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BETTER FINANCE response to the Consultation Paper Guidelines on certain aspects of the MiFID II suitability requirements

1. *The assessment of suitability is one of the most important obligations for investor protection. It applies to the provision of any type of investment advice (whether independent or not) and portfolio management. In accordance with the obligations set out in Article 25(2) of MiFID II and Articles 54 and 55 of the MiFID II Delegated Regulation, investment firms providing investment advice or portfolio management have to provide suitable personal recommendations to their clients or have to make suitable investment decisions on behalf of their clients. Suitability has to be assessed against clients' knowledge and experience, financial situation and investment objectives. To achieve this, investment firms have to obtain the necessary information from clients.*

2. *In July 2012, ESMA published the first set of guidelines on certain aspects of the MiFID suitability requirements. The purpose of these guidelines was to clarify the application of certain aspects of the MiFID suitability requirements in order to ensure the common, uniform and consistent application of the relevant requirements under MiFID II and to promote greater convergence in the interpretation of, and supervisory approaches to, the MiFID suitability requirements, by emphasising a number of important issues, and thereby enhancing the value of existing standards. The guidelines cover a number of areas concerning, inter alia, client information, record keeping, arrangements necessary for investment firms and staff qualification.*

3. *In May 2018, following the adoption of MiFID II, ESMA has published revised guidelines on suitability. In particular, the 2012 guidelines have been largely confirmed and broadened in order to:*

- *consider technological developments of the advisory market notably the increasing use of automated or semi-automated systems for the provision of investment advice or portfolio management (robo-advice);*
- *build on NCAs' supervisory experience on the application of suitability requirements;*
- *take into account the outcome of studies in the area of behavioural finance; and*
- *provide additional details on some aspects that were already covered under the 2012 guidelines.*

4. *The 2018 version of the suitability guidelines also included a good practice for firms in the area of*

sustainability (considering that, at the time, sustainability had not yet been integrated in the MiFID II delegated acts).

5. *In March 2018 the Commission published its Action Plan 'Financing Sustainable Growth', setting up an ambitious and comprehensive strategy on sustainable finance. As part of the Action Plan, the Commission announced the intention to incorporate sustainability when providing financial advice and to clarify the integration of sustainability in so-called fiduciary duties in sectoral legislation.*

6. *Following the publication of the Commission's Action Plan, the MiFID II Delegated Regulation8 has been updated to integrate sustainability factors, risk and preferences into certain organisational requirements and operating conditions for investment firms. The amendments have been published in the Official Journal of the European Union on 2 August 2021 and will apply from 2 August 2022. They are part of a broader Commission's initiative on sustainable development and lay the foundation for a EU framework which puts sustainability considerations at the heart of the financial system to support transforming Europe's economy into a greener, more resilient and circular system in line with the European Green Deal objectives.*

7. *The introduction of amendments to the MiFID II Delegated Regulation has subsequently triggered the further review and update of the existing 2018 guidelines. Moreover, the review of this set of guidelines is also the opportunity to consider other relevant factors such as:*

- *the integration of the good and poor practices emerged from the 2020 Common Supervisory Action (CSA) to complement the current guidelines. These good and poor practices will help give some practical guidance to firms in the areas where lack of convergence still seems to persist and should also be a helpful tool for firms when applying the MiFID requirements and the ESMA guidelines;*

- *the finalisation of the ESMA Guidelines on certain aspects of the MiFID II appropriateness and execution-only requirements that gives the opportunity to ensure alignment between the two sets of guidelines when touching on similar requirements; and*
- *the amendments introduced through the Capital Markets Recovery Package to Article 25(2) of MiFID II.*

8. *It should be noted that the draft guidelines do not address all issues arising from the suitability requirements. Clarity on further aspects of the suitability requirements has been provided by ESMA through the publication of ad hoc Q&As. Moreover, ESMA acknowledges the complexity of the sustainable finance topic, the constant evolution of the market and notes that ESMA expects to keep working on supervisory convergence in this area with various available tools.*

9. *Furthermore, the Commission has also introduced amendments to the MiFID II Delegated Directive to integrate sustainability factors into the product governance obligations and ESMA plans to soon review its Guidelines on MiFID II product governance requirements (a separate public consultation will be conducted on this topic).*

10. *When updating these guidelines ESMA has striven to ensure consistency with all other relevant EU legislation on this topic (such as the Taxonomy Regulation (TR), the Sustainable Finance Disclosure Regulation (SFDR) and their implementing measures). ESMA is also closely liaising with EIOPA in order to ensure consistency across sectors.*

2.1 Approach followed for the review of the 2018 guidelines

11. *As explained by the Commission in the Explanatory Memorandum for the amendments to the MIFID II delegated acts, under the previous MiFID II framework, firms providing investment advice and portfolio management were required to obtain the necessary information about the client's knowledge and experience in the investment field, the financial situation including the client's ability to bear losses, and the client's investment objectives including the client's risk tolerance to enable the firm to provide services and products that are suitable for the client (suitability assessment). The information regarding the investment objectives of clients includes information on the length of time for which clients wish to hold the investment, their preferences regarding risk taking, risk profile, and the purposes of the investment. However, the information about investment objectives generally relates to financial objectives, while other non-financial objectives of the client, such as sustainability preferences, were usually not addressed. The suitability assessments generally did not include questions on clients' sustainability preferences, while the majority of clients would not raise such preferences themselves.*

12. *The recent amendments to the MiFID II Delegated Regulation have therefore the aim to integrate sustainability preferences in the advisory and portfolio management processes to ensure that clients' sustainability preferences are taken into account by firms. According to these amendments, firms should have in place appropriate arrangements to ensure the inclusion of sustainability factors in their processes. Therefore, firms that provide investment advice and portfolio management will be required to assess clients' sustainability preferences when performing the suitability assessment.*

13. *ESMA has therefore expanded some of the existing guidelines to consider the changes introduced by the Commission.*

14. *Some of the main amendments introduced to the MIFID II Delegated Regulation are summarised in the following paragraphs. In order to facilitate readability, the paragraphs of the guidelines that have been updated in this review are underlined (see Annex III - Draft guidelines). The other non-underlined paragraphs of the guidelines have remained unchanged compared to the 2018 version.*

Integration of the definition of 'sustainability preferences'

15. *A definition of "Sustainability Preferences" has been included under the amended MiFID II Delegated Regulation. Considering the different product scope of MiFID II, the SFDR and the Taxonomy Regulation, this definition ensures that financial instruments with sustainability-related features are eligible for recommendation to the clients or potential clients who express sustainability preferences. Firms will need to incorporate such definition in their processes and procedures concerning the suitability assessment.*

Collection of information from clients on sustainability preferences

16. *According to the new requirements, firms should collect information from clients regarding their preferences in relation to the different types of investment products included in the definition of sustainability preferences.*

Assessment of sustainability preferences

17. *As introduced by the new requirements, firms are required to collect clients' sustainability preferences and consider them as part of the clients' suitability assessment.*

18. *Firms should first assess the suitability of a transaction in accordance with the criteria of knowledge and experience, financial situation, other investment objectives and then, as a second step, consider the client's sustainability preferences.*

19. *This approach is consistent with what is set out in the explanatory memorandum and with Recital 5 of the Delegated Regulation amending MiFID II, according to which, respectively: "this Regulation modifies Delegated Regulation (EU) 2017/565 in two ways: first, it integrates client's preferences in terms of sustainability as a top up to the suitability assessment" and "investment firms providing investment advice should first assess a client's or potential client's other investment objectives, time horizon and individual circumstances, before asking for his or her potential sustainability preferences".*

Possibility for clients to adapt the sustainability preferences

20. The amendments to the MiFID II Delegated Regulation introduce the possibility for the client or potential client to adapt the sustainability preferences in the case where no financial instruments meet the client's sustainability preferences.

<u>*Guideline 1 – Information to clients about the purpose of the suitability assessment and itsscope*</u>

21. *A new paragraph has been added to the guideline 1 to clarify that, as part of the suitability assessment, firms should help clients in understanding the concept of "sustainability preferences", the different types of products included under the definition of "sustainabilitypreferences", the features and the choices to be made in this context.*

22. *No further amendments have been introduced in guideline 1.*

Q1. Do you agree with the suggested approach on the information to clients about the purpose of the suitability assessment and its scope? Please also state the reasonsfor your answer.

BETTER FINANCE highlights that the new concepts introduced by the recent regulatory amendments may be difficult to understand by individual, non-professional investors, creating the risk for them to avoid making a decision or making a wrong decision. In this sense, we suggest that advisors first explain the three approaches (*Article 2, p.7)* to the non-professional client and then ask the questions to determine the client's sustainability preferences.

However, in January 2022, the European Commission signalled a potential reform of the suitability regime, which should be taken into account in these Guidelines in order to provide legal certainty in light of future changes. In the public consultation on the review of suitability and appropriateness assessment (ended March 2022, see BETTER FINANCE's response here: https://betterfinance.eu/publication/better-finance-response-to-the-european-commission-consultation-on-the-review-of-suitability-and-appropriateness-assessment/), the

European Commission sought the view of stakeholders of improving the MiFID II questionnaires for advised and non-advised services by adding certain elements, most importantly the *personalized asset allocation strategy* (PAAS) and the *personal investment plan* (PIS). Although it is not clear how this reform will look like, BETTER FINANCE suggests to consider providing guidelines to accommodate (or lay down the framework to) in this new regime as well.

We agree that the lack of a clear explanation to the client regarding the sustainability preferences would negatively impact the final results of the suitability assessment. Explanations are also necessary due to possible lack of understanding and/or knowledge of sustainability features from the clients. Legal and technical concepts could be new to clients, (as for example: ESG, taxonomy, principal adverse impact) and it will be challenging to provide a clear and simple picture of this investment universe.

Therefore, it would be extremely important to provide clear information and explanation regarding the concepts expressed in the 3 points *a) b) c)* listed in the definition of sustainability preferences as in *Article 2 (7)* of the regulation amending Delegated Regulation (EU) 2017/565.[1]

However, the level of granularity/details on the suitability assessment is insufficient compared to the level of details of the other guidelines. (For additional information see Q2).

Therefore, we believe that before collecting information on the sustainability preferences of the client, the investment firms should provide explanation on sustainability concepts and terminology that would help the client to define its sustainability preferences. To this end, the guidelines should also underline the adoption of an unbiased approach to explain sustainable concepts to the client in order to avoid any form of mis-selling and biased advice. The principle of neutral and unbiased approach should not be endorsed only for collecting information regarding clients' preferences, but it should be explicitly referred in the guidelines also when the sustainability preference definition is explained to the client.

Q2. Do you agree with the new supporting guideline in relation to the information to clients on the concept of sustainability preference or do you believe that the information requirement should be expanded further? Please also state the reasonsfor your answer.

BETTER FINANCE agrees with the new supporting guidelines. However, additional details should be required when it comes to provide an adequate explanation of sustainability preferences to the clients. Additional guidelines should be provided in order to explain to the clients the differences between the 3 points *a) b) c)* listed in the definition of sustainability preferences as in *Article 2 (7).* The guidelines should provide clear explanation on the investment approaches in the context of environmental, social and governance aspects and objectives.

In addition to this, the investment firm should provide additional information on the different level of sustainability materiality associated with the 3 sustainability preferences. The clients could be interested on one of these or to a several number of sustainability aspects associated with the preferences. It could be necessary to explain specific aspects of environmental considerations such as climate mitigation and adaptation concepts and social considerations such as human rights, inclusiveness etc.

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[1] *Amending Delegated Regulation (EU) 2017/565 as regards the integration of sustainability factors, risks and preferences into certain organisational requirements and operating conditions for investment firms* https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R1253&from=EN

Guideline 2 - arrangements necessary to understand clients

23. *The content of guideline 2 has been amended to incorporate the new requirement to collect information from the client on the sustainability preferences. In particular, the supporting guideline outlines the approach to be followed with regards to the collection of the client's sustainability preferences and the client's level of sustainability-related expectation. The guideline also outlines the process to be followed in the case of a portfolio approach.*

24. *ESMA considers that the level of information to be collected from clients should include all aspects mentioned in the definition of "sustainability preferences" and should be granular enough to allow for a matching of the client's sustainability preferences with the sustainability-related features of financial instruments and to allow for a combination of thedifferent aspects included under the definition of sustainability preferences.*

25. *Firms should ensure the same level of granularity of information is collected on the client's sustainability preferences when providing portfolio management or investment advice with a portfolio approach.*

26. *It should be noted that, in reflecting the legislative text, the approach suggested for gathering information from clients on their sustainability preferences is substantially based on self-assessment. This is different from the approach that firms are expected to adopt when collecting information on the 'traditional' parameters of suitability assessment. Firmsare reminded that the existing ESMA guidelines focusing on the measures to be adopted to limit the risks of self-assessment remain confirmed and are not in any way impacted bythe new guidance on collecting information on clients' sustainability preferences.*

Q3. Do you agree with the suggested approach on the arrangements necessary to understand clients and specifically with how the guideline has been updated to take into account of the clients' sustainability preferences? Please also state the reasons for your answer. Are there other alternative approaches, beyond the one suggested in guideline 2, that you consider compliant with the MiFID II requirements and that ESMA should consider? Please provide examples and details.

As previously mentioned, in January 2022, the European Commission signalled a potential reform of the suitability regime, which should be taken into account in these Guidelines in order to provide legal certainty in light of future changes. In the public consultation on the review of suitability and appropriateness assessment (ended March 2022, see BETTER FINANCE's response here: https://betterfinance.eu/publication/better-finance-response-to-the-european-commission-consultation-on-the-review-of-suitability-and-appropriateness-assessment/), the European Commission sought the view of stakeholders of improving the MiFID II questionnaires for advised and non-advised services by adding certain elements, most importantly the *personalized asset allocation strategy* (PAAS) and the *personal investment plan* (PIS). Although it is not clear how this reform will look like, BETTER FINANCE suggests to consider providing guidelines to accommodate (or lay down the framework to) in this new regime as well.

Q4. Do you believe that further guidance is needed to clarify how firms should assess clients' sustainability preferences?

Yes, we believe that further guidance is needed on how investment firms should assess clients' sustainability preferences.

As previously mentioned, the investment firm should provide at first information and explanations related to the sustainability preferences terminology and concepts that would help the client to formulate an informed preference. As second step the investment firm should ask questions in order to determine the sustainable preferences of the client.

As described in point 25 of the guidelines: "*The information on the sustainability preferences of the client should include all aspects mentioned in the definition of "sustainability preferences" according to Article 2(7) of the MiFID II Delegated Regulation and should be sufficiently granular to allow for a matching of the client's sustainability preferences with the sustainability-related features of financial instruments. Granularity of information should also allow for a combination of the different aspects mentioned in Article 2(7)*".

ESMA should provide more guidance on the level of granularity required to allow the advice of a sustainable product matching the sustainable preferences of the clients. We believe that the investment firms should collect client's preferences in relation also to additional elements not listed in Article 2(7). Thus, including investment approaches/strategies, sustainability risks, ESG characteristics/objectives.

In addition, in paragraph 26 of the Guidelines, *sustainability-related expectation* is mentioned for the first time, and this should be also included in the first phase of the advice when explaining the sustainability preferences in order to avoid any confusion and inconsistencies in the advising process.

Q5. Where clients have expressed preference for more than one of the three categories of products referred to in letters a), b) or c) of the definition of Article 2(7) of the MiFIDII Delegated Regulation, do you think that the Guidelines should provide additional guidance about what is precisely expected from advisors when investigating and prioritizing these simultaneous / overlapping preferences?

Yes, additional guidelines should be provided regarding what is it expected from the advisors when prioritising simultaneous/ overlapping preferences. A possible solution would be to list in order of preference/preference the various choices.

Q6. Do you agree with the proposed approach with regard to the assessment of ESG preferences in the case of portfolio approach? Are there alternative approaches thatESMA should consider? Please provide possible examples.

Yes, we agree.

Guidelines 3 and 4 – extent of information to be collected from clients (proportionality) and reliability of client information

27. *The content of guidelines 3 and 4 has been confirmed and no change has been introduced.*

Guideline 5 - updating client information

28. *A new paragraph has been added to the existing guideline 5 to clarify that, in relation to the collection of the sustainability preferences of a client, this information could be updatedas part of the next regular update of the client's information or during the first meeting withthe client following the entry-into-application of the amendments to the MiFID II DelegatedRegulation.*

Q7. Do you agree with the suggested approach on the topic of 'updating client information'? Please also state the reasons for your answer.

BETTER FINANCE agrees with the approach of updating client information. However, it would be useful to provide additional information on how to update the sustainability preferences.

Guidelines 6 - client information for legal entities or groups

29. *The content of guidelines 6 has been confirmed and no change has been introduced.*

Guideline 7 - arrangements necessary to understand investment products

30. *Regarding the arrangements necessary to understand investment products, the supporting guideline has been amended to ensure that the policies and procedures implemented by firms to understand the characteristics, nature and features of investment products take into consideration the investment products' sustainability factors.*

Q8. Do you agree with the suggested approach with regards to the arrangements necessary to understand investment products? Please also state the reasons for your answer.

N/A.

Q9. Do you believe that further guidance is needed to clarify how firms should take into consideration the investment products' sustainability factors as part of their policiesand procedures? Please also state the reason for your answer.

N/A.

Guideline 8 - arrangements necessary to ensure the suitability of an investment

31. *The content of guideline 8 has been amended to outline the approach to be used to assess the sustainability preferences of the client as part of the suitability assessment. The paragraph clarifies that the sustainability preferences of the client have to be assessed as a second step, once the suitability of the product has been first assessed in accordance with the criteria of knowledge and experience, financial situation and other investment objectives.*

32. *The guideline also addresses the situation where firm makes use of the possibility to recommend a product that does not meet the initial sustainability preferences of the client.ESMA considers that firms can still recommend products that do not meet the sustainabilitypreferences of the client only*

once the client has adapted such preferences. The firm's explanation and the client's decision should be documented in the suitability report. It should be noted that this possibility should only refer to the sustainability preferences andnot to the other criteria of the suitability assessment.

33. *An additional paragraph has been also included to further clarify that the adaptation of theclient's "sustainability preferences" where financial products do not meet such preferencesshould only refer to the suitability assessment in question/to the particular transaction andnot to the client's profile in general.*

34. *ESMA is aware that, at this stage, the availability of financial instruments with sustainabilityfeatures may be limited and the introduction of these financial instruments in the firm's product scope might be gradual. However, ESMA considers that where, at the time the information is collected from the client, firms do not have any financial instruments includedin their product range that would meet the client's sustainability preferences, firms should nevertheless collect all information concerning sustainability preferences. In this situation,the firm should clearly indicate that there are currently no products available that would meet those preferences and the client should be given the possibility to adapt thesustainability preferences. This should be documented in the suitability report.*

35. *In this context, firms should monitor situations where there is a significant occurrence of clients adapting their sustainability preferences for the specific transaction. Indeed, this would seem especially important in the transitional stages towards a more sustainable financial system, where a wider offer of truly sustainable products will be available.*

36. *Lastly, the guidelines also address the situation in which a client does not express sustainability preferences.*

Q10. Do you agree with the additional guidance provided regarding the arrangements necessary to ensure the suitability of an investment concerning the client's sustainability preferences? Please also state the reasons for your answer.
N/A.

Q11. Do you agree with the approach outlined with regards to the situation where the firm can recommend a product that does not meet the client's preferences once the client has adapted such preferences? Do you believe that the guideline should be more detailed? Please also state the reasons for your answer.

Even though BETTER FINANCE agrees that the offer sustainable finance investments will be limited at the beginning (as stated by ESMA), we think that the paragraph 80 of the guidelines provides insufficient procedural safeguards to avoid mis-selling in this initial phase with lack of sustainable investment products that match client's sustainability preferences. In this context of incertitude, investment firm might advise inhouse non suitable investment products to the clients. Therefore, additional guidelines on the procedural safeguards could push investment firms to expand their scope of sustainable products on offer.

Q12. Do you agree with the approach outlined with regards to the situation where the client makes use of the possibility to adapt the sustainability preferences? Please also state

the reasons for your answer.

The adaptation should only refer to the suitability assessment and not to the general client profile. And therefore BETTER FINANCE believes that the adaptation of sustainability preferences should be limited.

Q13. Could you share views on operational approaches a firm could use when it does not have any financial instruments included in its product range that would meet the client's sustainability preferences (i.e. for the adaptation of client's preferences with respect to the suitability assessment in question/to the particular transaction and to inform the client of such situation in the suitability report)?

See answer above for Q12.

Q14. Do you agree with the proposed approach for firms to be adopted in the case wherea client does not express sustainability preferences, or do you believe that the supporting guideline should be more prescriptive? Please also state the reasons for your answer.

The proposed approach is enough prescriptive. We believe that if the client does not have sustainability preferences; the investment firm can propose investment product that could or not have sustainable elements.

Q15. Do you agree with the proposed approach with regard to the possibility for clients to adapt their sustainability preferences in the case of portfolio approach? Do you envisage any other feasible alternative approaches? Please provide some possible examples.

We believe that if the investment firm does not meet the preferences in terms of portfolio approach, it should not ask to the clients to adapt their sustainability preferences. This approach could create a lack of incentives for the investment firms to accommodate retail investor preferences. There could be also the risk that the investment firm has no incentives to expand its sustainable product scope.

Q16. What measures do you believe that firms should implement to monitor situations where there is a significant occurrence of clients adapting their sustainability preferences? What type of initiatives do you envisage could be undertaken to address any issues detected as a result of this monitoring activity?
n/a.

<u>Guidelines 9 - costs and complexity of equivalent products</u>

37. *The content of guideline 9 has been confirmed and no change has been introduced.*

<u>Guidelines 10 - costs and benefits of switching investments</u>

38. *Under the Capital Markets Recovery Package, the following new subparagraph has beenadded to Article 25(2) of MiFID II:*

39. *"When providing either investment advice or portfolio management that involves the switching of financial instruments, investment firms shall obtain the necessary information on the client's*

investment and shall analyse the costs and benefits of the switching of financial instruments. When providing investment advice, investment firms shall inform theclient whether or not the benefits of the switching of financial instruments are greater thanthe costs involved in such switching".

40. *A slight wording amendment has been introduced in the text of guideline 10 to align the guideline with Article 25(2) of MiFID II.*

Q17. Do you agree with the proposed amendment to supporting guideline 10? Please also state the reasons for your answer.

n/a.

<u>Guideline 11 - qualifications of firm staff</u>

41. ESMA has clarified in this guideline that staff giving investment advice or information about financial instruments should have the necessary knowledge and competence with regard to the criteria of the sustainability preferences and should be able to explain to clients the different aspects in non-technical terms. To that effect, firms should give staff appropriate trainings.

Q18. Do you agree with the additional guidance regarding to the qualification of firms' staff or do you believe that further guidance on this aspect should be needed? Pleasealso state the reasons for your answer.

Yes, we believe that it is important for financial advisor to have a certain level of sustainability expertise. For additional information please see Joint NGOs recommendation on a sustainable retail investment strategy: https://betterfinance.eu/wp-content/uploads/NGO-recommendations-for-a-sustainable-EU-retail-investment-policy-June21-3.pdf.

<u>Guideline 12 - record-keeping</u>

42. *ESMA has confirmed the content of the 2018 guidelines on the topic of 'record keeping', since the rationale behind them has not changed, but has clarified that the firms should keep records of the sustainability preferences of the client (if any) and any updates of thesepreferences.*

Q19. Do you agree on the guidance provided on record keeping? Please also state the reasons for your answer.

N/A.

Other changes to the guidelines

Planned alignment with ESMA guidelines on appropriateness and execution only

43. *When finalising these guidelines on suitability, ESMA plans to align them with the text of its MIFID II guidelines on appropriateness and execution only (currently being finalised by ESMA) where MiFID has common provisions for both the assessment of suitability and appropriateness.*

Q20. Do you agree on the alignment of the two sets of guidelines (where common provisions exist for the assessment of suitability and appropriateness)? Please alsostate the reasons for your answer.

N/A.

Q21. Do you have any further comment or input on the draft guidelines?Good and bad practices
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44. *In February 2020 ESMA announced on its website the launch of a common supervisory action (CSA) with national competent authorities (NCAs) on the application of MiFID II suitability rules across the European Union (EU).*

45. *The CSA was set up to allow ESMA and the NCAs to assess the progress made by intermediaries in the application of this key requirement, including on whether and how thecosts and complexity of investment products are taken into account by firms whenrecommending an investment product to a client. ESMA had updated its guidelines on thetopic in 2018 and had also published a supervisory briefing on suitability, both of which were considered for the 2020 CSA.*

46. *A Public Statement was published in July 2021 summarising the results of the exercise. The 2020 CSA has shown an adequate level of firms' compliance with key elements of the suitability requirements that were already regulated under MiFID I such as firms' understanding of products and clients and the processes and procedures to ensure the suitability of investments. However, shortcomings and areas of improvement have emerged with regard to some of the new requirements introduced by MiFID II, notably therequirement to consider the cost and complexity of equivalent products, the costs and benefits of switching investments and suitability reports.*

47. *To provide further guidance to firms and to increase convergence on these important MiFID II requirements, ESMA has included in the annex to the guidelines a list of good and bad practices emerged from the 2020 CSA.*

Q22. Do you have any comment on the list of good and poor practices annexed to the guidelines?
N/A.

Q23. What level of resources (financial and other) would be required to implement and comply with the guidelines (organisational, IT costs, training costs, staff costs, etc., differentiated between one off and ongoing costs)? When answering this question, please also provide information about the size, internal organisation and the nature,scale and complexity of the activities of your institution, where relevant.

/N/A