

### ANNEX III

- (1) Part II of Annex I to Directive (EU) 2016/97 is amended as follows: point (a) is replaced by the following:
  - ‘(a) minimum necessary knowledge of the key characteristics, risks and features of insurance-based investment products, including terms and conditions and net premiums and, where applicable, guaranteed and non-guaranteed benefits as well as the financial risks borne by policyholders and any general tax implications to be incurred by the client;’;
- (2) the following point (aa) is inserted:
  - ‘(aa) minimum necessary knowledge of the total costs and charges to be incurred by the client in the context of the type of insurance-based investment product being offered or recommended and the costs related to the provision of the advice and any other related services being provided;’;
- (3) point (c) is replaced by the following:
  - ‘(c) minimum necessary financial competency, including:
    - (i) understanding how financial markets function and how they affect the value and pricing of financial instruments offered or recommended to clients;
    - (ii) understanding the impact of macro-economic developments, national/regional/global events on financial markets and on the value of financial instruments being offered or recommended to clients;
    - (iii) understanding of the difference between past performance and future performance scenarios as well as the limits of forecasting;
    - (iv) understanding of specific market structures for the type of financial instruments offered or recommended to clients;
    - (v) understanding of the valuation principles for the type of financial instruments offered or recommended to clients;’;
- (4) the following points (fa) and (fb) are inserted:
  - ‘(fa) minimum necessary knowledge to assess data relevant to the insurance-based investment products offered or recommended to clients such as key information documents, prospectuses, financial statements, or financial data;
  - (fb) minimum necessary knowledge of the general implications of the main elements of the financial regulatory framework;’;
- (5) point (i) is replaced by the following:
  - ‘(i) minimum necessary knowledge of assessing customer needs, including understanding of how the type of insurance-based investment product provided by the firm may not be suitable for the client, having assessed the relevant information provided by the client against changes that have occurred since the relevant information was gathered;’;
- (6) the following point (ia) is inserted:
  - ‘(ia) understanding the concept of sustainable investment and how to consider and integrate sustainability factors and customer’s sustainability preferences into the advisory processes;’

(7) point (l) is deleted.