

## Chapter 10

Appropriateness (for non-MiFID and non-insurance-based investment products non-advised services) (non-MiFID and non-insurance-based investment products provisions)



## 10.2 Assessing appropriateness: the obligations

- 10.2.1 **R** (1) When providing a service to which this chapter applies, a *firm* must ask the *client* to provide information regarding his knowledge and experience in the investment field relevant to the specific type of product or service offered or demanded so as to enable the *firm* to assess whether the service or product envisaged is appropriate for the *client*.
- (2) When assessing appropriateness, a *firm* must determine whether the *client* has the necessary experience and knowledge in order to understand the risks involved in relation to the product or service offered or demanded.

- 10.2.2 **R** The information regarding a *client's* knowledge and experience in the investment field includes, to the extent appropriate to the nature of the *client*, the nature and extent of the service to be provided and the type of product or transaction envisaged, including their complexity and the risks involved, information on:
- (1) the types of service, transaction and *designated investment* with which the *client* is familiar;
  - (2) the nature, volume, frequency of the *client's* transactions in *designated investments* and the period over which they have been carried out;
  - (3) the level of education, profession or relevant former profession of the *client*.

- 10.2.3 **R** A *firm* must not encourage a *client* not to provide information required for the purposes of its assessment of appropriateness.

### Reliance on information

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- 10.2.4 **R** A *firm* is entitled to rely on the information provided by a *client* unless it is aware that the information is manifestly out of date, inaccurate or incomplete.

**Use of existing information**

10.2.5 **G** When assessing appropriateness, a *firm* may use information it already has in its possession.

**Knowledge and experience**

10.2.6 **G** Depending on the circumstances, a *firm* may be satisfied that the *client's* knowledge alone is sufficient for him to understand the risks involved in a product or service. Where reasonable, a *firm* may infer knowledge from experience.

**Increasing the client's understanding**

10.2.7 **G** If, before assessing appropriateness, a *firm* seeks to increase the *client's* level of understanding of a service or product by providing information to him, relevant considerations are likely to include the nature and complexity of the information and the *client's* existing level of understanding.

**No duty to communicate firm's assessment of knowledge and experience**

10.2.8 **G** If a *firm* is satisfied that the *client* has the necessary experience and knowledge in order to understand the risks involved in relation to the product or service, there is no duty to communicate this to the *client*. If the *firm* does so, it must not do so in a way that amounts to making a *personal recommendation* unless it complies with the *rules* in ■ COBS 9 (Suitability (including basic advice) (non-MiFID provisions)).