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**SUMMARY OF INSPECTIONS
CONDUCTED ON THE MARKETING
OF FINANCIAL INSTRUMENTS**

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INTRODUCTION

As part of its new #Supervision2022 strategy, at the beginning of the year the AMF announced its intention to conduct more brief and thematic inspections as well as its willingness to share the lessons learned from these exercises. Hence today it is releasing the summary of inspections carried out between the end of 2016 and the end of 2017 on the marketing of financial instruments based on rules imposed by the Markets in Financial Instruments Directive in effect since 1 November 2007.

These recent inspections should be viewed against the backdrop of, on the one hand, a campaign conducted in 2010 and 2011 on the same theme¹ and, on the other hand, the entry into force of the MiFID II Directive and Regulation (hereinafter “MiFID II”). In addition, following on from these marketing inspections a SPOT² inspection campaign is currently being conducted on the theme of the collection of information about clients’ investment knowledge and experience, as announced in the supervision priorities published in January 2018.

1. SCOPE AND METHOD OF THE INSPECTIONS CARRIED OUT IN 2017

These inspections were carried out on the marketing of financial instruments in mutual banking networks, in a domestic banking network and at service providers specialising in SCPI distribution.

The financial instruments concerned were Redeemable Subordinated Notes (RSNs), shares in Sociétés Civiles de Placement Immobilier (SCPIs – real estate investment companies) and Euro Medium-Term Notes (EMTNs)³. For most of these inspections the subscriptions analysed were made by a client base of private individuals of an advanced age.

These inspections looked at, in particular:

- the marketing procedures in force within these institutions as well as the training of the networks responsible for marketing;
- the content and methods of information provision to clients;
- the collection of information about clients (their investment knowledge and experience, their desired investment horizon and risk level, and their financial situation);
- the identification and formalisation of the investment service provided as well as its suitability for the client profile.

They gave rise to follow-up letters containing requests to remedy situations where service providers ought to have refrained from giving advice due to the lack of one or more indispensable pieces of information about the client and situations where the advice given was not suitable for the clients’ level of knowledge and experience or for their investment horizon.

¹ After this first wave of inspections the AMF published its policy on the collection of information about the client’s knowledge (DOC-2013-02). It also decided to apply the ESMA Guidelines on some aspects of the suitability requirements under the MiFID Directive (DOC-2012-13) as well as those on remuneration policies and practices for investment service providers (DOC-2013-24).

² Supervision des Pratiques Opérationnelle et Thématique (operational and thematic supervision of practices).

³ 35 financial instruments (all inspections combined): 16 RSNs, 13 SCPIs, 5 EMTNs and 1 formula fund.

2. KEY LESSONS FROM THE INSPECTIONS

SUMMARY

Compared with the findings of inspections carried out in 2010-2011, banking networks' provision of information to clients about the remuneration they receive from issuers in their group seemed to have improved. Other positive points: the questionnaires to assess clients' knowledge were often recent at the time of the investment advice or the subscription, and the sales staff's remuneration arrangements did not seem to cause conflicts of interest, with one exception concerning a distribution platform (cf. 2.5 below).

On the other hand, there are still **inadequacies in relation to fundamental issues**, such as:

- **institutions' understanding of the link between the investment advice and the reception and transmission of orders** (with cases where they should have refrained from giving advice);
- **the traceability of the investment advice;**
- cases of **failure to take account of clients' profiles or investment objectives;**
- **the assessment of clients' investment knowledge and experience.**

All too often the collection of information about clients' investment knowledge and experience has shortcomings due to the very general nature of some questions put to clients, which lead to a self-assessment. Good practices were identified nevertheless, consisting in giving clients supplementary documents or questionnaires on financial instruments presenting specific risks.

2.1. SERVICE PROVIDERS' UNDERSTANDING OF THE INVESTMENT SERVICE

The analysis of the internal procedures and subscription documents of the various institutions revealed that, more than ten years after the entry into force of the MiFID I Directive (hereinafter "MiFID I"), **several institutions depending on major networks had a poor understanding of the basic rules relating to the provision of the investment advice service as well as its link to the reception and transmission of orders (RTO) service. In this respect no progress had been made since the first wave of marketing inspections conducted by the AMF in 2010-2011.**

Three major shortcomings were identified:

- Non-compliance with the duty of abstention:** institutions do not refrain from giving investment advice when their clients refuse to provide required information about their investment knowledge and experience. Their procedures provide for these clients to be classified as "novices", so they can receive investment advice. Similarly, some institutions give investment advice despite the absence of indispensable information about clients' investment objectives, such as their investment horizon;
- Use of a warning (RTO) instead of the duty of abstention (Advice):** when the proposed financial instrument's level of risk is higher than the one corresponding to the client's knowledge and experience the client is given advice on this financial instrument nonetheless after receiving a warning on its unsuitability. The corollary to this poor comprehension of the obligations relating to the provision of the investment services of RTO and advice is that the institutions concerned do not clearly inform their clients about the investment services that are provided to them;

- **Provision of unsuitable advice:** investment advice was given to clients whose investment horizon did not match the recommended holding period for the financial instruments subscribed for.

Lastly, some internal procedures are incomplete or insufficiently precise about the nature of the investment service provided and about the ensuing obligations.

The AMF

1- **draws attention to the rules on investment advice, in particular to:**

- The obligation to refrain, on the one hand, from giving any advice if the client refuses to answer the questionnaire to assess the client's knowledge (with modification in relation to financial assets held at another institution, c.f. 2.3.2), and, on the other hand, from recommending a financial instrument if there is a mismatch between its characteristics and the client's profile (knowledge and experience, financial situation, investment objectives). This MiFID I⁴ obligation has been carried over to MiFID II⁵;
- The fact that consequently, an investment service provider must not recommend a financial instrument that has just been the subject of a warning;
- The fact that alerting the client⁶, renamed "warning" the client with MiFID II⁷, concerns only investment services other than investment advice or asset management on behalf of third parties.

2- **identifies two bad practices:**

- The absence of any distinction, in internal procedures and in training materials for account managers, between procedures applying to investment advice and procedures applying to the reception and transmission of orders (modus operandi, information to be collected from the client, the tools and documents concerned, etc.);
- The absence of any blocks (particularly IT blocks) aimed at preventing the provision of investment advice if the client questionnaire is missing or incomplete, or in the event of a mismatch between the financial instrument and the client profile.

2.2. TRACEABILITY OF THE INVESTMENT SERVICE

Some of the institutions inspected have shortcomings in relation to the traceability of the investment service provided for ensuring that the required due diligence has been carried out. These shortcomings are very similar to those noted by the AMF in 2010-2011.

The most worrying case is that of an institution that leaves the traceability of investment advice up to the advisors, in the form of free-text comments. These comments are very succinct and often come down to a simple

⁴ I of the former Article L.533-13 of the Monetary and Financial Code and the former Article 314-44 of the AMF General Regulation.

⁵ I of Article L. 533-13 of the Monetary and Financial Code and points 8 and 10 of Article 54 of Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU.

⁶ II of the former Article L.533-13 of the Monetary and Financial Code.

⁷ II of the new Article L.533-13 of the Monetary and Financial Code.

summary of the subscription. In addition, the subscription forms reviewed by the inspectors do not explicitly indicate the nature of the investment service provided.

In another institution in the same banking group documents entitled “advisory duty” or “advisory opinion” refer to one or more asset families⁸ that match the client’s profile and objectives, but fail to identify the financial instrument recommended to the client (in the present case an EMTN or an RSN) and, consequently, do not explain the choice of this financial instrument, which is identified only on the subscription form.

Lastly, in the case of an institution in another banking group, documents signed by client are inconsistent with the investment service that was actually provided. In some cases the client had received investment advice, whereas the corresponding client files contained a document signed by the client acknowledging that he had not received any advice⁹.

With regard to the marketing of financial instruments to clients of an advanced age, cases of **sales at their homes** were identified (due to their restricted mobility). In one of the institutions inspected, 43 % of the subscription in the sample had been made at the clients’ homes. According to the institution, these subscriptions were not subject to the direct selling rules¹⁰ because they were not of an unusual nature (since the clients concerned had previously held RSNs or bond products). However, the internal procedures for the account managers did not specify what was meant by an “unusual nature”.

Where the formalisation of investment advice is concerned, the AMF draws attention to the obligation to record any service provided to the client, which is stipulated in MiFID I¹¹, hence to formalise and trace the fit between the financial instrument proposed and the client’s profile (knowledge and experience, financial situation, investment objectives), and which has been strengthened upon the entry into force of MiFID II¹², which requires the client to be given a suitability report in relation to the investment advice.

With regard to sales at clients’ homes, the AMF has identified two bad practices:

- the absence, in subscription documents, of any indication of the place where the sale was made, which means that it is not possible to identify whether it was a place intended for marketing (e.g. a bank branch) or not (e.g. the client’s home);

⁸ For example: “bonds”, “UCITS/AIFs”, “formula fund with or without capital protection”, “company shares”, “real estate vehicles”.

⁹ “The financial vehicle I have selected was not proposed by my advisor (...) This transaction, executed on my initiative, is being carried under my sole responsibility”.

¹⁰ Direct marketers may not receive orders or funds from clients until a 48-hour cooling-off period has elapsed, starting from the day following the day when the direct marketer has given the client a receipt establishing that he has been given the information required by law.

¹¹ The former Article L.533-15 of the Monetary and Financial Code; its application to the investment advice service has been reaffirmed in point 2.4 of AMF Position-Recommendation DOC 2008-23 “Questions and answers on the exercise of the investment advice investment service”.

¹² II of the new Article L.533-15 (statement of suitability provided in a durable medium prior to the transaction) and point 12 of Article 54 (suitability report) of Delegated Regulation (EU) 2017/565 of 25 April 2016.

- With regard to cases where sales were made at a place not intended for marketing, the absence of any indication to account managers of criteria enabling them to determine whether or not the banking and financial direct marketing rules apply (the concept of “transactions usually carried out” by the client, provided for by point 5 of Article L.341-2 of the Monetary and Financial Code).

2.3. COLLECTING INFORMATION ABOUT CLIENTS

2.3.1. Clients’ investment knowledge and experience

The recentness of the client knowledge questionnaires compared with the subscription dates proved to be generally satisfactory, complying with internal rules laid down by the institutions where they existed¹³.

The **predominance of recourse to self-assessment** was observed, consisting in asking the client very general questions, which did not enable the institutions to assess the client’s investment knowledge and experience themselves.

Among the other shortcomings or anomalies identified, the following should be noted:

- The absence of questions relating specifically to the financial instruments being marketed (particularly for EMTNs and SCPIs) in the client knowledge questionnaires concerned.
- The use by one of them of a “general investor” category, which does not match any of the client categories¹⁴ specified in MiFID I, as well as the absence of any question as to the gains and losses already achieved by the client in the knowledge questionnaire¹⁵.

A more complete questionnaire was identified in two institutions of a mutual banking group, which use a model that includes questions about the functioning of certain types of financial instruments¹⁶.

The **preparation of supplementary documents dedicated to certain riskier financial investments** was also observed in some institutions.

Thus one institution, in addition to the standard client knowledge questionnaire, gets clients subscribing for a complex product to complete and sign a supplementary questionnaire¹⁷. This document asks questions to check that the client has understood the risks of capital losses and the recommended investment horizon.

Some other institutions, belonging to the same group, use a “Compendium of Information for a Good Understanding”, which must be handed out when marketing RSNs. This document, which has to be signed by the

¹³ As an example, one institution stipulates that the questionnaire must have been completed or updated within two years prior to the subscription; another stipulates within twelve months.

¹⁴ Non-professional clients, professional clients and eligible counterparties.

¹⁵ Entitled “Client Financial Competence Questionnaire” for subscribing for RSNs and EMTNs, and “Client Knowledge of Financial Instruments” for subscribing for SCPI units.

¹⁶ “For bonds, it is possible to lose all or part of the initial investment, particularly in the event of resale before maturity or the bankruptcy of the issuer (true/false) / The prospect of high returns from an investment is often associated with a risk of capital losses (true/false) / The value of a share is subject to fluctuations in the financial markets (upwards well as downwards), therefore it is possible to lose all or part of the capital invested (true/false)”.

¹⁷ “Supplement to the Client Knowledge Document”, concerning EMTNs with non-guaranteed capital in particular.

client, summarises the risks related to RSNs. Nevertheless, the inspections revealed that the procedure was not systematically complied with.

In relation to the collection of information about clients' financial knowledge and experience, the AMF:

- 1- **reminds institutions that they must not have undue recourse to self-assessment and that they must use questionnaires enabling them to autonomously evaluate** clients' investment knowledge and experience, **particularly in relation to recommended financial instruments**. This requirement, which was already provided for by MiFID I and by AMF policy¹⁸, is stipulated in MiFID II¹⁹, namely that the information regarding the client's investment knowledge and experience must be "(...) relevant to the specific type of product or service, (...)";
- 2- identifies, in this respect, recourse to questions that are very general or elicit a reply that does not enable the institution to autonomously assess the client's knowledge and experience ("I know/I do not know") as **bad practice**;
- 3- identifies the following as **good practices**:
 - **Quiz-type questionnaires** that really test clients' knowledge about the characteristics and risks of each type of financial investment;
 - **Questionnaires asking clients for specific information about their experience, broken down by type of financial instrument**;
 - **Supplementary questionnaires for ascertaining clients' understanding of the specific characteristics of certain financial instruments (structured EMTNs, RSNs)**.

Note: the SPOT inspection campaign that is currently under way in relation to the collection of clients' investment knowledge and experience will make it possible to expand the spectrum of institutions inspected and to become acquainted with the systems put in place by institutions upon the entry into force of MiFID II. At the end of this campaign a new announcement will be made.

2.3.2. Investment objectives and financial situation

Although the **investment objective** typologies used by the various institutions inspected do not call for any specific comments, some investment horizon typologies are not sufficiently granular to enable the suitability test to be carried out for illiquid and very long-term products, such as RSNs and SCPIs. Accordingly, one banking group identifies long-term horizons in a single category entitled "more than 4 years", whereas a bank in another network identifies them in a single category entitled "more than 5 years". Moreover it was also found that another institution did not trace the investment horizons that clients wanted.

¹⁸ Former Article 314-51 of the AMF General Regulation and point 4.2.2 of AMF Position DOC-2013-02.

¹⁹ I of the new Article L.533-13 of the Monetary and Financial Code.

With regard to assessing **clients' financial situation**, institutions provide for identifying aspects of the client's financial situation²⁰. In practice, application of procedures varies from one institution to another and the identification is not always complete. It should be noted that the institutions inspected may often have problems ascertaining the amount of **financial assets held at other institutions**.

- **With regard to clients' financial situation, the AMF:**

- **draws attention to the fact** that the information regarding the financial situation of the client must, under MiFID I and MiFID II²¹ alike, include both the source and extent of his **regular income, his assets, including liquid assets, investments and real property, and his regular financial commitments**;
- **in accordance with the principle of proportionality, considers that, subject to the scope of the advice requested by the client, if institutions, in spite of their requests, are unable to collect precise information about the financial assets held by their client at other institutions, the provision of advice is possible only if all the other required elements of information have been collected. Institutions are required to document the client's refusal and to warn him, in a traceable manner, that the suitability of the advice will be assessed solely in relation to the information disclosed.**

- **With regard to investment horizons, the AMF:**

- **draws attention to the fact that collecting clients' investment horizons, provided for under MiFID I²² and MiFID II²³ alike, must be adapted to the types of products that the ISPs are proposing, especially if they are illiquid²⁴ and/or very long term. Hence insufficiently granular investment horizons are bad practice**;
- **emphasises that the provisions transposing MiFID II²⁵, its implementing legislation²⁶ as well as ESMA's policy²⁷ on product governance oblige distributors to identify a target market and clearly establish a relationship between these requirements and the assessment of the suitability or appropriateness. In this regard, ESMA's policy²⁸ states that, among the objectives and needs of the target clients, distributors must take the expected investment horizon into account, which is defined as the "number of years the investment is to be held"**.

²⁰ Example: real estate assets – the gross value, the amount of the loans then the net value; financial assets – readily available savings, term savings, life insurance, transferable securities; income and expenses – occupational earnings, income from property and investments, monthly expenses.

²¹ Point 4 of Article 54 of Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 has taken over the text of the Former Article 314-46 of the AMF General Regulation concerning the financial situation of the client. [Translator's Note: The reference in the source text "en remplaçant simplement le terme « réguliers » par le terme « normaux » au sujet des revenus et des engagements financiers du client" has been partly omitted and partly adapted as it is irrelevant to the English translation due to the fact that in the English version of the said Delegated Regulation the word "regular" has been retained and has not been replaced by the word "normal".]

²² Former Article 314-47 of the AMF General Regulation.

²³ Point 5 of Article 54 of Commission Delegated Regulation (EU) 2017/565 of 25 April 2016.

²⁴ AMF Position DOC-2012-13, page 6: "For illiquid financial instruments, the 'necessary information' to be gathered will obviously include information on the length of time for which the client is prepared to hold the investment."

²⁵ New Article L.533-24-1 of the Monetary and Financial Code.

²⁶ New Articles 313-18 to 313-27 of the AMF General Regulation.

²⁷ Point 34 referring to point 18 of the ESMA Guidelines "on MiFID II product governance requirements" with which the AMF has declared it complies in Position DOC-2018-04.

²⁸ (e) of point 18 of the ESMA Guidelines "on MiFID II product governance requirements".

2.3.3. Specific procedures for clients of an advanced age

Some institutions have laid down a **specific procedure** for clients of an advanced age.

One institution has an instruction entitled “Rules for marketing savings products to clients who are natural persons”, which specifies that account managers must refrain from recommending a product with an investment horizon of more than five years and which does not offer a permanent guarantee of the net capital invested to a private client of 85 years or age and over²⁹. A subscription may then take place only within the scope of the RTO service and after the client has signed a “warning acknowledgement”. This practice, however, is limited to only a certain segment of the private banking client base and to a single IT tool. During the inspection the institution announced a procedure involving supplementary due diligence for clients over 85 years of age in order to, in particular, get their attention and to provide for an additional point of discussion with their advisor, during which an alternative proposal would be made.

Another institution has, for clients of over 80 years of age, set up a system for validating subscriptions in advance, by Compliance for SCPI units and by the regional directors for RSNs. The inspection revealed, however, that amongst the sample tested the application of the validation provision by Compliance was highly inadequate.

Finally, one institution confined itself for its part to informing its sales staff that it was not recommended to sell RSNs to clients of over 85 years of age. No comparable instruction was given concerning EMTNs and SCPIs.

The ESMA Guidelines³⁰, which the AMF has integrated into its policy, already required more detailed information to be collected for clients of an advanced age; examples of good practices identified by the AMF are prior validation procedures and/or additional due diligence for subscriptions for long-term products or subscriptions with a high risk of capital losses for vulnerable client bases, especially individuals of an advanced age, with the aim of ensuring that these financial instruments are suitable for their needs.

2.4. INFORMATION PROVIDED TO THE CLIENT

The inspections reveal that some **sales pitches** contain imbalanced, even incorrect, information about the financial instruments being proposed to clients:

²⁹ Account managers must refrain from recommending a product with an investment horizon of more than five years and which does not offer a permanent guarantee of the net capital invested to a private client of 85 years or age and over. If, however, the client wants to subscribe for this financial instrument, the absence of any advice must be formalised in writing and the client must sign a document whereby he acknowledges that the financial instrument might not be suitable for him.

³⁰ Position DOC-2012-13 adopting the ESMA Guidelines on certain aspects of the MiFID suitability requirements, page 7: “For example, more in-depth information would usually need to be collected for older and potentially vulnerable clients asking for investment advice services for the first time.”

- Training materials for account managers stress the “liquidity” of RSNs, when there is a risk of illiquidity in the event that they are resold before they mature and when this risk is explicitly mentioned in the issue prospectus. Others mention only the positive aspects of RSNs to account managers³¹;
- One website presents the advantages of SCPIs, but without mentioning the associated risks – such as the risk of illiquidity in the event of resale.

These sales pitches are drafted by the central executive bodies when the institutions belong to mutual banking groups (RSNs) or by the management companies (SCPIs). Their simplified or misleading messages, relayed via the account managers’ pitch or the respective website, are likely to have a greater impact on clients than issue prospectuses or information brochures containing several dozen pages, which may not be read in full.

In light of these bad practices the AMF reminds institutions that they have an obligation to provide information that is accurate, clear and not misleading, as stipulated by MiFID I and maintained by MiFID II³², and that they must consequently ensure that training materials for account managers (including sales pitches and websites) present the advantages and risks of financial instruments with the same balance as in documents handed to clients (legal documents and marketing documents).

2.5. CONFLICTS OF INTEREST RELATED TO REMUNERATION

Information about the existence of retrocession fees that issuers pay to distribution service providers as well as the risks of conflicts of interest that may arise from them are, with the exception of one case involving a formula fund, generally satisfactory in the banking networks inspected, which market financial instruments issued by their group and which clearly inform their clients of this fact (notably in the RSN issue prospectuses).

It was noted, however, that information regarding the fees received by SCPI distribution platforms did not indicate that these service providers received commission from SCPI management companies.

With regard to account managers’ remuneration, no system of remuneration was identified in the banking networks inspected that might prompt account managers to market certain types of financial instruments more intensely.

On the other hand, an SCPI distribution platform was found to have a mode of remuneration for its distributors that depended on the volume of business generated, according to a progressive scale. Furthermore, an additional portion of their remuneration was paid to them, in line with similar calculation methods, based on the turnover achieved by other distributors of which they were the “sponsors”. This exclusively quantitative and progressive remuneration scheme, which was not brought to the attention of clients, is, however, presented as

³¹ The “customer promise”: initial capital reimbursed (excluding expenses) upon maturity”, “annual fixed-rate coupon paid every quarter”.

³² I of Article L.533-12 of the Monetary and Financial Code, which remains unchanged on this point, former Articles 314-10 to 314-17 of the AMF General Regulation and Article 44 of Commission Delegated Regulation (EU) 2017/565 of 25 April 2016.

bad practice by AMF Position DOC-2013-24 on “Remuneration policies and practices for investment service providers³³”, since it is likely to create conflicts of interest.

The AMF

- **reminds institutions to pay particular attention to informing clients, in hardcopy and/or electronic form, about commission received/paid (its existence, method of calculation) and about conflicts of interest (particularly if the institution receives commission from the issuer or from the management company of the financial instrument that it is marketing);**
- **strongly reminds institutions that fee-for-service remuneration, especially with progressive rates, without any qualitative criterion, are considered to be bad practice.**

2.6. COMPLIANCE SYSTEM AND CONTROLS

The inspections highlighted shortcomings in compliance controls of the marketing of financial instruments, mainly in terms of the formalisation, traceability and depth of the controls. These controls, where they exist, tend to be more of a quantitative nature, limited to checking the existence of the required documents, than of a qualitative nature.

In addition, the following cases were also identified:

- In one institution, the absence of any periodic monitoring in relation to the collection of information prior to the provision of investment advice or in relation to the suitability of the product recommended to the client;
- In another institution, the absence of any monitoring of compliance with certain internal rules³⁴, including those specifically for elderly clients, as well as the absence of the implementation of any remedial actions following the findings of controls carried out by Compliance in relation to the suitability of the investment advice;
- In a third institution, the validation grid for the marketing of an RSN identifies clients of less than 70 years of age as a target, whilst stating that meeting targets should be subject to compliance checks by sampling. The inspection revealed, however, that these compliance checks had never been implemented and that over 60% of the RSN subscribers were over 70 years of age (i.e. the opposite trend to that defined by the target client base). When asked about this point, the institution replied that the target concept should be understood not as a subscription criterion, but as a business development objective – in order to motivate the account managers to rejuvenate the portfolio.

³³ AMF Position DOC-2013-24: Among the “examples of bad practices”: “(...) The variable part of the total remuneration takes only the sales volume into account; it encourages the person concerned to worry more about short-term gains than the interests of the client.” and “Annex I: Examples of remuneration policies and practices generating conflicts that are potentially difficult to manage: (...) 4. Remuneration policies and practices which provide for disproportionate incentive payments for a marginal increase in sales: the risk increases if the persons concerned have to achieve a minimum level of sales before they can receive any bonuses or before the bonuses are increased. Schemes containing “accelerators”, whereby crossing a threshold proportionally increases the bonuses earned, are another example. (...)”

³⁴ The amount invested in RSNs, which must not exceed 20% of the client’s financial assets; Compliance’s prior approval for SCPI subscriptions by individuals of over 80 years of age; the recentness of the client knowledge questionnaire, which may not date back more than two years maximum at the time of the subscription.

The AMF stresses the need to strengthen the involvement of Compliance in the marketing of financial instruments:

- Upstream, by strengthening compliance monitoring in relation to checking the materials for the sales staff;
- Downstream, by strengthening compliance controls, which must not be confined to the formal completeness of the client files (e.g. subscription forms dated and signed by clients, the presence of supporting documents, etc.), but must also include monitoring to ensure that the conditions for providing investment advice were met and that this advice was actually suitable.
- With regard more specifically to MiFID II and to product governance, by checking the conditions and procedures for the development and periodic review of the financial instruments governance arrangements in order to identify any risk of breaching relevant obligations (in particular the obligations to define and keep to the “target market”), as provided for by the new Article 313-23 of the AMF General Regulation.