Reply to CP on Draft Guidelines on MiFID II product governance requirements

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Assogestioni, the Italian Investment Management Association, welcomes the opportunity to respond to ESMA's Consultation Paper concerning Draft Guidelines on MiFID II product governance requirements.

We would like to express our appreciation for the work done by ESMA to identify target market guidelines: this is an important way for ensuring the common, uniform and consistent application of the MIFID II product governance requirements.

We also agree with the benefit to provide examples in order to explain some areas firms might like to consider when identifying the target market. In this perspective, we believe that it could be very useful to have further guidance on how the target market assessment for collective investment schemes (UCITS and AIF) would look like. As the target market criteria will be used in the information exchange between a vast number of manufacturers and distributors across Europe, it is important that firms are able to work with information which are standardized as far as possible. To this end, notwithstanding UCITS and AIF managers are outside the scope of MiFID II, we propose a common approach for collective investment schemes (UCITS and AIF), taking into account the specific nature of these investment products (please see Annex 1). We believe that an identification of a common taxonomy would make the process at manufacturers' and distributors' level more efficient and comparison between different manufacturers and different distributors would be easier.

Nevertheless, we would like to draw ESMAs' attention to the following issues, which we deem very crucial for the industry.

(i) Assogestioni believes that a number of specific improvements need to be made throughout the proposed guidelines in order to ensure a clear division between the responsibility of the product manufacturer and distributor, as well as, a clear distinction between the target market identification and the suitability tests (where applicable).

(ii) Assogestioni disagrees with ESMA's suggested approach on hedging and portfolio diversification aspects. We believe that when the product is sold not on individual basis but as part of an investment portfolio, the diversification at portfolio level should be an explicit criterion included in the target market identification: this would avoid a deviation (even if permissible) with the positive target markets provided by manufacturer (please see Qi and Q4). Diversification is a significant aim for an investor's investment portfolio, which should be strongly supported by ESMA through these guidelines and not be limited.

(iii) Assogestioni also strongly opposes ESMA’s interpretation that individual portfolio management is a form of product distribution (par. 43 of the draft guidelines). In particular, it should be clear that target market does not apply to financial instruments invested through portfolio management. The service of portfolio management (like the management of collective investment schemes) reduces the need for the client to understand the characteristics of every single asset composing the investment portfolio. In such situations a financial intermediary with specific competences makes the investment choices on behalf of the client, guaranteeing a continuous coherence between the investment choices and the investment mandate, in the client’s best interest (please see Q3).

Leggi tutto il documento [2]

Risposta al documento per la consultazione recante "Draft Guidelines on MiFID II product governance requirements"
