

Response to Draft guidelines on MiFID II product governance requirements

Summary of questions and responses

- 1. Do you agree on the list of categories that manufacturers should use as a basis for defining the target market for their products? If not, please explain what changes should be made to the list and why?**

FA View: In general we would agree but we are slightly concerned with regards to the explanation of client's needs. The explanation in Article 16(f) seems to include a client's wants and wishes as well as needs. A need should by definition be something that a client should require rather than wants. Indeed, the distributor should be better placed to work with a client to identify their needs, as in a lot of cases, particularly in the retail market, the client may not be in a position to identify their needs without professional assistance.

- 2. Do you agree with the approach proposed in paragraphs 18-20 of the draft guidelines on how to take the products' nature into account? If not please explain what changes should be made and why?**

FA View: Yes, we agree.

- 3. Do you agree with the proposed method for the identification of the target market by the distributor?**

FA View: Yes, we agree, but we feel that more guidance should be provided surrounding the monitoring process. We feel that a more granular, quantitative approach would make it easier on distributors to identify information required by them from end-clients, sub-distributors and manufacturers. In our view, the current approach is very vague and open to interpretation and may not offer sufficient measurable comfort to a distributor that they are "doing the right thing" by their clients.

- 4. Do you agree with the suggested approach on hedging and portfolio diversification aspects? If not, please explain what changes should be made and why**
- 5. Do you believe that further guidance is needed on how distributors should apply product governance requirements for products manufactured by entities failing outside of the scope of MIFID II?**

FA View: Yes, we agree.

- 6. Do you agree with the proposed approach for the identification of the 'negative' target market?**

FA View: In general, we agree but are of the view that the negative target market guidance should be included within the sections containing the guidance for manufacturers and for distributors in identifying their target market as the same criteria should be used in making both decisions.

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Summary of questions and responses (continued)

7. **Do you agree with the treatment of professional clients and eligible counterparties in the wholesale market?**

FA View: Yes, we agree.

8. **Do you have further comment or input on the draft guidelines?**

FA View: No further comment.

9. **What level of resource (financial and other) would be required to implement and comply with the Guidelines (market researches, organisational, IT costs, training costs, staff costs, etc., differentiated between one off and ongoing costs)? If possible please specify the respective costs/resources separately for the assessment of suitability and related policies and procedures, the implementation of diversity policy and the guidelines regarding induction and training, When answering this question, please also provide information about the size, internal organisation and nature, scale and complexity of your institution, where relevant.**

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