



INFORMATION TO THE INDUSTRY ON FIRMS PROVIDING INVESTMENT SERVICES THROUGH TIED AGENTS

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The National Securities Market Commission (CNMV) considers the provision of services by banks and investment firms through tied agents to be of supervisory interest. In addition, this operation can pose a source of risk for these entities when they do not have adequate control procedures.

Therefore, following the changes introduced in the regulations applicable by MiFID II, the CNMV has carried out various supervisory actions. The main objective has been to review the control procedures established by the entities on their agents' activity, both in the recruitment phase and during the execution of their activity, as well as on their training and remuneration.

Such actions have highlighted a number of issues which, in general, have already been resolved by the entities. Nonetheless, such practices should be shared with the sector¹, in order for them to be known and avoided:

1.- Agents remuneration system for

Generally, remuneration is 100% variable. It is for this reason that firms must properly manage the obvious conflicts of interest resulting from this situation to ensure that agents act honestly, impartially and professionally, in accordance with the best interests of clients.

It is worth bearing in mind that entities must include qualitative criteria based on the assessment of agents' compliance with the rules of conduct, so that remuneration is not based exclusively, or to a large extent, on quantitative commercial variables.

In any case, a remuneration scheme in compliance with the principle of neutrality should be adopted, so as not to favour products over others of the same type, not including accelerators, and which significantly incorporates qualitative criteria reflecting compliance with the conduct of business rules, and not only quantitative commercial criteria,.

Based on the supervisory practice acquired in this field, the CNMV recently updated the response to question 5.3 of the MiFID II section regarding the acceptable remuneration practices¹.

2.- Qualification Requirements

¹ You can consult [the following link](#).

The CNMV's supervisory experience shows that the relationship between agents and many of their clients goes beyond mere marketing and often is carried out both under the scope of information and advice. It has been observed cases in which agents do not have the necessary training to be able to inform and provide advice without supervision, or cases in which the number of agents acting under the supervision of a single person is too high. It has been also observed cases in which there were no ongoing training procedures in place to provide agents' regular assessment to ensure that the investment service is provided with the appropriate training and experience.

3.- Investment advice services provided by agents

The CNMV has detected the need to establish in greater detail the criteria and methodologies used by agents when providing investment advice, implementing control systems to verify that they are reasonably in line with the centralised instructions given by the firm. To such effects, it should be recalled that an agent may only provide the service of investment advice to clients of the entity on whose behalf it is acting, in accordance with its procedures and under the full and unconditional responsibility of that entity. In other words, it cannot provide its own advice autonomously.

4.- Control procedures

It is particularly important for entities to implement appropriate and sufficiently thorough control procedures over the network of agents. CNMV's actions have revealed some situations that imply weaknesses in this regard. This would be the case in organisational structures where those responsible for the control functions of the network are not independent from the business units they supervise. There are also cases of agents of credit institutions who are not registered with the Bank of Spain or who do not provide the service on an exclusive basis, as well as agents who fail to consistently state in their relations with clients, either in face-to-face channels or on their websites, that they are agents of the represented entity.

5.- The role of client prescribers or introducers

The existence of the role of the prescriber or introducer of clients has been observed, in several occasions, being individuals who collaborate with the entity and receive remuneration but is not registered as an agent. In such cases, entities have been reminded that marketing investment services and activities, as well as clients acquisition is a reserved activity that can only be carried out by entities authorised to provide investment services or their agents (who may be mere introducers).

The CNMV shall continue to consider the provision of investment services through agents to be of supervisory interest and will take into consideration the aspects included in this communication when reviewing regulatory compliance.