



**EFAMA**

European Fund and Asset Management Association

**50** 1974  
*years* 2024

MARKET INSIGHTS

ISSUE #16 | APRIL 2024

# INVESTMENT FUND DISTRIBUTION CHANNELS IN EUROPE

## INTRODUCTION

It is widely recognised that most EU households hold an excessive share of their financial wealth in bank deposits offering negligible return.

To determine which measures should be taken to remedy this problem, we need to know how retail investors access retail investment products.

EFAMA surveyed its member associations to gain a better understanding of the distribution channels used by retail investors to purchase investment funds in their country.

The survey revealed three distinct results:

- The **advice channel** stands out as the most significant fund distribution channel. Financial intermediaries providing advice to their clients, including banks, financial advisers, insurers, portfolio managers, and full-service brokers, collectively account for 80% of fund assets owned by European retail investors.
- The share of **banks** in fund distribution reaches 45% in Europe and 57% in the European Union.
- **Open architecture fund platforms** and **financial advisers** are expected to play a bigger role in fund distribution over the next five years. Financial technology is poised to be the primary catalyst driving the evolution of fund distribution channels.

These findings have important implications for the Retail Investment Strategy currently being discussed by the EU co-legislators, as explained in the conclusions of this note.

### Table of Contents

- Introduction
- Four main distribution channels
- A survey covering seventeen countries
- Dominance of the advice channel
- Future trends in fund distribution
- Conclusions

## FOUR MAIN DISTRIBUTION CHANNELS

Investment funds are sold to retail investors through four main distribution channels.

**Direct sales channel:** through this channel, fund managers distribute their funds directly to retail clients, without using any third-party intermediaries, typically by managing discretionary portfolios that are invested in funds.

**Advice channel:** funds can be distributed by an intermediary financial professional who provides investment guidance, assistance, and advice, based on the investor's identified financial goals, risk tolerance and sustainability preferences. Such intermediaries include representatives at banks, financial advisers, insurers, portfolio managers, and full-service brokers.

**Fund platforms channel:** retail investors can also buy and sell investment funds directly, typically by connecting to an online platform, without the help of an investment professional providing advice. Investors must undertake their own research to choose which funds to invest in, although they can always decide to seek advice from an independent financial adviser offering financial advice without conducting transactions for their clients. Typically, the platforms provide a variety of tools to assist investors' decision-making.

Two main types of fund platforms can be distinguished:

- **Open architecture fund platforms**, which provide access to a wide range of funds from different asset managers, rather than being limited to a single provider's offerings. Execution-only brokerage firms fall into this category if they don't provide any advice or recommendations.
- **Captive distribution fund platforms**, which provide access to a limited range of funds, typically from a single provider or a group of related providers.

**Pension saving channel:** There are three main arrangements through which investment funds can be bought by retail investors to save for retirement: (i) mandatory retirement savings plans where individuals are obligated by law to contribute to investment funds for their pension, (ii) employer-sponsored occupational pension plans, and (iii) personal pension saving plans.

When considering the results of the survey, the following should be kept in mind when it comes to the role played by insurance companies and banking groups:

- Insurance companies are included in this survey as distributors of unit-linked products, which combine life insurance and exposure to one or more investment funds. These products can be distributed to retail investors by insurance companies or banks. In this case, the direct clients of the fund managers are the insurance companies, which can sell these products themselves through their distribution networks or rely on banks as distribution partners. As the survey has been completed by fund managers, some managers may have decided to treat the insurance companies as their contractual partners, even when banks are the distributors of the unit-linked products.
- Banking groups typically distribute funds via different entities, notably retail banks, private banks, fund platforms, insurance companies, and pension funds. The share of banking groups is therefore higher than what is shown in this survey.

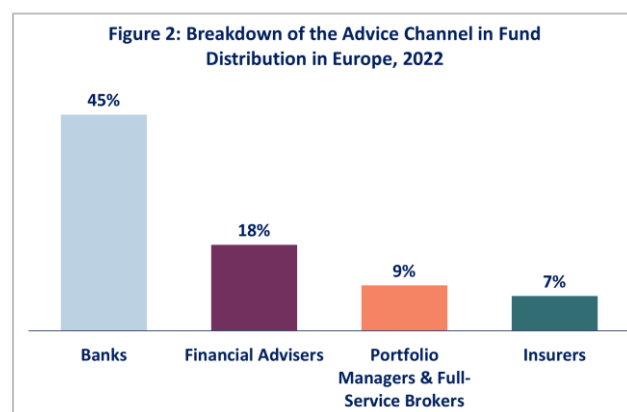
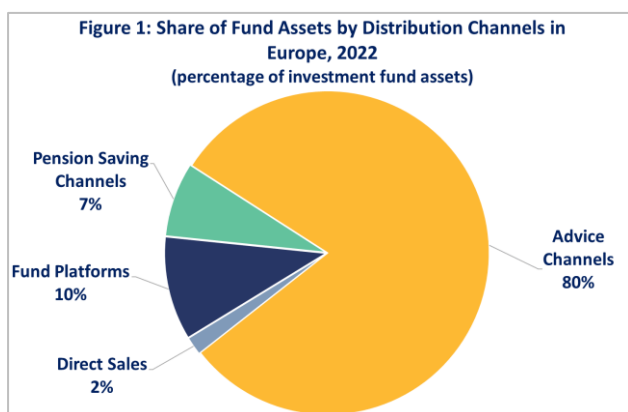
## A SURVEY COVERING SEVENTEEN COUNTRIES

Fund managers based in Austria, Belgium, Croatia, Denmark, France, Germany, Greece, Hungary, Italy, Norway, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and the United Kingdom participated in the survey through their national associations. Even if these associations did not receive data from all their members, the data received provides a good representation of the share of the different fund distribution channels used in their countries. The assets owned by retail investors and covered in the survey totaled EUR 4.4 trillion. The breakdown of assets across Europe is shown in Annex 1.

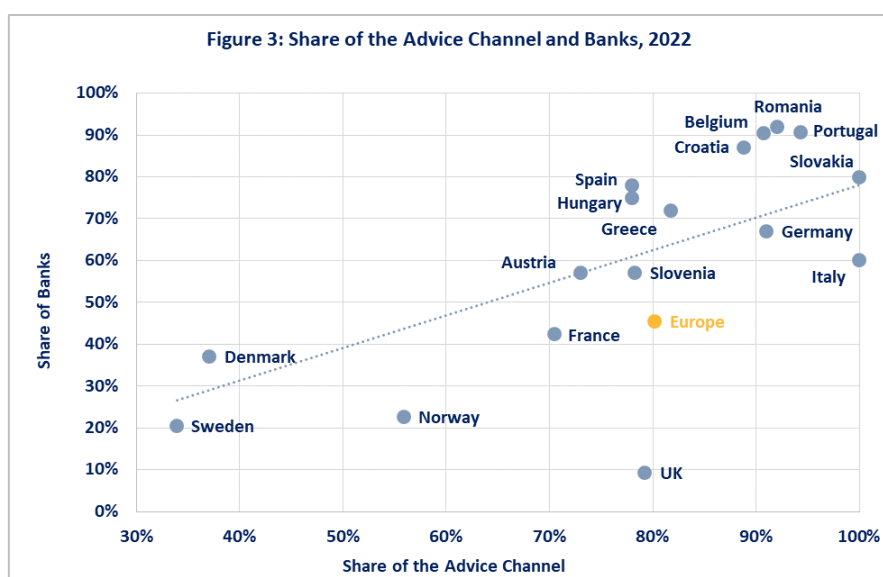
## DOMINANCE OF THE ADVICE CHANNEL

As a share of investment fund assets, **the advice channel is the largest, accounting for an estimated 80% of all investment funds held by retail investors in Europe at the end of 2022**. The fund platform channel is second in importance with a share of 10%. The pension saving and the direct sale channels follow, with an estimated share of 7% and 2%, respectively.

**Banks rank as the most important fund distribution channel with an average share of 45% in Europe**, followed by financial advisers, portfolio managers and insurers.



There are major differences in the way funds are distributed at the national level, as illustrated in Figure 3 which shows the share of the advice channel and of banks for each country.



The share of banks is lower than the European average in five countries:

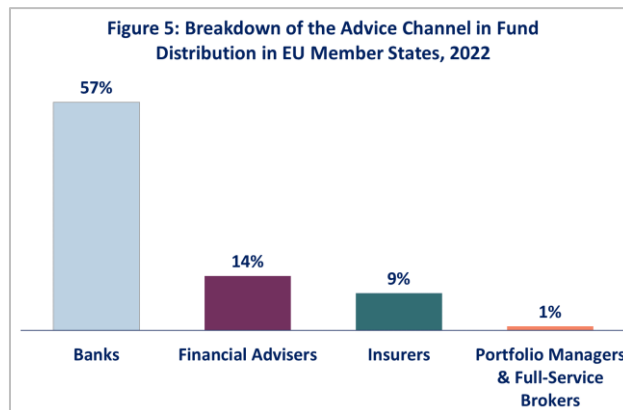
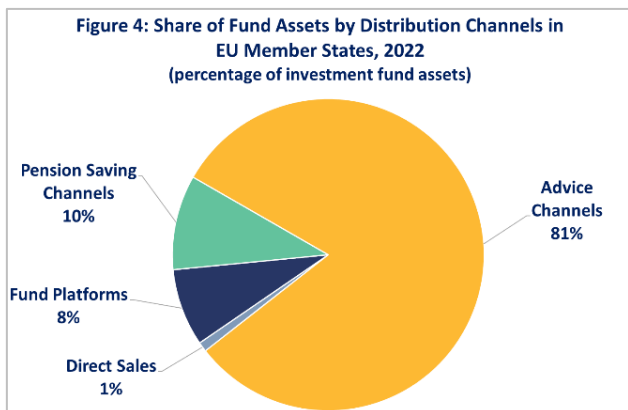
- **United Kingdom:** the fund distribution system in the UK is dominated by portfolio managers & full-service brokers with a share of 37% and financial advisers with a share of 33%. Both groups are targeting advised investors rather than those who invest directly.
- **Sweden:** pension saving is the most important fund distribution channel in Sweden, with a total share of 43%. Banks follow, with a share of 20%. One of the most distinctive features of the fund distribution system in Sweden is the role played by the Premium Pension System (PPM), which requires that 2.5% of the pensionable salary is invested in investment funds which are offered on a platform run by Sweden's Pensions Agency. As a result, the share of mandatory fund-based pension plans is close to 20%.
- **Norway:** fund distribution is not concentrated in one or two channels but more evenly distributed among the following channels: fund platforms (24%), banks (23%), insurers (19%) and direct sales (16%).
- **France:** insurers hold the biggest share in fund distribution (34%), followed by banks (26%), and occupational fund-based pension plans (22%). The share of the pension saving channel is the third largest one in Europe, reflecting in part the impact of the Loi Pacte, which introduced several measures in 2019 to promote employee savings schemes.
- **Denmark:** occupational pension plans and banks are the most important channels, each with a share of 37%.

The share of banks is higher than 90% in three countries (**Romania**, **Portugal**, and **Belgium**) and around 60% in three other countries:

- **Italy**, where the share of adviser networks (typically run as subsidiaries of large banking groups) is the highest in Europe (36%),
- **Slovenia**, where the direct sales channel is the highest in Europe (20%), and
- **Austria**, where fund distribution is less concentrated than in other countries.

The key role played by banks in fund distribution explains why the share of the advice channel is close to or higher than 80% in all countries, except in countries where fund-based pension plans are important (**France**, **Denmark** and **Sweden**) and those where open architecture fund platforms have a relatively strong market share (**Austria**, **Denmark**, **Norway**, **Sweden**, and the **UK**).

When the **UK** and **Norway** are excluded from the sample to focus on Member States of the European Union, banks rank with a higher share (57% versus 45%), mainly because the share of portfolio managers & full-service brokers as well as that of financial advisers are very high in the UK (37% and 33%, respectively).

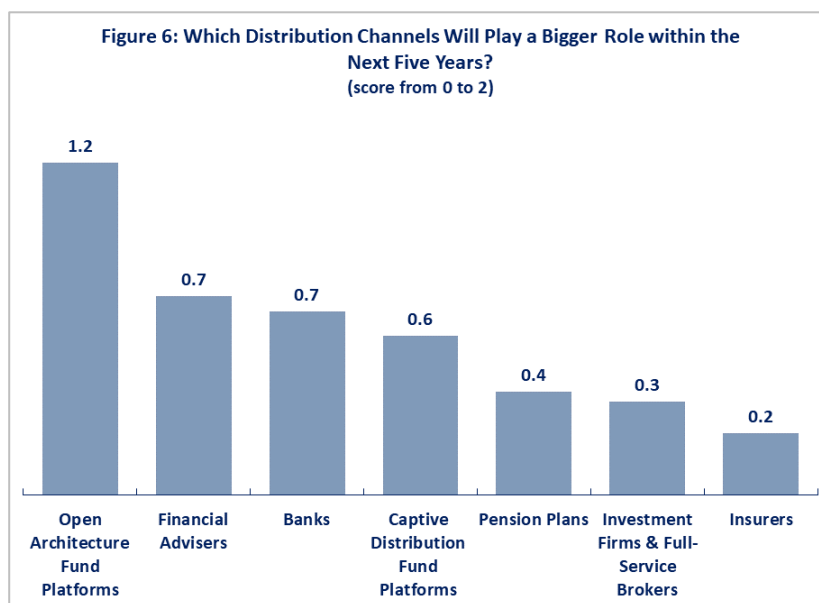


## FUTURE TRENDS IN FUND DISTRIBUTION

Fund managers were also asked to respond to the following questions:

- How will the share of the different distribution channels to retail investors evolve over the next five years, assuming no major changes in the regulatory environment?
- What are the main drivers that are likely to change the landscape of fund distribution channels during this period?

Participants in the survey were invited to provide a score from -2 to +2 to indicate which distribution channels will, in their opinion, play a bigger/smaller role in the next five years. The survey results show that fund managers expect the share of open architecture fund platforms to increase in the future, at the expense of the other fund distribution channels. Financial advisers come in second place in this ranking.



Survey participants anticipate that financial technology (fintech) will significantly reshape the distribution landscape in the coming years through diverse applications:

- The adoption of **blockchain solutions** is expected to offer numerous benefits, including heightened transparency, reduced errors arising from manual processes, improved security measures, and enhanced operational efficiency.
- **Artificial Intelligence (AI)** is set to exert a profound influence on various facets of the fund distribution process, particularly through AI-powered robo-advisors, chatbots, virtual assistants, and data analytics.
- Fintech will also facilitate the rise of **digital platforms**, streamlining access to investment funds for investors online. This will be reinforced by ongoing advancements in technological infrastructure, such as high-speed internet and mobile networks, user-friendly interfaces, and electronic payment systems, all of which will simplify access to fund platforms. In this context, it is not surprising that open architecture platforms ranked first in the survey and that financial advisers are also expected to play a bigger role in the future, including by relying on open architecture platforms or automatic algorithms and new technologies to offer personalised investment recommendations, timely guidance, and automatic portfolio adjustment.

In their comments, several survey participants also noted that fund distributors able to respond effectively to the growing demand for ESG products, for instance by using ESG-focused communication and screening tools, are likely to attract a bigger share of investment flows.

## CONCLUSIONS

Based on the above findings, three overarching conclusions can be drawn.

Firstly, the **pivotal role of banks in fund distribution** within the European Union cannot be overstated. With their share accounting for 57% of fund assets, they serve as primary advisors to clients seeking to diversify their savings from deposits into investment funds. It would be detrimental if the Retail Investment Strategy were to hinder banks from continuing to fulfil this crucial role. The UK's experience with the Retail Distribution Review (RDR) illustrates this risk. Banks withdrew from the market because they found it uneconomical to integrate a fee-based financial advice service into their business model. Consequently, investors lost a crucial source of advice, resulting in a damaging advice gap. To prevent a similar scenario in the EU, it is essential to safeguard access to investment advice by maintaining both commission and fee-based models.

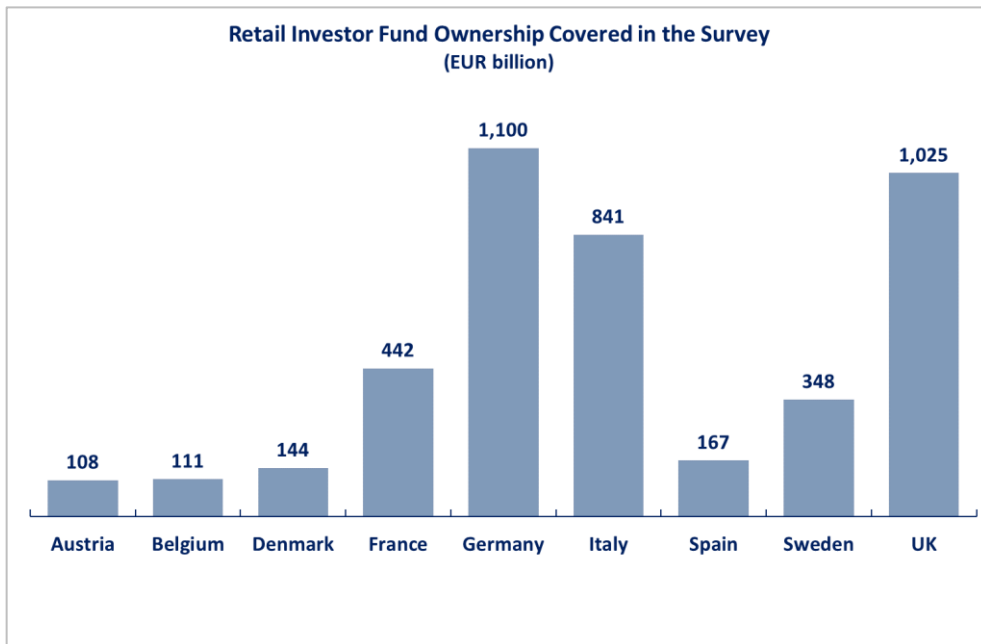
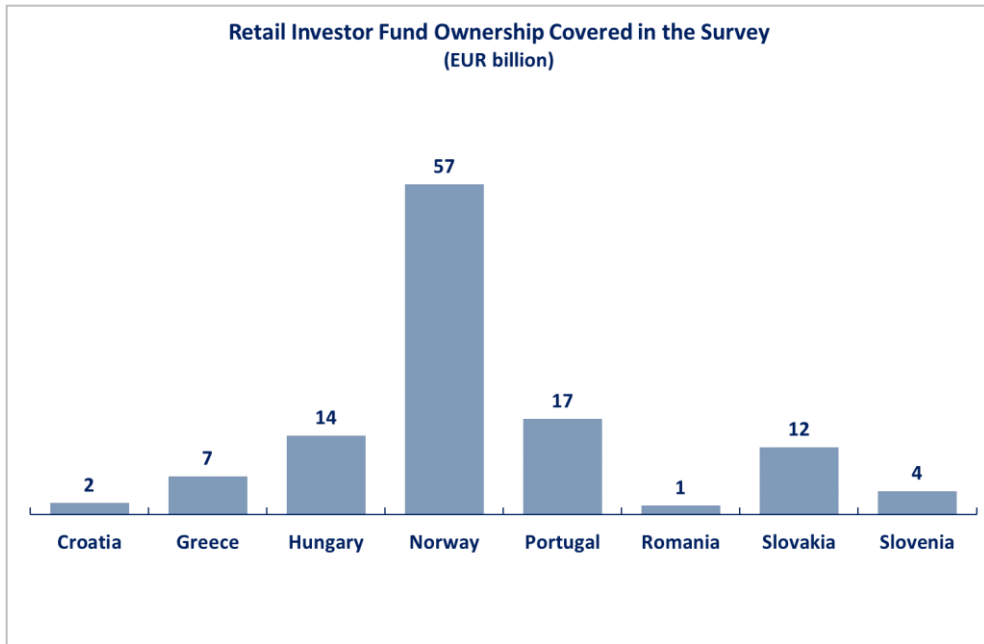
Secondly, the **emergence of technology-based solutions** presents promising opportunities for fund platforms to assume a more prominent role in the future and attract digitally savvy young investors. Therefore, to maintain their market share, traditional banks must adapt by ensuring they deliver added value in terms of user experience, pricing, and other relevant factors.

Thirdly, ensuring **access to online fund platforms and mobile apps without imposing upfront fees** is essential. Introducing such fees would likely dissuade investors from actively managing their savings, thereby stifling price competition between traditional and digital fund distribution channels. Therefore, banning commissions for execution-only transactions would impede access to digital platforms, running counter to the objectives of increasing retail participation in capital markets and fostering a competitive digital EU economy.

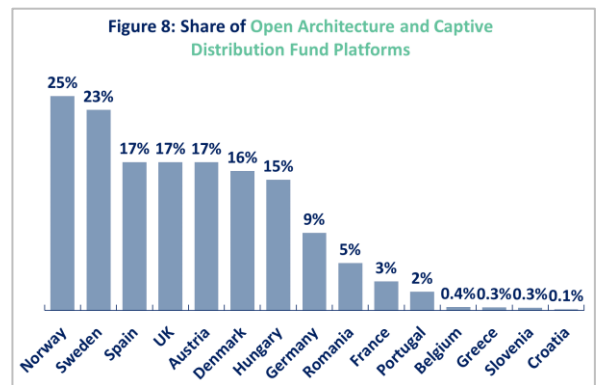
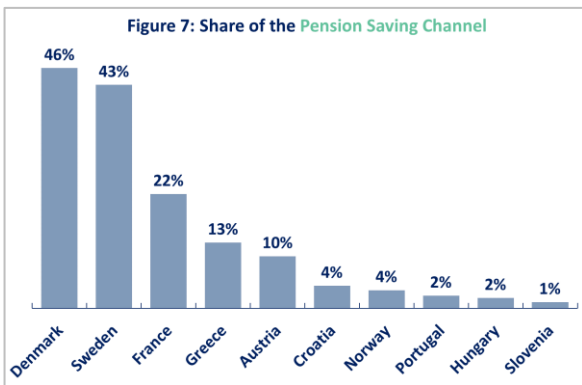
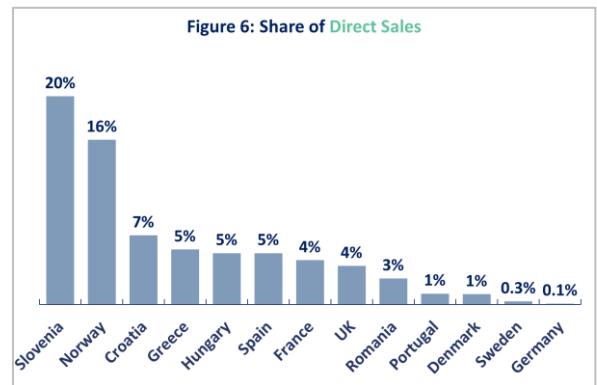
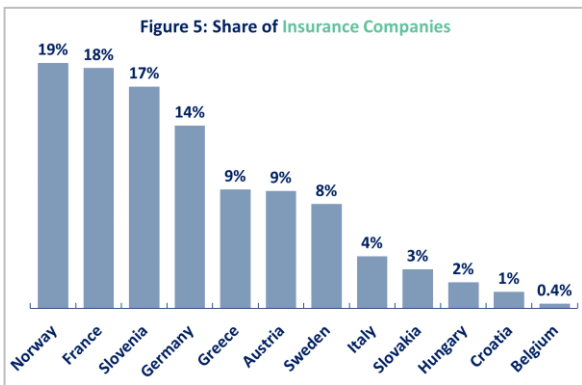
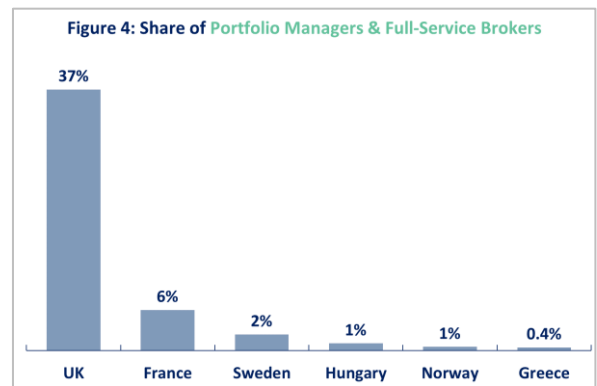
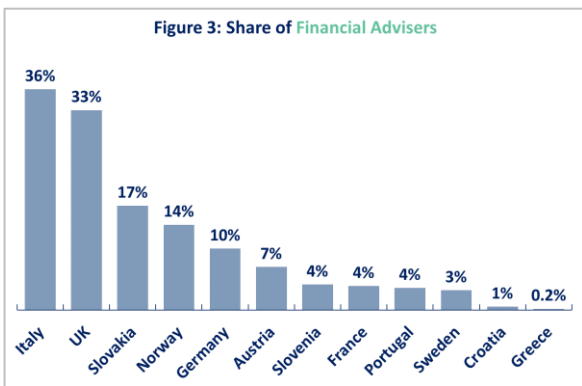
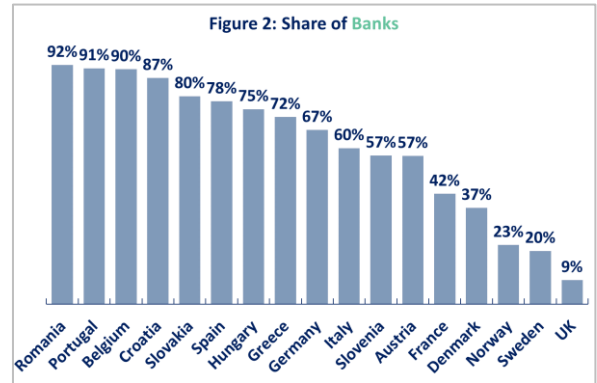
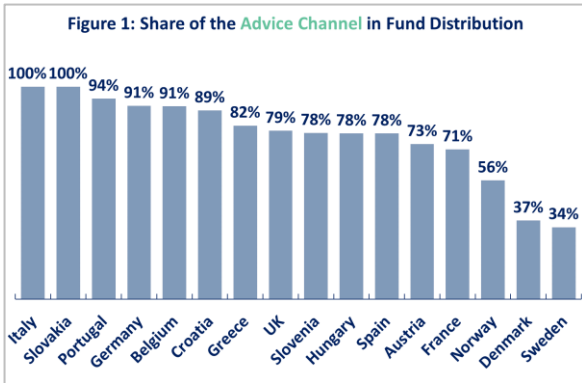
### Author:

**Bernard Delbecque**, Senior Director

## Annex 1: Retail Fund Assets Covered in the Survey

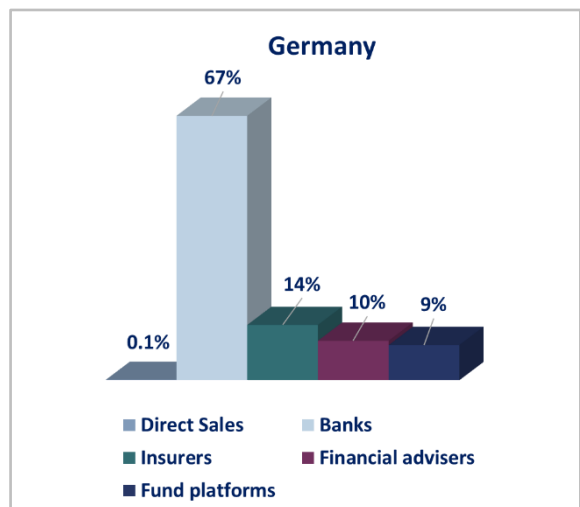
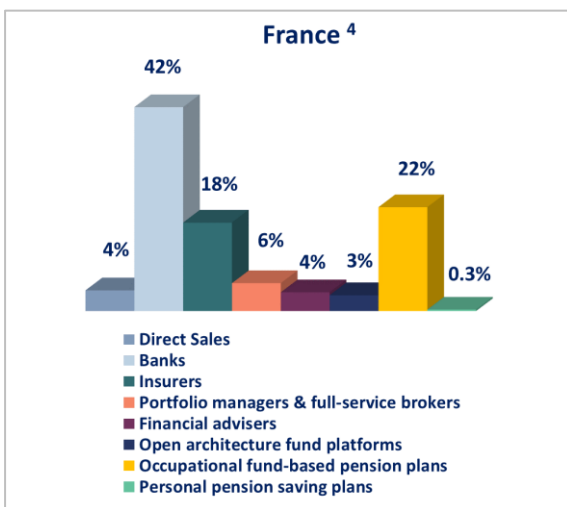
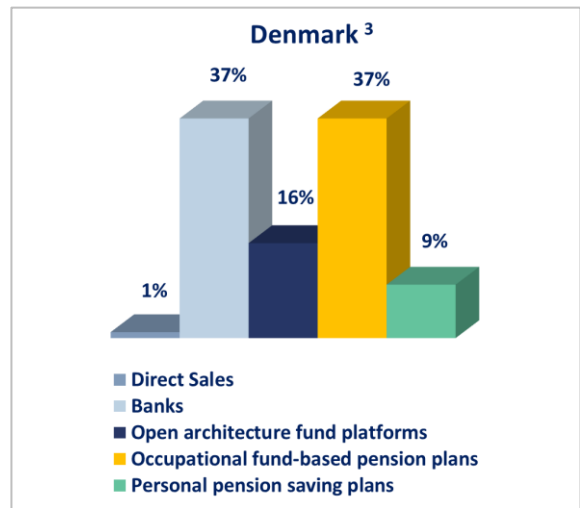
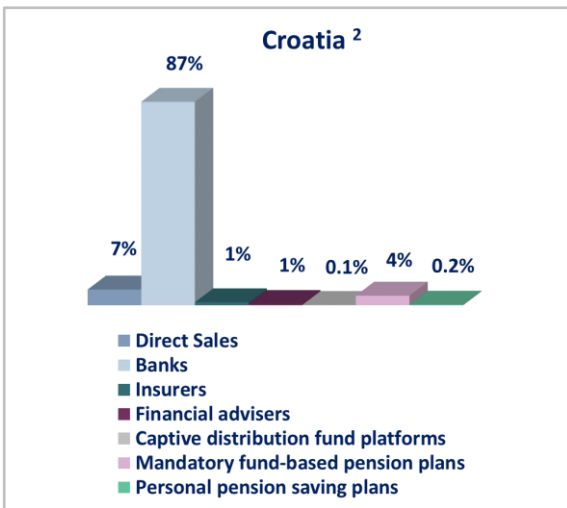
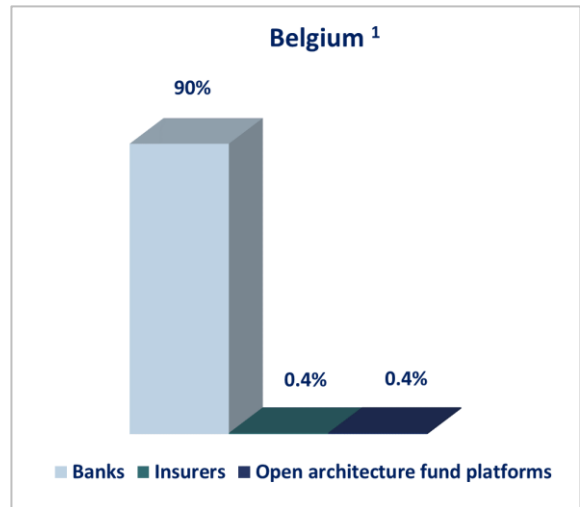
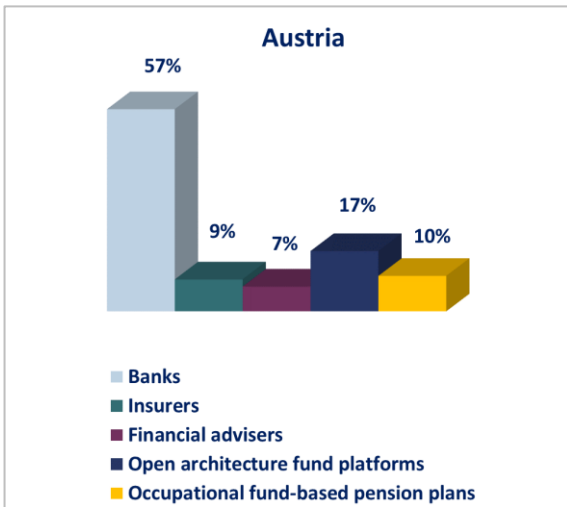


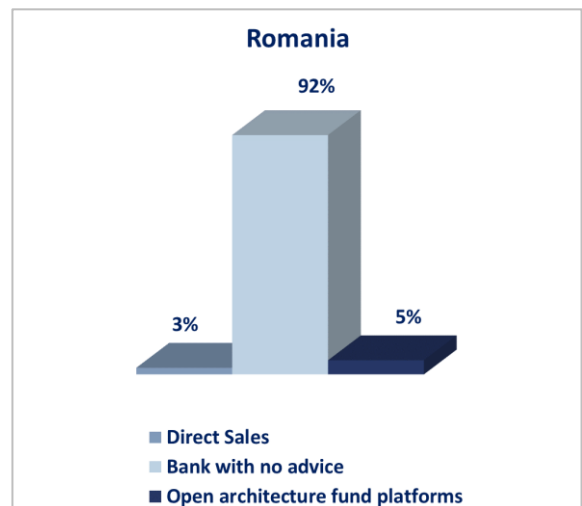
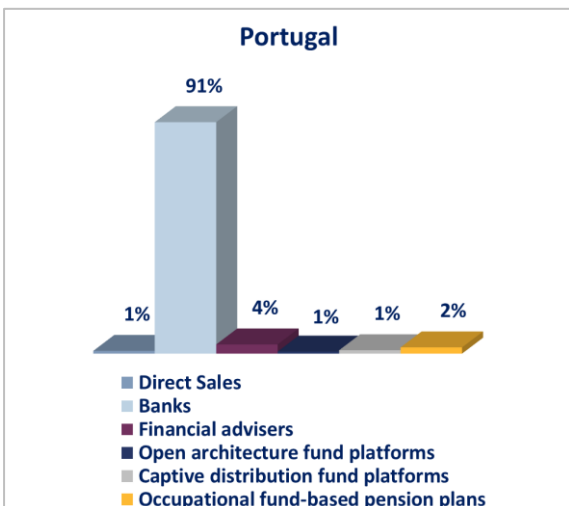
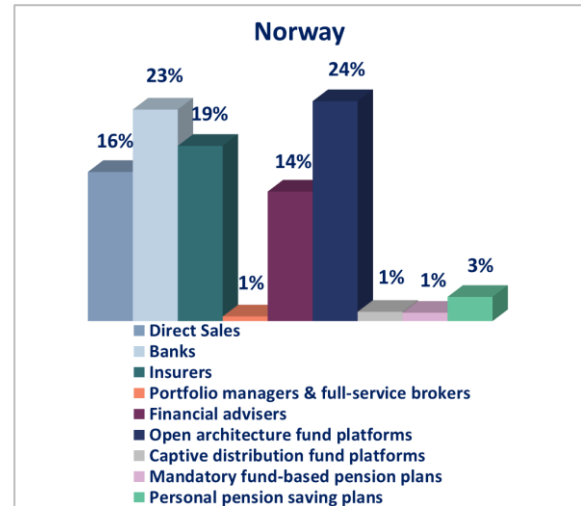
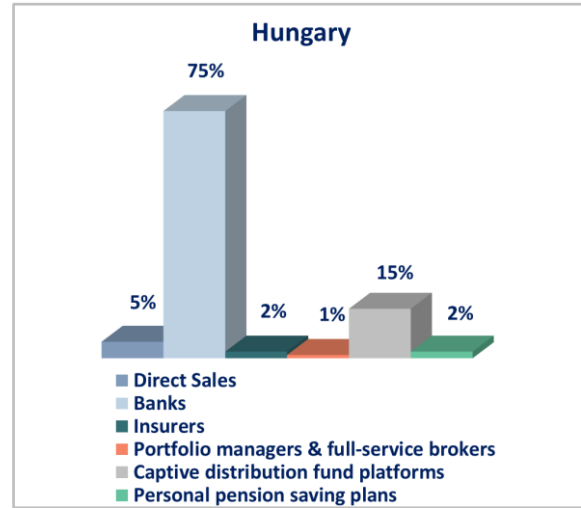
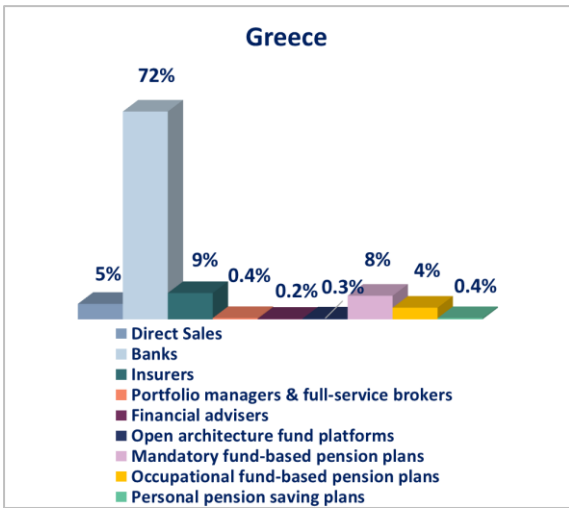
## Annex 2: Comparison of the Share of Fund Distribution Channels at the National Level

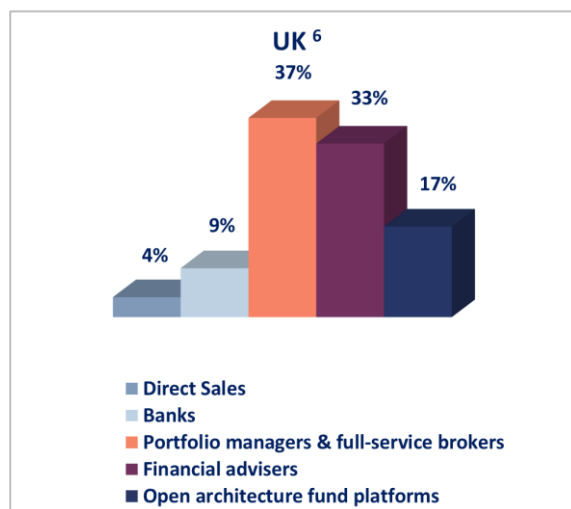
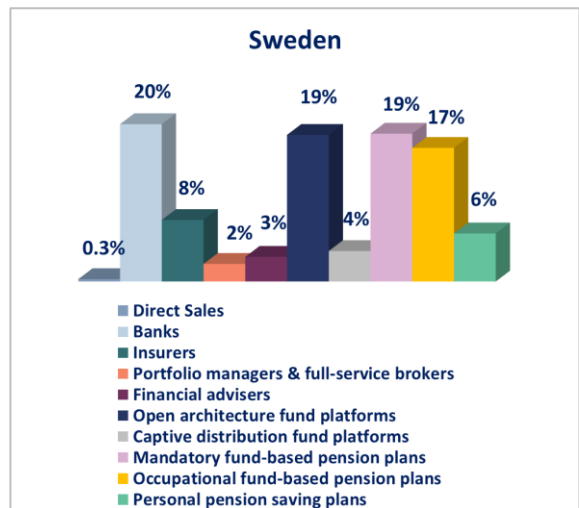
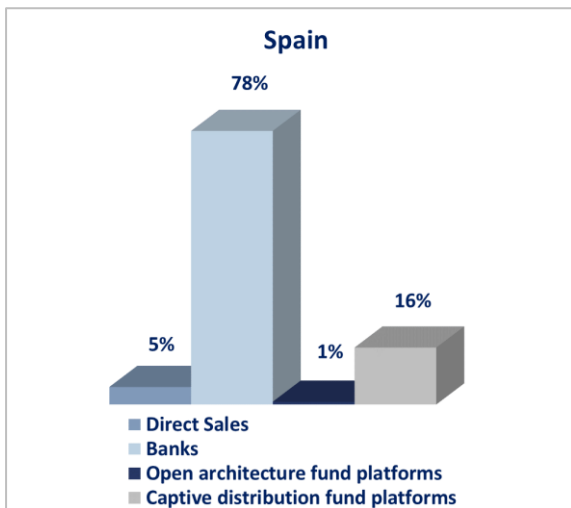
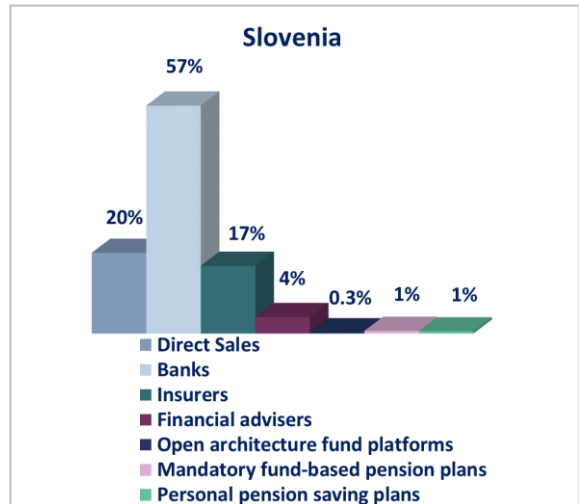
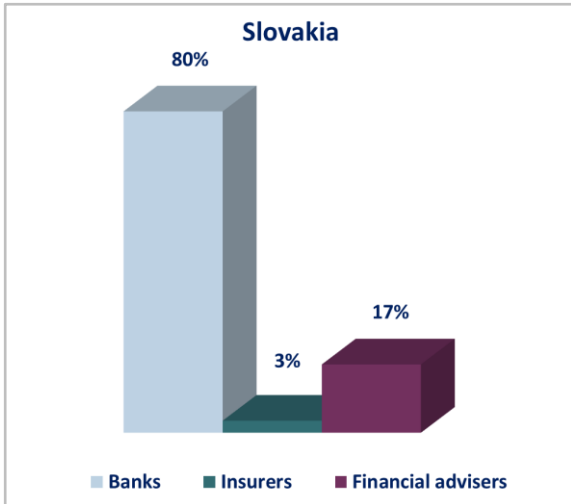




## Annex 3: Distribution Channels at the National Level







## Endnotes

1 **Belgium:** Funds offered under open architecture distribution are mostly distributed via banks and pension saving funds are only distributed via banks; for this reason, they are classified under “banks”. 8.9% of retail investors’ funds could not be allocated to a specific distribution channel.

2 **Croatia:** The data was submitted by 10 companies out of a total of 22 investment fund management companies.

3 **Denmark:** As portfolio managers & full-service brokers and financial advisers distributing funds generally all belong to a bank or have a banking license, the funds distributed by those entities are classified under “banks”.

4 **France:** According to the survey respondents, the fund assets associated with the various distribution channels represent either the final distributor in contact with the retail client, or the intermediary distributor who has signed a distribution agreement with the asset management company, or a mix of the two.

5 **Italy:** Bank and FA channels include funds distributed through internal open architecture fund platforms (usually including advice). The business of (no advice) independent open architecture platforms is still relatively small and difficult to measure (no official statistics available). Funds distributed through unit-linked products are accounted for according to the type of distributor facing the end investor: banks (bancassurance), FAs or insurers (direct distribution).

6 **UK:** Percentages based on gross sales to retail investors.



## THE VOICE OF THE EUROPEAN INVESTMENT MANAGEMENT INDUSTRY

EFAMA is the voice of the European investment management industry, which manages over EUR 28.5 trillion of assets on behalf of its clients in Europe and around the world. We advocate for a regulatory environment that supports our industry's crucial role in steering capital towards investments for a sustainable future and providing long-term value for investors.

Besides fostering a Capital Markets Union, consumer empowerment and sustainable finance in Europe, we also support open and well-functioning global capital markets and engage with international standard setters and relevant third-country authorities.

EFAMA is a primary source of industry statistical data and issues regular publications, including Market Insights and the authoritative EFAMA Fact Book.

More information is available at [www.efama.org](http://www.efama.org). Follow us on LinkedIn [@EFAMA](https://www.linkedin.com/company/efama).

Rue Marie-Thérèse 11 | B-1000 Bruxelles | T +32 2 513 39 69 | [info@efama.org](mailto:info@efama.org)

*EU transparency register: 3373670692-24*