



## Learning Goals DSI/ESMA

### Institutional Investment Advisor

#### **Guideline A**

Firms should ensure that staff giving investment advice have the necessary knowledge and competence to understand the key characteristics, risk and features of the investment products being offered or recommended, including any general tax implications to be incurred by the client in the context of transactions. Particular care should be taken when providing advice with respect to products characterised by higher levels of complexity.

#### **Learning goals**

1. The candidate can interpret the specifications of the financial products and instruments, and evaluate the suitability of the financial product and/or instrument to the client's investment mandate based on this interpretation.
2. The candidate can describe the factors that determine the level of complexity of the financial products and instruments.
3. The candidate understands the importance of the strategic allocation, and of modelling the strategic allocation.

#### **Guideline B**

Firms should ensure that staff giving investment advice have the necessary knowledge and competence to 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, as well as the costs related to the provision of the advice and any other related services being provided.

#### **Learning goals**

1. The candidate can explain the comprehensive cost structure that the client will be confronted with when investing, with regard to transactions in listed or unlisted financial products and instruments, but also with regard to providing investment services and ancillary services.
2. The candidate is familiar with the common standards for indicating cost burdens, such as the ongoing charges figure and total cost of ownership.
3. The candidate can clearly explain the effect of the costs on the client's investment mandate.
4. The candidate is familiar with the differences between fixed and results-based management fees, and is able to evaluate their suitability with relation to the investment service requested by the client.

#### **Guideline C**

Firms should ensure that staff giving investment advice have the necessary knowledge and competence to fulfil the obligations required by firms in relation the suitability requirements, including the obligations as set out in the Guidelines on certain aspects of the MiFID suitability requirements.



### Learning goals

1. The candidate is able to use the information accumulated to determine that each transaction to which the advice or management pertains is tailored to the client. The transaction must be tailored to the client's investment goals and risk tolerance. Finally, the client must understand which investment risks are inherent in the transaction or portfolio management.
2. The candidate is familiar with the principles and regulations of the client classification as stipulated in MiFID 2, especially those pertaining to the professional investor.
3. The candidate can differentiate between the obligations to inform, to warn, to refuse and to investigate in relation to the duty of care.
4. The candidate is familiar with the obligations arising from the concept of a 'prudent person'.

### Guideline D

Firms should ensure that staff giving investment advice have the necessary knowledge and competence to 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 potential changes that may have occurred since the relevant information was gathered.

### Learning goals

1. The candidate understands the importance of his/her role in the periodic re-evaluation of the investment mandate to address the client's risk tolerance and other relevant circumstances.
2. The candidate is aware of his or her responsibilities in the event that the investment guidelines agreed upon with the client are exceeded or threaten to be exceeded.
3. The candidate is able to choose the risk profile best suited to the client's risk tolerance from among the available choices.
4. The candidate is able to evaluate whether a custom-tailored solution is still suitable to the client's risk tolerance.
5. The candidate is able to formulate investment policy for portfolios geared towards short-term returns, as well as for liabilities matching portfolios.

### Guideline E

Firms should ensure that staff giving investment advice have the necessary knowledge and competence to understand how financial markets function and how they affect the value and pricing of investment products offered or recommended to clients

### Learning goals

1. The candidate is aware of the risks and valuation characteristics of the financial products and instruments that are recommended and managed for the most common investment categories, including shares, fixed-income securities, real estate, commodities, derivatives and unlisted investments, such as private equity and hedge funds, as well as for investment funds that invest in these instruments.
2. The candidate is familiar of the most common methods for qualitative and quantitative analysis, and can explain how they are used to arrive at a



valuation of financial products and instruments, as well as a justified estimate of the expected total return.

3. The candidate is aware of the most important elements of behavioural finance, and understands that both the manager and the client are subject to selective observation in their assessment of returns versus risk in investments, and that decisions may not be entirely rational as a result.

### **Guideline F**

Firms should ensure that staff giving investment advice have the necessary knowledge and competence to understand the impact of economic figures and of national/regional/global events on markets and on the value of investment products being offered or recommended to clients.

#### **Learning goals**

1. The candidate can explain the influence of economic data and (geo)political events on financial markets.
2. The candidate can explain the influence of changes in the investment climate on the value of the financial products and instruments utilised, both at the moment that the events occur, as well as in subsequent reports.

### **Guideline G**

Firms should ensure that staff giving investment advice have the necessary knowledge and competence to understand the difference between past performance and future performance scenarios, as well as the limits of predictive forecasting.

#### **Learning goals**

1. The candidate is familiar with the various methods for measuring results, as well as the risk/return parameters for these methods prescribed by DNB.
2. The candidate is familiar with the concepts relevant for the absolute and relative performance and for illustrating the attribution, such as Sharpe ratio, tracking error, and information ratio.
3. The candidate is familiar with the concepts relevant to the application of downside risk measurement.
4. The candidate can explain the difference between performance targets and results using the performance and attribution indicators.
5. The candidate can explain outperformance and underperformance in relation to the actual market circumstances and in relation to the selected regional and sector investment mix, the selected investment products and the chosen management style.
6. The candidate can explain the periodic investment reports drawn up by the organisation or by external managers.
7. The candidate can use existing reports to assess whether the applicable investment mandate is threatened, and present his/her assessment to the client.
8. The candidate can explain the scenario analyses applicable to the mandate, in so doing clarifying the model uncertainties pertinent to these prognoses.



### **Guideline H**

Firms should ensure that staff giving investment advice have the necessary knowledge and competence to understand issues relating to market abuse and anti-money laundering.

#### **Learning goals**

1. The candidate is aware of applicable regulations and guidelines pertaining to market abuse and anti-money laundering measures.
2. The candidate is familiar with the procedures to report possible cases of market abuse or money laundering within the organisation, and is familiar with the scope of the sanctions list.
3. The candidate is familiar with the relevance and application of codes of conduct.

### **Guideline I**

Firms should ensure that staff giving investment advice have the necessary knowledge and competence to assess data relevant to the type of investment products offered or recommended to clients such as Key Investor Information Documents, prospectuses, financial statements, or financial data.

#### **Learning goals**

1. The candidate is familiar with the contents of standard documentation representative for the investment products included or admitted in the client's mandate.
2. The candidate can evaluate the documentation presented for its relevance and can interpret internal and external recommendations pertaining to the documentation and explain them to the client.
3. The candidate is familiar with the types of documents that must be shared with the client, which contains information about the specific investment and the market in which they are traded.

### **Guideline J**

Firms should ensure that staff giving investment advice have the necessary knowledge and competence to understand specific market structures for the type of investment products offered or recommended to clients, and where relevant, their trading venues or the existence of any secondary markets.

#### **Learning goals**

1. The candidate is familiar with the order implementation policy of the investment firm in which he/she is employed, pertaining to all financial products and instruments that can be used to compile (bespoke) portfolios, and can clearly communicate this policy to the client.

### **Guideline K**

Firms should ensure that staff giving investment advice have the necessary knowledge and competence to have a basic knowledge of the valuation principles for the type of investment products offered or recommended to clients.



### Learning goals

1. The candidate is familiar with the common valuation principles for the listed and unlisted financial products and instruments offered.
2. The candidate is familiar with the requirements that De Nederlandsche Bank places on reports on investment portfolios and results.

### Guideline L

Firms should ensure that staff giving investment advice have the necessary knowledge and competence to understand the fundamentals of managing a portfolio, including being able to understand the implications of diversification regarding individual investment alternatives.

### Learning goals

1. The candidate is aware of the social context of the pension system and of the supervision of its implementation.
2. The candidate is aware of the serious social and political debate about the pension system.
3. The candidate can describe in a client-oriented manner the investment guidelines upon which an investment mandate can be drawn up, including strategic asset allocation, the degree of active or passive management, the policy for responsible investments, admissible deviations from the policy, the applicable risk standards, the compensation structure, the requirements for performance reporting, and the client's fiscal background.
4. The candidate can apply the concepts of investment style, asset allocation, and currency and interest overlay, in accordance with the basic principles of diversification (CAPM), factor models (Fama French), Liability Driven Investments (LDI), ALM models and value-at-risk.
5. The candidate can explain the following styles and long-term risk/return profiles of portfolio management: core/growth, value added, and opportunistic.
6. The candidate can differentiate between top-down and bottom-up approaches to allocation.
7. The candidate can describe which risks may be inherent in the investment process, including market risk, credit risk, settlement risk, counterparty risk, solvency risk, liquidity risk, reinvestment risk, currency risk, operational risk, inflation risk, political risk and risks resulting from government policy.