

# Neuroprofiler

**INVESTOR RISK PROFILING**



0

# INTRODUCTION

# Context

Financial crises have pushed financial regulators to reinforce investor protection especially through client suitability assessment.

In the European Union, this question is addressed by MiFIDII (ESMA).

“When providing investment advice, the investment firm should specify in a written statement on suitability how the advice given meets the preferences, needs and other characteristics of the retail client.”  
**MiFID II, 2014** (*European Union*)

“The assessment of suitability is one of the most important requirements for investor protection in the MiFID framework.”  
**ESMA, 2017** (*European Union*)

“While the scope of the information to be collected may vary, the [investment firm] must at all times ensure that the recommendation or investment made on the client's behalf is suitable or appropriate for the client.”  
**AMF, 2017** (*France*)



# Three challenges with current practices

To address this requirement, financial institutions often use this kind of paper questionnaires. This raises three main challenges:



Poorly compliant



Limited scientific validity



Not user-friendly

**About You - Your Risk Tolerance**

**Part 1**

1. What portion of your net worth would you like to use for investments? Please note that there is a potential for loss of your capital when investing in investment products.

Most products could include one or more of the following: stocks, unit trusts, foreign currencies, commodities, structured investment products, derivatives, options, futures, investment-linked insurance plans.

a. 0% ☐

b. Between 10% and 50% ☐

c. Over 50% ☐

2. Generally, investing involves a trade-off between risk and return. It has been historically shown that investors who achieve high returns have experienced correspondingly high fluctuations and losses. In order to achieve your expected return, which investment best describes the degree of losses you are willing to take?

a. I can not afford any capital loss ☐

b. I am willing to accept minimal amount of capital loss ☐

c. I am willing to accept moderate capital loss ☐

d. I am willing to accept high capital loss ☐

3. On the whole, which of the following best describes your investment objective?

a. Capital Preservation ☐

b. A regular stream of stable income ☐

c. A combination of income and capital growth ☐

d. Achieve substantial long-term capital growth ☐

e. High capital appreciation ☐

**Risk Assessment Questionnaire**

Please circle the option that best describes how you feel about risk. If no option is exactly right for you, choose the one that is closest.

Client Name: \_\_\_\_\_

The questions in the Risk Assessment Questionnaire are designed to measure your risk tolerance. This is a measure of your willingness to accept the risk of loss in your investments.

This questionnaire has been specifically created for the use of independent companies, subject to certain limitations. It is not intended to be used for the purpose of providing financial advice or for the purpose of recommending any investment product. It is not intended to be used for the purpose of recommending any investment product.

1. How would you rate the degree of risk?

1. Extremely low risk ☐

2. Low risk ☐

3. Moderate risk ☐

4. High risk ☐

5. Extremely high risk ☐

2. I am prepared to forego potentially higher returns in order to:

1. I strongly agree ☐

2. I agree ☐

3. I neither agree nor disagree ☐

4. I disagree ☐

5. I strongly disagree ☐

3. In comparison with other people, I:

1. I strongly disagree ☐

2. I disagree ☐

3. I neither agree nor disagree ☐

4. I agree ☐

5. I strongly agree ☐





**1**

# **CLIENT PROFILING CHALLENGES**

# Compliance: What regulators say

Based on FCA (*United Kingdom*) and AMF (*France*) reports, less than 50% of questionnaires used in the industry are compliant with local regulations. As a consequence, clients are complaining and financial institutions get fined\*:

“The level of failure in this area is unacceptable. We have taken, and continue to take, tough action to address these failings with individual firms.”  
**FCA, 2011** (*United Kingdom*)

“The current practice of risk tests is likely underestimating the risk aversion of investors.”  
**Consob, 2011** (*Italy*)

\* In the UK, from 2010 to 2014, based on FCA reports, poor client suitability assessment led to about £4 billions in fines from client complaints and £40 millions from regulatory fines.

# Compliance: Institutions fined by regulators on this precise matter



2014: **\$22m** of fines from the FCA, in the UK.



2014: **\$100k** of fines from the ACPR, in France.



2013: **\$3,2m** of fines from the FCA, in the UK.



2017: **\$3,4m** of fines from the FINRA, in the US.



2011: **\$10m** of fines from the FCA, in the UK.



2013: **\$5m** of fines from the FCA, in the UK.

# Scientific validity

Based on AMF and Consob's reports, less than 10% of the questionnaires used are based on a valid scientific methodology. They recommend to use psychometric or behavioral finance tools to address this issue:

“ Professional financial services rely on clients' answers to two questions: How much of your current salary will you need in retirement? What is your risk attitude on a seven-point scale? From my perspective, these are remarkably useless questions.  
**Dan Ariely, Professor at Duke University** *(United States)* ”

“ These tools must be able to combine the suggestions from classic economic literature with the indications of behavioral finance and of psychometrics.  
**Consob, 2011** *(Italy)* ”

“ The findings of academic research, including theoretical analysis, econometric analysis and experimental economics, may help clarify the relevance of the concepts in MiFID and the related laws and regulations (...) [and] the cognitive biases found in decision-making processes under uncertainty.  
**AMF, 2011** *(France)* ”



# User-experience

Finally, these questionnaires are not user-friendly while, today, 70% of banking clients want more digitalization and customization, including the HNWI\*.

35 %



Of HNWI clients are under 40

85 %



Of HNWI clients under 40 use digital tools to manage their financial services

N°2



Concern for Financial Advisors is generation change.



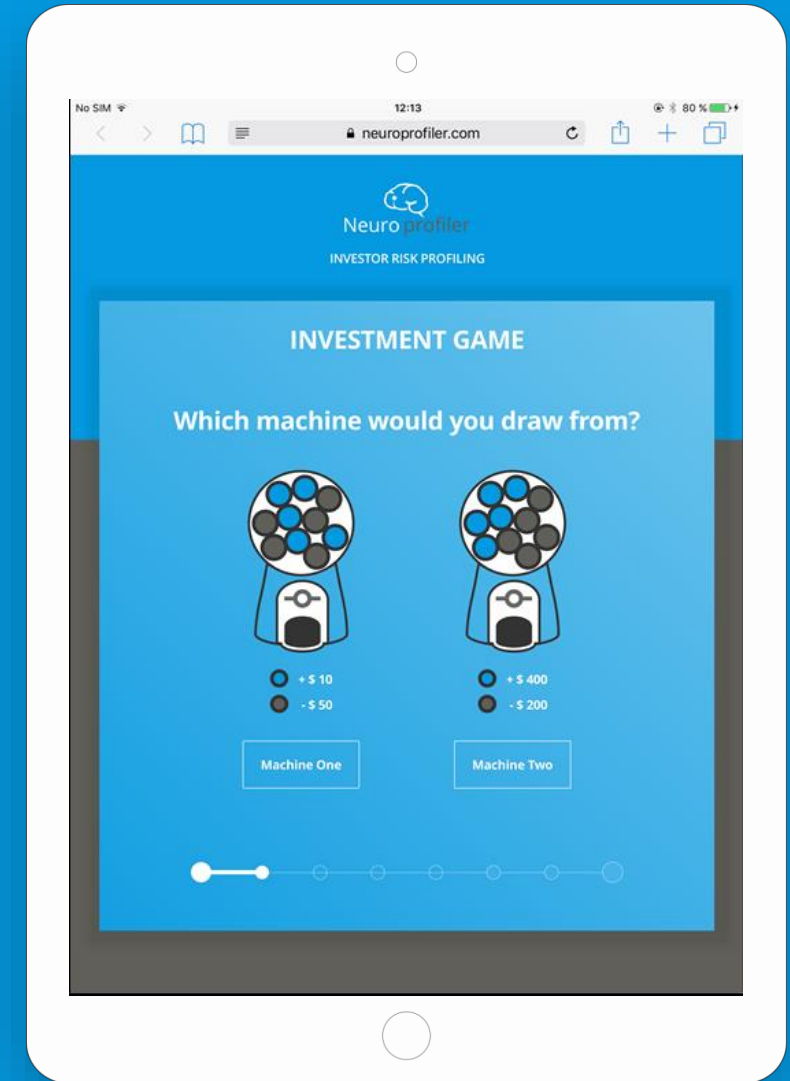
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## **OUR SOLUTION**

# Our solution: Neuroprofiler

Neuroprofiler addresses these three challenges by offering a behavioral finance game to help Financial Advisors assess their client's investor profile.

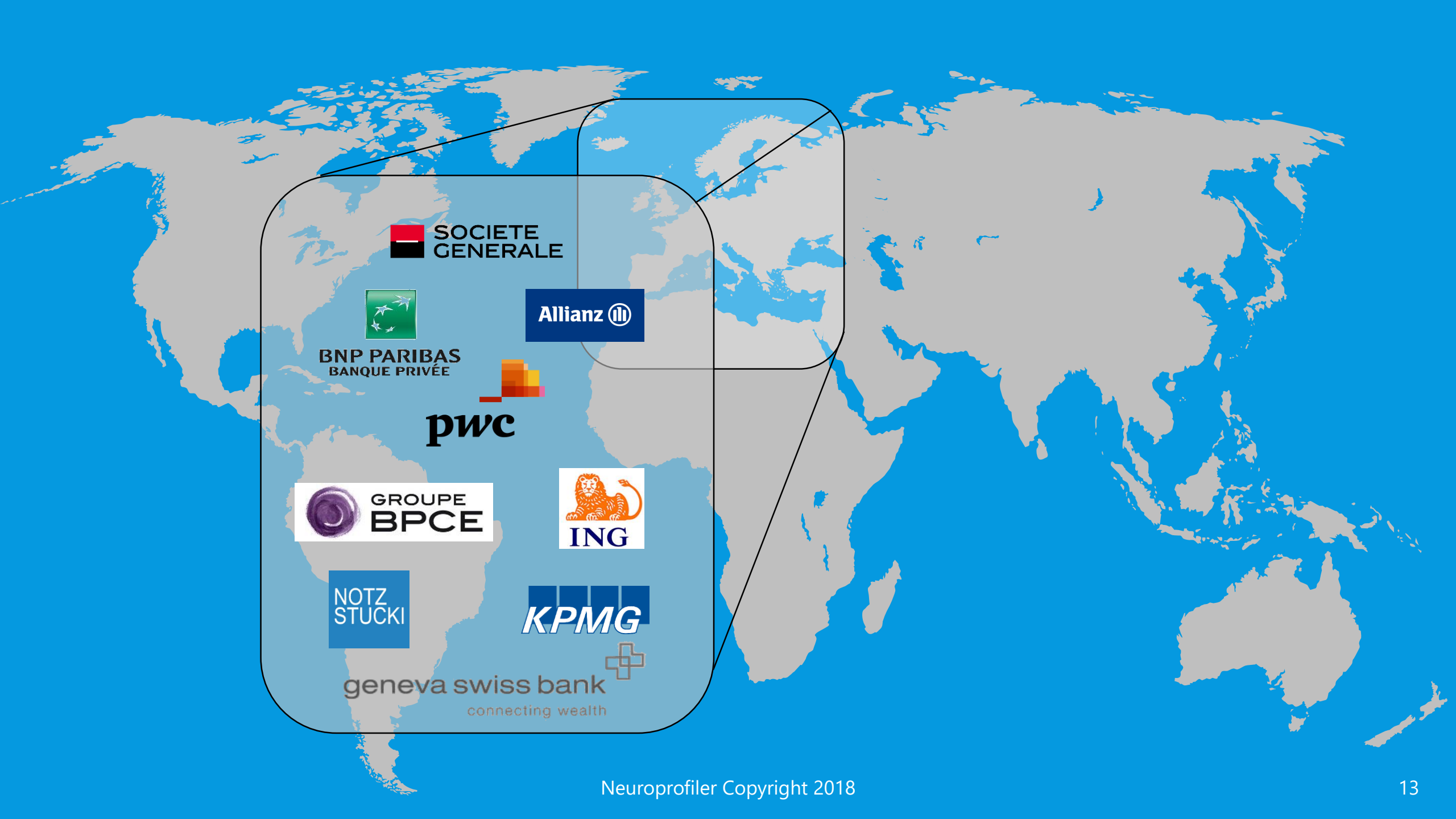
- **Reduced operational costs** thanks to its MiFIDII-compliant digital platform (support by KPMG and PwC).
- **Improved client experience and acquisition** through gamification
- **Improved client segmentation** thanks to its Behavioral-Finance and Machine-Learning algorithm: 1.000.000+ different profiles can be assessed with 80% of predictability rate.





**3**

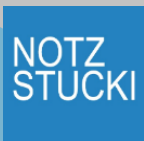
## **CLIENTS, AWARDS & PARTNERS**



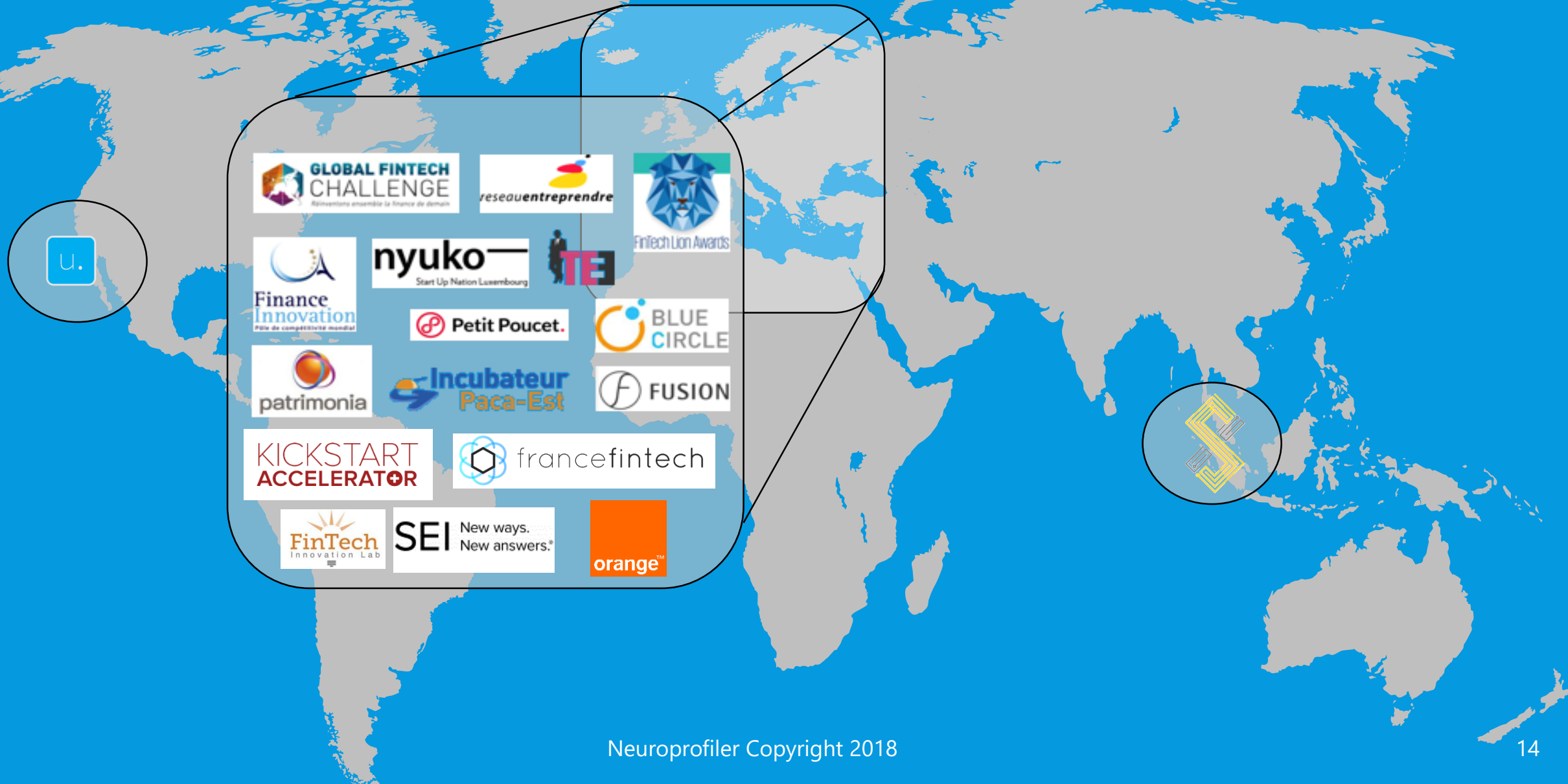
BNP PARIBAS  
BANQUE PRIVÉE



**pwc**



# Awards & Accelerators

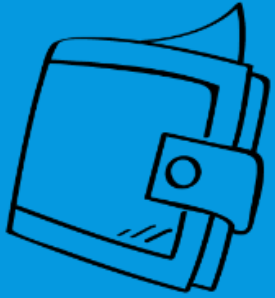




**4**

## **OUR MARKET**

# 1 core market and 4 potential ones to explore



**SUITABILITY**



**INSURANCE**



**CREDIT**



**FINANCIAL  
EDUCATION**



**TALENT  
MANAGEMENT**

**€230m\***

**€900m\***

**€1,1bn\***

**€230m\***

**ADDITIONAL MARKETS**



# Market sizing – banking

**70%** *Require risk profiling to be done once a year*  
*of countries*

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*And*

**300M** *With more than 100k€ in savings*  
*People in the world*

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*This represents*

**200.000.000 questionnaires**  
€5 / questionnaire / year

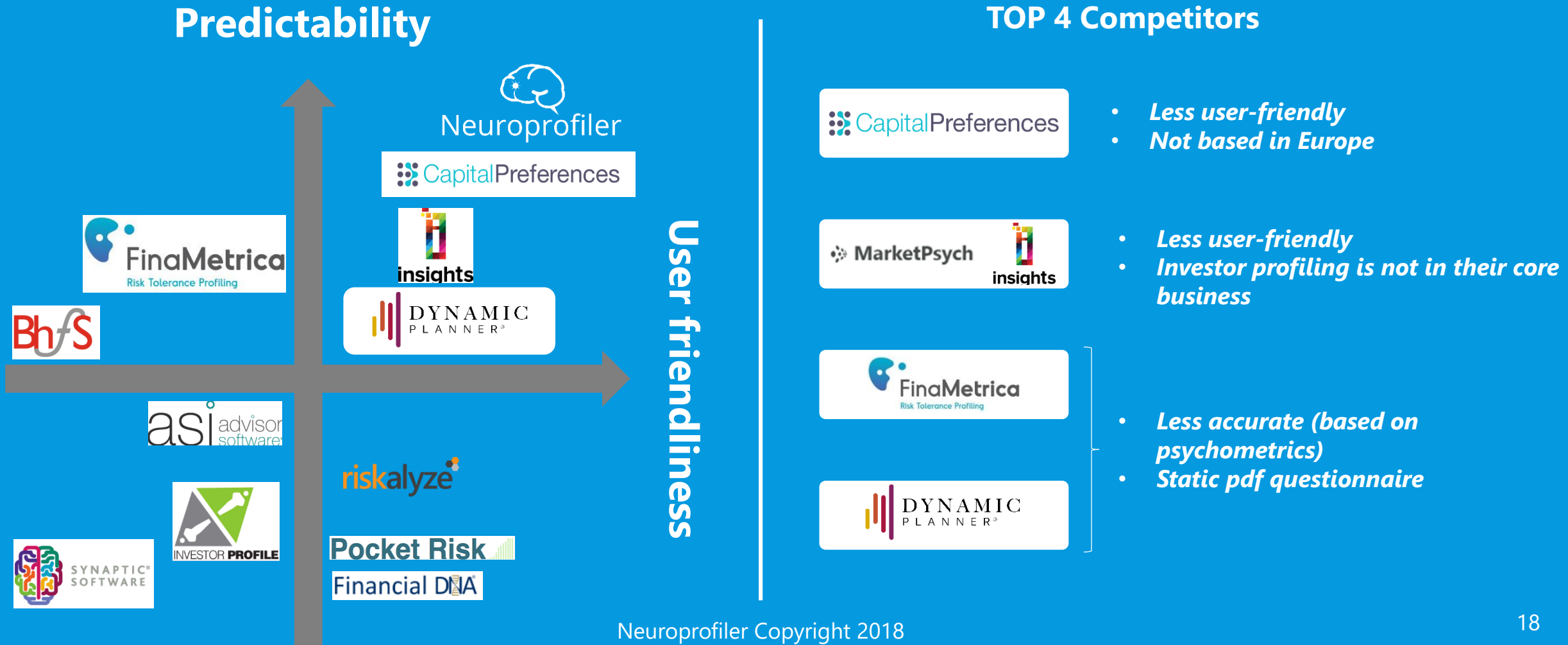


**Market:**  
**€1bn**

# Analysis of competitors

Today, 85% of investor profiling questionnaires are designed in-house by financial institutions.  
**PWC 2014**

Amongst the competitors, representing the market:





**5**

## **OUR HISTORY**

Sep '15



Our algorithm reviewed by KPMG in Luxembourg

2016

S1

Pilot with BPCE Group



S2

Fintech Fusion Accelerator in Geneva



S1: ING, BNP Paribas, Orange & Fintech Fusion in London



2017



S2: SG, PWC (Fr & UK), Allianz



**6**

## **OUR TEAM**



# Tiphaine

CEO & Co-Founder

**PhD in  
Behavioral Finance  
Private Banking**

Harvard University  
ENS Ulm  
HEC Paris



# Julien

CTO & Co-Founder

**Top 20 of best Machine  
Learning analysts in France  
Financial Quant.**

Cambridge University  
ENSAE



**Etienne**  
Private equity, Fintech  
*HEC Paris/St Gallen*



**Camille, PhD**  
*Ex-Prof at Harvard University*



**Adam**  
*Centrale Paris*



**Aurèle,**  
M&A  
*HEC Paris/  
Polytechnique/  
Columbia University*



**Benedict**  
10+years in asset  
management  
*IE Madrid*



**Sébastien,**  
M&A  
*ESSEC*



**Sylve,**  
Private equity  
*HEC Paris*



**BANKING**



**BEHAVIOURAL FINANCE**



**MACHINE LEARNING**

  
**= Neuroprofiler**

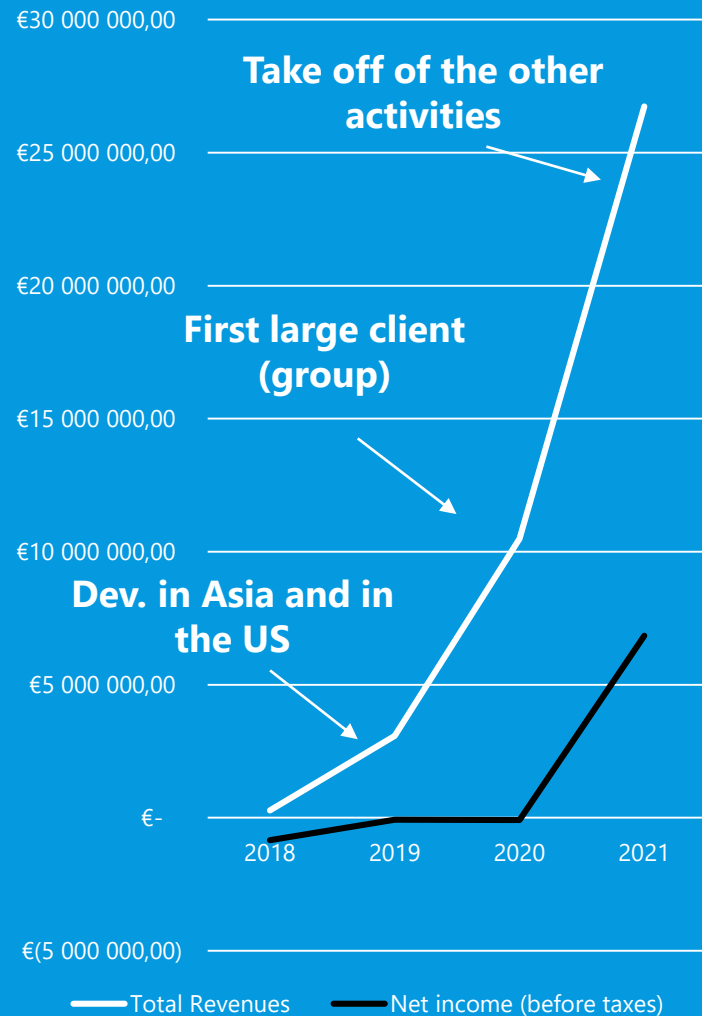


7

## FINANCIAL FORECASTS



# Realistic forecast: +€26.7M in revenues by 2021 (all activities)



	New markets (credit, insurance...) Client suitability assessment			
	2018	2019	2020	2021
<b>Total revenue</b>	<b>270k €</b>	<b>3.1M €</b>	<b>10.5M €</b>	<b>26.7M €</b>
POC. 30k€/year	6	17+4	15+12	20+20
Small. 5k€/year	10	50	100	200
Medium. 20k€/year	2	10	30+4	70+32
Large. 500k€/year	0	4	7	15
Group. 5M€/year	0	0	1	3
<b>TOTAL STAFF EXPENSES (nb of employees)</b>	<b>484k € (8)</b>	<b>1.4M € (22)</b>	<b>5.4M € (73)</b>	<b>10.4M € (144)</b>
Management Team	2	4	12	22
Business development	5	15	49	103
Product management	1	2	9	14
Admin	0	1	3	5
<b>External charges</b>	<b>594k €</b>	<b>1.6M €</b>	<b>4.8M €</b>	<b>8.8M €</b>
<b>NET INCOME (bfr taxes) -</b>	<b>809k €</b>	<b>28 k €</b>	<b>266 k €</b>	<b>7.5M €</b>



8

## NEEDS IN FUNDING



**€1.5M In equity**

**€500k committed**

**€10k: Minimum ticket size**

**€5m pre-money valuation**

# Use of funds: €1,5m

## Salaries

40%

- Founders
- Chief Operation Officer
- 2 Business Managers - Europe
- 1 Business Manager - Asia
- 1 Business Manager - US
- 1 Web Developer

## External Charges

60%

- Office & Administrative Costs
- Legal Costs
- Business & Events
- IT Development

**+5 new employees**



# Neuroprofiler

**Investor profiling game**

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