

# ***MiFID II and MiFIR***

## *A new regime and a game changer for the financial services industry*

June 2015



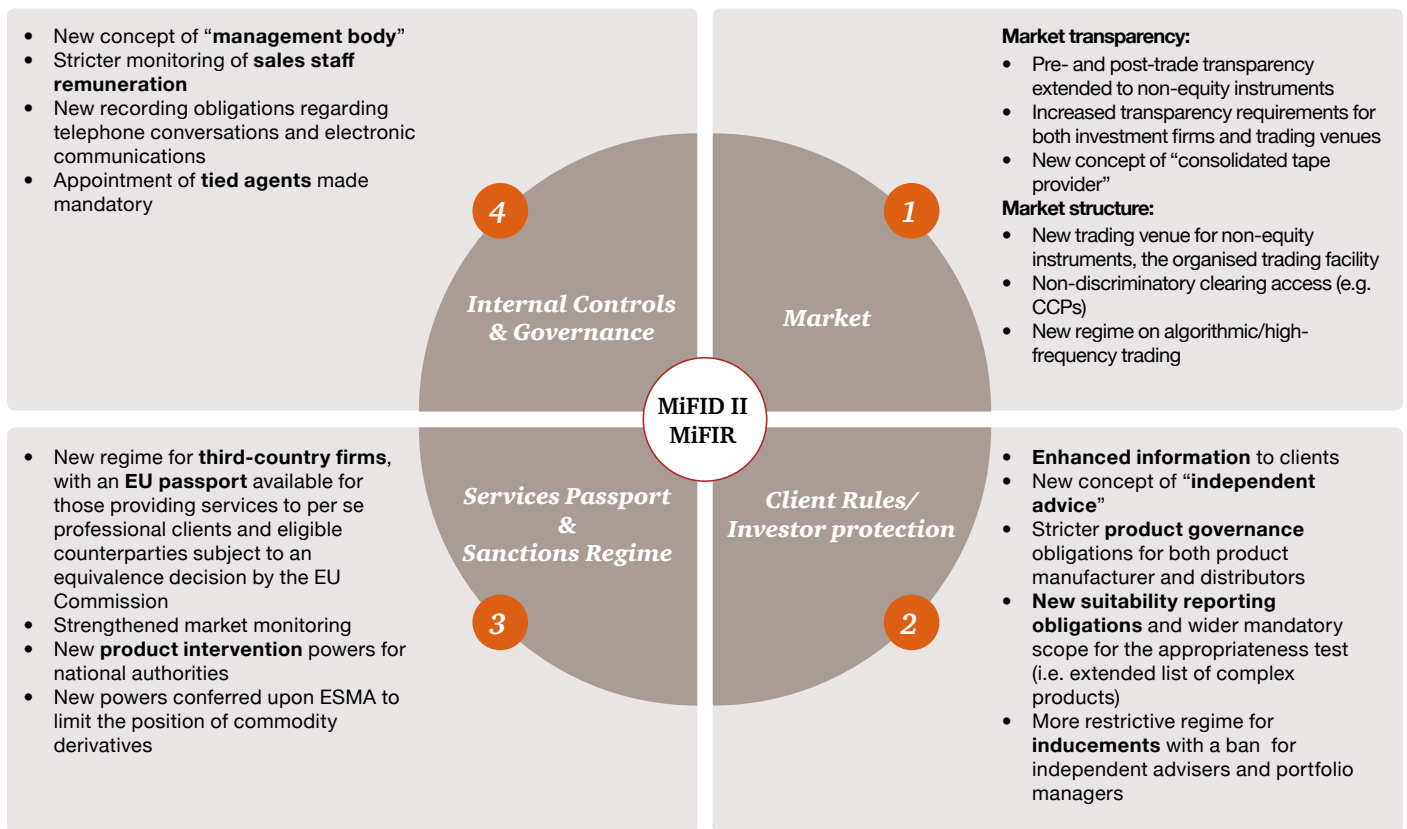
*Following the global financial crisis, the European Commission (Commission) decided to review the MiFID framework. The resulting revised Markets in Financial Instruments regime (MiFID II/ MiFIR) will entail challenges and potentially change the business models for the entirety of financial institutions and financial product manufacturers operating or distributing in the EU.*

*With over two years to prepare and many details still not in place, the temptation is to wait. However, market players should already start to get an understanding of the MiFID II/MiFIR regulatory framework and timeline as well as the impacts of the new regulation on their business. Only then can they make sure they're ready for the new regime.*

*MiFID II/MiFIR should be put into context with the other key regulatory changes in the European Union, focussing on investor protection (e.g. Market Abuse Directive), market integrity and market infrastructure (e.g. EMIR).*

# What are the key elements of MiFID II/MiFIR?

The MiFID II/MiFIR regime is a substantial piece of regulation with detailed rules on practically all aspects of the securities markets and financial industry. Provisions regarding market structure and securities trading, clients and investor protection, passporting of services as well as governance and internal controls can be identified as key elements of the MiFID II/MiFIR regime.



# What is the MiFID II/MiFIR timeline?

The timeline for implementation spans a period of about three years, up until January 2017. However, given the number of expected technical measures and guidelines as well as the variety of anticipated consequences for all industry segments, a swift and systematic discussion of the business model impacts and the subsequent changes to the organisation and revenue models is required at an early stage of the transition period.

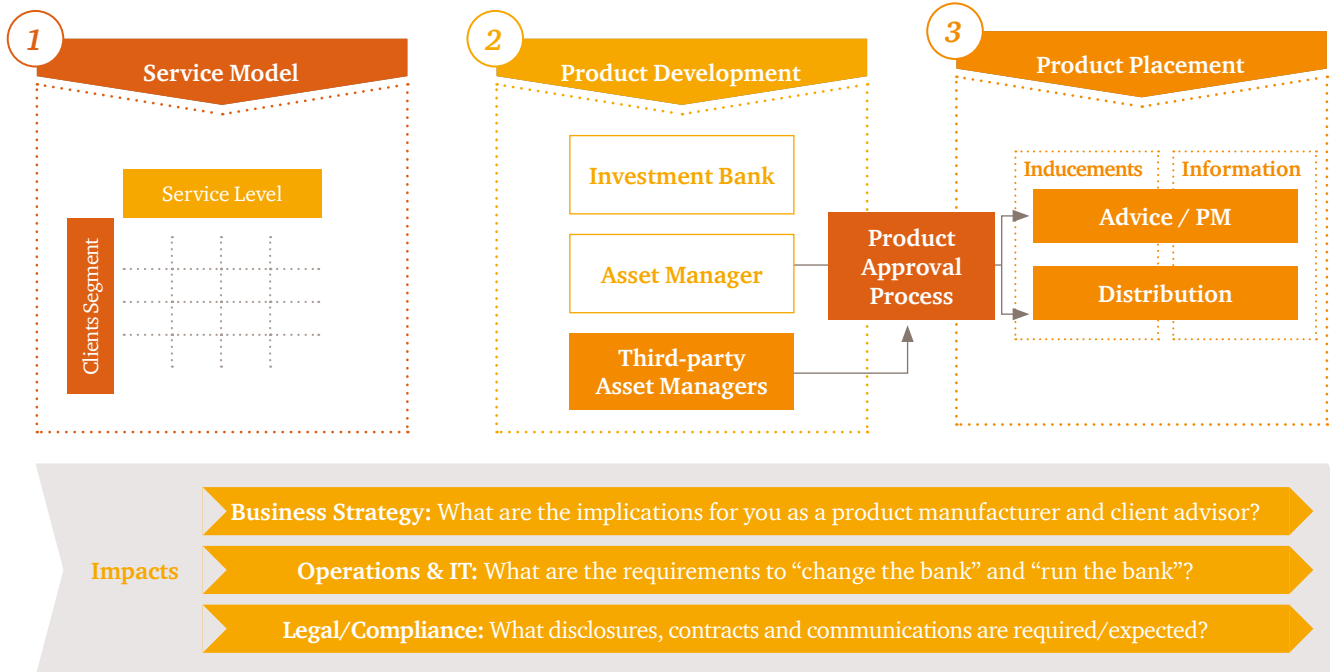
	2014			2015				2016				2017	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	
<b>Level 1</b>	Transposition period (national level)									Transition period			
	◆ <b>Entry into force: 2 September 2014</b>												
<b>Level 2</b>	<i>Delegated Acts</i>			◆ <b>Publication of ESMA final technical advice</b>				● Q1 2016*					Compliance Deadline: January 2017
	<i>ESMA RTS</i>			◆ <b>Publication of Draft RTS</b>				● Q1 2016*					
	<i>ESMA ITS</i>			◆ <b>Publication of Draft ITS</b>				● Q2 2016*					
<b>Level 3</b>	<i>ESMA guidelines</i>							● Q1 2016**					
	National transposition												

\*Possibility of an extension

\*\* Not all guidelines are expected to be ready by January 2016. ESMA will supplement its guidelines with Q&A's

# What are the key focus areas of MiFID II/MiFIR for product manufacturers and product distributors?

With the MiFID II framework, the EU has expanded the reach of the regulation. The guidelines are relevant for (i) financial intermediaries and distributors of financial products, (ii) the financial markets and execution venues, and - this is clearly a move up the value chain - (iii) the manufacturers of financial products. This means that, along with banks servicing retail and private banking customers, Luxembourg management companies will also be directly impacted and will have to assess the upcoming changes to their service and business model thoroughly.



## How we can help

### 1. Business structuring and product lifecycle management

In a post-MiFID II environment, the market players will undergo major changes which are not limited to “compliance with technical requirements”. In fact, the ban on inducements, the introduction of distinct product lifecycle rules as well as the definition of “independent advice” and “cost of advice” will introduce shifts in the revenue streams and product shelves of the banks, distributors and other financial intermediaries.

PwC can support you in getting to grips with the complex impacts of MiFID II and MiFIR II on your organisation. We have set up a core team of professionals in each key EU market as well as for each discipline (tax, strategy consulting, regulatory consulting and product engineering). We will show you how to adapt or completely redesign your business model.

### 2. Operations change management

MiFID II and MiFIR II include a variety of technical details and compliance requirements. They’re expected to affect the pre-transaction compliance and product selection; the appropriateness/suitability review and best execution of transactions; as well as the post-trade transparency and reporting. Our experts have extensive experience in implementing MiFID I as well as the core banking and markets regulations (e.g. CRD III and EMIR). We can help your teams to facilitate the impact assessment and critical testing of the current organisation and processes. Our qualified professionals can also directly support or re-enforce your teams in the implementation of the requirements and gap recommendations.

### 3. Training & awareness

For the past 20 years, PwC has been developing a dedicated training facility called PwC’s Academy, focusing on industry training courses and tailored subject-matter workshops. We propose a combination of professional learning facilities and certified instructors from our implementation teams.

Our modular approach merges the competence of our core team in Luxembourg with that of the MiFID II experts within our network, leveraging the credentials we’ve been able to gain on MiFID projects in Luxembourg and abroad for your benefit.



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