



OBSERVATOIRE DE L'ÉPARGNE EUROPÉENNE

Call for Tenders 2016:
Contracts for conducting research in the field of Savings in Europe

The Observatoire de l'Épargne Européenne is currently seeking out contracts for the realization of European research projects on the following themes that were selected by its Scientific Committee:

Theme 1: MIFID Questionnaires and Financial Advice Practices

Theme 2: Capital Market Union

Theme 3: Changes in the distribution of channels of savings products and loans

Funding offered by the OEE is generally between 10k and 50k €. Research is expected to be completed within one year.

Please find tendering specifications below.

Submissions of proposals by a team combining academic researchers and professional specialists are particularly welcome.

Tenders and requests for additional information may be submitted by e-mail to the following addresses:

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Please note that the submission deadline is **May 15, 2016**.

Theme 1: MIFID Questionnaires and Financial Advice Practices

MIFID requires financial intermediaries to check the adequacy of their investment recommendations in relation to client objectives. This requirement raises many practical and theoretical questions. The amount of savings and its breakdown according to the various categories of assets depend both on the household's intrinsic preferences and beliefs concerning the future. In theory, preferences are multidimensional. Economists demonstrated that the optimal level of savings and asset allocation depend on many psychological characteristics, including risk aversion, ambiguity aversion, prudence, impatience, regret, anxiety or the desire to leave a legacy, for example. Saver's beliefs also influence their optimal choices.

Financial advisors should ideally be able to measure these different profiles that characterize the preferences and beliefs of their clients, and, in turn, deduce the corresponding optimal portfolio. The OEE would like to finance a research program that investigates the practices of MiFID questionnaires in Europe, and to explore the relationship between the responses of investors to these questionnaires, the advice practices of financial intermediaries and finally the investments actually made by investors within this framework.

The OEE is particularly interested in better understanding the reaction of advisors faced with extremely risk-averse investors in a world where the returns of risk-free assets are very low. How do they react to investors whose beliefs are clearly irrational (optimistic, pessimistic, over-confident)? What psychological factors are actually measured by the MiFID questionnaires, and with what degree of accuracy? Are significant differences found in practices across EU countries?

Theme 2: Capital Market Union

Although there is, in theory, a single market for financial services in Europe, one must recognize that flows of savings remain largely national. Offers of savings and credit are rarely cross-border. Differences in pension systems are the source of huge disparities in the volume and structure of assets. The optimal portfolio is skewed by differences in savings tax and income tax and this bias is different in each country. Although, in theory, non-domestic products cannot be discriminated against by national regulations, in practice operational complications reduce both supply and demand for cross-border or pan-European savings products.

This results in an inefficient allocation of capital and risks in Europe, and it lowers the financial returns of savings. This is especially detrimental in the current environment of historically low interest rates. Yet the challenges facing Europeans are largely the same. The lengthening of life expectancy, access to costly healthcare and the geographic mobility of younger generations all require responses within the household life cycle.

The OEE is interested in research that highlights the benefits a real capital market union would provide to savers, and also to households when applying for credit. Funded studies will address this issue globally or focus on a category of savings, credit, insurance or pension products. Empirical studies supported by the OEE will cover several European countries.

Theme 3: Changes in the distribution of channels of savings products and loans

Regulation, technology and Internet-use have led to changes in the distribution channels of savings products and loans to individuals. The intermediation chain is shortening.

Savers are increasingly using online facilities offered either by their traditional intermediary or new market participants ("Fintech"). They directly fund companies on crowd-funding or crowd-lending platforms. Robot Advisors offer online financial advice.

The use of ETFs also changes distribution channels. ETFs are still mainly used by institutional investors in Europe but individuals are also increasingly using them. This should increase the share of investments operated in an "open architecture" environment, where the producer of a product is not necessarily its distributor. In the United Kingdom, the Retail Distribution Review has already led to low-cost ETFs being increasingly recommended by financial advisors.

The OEE is interested in research describing these trends and their impact on savings. Under what conditions do these new offerings add value to traditional intermediation? Do they induce behavioral changes in terms of risk aversion, portfolio diversification and the rationality of tactical and strategic decisions? Are customer segmentation models impacted by these new practices?

Empirical studies supported by the OEE will cover several European countries. The use of data sets derived of new distribution channels is encouraged.