ESMA_QA_1786

Submission Date
16/12/2016

Status: Answer Published

Additional Information

Level 1 Regulation
Markets in Financial Instruments Directive II (MiFID II) Directive 2014/65/EU- Investor Protection and Intermediaries

Topic
Underwriting and placing

Subject Matter
Underwriting and placing

Question
Article 38(1)(d) of the MiFID II Delegated Regulation states that “investment firms which provide advice on corporate finance strategy, as set out in Section B(3) of Annex I, and provide the service of underwriting or placing of financial instruments, shall, before accepting a mandate to manage the offering, have arrangements in place to inform the issuer client of

the details of the targeted investors, to whom the firm intends to offer the financial instruments". Are investment firms required to provide details of each individual investor client or per type of investor client?

ESMA Answer

16-12-2016

Original language

[ESMA 35-43-349 MiFID II Q&As on Investor protection Ch. 6, question 2]

Before accepting a mandate to manage the offering, information on targeted investors should be provided at least by per type of client, for example long-term or short-term investors, size, and nature of investor (e.g. pension funds, sovereign wealth funds, hedge funds and private clients), and country. This should reflect the specific needs or preferences of the issuer client, acting as a supplement to the investment firms' overarching allocation policy. This is consistent with Article 40(5), which states that, during the placing process (once a mandate has been awarded), investment firms shall "obtain the issuer client's agreement to its proposed allocation per type of client for the transaction in accordance with the allocation policy".

Furthermore, when carrying out the activities of underwriting and placing, investment firms should be aware of their product governance obligations, in particular in relation to the identification of the target market.