

PRESS RELEASE

ESMA tells firms to improve their selling practices for complex financial products

The European Securities and Markets Authority (ESMA) has published an Opinion on practices to be observed by investment firms when selling complex financial products to investors. ESMA is issuing this opinion to remind national supervisors and investment firms about the importance of requirements governing selling practices under MiFID (Markets in Financial Instruments Directive).

ESMA is issuing this Opinion as it is concerned that firms' compliance with the MiFID selling practices when selling complex products may have fallen short of expected standards. The concerns relate mainly to the suitability and appropriateness of complex products that are increasingly within the grasp of retail investors. The Opinion sets out ESMA's minimum expectations with respect to the conduct of firms when selling complex products to retail investors.

Steven Maijoor, ESMA Chair, said:

“Investment firms increasingly sell complex financial products such as warrants, different types of structured bonds, derivatives and asset-backed securities, which were previously accessible mainly to professional investors, to retail investors.

“ESMA is concerned that this trend greatly increases the risk that customers do not understand the risks, costs and expected returns of the products they are buying. Therefore, we believe that it is crucial that investment firms act responsibly and in the best interest of their clients.

“The level of concern regarding the risk posed by these products to investor protection when MiFID rules are not fully respected is such that we have also issued an EU-wide



warning to investors in order to raise awareness about the risks arising from investing in these types of complex products.”

The marketing and sale of complex financial products, in particular to retail investors, is an important investor protection area where ESMA wants to ensure a consistent approach to the application of the MiFID conduct business rules - thereby improving supervisory convergence.

The areas covered by the Opinion relate to:

- firms’ organisation and internal controls;
- the assessment of the suitability or appropriateness of certain products;
- disclosures and communications in relation to products; and
- compliance monitoring of the sales functions.



Notes for editors

1. Opinion on MiFID practices for firms selling complex products: <http://bit.ly/LDKqgh>
2. Investor warning: <http://bit.ly/1fCdSGI>
3. ESMA is an independent EU Authority that was established on 1 January 2011 and works closely with the other European Supervisory Authorities responsible for banking (EBA), and insurance and occupational pensions (EIOPA), and the European Systemic Risk Board (ESRB).
4. ESMA's mission is to enhance the protection of investors and promote stable and well-functioning financial markets in the European Union (EU). As an independent institution, ESMA achieves this aim by building a single rule book for EU financial markets and ensuring its consistent application across the EU. ESMA contributes to the regulation of financial services firms with a pan-European reach, either through direct supervision or through the active co-ordination of national supervisory activity.

Further information:

Livia Vosman

Communications Officer

Tel: +33 (0)1 58 36 65 27

Mob: +33 6 78 38 12 56

Email: press@esma.europa.eu

David Cliffe

Senior Communications Officer

Tel: +33 (0)1 58 36 43 24

Mob: +33 6 42 48 29 06

Email: press@esma.europa.eu