

Gearing up for MiFID II

MiFID II is at the heart of a global regulatory reform which aims at establishing a safer, sounder, more transparent and more responsible financial system working for the economy and society as a whole.

The recent EU Commission's proposals on the Market in Financial Instruments Directive and Regulation will drive fundamental changes in the European securities markets. The entire investment service value chain will be impacted directly or indirectly. Detection of impacted activities is key to pass successfully the global regulatory wave and best position your firm in this new regulatory world.

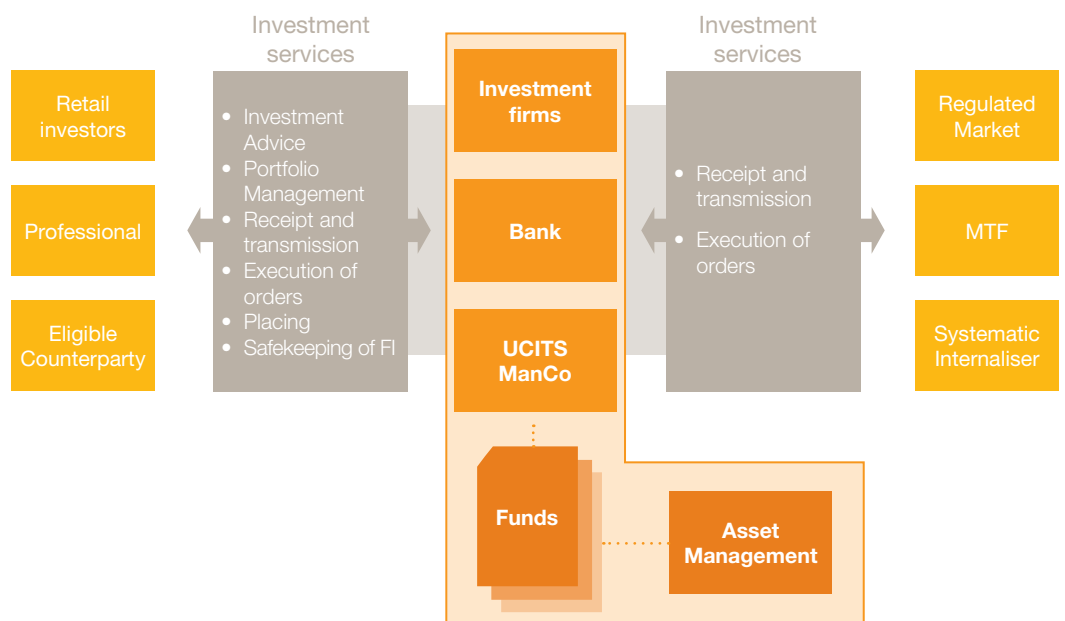
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Regulatory Compliance
Advisory Services

What are the key MiFID II objectives?

MiFID II builds on the initial MiFID Directive to:

- Promote further competition in the European securities market,
- Modernise market structures,
- Increase market transparency,
- Reduce data fragmentation,
- Enhance investor protection, and
- Harmonise the regulatory regimes within different EEA jurisdictions.

Who will mainly be impacted in Luxembourg?



MiFID II – What changes?

1

Clients Classification

- Increased protection rules for Eligible Counterparties (duty to act in their best interest, information duty)
- Municipalities = retail investors

2

Information to clients

- Nature and extent of advice (independent/restricted/ongoing suitability assessment) ▼ ▼
- Broader market analysis for independent advice ▼ ▼
- Reporting on complex products

3

Suitability & Appropriateness

- Execution only limitations (increased number of complex instruments) ▼
- Structured UCITS/products = complex instruments
- Suitability justification (annual) in case of independent advice ▼

4

Inducements & Conflicts of Interests

- Prohibition of inducements when providing portfolio management service and independent advice ▼ ▼

5

Best execution

- Increased control and reporting requirements on high-frequency/algorithmic traders ▼
- Delete exemption for special commodity derivatives
- Annual publication by trading venues of BE quality data
- Annual report by investment firms on their top-5 execution venues

6

Trading venues

- Organised Trading Facilities (OTF) = new trading venue ▼
- Small and Medium Enterprises (SME) Growth Markets ≈ MTF ▼
- Enlargement of SI definition (quantitative criteria)
- Extension of scope to non-equity instruments (+bonds, structured products)

7

Pre & Post trade transparency

- Improved regime for equities ▼
- Extension to non-equity Fin. Instr.
- Post trade data consolidation (Authorised Publication Arrangements, Consolidated Tape Provider)

8

OTC Market

- Transactions in standardised OTC Derivatives subject to clearing obligations via CCP (EMIR) ▼

9

Transaction reporting

- Extension to all FI except those which are not susceptible to market abuse ► MAD
- Approved Reporting Mechanisms
- 5 years recordkeeping by trading venues

10

Safekeeping of clients assets

- Tied agents cannot hold client assets

11

Telephone record

- Compulsory record and storage of phone and electronic communications (when dealing on own account or RTO)

12

List of investment services

- New Data Reporting Services
- Safekeeping and administration of FI = no longer ancillary service but investment service ▼

16

Cross-selling practices

- Application of MiFID to cross-selling practices (package services & instruments)

15

Third country provisions

- New authorisation requirements to deemed equivalent supervision non EEA firms wanting to provide investment services to retail clients (Branch) and Eligible Counterparties (ESMA registration)

14

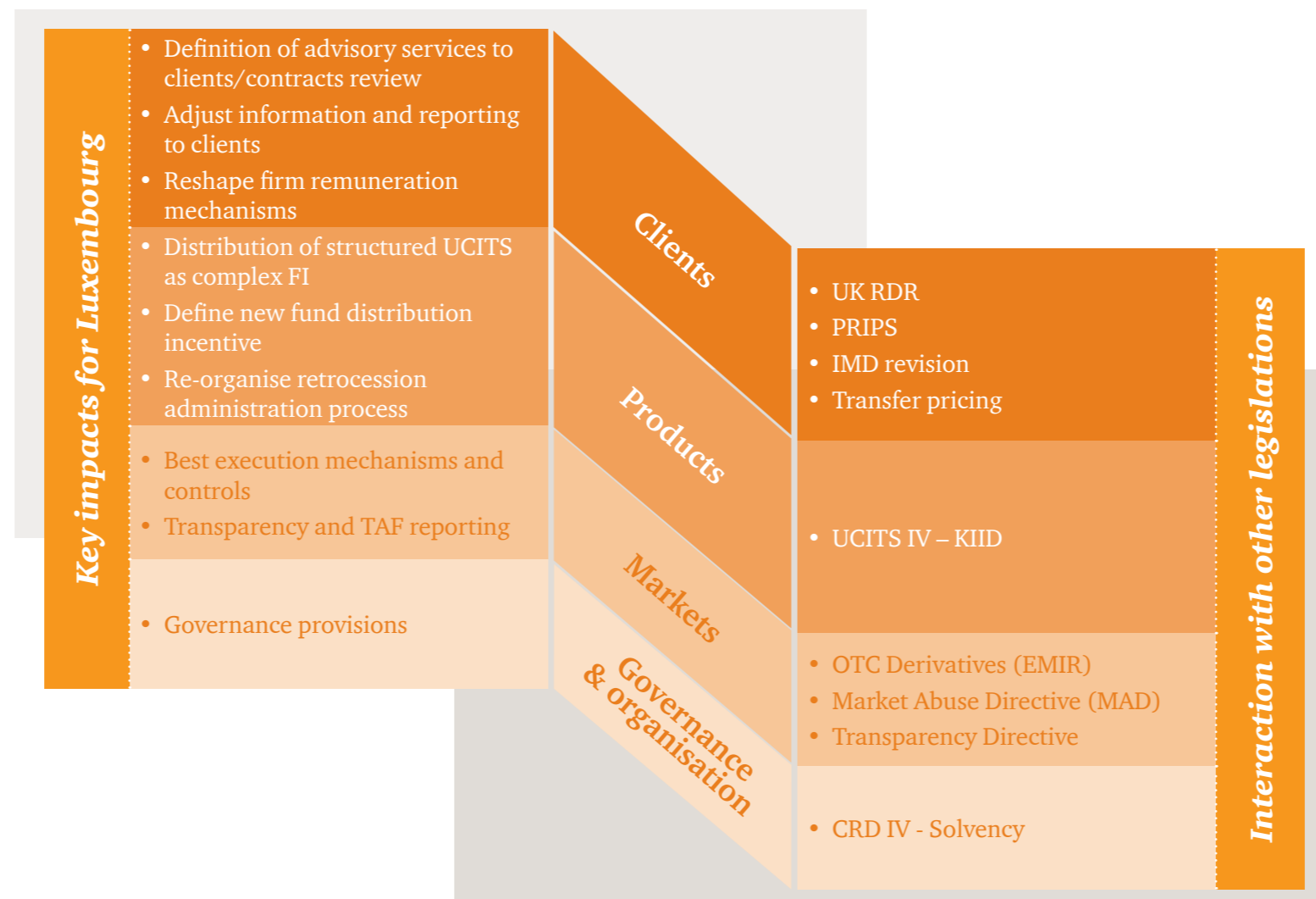
Regulators

- Accrued power of authorities regarding derivatives position limits ▼
- Product intervention ▼
- Harmonisation of sanctions level

13

Organisation and governance

- Governance provisions applicable to management body (individual and collective requirements, board composition, roles & responsibilities, number of mandates, nomination committee)



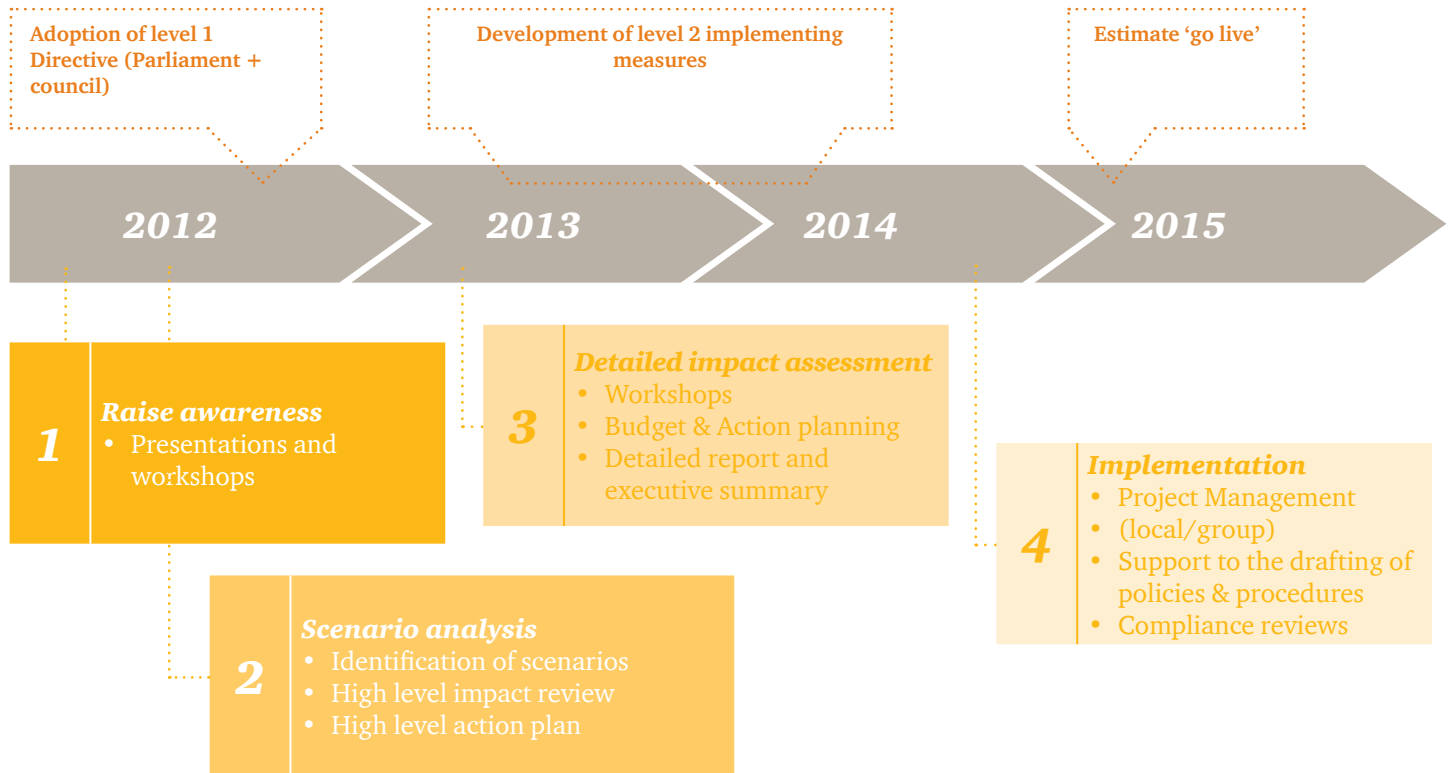
Symbols

▼ Most controversial issues at EU Parliament

▼ Major business model impact

How we can help

The formal legislation proposal of the EU is not completely clear. However, MiFID comes together with many other regulatory and business preoccupations. A meaningful change management requires early attention on challenges ahead. PwC can support you to determine the impact of MiFID II on your business operations and to adequately connect MiFID II work streams with other regulatory initiatives.



Why PwC Luxembourg?

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