ASSOCIATION FRANÇAISE DES MARCHÉS FINANCIERS

FINANCIAL MARKET PROFESSIONALS

AMAFI / 22-19
21 March 2022

EUROPEAN COMMISSION CONSULTATION

OPTIONS TO ENHANCE THE SUITABILITY & APPROPRIATENESS ASSESSMENTS

-

AMAFI answer

Association française des marchés financiers **(AMAFI)** is the trade organisation working at national, European and international levels to represent financial market participants in France. AMAFI members consist of investment firms and credit institutions (French, European and global firms), operating in and/or from France (corporate and investment banks (CIBs), brokers-dealers, exchanges, and private banks). AMAFI is deeply involved in all regulatory matters that concern financial instruments (MiFID, PRIIPs, intervention measures and product bans, AMF framework on product complexity, etc.). As far as financial products are concerned, we mostly represent all issuers/manufacturers of products (CIBs) and, through our private bank members, distributors as well. AMAFI has more than 150 members operating in equities and fixed-income and interest rate products, as well as commodities, derivatives and structured products for both professional and retail clients.

AMAFI welcomes the approach of the European Commission's which has always been to put investors at the center of the provision of investment services.

Still, AMAFI regrets that the consultation is not clear enough on what is exactly expected from firms, which led us to have to make assumptions in that respect and in particular on:

- How Investment services providers (ISPs) are expected to take into account the **personal asset allocation strategy** (PAAS) in the course of the provision of investment services to clients (?)
- How the PAAS is to be articulated with the provision of such services (?)

Another concern AMAFI has with this proposal regards the timeline of such reform and how it will be coordinated with the new MiFID ESG requirements. More generally, proposed changes on this topic seem detrimental from a legal/regulatory stability perspective considering other reforms the industry has to face.

AMAFI also wonders how the Commission's proposal would impact the current MiFID suitability regime for professional clients. Would it stay as it is? If so, it has to be noted it is operationally complex to handle two (2) different systems with 2 very different approaches internally.

AMAFI also sees a certain number of feasibility issues with the European Commission's proposals, that are developed below.

GENERAL COMMENTS

First, and as previously stated on several occasions, AMAFI considers there is a need for regulatory and legal stability.
In this respect, AMAFI would like to point out that professionals have already faced and still face several fundamental reviews of their processes and systems due to major legislative and regulatory reforms (among which the next to come concerns the integration of clients' sustainability preferences). They, and probably their clients too, now legitimately need some stability in those processes. All the more as it is not demonstrated that the so called "*weaknesses of the current suitability and appropriateness regimes*" that are not specified in the consultation document require such a fundamental rethinking of the whole investor protection regime.

Secondly, AMAFI deeply regrets that the response time for this consultation is only four (4) weeks whereas it is likely to trigger a major overhaul of the provision of investment services to retail clients.
This delay is totally insufficient for respondents to properly assess the potential outcomes of the proposals made. More so, as in many instances the consultation is not precise enough on what is exactly expected from firms in the course of the provision of investment services to clients and several different assumptions have to be explored.

Then, considering the scope of these potential new requirements: AMAFI understands that only retail clients are targeted. Nonetheless, under MiFID II, different types of clients are qualified as retail clients, not all having the same types of expectations from their ISP. Notably corporate clients and local administrations, when in contact with an investment firm, in many instances come up with specific needs and do not expect any advice on their allocation strategy (for instance hedging needs may be unrelated to any asset allocation strategy). Therefore, AMAFI advocates for excluding legal entities from the scope of these new requirements if they were to be adopted. Thus, AMAFI's responses provided below are based on the assumption that legal persons would not be in scope of this potential new regime.

Finally, AMAFI sees a risk in concentrating clients' savings on a limited range of financial instrument types, with potential consequences on competition and financial innovation, detrimental to clients' interests. Such concentration might also trigger systemic risks.

In a nutshell, in a context where the EC aims at achieving the Capital Markets Union (CMU), a goal which AMAFI fully adheres to, it seems rather paradoxical to put forward a proposal which:
1) would limit competition between ISPs by standardizing their offer, and
2) would create an additional burden, for access of retail investors to financial markets, especially at a time where several EU initiatives points towards the need to encourage retail investment.

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:

First of all, AMAFI would like to point out **that it is not demonstrated that the alleged "*weaknesses of the current suitability and appropriateness regimes*" require such a fundamental rethinking of the whole investor protection regime**. AMAFI rather sees those two regimes as being robust and correctly calibrated, allowing clients to benefit from a wide range of financial services, more or less protective for them but leaving them freedom in the way they invest.

The following comments also have to be made:

i) Concerning the PAAS

AMAFI has **serious doubts about the capacity of ISPs to take the PAAS into account in the course of their relationships with clients:** to be able to do so and to provide appropriate advice to clients, **not only should ISPs have a view of their theoretical "ideal" PAAS but also of their actual asset allocation.**
The difficulty there lies with the fact that each ISP will only have the view on the assets kept with them. If the overall view was to be provided by clients themselves, it would not be reliable enough and could give rise to many disputes with clients, mostly because it cannot be expected from clients to update their positions in real time.
Thus, **the solution proposed by the Commission could only work in situations where the client keeps all its financial instruments (including the ones held through insurance wrappers) within the same firm, which most probably concerns a very limited number of investors**.
As a consequence, in most cases, the investor will be the only one able to monitor this overall asset allocation.

Additionally, **if there was to be one single client profile for all ISPs, the client would be prevented from proceeding to his/her own asset allocation through different investment profiles via different accounts or intermediaries**. This would drastically reduce the freedom left to retail investors to choose the way they invest.

Finally, it must be stressed that the vast majority of clients, at least in France, have a very small investment portfolio[1] for which defining a PAAS does not necessarily make sense. So a threshold should at least be set.

ii) Concerning the unique and standardised retail investors' assessment regime

As for the changes contemplated to the current suitability and appropriateness regimes, AMAFI can only guess the exact intention of the Commission from several statements made in the consultation document.

With this caveat, AMAFI considers that:

- **If the intention is to not require anymore trade-by-trade assessment, it is likely that the assessment will not be as protective for the client as the current regime because its feasibility will be questionable. The initial assessment[2] would have to cover all possible types of financial instruments resulting from the client's PAAS and would therefore result in an extremely lengthy questionnaire.**

As for transactions made by the client autonomously, if the expectations were to require a full assessment as under the current suitability regime, **it would not be workable for the financial instruments which are not actively marketed by ISPs.** Many ISPs provide their clients with execution services on a broad range of financial instruments[3] without any active marketing. In such cases, and in the absence of any legal relationship with the issuers or manufacturers, they do not have a detailed knowledge

[1] According to KPMG study on inducements, the average portfolio in France is 7 K€.
[2] Recently amended guidelines on certain aspects of the MiFID II and execution only requirements require to assess the clients' understanding of the main characteristics and risks of the specific types of investment products offered by the firm or at least of the product types in which the client has an interest
[3] Frequently several thousand or tens of thousands, including listed derivatives.

of each financial instrument's characteristics and will not be in a position to fully assess whether the product matches the client's profile. Due to the very high number of financial instruments on which such ISPs usually provide their service on, it is totally unrealistic to require a full instrument by instrument assessment. Secondly, assessing full compatibility with the client's profile in a context where the client takes his own decisions autonomously is likely to **be misleading for clients** who will be entitled to consider they have been advised. **This is likely to give rise to many disputes with clients, deteriorating the legal security under which ISPs operate today.** Another difficulty would be to monitor overtime the positions resulting from those transactions, as they **would diverge from the predefined PAAS**. The proposal, as it involves providing ongoing advice, would result in requiring the ISPs to advise their clients to unwind their positions. This is likely not to be in line with the client's wish and **would be at odds with the stated objective of the EC of "empowerment of the investors".**

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. If yes, 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?

- ☐ 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 explain your answers to question 2:

As previously stated in answer to Q1, AMAFI **does not believe in the possibility to make neither the PAAS nor the single assessment of client profile useful tools**. Nor does it see benefits and opportunities stemming from the potential new regime both for investors and for intermediaries.

In any case, if all ISPs were to use the same PAAS, AMAFI sees a risk of **standardization of the products' and services' offer to clients, depriving them of the possibility to invest innovative financial products that may best serve their interests.**
Such a standardization is also likely to draw clients' investments towards the most simple and standardized products, **thus hampering financial innovation and sound competition between product manufacturers and between distributors.**
Such an approach might also **pose a risk of concentrating clients' investments on a limited subset of financial instruments, giving rise to systemic risks.**

Another difficulty with the proposal to define one single optimal asset allocation strategy lies with the many existing calculation methods available with each ISP and the diversity of approaches to asset allocation.

Due to this difficulty, the question that arises next is about the regulatory oversight and independence of firms calculating and providing PAAS.

As for the provision of non-advised services, imposing on clients wishing to trade autonomously the constraint of complying with the PAAS also contains a risk to discourage investors to trade on the market.

Finally, it has to be noted that many investment firms having ongoing relationships with their clients already define with them an optimal asset allocation strategy tailored to their needs.

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:

First of all, it has to be noted that the transferability objective of the questionnaire is in itself unclear (is that only for online brokers/platforms or for all financial intermediaries? Is the transferability at the client's own initiative?).

Then, and as previously stated (see AMAFI's answer to Question 1), AMAFI's view is that the single assessment process as well as the unique PAAS are not workable in most cases.
It would in any case require the clients' consent and **might raise RGPD issues.**

AMAFI also has **doubts about whether clients will be willing to communicate the same information to all firms and anticipates that a wide range of clients will not be willing to have their personal data made available to all ISPs**, as they generally choose the one to which they disclose their overall asset allocation and portfolio.

Finally, in AMAFI's view, it is very likely that **different ISPs will have different appraisals of what the preferred PAAS should be**, possibly giving rise either to additional PAAS, specifid to the ISPs (which would then limit the benefits of such an approach) or to liability issues (who should be viewed as responsible in case the advice provided turns out to be detrimental to clients: the ISP who designed the PAAS or the one providing the advice?).

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:

AMAFI sees many drawbacks in the new proposed regime, apart from the feasibility issues that are developed under our answer to Q1.

Again, the risks the AMAFI sees with a unique proposed allocation per client, is to **reduce the offer of financial instruments made to clients,** and therefore, to hamper sound competition between ISPs.

It is also, in AMAFI's view, likely to **deprive clients from the possibility to optimize their portfolio allocation** through different investment strategies in place with different ISPs.

AMAFI also sees a risk of **reducing the level of protection afforded to clients for the transactions made autonomously**.

- One possible reading of the proposed new regime (based on the statement that "*the investor would remain free to choose the products it wants to invest in*" – see *the European Commission's consultation document, p. 4*) is that the investor would not benefit from any protection at all for transactions made autonomously: this would be **a detrimental step backwards compared to the current appropriateness regime** aiming at **making sure clients have sufficient knowledge to understand the potential consequences of their investments**.
- Another reading of the proposed regime could be to impose a "suitability test" for all investment services. As developed under AMAFI's answer to Q1, this option does not seem workable. It does not either seem to be desirable, blurring the lines between the responsibility of the clients and the one of the ISPs. AMAFI views as **essential to keep two separate protection regimes depending on how far investors need or wish to be accompanied in their investment decisions**. Investors should always be left the possibility to buy a low-price service providing minimum protection allowing them to trade autonomously. As a consequence and provided, as currently requested, that it has previously been made transparent to clients, the ISP's responsibility should be limited. Therefore AMAFI deems introducing "suitability-like" requirements for transactions made by clients autonomously as not desirable and also likely to give rise to a great number of disputes with clients.

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 (in particular if you ticked the box for "other"):

Again, AMAFI strongly opposes the idea of a single PAAS.
Nevertheless, if such regime was to be adopted, a possibility could be to leave to investors the choice to select their PAAS provider among the ISPs. If so, such ISPs should be subject to specific requirements aiming at insuring its independence.

Alternatively, the responsibility of the PAAS calculation tool could be placed in the public domain, freely accessible. This would have the merit to avoid disputes between different intermediaries that are very likely to disagree on the expected allocation designed by a competitor.

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

- ☐ 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:

Since AMAFI strongly opposes the idea of a single PAAS, we do not answer this question.
Nevertheless, it has to be stressed that as concerns ESG factors, the investment plan criteria have to be consistent with the ones required under MiFID and IDD to be used for the purpose of providing advice.

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

- ☐ **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:

AMAFI strongly opposes the idea of a single PAAS.
AMAFI nevertheless warns against using return objectives as a key element of the investment plan, due to its misleading nature and its inherent relationship to risk.
AMAFI's view is that the following elements could validly be added to the preceding list:

- ☐ portfolio average SRI (in the sense of PRIIPS Regulation)
- ☐ ability to bear losses at portfolio level and at the level of the individual financial instrument
- ☐ preference for growth or income

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:

Since AMAFI strongly opposes the idea of a single PAAS, we do not answer this question.

Nevertheless, it is worth highlighting that, any concentration of the actor(s) collecting these data would pose heightened risks to clients' personal data since any data protection failure from one of these actors could give access to the financial data of a huge number of persons.

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 of liquidity needs change.

Question 9.1. When the investor is NOT under advice:

- ☐ 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 explain your answers to question 9.1:

The answer to this question depends on the protection regime the Commission wants to associate to the provision of non-advised services, which is not clear on the basis of the Commission's consultation document.

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

- ☐ 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 explain your answers to question 9.2:

Again, as stated in our answer to Q1, for any investment firm to monitor their clients' PAAS, **it should be kept up-to-date on a permanent basis,** which is each time any event (e.g. purchase or sale of financial instruments, corporate events) occurs. **This, in AMAFI's view, is not workable.**

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:

Since AMAFI strongly opposes the idea of a single PAAS, we do not answer this question.

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:

Since AMAFI strongly opposes the idea of a single PAAS, we do not answer this question.

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:

The assessment of costs is very dependent on the exact design of the regime which is difficult to grasp at this stage.

However, AMAFI is convinced it cannot be expected that a proper protection investor regime will arise from the unique and standardised retail investors' assessment regime together with the provision of a personal asset allocation strategy (PAAS). Some transaction-based assessment would then still have to be conducted to achieve this goal, that might require very burdensome new processes to be put in place (in certain cases a "suitability assessment" would be required for all transactions, even non advised ones).

Therefore, in AMAFI's view**, this new regime will necessarily lead to extra costs for ISPs** (potentially very high) because it is unlikely that the PAAS will be sufficient so that it would just be an additional layer of clients' data collection

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

AMAFI strongly opposes the idea of a single PAAS and has serious doubts on its feasibility (see answer to Q1).

Nevertheless, AMAFI would like to draw the Commission's attention to the possible drawbacks of standardised investor profiles, that **will necessarily result in the most basic approach** (since it has to be suitable for any ISPs, from the most basic to the most sophisticated).
As previously stated (see answer to Q2), AMAFI sees a risk of **standardization of products' offers to clients, depriving clients of the possibility to invest in the most innovative financial products that may best serve their interests.**
Such a standardization is also likely to draw clients' investments towards the most simple and standardized products, **thus hampering financial innovation and sound competition between product manufacturers and between distributors.**
Such an approach might also **pose a risk of concentrating clients' investments on a limited subset of financial instruments, giving rise to systemic risks.**

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

- ☐ 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:

Since AMAFI strongly opposes the idea of a single PAAS and has serious doubts on its feasibility (see answer to Q1) we do not answer this question.

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?

AMAFI strongly opposes the idea of a single PAAS and has serious doubts on its feasibility (see answer to Q1). However, if this new regime was to be adopted, to achieve sound competition and best quality for clients, AMAFI is in favour of maximum flexibility in the determination of the PAAS and on the ways to achieve exposure to different asset classes.

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:

AMAFI strongly opposes the idea of a single PAAS and has serious doubts on its feasibility (see answer to Q1).
However, AMAFI considers that in case such a PAAS was to be put in place, ISPs should be left the possibility to offer products which would match client's profile without being part of the common asset categories of the PAAS and investors should not be denied the possibility to benefit from financial innovation that would otherwise only benefit professional clients.

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:

AMAFI strongly opposes the idea of a single PAAS and has serious doubts on its feasibility (see answer to Q1).
One of the difficulties AMAFI sees with the PAAS approach is that, unless the PAAS is determined by an independent entity, it will always be subject to controversies between ISPs each of them challenging the other's approach, as it is the natural result of competition that these ISPs offer different services and product types.
Then each ISP, also for liability reason, should be left the possibility to adapt the PAAS, also depending on their product offer. Which, again, leads to question the usefulness of a centralised unique approach if any ISP is entitled to adapt this PAAS?

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:

If AMAFI's understanding is correct, since the content of the PAAS will determine the types of investment decisions each client will be advised to make, it is an essential information on which the clients' express consent should be required.

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:

As previously stated, AMAFI sees the unique and standardised retail investors' assessment regime as utopic and unfeasible. The AMAFI deems it is essential to preserve the freedom of clients to decide for themselves what is best and if so, the unique PAAS will constitute a burdensome and useless constraint.

Still, to enhance investors' protection and foster holistic investor centred approach, the "advice with portfolio approach" regime could be explicitly foreseen under MiFID II as a subset of investment advice and ISPs could have the choice to offer it to their clients, or else the current transaction-based investment advice service, or both.

For the "advice with portfolio approach" service, it could be required from ISPs to proceed with their clients in defining a PAAS and to agree with their clients on the way it should be used in the context of each advice provided.