

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](#), 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](#), 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 prejudge 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.

More information on

- [this consultation](#)
- [the consultation document](#)
- [retail financial services](#)
- [the protection of personal data regime for this consultation](#)

About you

* Language of my contribution

- Bulgarian
- Croatian
- Czech
- Danish
- Dutch
- English
- Estonian
- Finnish
- French
- German
- Greek
- Hungarian
- Irish
- Italian
- Latvian
- Lithuanian
- Maltese
- Polish
- Portuguese
- Romanian
- Slovak
- Slovenian
- Spanish

Swedish

* I am giving my contribution as

- Academic/research institution
- Business association
- Company/business organisation
- Consumer organisation
- EU citizen
- Environmental organisation
- Non-EU citizen
- Non-governmental organisation (NGO)
- Public authority
- Trade union
- Other

* First name

Josina

* Surname

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josina.kamerling@cfainstitute.org

* Organisation name

255 character(s) maximum

CFA Institute

* Organisation size

- Micro (1 to 9 employees)
- Small (10 to 49 employees)
- Medium (50 to 249 employees)
- Large (250 or more)

Transparency register number

255 character(s) maximum

Check if your organisation is on the [transparency register](#). 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.

- | | | | |
|---|---|--|--|
| <input type="radio"/> Afghanistan | <input type="radio"/> Djibouti | <input type="radio"/> Libya | <input type="radio"/> Saint Martin |
| <input type="radio"/> Åland Islands | <input type="radio"/> Dominica | <input type="radio"/> Liechtenstein | <input type="radio"/> Saint Pierre and Miquelon |
| <input type="radio"/> Albania | <input type="radio"/> Dominican Republic | <input type="radio"/> Lithuania | <input type="radio"/> Saint Vincent and the Grenadines |
| <input type="radio"/> Algeria | <input type="radio"/> Ecuador | <input type="radio"/> Luxembourg | <input type="radio"/> Samoa |
| <input type="radio"/> American Samoa | <input type="radio"/> Egypt | <input type="radio"/> Macau | <input type="radio"/> San Marino |
| <input type="radio"/> Andorra | <input type="radio"/> El Salvador | <input type="radio"/> Madagascar | <input type="radio"/> São Tomé and Príncipe |
| <input type="radio"/> Angola | <input type="radio"/> Equatorial Guinea | <input type="radio"/> Malawi | <input type="radio"/> Saudi Arabia |
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| <input type="radio"/> Antigua and Barbuda | <input type="radio"/> Eswatini | <input type="radio"/> Mali | <input type="radio"/> Seychelles |
| <input type="radio"/> Argentina | <input type="radio"/> Ethiopia | <input type="radio"/> Malta | <input type="radio"/> Sierra Leone |
| <input type="radio"/> Armenia | <input type="radio"/> Falkland Islands | <input type="radio"/> Marshall Islands | <input type="radio"/> Singapore |
| <input type="radio"/> Aruba | <input type="radio"/> Faroe Islands | <input type="radio"/> Martinique | <input type="radio"/> Sint Maarten |
| <input type="radio"/> Australia | <input type="radio"/> Fiji | <input type="radio"/> Mauritania | <input type="radio"/> Slovakia |
| <input type="radio"/> Austria | <input type="radio"/> Finland | <input type="radio"/> Mauritius | <input type="radio"/> Slovenia |
| <input type="radio"/> Azerbaijan | <input type="radio"/> France | <input type="radio"/> Mayotte | <input type="radio"/> Solomon Islands |
| <input type="radio"/> Bahamas | <input type="radio"/> French Guiana | <input type="radio"/> Mexico | <input type="radio"/> Somalia |
| <input type="radio"/> Bahrain | <input type="radio"/> French Polynesia | <input type="radio"/> Micronesia | <input type="radio"/> South Africa |
| <input type="radio"/> Bangladesh | <input type="radio"/> French Southern and Antarctic Lands | <input type="radio"/> Moldova | <input type="radio"/> South Georgia and the South Sandwich Islands |
| <input type="radio"/> Barbados | <input type="radio"/> Gabon | <input type="radio"/> Monaco | <input type="radio"/> South Korea |
| <input type="radio"/> Belarus | <input type="radio"/> Georgia | <input type="radio"/> Mongolia | <input type="radio"/> South Sudan |

- Belgium
- Belize
- Benin
- Bermuda
- Bhutan
- Bolivia
- Bonaire Saint Eustatius and Saba
- Bosnia and Herzegovina
- Botswana
- Bouvet Island
- Brazil
- British Indian Ocean Territory
- British Virgin Islands
- Brunei
- Bulgaria
- Burkina Faso
- Burundi
- Cambodia
- Cameroon
- Canada
- Cape Verde
- Cayman Islands
- Central African Republic
- Chad
- Germany
- Ghana
- Gibraltar
- Greece
- Greenland
- Grenada
- Guadeloupe
- Guam
- Guatemala
- Guernsey
- Guinea
- Guinea-Bissau
- Guyana
- Haiti
- Heard Island and McDonald Islands
- Honduras
- Hong Kong
- Hungary
- Iceland
- India
- Indonesia
- Iran
- Iraq
- Ireland
- Montenegro
- Montserrat
- Morocco
- Mozambique
- Myanmar/Burma
- Namibia
- Nauru
- Nepal
- Netherlands
- New Caledonia
- New Zealand
- Nicaragua
- Niger
- Nigeria
- Niue
- Norfolk Island
- Northern Mariana Islands
- North Korea
- North Macedonia
- Norway
- Oman
- Pakistan
- Palau
- Palestine
- Spain
- Sri Lanka
- Sudan
- Suriname
- Svalbard and Jan Mayen
- Sweden
- Switzerland
- Syria
- Taiwan
- Tajikistan
- Tanzania
- Thailand
- The Gambia
- Timor-Leste
- Togo
- Tokelau
- Tonga
- Trinidad and Tobago
- Tunisia
- Turkey
- Turkmenistan
- Turks and Caicos Islands
- Tuvalu
- Uganda

- Chile
- China
- Christmas Island
- Clipperton
- Cocos (Keeling) Islands
- Colombia
- Comoros
- Congo
- Cook Islands
- Costa Rica
- Côte d'Ivoire
- Croatia
- Cuba
- Curaçao
- Cyprus
- Czechia
- Democratic Republic of the Congo
- Denmark
- Isle of Man
- Israel
- Italy
- Jamaica
- Japan
- Jersey
- Jordan
- Kazakhstan
- Kenya
- Kiribati
- Kosovo
- Kuwait
- Kyrgyzstan
- Laos
- Latvia
- Lebanon
- Lesotho
- Liberia
- Panama
- Papua New Guinea
- Paraguay
- Peru
- Philippines
- Pitcairn Islands
- Poland
- Portugal
- Puerto Rico
- Qatar
- Réunion
- Romania
- Russia
- Rwanda
- Saint Barthélemy
- Saint Helena
Ascension and
Tristan da Cunha
- Saint Kitts and Nevis
- Saint Lucia
- Ukraine
- United Arab Emirates
- United Kingdom
- United States
- United States
Minor Outlying
Islands
- Uruguay
- US Virgin Islands
- Uzbekistan
- Vanuatu
- Vatican City
- Venezuela
- Vietnam
- Wallis and Futuna
- Western Sahara
- Yemen
- Zambia
- Zimbabwe

* 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)

Association of investment professionals

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](#)

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:

5000 character(s) maximum

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

The application of the current rules on suitability and appropriateness remains inconsistent across various jurisdictions. This situation pushes firms to establish even more complicated processes.

A standardised retail investors regime could reduce discretionality and improve harmonisation in the application of the assessment process. Some members from CFA Society Cyprus underlined that such a solution would eliminate investment firms' incentives to deviate to gain unfair competitive advantage against peers. For example, some firms may have been manipulating their suitability questionnaires in order to push for a certain answer, and a certain client risk profile categorization/classification. At the same time, a personal asset allocation strategy, which would be made possible on a mass scale for retail clients through digitalisation, will provide the opportunity for even retail investors to enjoy similar level of exposure to capital markets as high-net worth individuals. Our members in Cyprus have experienced situations where different risk-profile investor questionnaires from different financial advisors end up having the final investor's risk score as different (i.e. A company assessed the client as conservative whereas company B as moderate conservative).

Some members from CFA Society Spain remarked that financial institutions usually have their own approach to classify risk. This means that companies cannot have a unique perception of risk in the asset classes or combinations of them as they also use a qualitative approach when looking at the clients' answers to the suitability assessment test. Some of our Spanish members suggested that the assessment process could be divided in two stages. The first one could concern the use of objective data, and therefore be used by companies without limits. In the second stage, financial companies would perform another part of the assessment, involving the company's own knowledge and data that the company is proprietary of. This second stage of the assessment test would be different for each company.

Finally, we would like to underline the need for a clear and more simple suitability and assessment process. In 2019, CFA Institute conducted a survey with its EU members on the topics of product governance and investor reporting requirements. The majority of CFA Institute respondents (57%) highlighted that both a simplification and clarification of the suitability form is needed, while 30% of the respondents would like to a unique form to fulfil both MiFID and PRIIPs regulatory requirements on suitability.

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

Question 2.1 Which of the following benefits and opportunities might a new retail client assessment (enhanced with a personalised asset allocation strategy) and its transferability bring to retail investors and financial intermediaries?

Please select as many answers as you like

- Increasing participation of retail investors in the capital markets
- Preventing or limiting mis-selling and ill-advised investments
- Address potential “gamification” of the retail investment process
- Useful supporting measure for retail investors also when investing without advice
- Favouring more competition between financial advisers by facilitating customer switching and standardising performance metrics
- Reducing burdens and costs linked to the investors' onboarding (by avoiding duplication) for both retail investors and financial intermediaries
- Allowing different financial intermediaries to have a more comprehensive view of the investments held by a retail investor and to offer a more holistic and aligned investment strategy.
- Others benefits and opportunities

Please explain your answers to question 2:

5000 character(s) maximum

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

- Increasing participation of retail investors in the capital markets: This approach could contribute to increasing retail investor participation in capital markets as long as the standardised retail client assessment test is well-designed, and sufficiently clear and understandable for investors.
- Preventing or limiting mis-selling and ill-advised investments: A personalized asset allocation approach could improve the quality of advice as financial intermediaries would focus more on the whole portfolio view rather than on individual products. CFA Institute is currently conducting a European survey on the impact of inducements, and payment for order flow. In particular, we are also asking our European members about the main causes of mis-selling and what can be done to prevent such practices. The results of this survey should be available later this year.
- Useful supporting measure for retail investors also when investing without advice: this approach could better support retail investors if it is well communicated and explained by financial advisors.
- Reducing burdens and costs linked to the investors' onboarding (by avoiding duplication) for both retail investors and financial intermediaries: a standardised approach would definitely reduce the costs and burdens that intermediaries would face when performing clients' onboarding.
- Allowing different financial intermediaries to have a more comprehensive view of the investments held by a retail investor and to offer a more holistic and aligned investment strategy: Conducting a new retail client assessment with a personalised asset allocation strategy would certainly give a more comprehensive view of the investment risk profile, and allow financial intermediaries to define a more aligned investment strategy for the client.

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:

5000 character(s) maximum

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

Transferring the results of the entire assessment process, including the personalised asset allocation strategy, to brokers/financial intermediaries would enhance retail investors' experience as clients would more easily compare the quality of different investment service providers. This approach also could improve the efficiency and fairness in the provision of investment services, and lead to greater competition. The latter is also one of the main benefits of the PEPP, which allows clients to switch providers. Such a feature ensures that competition exists after the entry into force of the contract and is not limited to a one-time decision.

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:

5000 character(s) maximum

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

A standardised suitability assessment process could stifle innovation by financial services providers. A member from CFA Society Spain suggested an alternative approach, consisting in a minimum-standard methodology, which could be complemented by investment service providers' own assessment tests.

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:

5000 character(s) maximum

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

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:

5000 character(s) maximum

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

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:

5000 character(s) maximum

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

All the proposed objectives and constraints could be addressed in a personal investment plan, but the most important ones should be return objectives, constraints, time horizon, and unique investor circumstances. A member from CFA Society Spain underlined that some guidance should be provided on how financial intermediaries should determine return objectives. Financial services providers should establish reachable objectives, and not to give false expectations to clients.

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:

5000 character(s) maximum

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

Yes, should such data in the suitability assessment and personal investment plan be standardised (in the same manner as presented in Q1), these could be stored electronically. This solution also would allow all financial intermediaries that the client employs to easily have access to such data upon the client's authorisation.

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 or 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 explain your answers to question 9.1:

5000 character(s) maximum

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

Client's assessment and asset allocation strategy should be updated regularly (e.g., annually) and when material changes, regarding the client's risk tolerance, return requirements, constraints and other personal circumstances, have occurred.

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 explain your answers to question 9.2:

5000 character(s) maximum

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

With regard to the option c, the situation triggering the need for an update should be clearly identified in advance, e.g., if specific market conditions have changed.

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:

5000 character(s) maximum

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

CFA Institute is an association of investment professionals, and cannot provide an estimate of the necessary costs, which also could differ depending on the size of the financial services firm.

Our members from CFA Society Cyprus suggested that this new approach could be cost-efficient if the high-level design would be performed on a voluntary basis by investment firm associations, and then made available to all members. In this case, each financial intermediary would set up their own hardware and process. The most important component would be the initial design and set-up. After that, assuming that technology would be utilised, marginal costs would be negligible. In fact, this approach would produce significant cost savings as compared to the previous regime.

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:

5000 character(s) maximum

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

CFA Institute is an association of investment professionals, and cannot provide this cost comparison. However, some of our members from CFA Society Cyprus underlined that current administration and compliance costs are significantly higher as opposed to going for the new standardized regime. However, increasing software and technology investments would be initially needed to accommodate the automated personal asset allocation component.

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:

5000 character(s) maximum

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

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

Question 13.1 Please specify what profiles classification you would recommend and provide explanations:

5000 character(s) maximum

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

Standardised investor profiles based on retail investors' personal constraints, risk/return appetite and objectives could facilitate the development of technology by financial services providers. However, standardising personal constraints could be complicated as there may be as many constraints as clients. Some members from CFA Society Spain recommend creating a group of constraints, and asking clients to select the group that fits best to them. Such a solution would represent a balance between standardisation and flexibility (leaving room for special situations).

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:

5000 character(s) maximum

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

Risk and return should be the main elements to be used to distinguish between asset classes within the asset allocation strategy.

Paired correlation with other asset classes is another important aspect, but this could be more useful to build the asset allocation strategy rather than for differentiation between asset classes within the asset allocation strategy.

Other additional criteria that our members suggested are liquidity needs, investor experience with other asset classes, and any regulatory/legal issues impeding investments in certain types of assets.

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?

5000 character(s) maximum

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

Financial intermediaries should assess the optimal asset exposure for their client, taking into account the investors' experience, objectives and constraints.

Some of our members from CFA Society Cyprus remarked that investments in potentially complex financial products should not be the main focus of the asset allocation strategy. However, these investments could be included where they are appropriate, and on a small-value adding basis.

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 explain your answer to question 16:

5000 character(s) maximum

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

Intermediaries should not offer products that do not fit their client's investor profile unless the client makes an explicit request, or the client accepts what has been proposed by the intermediary, who nonetheless should clearly disclose that the investment does not fit into one of the most suitable asset categories based on the client's profile.

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:

5000 character(s) maximum

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

A different asset allocation strategy can be proposed if this is backed and justified by robust data, and there are objective reasons.

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:

5000 character(s) maximum

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

Yes, clients should always give explicit consent after clearly understanding the reasons for the development of a new asset allocation strategy, and being aware of the possible benefits and risks.

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:

5000 character(s) maximum

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

Our members believe that the proposed approach goes in the right direction as it would involve major focus on the whole portfolio rather than defining investment strategies on a product-by-product basis. Allowing for a transfer of data between investment service providers, and higher competition would benefit clients (because of better pricing), and reduce intermediaries' costs for administration and compliance.

Additional information

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.**

The maximum file size is 1 MB.

You can upload several files.

Only files of the type pdf,txt,doc,docx,odt,rtf are allowed

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[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)

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