



European Securities and Markets Authority
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RESPONSE TO ESMA CONSULTATION ON MiFID COMPLIANCE FUNCTION REQUIREMENTS

The Federation of Finnish Financial Services (“FFS”) is a trade body that represents the financial industry in Finland. Our members include banks, investment firms, investment funds, insurance companies and pension insurers. Below you will find our response to the consultation on MiFID compliance function requirements.

Kindly note that the guideline numbers refer to the draft guidelines set out in Annex III of the consultation.

Q2: Please provide your comments (with reasons) on any or all aspects of this guideline on the monitoring obligations of the compliance function.

In guideline 14 it is stated that where an investment firm is part of a group, responsibility for the compliance function rests with each investment firm in that group. However, big groups may include very small investment firms (e.g. corporate finance) and even several small investment firms for different purposes. If every small firm should have their own compliance function, it would entail a lot of costs compared to the amount of compliance issues. Investment firms should be allowed to handle compliance on a group level or by a function that also has some other role in the said small entity.

Q3: Please provide your comments (with reasons) on any or all aspects of this guideline on reporting obligations of the compliance function

According to guideline 20, the compliance report should contain “a description of the implementation and effectiveness of the firm’s compliance program” rather than a description of the overall control environment. We suggest the latter is a more appropriate analysis as it looks beyond just the compliance controls and considers the business controls as well.

Guideline 26 describes that some member states require investment firms to send compliance reports to the regulator. As the description of the practice in different member states does not constitute a guideline, and, furthermore, we do not find that such a requirement should be called for, guideline 26 ought to be deleted.



Q9: Please provide your comments (with reasons) on any or all aspects of this guideline on Article 6(3) exemptions.

We propose to shift guideline 50 to section "Combining the compliance function with other functions". It should also be made clear that the combination of compliance function with the legal unit is not necessarily an unsound approach insofar as it does not impair the compliance function's independence. A combination of the compliance and the legal unit does not *ipso facto* impact compliance's independence and in fact such combinations often create various synergies in terms of expertise and cost savings.

Q10: Please provide your comments (with reasons) on any or all aspects of this guideline on combining the compliance function with other functions.

Guidelines 59 – 63 handle the overlapping of compliance and other functions. It remains unclear whether it would still be possible for someone who also participates in the operative functions of an investment firm, to perform the compliance functions as well.

Considering the principle of proportionality investment firms should, in our opinion, be able to organize the compliance function in flexible and cost-efficient manner, taking into account the size of the investment firm and its operations. In case an investment firm considers that it would not create conflicts of interests or compromise the effectiveness of the compliance function, it should be possible for a person participating in the operative functions to perform compliance activities as well.

FEDERATION OF FINNISH FINANCIAL SERVICES

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