

Understanding the investor-advisor relationship in Belgium's retail and private banking sectors

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UNDERSTANDING THE INVESTOR-ADVISOR RELATIONSHIP IN BELGIUM'S RETAIL AND PRIVATE BANKING SECTORS

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List of abbreviations

- EU: European Union
- US: United States
- MiFID: Markets in Financial Instruments Directive
- ECMI: European Capital Market Institute
- UK: United Kingdom
- SEC: Securities and Exchanges Commission
- ESG: Environmental, Social and Governance
- SFDR: Sustainable Finance Disclosure Regulation
- CSRD: Corporate Sustainability Reporting Directive
- AI: Artificial Intelligence
- FSMA: Financial Services and Markets Authority

Introduction

The relationship between a financial advisor and an investor falls into the principal-agent framework. This theoretical model analyses the relationship between a principal (e.g., investors) and an agent (e.g., managers or financial advisors), who acts on the principal's behalf. It examines the dynamics but also the problems that may arise due to asymmetric information and interest misalignment between both parties.

The principal-agent problem is a fundamental issue in economics and finance, arising from the separation of ownership and control. Within the financial sector, this phenomenon is particularly pronounced due to the complex and often opaque nature of financial transactions and relationships. This relationship has been the subject of much research over the years, much of which demonstrate that the delegation of work leads to conflicts of interest between parties. These can be caused by misaligned incentives resulting from a certain compensation scheme, by the advisor's profile or even cognitive biases¹.

Even though the literature acknowledges that conflicts of interest may arise from such situation, recent papers confront the idea that advisors misbehave intentionally (Foerster et al., 2017; Linnainmaa et al., 2021). They show that the root cause of the agency problem lies in the advisor's misguided belief in active management of overpriced products rather than in a pure opportunistic behaviour in the detriment of investors.

Other research demonstrates various reasons for agency problems. For Simon (1955), agency shortcomings are caused by cognitive biases and bounded rationality² and not just by pure conflicts of interest. Simon's theory states that agents may act sub optimally because they either cannot process all information rationally or question outdated beliefs. Other seminal work by Kahneman & Tversky (1979) suggests that agency unsatisfactory outcomes may be due to people's behaviour under uncertainty, where they value losses more heavily than gains.

To mitigate these potential downsides of the investor-advisor relationship and to prevent more scandals, policymakers have set up a series of regulations in the EU. For the past twenty years, the financial landscape has been shaped to improve this relationship and especially to enhance investor protection.

The different versions of MiFID have been the major regulations shaping the financial landscape. The rise of consciousness towards the environment also led to the development of new regulatory measures related to sustainability in finance. Reporting standards have been set thanks to the CSRD, while the SFDR ensures the quality of so-called sustainable investments.

In this context, trust plays a central role in the investor-advisor relationship. Building strong, long-term partnerships is often seen as a key condition for successful advisory outcomes (Brown &

¹ Systematic patterns of deviation from rational judgment.

² Concept where individuals make decisions within the limits of their cognitive abilities, available information, and time constraints.

Brown, 2008). When trust is present, it can help mitigate information asymmetry, reduce perceived risks, and strengthen alignment between the investor's and advisor's objectives.

While the literature widely covers the theoretical aspects of the principal-agent relationship and the regulatory responses at the European level, little attention has been given to how these dynamics unfold within specific national contexts. The Belgian case remains relatively unexplored. There is still limited research on how financial advisors in Belgium deal with regulation, build trust, interact and manage potential challenges in their day-to-day interactions with clients.

This thesis addresses this gap by examining how these dynamics actually manifest in the Belgian context. Thanks to a series of interviews with practitioners, the goal is to build a perspective on the financial advisors' relations to their clients in Belgium and evaluate the types of frameworks that prevail. A second major goal is to assess the importance of trust between parties in Belgian financial advisory services. A secondary objective is to comprehend the impact of regulations on the financial sector and investigate how financial advisors interpret and manage regulatory requirements. Another facet of this study is to grasp the professionals' feeling about the future of their profession, mostly related to the evolution of the relational side with clients.

1. Literature review

1.1. Introducing the principal-agent framework

The relationship between a financial advisor and an investor falls into the classic principal-agent structure. The principal-agent framework is a theoretical model that analyses the relationship between a principal (e.g., investors) and an agent (e.g., managers or financial advisors). In that situation, investors delegate decision-making power or seek expertise from financial advisors, expecting to receive advice that is in their best interests.

The principal-agent problem arises when an agent is hired to act on behalf of a principal to undertake imperfectly observable actions, but their interests and incentives may not align. This misalignment can lead to the agent prioritizing their own goals over the principal's objectives. This definition points out the three core characteristics of an agency problem: delegation, information asymmetry¹ and suboptimal outcomes.

The 2008 global financial crisis is the prime example of the principal-agent problem in finance. Mortgage brokers issued high-risk loans to borrowers without proper vetting. They took excessive risks driven by the incentives of high commissions and bonuses. These loans were then bundled into mortgage-backed securities and sold to investors who were often unaware of the underlying risks. The misalignment of incentives and lack of transparency contributed significantly to the financial meltdown.

1.2. The principal-agent problem: Theoretical foundations and implications

1.2.1. *Theoretical foundations*

The first appearance of discussion about the principal-agent problem dates back to the 1930s when Ronald Coase examined the nature of firms, and the costs associated with transactions within them (Coase, 1937). The concept was further developed in the 1950s and 1960s by putting the focus on the diversity of incentives within members of a same team (Laffont & Martimort, 2003). It then led to more research in a discipline called the “optimal contract theory”, which refers to the conflicts occurring after a delegation of tasks to an agent not disposing of all information.

A few years later, between the 1960s and 1970s, more work was done on a new concept named “agency theory”, notably by economists such as Kenneth Arrow and Robert Wilson (Arrow, 1972; Wilson, 1968). This theory examines how to mitigate potential conflicts in agency relationships.

¹ Situation where one party has more information than the other, creating an imbalance of power between the parties.

Their research explored how different incentives among team members could lead to varying behaviours, highlighting the difficulties in risk-sharing and the potential for moral hazard¹ due to information asymmetry.

A seminal contribution to this field dates to 1976 when Jensen and Meckling introduced the concept of agency costs (Jensen & Meckling, 1976). They refer to the costs incurred due to conflicts of interest between principals and agents.

These costs include:

- monitoring expenditures by the principal to control the agent's actions,
- bonding costs by the agent to assure the principal of their actions and,
- residual loss, which is the reduction in the principal's welfare due to the divergence between the agent's decisions and the principal's interests.

Further theoretical advancements were made by Bengt Holmström (1979), who developed models addressing the moral hazard problem in principal-agent relationships. His work laid the foundation for much of the modern theory on principal-agent problems.

One of the main points he emphasises on is how principals need to use imperfect information to improve contracts. That can be done by investing in monitoring and using performance indicators to align the agent's actions with their own goals. That can also be achieved by balancing risk-sharing and incentives. Indeed, contracts must provide incentives for the agent to act in the principal's best interest while considering their risk aversion².

However, he also pointed out that perfect monitoring is unattainable because it fails to provide proper incentives for taking correct actions, giving no other choice than second-best solutions. These typically trade off some of the benefits of risk-sharing to offer better incentives to the agent.

1.2.2. *Relevance in the financial sector*

This insight is especially relevant in the financial industry, where investment decisions are frequently delegated. As mutual funds and other investment vehicles expanded in the late 20th century, concerns grew over agency problems between investors and financial advisors or fund managers. The principal-agent framework helps explain these relationships and the incentive misalignments they often involve.

¹ Situation in which a party lacks the incentive to guard against a financial risk because it does not bear the full costs of that risk.

² The preference for certain outcomes over uncertain ones with the same expected value. It reflects an individual's tendency to avoid risk and prefer security in financial decisions.

1.2.3. *Fiduciary duties: Theory and practice*

From a legal standpoint, the relationship between investors and advisors is governed by the common law of agency. As Sitkoff (2014) explains, *“Regardless of whether a financial advisor is an “investment advisor” or a “broker” or neither under the federal securities laws, the advisor may be an agent of the client under the common law of agency. In such situations, as a matter of state law, the advisor is a fiduciary who will be subject to liability for any breach of his fiduciary duties to the client.”*

The duties agents owe to the principal are the duty of loyalty¹ and the duty of care². Indeed, the agents must act in the best interests of the principals, failing which they may be liable for damages and disgorgement remedies³ (Sitkoff, 2014). The law of agency also emphasises the need for advisors to obtain informed consent from clients when engaging in transactions that may present conflicts of interest.

Yet in practice, these fiduciary obligations are not always honoured. Advisors may neglect their fiduciary duty towards their clients and put the interests of their employer first (Hoechle et al., 2018). Authors found that advised transactions are more likely to be trades in a firm’s own funds or structured products because advisors receive direct monetary incentives to maximise their firm’s profits. This leads to the outcome of advised portfolios underperforming portfolios of independent clients. This real-world divergence between theoretical ideals and observed outcomes underscores the persistent challenges of moral hazard and incentive misalignment in financial advisory relationships.

1.3. Financial literacy and biases

1.3.1. *The importance of financial literacy*

Following the 2008 global financial crisis, regulators and the media blamed biased advisors for manipulating naive investors, who often delegate complete decision-making on investment matters (Hong et al., 2008). Such discourses were also pronounced in the aftermath of the Internet Bubble. However, the reality is more nuanced. Hong et al. (2008) observe that, in a period of technological change and in the presence of naive investors, even well-intentioned advisors can contribute to market inefficiencies. In their study, advisors who understand new technology want to signal it to investors by issuing optimistic forecasts. Unfortunately, naive investors fail to decode these strategic signals, resulting in an upward bias in asset prices.

This dynamic stresses the importance of financial literacy, defined by Lusardi and Mitchell (2014), as the ability to process economic information and make informed decisions about financial planning, wealth accumulation, debt and pensions. According to them, financial literacy is

¹ An agent’s responsibility to act loyally for the principal’s best interests in all matters related to the agency relationship. It also imposes the responsibility to avoid possible conflicts of interest.

² An agent’s requirement to always make decisions in good faith and with the utmost care, in a prudent manner.

³ Repayment of gains obtained illegally or wrongfully that is imposed by the law.

essential to enable individuals to navigate complex financial systems and mitigate risks arising from information asymmetry and advisor bias.

1.3.2. *Misguided advisors*

The myth of dishonest investor intentions towards their advisors has also been challenged. In a study involving over 4,000 advisors and nearly 500,000 clients from two Canadian financial institutions, Linnainmaa et al. (2021) find that many advisors invest personally in the same way they advise their clients, leading to both personal and advised portfolios underperforming passive benchmarks by 3% per year. Moreover, these advisors continue to pursue similar strategies in their own portfolios even after they stop advising their clients, indicating that their actions are driven more by misguided beliefs in active management than by deliberate conflicts of interest. This pattern reflects that they are either overconfident in their ability to identify good investments or unaware that they could improve performance by investing passively. This bias advisors hold towards active management had already been documented in an audit study by Mullainathan et al. (2012).

Similarly, another Canadian study provides evidence that financial advisors do not typically tailor portfolios to individual client characteristics (Foerster et al., 2017). Instead, a generalized approach, heavily influenced by the advisor's own preferences, is often applied. Authors find that the risk profile of an advisor's own portfolio is the strongest predictor of the risk their clients' portfolios. This result is consistent with Linnainmaa et al.'s (2021) research, suggesting that advisors' beliefs and behaviours significantly influence their clients' outcomes. Foerster et al. (2017) further question the efficacy of retail financial advice, considering the availability of cheaper lifecycle funds that offer comparable services. They also suggest that the benefits might come from financial, tax, and estate planning, with advisors helping more by easing anxiety than by providing financial gains.

1.3.3. *Behavioural agency theory*

These findings challenge the classical principal-agent framework, which posits that inefficiencies arise primarily from conflicts of interest between self-interested advisors and uninformed investors. Instead, they align more closely with the behavioural agency theory, which incorporates cognitive biases and bounded rationality. According to this theory, agents may act sub optimally because they either cannot assess all information rationally or they rely on long-held beliefs.

This behavioural approach was already anticipated by Simon (1955) in his seminal essay *A Behavioral Model of Rational Choice*. He argued that individuals are not perfectly rational decision-makers but are subject to cognitive and informational constraints. They simplify complex problems and settle for satisfactory solutions rather than optimal ones. When applied to the advisor-investor relationship, this idea suggests that inefficiencies can arise not only from conflicts of interest but also from advisors' limited ability to process information or question outdated assumptions.

1.3.4. *Amplifying investor biases*

An interesting study from Mullainathan et al. (2012) reported that financial intermediation does not seem to correct individual biases. It is rather the opposite; financial advisors often tend to exaggerate biases that favour their own financial interest and lean against biases that do not. They even sometimes align with their client's erroneous beliefs by fear of losing them. This behaviour is particularly problematic with the presence of naive investors in the market, as it limits competition. Indeed, if clients are not able to differentiate advice that serves them or not, honest advisors may struggle to gain market share (Mullainathan et al., 2012).

Recently, Mastroeni et al. (2023) formulated an agent-based model with the goal of investigating the effects of biased advice and unrealistic investor expectations. The model shows that clients' irrational expectations for quick returns may sometimes pressure advisors to act untruthfully even if they were well-intentioned in the first place. The results suggest that a central authority would be necessary to prevent such situations, where advisor and investor biases mutually reinforce harmful behaviours.

1.3.5. *Biases in asset pricing and systemic behaviour*

Cognitive biases also play a significant role in the mispricing of assets. Alti & Tetlock (2014) have discovered that biases such as overconfidence¹ and overextrapolation² can cause the mispricing of assets and affect advisors' recommendations, leading to inefficiencies in investment decisions. Investor behaviour under uncertainty is further detailed by the foundational work of Kahneman and Tversky (1979) in *Prospect Theory: An Analysis of Decision under Risk*. Their research shows that individuals evaluate outcomes relative to a reference point and exhibit loss aversion, meaning they perceive losses as more psychologically significant than equivalent gains. In financial markets, this bias can result in suboptimal investor (and possibly advisor) behaviour, such as holding onto losing stocks too long to avoid realising a loss or selling winning stocks prematurely to secure gains.

Social cognitive judgements add another layer of complexity. In a recent study, Baeckström et al. (2021) showed that gender stereotypes also affect advisors' recommendations for potential millionaire clients. Indeed, this gender bias reveals that women are perceived as less knowledgeable than their male equivalents and are often advised less risky portfolios. They also noted the strong influence of advisor characteristics in shaping recommendations, aligning with the discoveries of Foerster et al. (2017), and confirm that advisor effects seem to contribute as much as client preferences.

¹ Cognitive bias where individuals overestimate their knowledge, abilities, or the accuracy of their predictions.

² The tendency to incorrectly assume that recent trends or patterns will continue into the future.

Lastly, one of the most visible and studied behavioural deviations in finance is herding. In the fund management industry, it translates into following similar investment styles or strategies, often in response to market trends, peer behaviour, reputation and career concerns, or even economic news (Popescu & Xu, 2018).

This convergence can increase market fragility and may create asset bubbles if many managers invest heavily in the same sectors or stocks (Di Guilmi et al., 2014). Early work by Friend and Blume(1970) showed that mutual funds often mimic the trades of well-performing funds. Other specialists later found that career-concerned managers tend to replicate past transactions, reinforcing stock price movements (Dasgupta et al., 2011). In that case, the mispricing of assets is driven by the very behaviour of advisors, not just by external pressures (Di Guilmi et al., 2014). Regardless of motivation, Gong et al. (2017) demonstrate that correlated fund flows do influence asset prices, highlighting the significant impact of behavioural biases.

1.4. The central role of trust

1.4.1. *Building strong relationships*

Building strong relationships between financial advisors and investors can be complicated for several reasons. One of the challenges is that some investors do not stick with the same advisor for a long time (Brown & Brown, 2008). As a result, in recent years, advisors have focused more on growing fewer but deeper relationships. This approach aligns with the widely accepted notion that a small number of strong, well-established client relationships account for a significant portion of an advisor's business. Moreover, the effectiveness of financial advice improves when a foundation of trust exists between the client and the advisor.

In fact, trust is often considered by the investors to be the major factor in choosing a manager. Investors value trust and reliability above all other criteria in developing a thriving advisor-client relationship (Kostovetsky, 2016). Similarly, many leading investment managers market their services based on trust and experience rather than historical performance (Mullainathan et al., 2008).

The emphasis on trust reflects the fundamental principles of trust theory. Its core idea is that trust plays a central role in reducing information asymmetry and sustaining relationships in uncertain market environments. An advisor's reputation and fiduciary duty can help build trust with their clients, which can benefit both of them in maintaining long-term partnerships.

1.4.2. *Trust and inexperience*

Consequently, trust becomes especially vital when dealing with inexperienced investors. According to Moloney (2010), investment advice can still provide such investors with valuable access to financial markets by bridging their lack of knowledge and helping them avoid irrational decision-making. However, in such situations, and if they do not desire to engage agency costs,

investors must rely heavily on their advisors since they often lack the means to fully verify the recommendations provided (Burchardi, 2020).

Furthermore, trust makes investors feel less vulnerable when delegating their investment decisions. In fact, on average, advisors underperform the market net of fees, but investors still prefer hiring managers than investing on their own. This intermediation offers more than just financial returns; it also provides peace of mind and reduces anxiety (Gennaioli et al., 2015). However, a pitfall of this fostered trust is that managers may pander to client biases about certain assets in order to charge higher fees and ensure client retention. The incentive to go against the client's desire is often too weak for managers.

1.4.3. *Emotional and psychological factors*

Adding another layer to this dynamic, an Italian survey discovered that financial advisors often have the ability to detect their client's emotional associations with money, such as viewing it as a symbol of security, power, or freedom (Lozza et al., 2022). The more developed this emotional intelligence is, the stronger the investor-advisor relationship becomes, leading to higher satisfaction, higher degree of trust and greater loyalty. As this study is qualitative, definitive conclusions cannot be drawn. However, this discovery is interesting for behavioural finance and suggests that psychological training for advisors may become a factor of success for financial services companies.

In a similar vein, Brown and Brown (2008) found that investors can be grouped into different attachment styles based on personality traits and their relationship with trust. By identifying these attachment styles in prospective customers, advisors can more accurately predict the dynamics of the relationship. This allows them to focus on clients whose attachment style fits their way of working, or else, avoid less compatible clients. By being aware of these inherent characteristics, advisors can screen clients with whom they are most likely to have a prolific partnership.

1.5. Distrust and conflicts

1.5.1. *Reputation and ethics*

Trust is paramount in the financial industry, especially after the erosion of ethical standards highlighted in the 2008 financial crisis. The sector has been suffering from a bad reputation for a long time. Polls conducted in the United States showed that most Americans think that advisors put their own interest first (Rock, 1989), and also that practitioners' greatest concern was "ethics in the securities markets" (Deitsch, 1990). Scepticism hovers around advisors for some people, underscoring the need for mechanisms to align their interests with those of clients.

In the traditional principal-agent framework, contracts are used to bind investors and advisors to guarantee their interests are aligned. While this approach may be effective in some regards, these contracts often crowd out intrinsic motivations, such as honesty and integrity (Menzies et

al., 2019). This reliance on extrinsic incentives can create a "non-virtuous circle" in which moral values are eroded, further increasing dependence on incentive mechanisms. Over time, this undermines trust between clients and financial institutions.

To support their claims, the authors conducted an experiment revealing that bankers have the tendency to lie about their professional identity. Such findings did not occur with professionals in other sectors. Therefore, Menzies et al. (2019) suggest that the financial industry can benefit from identifying and adopting best practice from other fields that have maintained higher levels of trust. This ethical deficiency is not new and had already been highlighted in several US-based surveys. For instance, more than one out of five analysts reported having been asked to do something unethical at some point in their career (Veit & Murphy, 1996), and an even greater proportion witnessed unethical behaviour by a colleague in the previous year.

Nonetheless, Menzies et al. (2019) maintain that trust can be rebuilt by entertaining a culture that values moral prioritization (placing integrity above financial gain) rather than moral optimization (calculating the acceptable level of dishonesty). In that way, an emergence of advisors who prioritize ethical behaviour over personal gain becomes possible.

1.5.2. *Style drift*

Another crucial challenge in the principal-agent relationship concerns the issue of "style drift". According to Frijns et al. (2016), funds often increase their exposure to styles expected to outperform. Moreover, in order to gain from popular investment styles, mutual funds sometimes do not hesitate to change their names accordingly, without necessarily adjusting their actual portfolios (Cooper et al., 2005). This technique, a form of style drift, involves managers deviating from the fund's stated investment strategy, probably to chase higher returns. The name change, along with the related advertising, can easily attract investors and lure them into thinking their money is allocated according to a specific investment strategy, when it is not. This deliberate practice supports the argument that such deviations are not random, but stem from conflicts of interest.

1.5.3. *Misselling and risk-taking incentives*

Another issue in the advisor-investor relationship is "misselling". It refers to the sale of financial products that do not match a customer's specific needs.

Inderst & Ottaviani (2009) analysed the subject and found that the risk of misselling is prominent when a firm requires their agents to both prospect for new customers and provide accurate product advice. This dual responsibility creates a conflict of interest. When firms offer steeper incentives for acquiring new clients, agents may be tempted to misrepresent the value of financial products or recommend unsuitable options to secure sales.

The paper highlights that companies can suffer from reputational damage and regulatory sanctions for such actions of their agents. To mitigate these risks and ensure suitable advice, Inderst & Ottaviani (2009) stress the need for monitoring and compliance mechanisms but they

also suggest implementing contingent compensation structures. These mechanisms help align the interests of agents with those of the firm and penalise agents for misselling.

An empirical research led by Chevalier and Ellison (1997) further illustrates how behaviour varies in the financial industry and how it can either diminish or increase the magnitude of the principal-agent problem. Depending on the ambition and personality of the newcoming manager, the agent's actions can vary significantly. Chevalier and Ellison (1997) observed that, most of the time, young managers tend to take few risks and particularly want to avoid poor performance, fearing it could harm their career prospects. However, it is not uncommon to encounter some ambitious newcomers, willing to make a name for themselves, take on higher risks to achieve better short-term performance. This can be an effective way to quickly establish a strong reputation in the industry.

1.6. Compensation structures and portfolio management

1.6.1. *Short-termism and misaligned incentives*

Another significant concern in the banking industry lies in the design of compensation structures. These often prioritize short term gains and incentivize fund managers to chase short-term performance at the expense of creating long-term value.

A typical example around this issue is the behaviour of mutual fund companies, which are primarily motivated by increasing the inflow of investments, while investors seek to maximise risk-adjusted returns (Chevalier & Ellison, 1997). This relationship between performance and inflow of investments creates incentives for managers to alter the overall risk of their portfolio depending on the fund's year-to-date performance. Typically, managers may be inclined to increase portfolio risk towards the end of the year to boost performance and attract more investments.

Golec (1996) provides empirical support for this risk-oriented behaviour by demonstrating that a remuneration system in which fund managers are rewarded on the basis of risk-adjusted performance provides an incentive to take greater risks, potentially to the detriment of the investor's mandate.

These dynamics are also observable in the Brazilian market. By examining if agents have the right incentives to maximise the return of their clients, or if they act in a way to maximise their own interests, Reis et al. (2024) find that the performance fee structure currently in place does not effectively reduce information asymmetry between investors and fund managers. As a result, advisors may be incentivized to engage in riskier behaviour to receive higher compensation by adding information to the portfolios. Furthermore, the lack of incentives to provide more information to maximise clients' returns is even more pronounced due to the large share of fixed income in Brazil.

Compensation schemes may have some flaws in aligning with the investor's interests but improved compensation packages that reward long-term performance do still exist. Compensation structures incorporating clawback provisions¹ and deferred compensation² can contribute to ensuring that advisors act in the best interest of their investors (Blanchard & Lambert, 2023b).

1.6.2. *Active vs. Passive management*

In addition to compensation schemes, the structure of portfolio management also plays a crucial role in shaping the alignment between managers and investors.

There are two main approaches to managing fund portfolios in finance: active and passive management. The former may be more susceptible to raise agency problems.

Indeed, active management requires the fund manager to make investment decisions in the goal of outperforming a benchmark index (Blanchard & Lambert, 2023a). This approach typically implies bonuses for good short-term performance, but also higher fees. As a result, advisors may want to engage in strategies that are costlier for investors rather than the ones in the best interest of their principal. This pressure to deliver quick returns can result in higher volatility, making it complicated for the investor to monitor and understand the manager's actions.

A typical example of active management is seen in hedge funds, where the compensation structure includes performance fees, which can potentially jeopardize investors' interest. Moreover, outperforming an index often requires frequent trading with complex investment vehicles. This can easily blur the fund's overall strategy, performance metrics and risk profile of the fund.

On the other hand, passive management involves replicating the performance of a benchmark index. This approach relies on a simpler investment strategy with a lower number of transactions, which reduces the pressure on short-term results and prioritizes long-run indicators. Consequently, there is less room for managers to make poor managerial decisions or actions that diverge from the investor's benefit.

With passive management, fees are typically lower than in active management and there are often fixed. This reduces the incentive for managers to engage in excessive risk-taking behaviour to maximise their compensation. Overall, the principal-agent relationship is more transparent in passive management due to fewer opportunities for conflicts of interest.

¹ Clawback provisions are contractual clauses that require fund managers to return previously distributed performance fees or carried interest if certain conditions are not met, such as failing to achieve specified performance benchmarks or if subsequent losses occur. In that way, investors are protected and assured that fund managers are held accountable for long-term performance and do not benefit from short-term gains that are later offset by losses.

² Deferred compensation refers to a portion of a fund manager's earnings that is set aside to be paid out later, when specific performance benchmarks or long-term goals are met. This arrangement aligns the interests of fund managers with those of investors by incentivizing longer-term performance and reducing the urge for short-term reward.

	Active Management	Passive Management
Fees	High fees, performance-based	Low, fixed fees
Strategy	Index outperformance	Index replication
Transactions	Frequent, active trading	Reduced trading
Focus	Short-term	Long-term

Figure 1: Active vs Passive Management characteristics

Thanks to all these arguments, index funds, which are passively managed, appear as an attractive solution for investors seeking greater transparency. However, even if these funds appear less prone to misaligned incentives, potential deviations from the investor mandate cannot be entirely excluded. For instance, Santi and Zwinkels (2023) found that herding behaviour towards size and value¹ is more persistent in passively managed funds. This shows that deviations can still occur within passive frameworks, highlighting the need for continued scrutiny regardless of the management style.

1.7. EU financial regulation and investor protection

1.7.1. Early reforms and MiFID I

Principal-agent relationships in finance often lead to conflicts of interest and undesirable outcomes. Numerous scandals uncovered before regulatory reforms in the 1990s, exposing a misalignment between advisors' public recommendations and their private investment behaviour (Höfer & Oehler, 2014). These issues have given birth to a series of EU regulatory initiatives over the last two decades with the aim of addressing such misconduct and increasing transparency.

Between 2004 and 2006, the first significant regulation was introduced: the Market Abuse Directive (MAD). This regulatory measure was created to establish harmonized standards for disclosing interests and ensuring that all relationships and circumstances affecting the impartiality of a recommendation were made public (Höfer & Oehler, 2014).

In November 2007, the financial landscape in the EU experienced another shift with the enforcement of MiFID I (Loonen, 2021), which sought to make European financial markets more transparent and enhance investor protection. Despite these efforts, both regulations seemed

¹ Financial practice where advisors mimic the actions of others and do not follow their own analysis; here, towards a certain investment style like value, growth, momentum, etc.

inadequate to mitigate existing conflicts of interest. Positively biased analyst recommendations¹ persisted, and the authors argue that research reports should be standardised and that conflict disclosures should be on their front pages (Höfer & Oehler, 2014).

1.7.2. MiFID II

To address these shortcomings, a refined version of MiFID came to life as MiFID II in January 2018. The goal of this directive did not change, but it introduced stronger reporting requirements, and its scope was broadened. Each member state had to include MiFID into their national legislation and every investment firm in the EU must comply with it (Loonen & Janssen, 2022).

Key goals of MiFID II include reducing the cost of retail financial services and addressing the traditional home bias² often exhibited by retail investors when selecting products and services (Heinemann & Jopp, 2002). One of the directive's components, the "suitability rule", requires advisors to assess their clients' financial situations and needs before recommending financial products (Burchardi, 2020). These measures highlight a will to enhance the previous version of MiFID, which was generally perceived positively. According to a survey by the ECMI, the MiFID I rules already had a good impact on competitiveness and trading fee reduction, with most financial actors viewing it favourably (Valiante & Assi, 2011). Other research conducted in the Baltics States observed this foundation and highlighted improved investor protection and transparency (Huettinger & Krašauskaitė, 2019). MiFID II has therefore become pillar stone in the effort to protect investors.

1.7.3. Regulatory gaps and critiques

Despite these achievements, the directive has faced criticism and gathered mixed reviews from both researchers and practitioners.

Cherednychenko (2010) doubts that MiFID II sufficiently addresses the needs of individual retail investors in the EU. She states that the directive is more focused on public enforcement and harmonization than genuine investor protection. She asserts that in the absence of proper investor-oriented rules at the European Community level, the extent of protection and empowerment afforded to retail investors will largely rely on national private laws. Since MiFID is a directive and not a regulation, member states have the flexibility to adapt certain aspects into their national laws. That is why banks across Europe interpret key concepts, such as risk appetite³ and ability to bear losses⁴, in different ways (Loonen & Janssen, 2022).

¹ Investment recommendations that are overly optimistic compared to the actual prospects of the security or company being analysed and that may not accurately reflect the true risks or value of the investment.

² The tendency of investors to favour domestic assets over foreign ones.

³ The level of risk an individual or organisation is willing to accept in pursuit of their objectives.

⁴ An individual's or entity's financial capacity to absorb investment losses without jeopardising their financial stability or objectives.

In their study, Loonen and Janssen (2022) found that the amount and quality of information gathered about investor suitability varies a lot between banks. This can potentially result in reaching different conclusions about the same client. This is an undesirable situation that may lead to negative financial outcomes. They conclude by stating that even if the MiFID obligations have brought more consistency in Europe, noticeable variations in the implementation and operation of these obligations occur. Therefore, full harmonization remains a challenge.

In 2013, the Court of Justice of the European Union (CJEU) ruled that the contractual consequences of MiFID II violations must be determined under national law of each member state. Burchardi (2020) underscores that European legal systems offer divergent solutions regarding the formation of contracts, the duties to be fulfilled and the requirements for damage claims. This loophole in enforcement has been pointed out by many specialists.

Tountopoulos (2016) remarks that harmonization of civil remedies and procedures in the EU is necessary for investor rights to be enforced in compliance with the principle of uniformity. He argues that leaving enforcement to the appreciation of diverging national rules could lead to market distortion. Burchardi (2020) concurs and suggests that stronger private law effects of MiFID II would enhance the directive's efficacy and help unify civil liability frameworks. These academic concerns are also reflected in recent regulatory reviews. ESMA's 2020 report on MiFID II and investor protection shows big differences between EU countries in the application of the rules, especially when it comes to suitability requirements, cost transparency, and the reliability of information provided. The report points out that even though firms may follow the rules on paper, the way they actually apply them can vary a lot and may weaken the intended investor protection (European Securities and Markets Authority, 2020).

Surveys about the enforcement of MiFID II reveal further complexities. Loonen (2021), in a study with 267 Dutch investment advisors about the acceptance and effectiveness of the directive, found that perceptions of MiFID II vary by gender, experience, and firm size. He found that female advisors are more convinced than their male counterparts that MiFID II helps them provide better advice. Similarly, investment advisors at large firms report that their clients have experienced better investment services since the implementation of the MiFID II requirements¹, especially thanks to cost transparency. On the opposite end, older advisors who have been working in the sector for a long time are more sceptical.

A comparative survey conducted in the UK gathered even more critical responses. When comparing the results with the survey from Loonen above, British advisors were generally more negative than the Dutch about MiFID II's added value (CoreData Research, 2018). They do not think that cost disclosure is an advantage nor that the directive has a positive impact on the client. A majority of them even qualify MiFID II as an *"unnecessary burden"* and a *"waste of money"*. The economic aspect of this directive has been very much critiqued as well. Research estimated the cost of implementing MiFID II at a combined total of \$2.1billion² for firms.

¹ These requirements include a warning for a 10% decrease in value, the suitability statement, pre-transactional cost transparency and ability to bear losses

² Source: Expand (a Boston Consulting Group company), 2016.

1.7.4. *New transparency rules*

To promote transparency and reduce information asymmetry, the SEC introduced mandatory disclaimers on fund advertisements. Fund companies often highlight the returns of their high-performing funds to attract new investments. However, high past returns do not guarantee future high returns. All investors may not be aware of that, meaning fund companies could gain from this information asymmetry and attract more clients into the fund. To counter this, the SEC mandated disclaimers in these advertisements requiring fund companies to inform investors about the associated risks (Mercer et al., 2010).

This noble initiative did not have the expected effect. Indeed, Mercer et al. (2010) discovered that warnings of the kind are mostly ineffective. Investors did not seem to invest less in advertised funds nor lower their expectations about returns. Another study confirmed this finding but also added that asking personalised risk-related questions seemed more effective in influencing clients' perceptions (Argo & Main, 2004). This tendency to chase the recently highest performing funds may create a loop where fund managers take more risks to attract and retain investors, potentially amplifying market volatility (Rajan, 1994).

1.7.5. *The rise of sustainable finance*

In response to growing global concerns around climate change and corporate responsibility, sustainable finance has become a major focus in recent years. In the EU, this has resulted in new regulatory frameworks to regulate the sector, ensure transparency and reduce greenwashing¹ in ESG investing.

A trio of new norms on top of MiFID has emerged and been solidified over the years in this regard:

- SFDR (Sustainable Finance Disclosure Regulation): it imposes mandatory ESG disclosures, and a classification of investment products based on their sustainable impact.
- EU Taxonomy: it aims to provide a harmonized framework for identifying environmentally sustainable activities.
- CSRD (Corporate Sustainability Reporting Directive): its goal is to set mandatory sustainability reporting standards in the EU. It offers greater reliability and comparability than its predecessor (NFRD) and its scope of application is extended (Eckhardt & Engelen, 2023).

¹ The practice of misleading consumers by falsely portraying a financial product as environmentally friendly or sustainable.

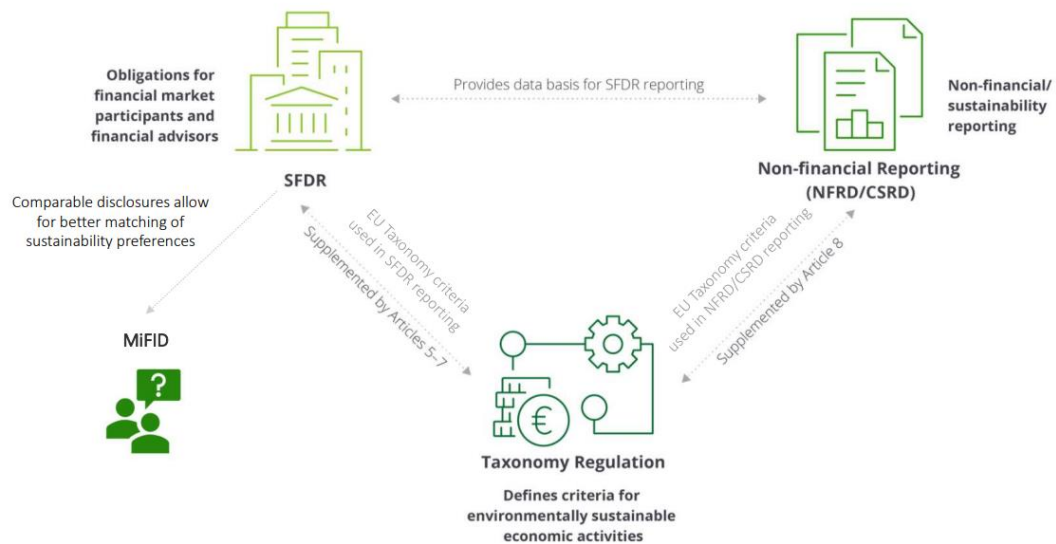


Figure 2: Sustainability preferences & the regulatory framework

These norms are essential because they aim to prevent asset managers from falsely marketing ESG products. One of the most notorious cases is the DWS scandal¹, where the asset manager was fined \$25 million by the SEC for misleading ESG claims. This highlights the importance of strict regulation in this area.

1.8. Empirical insights from Belgium

There are not many peer-reviewed studies about the investor-advisor relationship in Belgium specifically, but some useful insights can be drawn from other European countries. Some findings from these neighbouring countries repeat and confirm what has been said above.

In Germany, Hackethal et al. (2012) used data from brokerage accounts and found that clients who followed advice from bank-affiliated advisors tend to have portfolios that perform worse than those who manage their own investments. This suggests that the advice given may not always be in the best interest of the client.

Kramer (2012) studied Dutch households and found that people with lower financial literacy and higher trust in financial institutions were more likely to rely on advisors. This supports the idea that trust can lead people to delegate decisions, even if they do not fully understand the products being recommended. Similarly, van Rooij et al., (2011) showed that lower financial literacy is linked to less participation in the stock market and more conservative investment choices.

These findings are important because other reports show that Belgian investors also have gaps in financial knowledge. A Eurobarometer survey found that around 22% of Belgians have low levels of financial literacy, which is above the EU average (European Commission & Ipsos European Public Affairs, 2023). This makes them more dependent on advisors and potentially

¹ Source: Financial Times (<https://www.ft.com/content/02b19456-d3ed-4c3f-9c39-ec95d81a62ae>)

more vulnerable to biased advice. In Belgium, the FSMA has recognised the need to enhance financial literacy among its citizens. To achieve that, the FSMA has set up the Wikifin programme, which aims to improve financial education through various initiatives, including the Wikifin Lab, an interactive financial education centre (Financial Services and Markets Authority, 2020).

Even though there is growing research on retail investors and financial advice, Belgium is not well represented in the academic literature. Most of what is known comes from studies in surrounding countries like Germany or the Netherlands.

One area that deserves more attention is how rules like MiFID II are applied in Belgium. Even though the directive is European, each country can apply it differently. More studies should also look at how advisors in Belgium actually guide their clients and the nature of their relationship. Eventually, research on Belgians' financial literacy and its evolution thanks to the FSMA's efforts is worth investigating.

2. Methodology

2.1. Semi-structured interviews

The choice of running semi-structured interviews with various banking practitioners in Belgium was obvious for several reasons.

The goal of this thesis is to get a clear understanding of the relationship between financial advisors and their clients in banking advisory in Belgium. Based on this objective, the best choice was to carry out interviews. It allowed us to meet people who practice the subject every day. They got to share their experiences and, since the interviews were semi-structured, they could digress as they wished and maybe, add elements that we had not initially thought of.

Moreover, the importance of getting a real interaction was paramount because the subject is complex and about relationships between human beings. So, it was not always yes or no, there were elements that needed to be explained and nuanced, which would not have been possible if we had decided to run an online survey. It was also useful to be face to face to decipher reactions and bodily expressions that could reveal a great deal about their perceptions of certain subjects.

There were lots of matters for which it was important to give them a voice, like the arrival of MiFID and how it was perceived for example. Furthermore, we found essential to get the justification for each answer rather than just ticking a box. One perfect example of that was the question about the bankers' preference for active or passive management. The reasons differed from one respondent to another even if they preferred the same type of management.

Another justification for this data collection method was the fact that the bankers and advisors have had bad press for the last twenty years, often portrayed as untrustworthy or dishonest. Being in front of the bankers and discussing controversial issues with them was the best way to try and separate the truth from the false. Seeing their attitude, if they were open and welcoming questions or on the defensive trying not to disclose too much, was a significant part of the data collection and it said a lot about the evolution of the sector.

The banking sector has faced severe critiques in recent years but has also been more regulated. The advisor-investor relationship and its downsides have been the subject of many studies over the years as well. Making one's own judgment by meeting the specialists and conducting semi-structured interviews was necessary to get a clear understanding of Belgium's banking industry nowadays.

2.2. Participants

This semi-structured interview was conducted from January 2025 to February 2025 with 16 practitioners from the Belgian banking world. It was led via direct meetings, face to face for 14 participants and the other two were done via Teams.

Participants were mainly contacted by mail or via phone call. Email addresses were available online, so we asked if they would agree to answer questions for a research thesis about the advisor-investor relationship. Most of the time, banks recommended one of their advisors and set up the date. Some other times, it was arranged over the phone. It was quite easy to have a response, and banks were very open to welcome us. For one bank, there was no way of contacting them other than to go to their premises, so we got there and asked to meet one of their specialists.

All participants were informed by mail and at the beginning of the interview that the interview was totally anonymous and that all information they provided would be used for research purposes only.

Prior to the interview, their consent was also sought for the interview to be recorded. All respondents agreed for us to record the exchange. This not only facilitated the transcription exercise, but it also showed they were not afraid that some compromising information would be revealed. That is true for 15 out of the 16 bankers interviewed. The last one agreed that we recorded the interview but was still suspicious and not willing to extrapolate or enter details, giving therefore mostly short answers.

It is still important to mention that, during two interviews, the conversation took place with three participants. The banks concerned informed us at the time that two advisors would be answering our questions. In each case, one of the two acted as the main respondent, while the other only briefly supplemented certain answers. This did not hinder the analysis process. We relied on the main respondent for the personal preferences required to answer certain questions. For the rest of the questionnaire, relating to topics specific to the institution they represent, the input from both individuals was taken into account.

There were no constraints in the selection of financial advisors other than the fact that they had to be professionals working for a bank in Belgium and obviously in regular contact with their clients. The goal being to give a perspective on the relationships between investors and advisors in Belgium, we tried to cover most known banks in the country. In the end, we exchanged with 16 bankers from the following organisations: Argenta, Belfius, Beobank, BNP Paribas Fortis, CBC, Crelan, Degroof Petercam, Delen Private Bank, Deutsche Bank, ING and Triodos.

There were no conditions on the managed capital size. Indeed, bankers did not manage the same type of investors in terms of their invested capital, still in the spirit of covering all kinds of relationships in the banking industry. This made it possible to identify similarities and differences between private banking (i.e. larger amounts of capital) and regular banking.

Another key aspect was that some respondents were salaried employees while others were self-employed. The remuneration system was therefore not the same for everyone, and it was interesting to see if it had an impact on the outputs of the interview.

In the same way, we interviewed experienced bankers but also less experienced ones. Having inputs from various profiles was perfect to assess if bankers had different opinions about the evolution of the sector depending on their age.

2.3. Questionnaire

The questionnaire consists of a series of open questions regarding the advisor's daily work. The interviews have mainly been conducted in the French speaking part of Belgium with bankers who all spoke French. It was then natural to conduct the interview in French. That is why the introduction to the interview and the different versions of the questionnaire are written in French. These documents can be found in the [Appendices section](#).

The questionnaire starts with personal information about the advisor, their experience, and the clients they manage. This creates a basis to the interview and then come questions about the advisor's opinion on active management, the products they offer and the way they stay up to date. There are then a few questions about the remuneration system and the possible product recommendations. This is the interesting part where we should try to dig deeper to see if there is more to what we get as first answer. After that, the focus is put on regulations in the field, especially MiFID and its impacts on their job. The last part of the survey is about their relationship with clients, how they advise them, what biases they hold, etc. The questionnaire ends with the advisor's views and beliefs about the future and what it takes to maintain a successful relationship with their clients nowadays.

Since the interview was semi-structured, some questions may have been asked differently depending on the way each interview went. In the same way, some questions that were not planned at the start may have arisen spontaneously during some meetings.

It is also to be noted that there have been a few changes in the questionnaire throughout the survey period. Some questions that were deemed not interesting after second thoughts have been removed while other ideas that regularly came up in the discussion with managers have been added as proper questions. Some questions remained in the questionnaire but have been rewritten after a few interviews in order to be clearer. A more detailed explanation about the changes in the questionnaire can be found in the [Appendices section](#).

The length of the interview was planned to last about 45 minutes. It was usually well-calibrated even though it sometimes varied, sometimes extending to almost an hour or going faster than expected and ending just before 30 minutes. More details about the interviews appear in a table in the [List of resource persons section](#).

2.4. Analytical approach

Firstly, the interviews were transcribed after being listened to again.

Following transcription, the responses were organised in an Excel matrix where each column represented a participant, and each row corresponded to a specific interview question or theme. This allowed for a clear, side-by-side comparison of responses across participants.

The analysis proceeded in two main stages:

1. Synthesis per question: For each thematic question, responses were reviewed and summarised to extract the key points raised by each participant. This step emphasised clarity and traceability between the original transcript and the summarised content.

2. Identification of recurring and relevant themes: After all interviews were summarised, answers were compared across participants to identify recurring patterns and points of agreement or divergence. The analysis focused on themes that were both repeated and relevant to the research objectives. Less relevant or isolated responses were still noticed and some inputs deemed interesting have been included in the final discussion.

The decision to focus on recurrent and strategically relevant answers reflects the thesis objective: to generate insight into shared professional practices and viewpoints in the banking sector, rather than to generalize statistically.

Altogether, the analytical process remained structured and transparent, relying on direct comparisons across interviews to ensure consistency in the interpretation of findings.

3. Results

3.1. The Belgian banking world in practice

3.1.1. *A preference for active management*

The first clear takeaway from this series of interviews is that active management is the norm in banking in Belgium. Indeed, the majority of interviewees prefer active management and work that way, stating, *“The advantage of setting up an actively managed portfolio with a client is that we can bring our own added value too”* (translated from French)¹. Lots of respondents said that the fun part of their job resides especially in the fact that they can manage their client’s portfolio freely. Another one added *“My securities advice is for clients who trust me and will let me manage their portfolios”*.

One advisor detailed its response saying, *“I believe more in active management with a degree of delegation. We work very little with ETFs, we build the portfolio using a core-satellite system, so a fully delegated core portfolio that allows a manager to act on the markets and rebalance the portfolio, and then we add a few satellites on themes we like in consultation with the client”*. This idea of bringing more to the table than what is possible online is key for bankers because it is why they are paid for, some told us. That is why ETFs or trackers, just as above, are often not important in their strategies. The fully delegated portion of the portfolio is where they can bring their expertise.

So, most products are actively managed, but passive solutions still exist. As one respondent said, *“We have a series of trackers, but the customer buys them himself and I do not intervene”*. No advice is given on these solutions, but they are nonetheless available to the public mostly on the banks’ respective apps.

A significant part of the interviewees was not that unequivocal about active versus passive management. Four bankers told us that a mix of both management styles is best in their opinion. They know that active management does not consistently outperform passive management, but value other perks of active strategies, like one explained, *“Active management is of great interest to me, not in terms of returns but in terms of anticipating certain problems.[...] I find that in markets that are very volatile, fund managers react much more quickly and ensure that there is less loss of value when the market turns”*.

A second banker gave us this detailed explanation, *“Contrary to current thinking [...], we need to look a little further afield. There are active management formulas that themselves use passive funds internally that manage to deliver positive alpha. I did the maths myself last week for a client, and over this year in an aggressive profile, some management formulas managed to beat*

¹ From now on, all quotes from the interviews will be translated from French given the fact all interviews were conducted in French.

an MSCI World. [...] Now, you should not deprive yourself of the advantages of passive tools, but I think a mix of the two is the best formula”.

Another of those four bankers, who will be named Dom from now on, was very upfront and open in all their answers. Dom definitely stood out here and explained, *“Active management is more profitable for the bank than passive management, so we need to create a win-win mix: think customer, think bank interests, and we integrate some passive management funds and some active management funds”.* This answer is very interesting and brings conflicts of interest back in the discussion.

A second interesting output of the interviews is that only 4 out of the 16 respondents think that not all client profiles in terms of risk tolerance are suitable for active management. One of them expressed, *“No, I think that clients who do not want to take any risk should not be invested in funds, however defensive they may be, because there will always be fluctuations”.* The twelve other bankers explained that an active strategy may correspond to a defensive client and that their institution proposed actively managed funds suited even for the most conservative profiles.

To sum up the results of this question, most bankers prefer active management because they work that way and think it brings more to their clients. However, some of them think that the best solution is a mix of both active and passive management in a single portfolio because they balance each other out. Most of the time, regardless of how they feel about active management, they think it may suit every investor profile.

3.1.2. *The banking advisory proposition*

In the last decades, the offer in terms of investment products has evolved and shifted like one respondent explained here, *“In the 90s and 2000s, portfolios consisted mainly of direct bonds and, to a large extent, individual Belgian and European shares. [...] and then funds gradually grew in importance, and since MiFID, funds have become virtually the majority of investments”.*

Indeed, in all banks visited for this research, the advice is mainly given on funds. Having said that, the majority still provides advice on bonds. For equities on the other hand, quite a few bankers told us: *“Gone are the days when people advised ‘good fatherly’ shares”.* In fact, most interviewed bankers do not give any advice on individual shares. They mostly do “execution only” on shares, meaning they purchase or sell shares when the client asks them.

Like equities, many investment products are available online on banks platforms but are not advised by bankers in professional relationships. ETFs, for example, are very popular recently but are not available all the time in an advisory relationship.

Alongside funds, banks often offer structured products to their clients. These are more complex investment vehicles issued occasionally from the institution and that are profitable for the bank. Explained this way, one could think that this asset class may trigger conflicts of interest. That is why we tried to dive into the matter during interviews when we had the chance.

Here are a few interesting extracts from two different interviews.

In the following, the banker explains to us what a structured product consists of, *“A structured product will be created by the manager with specific conditions, [...] so a different term, a different risk, a different return. This type of product is offered by the bank, but we agents have no obligation to offer it, we're not under any pressure to sell a product”*.

Seconds later, we asked, *“Aren't there products of the month?”* to which he responded, *“This, I would say. Structured products, I think all the banks do it, it is generally maybe 3 or 4 a year”*.

During another interview, we asked the same question expressed this exact way: *“Are there products of the month or products of the moment?”*.

The question received yet another interesting answer, *“There are no products of the month, but there are more and more structured products. These are temporary issues, there is a period during which they can be subscribed to, and there is a general envelope allocated to them. It's the product of the moment at the time, because if you buy it later, it's gone. But we no longer have what we had in the past, the product of the month does not exist anymore, even if it never really did for us”*.

This gives a first idea of the nature of structured products, and overall, this topic gathered interesting comments and gave room for debate.

Another asset class that bankers talked about is Cryptocurrency. It is currently not available and even banned from banks in Belgium but there is a significantly growing demand on the part of some customers, all respondents said. Opinions diverge on whether cryptos will soon appear in the banking system or not. When they do, advisors are sure it will be regulated and will hence generate even more paperwork in their daily activities.

It is also worth noting that physical gold is now almost non-existent in Belgium banking. It is only available in one interviewed bank and, even there, the respondent said they tried to discourage this type of purchase for logistical reasons.

3.1.3. Portfolio construction with the client

All bankers insisted on the importance of establishing the investor profile compliant to MiFID rules prior to building a portfolio and choosing investments. Here, the focus is put on the investment process itself. Three different ways of building a portfolio emerged from this series of interviews.

The first method is the *“Tailor-made portfolio”*. The advisor selects the assets desired by the client, or some that suit their profile if they have no specific demands. It is the old-fashion way of working in the investment world. It is mostly required by clients who have notions in finance and who want to be involved in the relationship. This method is very appreciated by the advisors because, as Dom explains hereafter, that is the fun part of their job.

“For us, it's still tailor-made, it's a relationship, it's an interpersonal conversation with the customer. Their profile is established and then it's our role as advisers to know what needs to be done. [...] That's what's fun about our job, is that when we know enough about the range of investments, then it's a matter of proposing the right investment to the right customer in relation to everything they've told us [...] that's our role and that's what I find fun, I don't want a robot to do it for me, that's still what we're here for”.

The second method is the *“Core-satellite portfolio”*. Here, a large proportion of the capital is generally allocated in a profiled fund, and a smaller part will be invested in thematic areas in consultation with the customer and their affinities. This sort of portfolio has already been detailed with a quote in [section 3.1.1](#) but here is another one from different entity.

“You have to put at least 60% in it [the base fund] and you can customise too. The 40%, we can choose if the customer has a penchant for technology, for the medical world, etc., well here we have what we need. At that point we can choose”.

The third method is the *“Profiled fund portfolio”*. This is the most common proposition in the Belgian banking system. It is a generic solution that works for everyone and especially people who want to invest but do not have financial knowledge or who just want a simple solution.

This profiled fund is now the norm. All banks have a typical profiled fund. It is a fund that is very diversified and that can suit everyone. Depending on the bank, there are from 3 to 7 versions of this fund, going from conservative all the way to very dynamic. The composition of this fund does not change between the versions, but the weight of the asset classes does. The most conservative one will have minimum number of shares and lots of bonds while the most dynamic will invest in 90% to 100% in equity. So, after establishing their investor profile, the entirety of the client's invested capital will go to the matching profiled fund. All banks have this kind of funds, and it is also an easy and comfortable solution for the banks, respondents said.

Many advisors had a clear opinion on this matter and shared their thoughts.

“The aim of profiled funds in all banks is to reduce costs and put everyone on the same footing, which makes things easier, simpler and cheaper. We're moving towards this standardisation, this simplification of things because the standards have become so complex that we need to rationalise. [...] Standardisation is protection for the advisor, but not for the customer”.

This shift in professional advisory is causing quite a stir among the interviewed practitioners. Some even say the job is less attractive than it used to be, notably because of that standardisation. Here is our exchange with Dom on that matter.

“Experts working in the €85,000 to €250,000 range have that kind of guidance. They're limited in the investment options they can offer. There's a sort of script. The client says this. Defensive profile? Then it's this. Dynamic profile? Then it's that. And I know that at [a competitor], it's exactly like that. Depending on the profile, they have two products to offer.

- So, the advisor's job takes a bit of a hit.

It's not interesting at all. For people with our level of experience, working like that just isn't interesting at all. At all. And that's part of the problem, I think, with young people starting out. You don't end up in a role that's fulfilling... You start with functions like that, and they don't really make you want to go further, because you're not using your intelligence, you're not thinking.

- *Yeah, the job has been reduced compared to before.*

Exactly. There's no intellectual added value in doing that".

3.1.4. Recommendations from the institution

The interviewees were asked if they received information about certain products from their institution and even if they were encouraged to promote some investments. Here, the respondents sensed it was a bit of a trick question, to get if their bank was always acting in their client's favour or not. However, lots of information can be taken out of these 16 answers.

First of all, many of them answered like this, *"Recommendation no, information yes"*, emphasising directly on the fact they were not obligated to suggest a specific investment to make us less suspicious. They receive regular¹ information mostly through (online) meetings with managers regarding:

- the vision of the bank of the *"ideal portfolio"*.

One banker said, *"I have information about the vision [of the bank] of the ideal portfolio based on profiles, but now it's not an obligation"*. Another explained, *"We have at least two calls a week where all employees are expected to attend [...]. They are used to reframe the macroeconomic strategy a little, and to give the investment trends in the model portfolio"*. An advisor from another bank detailed this, *"Every month, I have a meeting where the bank's specialists give us the macroeconomic situation, the impact of the macroeconomic situation on the products we market, and they sort the products into those that we can keep, those that we can offer for sale, and those that it might be better not to keep in our portfolio"*. He, then, added that the client still does what he wants with this information.

- what is new.

"We are not going to focus on one product, but we may get new information, whether from our bank or from our partner, who will explain to us that [there is] now this and that possibility with such and such product on the market".

This following part is interesting because it concerns new upcoming products. The bankers still present this as information provided to them picturing the bank's vision on the macroeconomic state of the world. Even if they use the word recommendation in their answer, they ensure that they are not obligated to propose a specific product. The upcoming extracts are all from different bankers from different entities.

¹ Mostly monthly, every two weeks or every week

“Every month or two, there are always new [structured] products, so they [the managers] explain them to us during calls. But then we also get fund recommendations based on market trends; they will highlight specific themes, for example”.

“We have recommendations on open portfolio strategy, equity funds and bond funds [...] but these are very open-ended. Rather, they are recommendations by asset class”.

“We have [x number of] partners, we work with them and from time to time there are funds that we put forward, it's true, but it's always incidental to the typical portfolio”.

There are other testimonies about recommendations of new products, including structured products. Due to their nature and the fact that they are not available all the time, these types of products are often promoted. A few extracts on it can be found above in [section 3.1.2](#).

Dom was not one to mince words on this topic and gave this clear explanation.

“Quotas, no, but it would be a lie to say that we are never pushed to sell this or that investment. When the bank issues a new fund or structured product, it has to make a commitment because it has to buy options, and that costs money. So, we are asked in advance how much we are going to invest in that fund, depending on whether we believe in it or not. [...] But there are never any constraints... in some banks, there are constraints”.

With this testimony, it appears that the bank's interests come to the fore at some time. What could be read between the lines in most of the meetings is very explicit in this one. However, it is important to remind that this is only one answer out of 16. Because on the other hand, another banker told us that, in their institution, there was no recommendation of any kind, other than respecting the regulations.

The last sentence of the last extract is symptomatic and recurrent. Banks throw stones at each other more often than not, and everyone preaches to their own tune. If everyone were to be believed, their bank was hardly ever responsible for any wrongdoing that may have occurred in the past or even now still, *“not like in other entities”*.

3.1.5. Staying up to date

Financial markets evolve each day, so advisors need to stay informed constantly. The first way for them stay informed is through internal documentation (average of 4.938/5)¹. Each day, they receive documentation about the markets, but also about the new regulations. After that, newsletters and formations are the most used tools to stay updated (4.25/5). Lots of advisors shared they have monthly scheduled formations.

The tools less used to know the last tendencies of the financial world are scientific literature (2.313/5) and client feedback (2.688/5). Regarding client feedback, some say it is important to

¹ See Table 1 in [Appendices](#) for average scores

listen to them. However, most affirm that clients are often misinformed, and advisors need to explain them that what they have seen in mainstream media is not always accurate.

“Customer feedback, in all honesty, when it comes to such highly specialised issues, they are not always very well informed”.

Scientific literature is deemed as has-been by financial specialists, and they mostly do not take the time to go read it.

“Scientific literature, I'm going to say to a lesser extent because it's a bit too has-been”.

Finally, personal investments represent a score of 2.938 out of 5. Advisors either used it a lot as way to stay informed or not at all, some stating that it was very unprofessional to base their professional knowledge on personal experiences.

3.2. Views on MiFID

3.2.1. The impact of the regulation

When talking only about MiFID's impact on their regular activities, financial advisors mostly reported it was positive. Nonetheless, this topic gathered a good amount of long and detailed answers, and they were not unanimous.

The majority find that MiFID is a good thing because it is necessary to the sector. It constitutes some protection to the client. Moreover, it is essential to guarantee a legal frame to the investors in the light of past practices, pre 2008 global crisis.

“It's a bit of both. These rules were introduced in the wake of the financial crisis, because I think there was a fair amount of abuse, or perhaps because clients weren't properly informed about market risks. [...] That wasn't made clear, and MiFID clarifies all that”.

Here is a whole part of the discussion with one of the bankers that is very complete. It depicts very well the feeling most interviewees have about MiFID.

“It's positive, yes, in the sense that it puts up barriers. It regulates everything. That way, we all work in the same way. We have more room to work, and we have more credibility with our customers. It's more reassuring to say the least. All these rules were imposed by the FSMA and the market authorities following the various crises. The aim is to protect the retail investor. So, at the very least, it's reassuring for us as well as for the customer. At the very least, if we follow the FSMA or MiFID directives properly, we can sleep more easily than before, when everyone did whatever they wanted.

- *You told me that you've been in the business for a long time now. Wasn't it less restrictive before, when there was no MiFID?*

Yes, but some people did just about anything. So, as with everything, you must pay the price. But on the other hand, I'm not going to say that it's simpler, it's true that there are a lot of constraints, but it's more reassuring. We have more credibility with our customers too, and our customers find it easier to invest. As a result, they don't mix things up like they used to. They know more

about what they're investing in. We still have a role to play in explaining all this to our customers. Even if they don't always understand everything, we still try to make them aware of where they're going. In theory, you don't invest in what you don't understand.

- *So, you see MiFID more as a tool to help improve the relationship between advisors and investors than as a constraint on advisers?*

No. I find it reassuring. That's all. It's positive, even if it is restrictive”.

Just as above, lots of testimonies from bankers report that, before, there was no obligation of asking questions to the client to better know him, some told us it was like a western.

“Positive, that's for sure. In absolute terms, because it's true that there were cowboys before. When you propose individual actions and say that it's a good family investment, well, it's about time something was done. Now, sometimes, it goes a bit too far. And like all regulations, there are pros and cons. In absolute terms, it's good that it's there”.

A second extract links the lack of regulations with banks recommendations, showing that there was room for clear conflicts of interest.

“MiFID was also strengthened following 2008. Clearly, because there were abuses such as products of the month, where it was absolutely necessary to invest x in structured products or whatever, where nobody understood the purpose of the structured product or was able to dismantle it. So, given that there were objectives set, we had quite a few financial advisors who, in order to achieve these objectives, aimed at older people who had confidence. ‘If it's good I'll take it, is that OK? Yes, it's fine’ so they took it. Maybe it didn't suit them at all, that's the kind of thing I didn't do, because as soon as I'm not convinced, product of the month or not... but I repeat, we don't have that here”.

And, just as it was with recommendations and products of the month in the [previous section](#), bankers always added they did not operate unwisely back then.

Nowadays, for investors, MiFID consists in a questionnaire in order to establish their profile (financial situation, risk aversion, ESG preferences, horizon, etc.). Then, there are knowledge tests. Indeed, clients can legally no longer invest in products they do not understand. Bankers find it a good thing that clients must know what their money goes into but a lot of them still said the questionnaires have become too long and too complicated.

Here is Dom's reaction on that:

“The investor profile questions were initially manageable. Now, it's the banker who has to provide guidance, doing it in the customer's place, because if the customer wants to be dynamic and buy a dynamic product, if he wants to let his investor profile do the work and he doesn't answer the right boxes, he won't be able to invest in a dynamic product. So if you say to a customer, ‘To the best of your knowledge and belief, do your online profile’, 90% are going to be defensive, because the questions are leading. After that, they won't be able to invest. The same goes for knowledge tests. You're supposed to do a knowledge test and ask questions and get answers that most bankers don't know how to answer. And the customer is supposed to know how to answer. And when they can't answer, you can't invest. So, we're stuck with all that. This is truer for knowledge

tests than for profiles. In the first knowledge tests, customers knew how to answer. That was the difference between stocks and bonds, we helped them. But now it's all the way up to complex products, derivatives and so on. No client knows how to answer that. And so I say to myself that MiFID, in its desire for transparency, has in fact created, for me, even less... We've achieved the opposite. It's even more opaque. Because we have to help the customer so much that, in the end, it's no longer the customer who does it. It's too complex".

There were still a few unconvinced interviewees regarding the efficacy of MiFID. A significant part of the 16 practitioners finds the regulation has gone too far, and that a previous version was better for all parties.

"This regulation has become so heavy that it has lost its meaning".

"MiFID I was all very well, but MiFID II is starting to get complicated. Now we're talking about swearing in..."

Some think that this zeal is voluntary, to clean the sector and prevent crises like the ones that happened years ago.

"Do you think it's because of the 2008 crisis?"

I think so. I think things changed at that time and the banks were hit with a lot of lawsuits".

The advisors never failed to stress that MiFID is a necessity for the sector. However, some of them are disappointed about some of the effects of the regulation on the advisory profession. It is reported by some of the respondents that their job is less appealing than before.

Dom shared, "That changed everything. So, when I started in '99, we used to sign slips for individual share purchases on the corner of a table without a care in the world, or the client would phone you. He'd come round later to sign. No worries. We had a relationship of trust. And I have to say that the job was a lot more fun, because that's what we do. It's about relationships and trust".

Some even added that, due to MiFID, they have now less room for manoeuvre, and there are too many markers. It has become so difficult to comply with the rules that the investment propositions need to be standardised, hence the predominance of profiled funds.

"With all the regulations, we're going to be moving less and less towards advice and more and more towards standardisation for clients. [...] MiFID has introduced a lot of restrictions, even too many restrictions, which prevent clients from being given advice. We can never give advice, we are proposing, and so MiFID has now become more of a constraint, even though it was entirely necessary, but we may have pushed it a little too far".

On the other side, it is still important to mention that a few specialists have almost nothing negative to say about this regulation, stating it is a clear guideline for all parties.

“How has the directive influenced the way you interact with investors? Has it had a positive or negative impact?”

Positive, because it encourages us to start with the essentials, that is the client, and therefore to analyse whether or not we're going to be able to talk investment with them, because sometimes things can come to a halt quite quickly. Experience and knowledge can mean that you're not particularly qualified to go any further. And once you are empowered to go further, these are quite important questions to ask the client, because they will guide you towards a strategy that fully meets their needs. The MiFID directive has had a very positive impact, I think.

So, you don't see all this as a constraint on advisers compared with before?

No, absolutely not”.

Overall, all bankers agreed that something had to be done to provide a legal frame following the global crisis. However, most also told us that MiFID was not the perfect miracle solution at the moment and that some changes would be needed to make it better for everyone and for the profession as well.

3.2.2. An administrative overload

Another reason why the majority of advisors said MiFID was both useful and necessary, yet remained a constraint, is due to its administrative weight. Regardless of the impact MiFID has on investors, almost all financial advisors shared it was a huge administrative burden for them. Just as mentioned above, some find that a previous version of MiFID was a better fit. It took less time and involved less paperwork while still ensuring customer protection. *“Yes, I've always had this heavy workload, and it seems to be getting worse all the time”.*

It appears that administrative work has become a significant part of an advisor's job. In the early interviews, bankers spontaneously mentioned another regulation apart from MiFID; *the Act of 18 September 2017 on the prevention of money laundering and terrorist financing and the restriction of the use of cash*. We did not know about this law until then but after a few testimonies in the first meetings, we added the following question to see if their thought was common to all banks.

“Do other regulations take up your time on a daily basis?”

Ten out of the sixteen interviewees thought about this regulation out of their head without us ever mentioning it. They mainly complained about it, saying it was excessive. They must always be able to justify the origin of the funds, even between different generations.

“We have to justify the origin of the customer's funds, and that can be a very complex and time-consuming process. Because, I'm going to say, at one time there were bearer shares, so if we don't have the same traceability of shares... A security that was bought for €100 in 1990, well how much is it worth now? So you can end up with very large amounts, and you need to be able to justify this. Nor do we keep documents from 1980 to the present day and so on. So that's sometimes very restrictive”.

These regulations, put together, lead to more than one interviewee telling us that a third of their work was mainly paperwork. Some even said it could discourage both people to invest by their bank and prospects to desire to work in banking.

“On the one hand, when we see certain clients, they are clearly overwhelmed by it [MiFID]. They're completely overwhelmed by it and then, at that point, they're not going to do anything. If they don't pass their knowledge and experience test, which we do here, we end up with the result that they do nothing, and they give up”.

“The number of clients who say ‘it's a real pain to have to go through all this red tape’ because, in fact, what they're interested in is the way the portfolio is managed and the result, the rest...[not]”.

“Above all, it can at times frighten customers with all this red tape, and it also demotivates young people. The banking sector is no longer the stuff of dreams. It's a reality, when you want to hire someone, the banking sector is no longer a dream sector, so we don't get any more applicants”.

According to one advisor, another potential downside of the growing administrative part of the profession is that it may weaken the sector, especially the smallest banks. Here is what he says.

“But it's clear that the FSMA [...] comes almost every week with new requests and new reports to submit. And this has increased dramatically in recent years. In fact, if you look at banks a few years ago, the number of support staff, in all areas of legal and compliance, has risen sharply. That's why some banks are no longer very profitable. A lot of mergers have taken place in recent years because of a lack of profitability or efficiency. [...] It's clear that small banks no longer exist. They're disappearing. We can see it clearly. To the advantage of the big guys and, I would say, sometimes to the disadvantage of customers too. Because who pays for all this? It's the end customer”.

Overall, the interviewed advisors think regulations will continue to evolve, namely regarding ESG for example. But they are not optimistic about whether they will be more concise, and that the paperwork will fade.

“I think it's a project that will always be evolving”.

“The outlook for financial advice in Belgium is, I think, going to be even more regulated”.

“The number of rules increases, it is going from strength to strength”.

3.2.3. Objective accomplished?

Even if there are mixed opinions about the MiFID regulation, we wanted to know if, in the eyes of the advisors, its primary objective of increasing customer protection has been met.

The answer is a clear “yes” for 14 out of the 16 financial advisors. Most stated that it is not perfect but still better than before and better than nothing. They often added little modifications or comments about the regulation, saying it could be simpler or that it needs a constant

adaptation to new assets. An interesting comment shared by some of them was that MiFID has become as much a protection for the bank as for its customers.

Dom thinks, *“In my view, MiFID has also become a form of protection for banks. And so, under the guise of protecting investors, bankers have protected themselves following the excesses of 2008”*.

Another says: *“As far as I'm concerned, MiFID is a regulatory framework that supposedly protects the customer but also protects the bank”*.

With regard to conflicts of interest, some say MiFID has improved the landscape while others are convinced there is still room for wrongdoings. Surprisingly, Dom, who was mainly negative towards MiFID, shared that there is now less room for conflicts of interest.

“Don't you think that conflicts of interest with certain advisors have diminished thanks to MiFID? - Yes, I do. Yes, I do. So there you have it. Abnormal situations... Abuses are much harder to come by”.

On the other hand, here is a response that occurred several times.

“If you want to get round the regulations, you can always do so. [...] Potentially, there will always be conflicts of interest”.

Others share this feeling too, saying that there will always be someone to misbehave but the difference is that now they get caught.

3.3. The Belgian clientele

3.3.1. Client profile: Elderly investors

The clientele of most banks we went into tends to be quite old. Bankers justify that by saying that people are interested in investing once they have acquired a certain amount of wealth. Even if there are younger investors, the majority of customers are past 40 years old. For some private banks, where the minimum invested capital is of 250.000€ or even higher, the mean averages 60.

Most clients who come to them for investments have limited knowledge in finance, some notions at most. Bankers add that the ones who are more interested often do not need to be helped and invest on their own. One respondent explicates, *“All they have to do is open our home bank page and there they can choose from a huge range of products, so if they're well-informed, they'll do it themselves. At that point, they don't take our advice”*.

There are still a few entities where younger clientele can be found. It is either the bank's wish or linked to the bank's model. The person from Triodos, which positions itself as a sustainable and ethical investment bank, said that their clients are younger than in other organisations because young people attach greater importance to this issue.

“I think that Triodos has a very broad age distribution, and I do have the feeling that we have a greater bias towards young people. I have the impression that if we were to take a broad average, we should have a younger average age, due to the fact that the current generations are much more sensitive to the themes proposed by Triodos”.

3.3.2. Trust and contact as key priorities

The advisors were asked to assess, based on their professional experience, the degree of importance of different concepts in the eyes of their investors. It was a graduation from 1 to 5, 1 being not important at all to 5 being very important. The results are shown in Table 2 in the [Appendices](#).

As one can see, when computing the mean, the result is that trust (4.625/5) is judged a little bit more important than returns (4.438/5). This may come as a surprise but indeed, most bankers, even if they granted a high score to returns, insisted orally on the fact that trust is paramount for a lot of their clients.

“I think the main thing is trust. Honestly, when you have confidence in your advisor, well, inevitably there's less stress in more volatile markets because there's trust and things have been explained properly. I've rarely had unhappy clients, even in more stressful markets. And returns, strangely enough, when that's OK [confidence], that's not the most important thing overall”.

One interviewee detailed that investors who trust their advisor fully will not go to the competition if they see there is a higher rate elsewhere. They value the relationship.

“Customers who just use their application with their bank and do everything themselves on their application will leave if they get a better rate elsewhere tomorrow. Customers who have a relationship with their adviser will stay put if they get a better rate [elsewhere]”.

This other extract, coming from a smaller bank, shows how much Belgian investors value human contact.

“At [bank's name], we're still fortunate to work closely with our clients. We work by appointment, and we see our clients in person. When our clients call, the phone rings directly at our branch. The four major banks, for example, no longer do that. And we have a lot of people coming back to us, saying, ‘I'm with ING, Belfius, BNP, and I can't reach them, they don't answer’. So we still have that side of things. In fact, we're the preferred bank. Test-Achat and Guide Epargne do rankings like that. Every year, we come first as the preferred bank with the best NPS score, the bank preferred by Belgians, thanks to this contact”.

The mean results for private banks and for regular banks follow the same order of importance. However, one can see that private bankers award higher scores than regular bankers. The biggest difference in terms of score, even if it is small, concerns trust (0.413¹). This difference was expected to be even more significant by some private bank advisors due to several reasons. First,

¹ Mean private minus mean regular in the trust line: 4.857 - 4.444 = 0.413

the amounts entrusted are more substantial than in regular banking. Second, private bankers tend to have closer, long-lasting relationships with their clients. Some say that they stay close with some families for generations.

“We are in the business of discretionary long-term management. So, we have no choice but to build this relationship of trust. That's why most of the people who work at the bank have been with us for more than 10 years. We try to ensure that employees stay as long as possible by motivating them, and the pleasure that an employee gets is to follow an entrepreneur with whom they started out, who had their first customers, and who follows them for another 10 or 15 years. [...] We realise that when a family has 2 million in assets, we often have between half and 100% with us. So, we have a great deal of confidence in our customers. And over the years, it's often these customers who pay us back, because they say to themselves, ‘Look at [the bank's name], I've got someone who picks up the phone. These are real people. There's someone behind the desk, someone who manages. They know my file.’ And our pleasure is a bit like that of the general practitioner. We know a lot about them. We know the family's problems. We know the problems, we know the plans of the family, of the children. And it's helping them, being of service to them, accompanying them, that gives us pleasure”.

The propositions in the questionnaire were mainly for traditional banks. For Triodos bank, the manager immediately said that these four concepts were secondary to sustainability and impact, which is the very priority for their customers.

3.3.3. Financial education and cognitive biases

All managers think there is a lack of financial education in Belgium. They notice that only a thin part of their bank's clientele thinks about investing their capital. A lot of Belgians do not even have any idea of the possibilities and opportunities in finance. Even the ones who do, mostly have limited notions and some fail the knowledge tests as mentioned in the [MiFID section](#). Some advisors find it a real problem and think a finance initiation course in school should be mandatory, insisting that Belgium is lagging behind other countries.

“I know that, generally speaking, we are less well informed than the Anglo-Saxons”.

“Financial education is increasingly poor. People leave school without knowing the difference between a stock and a bond. They're less and less educated to know what they're doing and to think about what's behind it. [...] I think it [financial education] should be in secondary school and not wait until higher education, because some people don't do it. There should be a minimum education on how the financial markets work, how a bank works”.

One advisor shared that people who invest through their bank mostly do it because their parents did it. People whose parents did not invest will be less inclined to take an interest in this field. He goes even further by saying this influence affects the profile of the person, who is likely to be similar to that of their elders.

“Here again, the influence of the family is very important. If a family has always said to its children ‘no, it’s risky, you mustn’t take risks, I’m defensive’, the child will be defensive”.

Because of this weak literacy, Belgians often hold biases towards the investment world. The one that stood out the most is the fear of possibly losing everything in one day. This is the heritage of the 2008 crisis. Advisors told that once an investor lives such an experience, it is difficult to forget and always think rationally.

“It depends on the generation, but the scars of 2008-2009 are still present in some people. [...] For some, the trauma they experienced at that time is still very present.

- Some people still think they can lose everything in one day?

There may be some of that, or that bankers will once again put in place mechanisms to earn as much as possible without measuring the risk taken, whereas in Europe at least, in the United States this may be less the case, but in Europe all the solvency ratios imposed on us etc... We’re in a different dynamic, we’ve clearly turned a corner compared to 2008, that’s for sure”.

“Every customer who has experienced disillusionment or a financial crisis forgets it with great difficulty. There’s no doubt that this is one of the points that customers take into consideration”.

Other than this bias, there was no clear common thought. Three bankers still reported that, for some people, at first, there is distrust of advice, a fear of discovering hidden costs.

Another point on this subject is that, in almost all banks, they reported that some investors specifically do or do not want to invest in certain sectors. The most cited are sustainability and weapons. These are more convictions than biases, bankers report. A recent trend is that certain clients refuse to invest in American products, because of Donald Trump, Elon Musk, or even the GAFAM¹.

*“Especially those whose strategy is a little green or even not particularly so, they tell us very clearly ‘I don’t want Shell or Total in my funds’ [...]. There are these kinds of requests, and Tesla today is a stock that can put off quite a few investors, given all the neo-N*zi stuff behind it. Things like that happen”.*

“I still have quite a few who don’t want to invest in GAFAM. [...] Some clients are disgusted and no longer want to invest in the big American firms, Trump, etc”.

One bank told us that some of their clients listen to mainstream media a little too much and that herding behaviour can be observed at some times. Therefore, like lots of the other interviewees, he insists on the fact that, most of the time, there is no need to panic. This tendency to panic when markets turn is a subject that emerged often. A good proportion of advisors shared that it is at that moment that their job is useful, it is their duty to reassure the client and mitigate those natural biases. They add that when they are in the right profile and have confidence in their advisor, they do not overreact anymore.

¹ Google, Apple, Facebook, Amazon and Microsoft

“Likewise, buying when markets are high and selling when they’re low, these are biases we still see a bit too often. But that’s where our role comes in. If people opt for discretionary management with us, it’s also to have an advisor, a listening ear and a voice to tell them not to make mistakes during moments of market stress. That’s why choosing the right investment profile is absolutely crucial. It’s so that we don’t find ourselves in a situation where my profile has led me to take a discount that I wasn’t prepared to bear and sell at a loss in a hurry. In that case, we haven’t done our job properly, and that’s not the goal”.

“The price of success is that, despite the crises, when we look at COVID and even before, very few clients change their risk profile with us. They’re in the right chair, and even if they sometimes go from 80 an hour to 160, they’re still sitting pretty”.

These passages underscore the importance of determining an appropriate investor profile, and by extension, the role of MiFID in helping to mitigate cognitive biases in investment decisions.

3.4. The future of banking

3.4.1. Artificial Intelligence and online banking

Approaching the end of the interview, bankers were asked if there are any emerging trends or changes in the industry they think will have an impact on the advisor-investor relationship and their work in the future. Almost all advisors spoke about AI. They already work with AI internally, but not yet in the relationship with the client. Some discussed that robots created by their entity could make a portfolio for their clients, but that was not optimal yet, so they do not use it. They all agreed that AI should be used as a complementary tool and not as a substitute for the human advisor.

“No, I don’t think it’s a threat, but it can be a tool, but it needs to be explained, demystified and used as a tool, not as advice”.

So, we followed up by asking if they viewed AI as a threat for them, considering the emergence of advisory robots and the overall standardisation of the sector. Dom made clear that, in their opinion, AI is a threat for banking advisory and thinks that the authorities will quickly set up new regulations.

“Artificial intelligence, that’s for sure. It’s going to have an impact, not just in the financial sector, but in all kinds of areas. I don’t want to dampen your spirits, but I tell myself that when you’re young today, your job won’t be the same at all. If you want to get a job in a bank, I think it will be more digital. Really, the advisor, as we used to do with our little pieces of paper and our little computer, is finished, finished. And I think it’s a pity that the role of advisor is going to be swallowed up by advice, artificial intelligence, trading robots, etc. I can see a private bank in 10 years’ time where instead of 10 advisors, there will only be 2, and everything will be swallowed up by trading robots. I think we’ll still need them, but fewer”.

Private bankers think they are less likely to be negatively impacted by AI. Some have explained that AI will definitely be a threat for regular banking but not private banking because, in their scope, investors value more the human relationship with their personal advisor.

“We're talking more and more about robo-advisors, so that could have an impact, just as artificial intelligence will have an impact on a whole range of functions. [...] Now, there's one thing that a robot won't be able to do, and that's human contact, which means deciphering certain elements that we can decipher in a face-to-face meeting. [...] So it can be a tool, it can be a threat for advisors, but not in private banking. Why, because it's more for customers who already have significant assets, such as €200,000. For personal bankers, it can be more of a problem. Private banking customers also come for ideas and expertise to help them realise their projects. So, I'm not saying that the robot won't be able to do it, but the robot has a rather classic and standardised approach”.

However, this argument that people value the human contact was also made by regular bankers. They say that Belgians, once they have placed their trust, value very much the relationship with a human rather than with a robot.

“A few years ago, 2-3 years ago, we set up an investment system called Lucy. So, it was a bit of a test. It was a robot that allowed you to invest small amounts and make your own choices. All you had to do was define a profile and it would invest in this or that sector. I don't think Belgians are ready for that yet because it wasn't very successful, and the bank stopped it, this intelligent robot that invests automatically, it didn't offer revolutionary solutions either. [...] I think that because it's their money, people still need to confide in a human being”.

Most participants were not afraid of AI itself but rather of the fact that the new generation, who was born with numerical devices, decide to invest directly on their app without consulting an advisor. This complements the previously mentioned thought that regulations will drive clients to invest online. For this banker, this shift to online banking represents a challenge for them in the short future and it is their role to offer differentiating solutions.

“On the other hand, we've also seen a huge difference in the number of customers who want to invest on their own, so young customers. That's one of our challenges for the future, and that is that young customers, in the 25-30 age bracket, we can see that there is, not in the whole population, but we can see that there is a greater awareness of the financial side of things, and we can see that these are people who want to invest, who want to invest on their own. So we need to offer solutions that are a little different, because the business has changed a little for these customers. They don't particularly want to go and see the old banker in a suit and tie in his office who's going to say 'You need to buy this, that, a good family share'. So they do a lot more research. And when I have a young clientele, frankly, they come with companies that I've never heard of, that I don't know at all. It's very specific. Quite a lot in biotech, but also in AI. And here, I think there has been a really strong growth in people who want to, young customers, who are boosted by information, information from everywhere, and who are investing on their own. That's why we created a mobile platform for buying shares directly online. And so this platform works very well with young people and young customers.”

3.4.2. (Dis)information

Another challenge for these bankers is dealing with information. Nowadays, information is everywhere, and several interviewees noted that their clients are generally more informed than in the past. But more informed does not mean better informed. Indeed, some bankers see an upcoming movement where young people want to invest but have wrong beliefs about finance. More than one advisor explained that some of their clients tried to invest on their own in very risky assets but have no clue of the risks associated.

“I think that artificial intelligence, forums and all that is a very positive thing, but we have to be wary of it because we also have a lot of customers who have taken themselves for managers and who have lost a lot of money”.

“Paradoxically, they invest more in completely absurd, full-risk ventures outside the banks. That's the media-influencer thing. We get people who tell us, I don't want to invest with you and then call us back three days later because they've seen an advert for crypto [...] and then in the end we always find them a month or two later with nothing left crying”.

More generally, people tend to come to their advisor with information they heard in the media, and it is the work of the advisor to analyse this information, explain why it is reliable or not to their client, etc.

“Do herd effects sometimes occur? All the time, because of the popular media [...]”

Is there sometimes misinformation in the popular media? Very much so”.

Overall, there are more sources of information but there is always a need to sort things out.

“The difficulty lies in cross-checking the information and finding out what is really going on”.

The persistent lack of financial knowledge along with the fact that people value their expertise to sort financial news lead bankers to believe that a portion of the population will always need them.

3.4.3. Cryptocurrencies

As mentioned in the previous paragraph, bankers have an increasing number of requests for investing in crypto.

“With cryptos, for example, we have a huge number of clients who are asking us whether or not they should invest”.

People have heard about others making a huge hit in cryptos and want their piece of the pie as well. However, cryptos are not allowed in banking in Belgium. Discussions are then cut short for now. The interviewed bankers had mixed feelings about cryptos; some think they will soon be available for purchase in banks, others think it is not for now yet.

“Yes, it's going to happen, but for the moment everyone is still a bit cautious, we're watching. Blackrock has started to fund cryptos too, so it's starting to happen, but it's a market that's going

to be regulated, which today is far too deregulated. That's why we're not jumping in with both feet. And since it's going to be regulated, it'll be less profitable..."

"It would be nice if the cash could stay with us, but in the short term, no, after that they'll have to do it. I don't think they have a choice. Now there are so many of them. I think that perhaps the biggest ones would be present in the banking system. And I think that would also reassure customers quite a lot because there are customers who want to invest in this, but in fact, they don't know where. We have customers who have been ripped off because they didn't choose the right platforms or the platforms have disappeared".

3.4.4. The resilience of sustainable investment

The manager from Triodos sees a bright future for their bank because the overall interest in sustainability is constantly growing. Even if responsible investments are available in all traditional banks, Triodos stance continues to attract new customers. Moreover, he adds that impact investments are more resilient to market downturns. According to him, this also makes a case as to why impact investing grows in popularity.

"The growing interest in sustainable, responsible or impact investment is a very positive factor and every time there is a financial crisis, whether it's 2008, 2011, 2018 or even on a smaller scale, 2022 [...] it has a fairly positive impact on investment at Triodos because these investments are more resilient. [...] Its regular growth and particularly marked growth in times of crisis. Every time there's a political, geo-political, economic, health or environmental incident, there's a kind of refuge or awareness that means more customers come to the bank".

3.5. The secret to success

The final question of the interview was about the most important points for maintaining a successful advisor-investor relationship today.

Even though one banker said that a good product selection is key, and another said that a solid performance remain paramount, most of the answers concerned intangible elements, more relational in nature. Indeed, for some advisors, transparency is the most important aspect of such a relationship. They often join it with honesty and trust. For others, the first answer was listening to customers. These managers often add the respect for their expectations. Three bankers had a similar idea, which is giving the proper information, the relevant advice at the right moment and being proactive. In the end, most bankers put the client in the centre when responding to the last question, emphasising on the relational aspect of this subject.

"Reactivity and proactivity, so really maintaining the physical link with the client, that's really the most important thing and that's where we see that we can either maintain good relations or break with what had been put in place. And transparency in investment".

"So, point 1 is transparency, showing what we're doing, what's in the portfolios, why we're doing it, why we have this and not that in the portfolios. 2, listening to the client and respecting client expectations. And 3, honesty, but that's the basis".

"I think it's listening to the customer and respecting their expectations above all".

"Trust and listening, not just to the customer but to the advisor too [...] The best stories and the best relationships are the customers who become friends because we know everything about them [...] and then the advisor also feels confident and can do his job properly".

4. Discussion

This study aims to understand the reality of the banking world in Belgium related to investing. Given the qualitative nature of this research, general conclusions and outputs cannot clearly be drawn, and limitations are natural.

4.1. Misguided advisors?

As the results show, a small majority of advisors have a preference for active management. Nonetheless, some are no longer convinced in active management, some feel that a mix of both active and passive is best, while others acknowledge that a passive management is more recommended.

To be more precise, active funds are the norm in the banking offer in Belgium. Funds managers actively manage these funds, and their purpose is to beat the market. For example, profiled funds, which are proposed in almost all banks, are actively managed. However, what was depicted to us by the bankers seems like passive management of active solutions. It means that they do not engage in any form of arbitrage, which may be considered as active management. In general, they simply have an annual (or semi-annual) meeting with their clients, they mostly advise long term strategies, take stock with the customer and see what they want to do. So, even though numerous bankers told us they preferred active management, it is not active management per se. For example, they do not engage in stock picking or market timing. However, they stay proactive by calling their clients when they feel something needs to be done or if there is an opportunity for them. They also stay reactive when their clients come to them with specific requests. That is what they mean by active management.

On the other hand, two bankers admitted that passive management is best for novice investors and that banks earn more from active management. In order to meet both parties' interests, a mix of active and passive management is the solution, they said.

So, are advisors in Belgium misguided by false beliefs about active management?

Based on this series of interviews and the perception we got from these professionals, we would agree with the postulate of Linnainmaa et al (2021) where advisors do not have dishonest intentions towards their clients. However, we do not think the reason why advisors offer actively managed products is because they are misguided but because the system works that way.

Indeed, the matter is more complicated than it seems. The financial advisory market in Belgium is mainly based on actively managed instruments because they earn more for the banks. Written that way, it looks like pure conflicts of interest where the bank only proposes lucrative products. However, some entities still offer a few passive instruments through advice (like ETFs for example) and the ones who do not, told us that it was possible on the bank's app. That way, the customer has access to a broader range of products and pay less because of the absence of

advisory fees. It is more a question of balancing everyone's interests than the will of advisors to only invest in active instruments.

In our opinion, this raises another question. Instead of blaming advisors for their utopian beliefs about active management, banks may be the ones to be questioned. Saying that passive solutions are available to everyone online in a country where, as the results show, the general financial literacy is close to zero, may seem a little hypocritical. Because the more informed investors are the ones more likely to invest by themselves on the app while those with the least knowledge are the ones who seek advice. Therefore, the less informed do not know the difference between active and passive solutions and without knowing it, only receive advice on active products while there may be cheaper passive solutions with better returns that would fit them as well.

Nevertheless, we should notice that all bankers who had a clear preference for active management professionally, are exposed to financial markets in their private life. Whether it is funds, ETFs, individual stocks, cryptos, ... This may suggest that they are overly confident about active management, and that would back Linnainmaa et al's results (2021). However, we do not think that it has a clear influence in their advice because of MiFID and of the profiled funds system where boundaries are quite rigid.

4.2. Standardisation: Where is the added value?

As explained in the [Results section](#), the offer for lots of customers is the profiled fund. It is the simplest solution for new novice clients and advisors told us this is what they advise at first.

The core-satellite and the tailor-made solutions still exist, but they are either mainly present in private banks or proposed to the clients who ask for a more personalised and specific solution. In both cases, this clientele does not represent the majority of the customers because they are the wealthier and the more knowledgeable. In these two frameworks, advisors shared they can add their expertise, really assess the clients' preferences, give advice and create a unique portfolio. Now being aware that, in most case, one fund is attributed to the client based on their risk profile and their sensitivity to sustainability, one could wonder "where is the added value of the advisor in this case?". That is a legitimate question considering this one testimony already presented in the results.

"With all the regulations, we're going to be moving less and less towards advice and more and more towards standardisation for clients. [...] We can never give advice, we are proposing..."

This confirms the feeling that advice is very limited nowadays. As lots of citations in the results show, no advisor is happy about this drift towards standardisation in the advisory sector. For one of the respondents, the most important point nowadays is the fact that they are still allowed to exist.

The advisors in regular banking where profiled funds are the norm shared that the added value resides in the relationship, the relational side and not the technical side. As Gennaioli et al. (2015) explained, clients pay for the security and peace of mind that an adviser can provide, but also for his opinion in times of market downturns. Lots of interviewees said they reminded clients

not to panic. This educational aspect is the value. In fact, Belgian customers seem to acknowledge that this relation and trust with the advisor is the most important point in advisory. Looking at the grades given by advisors to the important concepts in [Table 2](#), the results confirm Kostovetsky's assertion (2016) that trust is the main criteria for a great relationship.

As seen in the two passages in [section 3.3.2](#), beyond trust, what truly matters for a significant part of the in-branch clientele is human contact. Being able to call and reach their personal advisor reflects a sense of closeness that is particularly appreciated. Many have told us that they believe this is one of the reasons why their role is essential and will remain so. This proximity, combined with their expertise, is precisely why a large proportion of retail investors still turn to them. Otherwise, they would already be investing on their own via their phones.

Another side of advisory services in banking where value can be added are tax, retirement and estate planning. That was brought up by many specialists during the interviews and it aligns with Foerster et al.' thought (2017), where they stated that financial advisors' real value comes both in the form of heritage planning and stress reduction for their customers. That planning is paramount according to advisors and when they get the trust from their clients, they try to talk about it before it is too late. But once again, it is a subject that advisors need to detail to their customers and for which more education is crucial. Planning is a big job that people often do not know about or are reluctant to do because they must expose their whole life to their banker.

4.3. MiFID: A divisive regulation

MiFID is necessary and the sector is healthier than before. That is the feedback pretty much all advisors shared. Following 2008, there was a need for a clear framework in the industry, both for clients and bankers. A framework that sets boundaries and rules but also that provides more transparency. However, as detailed in the results, not all advisors are fully happy with MiFID. There were a lot of remarks from various respondents.

The standardisation undergone by the sector is mainly due to the MiFID regulation. In search of clearer guidelines, the rules have been pushed over the limit, according to some respondents. To the point where advice is no longer possible, where profiled funds are the norm because it is safer for the advisor and where the client is no longer central. Indeed, profiled funds are the easy solution for advisors because it is only one line in the portfolio, so less paperwork than a meticulous selection with plenty of instruments. It is perfectly aligned to the risk profile of the client, and it suits their desire for sustainability. It is an all-in-one solution. For investors who like this simple solution, it is a big positive because the feeling of having to incur agency fees, detailed by Jensen and Meckling (1976), is reduced to almost zero.

The consequence of this standardisation is that the job is less appealing and less fun than before. Indeed, the whole side of the job consisting in building a portfolio goes out the window because there is no need for that anymore. That is why some bankers said their job is now mostly relational. Add to this the red tape generated by MiFID, and bankers admit that the profession has changed and are hoping for a return to the past. The best example of that is when an

interviewee shared that he took over part of the workload of one of his colleagues because he had more difficulty due to being older and having worked without MiFID.

This example does not quite confirm the discoveries of Loonen' survey with Dutch advisors (2021). Indeed, the older interviewees who have worked before MiFID were not especially more critical about it, nor were the male advisors. Even though this research is not quantitative, no impression of better acceptance depending on age, experience or gender seems to emerge, like it shows in Loonen's research (2021).

As explained in the results, this paperwork, even if it does not stop at MiFID, could be reduced. Respondents shared that a questionnaire to establish a profile is now fourteen pages long, not to mention the knowledge tests. This complexed paperwork has an effect on clients as well because even if the goal is to protect them, some people find it annoying. Some say they do not need it, some say it is too long and they just want to invest, some do not understand it, some fail the tests, ... There were interesting comments from the bankers about that last point. They said that sometimes they had to help them do the tests, otherwise investing was not possible. Others said they had to alter some responses in the risk profile to have access to more dynamic products desired by the clients. These practices are illegal, but they happen, we were told. One banker told us that he thinks very few profiles are realised by the client alone with no help. This is not what MiFID wanted; this represents a flaw in the investing process that may need to be adjusted.

What advisors would like is a simplified version. They all agreed that profile establishments are necessary and pure logic. Some even added it was nonsense to give advice without knowing the customer, like it could happen before 2008. Their opinion is mostly the same regarding knowledge tests, people need to know where they put their money. Some spoke about procedures regarding cost transparency as well, having no complaint about it. In general, advisors ask for a regulation, a framework that sets boundaries while still allowing them to have a comfortable margin of manoeuvre to do their job, and today, that is not the case.

A last point that seems anecdotal but perhaps is not, is the mistrust of some advisors towards us. More than once have we been asked 'Aren't you from FSMA?' when starting the questions on regulations during the interview. They were wary because apparently there are frequent checks to ensure that good practice is being followed. We can see that the authorities have this strong desire to clean up the sector and build a better reputation. However, the way these checks are made is not to everyone's taste. Indeed, we were told that the FSMA regularly sends mystery shoppers¹ to different banks in Belgium to see if the procedures are being respected. That is a practice one banker did not appreciate very much and that can create a conflictual relationship between the authorities and the banks, which feel spied on.

¹ A mystery shopper is a person hired by a third-party agency to pose as a regular customer in order to evaluate the quality of service, customer experience and compliance with regulations. The mystery shopper then provides a detailed report about the visit.

4.4. The grey areas

As interviewees said, the sector is cleaner than before. However, lots of recent papers in the literature cover conflicts of interest in banking. These are the grey areas in which we tried to dig information where these conflicts could occur in our opinion.

4.4.1. *Remuneration*

The question of remuneration did not appear in the results because it is more interesting to debate about it in this part. There are basically two remuneration schemes: the self-employed and the salaried system.

In the first one, the remuneration is a commission on outstandings and on annual production in some cases. They did not go into detail on the subject, but they received sometimes entry fees or management fees as well. All six independent bankers interviewed work in closed architecture, meaning they only offer in-house products and no partner products. The consequence is that the fees they get are the same for every product. They do not vary, meaning there is no money-incentive to promote a certain product over another. That is key in the banking industry because it annihilates potential conflicts of interest due to performance-based remuneration schemes covered largely in the literature, notably by Golec (1996).

The part that remains blur is the commission on the annual production, which may lead to misalignment of priorities. Bankers may be inclined to push for sales to boost the production. It has already been shown that banks offer mainly active products, so if bankers encourage sales, it is likely not to purchase a low-cost ETF. It may be a problem in the sense that customers may be persuaded to buy something they did not ask for in the first place. However, and this is where the big difference lies, they are no longer sold just anything. MiFID requires the product to match their profile and on top of that, there is also a maximum degree of concentration authorised by their system, one respondent told. It means that if the client already invests significantly in a specific sector, no additional investment in that area can be made for diversification purposes. Further research may still be interesting to investigate the annual production incentives.

The second remuneration system concerns the salaried employees. In that scheme, there is a fixed salary with some advantages like a car, a phone, meal vouchers, group insurance, ... Added to that comes an end-of-year bonus. Here is the grey part. For some advisors, this bonus is a collective bonus mostly based on good team behaviour and not much on the production. For others, it depends both on the management and on the portfolio growth. While for others, this bonus is granted if the objective is achieved, which is not individual but collective.

It is difficult to say if this bonus represents an incentive to put one's interests before the client's ones. The only palpable thing, in our opinion, is that when the question about the existence of a bonus was asked, the advisors tended to detail their answer instinctively. As previously mentioned, some interviewees were a bit wary or suspicious about our intentions with the interview, so they justified themselves instantly about potential grey zones. Here with the bonus, some advisors immediately stated, "it is not on the production" or "we are not pushed to do

anything” without us even asking. This kind of reactions, trying to shut down suspicions immediately can be interpreted two ways. They either want to cover something so they take the lead before we ask them questions that might embarrass them, or they want to be as transparent as possible, so they do not hesitate to give details. Here again, further research would be interesting to assess the exact nature of these bonuses.

4.4.2. *Structured products*

Another topic for debate is the recommended products and more specifically structured products. As explained in the results, when there are recommendations on products from the institution, they are mainly about structured products because they are created by the entity, they have a cost and are lucrative for banks. This finding totally confirms the conclusions of Hoechle et al. (2018) on advised transactions.

It is easy to make a comparison with the notorious “products of the month” from a few years ago. Here, structured products are complex instruments that are available from time to time every 3 to 4 months generally. Some honest advisors admitted that when there is a product of this kind, it is likely to be promoted over another, as long as it suits the client’s profile. Some advisors insisted that it is not like the products of the month of before but, at the same time, other advisors compare the two by saying it is more like “the product of the moment”. There may be a difference between now and pre-2008 in the sense that these products are only selected when they match the investor’s profile and there is a limit on the number of structured products per client to ensure diversification, but the debate on recommended products is still present.

On that matter, bankers often accused the competition to obligate their employees to promote structured products but no advisor actually admitted they were forced to do so. Are there banks where quotas are in place for such products? What are the direct incentives advisors receive in return?

These are plenty of interesting questions that would need more research to get an answer. Do these products really represent a problem in banking? And if yes, to what extent? Are they actually way more highlighted than other suitable solutions? Do advisors really neglect their fiduciary duty when advising structured products or not?

4.4.3. *Conflicts of interest*

Advisors were asked if, with the evolution of the industry and the regulations, there was still room for conflicts of interest. A few believe that it is now very difficult to misbehave freely and not get caught. The most common response though is that there will always be some. According to them, it is more complicated than before, but when someone wants, he can still find a way to bypass regulations. These bankers still expressed that dishonest advisors are now rare, isolated cases. However, one respondent finds that conflicts of interest are still too much present.

That raises a bunch of questions: is it possible to mitigate all potential conflicts of interest in banking? How to prevent all conflicts of interest? Do the authorities need to push regulations even further? Is it necessary to prevent them more or is the situation acceptable now?

4.5. The Belgian market: A trust theory example

4.5.1. *A notable deficiency in financial literacy*

One of the most recurrent thoughts that emerged from the interviews is that Belgians have insufficient financial knowledge. Advisors shared that, even if there is a large range of profiles, most of their customers have very few financial notions.

One could argue that people with more notions do not need to consult a specialist to invest their wealth, and that explains why the majority of the bankers' clientele lacks education. Indeed, it seems logical that the people who go to their bank need the expertise because they do not have it themselves. However, what is alarming is when investors fail tests to the point they no longer have the possibility to invest. It can lead to very uncomfortable situations in which clients ask advisors to answer for them. The advisors cannot do that, but if they are ill-intentioned and decide to break the rules, they have then full control and can do what pleases them. Numerous bankers also report during the interviews that lots of clients do not know a thing about investments and tell them "Do as you would". Something that bankers can obviously not do but shows the extent of this lack of knowledge.

It seems paradoxical to see still so many uninformed people in a world where information is everywhere and has never been this accessible. The fact is that people are a bit more informed according to the interviewees, but they are often victims of misinformation too. Advisors shared they often need to distinguish the true from the false.

Certain respondents expressed their desire for a mandatory course in secondary school about the basics in finance. As it is said in the results, the people who often invest, do it because of their parents. A dedicated course would allow more people to be aware of the possibilities to invest their savings.

What is certain is that more work needs to be done to educate Belgians to the finance world and more specifically, investing. The FSMA's efforts to enhance financial literacy struggle to pay off and are not reflected in practice, at least not in the advisors' point of view. It is a minority of people who invest, and even within that minority, there are gaps in their financial understanding that need to be filled.

4.5.2. *Dependence on advisor trust*

The general lack of knowledge of Belgians leads them to have no choice but to trust the advisors completely, confirming Burchardi's findings (2020). The ones who do not know anything in finance and delegate all management to an advisor are not sufficiently critical of the sound management of their assets and must therefore have full confidence in their banker. It seems not problematic if the advisor is honest and if the investor does not ask them to do anything compromising. In reality, it can happen. As mentioned just above, some people ask advisors to complete tests and invest as they would personally. The less educated the investors are, the more room there is for the advisors to act in their own interest. When the public is more knowledgeable, they know what they want and do not want, they understand the purpose of the regulations, it is also easier for the advisors and there is less room for malpractices.

Perhaps the key to a healthier banking world comes from the investors themselves, or at least they have a role to play.

Some bankers added that they have a pedagogical role towards their clients. They do not leave their clients in the dark. Some need more time and explanation than others, but they try to educate the less knowledgeable. This support helps build long-term relationships, which is particularly appreciated by the advisors we have met. Indeed, the Belgian advisory experience tends to align with the discoveries of Brown & Brown (2008), where advisors prefer to build strong relationships based on trust.

This teaching role has certainly become unavoidable since the arrival of MiFID. Indeed, before, it was up to the will of the advisor to educate their clients or not. Nowadays, with MiFID, all bankers are a little bit obligated to guide their clients. When they establish a profile, the advisor must explain what it is about, why a profile is needed. The same reasoning goes for the knowledge tests, where they can explain why one answer is correct or not.

MiFID itself has helped many people understand more about investing through its knowledge tests, its guidelines, its profile establishment, its cost transparency, ... People can only invest in what they know, in what they answered correctly in the tests. People know what kind of losses they are ready to bear, so if they established the profile correctly, they should feel better about the strategy. They know the potential risks and rewards. This educating facet of MiFID is not talked about enough in our opinion and has potentially already had a huge impact on the investors' knowledge.

However, the part of the population who invests is small and a solution is needed to educate all the population. Nonetheless, MiFID's impact on people's financial knowledge should be explored further and the identification on how to expand this to all the population would be crucial.

4.5.3. *2008: A crisis not forgotten*

The most obvious reason why Belgians are scared to invest remains the global financial crisis of 2008. During the meetings, this trauma of the past often came up. The bias associated to the 2008 crisis mainly is the fear of the possibility of losing everything in one day.

As a few extracts in the results show, once people live such a crisis and especially such losses, they can hardly ever forget it. Following that event, some have lost trust in banks and no longer expose their assets to financial markets. Some have lost trust in their advisors because of bad practices used deliberately. The sector has not had good press since and that is why there is still a distrust towards banking in Belgium nowadays according to the interviewees.

Between 2008 and 2025, there have been a few more crises. This tendency to have more frequent downturns both now and in the future is a factor that can hold people back from investing.

4.6. What future for Belgium banking?

4.6.1. *The impact of AI*

The big question when asking about the future of banking is what impact AI will have on the job. Some believe or hope it will be used as a tool while others are more pessimistic and think it will take the place of some humans. AI already has an impact on their internal processes, they said, but not clearly on the relationship with their clients. Robo-advisors already exist, they are just not deemed performant enough by the bankers to actually use them now. Perhaps, it is only a question of time.

What will happen when these robots give the best advice possible in all situations? Will financial advisors still have enough added value to stay in the picture?

As some respondents say, the value will be in the relationship with the client. Indeed, people can already invest online or through robots. The financial advisor is likely not to be needed in the portfolio construction anymore. This aspect of the job has already faded because of the standardisation discussed throughout these interviews. So, their difference will need to be done in the interactions, the reassurance, the explanations and the decision-making.

The majority of the practitioners interviewed were not that concerned about their job disappearing but rather confident. Only time will tell...

4.6.2. *Young investors' distrust of the financial system*

Although investors place great confidence in their advisor, non-investing people are generally distrustful. That is even more true for the younger generation according to the interviewees. People who were born with modern technology will easily invest on their phone or computer

and not engage with a third party. This generation expresses a sort of refusal from traditional advisory. Firstly, because they prefer to do it on their own and secondly, because they are attracted to the newest asset classes. Indeed, numerous bankers discussed that young people are interested in buying cryptocurrencies. Much to the chagrin of the advisers, this is all that this part of the customer base swears by, even though they understand nothing about it.

There were interesting discussions about that phenomenon, even if they were a little bit off topic. Bankers felt the same as we do, which is that young people, and especially young men see lots of videos online about trading from influencers. These content creators are always selling them the dream and so they want to follow these methods. These young people are often deluded and do not realise that it is not always like that in real life.

The bankers shared that they have already been confronted with this type of client and that these false beliefs are part of the reason why they do not want traditional advice but rather follow the advice of some trading influencers. There is an extract illustrating this in the [Results section](#), where people realise they have been tricked and now want financial advisors to help them.

This trend is not to be taken slightly because of the rise of scams and more importantly because people are losing their critical thinking. As one respondent said, there are opportunities in cryptocurrencies, of course, but if financial advisor is a profession, it may be for a reason.

This behaviour by the younger generations screams a lack of financial literacy because they do not know the risks associated and trust the wrong people. A better education could prevent these scams and, maybe, people would have a different opinion on traditional banking and financial advisory services. All of these phenomena are interlinked in our opinion.

4.6.3. *Towards the end of personalised banking advice?*

Standardisation may be linked to AI but not only. The increasingly heavy regulations generally do not delight bankers and lead to a strict job where people are under scrutiny. These bankers think it is not going to get any better. They expressed the feeling that the job was less fun and appealing than before, what may point out something alarming.

If, on the one hand, fewer people are interested in banking advice because they do not trust it and, on the other hand, there are fewer advisors because the profession is no longer attractive, are we heading towards the end of banking advice as we have always known it? And going towards online investment only?

That is a concerning matter that should be further developed.

4.7. Additional discussion points

4.7.1. *A Unique MiFID*

The first interesting subject is an idea that was brought up by one advisor: the idea of a unique MiFID. At the moment, a single customer can have different MiFID profiles if they invest in different banks for example.

This advisor suggests that a MiFID profile should be drawn up for each customer and not for each bank. He thinks that it should be the role of a centralised body to draw up the questionnaires and profiles, in order to avoid any drift or inconsistency from one bank to another. This idea not only avoids inconsistencies between banks but also removes a considerable part of the administrative burden from banks. This advisor is not the only one who questioned why banks were asked to handle MiFID and not a third-party body.

But on the other hand, one banker appreciated that they could set two different profiles for the same client, depending on their desires. For example, if a customer wants to be more aggressive with their personal savings but at the same time make the family capital grow without risk.

MiFID will always be subject to discussions and varying opinions but perhaps this idea of a unique MiFID managed by an external body would gather great reviews from other practitioners.

4.7.2. *ESG resilience*

Nowadays, sustainable investments are available in every bank in Belgium. Indeed, with the growing interest in social, environmental, and good governance issues in recent years, banks have equipped themselves to meet demand and follow regulations. Investors can now choose the proportion of sustainability-related products they wish in their portfolio and the SFDR classification ensures the quality of these solutions. Some banks emphasised their engagement towards ESG matters while one bank, Triodos, is especially committed to this issue, and more precisely, to impact investing.

According to the Triodos specialist, sustainable investments are just as profitable as traditional ones but are also more resilient in times of crisis or market downturns¹. This statement is backed by the literature. Several papers studying the COVID-19 period show that European ESG funds outperformed traditional ones during the market shock (Pisani & Russo, 2021), or even that ESG stocks offered greater stability during this pandemic and the Russia-Ukraine war (Katsampoxakis et al., 2024).

Considering the expected increasing recurrence of crises in the future, we may observe an exponential growth towards ESG investing in the upcoming years. This could potentially benefit the sector twofold. Banking robustness could be strengthened even further in market turns and retail banking could be seen as a vector towards the sustainable transition.

¹ See extract in [section 3.4.4.](#)

4.7.3. A no-action policy in Belgium?

When talking about the general lack of financial knowledge in Belgium, one banker went a bit further. He expressed his opinion on the wait-and-see attitude of Belgian politicians towards the investment world. Here is the uncut exchange with this respondent.

“And also, I don't want to put too fine a point on it politically, but there is a rather surprising incentive in Belgium to do nothing, the fact that there is an exemption from withholding tax on savings accounts, the fact that there are discussions about taxing capital gains and that sort of thing. It's true that there are tax incentives to wait and see on savings accounts which, in my view, make no economic sense for the country. So yes, I think it's a bit of a shame that we're one of the countries with the highest levels of this segment. The mountains on savings accounts, really large sums... We don't encourage the real economy.

- *But it's true that they're going to tax capital gains now, but that hasn't been the case in recent years. Belgium used to be seen as a paradise for stock market investors. Yet people don't pay any attention to it.*

No, in any case, this direction is not going to help.

In my opinion, it would also have been interesting to really reshuffle all the cards, to extend this tax exemption on savings accounts to all savings products in the end. Whether you invest in shares, bonds or cash, you should have the same tax-free pot for everyone, whatever the product. It's true that encouraging a wait-and-see attitude and inactivity...

Perhaps that's what I was talking about. But it's true, you're right. For years, there has been no capital gains tax and that's not why people were investing massively in them. But now again... I think it's this connotation... Taxation is often associated with punishment.

We often hear how can we avoid being taxed? Because we all try to avoid being taxed in the end. We all like to be a little less taxed than we are now. And so, I find that it always contributes a little bit to this side of the evil investors who have money. And because they have money, we're going to tax them.

- *Making money on investments has a bad connotation.*

So, it's true that in some quarters of the population, rather than encouraging people to be alert to the subject, and I'm not saying to take risks, but a bond is an investment and so on, I have the impression that in Belgium it's almost a dirty word to invest and so it has to be taxed”.

This manager points out that Belgium's investment policies are holding back Belgian savers from taking an interest. It is completely the opposite; he sees it as an encouragement not to invest. According to him, this does not help the problematic of the knowledge gap in Belgium but also plays a role in maintaining the negative connotation of the banking sector.

The idea of financial courses mentioned earlier may not be the only way to remedy this problem. Indeed, according to this practitioner, politics are very important to help people gain interest in investments on a greater scale or at least get to know more about the banking sector.

The impact of a country's policy towards investments, and more generally towards banking, on the financial knowledge and perceptions of a population is an interesting matter to investigate. Further research on the subject could be key to see if its impact is substantial or not, and therefore if this banker's thoughts are relevant.

4.7.4. *Shifting the blame: Who is to be believed?*

The last matter to discuss is the way banks blame each other, mostly for mistakes in the past. This was already briefly mentioned in the [Results section](#) with citations of the respondents.

Bankers have the unfortunate tendency to blame each other when the discussion covers a topic open to interpretation or criticism. Typically, when discussing about the profile establishment, advisors said they already did it before 2008, when it was not an obligation, but they know others did not bother that much. Perhaps the most telling example is that of products of the month, or more generally that of the recommendations. The advisors know this topic falls prey to judgment and want to come across as clean as possible. That is why they all say they are not clearly pushed to promote a certain product. Some advisors, who have worked at the competition a couple of years ago, even said "Here we are not pushed but there, we were pushed to promote certain products". This goes to show that every advisor, as open as they can get, will always blame the competition and not their own bank. The same observation can be made for performance or production bonuses. Most specialists said there were not bonuses based on pure performance "like it is the case elsewhere".

In all interviewed entities, they put the malpractices of the past and of the present on the other advisors, on the other banks. This rejection of blame persists, and it is a shame in our opinion. Throughout almost all the interviews, bankers were very open to the discussion and gave detailed answers. We could tell they were involved and honest to try to give us the most transparent representation of their job. Even if some parts of the profession remain open to criticism, we felt like it was overall a clean sector, they were not trying to hide elements. However, this constant habit of blaming others tarnishes the picture and calls everything into question. How to know who is telling the truth, who is hiding elements or who is misbehaving?

One possibility is that there have been bad habits in all banks and there still are. Another is that bad habits now happen only in certain banks, but these are isolated cases. The last possibility is that there were bad habits in every bank, everyone thinks the competition still acts that way, so they blame each other but, in reality, all banks have corrected their behaviour.

One thing is for sure, research on the subject would be interesting to get a clear answer.

5. Conclusion

The purpose of this thesis was to explore the relationship between a financial advisor and an investor in Belgium banking. A particular focus was put on regulatory changes, client relationship dynamics, industry evolution and financial literacy.

Through qualitative interviews with a sample of experienced practitioners, the research uncovered several recurring themes. Respondents acknowledged the essential role that regulatory change has on the sector and its reputation, but most importantly on customer protection. Nonetheless, they emphasised a growing tension between following regulations and maintaining flexibility in operations, with many highlighting the administrative burden of new rules like MiFID or the anti-money laundering Act. These evolving regulatory requirements have had an impact on the advisory proposition as well, leading to less customized and more generalised solutions. This standardisation in banking is causing controversy among specialists. Most feel it is a pity for the profession, as it annihilates part of the job in the selection of products. Advisors' expertise and value are shifting from portfolio tailoring to the relational and educational aspect of their role, but also in various forms of financial planning.

At the same time, professionals emphasised the paramount importance of maintaining client trust in their daily activities, often stating that it takes precedence over returns. Indeed, if a framework were to emerge, it would be the trust theory since most Belgian investors rely on advisors as trust intermediaries. Interviewees spoke of the predominance of the relational side of their work, even adding that Belgians value the human contact enormously and need to be guided and reassured in times of market stress. Bankers have noticed that Belgian clients typically rely on professional judgment to compensate for their lack of financial literacy, even adding that younger generations are victims of misinformation. All bankers agree that more work needs to be done to catch up on this issue.

In addition, the study touched on compensation structures and the marketing of recommended products. Even though a degree of investor protection is ensured thanks to MiFID and performance-based incentives have become less dominant, the exact nature of bonuses and the way to earn them remain blurry. At the same time, structured products, which are sometimes promoted as timely investment solutions, require thorough analysis to fully understand their implications. These areas illustrate the complexity of maintaining ethical behaviour by truly putting clients first and also considering the bank's interests.

Finally, AI is a hotly debated topic; seen as a threat by some, more as a tool by others. AI, along with digitalisation, has and will have an impact on the banking sector and the advisor-investor relationship in one way or another.

These findings highlight several important implications for the banking sector in Belgium.

First, they point to a need for greater regulatory balance. While compliance is essential for defending clients and strengthening public trust, an overly rigid framework may unintentionally weaken the quality of financial advice by pushing advisors towards standardised, less tailored solutions as explained at length by the professionals. Financial institutions and policymakers must find ways to allow professional judgment without weakening the purpose of regulations.

Second, the results underscore the centrality of trust and human connection in the advisor-investor dynamic, especially in a context where clients often lack financial literacy and lean heavily on professional guidance. This suggests two potential takeaways. One is that training for advisors should go beyond technical knowledge and include relational and pedagogical skills. Another is that work needs to be done to improve the education of the public in areas such as finance and investment.

Third, the banking specialists call for strategic integration of AI and digital tools in ways that enhance, and not replace, the advisory role. As bankers even discussed, banks will need to manage internal perceptions and make sure technology supports, rather than threatens, the advisor-client relationship and still allows advisors to do their job.

In addition, the role of structured products raises questions due to their complex nature, while interviewees' statements reveal that sales objectives are tied to these products. Even though regulatory oversight prevents inappropriate advice, further scrutiny is needed to ensure that product promotion is not only for the bank's benefit but also and mostly in accordance with the client's strategy.

Altogether, these implications point to the ongoing redefinition of the advisory role in Belgium's retail banking sector. Stakeholders who understand and embrace this complexity will be better positioned to adapt and lead in a shifting financial landscape.

While limited in scope and not intended to be generalised statistically, the study provides a qualitative overview of how finance practitioners navigate complexity in a shifting, post-crisis, and regulation-heavy environment. Future research could expand this inquiry through a larger, cross-national sample or by integrating the perspectives of clients and regulators. By giving voice to those directly involved in day-to-day banking, this thesis contributes to a more grounded understanding of how the sector is transforming from within.

6. Appendices

Appendix 1: Introduction to the interview

Introduction de l'interview

Introduction et objectif

Merci d'avoir accepté de participer à cette interview. Je mène cette recherche dans le cadre de mon mémoire à HEC Liège, qui explore la relation entre les conseillers financiers et leurs clients en Belgique. Mon objectif est d'obtenir des informations sur les réalités pratiques de cette relation et d'évaluer les structures qui la façonnent.

Contexte de la recherche

Cette recherche s'appuie sur le cadre théorique du **principal-agent**, qui analyse la dynamique entre un principal (les investisseurs) et un agent (les conseillers financiers). Ce modèle met en lumière des défis tels que :

- **Le choix d'une gestion active ou passive.**
- **La confiance nécessaire entre les parties.**
- **Les réglementations.**

Le secteur financier est particulièrement intéressant à analyser en raison de sa complexité et de l'opacité des transactions financières. Au fil des ans, des réglementations telles que MiFID ont été introduites dans le but d'offrir un cadre plus clair à tous les praticiens et restaurer la confiance érodée suite à la crise financière de 2008.

La relation entre le conseiller financier et son client reste à ce jour un concept clé dans la compréhension d'une gestion financière fructueuse.

Objectifs de la recherche

Les principaux objectifs de cette recherche sont les suivants :

1. **Comprendre le paysage actuel** : évaluer la relation entre les conseillers et leurs clients en Belgique ainsi que les cadres prévalant dans ce contexte.
 2. **Avoir un aperçu du travail de conseiller** : comprendre le fonctionnement de la sélection d'investissements
 3. **Identifier les défis** : déterminer s'il existe des obstacles dans la relation principal-agent dans le contexte financier
-

Rôle des interviewés

En tant que praticiens du secteur, vos perspectives sont essentielles pour cette recherche. À travers ces interviews, j'espère comprendre :

- La nature de vos interactions avec les clients.
 - L'impact des réglementations et des cadres liés à la protection des investisseurs sur vos activités quotidiennes.
 - Vos points de vue sur le conseil financier en Belgique.
-

Structure de l'interview

L'interview se composera de :

1. **Questions générales** sur votre expérience et vos activités quotidiennes.
 2. **Questions spécifiques** explorant :
 - Votre perspective sur l'évolution du conseil financier en Belgique.
 - Votre opinion concernant la gestion active et les préférences des clients.
 - L'influence des réglementations comme MiFID sur votre travail.
-

Confidentialité

Vos réponses resteront confidentielles et seront utilisées uniquement à des fins académiques. Votre contribution sera anonymisée, et je veillerai à ce que votre identité soit protégée dans le mémoire final. J'espère que vous acceptez que cette interview soit enregistrée pour des besoins de transcription, mais si vous préférez que ce ne soit pas le cas, faites-le-moi savoir.

Conclusion

Merci pour votre temps et votre coopération. Votre contribution est essentielle pour élaborer une compréhension approfondie de la relation entre conseillers et clients en Belgique. Si vous avez des questions concernant l'interview ou la recherche, n'hésitez pas à les poser avant que nous commencions.

Appendix 2: First version of the interview

Master thesis: Semi-structured interview v1

Consentez-vous à participer à cet entretien, en sachant que l'enquête est anonyme et que les informations partagées seront uniquement utilisées à des fins académiques ?

Oui / Non

Acceptez-vous que cet entretien soit enregistré ?

Oui / Non

1. Informations personnelles

Pouvez-vous décrire votre parcours professionnel dans le domaine du conseil financier ainsi qu'en finance en général ? (Depuis combien de temps)

Quels types de clients traitez-vous généralement ?

Capital investi : <10k€ : % 10 à 50k€ : % 50k à 100k€ : % >100k€ : %

Age : <25 ans : % 25-40 ans : % 40-65 ans : % >65 ans : %

Type : Novices : % Connaisseurs : %

2. Profil du conseiller

1) Dans quels types d'investissements investissez-vous personnellement ? (Obligations, actions, alternatifs, immo, etc.) En quelles proportions ?

Obligations : % Actions : % Alternatifs : % Autres : %

2) Avez-vous une préférence entre la gestion active et la gestion passive ? Pourquoi ? (Offre davantage aux investisseurs → toujours alpha)

3) Est-ce que tout profil de client (risque) peut correspondre à une stratégie active ? Ou est-ce uniquement préconisé pour les catégories de risques intermédiaires à élevés ? (fonds actif défensif)

4) Lorsque le profil établi de l'investisseur est similaire au vôtre, est-ce que vous (pouvez) recommandez les produits dans lesquels vous investissez personnellement ?

5) Quels types d'investissements proposez-vous ?

Obligations

Fonds commun de placement

Actions

SICAV

ETF

Hedge Funds

Investissements durables

Produits dérivés (options, futures, swaps)

Private Equity

Immobilier

Cryptomonnaies

Venture Capital

- Objets de collection Energie (pétrole, gaz) Or ou autre métal
- Autres

6) Comment faites-vous pour rester pleinement à jour des dernières nouveautés du secteur en tant que conseiller financier ? (Newsletters, documentation interne, séminaires, feedbacks clients, réglementations, littérature scientifique, investissements personnels)

- Newsletters : 1 2 3 4 5
- Documentation interne : 1 2 3 4 5
- Séminaires : 1 2 3 4 5
- Formations : 1 2 3 4 5
- Feedbacks clients : 1 2 3 4 5
- Règlementations : 1 2 3 4 5
- Littérature scientifique : 1 2 3 4 5
- Investissements personnels : 1 2 3 4 5

3. Système de compensation

7) Pouvez-vous décrire votre modèle de rémunération ? (fee for services, % of AUM, commission- based, salaire)

Rémunération : Salaire : % Commissions : % Bonus : % Autres : %

- 8) Recevez-vous ou avez-vous déjà reçu des recommandations d'investissement de votre institution ? Êtes-vous tenu(e) de proposer certains investissements spécifiques à vos clients ? (Produits partenaires, managed accounts, quotas liés aux ESG, actions en gestion active versus obligations en gestion passive)
- 9) Quand ils entrent en partenariat avec vous, est-ce que vos clients sont au courant du système de rémunération en place dans votre institution ?

4. Règlementations et conformité

- 10) Comment la directive MiFID II a-t-elle influencé la manière dont vous interagissez avec vos investisseurs ? A-t-elle eu un impact important sur vos activités quotidiennes ?
- 11) Considérez-vous MiFID II plutôt comme un outil aidant à l'amélioration de la relation conseiller- investisseur (réduction des différences d'intérêt) ou plutôt comme une contrainte à laquelle les conseillers doivent se plier ?
- 12) Selon vous, est-ce que MiFID II a réussi à améliorer la protection des investisseurs et diminuer les conflits d'intérêts avec les conseillers ?

5. La relation avec l'investisseur

- 13) Une fois le profil de l'investisseur établi, est-ce que vous recevez une liste d'investissements potentiels ? Si oui, quels critères sont pris en compte dans le conseil d'investissement ? (Préférence client, compensation, partenaires) Et est-ce que la compensation associée à un investissement joue un rôle dans la recommandation donnée ?
- 14) Selon votre expérience, quel degré d'importance les investisseurs accordent-ils aux notions suivantes ? Les rendements obtenus (returns), la quiétude de savoir que leur argent soit géré par un professionnel, la confiance qu'ils portent envers leur conseiller financier. (1=peu important - 5=très important)
- Rendements : 1 2 3 4 5
- Réduction du stress, quiétude : 1 2 3 4 5
- Confiance avec le conseiller : 1 2 3 4 5
- Souhait d'une meilleure offre que l'épargne : 1 2 3 4 5
- 15) Est-ce que vos clients ont souvent des biais cognitifs que vous devez gérer ? (Biais domestique, overconfidence, disposition, herding/effet troupeau)
- 16) Avec l'évolution de l'éducation financière (ChatGPT, IA, YouTube) et l'apparition de robo-advisors, les investisseurs attendent-ils des offres de produits plus complexes de votre part ou pas spécifiquement ? Vos clients sont-ils mieux informés qu'auparavant ? (tax planning ?, estate planning ?, retirement ?)
- 17) Quels sont, selon vous, les plus grands défis pour maintenir une relation conseiller-investisseur fructueuse aujourd'hui ?

Note about changes between v1 and v2:

Question 4 in v1 (advising products in which they personally invest) was removed from the questionnaire after the first four interviews. Respondents always answered with a firm no, making it clear they did not let their own investments influence their professional judgment. We decided to not ask this question anymore, figuring the answer would be the same almost all the time.

4 questions were added in v2 (12, 13, 17, 19):

Question 12: The first respondents made us understand that the administrative load was heavy in the sector, so we decided to ask if there were other regulations than MiFID that take time.

Question 13: The goal here was to have their direct opinion on conflicts of interest, and also to see how they would react to such a straightforward question.

Question 17: We aimed to explore whether Belgians are naturally trusting to assess whether the Belgian market aligns with trust theory. It is also interesting to know their reaction in times of crises.

Question 19: This one was obviously to get their opinion on AI, presuming lots of respondents would develop on AI to the question. However, the question was open specifically to see if they had other inputs and viewpoints.

Appendix 3: Second version of the interview

Master thesis: Semi-structured interview v2

Consentez-vous à participer à cet entretien, en sachant que l'enquête est anonyme et que les informations partagées seront uniquement utilisées à des fins académiques ?

Oui / Non

Acceptez-vous que cet entretien soit enregistré ?

Oui / Non

1) Informations personnelles

Pouvez-vous décrire votre parcours professionnel dans le domaine du conseil financier ainsi qu'en finance en général ?

Quels types de clients traitez-vous généralement ?

Capital investi : <10k€ : % 10 à 50k€ : % 50k à 100k€ : % >100k€ : %

Age : <25 ans : % 25-40 ans : % 40-65 ans : % >65 ans : %

Type : Novices : % Connaisseurs : %

2) Profil du conseiller

1) Dans quels types d'investissements investissez-vous personnellement ? (Obligations, actions, alternatifs, immo, etc.) En quelles proportions ?

2) Avez-vous une préférence entre la gestion active et la gestion passive ? Pourquoi ? (Offre davantage aux investisseurs niveau rendements → toujours alpha)

3) Est-ce que tout profil de client (risque) peut correspondre à une stratégie active ? Ou est-ce uniquement préconisé pour les catégories de risques intermédiaires à élevés ? (fonds actif défensif)

4) Quels types d'investissements proposez-vous ?

- | | | |
|---|---|--|
| <input type="checkbox"/> Obligations | <input type="checkbox"/> Fonds commun de placement | <input type="checkbox"/> Actions |
| <input type="checkbox"/> SICAV | <input type="checkbox"/> ETF | <input type="checkbox"/> Hedge Funds |
| <input type="checkbox"/> Investissements durables | <input type="checkbox"/> Produits dérivés (options, futures, swaps) | <input type="checkbox"/> Private Equity |
| <input type="checkbox"/> Immobilier | <input type="checkbox"/> Cryptomonnaies | <input type="checkbox"/> Venture Capital |
| <input type="checkbox"/> Objets de collection | <input type="checkbox"/> Energie (pétrole, gaz) | <input type="checkbox"/> Or ou autre métal |

Produits structurés Autres

5) Comment faites-vous pour rester pleinement à jour des dernières nouveautés du secteur en tant que conseiller financier ?

Newsletters : 1 2 3 4 5
Documentation interne : 1 2 3 4 5
Séminaires : 1 2 3 4 5
Formations : 1 2 3 4 5
Feedbacks clients : 1 2 3 4 5
Règlementations : 1 2 3 4 5
Littérature scientifique : 1 2 3 4 5
Investissements personnels : 1 2 3 4 5

3) Système de compensation

- 6) Pouvez-vous décrire votre modèle de rémunération ? (fee for services, % of AUM, commission-based, salaire)
- 7) Recevez-vous ou avez-vous déjà reçu des recommandations d'investissement de votre institution ? Êtes-vous tenu(e) de proposer certains investissements spécifiques à vos clients ? (Produits partenaires, managed accounts, quotas liés aux ESG, % actions vs obligations)
- 8) Quand ils entrent en partenariat avec vous, est-ce que vos clients sont au courant du système de rémunération en place dans votre institution ?

4) Règlementations et conformité

- 9) Comment la directive MiFID II a-t-elle influencé la manière dont vous interagissez avec vos investisseurs ? A-t-elle eu un impact important, positif ou négatif, sur vos activités quotidiennes ?
- 10) Considérez-vous MiFID II plutôt comme un outil aidant à l'amélioration de la relation conseiller-investisseur (réduction des différences d'intérêt) ou plutôt comme une contrainte à laquelle les conseillers doivent se plier ?
- 11) Selon vous, est-ce que MiFID II a réussi à améliorer la protection des investisseurs et diminuer les conflits d'intérêts avec les conseillers ?

12) Est-ce que d'autres réglementations vous prennent du temps au quotidien ? N'est-ce pas trop ?

13) Avec toutes ces réglementations, pensez-vous que des conflits d'intérêt sont toujours présents dans le secteur bancaire ? Si oui, dans quelles situations ?

5) La relation avec l'investisseur

14) Une fois le profil de l'investisseur établi, est-ce que vous recevez une liste d'investissements potentiels ? Si oui, quels critères sont pris en compte dans le conseil d'investissement ? (Préférence client, compensation, partenaires, discussion)

15) Selon votre expérience, quel degré d'importance les investisseurs accordent-ils aux notions suivantes ? (1=peu important - 5=très important)

Rendements : 1 2 3 4 5

Réduction du stress, quiétude : 1 2 3 4 5

Confiance avec le conseiller : 1 2 3 4 5

Souhait d'une meilleure offre que l'épargne : 1 2 3 4 5

16) Est-ce que vos clients ont souvent des biais cognitifs que vous devez gérer ? (Biais domestique, overconfidence, disposition, herding/effet troupeau, fausses croyances)

17) D'après votre expérience, est-ce que les investisseurs belges ont facilement confiance en leur conseiller ? Ou sont-ils parfois méfiants quant aux commissions et recommandations ? Est-ce que ça a toujours été comme ça ou non ? (Post 2008, Covid, intégrité)

18) Avec l'évolution de l'éducation financière (ChatGPT, IA, YouTube) et l'apparition de robo-advisors, les investisseurs attendent-ils des offres de produits plus complexes de votre part ou pas spécifiquement ? Vos clients sont-ils mieux informés qu'auparavant ? (tax planning ?, estate planning ?, retirement ?)

19) Existe-t-il des tendances ou des changements émergents dans le secteur qui, selon vous, auront un impact sur la relation conseiller-investisseur et votre travail à l'avenir ? (Réglementations, IA)

20) Quels sont, selon vous, les plus grands défis pour maintenir une relation conseiller-investisseur fructueuse aujourd'hui ?

Note about changes between v2 and v3:

Question 4 (products they offer): the grid was refined and a precision in the question was made, differentiating the products they offer with advice and the ones on which they do not give any advice.

Question 18 (financial literacy evolution): reformulation of the question because it was a bit overloaded and messy

Question 19 (clients more informed?): a proper question was made for this idea. In v2, it was comprised in question 18.

Separating and rewriting these two questions made it clearer and cleaner everyone.

Master thesis: Semi-structured interview v3

Consentez-vous à participer à cet entretien, en sachant que l'enquête est anonyme et que les informations partagées seront uniquement utilisées à des fins académiques ?

Oui / Non

Acceptez-vous que cet entretien soit enregistré ?

Oui / Non

1) Informations personnelles

Pouvez-vous décrire votre parcours professionnel dans le domaine du conseil financier ainsi qu'en finance en général ?

Quels types de clients traitez-vous généralement ?

Capital investi :

Age :

Type : Novices : % Connaisseurs : %

2) Profil du conseiller

- 1) Dans quels types d'investissements investissez-vous personnellement ? (Obligations, actions, alternatifs, immo, etc.) En quelles proportions ?

- 2) Avez-vous une préférence entre la gestion active et la gestion passive ? Pourquoi ? (Offre davantage aux investisseurs niveau rendements → toujours alpha)

- 3) Est-ce que tout profil de client (risque) peut correspondre à une stratégie active ? Ou est-ce uniquement préconisé pour les catégories de risques intermédiaires à élevés ? (fonds actif défensif)

- 4) Quels types d'investissements proposez-vous et pour lesquels donnez-vous du conseil ?

- | | | |
|--|---|--|
| <input type="checkbox"/> Obligations | <input type="checkbox"/> Fonds commun de placement | <input type="checkbox"/> Actions |
| <input type="checkbox"/> SICAV | <input type="checkbox"/> ETF | <input type="checkbox"/> Hedge Funds |
| <input type="checkbox"/> Investissements durables | <input type="checkbox"/> Produits dérivés (options, futures, swaps) | <input type="checkbox"/> Private Equity |
| <input type="checkbox"/> Immobilier (papier/phys.) | <input type="checkbox"/> Cryptomonnaies | <input type="checkbox"/> Venture Capital |

- Objets de collection Energie (direct/tracker, pétrole, gaz, ...) Or (phys./tracker)
 Produits structurés Autres

5) Comment faites-vous pour rester pleinement à jour des dernières nouveautés du secteur en tant que conseiller financier ?

- Newsletters : 1 2 3 4 5
 Documentation interne : 1 2 3 4 5
 Séminaires : 1 2 3 4 5
 Formations : 1 2 3 4 5
 Feedbacks clients : 1 2 3 4 5
 Règlementations : 1 2 3 4 5
 Littérature scientifique : 1 2 3 4 5
 Investissements personnels : 1 2 3 4 5

3) Système de compensation

- 6) Pouvez-vous décrire votre modèle de rémunération ? (fee for services, % of AUM, commission-based, salaire, avantages)
- 7) Recevez-vous ou avez-vous déjà reçu des recommandations d'investissement de votre institution ? Êtes-vous tenu(e) de proposer certains investissements spécifiques à vos clients ? (Produits partenaires, managed accounts, quotas liés aux ESG, % actions vs obligations)
- 8) Quand ils entrent en partenariat avec vous, est-ce que vos clients sont au courant du système de rémunération en place dans votre institution ?

4) Règlementations et conformité

- 9) Comment la directive MiFID II a-t-elle influencé la manière dont vous interagissez avec vos investisseurs ? A-t-elle eu un impact important, positif ou négatif, sur vos activités quotidiennes ?
- 10) Considérez-vous MiFID II plutôt comme un outil aidant à l'amélioration de la relation conseiller-investisseur (réduction des différences d'intérêt) ou plutôt comme une contrainte à laquelle les conseillers doivent se plier ?

- 11) Selon vous, est-ce que MiFID II a réussi à améliorer la protection des investisseurs et diminuer les conflits d'intérêts avec les conseillers ?
- 12) Est-ce que d'autres réglementations vous prennent du temps au quotidien ? N'est-ce pas devenu une trop grosse charge administrative ?
- 13) Avec toutes ces réglementations, pensez-vous que des conflits d'intérêt peuvent toujours survenir dans le secteur bancaire ? Si oui, dans quelles situations ?

5) La relation avec l'investisseur

14) Une fois le profil de l'investisseur établi, est-ce que vous recevez une liste d'investissements potentiels ? Si oui, quels critères sont pris en compte dans le conseil d'investissement ? (Préférence client, compensation, partenaires, discussion)

15) Selon votre expérience, quel degré d'importance les investisseurs accordent-ils aux notions suivantes ? (1=peu important - 5=très important)

- Rendements : 1 2 3 4 5
- Réduction du stress, quiétude : 1 2 3 4 5
- Confiance avec le conseiller : 1 2 3 4 5
- Souhait d'une meilleure offre que l'épargne : 1 2 3 4 5

16) Est-ce que vos clients ont souvent des biais cognitifs que vous devez gérer ? (Biais domestique, overconfidence, disposition, herding/effet troupeau, fausses croyances)

17) D'après votre expérience, est-ce que les investisseurs belges ont facilement confiance en leur conseiller ? Ou sont-ils parfois méfiants quant aux commissions et recommandations ? Est-ce que ça a toujours été comme ça ou non ? (Post 2008, Covid, intégrité)

18) Avec l'évolution de l'éducation financière (ChatGPT, IA, YouTube) et l'apparition de robo-advisors, les demandes des clients en termes d'investissement ont-elles changé ? (Rendement, secteur, actifs)

19) Vos clients sont-ils mieux informés qu'auparavant quand ils viennent vous voir (invest., planification fiscale et successorale, plan de retraite) ? Et les tenez-vous mieux informés qu'auparavant ?

20) Existe-t-il des tendances ou des changements émergents dans le secteur qui, selon vous, auront un impact sur la relation conseiller-investisseur et votre travail à l'avenir ? (Règlementations, IA, cryptos)

21) Quels sont, selon vous, les points les plus importants pour maintenir une relation conseiller-investisseur fructueuse aujourd'hui ?

Table 1: How financial advisors stay up to date

	Crelan	CBC	CBC	BNP Paribas Fortis	Delen Private Bank	Argenta	Crelan
Stay up to date	Newsletters	4	5	2	5	3	3
	Internal documentation	5	5	5	5	5	5
	Seminars	4	1	3	5	2	4
	Formations	4	5	3	5	4	5
	Customer feedback	2	3	2	4	2	2
	Regulations	4	5	4	4	5	3
	Scientific literature	2	1	2	2	2	2
	Personal investments	4	1	2	4	2	2
	Other	x	x	Humour podcast on finance	x	x	x

	Beobank	ING	Degroof Petercam	Degroof Petercam	Belfius	Belfius	Triodos
Stay up to date	Newsletters	5	5	5	5	5	5
	Internal documentation	5	5	5	5	5	5
	Seminars	2	5	3	3	4	2
	Formations	5	5	4	5	4	2
	Customer feedback	1	5	4	2	1	3
	Regulations	5	5	4	3	4	2
	Scientific literature	1	2	3	3	3	2
	Personal investments	5	5	3	5	1	2
	Other	x	x	x	x	x	x

	Crelan	Deutsche Bank	MEAN	
Stay up to date	Newsletters	4	4	4,250
	Internal documentation	5	5	4,938
	Seminars	4	5	3,375
	Formations	5	5	4,250
	Customer feedback	4	1	2,688
	Regulations	5	3	4,063
	Scientific literature	3	1	2,313
	Personal investments	2	3	2,938
	Other	x	x	/

Table 2: Investors' priorities according to the advisors

		Crelan	CBC	CBC	BNP Paribas Fortis	Delen Private Bank	Argenta	Crelan
Important notions	Returns	5	5	5	4	4	5	3
	Peace of mind	5	5	4	4	5	4	5
	Trust with advisor	4	5	5	5	5	5	5
	Better offer than savings	3	5	2	3	2	4	4

		Beobank	ING	Degroef Petercam	Degroef Petercam	Belfius	Belfius	Triodos
Important notions	Returns	5	5	5	5	4	4	3
	Peace of mind	2	5	4	3,5	4	4	3
	Trust with advisor	4	5	5	5	4	5	4
	Better offer than savings	5	4	5	5	3	5	3

		Crelan	Deutsche Bank	MEAN	MEAN PRIVATE	MEAN REGULAR
Important notions	Returns	4	5	4,438	4,571	4,333
	Peace of mind	4	3	4,031	4,214	3,889
	Trust with advisor	4	4	4,625	4,857	4,444
	Better offer than savings	4	3	3,750	3,857	3,667

7. List of resource persons¹

Participant	Title	Institution	Interview date	Format	Duration
Participant 1	Branch Manager	Crelan	January 20, 2025	In-person	32'
Participant 2	Senior Private Banking Officer	CBC	January 22, 2025	In-person	36'
Participant 3	Senior Private Banking Officer	CBC	January 22, 2025	In-person	44'
Participant 4	Branch Manager	BNP Paribas Fortis	January 27, 2025	In-person	54'
Participant 5	Senior Private Banker	Delen Private Bank	February 3, 2025	In-person	46'
Participant 6	Branch Manager	Argenta	February 5, 2025	In-person	50'
Participant 7	Customer Relations Manager	Crelan	February 6, 2025	In-person	50'
Participant 8	Branch Manager	Beobank	February 10, 2025	In-person	55'
Participant 9	Personal Advisor	ING	February 11, 2025	In-person	34'
Participant 10	Senior Private Banker	Degroof Petercam	February 13, 2025	In-person	43'
Participant 11	Senior Private Banker	Degroof Petercam	February 13, 2025	In-person	52'
Participant 12	Manager	Belfius	February 17, 2025	In-person	47'
Participant 13	Manager-Private Banker	Belfius	February 20, 2025	In-person	45'
Participant 14	Relationship Manager Investments	Triodos	February 21, 2025	Teams	43'
Participant 15	Associate Director	Crelan	February 21, 2025	Teams	28'
Participant 16	Personal DB Advisor	Deutsche Bank	February 25, 2025	In-person	27'

¹ Participants are anonymized to protect confidentiality in accordance with research ethics guidelines.

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EXECUTIVE SUMMARY

This research investigates the evolving relationship between financial advisors and investors in Belgium's banking sector. It focuses on different aspects like regulatory changes, client expectations, investment product offering and industry transformation to understand the reality of advisory services in Belgium.

Using a qualitative approach, the study draws on semi-structured interviews with experienced banking professionals. The analysis reveals that while new regulations such as MiFID and anti-money laundering rules are seen as essential for client protection, they also increase administrative burdens and lead to more standardised advice, raising concerns about the loss of portfolio personalisation.

Advisors emphasised that client trust is central to their work and often takes precedence over investment returns. Belgian clients, who tend to be older, are generally perceived as reliant on professional judgment due to limited financial literacy. All participants highlighted the need to improve financial education in the country. Simultaneously, clear distrust among younger generations towards traditional banking institutions is evident. Some of them prefer online financial solutions that offer quick returns and access to emerging asset classes.

Discussions around structured products and compensation schemes revealed that performance-based incentives have become less prominent, partly due to increased regulatory scrutiny to cleanse the sector of past faults. However, several grey areas remain regarding how certain products are promoted and the nature of year-end bonuses, making it difficult to fully assess the alignment of interests between banks, advisors, and clients.

Digitalisation and AI are also transforming the investor-advisor relationship. While opinions differ on whether it is threatening or not, all agree they will continue to impact the profession.

Overall, this thesis offers insights into how banking professionals work in a complex environment marked by regulatory pressure, evolving client expectations, increasing standardisation, and the enduring need for human connection in financial advice.

KEYWORDS:

Client trust, regulatory changes, financial literacy, standardisation, human connection

WORD COUNT:

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