

The below replaces Schedule 1 to the draft ICMA paper dated 21 December 2017 entitled "[The MiFID II product governance \(PG\) and Packaged retail investment and insurance products Regulation \(PRIIPs\) regimes - January 2018: An approach for the Eurobond markets](#)", also known as "ICMA 1". Schedule 4 (PG/PRIIPs Regulation legends) continues to apply, subject to the amendments already set out in the [ICMA Primary Market Handbook](#) to deal with other developments, such as the Insurance Distribution Directive and Brexit.

Professional investors target market assessment²¹

Professional investors are appropriate target investors for all bond types. This is because they are knowledgeable and experienced with sophisticated (and often confidential) investment strategies, consequently seeking unhindered access to the full range of bond market products and more specifically because of the factors set out below.

Target market assessment using ESMA categories²²

Category	Rationale
The type of clients to whom the product is targeted:	Professional investors form a single category of investors that should (because of compliance with the other factors below) be able to invest freely in the full range of bond investments.
Knowledge and experience:	Professional investors have sufficient knowledge and experience of bonds to understand their nature, including any of the following key factors: risk factors; charging structure; optionality elements; financial leverage; eligibility to bail-in; subordination; observability of the underlying; guarantees of principal repayment or capital protection; liquidity; and the currency denomination.
Financial situation with a focus on the ability to bear losses:	Professional investors possess the experience, knowledge and expertise to properly assess the risks that they incur, including the risk of loss associated with bonds (they do not, as transferable securities, involve additional payment obligations that might exceed the amount invested - though such amount itself might be subject to loss in its entirety). Because of their experience, knowledge and expertise, they are also better able to avoid, manage or bear, the risk of total or partial loss of capital invested.
Risk tolerance and compatibility of the risk/reward profile:	Professional investors have a sufficient understanding of the risk/reward profile associated with bonds and sufficient ability to make an appropriate assessment of the associated risks in investing in them (generally and specifically).
Clients' objectives and needs:	Professional investors have carefully considered and developed investment objectives (which may have multiple elements and strands, including sustainability related objectives if relevant, and which may vary from time to time) as well as a sufficient ability to determine their own bond investment objectives and the role of individual bonds within them; they also have a sufficient understanding of all specifications of an investment in bonds, including the expected

	investment horizon/recommended holding period, and how such an investment would fit within their needs and expectations. Professional investors can review the information available through mandatory and market-standard disclosures and otherwise generally available, which, if relevant, will contain information on environmental, social or governance criteria.
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In light of the above, all channels for distribution of the bonds to eligible counterparties and professional clients are appropriate.

21 Manufacturers may wish to consider this target market assessment for use in their internal product governance procedures.

22 See ESMA's 2022 [Consultation Paper: Review of the Guidelines on MiFID II product governance requirements](#) (#19 on p.27).