



Investment & Life Assurance Group
The Practitioner Voice

European Securities and Markets Authority
103 Rue de Grenelle
75007 Paris
France

24 February 2012

Dear Sirs,

Response to: Consultation Paper on guidelines on certain aspects of the MiFID suitability requirements

ILAG is a trade body representing members from the Life Assurance and Wealth Management Industries.

ILAG members share and develop their practical experiences and expertise, applying this practitioner knowledge to the development of their businesses, both individually and collectively, for the benefit of members and their customers.

A list of ILAG members is at the end of this submission.

Our responses to the specific consultation questions are attached.

We would be happy to discuss our response in more detail if required.

Yours faithfully

Theresa Brooks (Mrs)
Administration Team

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Question1

**Do you agree that information provided by investment firms about the services they offer should include information about the reason for assessing suitability?
Please also state the reasons for your answer.**

Yes we agree that investment firms should provide this information to their clients.

The questions that would need to be asked by a firm giving investment advice to its clients, or undertaking portfolio management on their behalf could seem unnecessarily intrusive if the reason for their being asked is not made clear.

Question 2

**Do you agree that investment firms should establish, implement and maintain policies and procedures necessary to be able to obtain an appropriate understanding regarding both the essential facts about their clients, and the characteristics of financial instruments available for those clients?
Please also state the reasons for your answer.**

Yes, we agree.

We do not believe it would be possible for firms to discharge their duties in respect of their clients fully and effectively without having such policies and procedures in place.

Question 3

**Do you agree that investment firms should ensure that staff involved in material aspects of the suitability process have the skills and expertise to discharge their responsibilities?
Please also state the reasons for your answer.**

Yes, we agree.

Without the necessary skills and expertise such employees could easily make unsuitable recommendations to the firm's clients.

Question 4

Do you agree that investment firms should determine the extent of information to be collected about the client taking into account the features of the service, the financial instrument and the client in any given circumstances?

Please also state the reasons for your answer.

Yes, we agree.

Without obtaining sufficient relevant information to be able to relate the risk and reward features of any particular investment to the circumstances of the client, firms cannot fully discharge their duty of care towards the client.

Such features would include their financial standing, income, outgoings, attitude to risk, level of understanding of product features and investment strategies, ability to sustain losses, and willingness to hold investment products over possibly extended time periods,

Question 5

Do you agree that investment firms should take reasonable steps to ensure that the information collected about clients is reliable and consistent?

Please also state the reasons for your answer.

Yes, we agree.

The information collected must be specific and personal to the individual client, and not merely be 'shoehorned' into a particular scenario that fits the firm's business strategy or preferred range of products from which recommendations are made. The firm needs to ensure that clients understand not only the nature of information collected, but also the ways in which it will be used by the firm to assess the suitability of investment products for that client.

Question 6

Do you agree that where an investment firm has an ongoing relationship with the client, it should establish appropriate procedures in order to maintain adequate and updated information about the client?

Please also state the reasons for your answer.

Yes, we agree.

A client's circumstances will inevitably change over time and consequently, although the client may not actually realise it, the types of investment product suitable for them may also change.

Question 7

Do you agree that regarding client information for legal entities or groups, the investment firm and the client should agree on how the relevant client information will be determined and, as a minimum, information should be collected on the financial situation and investment objectives of the beneficiary of the investment advice or portfolio services ('end client')?

Please also state the reasons for your answer.

No comment.

Question 8

Do you agree that in order to match clients with suitable investments, investment firms should establish arrangements to ensure that they consistently take into account all available information about the client and all characteristics of the investments considered in the suitability assessment?

Please also state the reasons for your answer.

Yes, we agree.

Just as the client's circumstances will change over time, so too can the nature, complexity, efficacy or profitability of a particular investment product. Firms should therefore keep fundamental features of products, such as underlying assets, investment returns, charges, and changes in terms and conditions, constantly under review.

Question 9

Do you agree that investment firms should establish and maintain record-keeping arrangements covering all relevant information about the suitability assessment?

Please also state the reasons for your answer.

Yes, we agree.

Over time, clients may forget why they chose certain investment products, or find that a product's features or performance no longer suit their circumstances, or that they did not, after all, fully appreciate the nature of the product and its associated risks. By maintaining full and appropriate records, the firm will be able to refresh the client's memory, explain to them the reasons why the product was recommended, and assist in making alternative decisions if the original suitability no longer prevails. The firm will also be in a better position to deal with any complaint that the client may make, and to demonstrate to its regulator that the actions taken at the time of the original assessment and recommendation were appropriate in the circumstances prevailing at that time.

Ends

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ILAG Membership

AXA Wealth
Barclays Wealth
Canada Life Limited
Capita Life and Pensions Services
Co-operative Financial Services
Family Investments
Fil Life Insurance Limited
Friends Life
General Reinsurance (London Branch)
Hannover Life Re (UK) Ltd
HSBC Bank Plc
Just Retirement Limited
HCL Insurance BPO Services Limited
London & Colonial Assurance PLC
LV=
Met Life UK
Metropolitan Police Friendly Society Ltd
MGM Advantage
Pacific Life Re
Partnership Assurance
Phoenix Group
Reliance Mutual
RGA
Royal London Group
Sanlam Life & Pensions
SCOR Global UK Limited.
Skandia UK
Suffolk Life
Sun Life Assurance Company of Canada
Swiss Re Europe SA (UK Branch)
The Children's Mutual
Wesleyan Assurance Society
Zurich

Barnett Waddingham
Defaqto
Deloitte
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Milliman
Oxford Actuaries and Consultants plc
Pinsent Masons
PricewaterhouseCoopers
Towers Watson

AKG Actuaries and Consultants Ltd
Steve Dixon Consultants and Actuaries
McCurrach Financial Services
Meteor Asset Management
NMG Financial Services Consulting Limited
State Street Investor Services

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