

MiFID II – Product Governance Common Standard on the Feedback Regime

17 October 2018

I. Introduction / Preliminary Notes

- This approach for a feedback regime is **risk-based** and **practice-oriented**.
- With a focus on the **relevant** distributors, it is a **meaningful** and at the same time efficient feedback regime.
- This increases the chances of establishing an EU-wide **market standard**.
- If an EU-wide market standard cannot be established, there is the risk of isolated national solutions, which will impede the consolidation of markets.

I. Feedback regime overview

Stage 1	Identification of relevant distributors	The issuer/manufacturer defines its relevant group of distributors.*
Stage 2	Survey of distribution outside of the target market ("standard survey")	For the period of [to be completed by issuer/manufacturer], was a financial instrument of [name of the issuer/manufacturer] substantively distributed outside the target market?*
Stage 3	Analysis	The issuer/manufacturer analyses the data from the standard survey.*
Stage 4	Where appropriate, additional surveys ("detailed survey")	Where appropriate, the issuer/manufacturer conducts a detailed enquiry/survey on distribution outside of the target market.*
Stage 5	Analysis	The issuer/manufacturer analyses all relevant data.
Stage 6	Measures	The issuer/manufacturer introduces appropriate measures where necessary.

* Instead of following the process from Stages 1 through 4, distributors can also provide more detailed feedback on distribution outside the target market to issuers/manufacturers without use of the standard survey. With this automated provision of information, enquiries by issuers/manufacturers are not necessary. Issuers/manufacturers not in the scope of MiFID II may voluntarily consult the distributors in accordance with the feedback regime.

II. Explanation of the stages (1/7)

Stage 1

Identification of the relevant distributors

The distributor/manufacturer defines its relevant group of distributors.*

- Based on feedback from the relevant distributors, the issuer/manufacturer gains a meaningful overview (i.e. with a significant degree of coverage) of product distribution.
- A risk-based approach, whereby the issuer/manufacturer independently identifies the relevant distributors based on individual criteria, taking into account different distribution models.

* If distributors take the approach of the *Sparkassen-Finanzgruppe* (for example) and, on their own initiative, provide standardised information to inform issuers/manufacturers when their products are substantively distributed outside of the target market (specifically, when exceeding a threshold), then they may be exempted from inclusion in the relevant group of distributors.

II. Explanation of the stages (2/7)

Stage 2

Survey of distribution outside of the target market ("standard survey")*

- "For the period of [to be completed by issuer/manufacturer], was a financial instrument of [name of the issuer/manufacturer] substantively distributed outside the target market?"
- "Do you have any other comments relevant to the issuer's product review?"

Yes

No

If yes, which:

[FREE TEXT FIELD]

* If distributors take the approach of the *Sparkassen-Finanzgruppe* (for example) and, on their own initiative, provide standardised information to issuers/manufacturers when their products are substantively distributed outside of the target market (specifically, when exceeding a threshold), then a separate survey is unnecessary.

II. Explanation of the stages (3/7)

Stage 2

Survey of distribution outside of the target market ("standard survey")*

- In keeping with a risk-based approach, the issuer/manufacturer regularly surveys the group of distributors classified as relevant for it as to whether they have substantively distributed its products outside of the defined target market.
Relevant distributors could, for example, be those which, from the issuer's/manufacturer's perspective (e.g., based on the corresponding sales and/or marketing agreements), account for a total of >50% of the sales volume. For the secondary market business, the most important online brokers could also be surveyed, so that it can be assumed that all relevant distributors were contacted for a meaningful survey result.
- This standard survey is to take place at least annually.
- The surveyed distributors individually define whether distribution outside of the target market was on a "substantive basis".
- If there was distribution on a substantive basis, an answer is to be provided detailing the specific financial instrument that was distributed outside the target market on a substantive basis (cumulative consideration of all target market criteria).

* If distributors take the approach of the *Sparkassen-Finanzgruppe* (for example) and provide issuers/manufacturers with more detailed standardised information as early as Stage 2 when their products are substantively distributed outside of the target market (specifically, when exceeding a threshold), then additional surveys are unnecessary.

II. Explanation of the stages (4/7)

Stage 3

Analysis*

The issuer/manufacturer analyses the data from the standard survey.

- The issuer/manufacturer analyses the results of the standard survey, also considering whether feedback from the distributor is relevant for the issuer/manufacturer for the specific case in question.
- Where appropriate, data previously collected through other means flows into the analysis (the results of customer questionnaires, complaints received, etc.).
- The issuer/manufacturer decides as to whether it is necessary to conduct an additional, detailed survey on distribution outside the target market (“detailed survey”) for the distributors that indicated distribution outside the target market on a substantive basis in the standard survey.

* If distributors take the approach of the *Sparkassen-Finanzgruppe* (for example) and provide issuers/manufacturers with more detailed standardised information as early as Stage 2 when their products are substantively distributed outside of the target market (specifically, when exceeding a threshold), then additional surveys are unnecessary.

II. Explanation of the stages (5/7)

Stage 4

Where appropriate, additional surveys* ("detailed survey")

Where appropriate, the issuer/matrix manufacturer conducts a detailed enquiry/survey on distribution outside of the target market.

- Each issuer/matrix manufacturer independently designs its detailed survey in accordance with its individual information processes and needs.
- The survey may also contain non-standardised data (complaints, etc.).

* If distributors take the approach of the *Sparkassen-Finanzgruppe* (for example) and provide issuers/matrix manufacturers with more detailed standardised information as early as Stage 2 when their products are substantively distributed outside of the target market (specifically, when exceeding a threshold), then additional surveys are unnecessary.

II. Explanation of the stages (6/7)

Stage 5

Analysis

The issuer/m manufacturer analyses all relevant data.

- It is the responsibility of the issuer/m manufacturer to draw the relevant conclusions from the various surveys.

II. Explanation of the stages (7/7)

Stage 6

Development of measures where necessary

The issuer/m manufacturer develops appropriate measures where necessary.

- If the issuer/m manufacturer comes to the conclusion that a given measure seems appropriate for a specific financial instrument, it is responsible for independently introducing the measure.