



Print from the website of the AMF

18 October 2018

The AMF publishes the summary of five inspections carried out relating to clients' investment knowledge and experience

At the beginning of the year, the Autorité des marchés financiers carried out a series of five theme-based inspections. On the strength of its observations, it has prepared a list of best practices and issues reminders of the rules to be applied.

As part of its new #Supervision2022 strategy, the Autorité des marchés financiers is carrying out new types of inspection, known as SPOT (Supervision des Pratiques Opérationnelle et Thématique - operational and thematic supervision of practices). Today it publishes the summary of five of these inspections, carried out at the beginning of 2018 and focusing on the gathering of information on clients, particularly that relating to their investment knowledge and experience, in application of the rules set out in the European directives MiFID I and MiFID II .

These inspections focused in particular on:

- Procedures for new business relationships and marketing financial instruments implemented by the firms under inspection;
- Procedures for gathering and updating information relating to individual clients' investment knowledge and experience;



- The current questionnaire forms used to gather this information.

Note in the first instance that when MiFID II entered into force, these firms improved their procedures overall.

The AMF nevertheless wishes to remind readers of the rules to be applied and present the good practices and bad practices that it encountered.

More specifically, the AMF noted the following good practices:

- Use of different questions for different categories of financial instrument, in order to validate clients' relevant knowledge and experience. This good practice, which was implemented as a result of MiFID I by only one of the five firms inspected under MiFID I, is now a requirement as a result of the modification of article L.533-13 of the French Monetary and Financial Code in its amended version after the entry into force of MiFID II. All the firms inspected have now brought their procedures into compliance;
- Sending the client a questionnaire to validate their knowledge about the proposed financial product;
- Sending the client a document summarising how a complex or risky financial product works and the risks associated with it;
- Asking questions about the number and average amounts of transactions realised, as well as on the composition of the portfolio and its breakdown by type of product;
- Determining the profile of the client, especially in relation to their responses to questions about their investment knowledge and experience and their reaction in certain situations, for example in the event of high volatility on their investment;
- Providing for regular updates of the client knowledge and experience questionnaire, identifying the client's assets, liabilities, income and outgoings with respect to the firm as well as other firms;
- Ensuring that the client's preferred investment horizons correspond to the recommended holding period for the proposed financial instruments;
- Warn the client that, if they refuse to disclose the amount of their assets held in other firms, the advice offered will be based only on the information available and that it might not be optimal for the client's situation.
- Warn the client that, if they refuse to disclose the amount of their liabilities with respect to other firms, the advice offered will be based only on the information available and that



it might not be optimal for the customer's situation - as long as the investment service provider ensures that the financial instrument is neither illiquid nor risky.

However, bad practices were also noted, including the following examples:

- Self-assessment only by the client of their own investment knowledge;
- Choice of responses that does not provide for the client having no investment knowledge at all (e.g. Poor/Average/Good);
- Asking the client to select their own profile via self-assessment;

Finally, a breach of regulation was observed in two of the firms inspected. This concerns the automatic modification of the client's profile if the client placed an order online that did not fall within the scope of their initial profile, such modification being made without re-assessing the client's investment knowledge and experience, and moreover without the client being informed of the consequences of this modification.

In its summary document, the AMF exposes the good and bad practices identified, using concrete examples. The regulator also reminds firms that, with respect to their duty to provide advice, they must ensure that they offer clients a suitable level of diversification of their investments.

After completing these SPOT inspections, the AMF sent the inspected firms follow-up letters requesting them to rectify all cases observed of non-compliance with the requirements in the area of gathering information.

About the AMF

The AMF is an independent public authority responsible for ensuring that savings invested in financial products are protected, that investors are provided with adequate information and supervising the orderly operation of markets. Visit our website <https://www.amf-france.org>

Press contact:

AMF Communication Directorate - Caroline Richard - Tel: +33 (0)1 5345 6039 or +33 (0)1 5345 6028




Read more

Summary of Spot Inspections on MIFID I / MIFID II clients' knowledge and experience

Keywords

FINANCIAL DISCLOSURES & CORPORATE FINANCING

ON THE SAME TOPIC

 Subscribe to our alerts and RSS feeds

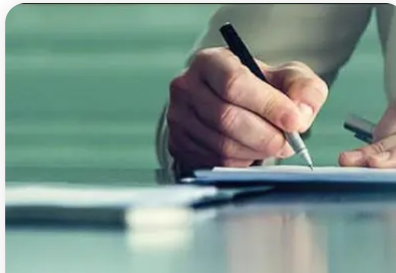


AMF NEWS RELEASE

STRATEGY

17 January 2025

The AMF publishes its action and supervisory priorities for 2025

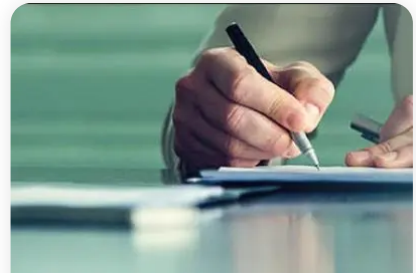


ANNUAL REPORT

STRATEGY

16 January 2025

AMF Action and Supervisory Priorities for 2025



ANNUAL REPORT

STRATEGY

16 January 2025

AMF Supervisory Priorities for 2025



Legal information:

Head of publications: The Executive Director of AMF Communication Directorate. Contact: Communication Directorate – Autorité des marchés financiers 17 place de la Bourse – 75082 Paris cedex 02

