

## **ANNEX II**

### **‘Annex V**

#### **Minimum professional knowledge and competence requirements**

(as referred to in Article 24d(2))

- (a) understand the key characteristics, risks and features of the financial instruments being offered or recommended, including any general tax implications to be incurred by the client in the context of transactions;
- (b) understand the total costs and charges to be incurred by the client in the context of the type of investment product being offered or recommended and the costs related to the provision of the advice and any other related services being provided;
- (c) understand how the type of 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;
- (d) understand how financial markets function and how they affect the value and pricing of financial instruments offered or recommended to clients;
- (e) understand 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;
- (f) understand the difference between past performance and future performance scenarios as well as the limits of forecasting;
- (g) understand the general implications of the main elements of the financial regulatory framework;
- (h) assess data relevant to financial instruments offered or recommended to clients such as key information documents, prospectuses, financial statements, or financial data;
- (i) understand specific market structures for the type of financial instruments offered or recommended to clients;
- (j) understand the valuation principles for the type of financial instruments offered or recommended to clients;
- (k) understand the fundamentals of managing a portfolio, including being able to understand the implications of diversification regarding individual investment alternatives;
- (l) understand the concept of sustainable investment and how to consider and integrate sustainability factors and client’s sustainability preferences into the advisory processes.’