, and four out of ten stated that they had received advice about funds in the past two years. In June 2013 the Swedish Pensions Agency, FI and the Swedish Consumer Agency conducted an online and phone TNS Sifo survey about the marketing of financial services. In the survey, 28% of respondents stated that they had, at some point in their lives, on their own initiative, contacted firms offering savings advice and management in order to purchase such services, and 13% responded that they had, on some occasion in their lives, “purchased advice on personal finances”.[9]

The firms that offer advice are securities companies, banks, credit market companies or savings banks[10] – authorised to provide investment advice and/or portfolio management under the Securities Market Act (2007:528) – or insurance intermediaries.[11] Insurance undertakings and fund management companies may also provide financial advice on their own products.

There are 167 firms that are authorised by FI for investment advice and/or portfolio management (Table 2).

Table 2: Firms authorised for investment advice or discretionary portfolio management

Securities companies	97
Banks	23
Credit market companies	1
Savings banks	46
Total	**167**

Besides the firms authorised for investment advice or portfolio management, there are around 770 firms or people authorised to mediate life insurance. However, some of them are securities companies and banks. Among the firms that are primarily insurance intermediaries, around 720 are authorised for life insurance mediation.[12] These enti-

9 See Appendix 3 in “Det måste gå att lita på konsumentskyddet” (SOU 2014:4) for a description of the survey.

10 “Sparbanker” in Swedish

11 Firms or people authorised to mediate life insurance may, based on current rules, provide advice about fund units though ancillary authorisation, and provide advice about funds and other financial instruments as part of an insurance policy. Because a great deal of savings in insurance policies is mainly in funds, this means in practice that insurance intermediaries today can conduct the same operations as entities authorised for investment advice, but based on less strict organisational rules. FI has previously communicated that this must be changed, so that advice on financial products requires authorisation for investment advice, whether or not the products are invested in an insurance solution. See e.g. FI’s consultation response to “Värdepappersmarknaden, MiFID 2 och MiFIR” (SOU 2015:2), FI ref. 15-2488, and to “Stärkt konsumentskydd vid försäkringsförmedling” (Ds 2014:22), FI Ref. 14-9063.

12 Out of these, around 470 have ancillary authorisation for mediation and investment advice regarding fund units. 150 of the insurance intermediaries authorised to mediate life insurance are also tied agents to securities companies. In addition, there are around 400 tied insurance intermediaries with the right to mediate life insurance, although FI’s supervision has shown that many of them work mainly with non-life insurance.

ties are generally small and the majority consists of sole proprietorships or natural persons.

COMMISSIONS

Most firms that offer financial advice obtain payment in the form of commissions. This means that, instead of charging a fee to the customer, they are remunerated by the firms whose products they recommend and sell. The commission can consist of a discount for the advisor or intermediary in relation to the product firm or be calculated as a percentage of the investment amount. Often, the commission consists of one part that is paid out in a lump sum upon signing up for insurance or a product (known as an upfront commission) and one part that is paid out on a staggered basis (known as a trailing commission).

The upfront commission is often calculated as a percentage of the invested amount, which is based on calculated future incoming payments. The party mediating the product is thus paid for the entire duration when the investment is made, no matter how long the customer chooses to keep the product in practice. However, it is often agreed between the advisor and the product firm that the advisor must pay back parts of the commission if the customer chooses to terminate the agreement within, for instance, three years.

The trailing commission can be calculated either based on the size of the deposit or on the capital under management. Sometimes, commission is paid to the advisor based on an assumed fixed investment horizon, and sometimes commission is paid for as long as the consumer keeps the product.

No matter how it is devised, this commission presents a serious conflict of interest because the advisor or intermediary faces an incentive to recommend the product that pays the most, rather than the one best suited to the customer’s needs.

In 2014 FI conducted a survey of around 200 insurance intermediaries and securities companies. The survey focused on the scope of commissions and other fees in various types of business.[13] One of the conclusions was that commission accounts for a very large proportion of the revenues of most of these firms. This mainly applies to insurance intermediaries, which derive a full 99% of total revenues from commissions. There is greater variation at securities companies, particularly due to the differences in operations, although in general the survey showed that commissions are an important source of revenues for them as well. A large portion of total commission income for insurance intermediaries and securities companies consists of upfront commissions. There are also exceptions in the form of individual firms that have chosen not to work with commissions at all, but only receive payment by charging a fee directly to customers.

The size of the commission payments reported by the firms in the survey varies a great deal based on the agreements held by the advisors with different firms. For insurance mediation, upfront commis-

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13 Those covered by the survey were insurance intermediaries authorised to mediate life insurance, and securities companies authorised for investment advice, portfolio management, receiving and forwarding orders and order execution. See the following section for more information about the survey.

sions vary between 0% and 30% of the calculated invested amount.[14] If the upfront commission is 5%, which is lower than the amount stated by many firms in the survey, a unit-linked insurance with an annual premium of SEK 40,000 and a premium payment term of 10 years would give SEK 20,000 in direct remuneration to the intermediary. Added to this is trailing commission, the size of which also varies depending on the terms of the agreement. Commission for fund distribution is often in the form of a percentage of the management fee. In the same way as the commission for different insurance varies a great deal, a fund with a high management fee can therefore pay the advisor much more than one with a lower management fee.

14 This depends, for example, on whether the insurance is to be paid with staggered premiums or a one-off premium and supplementary payments.

Fundamental market failure

Consumers on the savings market are at a clear disadvantage in terms of information in relation to the firms that offer financial services and products. They therefore have little possibility of influencing what is on offer on the market. The poor savings choices this causes can lead to high costs for Swedish households.

A well-functioning market features good information about the quality and price of the product, for both the buyer and the seller. On a well-functioning market, products that are not competitive are eliminated; put simply, consumers do not wish to buy products that are expensive or inferior (or, at worst, both). However, this is not the way things work on the savings market today. There is instead what is known as a "market failure", since consumers are able to judge neither the quality nor price of the products. Consequently, consumers are unable to influence the services and products on offer on the market.

The quality of a savings product is determined by expected return and risk. There is today considerable research showing that people find it very difficult to assess potential outcomes in relation to various probabilities.[15] This means that consumers in general find it difficult to judge the expected risk-adjusted return of an investment based on information regarding, for example, standard deviation and historical return. There is also a great deal of research showing that most people have limited mathematical or financial capabilities. For example, many find it difficult to calculate percentages, making it difficult to translate a fee stated as a percentage into kronor and öre, let alone understand the significance of a percentage fee over time.[16] This poses major challenges to consumers. A differentiating factor between a consumer on the savings market and a consumer on many other markets is that these difficulties could have unreasonably large effects since the investment horizon is often very long. (An investment horizon is the time a person has envisaged keeping savings. As an example, pension savings can have an investment horizon of around 50 years.)

Put differently, consumers on the savings market are at a major disadvantage in terms of information in relation to the firms that offer financial services and products. Because of this, the supply of services and products does not evolve as it would if consumers could assimilate all available information. The range of investment funds on offer is a clear example of this. Research has long shown that very few actively managed funds outperform a benchmark index over a long period of time, and that the level of fees is therefore crucial to return over time.[17] However, this has had a limited impact on the fund market, on which actively managed funds with relatively higher fees are

15 See for example Kahneman and Tversky (1979), and Tversky and Kahneman (1981). See also Kahneman (2011) for an overview of this research.

16 See for example Lusardi and Mitchell (2011) for an international overview or Almenberg et al. (2015) for the latest Swedish results. See also Lusardi and Mitchell (2014).

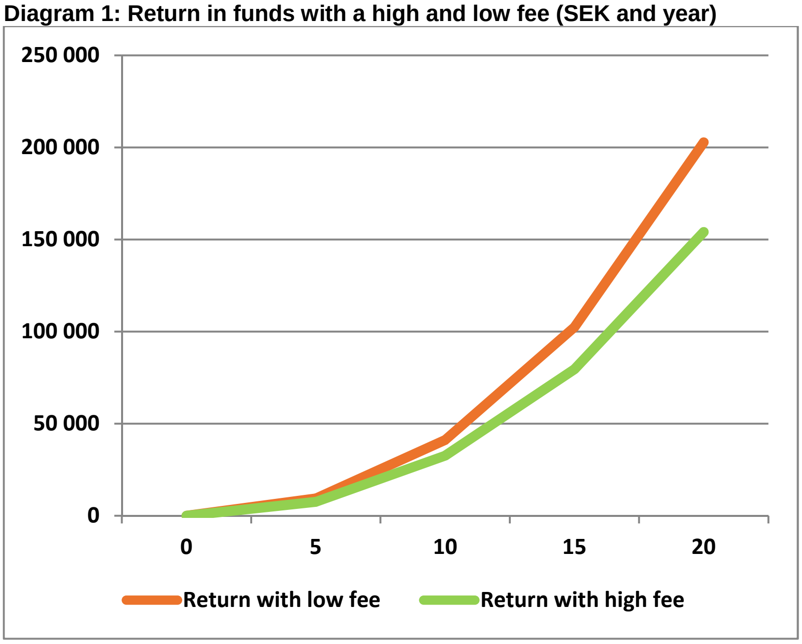
17 See for example Carhart (1997), Kosowski et al. (2006), and Fama and French (2010). For a current study of the Swedish market, see Flam and Vestman (2014).

predominant, while simpler and cheaper index funds are less common. In 2015, 24% of deposits into equity funds were invested in funds that track an index, but in total index funds only make up 13% of the assets of equity funds.

The large volume of similar products and producers on the savings market is thus not a sign of healthy competition. On the contrary, it is a symptom of the deficient competition that follows from consumers lacking the ability to judge both price and quality on the savings market. Because of this, poorer and more expensive products are not eliminated, but continue to be sold with a wide margin. It is the consumers who end up paying for this.

One measure of the cost of poor savings choices is the difference in fees between what is actually paid on the savings market and what would have been paid if the information disadvantage of consumers were smaller. If the annual return in two funds is 6%, but one of them has a fee of 1.4% while other only has a fee of 0.4%, the difference over time will be very large. A family that saves SEK 1,000 per month in the more expensive fund has almost SEK 50,000 (i.e. almost 25%) less after 20 years than a family saving as much in the cheaper fund. The difference is illustrated in Diagram 1.

Diagram 1: Return in funds with a high and low fee (SEK and year)



Today's advice aggravates the information disadvantage of consumers

Independent advice could serve an important purpose on the savings market. However, because of incentives like commissions, today's advice makes the information disadvantage of consumers greater rather than smaller. Over the past few years, FI has seen examples of where the advice was influenced by the size of commissions rather than the needs of the customer. During this period FI has also conducted a number of investigations and analyses at the market level, the conclusions of which have strengthened those drawn from FI's ongoing supervision.

The challenges faced by consumers in the savings market raise the need for some sort of intermediary to minimise, or even eliminate, the information disadvantage of consumers.[18] Independent advice would thus serve an important purpose in that it would review and evaluate the products in terms of price and quality and provide recommendations to consumers about saving decisions. This would decrease the information disadvantage of consumers. The problem, however, is that advice and mediation on the savings market are financed by the firms that are producing the savings products. In general, therefore, the aim is to sell the products of these firms and not to provide advice based on what is best for the consumer. It is in the interest of the advisors to recommend the products that result in the highest commission, and when the market cannot manage the disadvantage of savers, it is up to the Government, for example through legislation, to influence the market's conditions for attaining a better balance.

It is important to point out already at this stage that a ban on commissions would not solve all of the problems on the savings market. Consumers will continue to be at an information disadvantage in relation to producers of savings products in the future as well, in part because they are not particularly interested in long-term saving and have limited financial literacy.[19] The fact remains, however, that commission-based advice aggravates the problems rather than limiting them. Instead of reducing the information disadvantage of consumers, the advice increases it.

To date, regulation has attempted to limit this problem in two ways. Firstly, advisors are required to identify any conflicts of interest and attempt to prevent these conflicts from having a negative impact on the interests of their customers. Secondly, advisors must inform their customers about conflicts of interest that they have not successfully

18 Parallels can be drawn for example to the pharmaceuticals industry, which also features a disadvantage in terms of knowledge for consumers. Advisory companies, in the form of pharmacies, combined with regulation, have therefore emerged.

19 In this context can be mentioned the initiatives for educating the general public in financial matters carried out by FI, for instance within the Like Your Finances network. Another conceivable approach is a political means of governance to "nudge" consumers into demanding services and products that lead to better saving (see for example Thaler and Sunstein (2008)).

addressed, as well as about the type of commission they received. However, these requirements have proven to be insufficient. When advisors face very strong incentives to give certain recommendations, requirements for managing conflicts of interest easily turn into a formality fulfilled by providing information, rather than actually remedying the conflict of interest. Providing consumers with specific information about the commission the advisor received does not remedy the problem, either, since most consumers cannot judge how commissions affect the quality of advice.[20] The problem is not that there are no rules in the area or that there is no supervision. The problem is that the rules have proven insufficient for managing the conflicts of interest that are inevitably inherent in the commission-based advice and mediation of financial products.

Because FI has witnessed this problem in its ongoing supervision for many years, it has conducted a number of investigations of commission income and distribution at the aggregate level, particularly in the past two years (see the box below). One of the conclusions from these investigations is that the majority of firms in insurance mediation and financial advice obtain most of their revenues in the form of commission. Investigations also show that the highest commissions come from insurance that gives rise to advice regarding financial instruments, i.e. unit-linked insurance and depository insurance, and from alternative investments, such as structured products, rather than funds. The majority of commission payments are also made for the sale of such products. Another conclusion is that insurance intermediaries and securities companies sell investment funds with high fees to a greater extent than other distribution channels (such as fund trading platforms and Internet banks).

Market-level investigations 2014–2015

Besides investigations of individual firms in its ongoing supervision, in 2014 and 2015 FI conducted a number of investigations of commission income and distribution at an aggregate level.

Revenues for insurance mediation and investment services: In the autumn of 2014 FI conducted a survey of around 200 insurance intermediaries and securities firms. The survey focused on the scope of commissions and other fees in various types of business. The survey showed that most firms receive the majority of their revenues in the form of commissions, and that upfront commissions make up a very large part of commission income for most firms. It also showed that the highest commissions are paid out for insurance that give rise to advice regarding financial instruments, for example unit-linked insurance and depository insurance, and for alternative investments, such as structured products, rather than funds.

Fund distribution: In the summer of 2015, FI sent out a survey to all fund management companies and alternative investment fund managers (AIF managers) that market their funds to non-professional investors. The survey showed that the funds sold through firms such as insurance intermediaries and securities firms generally have higher fees than those sold through, for instance, fund trading platforms.

20 There is even research that suggests that open information about conflicts of interest increases the consumer's confidence in an advisor or expert. See for example Cain et al. (2005).

Insurance distribution: In 2015 FI asked a number of large insurance undertakings to specify how they distribute different categories of life insurance. Although there are large differences between the firms, it appears that more unit-linked and depository insurance is sold through insurance intermediaries that receive payment in the form of commission than traditional life insurance.

The industry's self-regulation initiatives have basically focused on knowledge and ethics through certification and disciplinary boards. The problem, however, is not that advisors lack knowledge about the rules in place, but that the way of paying for advice today gives advisors the wrong incentives. FI has seen very few attempts by the industry to do anything about these incentive structures. Instead, FI regularly sees in its supervision examples of situations where advice was influenced by the commissions paid to the advisor or insurance intermediary instead of the best interest of the consumer.[21] Instead of helping consumers put pressure on the producers of savings products, today's advice aggravates this problem. Several comparisons between consumers' own investments and investments made following advice featuring this type of conflict of interest show that consumers often make better choices when they choose themselves.[22]

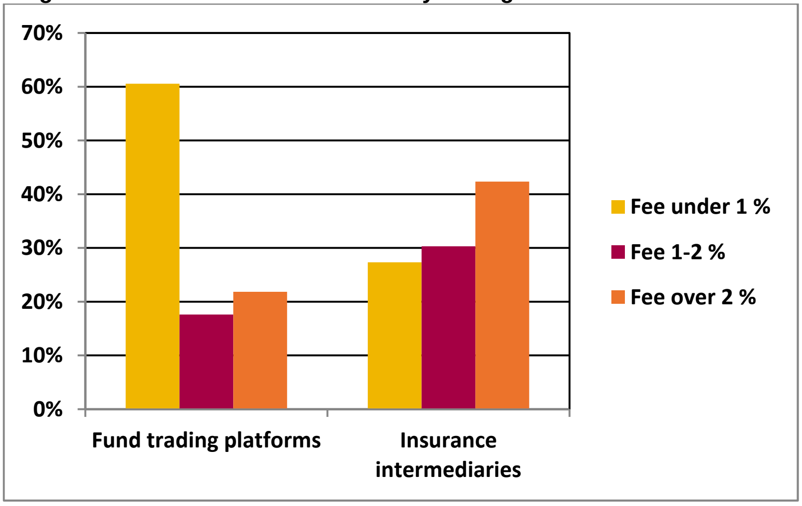
In the summer of 2015 FI conducted a survey that covered all fund management companies and AIF managers that market their funds to non-professional investors. In the survey, the firms were asked to specify the inflow in funds with different management fees, broken down into different distribution channels.[23] One of the conclusions drawn from the survey was that the funds sold through advisory firms largely have higher fees than the funds sold through distribution channels in which there is limited or no advice. This becomes most evident when comparing the funds sold through fund trading platforms and Internet banks with the funds that according to fund management companies and AIF managers are sold through insurance intermediaries (Diagram 2).

21 See for example the sanctions mentioned in FI's consultation response to SOU 2015:2, FI Ref. 15-2488

22 See for example Foerster et al. (2015), Chalmers and Reuter (2012a), Chalmers and Reuter (2012b), Hackethal et al. (2012), Bergstrasser et al. (2009), and Anderson and Martinez (2008).

23 For example own sales, sales through firms in the same group, saving in the premium pension selection, sales via banks, etc.

Diagram 2: Distribution broken down by management fee



Source: FI's survey 2015

Note: Refers to gross saving, i.e. deposits excluding withdrawals, in funds in 2014, through each distribution channel and broken down into management fee ranges.

Commission-based advice, however, can influence return on investments in ways other than through investments in products with a higher fee. It can lead to a higher number of transactions than what would be most advantageous for the customer, for example by transferring savings to other products despite this involving increased costs. A US study by the Executive Office of the President has estimated that the annual return for the pension saving of American households is probably 1 percentage point lower due to savings made through commission-based advice (see the box below).

If this assumption were applied to total fund assets in Sweden, this would imply that Swedish savers would lose more than SEK 13 billion annually – even if we assume that only half of the funds are selected following the recommendation of an advisor.[24] This figure does not take into account poor savings choices in financial products other than funds, for example expensive depository insurance or structured products, and is thus probably an underestimation.

US study of the costs of commission-based advice

In February 2015 the Executive Office of the President published a study of the effect of commission-based advice on the pension savings of US households.

By performing a thorough review of literature, the study determined that there is broad empirical support showing that savings products sold through channels that feature conflicts of interest – such as advisors and intermediaries – generally result in lower return for the customer. The research indicated a lower return of between 0.7 and 2.5 percentage points each year, as a consequence of, for example, higher fees or a higher number of transactions than would be most beneficial for the customer. On the whole, the

24 Total fund assets (excluding corporate holdings) amount to SEK 2,500 billion. In the Fund savers' survey (2014), it is stated that 54% of customers select funds following a recommendation from an advisor. 1% lower return on investments worth SEK 1,350 billion gives a difference of 13.5 billion.

study determined that 1 percentage point (or 100 basis points) is a probable estimation of how much lower the return will be due to savings made through advice featuring conflicts of interest.

At the aggregate level – i.e. the total for all customers – the study finds that customers who have made their investments through advice and mediation in which conflicts of interest are common get 1% lower a return than they would otherwise have obtained. Instead of, for example, a return of 6%, the return would be 5%. By applying this to the USD 1,700 billion that is invested annually in funds and other securities in a certain type of American private pension insurance, the study concludes that the cost of inappropriate advice is USD 17 billion annually for US households – in this type of private pension insurance alone.

Conditions for good advice

Independent advice will only be able to emerge and succeed if the incentives generated by commissions disappear from the entire advisory industry. A ban on commissions does not address the problem of, for example, the large banks having incentives to give advice about their own products. However, it is a necessary step for creating alternatives to such advice.

FI finds that independent advice would serve an important purpose on the Swedish financial market, where consumers to an increasing extent must take responsibility for their future finances. However, in order to create the conditions for good advice that makes a difference for the consumer, the distorted incentives caused by commissions must disappear. Only then will the conditions be in place for independent advice and for savings products that are based on consumer needs. FI would therefore like to see a ban on all types of commission for investment advice, portfolio management and the mediation of life insurance.[25]

Today, there is very little independent advice in the market. Advice that is not primarily commission-based, such as the advice given by banks' advisors, is instead often subject to other incentives, in the banks' case to recommend their own products or the products of other firms in the same group. One of the proposals in the inquiry into the implementation of MiFID 2 in Swedish law aims to create conditions for truly independent entities through a rule stating that only a party providing advice about external products that does not accept commissions may call itself "independent" or state that it provides independent advice.

Such a rule could create a competitive advantage and an incentive for advisors that focus on offering a service that is solely based on consumers' needs. However, it is hard to believe that such independent advice will succeed as long as commission-based advice exists. It is already hard for a consumer to determine whether an advisor is independent or not.[26] If non-independent advisors are able to continue to offer a service that consumers perceive to be free of charge, it will be very difficult for independent advisors to justify why their customers must pay a visible fee. A ban on commissions would instead force all advisors to justify to consumers why the service is worth its price. This would benefit advisors who actually offer a good, independent service.

A common argument against a ban on commissions is that it would distort competition on the markets for advice and savings products because the number of firms would decrease to the benefit of the firms distributing their own products. For example, the Swedish Competition Authority expresses in its consultation response to the securities market inquiry that the proposal might lead to reduced competition,

25 See the previous explanation of which insurance should be covered by such a ban according to FI.

26 Research shows that advisory customers assess the quality of the advice primarily based on external signals, such as marketing and personal treatment. See for example Agnew et al. (2014).

both in terms of advice and savings products. FI, however, does not share this opinion.

A large number of firms do not necessarily mean that competition is good. The fact that many of the products and producers on the market today are similar is rather a sign of the deficient competition that results from the inability of consumers to judge the price and quality of financial advice or savings products. The result is a market supply that is based on what is most profitable for producers and advisors. While consumers have little possibility of exercising their influence on the market, producers can influence which products are sold by increasing the commission paid to advisors who sell them. This has a curbing effect on competition and prevents the growth of simpler products with a lower fee.[27]

When the cost of the advice becomes clearer, thus strengthening the negotiating power of consumers, and firms are required to show the value they are generating, competition will be stimulated. This concept is not new; as early as in 2004 the Swedish Commission on Business Confidence (Förtroendekommissionen) , appointed by the Government to improve public confidence in the Swedish business sector, came to the same conclusion. The analysis, which focuses on insurance intermediaries, indicates that competition is stimulated when the consumer is given a greater opportunity to judge whether the services of insurance intermediaries are of the right quality in relation to price, thus allowing intermediaries to better fulfil their positive role on the insurance market.[28]

A ban on commissions is also fundamental to bolstering confidence in financial advice. The Swedish Consumer Agency (2014) determines that the financial services market is problematic in relation to almost all other consumer markets, including in terms of consumer confidence. This pertains especially to long-term saving. This perception is supported by the previously mentioned TNS-Sifo survey from 2013, in which 64% of respondents believed that it is common or very common for an advisor who obtains payment in the form of a commission to sell products that the consumer does not need or are unsuitable for the consumer.

However, as previously mentioned, there are problems that a ban on commissions cannot address. One such problem is that some firms that provide advice, such as the large banks, face incentives to promote their own products.[29] These incentives would not be affected by a ban on commissions. The difference under the proposed rules is that these firms may no longer give the impression of providing independent advice. This creates a competitive advantage for advisors who are actually independent. When an increasing number of firms offer advice based on consumer needs, it will be more difficult for the banks to justify why consumers should settle for the banks' advice. Although

27 Funds with lower fees are, as concluded previously, much more common in distribution without advice, such as online. (See Figure 2).

28 "Näringslivet och förtroendet" (SOU 2004:47), p. 330

29 The ban on commissions proposed by the securities market inquiry actually also formally applies to the commissions taken by the banks from the fund management firms and insurance undertakings within the same group, although it is reasonable to believe that the banks might avoid this by switching commissions for some other form of payment within the group, which also occurs today.

a ban on commissions might potentially benefit the large banks in the short term, FI is of the opinion that a ban on commissions is the first step towards better competition, thus enabling the banks' dominance on the advisory market to be challenged.

It is unlikely that banks will stop selling external products as a consequence of the ban on commissions, a fear that has been expressed mainly by fund management companies without their own distribution channels. Several firms on the investment fund market with which FI has been in contact have stated that consumer demand for a large number of external funds in conjunction with the rise of the Internet led the large banks to start up their own fund marketplaces in the first place. This demand will probably increase once the price becomes more transparent both for funds and investment services. There is also a proposal that order execution services be exempted from the Swedish ban on commissions, meaning that the banks may continue to finance operations such as a fund marketplace through commissions, provided that this is not done in connection with advice or management.[30] Overall, it is not likely that the banks would stop selling external funds, since they would then risk losing customers to other firms, such as specialised online banks.

In terms of insurance, the large banks basically already only sell products from the insurance undertakings within their own groups. A ban on commissions does not address this problem.

In this context, other important parts of the MiFID 2 regulation should be noted. FI has often highlighted these as a supplement to a ban on commissions in order to deal with problems that a ban on commissions does not solve. For example, MiFID 2 includes rules regarding variable remuneration and reward systems for sales staff, making it more difficult to use sales bonuses and similar incentives for the banks' advisors. It also contains rules regarding product oversight and governance arrangements, which means that firms will need to define a target market when designing products and subsequently monitor that the product is sold to this target market. The implementation of the Mortgage Credit Directive into Swedish law also introduces new rules regarding the information a firm must provide when granting a customer a mortgage. The directive also prohibits firms from demanding that customers buy another product, for example transferring their savings, before being granted a mortgage.[31]

30 It is proposed that it should be possible to finance, in the future too, the investment services receipt and forwarding of orders (Chapter 2, section 1, points 1–2 of the Securities Market Act (2007:528) with remuneration from a third party, provided this does not occur *in connection with* investment advice or portfolio management. The inquiry points out that "in connection with" should be given a broad interpretation.

31 See "Stärkt konsumentskydd på bolånemarknaden" (SOU 2015:40)

Increased consumer power on the savings product market

It is sometimes argued that a ban on commissions would lead to reduced competition and higher prices on the savings product market. However, experience from abroad gives clear indications that independent advice rather leads to price pressure. FI's analysis of the distribution of funds and life insurance also indicates that a ban on commissions does not put smaller firms that do not belong to the large bank and insurance groups at a disadvantage.

Experience from other countries that have introduced similar regulations on commissions clearly shows that competition increases on the savings product market, resulting in better adaptation to consumers' needs and lower prices.

The Financial Conduct Authority (FCA) of the UK finds that, after introducing the ban on commissions, the price of savings products in the UK declined by at least the amount that was previously paid in commission. In its view, this price pressure is partially due to the supply of less complex funds and products with lower fees. This in turn is due partially to firms focusing more on offering products that meet customer demand, and partially to the fact that advisors and platforms have strengthened their position to negotiate with product firms. The experience of the supervisory authority of the Netherlands (AFM) is that, following the ban on commissions, increased competition between product companies has led to price pressure, particularly for index funds. Some product firms have dropped their prices by as much as 50%, according to AFM.

Experience abroad from bans on commissions

Sweden is not the only country that has reached the conclusion that commissions present a conflict of interest that is difficult to manage. Some countries, the UK and the Netherlands to name two, have even implemented a ban on commissions. Below is a brief description of the developments in these countries. It should be remembered in this context that all markets are subject to local characteristics and caution should thus be exercised when relying solely on international comparisons for an analysis of the Swedish market.

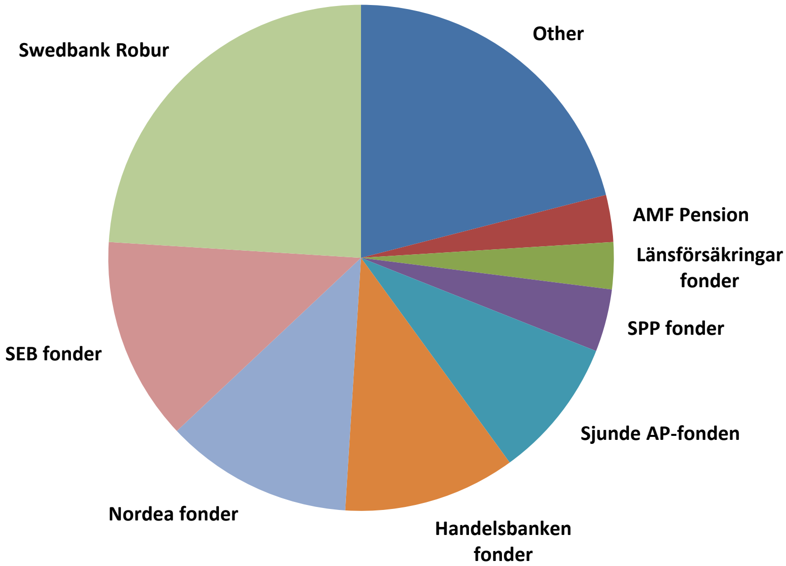
The United Kingdom: A ban on commissions was introduced at the beginning of 2013 as part of the Retail Distribution Review (RDR). Many other changes occurred at the same time, including the introduction of higher qualification requirements for advisors. Similar rules for remuneration for fund trading platforms were introduced in April 2014. When the FCA evaluated the regulatory amendments in December 2014 using two independent consulting firms, there were indications that sales of previous high-commission products had decreased, and that the prices of savings products had dropped. In the FCA's opinion, there is no clear evidence that the supply of advice decreased, even though the number of firms had decreased due to higher qualification requirements and mergers between smaller firms. However, there are signs that some consumers are now finding the price of traditional advisory services too high, and there is a need for simpler advice at a lower price. The FCA and the UK Ministry of Finance (HM Treasury) are currently carrying out a review of how the supply of such advice can be improved.

The Netherlands: In January 2013, a ban on commissions in the mediation of life insurance and mortgages was introduced in the Netherlands. The ban was largely a result of media reports on several cases of unsuitable sales of unit-linked insurance and payment protection in connection with the provision of mortgages. As of January 2014, the ban on commissions was also applied to securities companies that offer order execution, advice and portfolio management to non-professional investors. In its evaluations, the supervisory authority, AFM, indicated that the prices of savings products had dropped, particularly for index funds. The breakdown of invested capital between investment advice, portfolio management and execution services was relatively constant, although the share of customers using execution services increased sharply, mainly due to growth in the numbers of new customers.

FUNDS

The developments witnessed abroad are in line with the overview in FI's survey of how funds are distributed in Sweden. Firms that are financed by commissions are more likely to recommend more expensive funds, while the funds sold through fund trading platforms, for example, are more likely to have lower fees (see Diagram 2). A ban on commissions ought therefore to lead to greater demand for funds with a lower fee.

Diagram 3: Market share of fund management companies



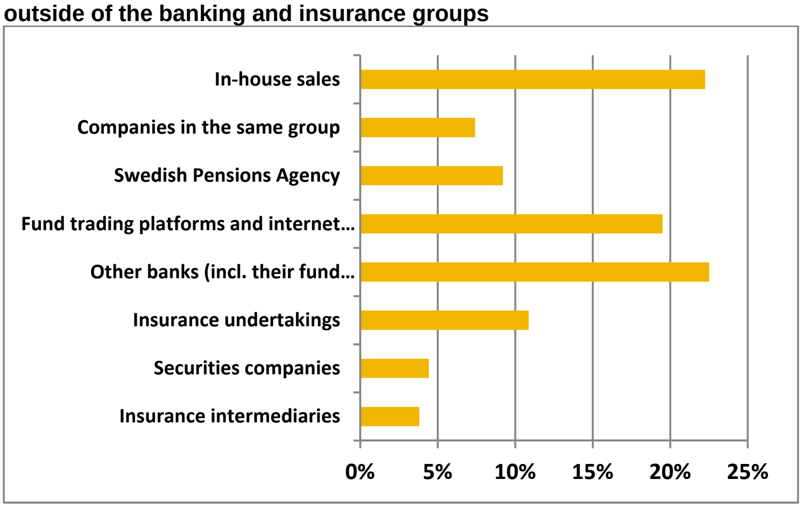
Source: Swedish Bankers' Association/"Fond & Bank" newsletter

Note: Refers to the share of total fund assets 2014

The large banks' fund management companies account for around 60% of the fund market today (see Diagram 3). The majority of the funds of these fund management companies are sold through companies within the same group. This largely also applies to the fund management companies of the insurance groups.

A common argument against a ban on commissions is that it would harm competition on the fund market, since smaller fund management companies would not be able to sell their funds without paying commissions. However, FI's investigation of how funds are distributed shows that around half of the fund distribution at fund management companies and AIF managers that do not belong to the large bank or insurance groups occurs through distribution channels that are only somewhat affected by the ban on commissions (Diagram 4). For example, a large proportion of sales are in the form of in-house sales (particularly at AIF managers).[32] Securities companies and insurance intermediaries, the firms that probably will be affected the most by a ban on commissions, account for a total of 8% of distribution. In this context, the fact that some of the saving in funds that occurs through insurance policies is also mediated through insurance intermediaries should be taken into consideration. In order to obtain a fairer presentation of the consequences for the distribution of smaller fund management companies in the event of a ban on commissions, consideration should be given to a portion of the total of 11% of savings in funds that occurs through insurance undertakings. Even given such an adjustment, it still seems that no more than a maximum of 15% of total gross savings in the funds of these fund management companies and AIF managers occurs through securities companies or insurance intermediaries (even though there are individual firms that are more likely to use these distribution channels).

Diagram 4: Distribution of funds outside of the banking and insurance groups



Source: FI's survey 2015

Note: The figures refer to aggregate gross saving in funds managed by 64 fund management companies and AIF managers that are not tied to any of the large banking or insurance groups.

32 The AIF managers included in the survey are, as mentioned, those that market their funds to non-professional investors. It is largely a case of so-called special funds.

At the same time, the very point of the ban on commissions is that it will have implications for the fund market as well as other markets. Good fund management companies, which deliver sound risk-adjusted returns in relation to the fee, ought to have good opportunities on a market with transparent pricing, while fund management companies with a poorer performance risk coping less well with the adjustment. In the same way as the ban on commissions is a necessary step for increased competition on the advisory market, it contributes to competition on the fund market by forcing producers to compete on quality and price instead of commissions for distributors.

Even though few actively managed funds outperform a benchmark index over a long period of time, and the level of fees is therefore crucial to return over time, the savings market has not adjusted accordingly. Actively managed funds with relatively higher fees are still predominant and more inexpensive index funds only make up a small proportion, thus implying deficient competition on the fund market. The fact that there is a link between index funds and competition on the fund market is suggested in e.g. Cremers et al. (2015), which describes how a higher proportion of funds that explicitly follow an index leads to better competition on the fund market, with lower fees and better performance among actively managed funds too.

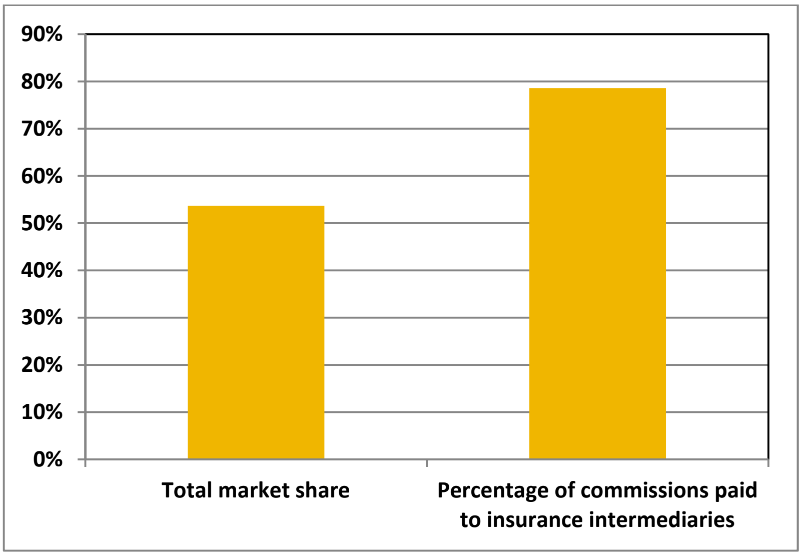
LIFE INSURANCE

For the life insurance market, the conclusion is more or less the same as for the investment fund market. The ban on commissions ought to benefit competition rather than damage it. Insurance intermediaries that are paid in the form of commissions are an important distribution channel for life insurance undertakings.[33] FI's investigations show that this applies both to large and small insurance undertakings. The firms that offer a sufficiently good product will probably benefit through independent advice, while those that fail to hold up well in an independent comparison may use non-independent distribution, such as their own sales channels.

The conclusions from FI's analysis of the commission income of insurance intermediaries also shows that large firms are probably more affected than small firms, as they account for a larger share of commission payments, even with account taken of their market shares (Diagram 5).

33 According to statistics from industry association Insurance Sweden, 27% of all life insurance in 2014 was mediated via insurance intermediaries remunerated with a commission.

Diagram 5: Five of the largest life insurance undertakings' market shares and commission payments



Source: FI's survey and Insurance Sweden

In an investigation into the distribution of life insurance among three of the large life insurance undertakings, FI observed a clear delineation between which insurance is sold through insurance intermediaries and which is sold through in-house sales staff. Ninety per cent of depository insurance and seventy per cent of unit-linked insurance is sold through insurance intermediaries, although the corresponding figure for traditional life insurance is just over half.

If insurance that enables investment in financial instruments within the insurance becomes unattractive for a distributor to mediate when consumers needs and not (the often high) upfront commissions drive the decisions, insurance undertakings might need to sell more of this type of insurance through their own staff. Because it is cheaper for insurance undertakings to pay for their distribution per transaction – i.e. through commission – instead of hiring sales staff, some firms might attempt to compensate for this by increasing the price that consumers pay. However, it is far from certain that this would succeed since the increased competition ought to lead to general price pressure.

STRUCTURED PRODUCTS

FI's investigation into commissions in 2014 showed that the majority of total commission payments to insurance intermediaries and securities companies for financial products – within or outside of insurance policies – come from sales of structured products. Based on the aggregate commission payments, the structured products market is also greatly affected by a ban on commissions. Credit institutions and securities companies, which most often serve as issuers and arrangers of structured products, account for a large percentage of the commission payments to other securities companies and insurance intermediaries. When the commission incentive disappears and consumers' needs are given more influence, the sales of structured products will probably decrease. The supply of structured products will not disappear, however, since banks account for a large portion of the structured products market (between 50% and 60%). FI will continue to focus on advice in its supervision, and particularly on advice related to structured products. Such products are highly complex, expensive and often risky, and they are generally difficult to justify from a consumer perspective.

The advice gap discussion

A common argument against a ban on commissions is that firms will no longer offer advice to consumers with modest assets. FI rather finds that transparent pricing for advice, which already costs money today, can lead to simplified advisory services that are more adapted to consumers' willingness to pay.

A common argument against the ban in both Sweden and other countries that have already introduced or are discussing a ban on commissions has been that firms on the market for financial advice will no longer offer advice to consumers with modest investable assets. This could result in a shortage in the supply of advisory services – an advice gap.

This argument is often founded on the claim that a commission-based remuneration model has a redistribution effect, since the commission payments of large-scale investors subsidise advice for consumers with smaller-scale assets. Based on FI's observations in its supervision, however, there is no empirical support for this being the case. It is rare for customers with very large assets and customers with very small assets to receive financial advice from the same firm. In addition, a compilation of FI's supervision over the years shows that the vast majority of customers who receive personal advice from insurance intermediaries or securities companies have greater investable assets than the average saver – very few customers have low income or limited wealth.[34]

When the FCA of the UK commissioned two independent consulting firms to evaluate the effects of the ban on commissions in the UK in December 2014, it was concluded that there is no clear proof that consumers who want advice have been abandoned on the UK market (see the previous fact box about experience from abroad). Rather, the FCA finds that it is a matter of consumers finding the price of traditional advisory services too high in relation to the perceived value.

The fact that consumers do not want to pay a price which they have always been paying, but which is now clearly visible, is not a good argument against a ban on commissions. It is rather the opposite. Clear pricing creates possibilities for consumers to influence the supply of advisory services. If advice, as it looks today, is perceived to be expensive in relation to the value it provides, there is an opportunity for other types of advisory services to emerge – services that are more cost-efficient and adapted to consumers' willingness to pay. For example, new types of digital advisory services are now being established in many countries.

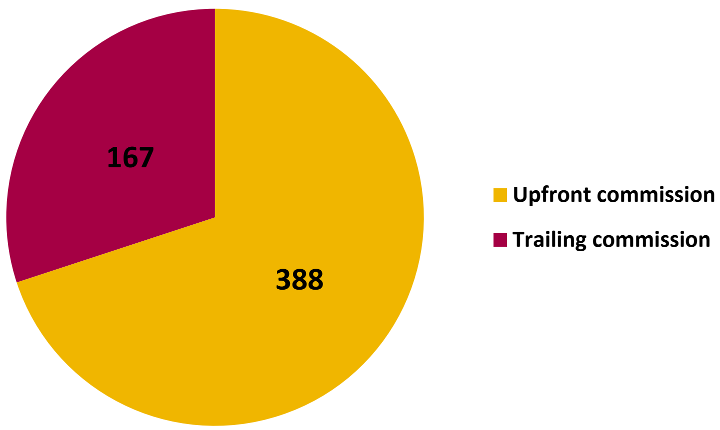
34 This is supported by e.g. Hackethal et al. (2012) and Bhattacharya et al. (2012), who find that investors who receive financial advice are richer and have greater financial knowledge than those who don't.

Transition based on consumers' needs and willingness to pay

A ban on commissions would entail a major adjustment for most firms on the savings market. Advisors and intermediaries will have to justify more clearly why their service is worth its price. Producers must compete on quality and price, rather than commission size. In FI's opinion, the gains from a better functioning savings market clearly outweigh the transition costs of firms.

One of the conclusions in FI's investigation into commission income from 2014, as mentioned above, was that commissions generally account for a large proportion of the total revenues of both insurance intermediaries and securities companies. The clearest case of this is at insurance intermediaries, which derive almost all of their revenues from commissions. However, commissions are also an important source of income for securities companies. A big part of commissions are upfront commissions. Among the insurance intermediaries and securities companies authorised for insurance mediation that responded to the survey, 70% of commissions consist of upfront commissions (Diagram 6).

Diagram 6: Commission income for insurance intermediaries and securities companies (SEKm)



Source: FI's survey 2014

Note: The figures refer to aggregate commission income in 2013 for 43 insurance intermediaries and securities companies authorised for insurance mediation, which responded to FI's survey.

Moving from a business model in which the price of a service is not displayed to the customer to a model in which the price is displayed in the form of a fee, is a challenge. Firms will need to demonstrate to the customer what value they are adding. Transition costs will vary between firms, but will be partly fixed. This means that larger firms should find it easier than smaller firms to make the transition to the new remuneration model. At the same time, smaller firms might have stronger relationships with their customers, potentially making it easier to justify the cost to the customer.

Some small firms, primarily insurance intermediaries, might have difficulty continuing their business under their own auspices. This does not mean, however, that they need to disappear from the market. There is already a strong trend on the market of mergers between independent insurance intermediaries, intermediaries who are individually authorised who work for larger entities and insurance undertakings that use the intermediary profession as an important recruitment channel. The consequences of a ban on commissions for an individual intermediary are ultimately affected by the orientation of the firm's business. Insurance intermediaries largely engaged in the mediation of occupational pension insurance, for example, could be expected to have a simpler transition to a fee-based remuneration model. This is because their customers are often corporations, which will reasonably continue to be in need of an occupational pension solution for their employees. The fact that there are already a number of firms that, fully or partially, charge a fee on the occupational pensions market, supports this view.

Securities companies are generally larger than insurance intermediaries (in terms of both sales and the number of employees) and many also carry out business which, based on the proposed ban on commissions, could still be paid for in the future with commissions, provided that the business is not in linked to investment advice or portfolio management. On the whole, it is probable that the transition to a fee-based remuneration model for advice will be easier for securities companies than for insurance intermediaries. On the basis of experience from abroad, it is judged that the consequences for securities companies engaged in advice will take the form of changed business models in the form of simplified and more cost-efficient advisory services as well as a perceptible shift from investment advice to portfolio management and execution services.

In the Netherlands, for example, the percentage of invested capital that passes through financial advice has declined somewhat since the ban on commissions was introduced, to the benefit of asset management and order execution services. This is mainly because the advisory customers of banks have transferred to execution services with other firms. The proportion of customers that choose execution services, such as fund trading platforms, has risen sharply, primarily due to an inflow of new customers to execution channels, rather than customers having stopped using the other services. This fits in well with the increased demand for funds with lower fees in the Netherlands.[35] It is important to note that the increased use of execution services in the Netherlands has taken place despite such services being subject to the ban on commissions there, unlike what has been proposed in Sweden. According to FI's analysis, such services will become increasingly common on the Swedish market, regardless of whether they are covered by a ban on commissions.

As previously determined, the proposed rules present no major changes for the large banks in terms of incentives to provide advice about products from firms in the same group. However, FI does not believe

35 See AFM (2014) and AFM (2015).

that the banks will stop selling external products. Demand is strong among many banking customers, and limiting its selection could mean that customers would leave. This is particularly the case if the use of execution services increases like in the Netherlands.

It is also important to say something about the savings banks[36], which are often the only financial firm in small towns in the countryside, and thus play an important role on the savings market. It is reasonable to assume that the savings banks have customers that often do not have any relationships with any other firms on the savings market. The average customer only meets the savings bank on an exceptional basis, in which case it might be difficult to justify to the customer why a fee must suddenly be charged for the advice. However, the banks charge fees for payment cards, securities services and similar services, so the advisory meeting could reasonably be financed in the same way, by a fee spread out over the years based on how often the customer needs advice. The local presence and deep customer relationships of the savings banks could rather help them offer truly independent advice. FI's investigation into commission income at firms authorised for insurance mediation and investment services included 14 savings banks. Based on the investigation, the savings banks' advice today can hardly be called independent, since commissions account for most of the revenues and almost all commission comes from firms in the Swedbank group (Table 3).

Table 3: The commission income of 14 savings banks

	Percentage of revenues consisting of commissions	Percentage of commission income that comes from firms in the Swedbank group
Savings bank 1	90%	100%
Savings bank 2	100%	100%
Savings bank 3	100%	100%
Savings bank 4	97%	100%
Savings bank 5	95%	100%
Savings bank 6	92%	86%
Savings bank 7	92%	100%
Savings bank 8	93%	100%
Savings bank 9	93%	100%
Savings bank 10	46%	100%
Savings bank 11	100%	92%
Savings bank 12	75%	90%
Savings bank 13	94%	100%
Savings bank 14	82%	100%
Average	**89%**	**98%**

Source: FI's survey on commission income 2014

Note: The figures refer to revenues for investment advice, portfolio management, receipt and forwarding of orders, and execution of orders in 2013.

To sum up, it can be concluded that a ban on commissions require a major adjustment by most firms on the saving market. However, FI is of the opinion that the gains from a better functioning market outweigh the transition costs of firms. If a ban on commissions is introduced, it will be important to continuously monitor developments on the market for investment services and insurance mediation, in the same way as is currently being done in the Netherlands and the UK.

Conclusions

FI finds that independent advice would serve an important purpose on the Swedish financial market, where consumers must take more responsibility for their future finances.

When consumers cannot judge the quality and the price of services or products in a market, they are not able to influence what is available on the market. Unlike on a well-functioning market, expensive and poor products on the savings market are not eliminated, but rather continue to be sold with a wide margin. This can be described as a market failure. Instead of helping consumers choose from the wide range of savings products, financial advice today aggravates consumers' information disadvantage because it is influenced by the size of commissions paid by producers instead of the needs of the consumer. In order to remedy this, a broad ban on commissions is needed.

The consequences of such a ban will affect both the firms providing financial advice and those that sell their products through advisory firms. Advisors and intermediaries will need to demonstrate much more clearly the value they are generating to the consumer when the advice is paid for by a fee. Producers that pay high commissions to get their products onto the market must be more willing to adapt the products to the needs and demands of consumers. FI believes this will lead to simplified advisory services and an increased range of products with lower fees. The transition costs that this will involve for firms must be set against the gains generated by a savings market that functions better in the long term. Other countries have made this assessment and come to the same conclusion, i.e. that the gains from a ban on commissions outweigh the costs.

A ban on commissions does not solve all problems on the savings market, but it is a necessary step towards creating the conditions for independent advice that can help reduce the information disadvantage of consumers. This would also increase the possibility of consumers to influence the supply of services and products on the savings market.

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