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# Targeted consultation on options to enhance the suitability and appropriateness assessments

Fields marked with \* are mandatory.

## Introduction

Following the [2020 capital markets union \(CMU\) action plan](https://ec.europa.eu/info/business-economy-euro/growth-and-investment/capital-markets-union/capital-markets-union-2020-action-plan_en) ([https://ec.europa.eu/info/business-economy-euro/growth-and-investment/capital-markets-union/capital-markets-union-2020-action-plan\\_en](https://ec.europa.eu/info/business-economy-euro/growth-and-investment/capital-markets-union/capital-markets-union-2020-action-plan_en)), the Commission is preparing a retail investment strategy, which aims to take a holistic view of investor protection rules. One of the key objectives of the CMU is to make the EU an even safer place for individuals to save and invest long-term and to increase participation of retail investors in capital markets. To this end, the Commission is looking at possible ways to increase the level of trust that retail investors have in capital markets.

Investors should be empowered and better supported to be able to identify investments that take into account their needs, objectives and constraints. Digital innovation is expected to enable new and more efficient means for investors to understand the markets and invest in an informed manner.

In the answers received to the [2021 public consultation on the Commission's retail investment strategy for Europe](https://ec.europa.eu/info/publications/finance-consultations-2021-retail-investment-strategy_en) ([https://ec.europa.eu/info/publications/finance-consultations-2021-retail-investment-strategy\\_en](https://ec.europa.eu/info/publications/finance-consultations-2021-retail-investment-strategy_en)), many stakeholders, on the industry and consumers side, called to simplify, improve, automate and standardise the way investors' profiles are currently assessed. Some have also expressed support for more focus on the overall investor portfolio composition rather than on individual products. Respondents also highlighted the need to adjust the different investor assessments to make them better adapted to the online environment, as well as the importance of improving data quality of the suitability and appropriateness assessments. Some also recommended anticipating the evolution of robot-assisted advice or fully automated advice. Finally, some also requested more independence in the suitability assessment process.

Taking stock of these results, the Commission's Services are currently exploring different ways to improve the suitability and appropriateness regimes to address the above-mentioned issues. The Commission's services are assessing, *inter alia*, the idea of whether and how all retail investors, and not only wealth management clients, might benefit from a new suitability assessment that could provide them with more support along their investment journey to better achieve their investment objectives and to enhance their participation in the capital markets.

By means of this targeted consultation, the Commission Services intend to complement the 2021 public consultation exploring the feasibility of a new retail investor-centric assessment to improve the current suitability and appropriateness tests. Not only might such an approach modify the current MIFID II/IDD suitability and appropriateness tests with the view to no longer differentiate among the various investment services offered to retail investors, but it might rather replace the current "per product" approach with a new element, a personalised asset allocation strategy.

The new retail client suitability rules, together with the personalised asset allocation strategy, would represent a personal investment plan intended to help retail investors achieve their defined investment objectives. Its main goal would be to provide retail investors with the best possible expected returns, taking into account their personal circumstances and risk tolerance. While the personalised asset allocation strategy would provide concrete guidance on optimal investment allocations, the investor would remain free to choose the products it wants to invest in.

The personalised asset allocation strategy could achieve this objective by setting out an investment plan that relied on an optimal diversification of various asset classes considered fit for retail investors. This could include a defined (in % terms for instance) exposure to any financial instruments and products distributed to retail investors, including but not limited to, shares, bonds, funds, structured products (including insurance based investment products). The personalised asset allocation strategy could identify, on an overall portfolio basis, the appropriate risk-return for each individual versus profile with a view to achieving the investor's investment goals. However, retail investors should ultimately remain free to take autonomous investment decisions, even where they do not align with the allocation strategy.

The retail client assessment, together with the personalised asset allocation strategy, could be provided and recorded in a structured and machine-readable format for future reference by the retail investor, financial intermediaries (with clients' consent) and competent authorities. Introducing this new approach might increase the level of intelligibility and comparability of investments with the purpose of limiting risks of mis-selling or ill-advised investments.

A key element of this new tool could be the transferability (or portability) of the client assessment (enhanced with a personalised asset allocation strategy) with any financial intermediary the client chooses, including on-line brokers and platforms which would allow investors to easily switch between or using multiple brokers/financial intermediaries. The question of the transferability of the client assessment will be specifically consulted in the context of the Commission's Open Finance framework.

Subject to the portability of a personalised asset allocation, this consultation aims to assess to what extent any subsequent intermediaries should be allowed to depart from the asset allocation and under what conditions (e.g. where there are objective reasons to justify a change, including in the case of a material change in personal circumstances of the retail investor).

## Responding to this consultation and follow up

In line with the Commission's stated objective of "an economy that works for people", this targeted consultation aims to gather stakeholders' views on a possible enhancement of the current suitability and appropriateness regimes. This consultation does not prejudice any outcome nor prevent the Commission from considering alternative options.

The consultation covers the following points

A. an enhanced client assessment regime – General

B. a personalised asset allocation strategy

Responses to open questions are limited to 5000 characters (including spaces and line breaks, i.e. stricter than the MS Word characters counting method), but you can also complement your answers by uploading one or several additional document(s) in the last section of the questionnaire called "Additional information".

**Please note:** In order to ensure a fair and transparent consultation process **only responses received through our online questionnaire will be taken into account** and included in the report summarising the responses. Should you have a problem completing this questionnaire or if you require particular assistance, please contact [fisma-suitability-assessments@ec.europa.eu](mailto:fisma-suitability-assessments@ec.europa.eu) (<mailto:fisma-suitability-assessments@ec.europa.eu>).

More information on

- [this consultation](https://ec.europa.eu/info/publications/finance-consultations-2022-suitability-appropriateness-assessments_en) ([https://ec.europa.eu/info/publications/finance-consultations-2022-suitability-appropriateness-assessments\\_en](https://ec.europa.eu/info/publications/finance-consultations-2022-suitability-appropriateness-assessments_en))
- [the consultation document](https://ec.europa.eu/info/files/2022-suitability-appropriateness-assessments-consultation-document_en) ([https://ec.europa.eu/info/files/2022-suitability-appropriateness-assessments-consultation-document\\_en](https://ec.europa.eu/info/files/2022-suitability-appropriateness-assessments-consultation-document_en))
- [retail financial services](https://ec.europa.eu/info/business-economy-euro/banking-and-finance/consumer-finance-and-payments/retail-financial-services_en) ([https://ec.europa.eu/info/business-economy-euro/banking-and-finance/consumer-finance-and-payments/retail-financial-services\\_en](https://ec.europa.eu/info/business-economy-euro/banking-and-finance/consumer-finance-and-payments/retail-financial-services_en))
- [the protection of personal data regime for this consultation](https://ec.europa.eu/info/files/2022-suitability-appropriateness-assessments-specific-privacy-statement_en) ([https://ec.europa.eu/info/files/2022-suitability-appropriateness-assessments-specific-privacy-statement\\_en](https://ec.europa.eu/info/files/2022-suitability-appropriateness-assessments-specific-privacy-statement_en))

## About you

\*Language of my contribution

English

\*I am giving my contribution as

Business association

\*First name

Kåre

\*Surname

Valgreen

\*Email (this won't be published)

kva@fida.dk

\*Organisation name

255 character(s) maximum

Finance Denmark

\*Organisation size

Medium (50 to 249 employees)

Transparency register number

255 character(s) maximum

Check if your organisation is on the transparency register (<http://ec.europa.eu/transparencyregister/public/homePage.do?redir=false&locale=en>). It's a voluntary database for organisations seeking to influence EU decision-making.

\*Country of origin

Please add your country of origin, or that of your organisation.

Denmark

Field of activity or sector (if applicable)

- \* ☐ Insurance  
☐ Investment services  
☐ New Technologies  
☐ Pension provision  
☐ Investment management (e.g. hedge funds, private equity funds, venture capital funds, money market funds, securities)  
☐ Market infrastructure operation (e.g. CCPs, CSDs, Stock exchanges)  
☐ Social entrepreneurship  
☒ Other  
☐ Not applicable

\*Please specify your activity field(s) or sector(s)

Business Association

The Commission will publish all contributions to this targeted consultation. You can choose whether you would prefer to have your details published or to remain anonymous when your contribution is published. **For the purpose of transparency, the type of respondent (for example, 'business association', 'consumer association', 'EU citizen') is always published. Your e-mail address will never be published.** Opt in to select the privacy option that best suits you. Privacy options default based on the type of respondent selected

#### \*Contribution publication privacy settings

The Commission will publish the responses to this public consultation. You can choose whether you would like your details to be made public or to remain anonymous.

☐ **Anonymous**

Only the organisation type is published: The type of respondent that you responded to this consultation as, your field of activity and your contribution will be published as received. The name of the organisation on whose behalf you reply as well as its transparency number, its size, its country of origin and your name will not be published. Please do not include any personal data in the contribution itself if you want to remain anonymous.

☒ **Public**

Organisation details and respondent details are published: The type of respondent that you responded to this consultation as, the name of the organisation on whose behalf you reply as well as its transparency number, its size, its country of origin and your contribution will be published. Your name will also be published.

☒ I agree with the [personal data protection provisions \(https://ec.europa.eu/info/files/2022-suitability-appropriateness-assessments-specific-privacy-statement\\_en\)](https://ec.europa.eu/info/files/2022-suitability-appropriateness-assessments-specific-privacy-statement_en).

## A. An enhanced client assessment regime – General

The new regime would be built around two parts: a first part focused on assessing, via a unique standardised questionnaire, the retail investor's investment objectives, risk tolerance and personal constraints and a second part dedicated to establishing a basic but personalised asset allocation strategy for the retail investor's investment portfolio.

**Question 1. Do you consider that a unique and standardised retail investors' assessment regime, as described above, applicable to all investment services and enhanced with the provision of a personal asset allocation strategy, could address the weaknesses of the current suitability and appropriateness regimes?**

- ☐ Yes  
☒ No  
☐ Don't know / no opinion / not applicable

**Please provide a detailed answer to question 1:**

*5,000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Finance Denmark fully supports initiatives that aim at improving retail investor participation in capital markets throughout Europe. Furthermore, Finance Denmark is aware of the growing risk of an advisory gap for less wealthy retail investors and investors only seeking to invest a smaller amount (e.g., child savings). The gap is driven by multiple factors, but one of them is the extensive requirements to provide investment advice, which may discourage retail investors from seeking advice as the resource and time consumption is disproportionate for the investor.

We think that the Commission's proposal has some interesting elements with regards to standardization of initial investor engagements for some execution-only type investors while potentially harmful for other client types depending on how the proposal is implemented. In this regard, the proposals are rather allusive and unclear. However, a much more thorough analysis and dialogue with the industry and consumer representatives are needed to ensure that new regulatory initiatives strengthen investor protection and engagement. We fear that they may harm investor protection and investment advisory and portfolio management services depending on how they are implemented especially with regards to the granularity, underlying legal framework for instrument (risk) classifications and interplay with existing regulation and responsibilities for investment firms. We must also emphasize that such far-reaching proposals must be analyzed in depth and supported by a more thorough consultation with longer deadlines and backed by in-depth consumer testing ensuring the regulatory initiatives do not unintentionally increase the advisory gap and/ further discourage retail investors from accessing the investments. We answer the consultation from the point of view of the Danish market and recognize that the need for broader accessibility to advisory services might be more obvious in other European jurisdictions. It is important that any new regulatory initiatives will not hinder technological and product development and/or limit the possibility to develop and provide investment services in differentiated manner. We are concerned the initiatives may lead to a situation where competitive differentiation of products and services for the benefit of consumers suffers.

Overall, the proposal is rather unclear and illusive and therefore it is very hard to deliver targeted, concrete and clear responses.

When reading the consultation, it is not clear how it aims at the appropriateness assessments since there is no reference to experience and knowledge perhaps with exception of standardization of product categories. Finance Denmark support analyzing the appropriateness assessment requirements as they may be hindering less financially knowledgeable retail investors from being provided with the best solutions. However, looking at how to make more investment products available to retail investors should not be at the expense of a strong investor protection, especially for actual consumers.

Also, it is open whether and how the generic assessment and asset allocation are meant to work with existing suitability and appropriateness tests, advisory services and asset allocation services in the financial industry. A European wide generic process can and must never substitute personalized investment advisory services nor asset allocation of individual financial institutions. The first would highly weaken overall investor protection and lower overall quality of advisory services by reducing competition in the advisory services industry (centralizing and/or generalizing it) and the latter would limit asset allocation competition threatening an effective allocation of capital and ultimately financial stability in Europe. The expected granularity and the interplay with existing regulation and services provided by the industry is therefore key - taking a too restrictive approach in this regard will harm overall financial well-being of retail investors, the functioning of the retail markets and ultimately capital markets and financial stability. Furthermore, standardization in service and asset allocation requires a standardized approach to risk/return and time horizon, which could severely narrow the development of new services and products, thereby leaving investors with a more limited product and service scope.

In addition, amendments to the rules on suitability assessments have recently been adopted in order to include ESG preferences, and ESMA has just published a consultation on changed guidelines for implementing ESG in the suitability assessment. Implementing ESG by revealing investor ESG preferences in line with the proposal will be a huge task for the investment firms offering advisory services and it will hugely complicate the suitability process also from a client perspective. This consultation seems to be headed in the complete opposite direction.

**Question 2. Do you think a new retail client assessment (enhanced with a personalised asset allocation strategy) and its transferability could bring benefits and opportunities to retail investors and financial intermediaries?**

- ☐ Yes, it could bring them benefits and opportunities
- ☒ No, it would not bring them specific benefit
- ☐ Don't know / no opinion / not applicable

**Please explain your answers to question 2:**

*5,000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Important practical considerations and the risks

Firstly, before any generic suitability/ appropriateness assessment can be meaningfully implemented at any level of granularity the legal framework providing clarity with regards to instrument classifications must be in place. This is a pre-requisite disregarding the level of granularity of the resulting assessments and would most likely require a review of the Product Governance rules in MiFID. Also, it requires that there is a common understanding of risk, and the risk model you should use, and this could prohibit the implementation of new approaches developed by economic research.

Please also keep in mind that for the proposed suggestion regarding asset allocation to work you would also need a generic allocation methodology and uniform assessment of risk for all available tradeable instruments. This will harm competition and guide and streamline investment product design and development throughout Europe which in turn would also guide the financing flows. The standardized approach will furthermore entail a risk of a specific ISIN being categorized using standardized algorithms where a MiFID product governance arrangement might for the manufacture and distributor point to labelling it differently than required by the standardized regulation (e.g., a per legal definition simple UCITS fund but where a distributor may find it should not be treated as plain vanilla simple and thereby rendering it blocked for execution only).

Secondly, even if implementing a generic and portable assessment we are of the understanding that this will not change existing responsibilities of financial institutions whereby they will run their own tailored processes for each client even though the client has a portable assessment. Therefore, the framework might deliver some value for some execution-only type clients but add complexity and confusion to others. Again, the scope, the granularity and interplay with existing regulation must be delicately balanced and clearly defined. This is especially important with regards to clearly defining the responsibilities for financial institutions providing asset allocation and investment advice.

Thirdly, the definition of retail clients in MiFID is very broad constituting of both very simple clients with basic investment and service needs and complex clients that trade frequently in exotic instruments and hedge or invest using OTC-derivatives. For a framework to work it must be scoped much narrower than the definition of retail clients in MiFID. If all retail clients are in scope, then it must be an add-on which is voluntary for all retail client types and not pose any restrictions or obligations on investment firms with regards to using the portable assessment and suggested asset allocation. Bearing in mind that Finance Denmark supports analyzing how simple retail investor wishing to do smaller investments can be serviced in a manner which is proportionate and effective for both the customer and the provider.

Fourthly, the Danish and Scandinavian markets are well functioning both with regards to access to investment advice for the retail segment, the span and accessibility of product- and service-offerings and low cost online investment and advisory platforms as well as discretionary investment services. The advisory service access and broad access to investment products through full-service banks is based on the inducements. If the proposal drives new investors and/or exiting investors away from personalized advice and towards execution-only some investors might end up taking wrong investment decisions. We are highly concerned that the European Commission is targeting problems that prevail in some jurisdictions in Europe at the expense of well-functioning retail markets.

Fifthly, Finance Denmark finds it difficult to see how increasing the decisions retail investors should take by themselves. Using an overall recommended asset allocation would decrease the risk of miss-selling - rather we would expect a risk that more investors end up with the "incorrect" product and portfolio.

**Question 3. Should retail investors be able to transfer the results of their assessment together with their personalised asset allocation strategy to brokers/financial intermediaries of their choosing in order to facilitate switching between or using multiple brokers/financial intermediaries and generally enhance the investor experience?**

- ☐ Yes
- ☒ No
- ☐ Don't know / no opinion / not applicable

**Please explain your answer to question 3:**

*5,000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Portability will only add value for the client if it is truly standardized and meet all existing requirements. Otherwise, the client will most likely meet a similar process again when facing a (new) distributor since the distributor will be obligated to ensure that the assessment and asset allocation is right for the client. A strength in the Danish market is that investors are offered a full service advise looking not only at the investments but also at the rest of the economy of the client as for instance mortgages and debt. In such situation the portable assessment will be disregarded and may instead create a mismatch between the expectations of the client to the portable assessment and the services and obligations of the investment firm.

It is important that a new assessment framework not end up being just another layer for the investors to go through and process in the advisory process further complicating the processes and further discouraging retail investors from seeking advice as the resource and time consumption is already disproportionate for simple retail investors. This concern should be seen in light of the vast complexity foreseen in suitability requirements regarding going forward revealing sustainability preferences.

We fear that generic assessments and asset allocation models will streamline advisory services and product supply and development detrimental to the overall goal to enhance retail market competition. Given these concerns and arguments we see the proposal adding value to simple execution-only type retail clients investing in rather simple investment products. In this space of the market, standardization might add value but depending much on the interplay with existing regulation and the granularity of the asset allocation proposal. It must be ensured that the investor understand the purpose of the portable assessment.

**Question 4. Would you see any drawbacks that could emerge from the creation and use of such a new suitability assessment applicable to all investment services (including its sharing/portability if any) for retail investors and financial intermediaries?**

- ☒ Yes
- ☐ No
- ☐ Don't know / no opinion / not applicable

**Please explain your answer to question 4:**

*5,000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Please see answers to questions above.

**Question 5. Who should prepare the clients' assessment and their asset allocation strategy?**

- ☒ Any financial intermediary selected by the retail investor
- ☐ An independent function within the financial intermediary selected by the retail investor
- ☐ An independent financial intermediary selected by the retail investor
- ☐ Other (e.g. public entity)

**Please explain your answer to question 5:**

*5,000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We must make clear that it is very difficult to give an answer to this question since the proposal is rather illusive and unclear to us – especially with regards to how this is envisioned linked to existing regulation and requirements as well as intended scope. We therefore answer on the basis of how we might see a regime adding value to investors.

If the proposals should in fact improve investor protection and enhance the investor experience and not discourage investors from seeking advice the new regime should be targeted specific retail clients and product types. Giving access to a service for simple execution-only type retail clients and for simple instruments only might prevent some of these investors from taking errored decisions by themselves. If such a service is provided and it is generic as envisioned in the consultation it would be disproportionate if all investment firms in Europe should implement the same generic processes.. However, if the proposal against our recommendation also covers clients seeking advice it is important that it is optional for distributors to use the framework in their advisory services.

If the service is fully standardized it could be provided from a common European wide solution that firms can link to. However, we must underline that it will completely standardize a service which is in free market competition in the current market. Therefore, we foresee that innovation will suffer greatly both on services as well as products since they will strive to fit the common generic solution. Depending on how the proposal is implemented it might also risk causing financial instability since investor flows will be systematically pushed through generic streamlined asset allocation proposals. If the generic proposal suddenly given market movements change allocation for medium risk clients throughout Europe we would foresee massive coordinated flows in one direction in the market causing instability. Also, there are a number of practical issues to overcome. Most importantly there is the question of liability if a generic solution is implemented across EU. If the proposals and assessments are flawed somehow and investors trade based on the proposals and assessments, then liability risk must be placed on the party responsible for the generic solution. If this is a public entity for instance this entity should also face the liability risks just as investment firms do in the current system.

#### Question 6. What should be the key components of a standardised personal investment plan?

Please select as many answers as you like

- ☐ A description of the investor
- ☐ A description of **duties and responsibilities of the investment adviser** drawing up the personal investment plan, custody arrangements and the duties of the client to signal changes in her personal circumstances
- ☐ **Procedures and reviews** that are necessary to keep the IPS topical and up-to-date
- ☐ **Investment objectives**
- ☐ **Investment constraints**
- ☐ **Technical guidelines** specifying technical aspects on how the investment should be carried out, such as permissible use of leverage or derivatives; exclusion of specific types of assets from investment, if any
- ☐ **ESG factors**, such as specific types of assets to be excluded from investments
- ☐ **Evaluation and review**
- ☐ Rules on identifying **strategic asset allocation** – including the baseline allocation of portfolio assets to asset classes
- ☐ **Rebalancing** – policies on rebalancing asset class weights

#### Please explain your answers to question 6:

5,000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We refer to our answer to questions above. We will add though that we see the current system as well-functioning, and we do not see any evidence of a flawed system and it is unclear to us what current flaws the Commission is targeting by the proposal.

#### Question 7. What are the main investment objectives and constraints that should be addressed in a personal investment plan?

Please select as many answers as you like

- ☐ **Return objectives:** Long-term investment return per year, in nominal terms, net of fees

- ☐ **Constraints:** Liquidity – expected investor outlays, etc.
- ☐ Time horizon
- ☐ Tax situation
- ☐ Legal and Regulatory factors, if any
- ☐ Unique investor circumstances, e.g., ethical or environmental preferences

**Please explain your answers to question 7:**

*5,000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Given the lack of clarity with regards to implementation as mentioned in our answer to question 1 this is very hard to answer explicitly.

However, that said, the assessment should take into account the most important factors for the investment decision that are generic throughout Europe. These are already included in the current regime which we see as well functioning for retail clients. Given the proposed answers we will just add that since tax is different in the European jurisdictions, we do not see tax meaningfully implemented in a generic assessment or investment plan except as a generic disclaimer for the proposal. The differentiated tax systems are yet another reason why a generic service throughout Europe must not substitute personalized advisory services.

**Question 8. Storage and accessibility of the new suitability assessment, including the asset allocation strategy.**

**Do you agree with the following statement?**

All data in the suitability assessment and the personalised asset allocation strategy (the personal investment plan) should be stored electronically and, subject to the client's consent, the investment plan personal should be accessible to all financial intermediaries that the client employs ("open finance").

- ☐ Yes
- ☐ No
- ☒ Don't know / no opinion / not applicable

**Please explain your answer to question 8:**

*5,000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We are very skeptical of the portability and the proposed new regime - please see earlier answers. However, portability of client information needed in the current regime might deliver added value to retail clients shifting between distributors. This might smoothen the client's on-boarding which today is a very burdensome process for firms and clients due to the regulatory requirements to retrieve a lot of information on the clients. There might be potential in this space however also many technical and GDPR obstacles to overcome.

**Question 9. How often should the client's assessment and asset allocation strategy be updated?**

A personal investment plan should be reviewed regularly in order to ensure that it remains consistent with the client's investment objectives and constraints. A personal investment plan should also be reviewed as soon as a financial intermediary becomes aware of a material change in the client's circumstances. A client may request an update of her personal investment plan when her objectives, time horizon, personal circumstances of liquidity needs change.

**Question 9.1 When the investor is NOT under advice:**

Please select as many answers as you like

- ☐ a. once per year
- ☐ b. upon significant changes in the retail investor's personal circumstances or objectives, communicated by the investor to its financial intermediary
- ☐ c. upon suggestion of the financial intermediary selected by the investor, subject to providing the investor with any necessary written justification evidencing the need for an update, and subject to the investor's agreement + duly stored
- ☒ d. other



**Please specify to what other update frequency you refer in your answer to question 9.1:**

5,000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Clients not under advice are exactly that - not under advice. Therefore, there should be no obligation for a regular update or for the firms to contact the clients - except if the client seeks an advisory service. One should not force execution-only clients into an advisory solution which seems to be more than indicated in the suggested answers above. How would firms handle clients that simply refuse since they demand an execution-only service.

**Please explain your answers to question 9.1:**

5,000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

**Question 9.2 When the investor is under advice/portfolio management:**

Please select as many answers as you like

- ☐ a. once per year
- ☐ b. upon significant changes in the retail investor's personal circumstances or objectives, communicated by the investor to its financial intermediary
- ☐ c. at the initiative of the financial intermediary providing the advice and subject to written justifications evidencing the improvement, communicated to the investor and duly stored
- ☒ d. other

**Please specify to what other update frequency you refer in your answer to question 9.2:**

5,000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We again must state that we see the current regime as it is as well-functioning in Denmark and in Scandinavia. As already stated above, we strongly oppose that a generic one size fits all approach could or should substitute personal advisory services. However, one should distinguish between, on one hand, on-going advice and portfolio management where the current regime is well functioning and, on the other hand, on off advisory services.

**Please explain your answers to question 9.2:**

5,000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

**Question 10. Please provide us with an estimate of the necessary costs to set-up and update this possible new client assessment (including the personalised asset allocation strategy) in a structured and machine-readable format as well as for its storage in a way accessible for future reference by the retail investor and competent authorities:**

	Estimate (in €)
One off costs	
Ongoing costs	

**Please explain your answer to question 10 and provide a breakdown of the most important cost components:**

5,000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Given that the proposal is not very clear as we have argued in our answer to question 1, it is next to impossible to estimate the cost. However, as also previously stated it also seems highly ineffective and disproportional to implement the same generic process and system across all European investment firms. If all firms should implement a new regime an overall comparative cost estimate would be the same implementation as was spent on the MiFID I investor protection regime - in other words we foresee substantial costs

**Question 11. Please provide us with a cost comparison between the costs associated to this possible new client assessment regime (including the personalised asset allocation strategy) in and your current costs associated to compliance with the current suitability and appropriateness regimes?**

	Estimate (in €)
Your current costs associated to compliance with the current suitability and appropriateness regimes	
Estimate costs associated to compliance with the possible new suitability assessment regime (including the personalised asset allocation strategy)	

**Please explain your answer to question 11:**

5,000 character(s) maximum  
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

See answer to question 10, however if liability is transferred to one European system provider as for instance a public entity, we could foresee cutting some running compliance and system maintenance costs. But we fear at the expense of overall investor protection and competition in advisory service industry and product development.

**Question 12. Do you consider that the new client assessment regime would allow material cost savings for financial intermediaries taking into account the standardised and single nature of the possible assessment regime, once the initial sunk costs are absorbed?**

- ☐ Yes
- ☐ No
- ☐ Don't know / no opinion / not applicable

**Please explain your answer to question 12:**

5,000 character(s) maximum  
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

See answer to question 10 - there is nothing in the proposal that defines the interplay with existing regulation and obligations. If it is an add-on, it is also an additional cost both to implement and to administer over time. On the other hand, generic models and assessment must not substitute personal advisory services.

## B. A personalised asset allocation strategy

A personalised asset allocation strategy would be the main output of the new client-centric assessment carried out by a financial intermediary. It would represent a basic investment framework for achieving the retail investor's investment objectives and aim to provide the investor with maximum returns in view of its personal circumstances, while exposing the investor to an optimal amount of risk. This would be achieved by setting out a unique plan for exposure (in % terms for instance) to an optimal diversification of broad asset classes (e.g. fixed income, equity, commodities, etc.) and set the right risk-return profile for the retail investor's investment goals.

The rules on asset class categorisation could feature a varying level of details and granularity. For example, the legislation could establish very general asset classes across which diversification should be ensured (e.g. equity, bonds, commodities, real estate, private equity, hedge funds) or it could foresee or allow for a creation of more detailed 'sub-asset classes' (government bonds vs. corporate bonds, high yield vs. investment grade bonds, large cap vs. small cap shares, etc.).

This personalised asset allocation strategy could then be made portable and transferable across financial intermediaries that the retail investor chooses to interact with. It should then be determined whether and to what extent financial intermediaries should be allowed to depart from this personalised asset allocation strategy and under what conditions.

**Question 13. Should the rules on personalised asset allocation strategy foresee standardised investor profiles based on retail investors' personal constraints, risk/return appetite and objectives?**

- ☐ Yes  
☒ No  
☐ Don't know / no opinion / not applicable

**Please provide a detailed answer to question 13:**

*5,000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

**Question 14. Which elements should form the basis for distinguishing between asset classes within the asset allocation strategy?**

Please select as many answers as you like

- ☐ Risk  
☐ Return  
☐ Paired correlation with other asset classes  
☒ Additional criteria

**Please explain your answer to question 14 and provide details on the additional criteria if any:**

*5,000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We see the proposal potentially adding value to simple execution-only type retail clients investing in rather simple investment products only but depending on how it is implemented. There is also a real risk that scoping and implementing too widely will in fact harm overall investor protection (moving less knowledgeable retail clients away from advisory services) as well as retail participation in the capital markets (if processes are further complicated for clients seeking advice). Even with our proposed limited scope instrument and risk classification is key as well as keeping the proposal at a fairly high level of granularity keeping in mind that the execution-only retail investor must understand the proposal and be able to use the asset allocation proposal in their own investment strategy. Please keep in mind that the average retail investor does not necessarily understand certain risks or certain instrument classifications. We urge the Commission to look at other regulatory attempts to standardize across a very broad range of asset classes and products with regards to risk models and risk measurement as PRIIPs for instance. Looking at risk in investment products should not be done in "one size fits all" models - here the diversity of the different markets and market players in the assessment of risk in different corners of the vast investment product markets is very important.

**Question 15. Exposure to assets, as set out in the asset allocation strategy, could be achieved either by investing directly in securities (e.g. shares, bonds), or via investment in potentially complex financial products (e.g. funds, structured products, insurance-based investment products) or a combination thereof.**

**How should a financial intermediary assess best value-for-money when considering asset classes or sub-asset classes offering the optimal exposure for the retail investor?**

*5,000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

It is not possible to answer this question since value for money is indeed subjective to the individual investor - again one cannot objectively in a standardized method measure subjective value added.

**Question 16. The rules on the asset allocation strategy should allow for the establishment of asset classes that are fit to achieve the investment objectives of retail investors.**

**How should those rules take into account situations where the investment intermediary wishes to offer products that do not fit into one of the common asset categories?**

- ☐ Where the intermediary proves that the risk, return and correlation properties of the product are equivalent to those attributed to one of the established asset classes, he/she can consider that instrument as belonging to that asset class

- ☐ Such products should only be made available to the investor at his or her explicit request, and not as a part of the investable universe determined by the asset allocation strategy
- ☒ Other solutions

**Please specify to what other solution(s) you refer in your answer to question 16:**

*5,000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The generic asset allocation plan should only target simple execution-only type retail investors and can and must not substitute individual advisory services. If the client wishes to invest outside the plan, it should be possible to execute only given the existing investor protection framework.

**Please explain your answer to question 16:**

*5,000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

**Question 17. Although the form and content of the asset allocation strategy should be prescribed to a certain extent, financial intermediaries will always exercise a degree of discretion when establishing the asset allocation for a given investor. Competition between financial intermediaries in establishing an optimal asset allocation strategy for a given set of client data could yield better quality asset allocation propositions for the client. On the other hand, changing without objective reasons the investment guidance set out by the asset allocation strategy should be avoided in order to ensure that his or her investment goals are attained.**

**Should a financial intermediary other than the one that drew up the client assessment be able to propose a different asset allocation strategy than the one originally established, where the data required to produce the asset allocation strategy are made available to that financial intermediary?**

- ☐ Yes, but only when there are objective reasons (see notably (b) and (c) in question 9.1 and 9.2 respectively.)
- ☐ No
- ☒ Don't know / no opinion / not applicable

**Please explain your answer to question 17:**

*5,000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The generic asset allocation plan should only target simple execution-only type retail investors and can and must not substitute individual advisory services. If the client wishes to invest outside the plan, it should be possible to execute only given the existing investor protection framework.

**Question 17.1 Should the investor be required to give explicit consent for the development of a new asset allocation strategy?**

- ☐ Yes
- ☐ No
- ☒ Don't know / no opinion / not applicable

**Please explain your answer to question 17.1:**

*5,000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Please see former answers

**Question 18. Would you have any general comments on an enhanced client assessment regime and/or personalised asset allocation strategy?**

- ☐ Yes
- ☒ No
- ☐ Don't know / no opinion / not applicable

**Please explain your answer to question 18:***5,000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Please see former answers

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## Additional information

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Should you wish to provide additional information (e.g. a position paper, report) or raise specific points not covered by the questionnaire, you can upload your additional document(s) below. **Please make sure you do not include any personal data in the file you upload if you want to remain anonymous.**

### Useful links

More on this consultation ([https://ec.europa.eu/info/publications/finance-consultations-2022-suitability-appropriateness-assessments\\_en](https://ec.europa.eu/info/publications/finance-consultations-2022-suitability-appropriateness-assessments_en))  
([https://ec.europa.eu/info/publications/finance-consultations-2022-suitability-appropriateness-assessments\\_en](https://ec.europa.eu/info/publications/finance-consultations-2022-suitability-appropriateness-assessments_en))

Consultation document ([https://ec.europa.eu/info/files/2022-suitability-appropriateness-assessments-consultation-document\\_en](https://ec.europa.eu/info/files/2022-suitability-appropriateness-assessments-consultation-document_en))  
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More on retail financial services ([https://ec.europa.eu/info/business-economy-euro/banking-and-finance/consumer-finance-and-payments/retail-financial-services\\_en](https://ec.europa.eu/info/business-economy-euro/banking-and-finance/consumer-finance-and-payments/retail-financial-services_en)) ([https://ec.europa.eu/info/business-economy-euro/banking-and-finance/consumer-finance-and-payments/retail-financial-services\\_en](https://ec.europa.eu/info/business-economy-euro/banking-and-finance/consumer-finance-and-payments/retail-financial-services_en))

Specific privacy statement ([https://ec.europa.eu/info/files/2022-suitability-appropriateness-assessments-specific-privacy-statement\\_en](https://ec.europa.eu/info/files/2022-suitability-appropriateness-assessments-specific-privacy-statement_en))  
([https://ec.europa.eu/info/files/2022-suitability-appropriateness-assessments-specific-privacy-statement\\_en](https://ec.europa.eu/info/files/2022-suitability-appropriateness-assessments-specific-privacy-statement_en))

More on the Transparency register (<http://ec.europa.eu/transparencyregister/public/homePage.do?locale=en>)  
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