

## Chapter 10

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

## 10.4 Assessing appropriateness: when it need not be done

### 10.4.1

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- (1) A *firm* is not required to ask its *client* to provide information or assess appropriateness if:
  - (a) the service only consists of execution and/or the reception and transmission of *client* orders, with or without *ancillary services*, it relates to particular *financial instruments* and is provided at the initiative of the *client*;
  - (b) the *client* has been clearly informed (whether the warning is given in a standardised format or not) that in the provision of this service the *firm* is not required to assess the suitability of the instrument or service provided or offered and that therefore he does not benefit from the protection of the *rules* on assessing suitability; and
  - (c) the *firm* complies with its obligations in relation to conflicts of interest.
- (2) The *financial instruments* referred to in (1)(a) are:
  - (a) [deleted]
  - (b) money market instruments, bonds or other forms of securitised debt (excluding those bonds or securitised debt that embed a *derivative*); or
  - (c) [deleted]
  - (d) other non-complex *financial instruments*.
- (3) A *financial instrument* is non-complex if it satisfies the following criteria:
  - (a) it is not a *derivative* or other security giving the right to acquire or sell a *transferable security* or giving rise to a cash settlement determined by reference to transferable securities, currencies, interest rates or yields, commodities or other indices or measures;
  - (b) there are frequent opportunities to dispose of, redeem, or otherwise realise the instrument at prices that are publicly available to the market participants and that are either market prices or prices made available, or validated, by valuation systems independent of the issuer;
  - (c) it does not involve any actual or potential liability for the *client* that exceeds the cost of acquiring the instrument; and
  - (d) adequately comprehensive information on its characteristics is publicly available and is likely to be readily understood so as to

- enable the average *retail client* to make an informed judgment as to whether to enter into a transaction in that instrument.
- 10.4.2 **R** If a *client* engages in a course of dealings involving a specific type of product or service through the services of a *firm*, the *firm* is not required to make a new assessment on the occasion of each separate transaction. A *firm* complies with the *rules* in this chapter provided that it makes the necessary appropriateness assessment before beginning that service.
- 10.4.3 **G** As explained in ■ COBS 4.12A.33G, ■ COBS 10.4 is not relevant for the purpose of complying with the *rules* requiring an appropriateness assessment under ■ COBS 4.12A in relation to *restricted mass market investments*.
- 10.4.3 **R** [deleted]