

Mr. David Wright
Secretary General
International Organization of Securities Commissions (IOSCO)
Calle Oquendo 12
28006 Madrid
Spain

Brussels, 24 May 2012

Re: IOSCO Consultation Report on Suitability Requirements with respect to the Distribution of Complex Financial Products

Dear Mr. Wright,

CFA Institute is grateful for the opportunity to comment on IOSCO's Consultation Report "Suitability Requirements with respect to the Distribution of Complex Financial Products".

CFA Institute is the global association of investment professionals that sets the standard for professional excellence and credentials. The organization is a champion for ethical behaviour in investment markets and a respected source of knowledge in the global financial community. The end goal: to create an environment where investors' interests come first, markets function at their best, and economies grow. CFA Institute has more than 110,000 members in 139 countries and territories, including 100,000 Chartered Financial Analyst® charterholders, and 136 member societies.

CFA Institute has long called upon its members to adhere to a standard of loyalty, prudence and care to their clients and to act with reasonable care and exercise prudent judgement. Members are called upon to act for the benefit of their clients and to place their clients' interests before their employer's and their own interests.

With these standards in mind, CFA Institute believes the Principles provide robust standards for advice and suitability and are key for investor protection and restoring investor confidence in financial markets. We appreciate IOSCO's focus on suitability in the distribution of financial products, and in particular the new horizontal approach covering not only Collective Investment Schemes, but all complex financial products.

IOSCO's proposed Principles should apply both to the distribution by intermediaries to retail and non-retail clients. As the next step, IOSCO should consider extending the Principles at

least to the distribution of any financial product (regardless of its complexity) to retail investors, as they represent a basic standard of investor protection which retail investors require under all circumstances. At the same time, some attenuation of the current principles may be appropriate for non-retail clients.

CFA Institute agrees with the choice not to provide a definitive list of financial products to which the Principles would apply. Instead, we prefer the approach taken, namely to rely on a broad definition covering products with complex structures, are difficult to value and/or are illiquid. In view of financial innovation and geographic differences, such an approach is more appropriate and will avoid the creation of regulatory loopholes.

Comprehensive, relevant and understandable disclosures about the nature, costs and specific risks of complex financial products are an essential pre-requisite for well-informed financial decisions. However, it is essential that regulation also provide for adequate client protection in relation to selling rules, covering both the provision of advisory and of non-advisory services. At the same time, while bans or restrictions on the distribution of some complex products to certain categories of clients could be justified in specific cases, we urge regulators to use caution in their use in order not to unduly restrict access to financial products.

Regarding enforcement, CFA Institute fully supports strong enforcement by regulators. Compliance should not only be limited to a narrow “box-ticking” approach: the goal of providing high-quality advice and suitable financial products should permeate the intermediary’s organization and should shape product choice and the remuneration structure.

Should you have any questions please do not hesitate to contact either:

- Claire Fargeot at +44.207.330.9563 or claire.fargeot@cfainstitute.org
- Graziella Marras at +32.2.401.6828 or graziella.marras@cfainstitute.org

Sincerely,



/s/ *Graziella Marras*

Claire Fargeot
Head
Standards and Financial Markets Integrity, EMEA
CFA Institute, London Office

Graziella Marras
Director
Capital Markets Policy
CFA Institute, Brussels Office