



EUROPEAN MiFID TEMPLATE (EMT) GUIDELINES TO ASSESS THE POTENTIAL TARGET MARKET OF CERTIFICATES AND INVESTMENT PRODUCTS

The following document aims to provide useful guidelines to identify the potential Target Market of certificates and investment products.

Any information herein contained represents the view of ACEPI only and, in any circumstances, it does not constitute binding indication for manufacturers and distributors of certificates and investment products.

The following document is not intended to alter, under any circumstances, the meaning of the relevant regulation and, from time to time, it may be subject to further revisions and amendments by ACEPI.



INTRODUCTION

The MiFID II directive (2014/65/UE) and its relevant implementing acts set a broad and complex regulatory framework of Product Governance, which rules tight obligations for manufacturers and distributors.

Such regulatory framework, ruled by a specific section of the Italian Financial intermediation decree, aims to protect investors during the whole life-cycle of the financial instrument and to avoid different approaches by different European countries, in particular with reference to the assessment of Target Market.

On this purpose, several manufacturers, distributors and category associations (representative of different institutional stakeholders directly affected by Product Governance regulation) established a European Working Group (EWG) to produce a common European MiFID Template (EMT), with the goal to standardize information and facilitate data exchange between different stakeholders.

The EMT section on Target Market was developed according to MiFID II provision, delegated directive 2017/593/UE and ESMA guidelines on Product Governance issued last June 2017. In accordance with the latter, five main sections were introduced plus an additional one covering the distribution strategy. EMT covers as well an introductory section on general financial information on the financial instrument as well as two more sections dedicated to costs and charges ex-ante and ex-post.

The following ACEPI document is mainly focused on the following six sections (out of nine) of the Target Market:

- Section II: Investor type;
- Section III: Knowledge and/or experience;
- Section IV: Ability to bear losses;
- Section V: Risk tolerance;
- Section VI: Objectives and needs;
- Section VII: Distribution strategy.

For each of the aforementioned sections, the Target Market is assessed against the five ACEPI product categories (in accordance with ACEPI institutional product map):

- Leverage products;
- Products without capital protection;
- Products with capital protection;
- Products with partial capital protection (including products with a capital protection level above 65%);
- Products with conditional capital protection.

Furthermore, given the significant differences in terms of payout and financial structure, the category of Leverage products was further divided into four sub-categories: Turbo, Covered Warrant, Constant Leverage and Mini Future. For each of these sub-categories a Target Market was then assessed.

Differently from the Leverage products category, the remaining four ACEPI categories do not contemplate any sub-category or type (to reflect different products such as Bonus, Bonus Cap, Cash Collect, Airbag, Equity Protection, Express). Therefore, any information provided in each Target Market section relates to the whole category. However, it must be highlighted that, within each category, certain products may embed specific financial features such that a different Target Market may be required (compared to the general Target Market assessed for the whole category).

In addition to the six aforementioned Target Market sections, a summary of Section I - General Financial Instrument Information - is provided and covers definitions and codifications for key data fields.

The remaining two Sections of the Target Market (Section VIII - Costs and Charges ex ante; Section IX - Costs and Charges ex post), which focus on costs and charges of the financial instruments during the whole investment life cycle, are not covered by this document, given different view and interpretation between stakeholders at European level.

SECTION I – GENERAL FINANCIAL INSTRUMENT INFORMATION

The first section, composed by ten data fields, provides general information useful to identify uniquely the relevant financial instrument. Next to each Data field, the table highlights whether the field is Mandatory (M), Optional (O), Conditional (C) or Indicative (I).

Num.	Data		Definition	Codification
1	00010 Financial Instrument Identifying Data	M	Identification of the financial instrument	Use the following priority: - ISO 6166 code of ISIN when available - Other recognised codes (e.g.: CUSIP, Bloomberg Ticker, Reuters RIC) - Code attributed by the undertaking, when the options above are not available. Code must be unique and kept consistent over time.
2	00020 Type Of Identification Code For The Financial Instrument	M	Codification chosen to identify the financial instrument	One of the options in the following closed list to be used: 1 - ISO 6166 for ISIN code 2 - CUSIP (The Committee on Uniform Securities Identification Procedures number assigned by the CUSIP Service Bureau for U.S. and Canadian companies) 3 - SEDOL (Stock Exchange Daily Official List for the London Stock Exchange) 4 – WKN (Wertpapier Kenn-Nummer, the alphanumeric German identification number) 5 - Bloomberg Ticker (Bloomberg letters code that identify a company's securities) 6 - BBGID (The Bloomberg Global ID) 7 - Reuters RIC (Reuters instrument code) 8 – FIGI (Financial Instrument Global Identifier) 9 - Other code by members of the Association of National Numbering Agencies 99 - Code attributed by the undertaking
3	00030 Financial Instrument Name	M	Name of the financial instrument	Alphanumeric (max 255)
4	00040 Financial Instrument Currency	M	Denomination currency of the financial instrument	Code ISO 4217
5	00050 Reporting Date	M	Date to which the data refer	YYYY-MM-DD ISO 8601
6	00060 Financial Instrument Legal Structure	M	Structured Securities or Structured Funds or UCITS or Non UCITS	S or SP or U or N
7	00070 Financial Instrument Issuer Name	M	Name of Issuer of the financial instrument. The one who is responsible for the financial instrument management/issuance	Alphanumeric
8	00080 Financial Instrument Guarantor Name	O	Name of Guarantor of the financial instrument.	Alphanumeric
9	00090 Product Category or Nature	O	Designation of the respective product category or nature	Alphanumeric or code
10	00100 Leveraged Financial Instrument or Contingent Liability Instrument	O	Leveraged Financial Instrument or Contingent Liability Instrument	Y / N



SECTION II – INVESTOR TYPE

This section provides specific information on the suitability of financial instrument for three different types of investors (Retail, Professional and Eligible), in accordance with the guidelines set forth by ESMA.

All fields are mandatory (as denoted by M in the row below each Data field).

For each Investor type it is assessed the suitability of the five ACEPI product categories (as mentioned in the introduction): Leverage products (four sub-categories), Products without capital protection, Products with capital protection, Products with partial capital protection and Products with conditional capital protection.

Num.	11	12	13
Data	01010 Investor Type Retail	01020 Investor Type Professional	01030 Investor Type Eligible Counterparty
Codification	M	M	M
	Y / N / Neutral	Y/ N /Neutral / P (professional per se) E (professional Elective) B (Both)	Y / N / Neutral
Leverage products			
Turbo	Y	Y	Y
Covered Warrant	Y	Y	Y
Constant Leverage	Y	Y	Y
Mini Futures	Y	Y	Y
Products without capital protection			
Benchmark (standard indices)	Y	Y	Y
Products with capital protection	Y	Y	Y
Products with partial capital protection (Protection level > 65%)	Y	Y	Y
Products with conditional capital protection	Y	Y	Y



SECTION III – KNOWLEDGE AND/OR EXPERIENCE

This section provides information on the knowledge level and/or experience on relevant financial instruments gained by investors. On this basis, the following three main investor categories are introduced (plus an additional one labelled “Expert Investor Germany”, specific for German market only):

- **Basic investor:** basic knowledge of relevant financial instruments and no financial industry experience (a basic investor can make an informed investment decision based on the regulated and authorised offering documentation or with the help of basic information provided by points of sale);
- **Informed investor:** average knowledge of relevant financial instruments and/or some financial industry experience (an informed investor can make an informed investment decision based on the regulated and authorised offering documentation, together with knowledge and understanding of the specific factors/risks highlighted);
- **Advanced investor:** good knowledge of relevant financial instruments and experience on financial transactions or support provided by professional investment advisors.

All fields are mandatory (as denoted by M in the row below each Data field) with the only exception of field no. 17 (related to the German market).

For each Investor category it is assessed the suitability of the five ACEPI product categories (as mentioned in the introduction): Leverage products (four sub-categories), Products without capital protection, Products with capital protection, Products with partial capital protection and Products with conditional capital protection.

Num.	14	15	16	17
Data	02010 Basic Investor	02020 Informed Investor	02030 Advanced Investor	02040 Expert Investor Germany
Codification	M	M	M	O
	Y / N / Neutral	Y / N / Neutral	Y / N / Neutral	Y / N / Neutral
Leverage products				
Turbo	N	Neutral	Y	-
Covered Warrant	N	Neutral	Y	-
Constant Leverage	N	Neutral	Y	-
Mini Futures	N	Neutral	Y	-
Products without capital protection				
Benchmark (standard indices)	Y	Y	Y	-
Products with capital protection	Y	Y	Y	-
Products with partial capital protection (Protection level > 65%)	Neutral	Y	Y	-
Products with conditional capital protection	Neutral	Y	Y	-



SECTION IV – ABILITY TO BEAR LOSSES

This section provides information on the suitability of the relevant financial instrument from the perspective of a potential investor's risk profile (more specifically it provides information on the investor's ability to bear losses). The following four risk profiles are identified:

- **No capital loss:** investor can bear no capital losses but some minor ones specifically related to costs.
- **Limited capital loss:** investor aims to preserve capital and can bear partial capital losses. An optional risk profile (labelled "Limited Capital Loss Level") sets specific level of capital loss borne by the investor.
- **No capital guarantee:** no capital protection or guarantee is provided. The full capital is at risk.
- **Loss beyond capital:** investor can bear losses even beyond the capital (it does not necessarily mean that the financial instrument payoff may envisage losses beyond the capital).

All fields are mandatory (as denoted by M in the row below each Data field) with the only exception of field no. 20 (related to the Limited Capital Loss Level).

The suitability of each risk profile is assessed against the five ACEPI product categories (as mentioned in the introduction): Leverage products (four sub-categories), Products without capital protection, Products with capital protection, Products with partial capital protection and Products with conditional capital protection.

Num.	18	19	20	21	22
Data	03010 No Capital Loss	03020 Limited Capital Loss	03030 Limited Capital Loss Level	03040 No Capital Guarantee	03050 Loss Beyond Capital
Codification	M	M	O	M	M
	Y / N / Neutral	Y / N / Neutral	Floating decimal	Y / N / Neutral	Y / N / Neutral
Leverage products					
Turbo	N	N	-	Y	Y
Covered Warrant	N	N	-	Y	Y
Constant Leverage	N	N	-	Y	Y
Mini Futures	N	N	-	Y	Y
Products without capital protection					
Benchmark (standard indices)	Neutral	Neutral	-	Y	Y
Products with capital protection	Y	Y	-	Y	Y
Products with partial capital protection (Protection level > 65%)	Neutral	Y	-	Y	Y
Products with conditional capital protection	Neutral	Neutral	-	Y	Y

SECTION V – RISK TOLERANCE

This section provides information on the risk profile of the financial instruments by introducing five categories of risk tolerance (three conditional and two optional ones for the German and Spanish markets).

In relation to those certificates and investment products classified as PRIIPS, it must be filed only the data field no. 23 (labelled “**Risk Tolerance PRIIPS Methodology**”), which should report the SRI information excerpted from the relevant KID.

The SRI is provided for each of the five ACEPI product categories (as mentioned in the introduction): Leverage products (four sub-categories), Products without capital protection, Products with capital protection, Products with partial capital protection and Products with conditional capital protection.

Num.	23	24	25	26	27
Data	04010 Risk Tolerance PRIIPS Methodology	04020 Risk Tolerance UCITS Methodology	04030 Risk Tolerance Internal Methodology For Non PRIIPS and Non UCITS	04040 Risk Tolerance For Non PRIIPS and Non UCITS Spain	04050 Not For Investors With The Lowest Risk Tolerance Germany
Codification	C	C	C	O	O
	1 – 7 or empty	1 - 7 or empty	(L or M or H) or empty	1 - 6 or empty	Y / Neutral
Leverage products					
Turbo	SRI from KID	-	-	-	-
Covered Warrant	SRI from KID	-	-	-	-
Constant Leverage	SRI from KID	-	-	-	-
Mini Futures	SRI from KID	-	-	-	-
Products without capital protection					
Benchmark (standard indices)	SRI from KID	-	-	-	-
Products with capital protection	SRI from KID	-	-	-	-
Products with partial capital protection (Protection level > 65%)	SRI from KID	-	-	-	-
Products with conditional capital protection	SRI from KID	-	-	-	-



SECTION VI – CLIENT OBJECTIVES AND NEEDS

This section provides generic and specific information on financial objectives and needs of the investor. The first seven data fields help identifying the expected return profile of the investor: Preservation, Growth, Income, Hedging, Option or Leveraged, Other and the optional field introduced for the German market (labelled “Pension Scheme”).

The three subsequent data fields provide information on the instrument maturity such as Time Horizon, Maturity Date and early termination feature. With specific reference to data field no. 35 (“**Time Horizon**”), it must be filed either with the Minimum Recommended Holding Period MRHP (when provided in the offering documentation) or alternatively with the following selection: V (under 1 year), S (under 3 years), M (under 5 years), L (over 5 years) or suitable for any time horizon (Neutral).

The last data field refers to specific investment needs fulfilled by the financial instrument: G (green investments), E (Ethical), I (Islamic banking), S (ESG) or O (others).

The information is provided for each of the five ACEPI product categories (as mentioned in the introduction): Leverage products (four sub-categories), Products without capital protection, Products with capital protection, Products with partial capital protection and Products with conditional capital protection.

Num.	28	29	30	31	32	33	34	35	36	37	38
Data	05010 Return Profile Preservation	05020 Return Profile Growth	05030 Return Profile Income	05040 Return Profile Hedging	05050 Option or Leveraged Return Profile	05060 Return Profile Other	05070 Return Profile Pension Scheme Germany	05080 Time Horizon	05090 Maturity Date	05100 May Be Terminated Early	05110 Specific Investment Need
Codification	M	M	M	M	M	M	O	M	C	O	I
	Y / N / Neutral	Y / N / Neutral	Y / N / Neutral	Y / N / Neutral	Y / N / Neutral	Y / Neutral	Y / N / Neutral	MRHP O V, S, M, L or Neutral	YYYY-MM- DD ISO 8601	Y / N / Neutral	Y / N / G / E / I / S / O
Leverage products											
Turbo	N	Neutral	Neutral	Y	Y	Neutral	-	1 day			-
Covered Warrant	N	Neutral	Neutral	Y	Y	Neutral	-	At expiry			-
Constant Leverage	N	Neutral	Neutral	Y	Y	Neutral	-	1 day			-
Mini Futures	N	Neutral	Neutral	Y	Y	Neutral	-	1 day			-
Products without capital protection											
Benchmark (standard indices)	Neutral	Y	Neutral	Neutral	Neutral	Neutral	-	Neutral			-
Products with capital protection	Y	Y	Y	Neutral	Neutral	Neutral	-	At expiry			-
Products with partial capital protection (Protection level > 65%)	Y	Y	Y	Neutral	Neutral	Neutral	-	At expiry			-
Products with conditional capital protection	Neutral	Y	Y	Neutral	Neutral	Neutral	-	At expiry			-

SECTION VII – DISTRIBUTION STRATEGY

This section provides information on the type of distribution channel envisaged for the financial instrument in relation to different type of investors. Four different distribution strategies are then identified: Execution Only (no appropriateness test), Execution With Appropriateness Test or Non Advised Services, Investment Advice and Portfolio Management.

All fields are indicative (as denoted by I in the row below each Data field).

The suitability of each distribution strategy is assessed against the five ACEPI product categories (as mentioned in the introduction): Leverage products (four sub-categories), Products without capital protection, Products with capital protection, Products with partial capital protection and Products with conditional capital protection.

Num.	39	40	41	42
Data	06010 Execution Only	06020 Execution With Appropriateness Test Or Non Advised Services	06030 Investment Advice	06040 Portfolio Management
Codification	I	I	I	I
	R (Retail) P (Professional) B (Both) N (Neither)	R (Retail) P (Professional) B (Both) N (Neither)	R (Retail) P (Professional) B (Both) N (Neither)	R (Retail) P (Professional) B (Both) N (Neither)
Leverage products				
Turbo	N	B	B	B
Covered Warrant	N	B	B	B
Constant Leverage	N	B	B	B
Mini Futures	N	B	B	B
Products without capital protection				
Benchmark (standard indices)	N	B	B	B
Products with capital protection	N	B	B	B
Products with partial capital protection (Protection level > 65%)	N	B	B	B
Products with conditional capital protection	N	B	B	B