Following the financial crisis of 2008, the need to provide enhanced protection for investors was placed high on the agenda of regulators and policymakers worldwide. In Europe, investors were unprepared for the extent of their losses on long-term investments, raising regulatory concerns as to whether the products themselves had failed and/or the advice around product suitability was deficient. Rebuilding investor confidence is rightfully at the heart of the agenda for European regulators, as evidenced in recent and upcoming legislation.

The European Commission recently published proposals to update the Markets in Financial Instruments Directive (MiFID). The proposals put forward various ideas to address investor protection issues by supplementing the existing regulatory framework in the MiFID as well as directly applicable proposals to be contained in a new regulation known as the Markets in Financial Instruments Regulation (MiFIR). BlackRock supports the objective of the MiFID review. Developing additional appropriate protections is essential for investors to regain confidence in financial markets, as only then will they invest for their future financial security and for the benefit of the real economy.

We believe it is vital that both MiFID and MiFIR, as well as other forthcoming legislation relating to Packaged Retail Investment Products (PRIPs) and updates to the Insurance Mediation Directive (IMD), take a holistic view of the relationships that exist between product providers, distributors, advisers and investors in order to achieve the right balance of protections for investors.

This ViewPoint considers the role that product providers and distributors should play in meeting investors’ needs and rebuilding consumers’ trust and confidence in market practitioners. We recommend specific actions to improve the regulation of product providers and distributors, with the aim of enhancing investor protection. These are set out at the end of Challenge 1 on page 4 (Developing Appropriate Products) and Challenge 2 on page 6 (Distributing Products). The Appendix on page 8 outlines the major regulatory initiatives shaping the investor protection environment.

**Investor Protection: Key Agenda Items for Regulators and the Industry**

**Preserving Investor Choice**

Investors should have the freedom to choose the product, advice model and cost structure which suits them best.

Regulators must be cognizant of preserving choice for investors, as well as maintaining a level playing field for different product providers and advisory models.

► Could the MiFID proposals lead to the adoption of commission-paying closed-architecture models where investors no longer have access to “best-in-class” products?
► Regulators must consider the costs and consequences of changing the business models of advisers and distributors.
► How will investors continue to receive advice in an execution-only service model?
► Will these changes discourage long-term saving?

**Product Governance and Intervention**

Regulators should focus on the governance standards for all providers of PRIPs, how products are designed and monitored during their lifecycle, and how they are marketed and distributed.

**Product Design and Sophistication**

Consumers should continue to be able to invest in a range of products using sophisticated techniques with clear outcomes. Complex strategies (such as the use of derivatives) can deliver favourable results, but they must be explained in a way that is transparent to investors so that they can make informed investment decisions. To that end, disclosure standards on all PRIPs need to be clear and consistent, with a document such as the Key Investor Information Document (KIID) as a minimum requirement.

**Adviser Education**

Financial advisers must be subject to standardised Europe-wide certification and training. This should apply to any individual or entity who advises a consumer on PRIPs.

**Cost Transparency**

Consumers need common standards for the disclosure of the total ownership cost for all PRIPs. This should include transparency from advisers around the cost of advice, whether paid by commission or in the form of fees in a single monetary amount (e.g., €1,000 per year), and regardless of whether or not the adviser is independent.

The opinions expressed are as of December 2011 and may change as subsequent conditions vary.
Background

Much has happened over the past decade to reshape the economic landscape in Europe. The greater sophistication and more complex structure of financial markets, rapid technological developments and the increase in third-party intermediated distribution models have enhanced the opportunities available to investors. In particular, the growth of distribution models that allow bank or insurance company clients to have a choice of financial products issued by other institutions (known as open architecture) has helped promote greater competition in the marketplace and allowed advisers to deliver best-in-class products to investors. Markets have also developed significantly both in the variety of execution venues and the manner in which securities can trade. Electronic order books have matured and systems have become increasingly more efficient and accessible for investors.

At the same time, high levels of government debt are placing unprecedented strain on public budgets, and many countries are accelerating their movement from defined benefit to defined contribution pension plans. This increasingly shifts the burden of pension planning onto savers at a time when their trust in the financial system has been shaken by market downturns, ongoing market volatility and financial scandals.

With investors bearing increasing responsibility for the health of their financial futures, particularly in the retirement years, we believe it is more important than ever that investors have access to the right product solutions and the right advice, with consistent and fair regulatory protection at the very foundation.

Challenge 1: Developing Appropriate Products

The differences in the legal forms of product providers or the types of products made available to investors should not obscure the duties that all product providers owe the end investor. (See sidebar, “A Diverse Set of Investors and Product Providers,” at right.) BlackRock believes product providers can best protect end investors by establishing robust but proportionate governance processes focusing on three key areas of the product’s lifecycle:

1. Design and creation of the product;
2. Marketing the product; and
3. Monitoring the product throughout its lifecycle.

We set out our rationale and recommendations for each of these in more detail below.

Product Design and Creation

The product provider must be able to demonstrate to its investors and to regulators — in advance of a product launch — its ability to manage the planned new offering. This requires asking the right questions upfront about the product:

- Who are the target investors? What are their needs?
- Can the product be manufactured and administered?
- What outcomes does the product aim to provide and can these be delivered?
- What is the most appropriate pricing model for the product?
- What are the investment and operational risks involved?

Answering these questions requires a thorough testing of market conditions, liquidity parameters and risk review through back testing and simulated trading prior to the product launch.

Product intervention in MiFIR should also address the fact that some products, such as UCITS, require pre-approval, whereas others, typically products backed by the providers’ own capital or assets (known as balance sheet products), do not. Currently, regulators can prevent the launch of products that require pre-approval if they do not meet regulatory standards, but they cannot do this for balance sheet products, such as banking and insurance products. Instead, the regulatory focus here has been to ensure that the providers maintain an adequate capital base to meet their obligations.
The majority of complaints\(^1\) made by consumers against financial products typically relate to balance sheet products that do not require regulatory approval before launch. We would argue there must be a focus on improving the quality of all products whether under MiFID or equivalent insurance regulation in order to restore investor confidence. It is in investors’ interests that new legislation ensures a consistently high focus by all product providers on:

► The product launch process, including ongoing dialogue with regulators, especially where a product has new or innovative features, and even where a product does not require a formal pre-approval process.

► Monitoring of product development processes using criteria such as those outlined above.

**Product Marketing**

The end investor should be able to assess products and understand the investment risks as well as any risks attached to the product’s design, such as counterparty or custody risk. Product providers have a duty to provide investors with adequate tools to make this assessment themselves or with the assistance of an appropriate intermediary.

**A Case Study in Product Design**

The debate over future regulation of complex products illustrates the importance of product governance. Complex strategies are typically designed to provide greater protection against market downturns than is possible by traditional long equity funds. This is often accomplished through the use of derivatives to hedge market risk and for investment purposes. Refer to the September 2010 ViewPoint, "The Rise of UCITS III," for information on the use of such strategies.

In looking at derivative usage, it is important to distinguish between the inputs (sophisticated techniques, leverage, use of derivatives for investment purposes) and outcomes (low levels of realised risk, modest correlations to equity markets, low levels of drawdown). The result of these outputs on performance can be seen in measures such as the SRRI figure in the KIID.

The table below compares two funds with different degrees of investment sophistication against the riskiness of each strategy. It shows that no immediate correlation exists between sophistication and risk.

<table>
<thead>
<tr>
<th>Strategy Sophistication</th>
<th>Level of Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Volatility per Annum</td>
</tr>
<tr>
<td><strong>European Equity Long/Short Fund</strong></td>
<td></td>
</tr>
<tr>
<td>Invests in European stocks – long and short – aims to be market neutral</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>European Large Cap Fund</strong></td>
<td></td>
</tr>
<tr>
<td>Buys large European companies</td>
<td>No</td>
</tr>
</tbody>
</table>

Source: BlackRock Risk and Quantitative Analysis.

Product providers work with a variety of sales channels, from internal sales teams to external intermediaries, and must understand the underlying target investor base and use appropriate distribution channels. For example, a product targeted at high net worth individuals typically using advisers needs very different supporting marketing and training material from a product made available on a mass market execution-only platform. Targeted support is required to enable sales and distribution teams to evaluate the suitability of the product for particular client types.

Providers should pay particular attention to more sophisticated PRIIPs when explaining complex outcomes (e.g., for structured UCITS or notes) or complex management techniques (e.g., how derivatives are used to provide an absolute return). Themed reviews by regulators to disseminate best-practice processes in light of marketing and distribution of such complex products are especially useful here.

Meaningful disclosure that enables the end investor to gain access to best-in-class products is key to investor protection. We believe documents such as the KIID, which are designed to allow investors to more easily compare objectives, risk and pricing across a wide range of similar products, should be used

Unfortunately, a fundamental split in the UCITS brand to distinguish between “complex” and “non-complex” UCITS funds would push investors away from products designed to protect them against the worst impacts of market volatility precisely at a time when they need such protection. If barriers are placed on the more innovative strategies within UCITS, investors in UCITS will be denied access to an important asset class that can reduce the impact of market declines, unlike investors in retail AIFs and other retail packaged products.

We recognise that there are real concerns about the appropriateness of some of these products for retail investors. We consider that these concerns should be met by enhanced oversight of the product governance process operated by firms and on the level of disclosure given to investors. Product providers must be able to demonstrate to investors and regulators that they can deliver the proposed outcome as well as manage the risk linked to the input, such as derivative and counterparty oversight. These are core components of the product governance structure and must be verified before each product launch.

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across the industry as the baseline standard for all retail products. We support initiatives such as the regulation of PRIPs that can help achieve a common disclosure standard. (See sidebar, “The KIID: A Leap in the Right Direction.”) Meaningful and consistent transparency around risks, fees and commissions across all retail packaged products can only benefit retail investors. In particular, we would advocate for standardised total ownership cost disclosure for all PRIPs to allow for meaningful transparency across competing products.

Product Monitoring

Ongoing monitoring of a product’s performance, analysis of the investor base and robust risk management are critical to protect end investors. Product providers must be ready to make appropriate changes to products in light of changing market environments. A rigorous independent risk management process should ensure that the product continues to perform in accordance with its risk limits.

The provider should also regularly review its existing range of products to assess whether they remain fit for purpose, that the client type is as predicted, that performance is in line with intended objectives, and that the product is priced appropriately. Product intervention regimes should focus on ensuring that providers meet these standards of ongoing review. Banning products or product types should only be used as a last resort.

Recommended Actions: Developing Appropriate Products

Product Design and Creation

The product intervention powers in MiFIR should concentrate on ensuring product providers have a robust product governance process focused on end investor needs regardless of the provider's legal form covering all packaged investment retail products. Due diligence taken by product providers on product launches should include:

► Identifying the target investor base and distribution channel;
► Assessing investor needs and suitability of new products for investors, particularly the ability to explain to retail investors the use of complex management techniques;
► Using proper risk management, including back-testing, pre-launch simulated trading and liquidity analysis;
► Establishing appropriate internal product development and management governance procedures; and
► Using enhanced derivative oversight and counterparty management for products using complex management strategies.

The KIID: A Leap in the Right Direction

One regulatory concern relating to the sale of UCITS funds that use more complex strategies is that investors do not understand the products they are buying and do not understand unexpected outcomes. We believe the KIID represents a considerable enhancement in the level of investor disclosure for UCITS products. It is designed to give investors – before investment – core product information in concise and non-technical language. The launch of the KIID should allow investors to make a better and more informed assessment of whether a UCITS fund is suitable for them, or whether they need further advice before investing.

We recommend the European Commission and/or the European Securities and Markets Authority (ESMA) conduct an impact assessment on how the launch of the KIID affects investor behaviour. This will ensure any lessons learned from the initial rollout are incorporated in the document template, as the KIID will serve as the standard for disclosure to investors in other retail products in the future.

For further information, refer to the April 2011 ViewPoint “UCITS IV Key Investor Information Document: The Challenge of Providing Clear Product Disclosure.”

New product intervention powers should aim to:

► Ensure that all product providers, not just UCITS managers, institute appropriate product governance processes designed to prevent inappropriate products coming to market.
► Ban or withdraw products using the powers suggested in MiFIR only where there is a failure of supervision and process.
► Avoid breaking up products such as UCITS, which are fundamentally designed for end investors, into complex and non-complex products, as this might deprive investors of products designed to reduce market risk. Instead, regulators should focus on ensuring product providers provide readily understandable product and risk descriptions both in legal documents, such as the newly launched KIID, and marketing literature such as fact sheets.

Product Marketing

Product providers should:

► Prepare supporting materials appropriate for the targeted investor base for their distribution channels;
► Ensure that disclosure documents are designed to be readily understood by end investors and distributors alike.
We recommend legislators:

► Extend the use of KIID-style disclosure across all competing bank, asset management and insurance-packaged products as part of the PRIIPS initiative, with transparency on the total cost of ownership;
► Take account of lessons learned from the rollout of KIID for UCITS.

Product Monitoring
We believe regulators should:

► Ensure product providers perform regular assessments of products to confirm the target market is still appropriate in the light of any market changes;
► Perform continual product review, monitoring for investment performance, assets raised and other aspects;
► Subject all products to an ongoing, disciplined risk management process. This is particularly important to ensure that products with sophisticated strategies continue to deliver their expected outcomes; and
► Clearly communicate to distributors and end investors any changes to the way a product is structured or to its objectives.

Challenge 2: Distributing Products
The current policy debate around the role and responsibility of distributors is multi-faceted and complicated. EU member states each have very different distribution structures, market culture and investor expectations. The current MiFID proposals will lead to an in-depth review of the way in which end investors pay for advice on products they buy. There will be fundamental reform to the way in which investment products are distributed that will radically change business models of many distributors. In the following section, we examine the policy drivers, implications and potential unintended consequences that may arise for the end investor.

The Important Relationship Between Distributor and End Investor
Trust between client and adviser is vital in developing a relationship that benefits the client. Trust requires meaningful transparency on the scope and cost of advice. Disclosure and suitability requirements do exist under the current MiFID rules, but European investors continue to experience different levels of disclosure and service across products, distribution channels and countries.

Setting investor expectations via disclosure. Standards for giving advice — such as assessing a product’s suitability for a particular client or regularly reviewing investment decisions — vary significantly across distribution channels and countries.

BlackRock believes investors must have clarity on the scope of services provided to them. Advisers must explain which products they are entitled and qualified to advise on, whether “whole of market,” restricted to specific sectors or to the products provided by a specific bank or insurance company.

Cost of advice. Currently, advice is often paid by the product provider to the distributor in the form of a commission. This can be either an upfront commission paid out of the initial subscription and/or an ongoing “trail” of commissions. Alternatively, the cost of advice can be met by fees paid directly by the end investor to the adviser. Under the commission-based model, it is not always easy for investors to determine the actual cost of advice. Existing MiFID rules require the disclosure of inducements, but disclosure is often provided as a formula (as commission is determined as a percentage of future net assets) rather than as an easily understood monetary amount (e.g., €1,000 per annum). For that reason, it is difficult for the end investor to appreciate the value of the advice and to relate it to the cost of providing that advice. Consequently, commission-based advice is often seen as a “free” service. Unless investors are convinced of the value of advice, many will perceive a fee-based approach as an additional cost, which they are unwilling to pay. Research undertaken in the UK has concluded that many investors are unwilling to pay for the true cost of advice on an upfront basis. BlackRock believes that, for many retail investors, advice is important to ensure that they make the appropriate investment decisions given the wide variety of financial instruments available.

Benefits of open architecture. A ban on the payment of commissions will create unintended consequences unless it is applied across all adviser types. The MiFID proposals define independent advice as that given following an assessment of a sufficiently large number of financial products diversified by type, issuer or product provider. It follows that advising on a limited range of product types and/or products offered by a limited number of product providers is unlikely to be treated as giving independent advice.

The MiFID proposals have singled out commissions paid to independent financial advisers which operate in an open architecture environment as being particularly detrimental to investors. If commissions to independent financial advisers are banned, many distributors are likely to move to a closed-architecture or tied-advice model where commissions can still be paid. In contrast, the UK Retail Distribution Review (RDR), for example, bans commission across both independent and restricted advice channels. Similar proposals exist in the Netherlands and are under active consideration elsewhere.

It is important in this context to recognise that open-architecture models encourage competition between product providers and have contributed significantly to the growth of the cross-border...
delivery of financial service. They tend to offer greater investment choice and challenge incumbents on price. In contrast, closed-architecture models have the advantage of offering a simplified range of products.

BlackRock would also challenge the perception that commissions paid to distributors who operate in an open-architecture environment are particularly detrimental to investors. In our experience, most distributors operate "institutional" due diligence standards to determine which third-party products to make available to their clients. Selection criteria include investment style, investment performance and consistency, risk management, brand, quality of product information and training. Our experience is that commission levels are not a determining factor in either the initial product selection or in the volume of sales achieved. Rather, distributors focus on product performance and the quality of support.

**An Alternative Investor Protection Agenda**

In considering some of the assumptions behind the MiFID proposals, we believe it is important to explore alternatives for meeting the important aim of enhancing investor protection.

**Changing investors’ habits.** Most retail investors are best served by the provision of high-quality, tailored, affordable advice. Commission payments — because they are structured as a percentage of assets under management — create a subsidy paid by those investing large amounts to those investing smaller amounts. The prohibition of commissions will eliminate this subsidy. As stated above, many fear that most ordinary retail investors will be unwilling or unable to pay an up-front fee for this advice. If investors are unable to procure cost-effective advice, they may move towards execution-only solutions. Execution-only platforms tend to focus on specific product types rather than provide "whole of market" solutions. Banning commissions may, therefore, result in some retail investors adopting "do-it-yourself" investing and making inappropriate investment decisions.

**Guided or simplified advice.** Simplified and/or more generic advice might form an alternative to the full service advice model for some retail clients. Such advice might be appropriate for investors wishing to invest small amounts in the simplest of products with near-cash returns. Product providers and distributors should be involved in the construction of any simplified advice or guidance models, but investors would be best served by a solution that comes with the approval of regulators and consumer organisations. This would avoid concerns that these models are biased towards a particular product provider or product type.

**Execution-only business.** Execution-only platforms are useful for investors who do not want or need to take advice. While most investors require some form of advice even if in the form of simplified guidance, other more sophisticated investors may wish to take advice from a variety of sources and deal directly with a product provider or through execution-only venues.

**Consistent adviser training.** Notably, training and qualification requirements of advisers differ across Europe. We believe the MiFID proposals should require standards for financial advisers to be brought to a consistently high level by assessing appropriate national and international qualifications for equivalence and setting a minimum standard that should be attained. It is important to recognise that these additional training requirements cannot be achieved overnight, but advisers should be given clear goals as to the standards they must reach.

**Fees.** Banning monetary inducements does not address all the complexities of the distributor market, where deals are often routed through dealing or administrative platforms that provide the benefits of consolidated reporting and settlement. The cost of these services that provide administrative advantages to distributors and product providers is currently bundled within commission payments paid by product providers. We recommend that platforms should be able to be paid separately for the administrative services they supply by product providers rather than by end investors.

**Consistency across product types.** The success of future PRIPs regime requires change to be applied across all products sold to retail investors. If not, any ban on monetary inducements will incentivise advisers to recommend that their customers switch from their existing UCITS funds to insurance or banking products. This is because it is currently assumed that commissions will continue to be payable where the investor has irrevocably committed himself (prior to the implementation date) and a contract is in place. Such arrangements are more common in the insurance and banking sector, where the relationship between the retail investor and product provider is one of contract.

**Recommended Actions: Distributing Products**

**Promoting Quality Advice**

Legislative proposals should place investors at the centre of enhancements to the distribution model by ensuring they have access to quality advice, whether provided across all retail packaged investment products or on a more restricted sector of the market. Achieving quality advice will require regulators to:

- Promote the development of well-qualified professional advisers to act as long-term partners for investors, giving advice on long-term financial planning. There is a need for a standardised Europe-wide certification and training for financial advisers (i.e., for anyone who advises a consumer of packaged retail investment products).
- Ensure investors receive full and complete disclosure of services. Investors must receive a clear statement of what the adviser is qualified to advise on, describing the differences between independent advice and restricted or tied advice and clearly stating the scope and frequency of services to be provided.
Promoting Access to Investment Advice

Legislative proposals should:

► Ensure retail investors receive meaningful disclosure of the cost of advice, rather than immediately banning inducements. We suggest investors be given the cost of advice as a clear monetary amount (e.g., €1,000 per annum), regardless of whether it is commission- or fee-based. The costs should be provided on a regular basis (at least annually);

► Include changes to adviser remuneration across all channels, without restriction to one single channel such as independent financial advisers advising across product ranges. To do so would reverse the competitive benefits that open-architecture has brought in terms of product and price competition;

► Ensure commission payments are not phased out until measures such as guided or simplified advice have been put in place to mitigate concerns that the majority of retail investors will find the cost of advice unaffordable.

Consistency Across Product Type and Provider

Legislative proposals should:

► Ensure that retail investors receive the same level of disclosure regardless of the products in which they invest, particularly as related to the total cost of ownership. A consistent approach must be adopted by all product providers and distributors to restore investor confidence;

► Promote investor choice and access to best-in-class products by applying changes across all channels, including independent advisers, closed-architecture banking model, and other intermediated models, allowing models to compete with one another on an equal footing to the investor’s benefit;

► Avoid reducing investor choice to restricted distribution models, as this will lead to less competition in the market and reduce the likelihood that investors will target the most appropriate products.

Conclusion

BlackRock fully supports the promotion of investor protection. Regulators, legislators and the industry must continue to work together to establish a suitable and clear regulatory framework to accommodate investors’ changing needs. Measures should be applied to all financial market participants dealing with investors. No single distribution channel or product type should be singled out at the expense of others. At the same time, a “one-size-fits-all” model that does not take account of different investor types and distribution models is more likely to lead to adverse unintended consequences. The challenge is to preserve investor choice and a cost benefit approach, while also accommodating diversity and providing a consistently high standard of regulatory protection across the board. In the process, the value of advice cannot be underestimated and, we believe, the system should take steps to ensure that suitable products and advice are readily available to those who need them.

For additional reading on current EU legislative regulation and proposals, refer to the February 2011 ViewPoint, "Regulatory Developments in Europe: An Overview and Analysis.”

About BlackRock

BlackRock is one of the world’s preeminent asset management firms and a premier provider of global investment management, risk management and advisory services to institutional and retail clients around the world. As of 30 September 2011, BlackRock’s assets under management totaled €2.46 trillion across equity, fixed income, cash management, alternative investment and multi-asset and advisory strategies including the industry-leading iShares® exchange traded funds. Through BlackRock Solutions®, the firm offers risk management, strategic advisory and enterprise investment system services to a broad base of clients with portfolios totaling more than €7.35 trillion.

Our client base includes corporate, public, multi-employer pension plans, insurance companies, third-party and mutual funds, endowments, foundations, charities, corporations, official institutions, banks and individuals. BlackRock supports regulatory reform globally where it increases transparency, protects investors, facilitates responsible growth of capital markets and, based on thorough cost-benefit analyses, preserves consumer choice.
Appendix: Key European Initiatives

Key Investor Information Document (KIID): The launch of the KIID set out in the fourth update to the UCITS Directive is an important step towards achieving meaningful transparency for investors. It aims to provide a consistent framework for disclosure across products and should act as the benchmark for disclosure standards for all other retail products. In particular, the KIID includes a requirement to include a simple risk gauge from 1 (low) to 7 (high) called the Synthetic Risk and Return Indicator (SRRI).

Packaged Retail Investment Products (PRIPs): Another upcoming EU-wide legislative priority to regulate PRIPs is expected to establish a level playing field across all retail products by providing clear, simple investment information to investors and harmonising their distribution.

Undertakings for Collective Investment in Transferable Securities (UCITS): The European Securities and Markets Authority (ESMA) is currently investigating the regulatory framework of structured UCITS and exchange-traded funds and the appropriateness of these and other complex funds for retail investors.

Markets in Financial Investments Directive & Regulation (MiFID and MiFIR, respectively): The European Commission’s revised proposals for the review of the MiFID, known as MiFID and MiFIR (or the MiFID Review), were published on 20 October 2011 after an initial public consultation in November 2010. The MiFID Review is important for all investors, as it seeks to balance investor protection with market developments, liquidity creation and innovation. The MiFID Review proposals put forward a number of ideas concerning investor protection to the existing Directive as well as directly applicable proposals to be contained in a new Regulation known as MiFIR.

Retail Distribution Review (RDR): An initiative in the UK to reorganise the fee structures between investment managers and their distributors are also in progress in parallel with EU-wide initiatives.

Alternative Investment Fund Managers Directive (AIFMD): A new directive that governs the management and marketing of all non-UCITS (referred to as Alternative Investment Funds or AIFs) within the EU. While marketing of AIFs is generally restricted to professional investors, the legislation allows member states to permit certain types of AIF to be marketed to retail investors in their jurisdiction.