

Targeted consultation on options to enhance the suitability and appropriateness assessments

Fields marked with * are mandatory.

Introduction

Following the [2020 capital markets union \(CMU\) action plan](#), the Commission is preparing a retail investment strategy, which aims to take a holistic view of investor protection rules. One of the key objectives of the CMU is to make the EU an even safer place for individuals to save and invest long-term and to increase participation of retail investors in capital markets. To this end, the Commission is looking at possible ways to increase the level of trust that retail investors have in capital markets.

Investors should be empowered and better supported to be able to identify investments that take into account their needs, objectives and constraints. Digital innovation is expected to enable new and more efficient means for investors to understand the markets and invest in an informed manner.

In the answers received to the [2021 public consultation on the Commission's retail investment strategy for Europe](#), many stakeholders, on the industry and consumers side, called to simplify, improve, automate and standardise the way investors' profiles are currently assessed. Some have also expressed support for more focus on the overall investor portfolio composition rather than on individual products. Respondents also highlighted the need to adjust the different investor assessments to make them better adapted to the online environment, as well as the importance of improving data quality of the suitability and appropriateness assessments. Some also recommended anticipating the evolution of robot-assisted advice or fully automated advice. Finally, some also requested more independence in the suitability assessment process.

Taking stock of these results, the Commission's Services are currently exploring different ways to improve the suitability and appropriateness regimes to address the above-mentioned issues. The Commission's services are assessing, *inter alia*, the idea of whether and how all retail investors, and not only wealth management clients, might benefit from a new suitability assessment that could provide them with more support along their investment journey to better achieve their investment objectives and to enhance their participation in the capital markets.

By means of this targeted consultation, the Commission Services intend to complement the 2021 public consultation exploring the feasibility of a new retail investor-centric assessment to improve the current suitability and appropriateness tests. Not only might such an approach modify the current MIFID II/IDD suitability and appropriateness tests with the view to no longer differentiate among the various investment services offered to retail investors, but it might rather replace the current "per product" approach with a new element, a personalised asset allocation strategy.

The new retail client suitability rules, together with the personalised asset allocation strategy, would represent a personal investment plan intended to help retail investors achieve their defined investment objectives. Its main goal would be to provide retail investors with the best possible expected returns, taking into account their personal circumstances and risk tolerance. While the personalised asset allocation strategy would provide concrete guidance on optimal investment allocations, the investor would remain free to choose the products it wants to invest in.

The personalised asset allocation strategy could achieve this objective by setting out an investment plan that relied on an optimal diversification of various asset classes considered fit for retail investors. This could include a defined (in % terms for instance) exposure to any financial instruments and products distributed to retail investors, including but not limited to, shares, bonds, funds, structured products (including insurance based investment products). The personalised asset allocation strategy could identify, on an overall portfolio basis, the appropriate risk-return for each individual versus profile with a view to achieving the investor's investment goals. However, retail investors should ultimately remain free to take autonomous investment decisions, even where they do not align with the allocation strategy.

The retail client assessment, together with the personalised asset allocation strategy, could be provided and recorded in a structured and machine-readable format for future reference by the retail investor, financial intermediaries (with clients' consent) and competent authorities. Introducing this new approach might increase the level of intelligibility and comparability of investments with the purpose of limiting risks of mis-selling or ill-advised investments.

A key element of this new tool could be the transferability (or portability) of the client assessment (enhanced with a personalised asset allocation strategy) with any financial intermediary the client chooses, including on-line brokers and platforms which would allow investors to easily switch between or using multiple brokers/financial intermediaries. The question of the transferability of the client assessment will be specifically consulted in the context of the Commission's Open Finance framework.

Subject to the portability of a personalised asset allocation, this consultation aims to assess to what extent any subsequent intermediaries should be allowed to depart from the asset allocation and under what conditions (e.g. where there are objective reasons to justify a change, including in the case of a material change in personal circumstances of the retail investor).

Responding to this consultation and follow up

In line with the Commission's stated objective of "an economy that works for people", this targeted consultation aims to gather stakeholders' views on a possible enhancement of the current suitability and appropriateness regimes. This consultation does not prejudge any outcome nor prevent the Commission from considering alternative options.

The consultation covers the following points

- A. an enhanced client assessment regime – General
- B. a personalised asset allocation strategy

Responses to open questions are limited to 5000 characters (including spaces and line breaks, i.e. stricter than the MS Word characters counting method), but you can also complement your answers by uploading one or several additional document(s) in the last section of the questionnaire called "Additional information".

Please note: In order to ensure a fair and transparent consultation process **only responses received through our online questionnaire will be taken into account** and included in the report summarising the responses. Should you have a problem completing this questionnaire or if you require particular assistance, please contact fisma-suitability-assessments@ec.europa.eu.

More information on

- [this consultation](#)
- [the consultation document](#)
- [retail financial services](#)
- [the protection of personal data regime for this consultation](#)

About you

* Language of my contribution

- Bulgarian
- Croatian
- Czech
- Danish
- Dutch
- English
- Estonian
- Finnish
- French
- German
- Greek
- Hungarian
- Irish
- Italian
- Latvian
- Lithuanian
- Maltese
- Polish
- Portuguese
- Romanian
- Slovak
- Slovenian
- Spanish

Swedish

* I am giving my contribution as

- Academic/research institution
- Business association
- Company/business organisation
- Consumer organisation
- EU citizen
- Environmental organisation
- Non-EU citizen
- Non-governmental organisation (NGO)
- Public authority
- Trade union
- Other

* First name

Corentin

* Surname

Couvidat

* Email (this won't be published)

corentin.couvidat@blackrock.com

* Organisation name

255 character(s) maximum

BlackRock

* Organisation size

- Micro (1 to 9 employees)
- Small (10 to 49 employees)
- Medium (50 to 249 employees)
- Large (250 or more)

Transparency register number

255 character(s) maximum

Check if your organisation is on the [transparency register](#). It's a voluntary database for organisations seeking to influence EU decision-making.

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* Country of origin

Please add your country of origin, or that of your organisation.

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- Belgium
- Belize
- Benin
- Bermuda
- Bhutan

- Bolivia
- Bonaire Saint Eustatius and Saba
- Bosnia and Herzegovina
- Botswana
- Bouvet Island
- Brazil
- British Indian Ocean Territory
- British Virgin Islands
- Brunei
- Bulgaria

- Burkina Faso
- Burundi

- Cambodia

- Cameroon
- Canada
- Cape Verde
- Cayman Islands

- Central African Republic
- Chad

- Germany
- Ghana
- Gibraltar
- Greece
- Greenland

- Grenada
- Guadeloupe

- Guam

- Guatemala
- Guernsey
- Guinea
- Guinea-Bissau

- Guyana

- Haiti
- Heard Island and McDonald Islands
- Honduras
- Hong Kong

- Hungary

- Iceland
- India
- Indonesia
- Iran

- Iraq
- Ireland

- Montenegro
- Montserrat
- Morocco
- Mozambique
- Myanmar/Burma

- Namibia
- Nauru

- Nepal

- Netherlands
- New Caledonia
- New Zealand
- Nicaragua

- Niger
- Nigeria
- Niue

- Norfolk Island
- Northern Mariana Islands
- North Korea
- North Macedonia
- Norway
- Oman
- Pakistan

- Palau
- Palestine

- Spain
- Sri Lanka
- Sudan
- Suriname
- Svalbard and Jan Mayen
- Sweden
- Switzerland

- Syria

- Taiwan
- Tajikistan
- Tanzania
- Thailand

- The Gambia

- Timor-Leste
- Togo

- Tokelau
- Tonga

- Trinidad and Tobago
- Tunisia
- Turkey
- Turkmenistan
- Turks and Caicos Islands
- Tuvalu
- Uganda

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* Field of activity or sector (if applicable)

- Insurance
- Investment services
- New Technologies
- Pension provision
- Investment management (e.g. hedge funds, private equity funds, venture capital funds, money market funds, securities)
- Market infrastructure operation (e.g. CCPs, CSDs, Stock exchanges)

- Social entrepreneurship
- Other
- Not applicable

The Commission will publish all contributions to this targeted consultation. You can choose whether you would prefer to have your details published or to remain anonymous when your contribution is published. **For the purpose of transparency, the type of respondent (for example, 'business association, 'consumer association', 'EU citizen') is always published. Your e-mail address will never be published.** Opt in to select the privacy option that best suits you. Privacy options default based on the type of respondent selected

* Contribution publication privacy settings

The Commission will publish the responses to this public consultation. You can choose whether you would like your details to be made public or to remain anonymous.

Anonymous

Only the organisation type is published: The type of respondent that you responded to this consultation as, your field of activity and your contribution will be published as received. The name of the organisation on whose behalf you reply as well as its transparency number, its size, its country of origin and your name will not be published. Please do not include any personal data in the contribution itself if you want to remain anonymous.

Public

Organisation details and respondent details are published: The type of respondent that you responded to this consultation as, the name of the organisation on whose behalf you reply as well as its transparency number, its size, its country of origin and your contribution will be published. Your name will also be published.

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A. An enhanced client assessment regime – General

The new regime would be built around two parts: a first part focused on assessing, via a unique standardised questionnaire, the retail investor's investment objectives, risk tolerance and personal constraints and a second part dedicated to establishing a basic but personalised asset allocation strategy for the retail investor's investment portfolio.

Question 1. Do you consider that a unique and standardised retail investors' assessment regime, as described above, applicable to all investment services and enhanced with the provision of a personal asset allocation strategy, could address the weaknesses of the current suitability and appropriateness regimes?

- Yes
- No
- Don't know / no opinion / not applicable

Please provide a detailed answer to question 1:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We commend the move to a more client-centric approach which should contribute to further engaging and empowering European citizens to invest in markets.

Achieving stronger participation of retail investors in European capital markets is fundamental to CMU's objective of turning more savings into productive investment, and so building up stable long-term pools of private capital. These pools of capital investment can enable consumers to participate in the growth of European companies and build up the long-term retirement savings pots consumers are increasingly going to need to supplement retirement income from state-sponsored or corporate pension schemes. Developing deep pools of stable capital to support long-term investment will have the double benefit of providing equity to finance innovation and supporting the continued growth of sustainable finance. We need, however, to recognise that the primary driver for mass retail investors is not to buy a financial product or service, but to achieve one of their many life goals (additional income to support retirement lifestyle, house purchase, fund children's education etc.). Financial products and services are simply a means of achieving these goals. And achieving these life goals normally requires investing in a combination of products and services, for example by investing in a diversified portfolio of investments with regular rebalancing of risk over time, rather than in any single investment product.

Current rules that rely on product-by-product assessments are less likely to lead to an optimal asset allocation for clients. Developing an approach which ties together different products and services together in a single combined disclosure is likely to have the benefit of providing consumers with a single road map simplifying and aligning multiple individual disclosures in a single road map. Whether we're talking about traditional risk profile, time horizon, investment objectives or with the introduction of ESG preferences, it is crucial to be able to assess clients' suitability and appropriateness at the level of their entire portfolio – with various building blocks.

We therefore welcome the Commission's proposal for a standardised investor assessment, coupled with a personalised asset allocation strategy.

We feel however that a number of aspects would merit clarification, for instance:

- We would welcome further clarification of whether the Commission intends to introduce this enhanced suitability process in addition to the existing regime or as a replacement for the current MiFID suitability and appropriateness test. Will this be applied on a voluntary basis, or to new client relationships only in a first phase, to give time to providers to adapt and retire legacy processes.

- We believe that a standardized process of this nature is most applicable to mass retail clients using advisory services. Eligible counterparties, professional and High-Net-Worth clients who have the means to require bespoke needs are unlikely to find that their specific needs met in a single standardized process
- We also believe that further consideration is needed when applying the proposals to discretionary-managed accounts. Many so-called robo-advisory services in fact offer discretionary-managed services on the basis of an optimal asset allocation model. We will need to ensure that firms can effectively link the personal asset allocation strategy with their model portfolio allocation tools to avoid confusing or overloading the consumer with excessive information.
- In any case we recommend the use of a number of pilot regimes testing the concept on consumers using a number of different channels such as transitional advisory, robo-advisory and on retail trading platforms to test consumers responses and benefits/
- We also recommend a cross-sectoral approach to ensure that the rules also apply to insurance distribution under IDD and avoid the type of sectoral distortions consumers currently experience between MiFID and IDD.

Overall, this initiative could be game-changing when coupled with the upcoming open finance strategy, as it would spur more competition, put consumers' wishes and interests at the centre, let clients be the true owners of their personal data, encourage digitalisation – and ultimately empower retail investors to participate more in capital markets.

Question 2. Do you think a new retail client assessment (enhanced with a personalised asset allocation strategy) and its transferability could bring benefits and opportunities to retail investors and financial intermediaries?

- Yes, it could bring them benefits and opportunities
- No, it would not bring them specific benefit
- Don't know / no opinion / not applicable

Question 2.1 Which of the following benefits and opportunities might a new retail client assessment (enhanced with a personalised asset allocation strategy) and its transferability bring to retail investors and financial intermediaries?

Please select as many answers as you like

- Increasing participation of retail investors in the capital markets
- Preventing or limiting mis-selling and ill-advised investments
- Address potential “gamification” of the retail investment process
- Useful supporting measure for retail investors also when investing without advice
- Favouring more competition between financial advisers by facilitating customer switching and standardising performance metrics

- Reducing burdens and costs linked to the investors' onboarding (by avoiding duplication) for both retail investors and financial intermediaries
- Allowing different financial intermediaries to have a more comprehensive view of the investments held by a retail investor and to offer a more holistic and aligned investment strategy.
- Others benefits and opportunities

Please specify to what other benefit(s) and opportunity/ies you refer in your answer to question 2:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

- Empowering retail investors by making them the true owners of their personal data.
- Enhancing long-term performance by providing consumers with a road map on how optimally investing in a blend of liquid and illiquid assets, based on clients' needs and preferences (e.g. a retail investor could chose to give up daily liquidity for a portion of its portfolio to seek better long-term risk-adjusted returns, for instance, investing a fraction of its assets in long term products like ELTIFs).

Please explain your answers to question 2:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We strongly believe the standards on suitability must evolve to put end-investors at the centre of the regulatory framework created to protect them. We welcome the recognition that increasingly clients use the service of an investment adviser or a discretionary portfolio manager to advise on overall portfolio construction with analysis of risk and performance across the portfolio (rather than investing in a selection of individual products). This approach encourages the construction of optimal portfolios using a variety of investment products, treated as complementary building blocks, which are necessary to match an investor's individual preferences regarding risk appetite/aversion, investment objectives, time horizons, and other consideration (such as inflation protection or ESG preferences). Taking such a view therefore increases the level of alignment between a client's profile and their total portfolio.

We are also supportive of developing a portable suitability assessment system offering the possibility for investors to give their consent to share information about their investment profile with different providers. BlackRock's People and money surveys (<https://www.blackrock.com/corporate/insights/people-and-money>) have shown that people wish they could be more "in control" when planning for their savings & investing plans. An open finance approach could lead consumers to feel in control of their finances. Though this needs to come with robust data protection standards as discussed below.

Current rules on suitability and appropriateness tests also come with an important level of fragmentation (among Member States and/or providers) which impede the development of innovative and cross-border distribution solutions, in particular by new and digital entrants. This encourages most of the digital distribution to take place on an "execution-only" basis, while many new retail customers would benefit from digital-first advised distribution alternatives.

Finally, portable suitability profiles – especially if paired with a Digital ID mechanism – are a key tool to improve consumer engagement, achieve greater simplification of the administrative burden of investing, and take out duplicative costs from the onboarding process.

Question 3. Should retail investors be able to transfer the results of their assessment together with their personalised asset allocation strategy to brokers/financial intermediaries of their choosing in order to facilitate switching between or using multiple brokers/financial intermediaries and generally enhance the investor experience?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 3:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Allowing investors to transfer their assessment and personalized asset allocation strategy puts them in control of their own personal data. While the process could facilitate switching between providers, it could also allow the development of a core and hub approach where investors over time could seek specialist advice on specific parts of their portfolio. This would help to stimulate competition and innovation – and therefore better client outcomes (prices, quality of advice, consumer-friendliness of the assessment process, digitalization....).

Question 4. Would you see any drawbacks that could emerge from the creation and use of such a new suitability assessment applicable to all investment services (including its sharing/portability if any) for retail investors and financial intermediaries?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 4:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

One of the risks we see with data sharing is a failure to gain the trust of the consumer. Consumers do not like the idea of sharing data when it is not clear what value they get from doing so, therefore it is key to demonstrate that value proposition. Above all consumers should have full control of their personal data and it should be easy for them to take away access should they no longer see the benefit of doing so. Businesses should be encouraged to clearly articulate the benefits to consumers of granting access to their data. Examples of benefits could be automated comparisons of financial products relevant to the individual that would not be possible without using data to understand their individual situation.

Given the move to portable suitability assessments will likely lead to more digitalization, we also see a risk of financial exclusion for a certain group of consumers that don't have access to digital tools and therefore cannot benefit from an open finance policy – or not as much as more digital-savvy demographics. Therefore, we strongly recommend to always maintain accessibility for those individuals.

We would also recommend further guidance on how the proposals will interact with the existing target market rules especially at the level of distributors who carry out product level target market assessments. We have been long supportive of target market assessments being done at portfolio level but recognise that additional regulatory changes may be needed for this process to happen smoothly.

Finally, while a standardised questionnaire would contribute to tackle unnecessary fragmentation among national markets and providers, it will not be a panacea. It is indeed of the utmost importance to ensure these questions are properly understood by investors, as well as to leave room for future innovations, such as client assessments based on behavioural finance methods. Thorough consumer testing and a 'bottom-up' approach will be key to find the right balance between these objectives. We believe that a pilot regime allowing market participants, on a voluntary basis, to use this new tools could be a way to ensure the efficiency of the target model before mainstreaming it.

Question 5. Who should prepare the clients' assessment and their asset allocation strategy?

- Any financial intermediary selected by the retail investor
- An independent function within the financial intermediary selected by the retail investor
- An independent financial intermediary selected by the retail investor
- Other (e.g. public entity)

Please explain your answer to question 5:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We believe that this assessment involves the development of financial planning capabilities which if to be provided cost effectively and scale are most likely to be provided by centralised financial planning teams with the resources to automate the process.

As noted above we believe there is merit in running a number of pilot schemes to assess the most effective way of implementing the process and proceeding to finalise legislative proposals on this basis.

Question 6. What should be the key components of a standardised personal investment plan?

Please select as many answers as you like

- A description of the investor
- A description of **duties and responsibilities of the investment adviser** drawing up the personal investment plan, custody arrangements and the duties of the client to signal changes in her personal circumstances
- Procedures and reviews** that are necessary to keep the IPS topical and up-to-date
- Investment objectives**
- Investment constraints**
- Technical guidelines** specifying technical aspects on how the investment should be carried out, such as permissible use of leverage or derivatives; exclusion of specific types of assets from investment, if any
- ESG factors**, such as specific types of assets to be excluded from investments
- Evaluation and review**
- Rules on identifying **strategic asset allocation** – including the baseline allocation of portfolio assets to asset classes
- Rebalancing** – policies on rebalancing asset class weights

Please explain your answers to question 6:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We believe there is merit in all these suggestions but that the articulation and implementation of these different objectives is best done through a pilot testing scheme to assess where the principal consumer benefits lie.

Question 7. What are the main investment objectives and constraints that should be addressed in a personal investment plan?

Please select as many answers as you like

- Return objectives:** Long-term investment return per year, in nominal terms, net of fees
- Constraints:** Liquidity – expected investor outlays, etc.
- Time horizon
- Tax situation
- Legal and Regulatory factors, if any
- Unique investor circumstances, e.g., ethical or environmental preferences

Please explain your answers to question 7:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We believe there is merit in all these suggestions but that the articulation and implementation of these different objectives is best done through a pilot testing scheme to assess where the principal consumer benefits lie.

We emphasise the importance of taking overall portfolio construction into account when determining whether the target market of a fund meets the needs of investor particularly in terms of risk appetite. We believe that these proposals can assist in this process.

At a portfolio level, the principles of risk diversification over the full time horizon of the client frequently lead portfolio managers or advisors to recommend a partial allocation to an instrument which, if held in its entirety, would not be suitable for an individual client. This emphasizes the importance of assessing target market and risk at the level of the whole portfolio.

In parallel we also call for a reassessment of the blanket treatment of all Alternative Investment Funds (AIFs) as complex instruments. Many member states have retail AIFs which are designed to be suitable for retail investors in their jurisdiction. Furthermore, a lack of liquidity should not lead to an automatic categorization of a fund as complex. Rather, the portfolio assessment process should consider the investor's ability to give up regular liquidity for all or part of their portfolio. In such cases a fund which does not offer regular liquidity such as an European long-term investment fund (ELTIF) may often constitute a suitable investment choice for an investor who does not need immediate access to liquidity from all of their portfolio.

As such a key benefit of a consumer-centric, portfolio approach to suitability would be linking the investor's time horizons and with likely risk appetite for more volatile (equity) or illiquid asset classes. This could assist advisory discussions with investors on their potential ability to give up the security of capital protection in the short term of regular liquidity for part of their portfolio. In such cases, a partial allocation to an equity fund with a higher SRRI, or to a fund which does not offer regular liquidity, such as the ELTIF designed for retail investors, may often constitute a suitable investment component for the portfolio of an investor who does not need immediate access to all of their assets and who seeks long-term performance.

Question 8. Storage and accessibility of the new suitability assessment, including the asset allocation strategy.

Do you agree with the following statement?

All data in the suitability assessment and the personalised asset allocation strategy (the personal investment plan) should be stored electronically and, subject to the client's consent, the investment plan personal should be accessible to all financial intermediaries that the client employs ("open finance").

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 8:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We believe there is merit in these suggestions but that the articulation and implementation of these different objectives is best done through a pilot testing scheme to assess where the principal consumer benefits lie.

Question 9. How often should the client's assessment and asset allocation strategy be updated?

A personal investment plan should be reviewed regularly in order to ensure that it remains consistent with the client's investment objectives and constraints. A personal investment plan should also be reviewed as soon as a financial intermediary becomes aware of a material change in the client's circumstances. A client may request an update of her personal investment plan when her objectives, time horizon, personal circumstances or liquidity needs change.

Question 9.1 When the investor is NOT under advice:

Please select as many answers as you like

- a. once per year
- b. upon significant changes in the retail investor's personal circumstances or objectives, communicated by the investor to its financial intermediary

- c. upon suggestion of the financial intermediary selected by the investor, subject to providing the investor with any necessary written justification evidencing the need for an update, and subject to the investor's agreement + duly stored
- d. other

Please specify to what other update frequency you refer in your answer to question 9.1:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We believe there is merit in all these suggestions but that the articulation and implementation of these different objectives is best done through a pilot testing scheme to assess where the principal consumer benefits lie.

Please explain your answers to question 9.1:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 9.2 When the investor is under advice/portfolio management:

Please select as many answers as you like

- a. once per year
- b. upon significant changes in the retail investor's personal circumstances or objectives, communicated by the investor to its financial intermediary
- c. at the initiative of the financial intermediary providing the advice and subject to written justifications evidencing the improvement, communicated to the investor and duly stored
- d. other

Please specify to what other update frequency you refer in your answer to question 9.2:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We believe there is merit in all these suggestions but that the articulation and implementation of these different objectives is best done through a pilot testing scheme to assess where the principal consumer benefits lie.

Please explain your answers to question 9.2:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 10. Please provide us with an estimate of the necessary costs to set-up and update this possible new client assessment (including the personalised asset allocation strategy) in a structured and machine-readable format as well as for its storage in a way accessible for future reference by the retail investor and competent authorities:

	Estimate (in €)
One off costs	
Ongoing costs	

Please explain your answer to question 10 and provide a breakdown of the most important cost components:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We believe that the implementation of a pilot testing scheme to assess where the principal consumer benefits lie will assist in assessing the likely implementation costs. As BlackRock does not operate a direct to consumer business we are unable to comment further.

Question 11. Please provide us with a cost comparison between the costs associated to this possible new client assessment regime (including the personalised asset allocation strategy) in and your current costs associated to compliance with the current suitability and appropriateness regimes?

	Estimate (in €)
Your current costs associated to compliance with the current suitability and appropriateness regimes	
Estimate costs associated to compliance with the possible new suitability assessment regime (including the personalised asset allocation strategy)	

Please explain your answer to question 11:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We believe that the implementation of a pilot testing scheme to assess where the principal consumer benefits lie will assist in assessing the likely implementation costs. As BlackRock does not operate a direct to consumer business we are unable to comment further.

Question 12. Do you consider that the new client assessment regime would allow material cost savings for financial intermediaries taking into account the standardised and single nature of the possible assessment regime, once the initial sunk costs are absorbed?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 12:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

B. A personalised asset allocation strategy

A personalised asset allocation strategy would be the main output of the new client-centric assessment carried out by a financial intermediary. It would represent a basic investment framework for achieving the retail investor's investment objectives and aim to provide the investor with maximum returns in view of its personal circumstances, while exposing the investor to an optimal amount of risk. This would be achieved by setting out a unique plan for exposure (in % terms for instance) to an optimal diversification of broad asset classes (e.g. fixed income, equity, commodities, etc.) and set the right risk-return profile for the retail investor's investment goals.

The rules on asset class categorisation could feature a varying level of details and granularity. For example, the legislation could establish very general asset classes across which diversification should be ensured (e.g. equity, bonds, commodities, real estate, private equity, hedge funds) or it could foresee or allow for a creation of more detailed 'sub-asset classes' (government bonds vs. corporate bonds, high yield vs. investment grade bonds, large cap vs. small cap shares, etc.).

This personalised asset allocation strategy could then be made portable and transferable across financial intermediaries that the retail investor chooses to interact with. It should then be determined whether and to what extent financial intermediaries should be allowed to depart from this personalised asset allocation strategy and under what conditions.

Question 13. Should the rules on personalised asset allocation strategy foresee standardised investor profiles based on retail investors' personal constraints, risk/return appetite and objectives?

- Yes
- No
- Don't know / no opinion / not applicable

Question 14. Which elements should form the basis for distinguishing between asset classes within the asset allocation strategy?

Please select as many answers as you like

- Risk
- Return
- Paired correlation with other asset classes
- Additional criteria

Please explain your answer to question 14 and provide details on the additional criteria if any:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We believe there is merit in all these suggestions but that the articulation and implementation of these different objectives is best done through a pilot testing scheme to assess where the principal consumer benefits lie. In addition we recommend considering additional criteria such as the ability of the investor to bear liquidity risk given their time horizon - this will assist in determining what proportion of their portfolio and investors should allocate to liquid and listed and regularly traded instruments as opposed to exposures to less liquid or closed ended structures giving exposure to private assets.

Question 15. Exposure to assets, as set out in the asset allocation strategy, could be achieved either by investing directly in securities (e.g. shares, bonds), or via investment in potentially complex financial products (e.g. funds, structured products, insurance-based investment products) or a combination thereof.

How should a financial intermediary assess best value-for-money when considering asset classes or sub-asset classes offering the optimal exposure for the retail investor?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We believe that the asset allocation should come first and then within each asset class the advisor should assess what building blocks constitute the best value for money given an investor's risk appetite.

Question 16. The rules on the asset allocation strategy should allow for the establishment of asset classes that are fit to achieve the investment objectives of retail investors.

How should those rules take into account situations where the investment intermediary wishes to offer products that do not fit into one of the common asset categories?

- Where the intermediary proves that the risk, return and correlation properties of the product are equivalent to those attributed to one of the established asset classes, he/she can consider that instrument as belonging to that asset class

- Such products should only be made available to the investor at his or her explicit request, and not as a part of the investable universe determined by the asset allocation strategy
- Other solutions

Please explain your answer to question 16:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We have supported moves for greater focus on advisor training and standards of competence. We believe that the ability to respond to answers of this nature will require additional advisor training to ensure that the concepts are fully assessed by advisors.

Question 17. Although the form and content of the asset allocation strategy should be prescribed to a certain extent, financial intermediaries will always exercise a degree of discretion when establishing the asset allocation for a given investor. Competition between financial intermediaries in establishing an optimal asset allocation strategy for a given set of client data could yield better quality asset allocation propositions for the client. On the other hand, changing without objective reasons the investment guidance set out by the asset allocation strategy should be avoided in order to ensure that his or her investment goals are attained.

Should a financial intermediary other than the one that drew up the client assessment be able to propose a different asset allocation strategy than the one originally established, where the data required to produce the asset allocation strategy are made available to that financial intermediary?

- Yes, but only when there are objective reasons (see notably (b) and (c) in question 9.1 and 9.2 respectively.)
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 17:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 17.1 Should the investor be required to give explicit consent for the development of a new asset allocation strategy?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 17.1:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 18. Would you have any general comments on an enhanced client assessment regime and/or personalised asset allocation strategy?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 18:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Additional information

Should you wish to provide additional information (e.g. a position paper, report) or raise specific points not covered by the questionnaire, you can upload your additional document(s) below. **Please make sure you do not include any personal data in the file you upload if you want to remain anonymous.**

The maximum file size is 1 MB.

You can upload several files.

Only files of the type pdf,txt,doc,docx,odt,rtf are allowed

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[More on retail financial services \(https://ec.europa.eu/info/business-economy-euro/banking-and-finance/consume-finance-and-payments/retail-financial-services_en\)](https://ec.europa.eu/info/business-economy-euro/banking-and-finance/consume-finance-and-payments/retail-financial-services_en)

[Specific privacy statement \(https://ec.europa.eu/info/files/2022-suitability-appropriateness-assessments-specific-privacy-statement_en\)](https://ec.europa.eu/info/files/2022-suitability-appropriateness-assessments-specific-privacy-statement_en)

[More on the Transparency register \(http://ec.europa.eu/transparencyregister/public/homePage.do?locale=en\)](http://ec.europa.eu/transparencyregister/public/homePage.do?locale=en)

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