

Chapter 10

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



10.2 Assessing appropriateness: the obligations

- 10.2.1

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(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

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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

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A *firm* must not encourage a *client* not to provide information required for the purposes of its assessment of appropriateness.
- 10.2.4

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Reliance on information

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is entitled to rely on the information provided by a *client* unless it is aware that the information is manifestly out of date, inaccurate or incomplete.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 <i>firm</i> may use information it already has in its possession.
Knowledge and experience	
10.2.6	G Depending on the circumstances, a <i>firm</i> may be satisfied that the <i>client's</i> knowledge alone is sufficient for him to understand the risks involved in a product or service. Where reasonable, a <i>firm</i> may infer knowledge from experience.
Increasing the client's understanding	
10.2.7	G If, before assessing appropriateness, a <i>firm</i> seeks to increase the <i>client's</i> 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 <i>client's</i> existing level of understanding.
No duty to communicate firm's assessment of knowledge and experience	
10.2.8	G If a <i>firm</i> is satisfied that the <i>client</i> 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 <i>client</i> . If the <i>firm</i> does so, it must not do so in a way that amounts to making a <i>personal recommendation</i> unless it complies with the <i>rules</i> in ■ COBS 9 (Suitability (including basic advice) (non-MiFID provisions)).
Restricted mass market investments	
10.2.9	G <ol style="list-style-type: none"> (1) When determining whether a <i>client</i> has the necessary knowledge to understand the risks involved in relation to a <i>restricted mass market investment</i>, a <i>firm</i> should consider asking the <i>client</i> questions that cover, at least, the matters in: <ol style="list-style-type: none"> (a) ■ COBS 10 Annex 1G in relation to <i>non-readily realisable securities</i>; (b) ■ COBS 10 Annex 2G in relation to <i>P2P agreements</i> or <i>P2P portfolios</i>; (c) [deleted] (d) [deleted] (e) [deleted] (f) [deleted] (g) [deleted] (h) [deleted] (i) [deleted] (j) [deleted] (k) [deleted]

- (l) [deleted]
- (m) ■ COBS 10 Annex 3G in relation to *units* in a *long-term asset fund*;
or
- (n) ■ COBS 10 Annex 4G in relation to *qualifying cryptoassets*.