MiFID II and MiFIR
A new regime and a game changer for the financial services industry

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.

- New concept of “management body”
- Stricter monitoring of sales staff remuneration
- New recording obligations regarding telephone conversations and electronic communications
- Appointment of tied agents made mandatory

Market transparency:
- New trading venue for non-equity instruments, the organised trading facility
- Non-discriminatory clearing access (e.g. CCPs)
- New regime on algorithmic/high-frequency trading

Market structure:
- New concept of “management body”
- Stricter monitoring of sales staff remuneration
- New recording obligations regarding telephone conversations and electronic communications
- Appointment of tied agents made mandatory

Enhanced information to clients
- New concept of “independent advice”
- Stricter product governance obligations for both product manufacturer and distributors
- New suitability reporting obligations and wider mandatory scope for the appropriateness test (i.e. extended list of complex products)
- More restrictive regime for inducements with a ban for independent advisers and portfolio managers

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.

<table>
<thead>
<tr>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2</td>
<td>Q3</td>
<td>Q4</td>
<td>Q1</td>
</tr>
</tbody>
</table>

**Level 1**
- Transposition period (national level)
- Entry into force: 2 September 2014

**Level 2**
- Delegated Acts
- ESMA RTS
- ESMA ITS
- Publication of ESMA final technical advice
- Publication of Draft RTS
- Publication of Draft ITS
- Q1 2016*
- Q1 2016*
- Q2 2016*

**Level 3**
- ESMA guidelines
- Q1 2016**

*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.
Luxembourg MiFID II Team

Olivier Carré  
Partner - Regulatory Advisory  
MiFID II Leader Luxembourg  
+352 49 48 48 4174  
olivier.carrre@lu.pwc.com

Rima Adas  
Partner - Audit  
Financial Services Leader  
+352 49 48 48 2101  ima.adas@lu.pwc.com

Emmanuelle Caruel-Henniaux  
Partner - Regulatory Advisory  
+352 49 48 48 2111  
emmanuelle.henniaux@lu.pwc.com

Jörg Ackermann  
Partner - FS Consulting  
+352 49 48 48 4131  
jorg.ackermann@lu.pwc.com

Lionel Nicolas  
Partner - FS Consulting  
+352 49 48 48 4172  
lionel.nicolas@lu.pwc.com

Cécile Liégeois  
Partner - Regulatory Advisory  
+352 49 48 48 2245  
cecile.liegeois@lu.pwc.com

Caroline Goemaere  
Partner - Tax  
+352 49 48 48 3002  
caroline.goemaere@lu.pwc.com

Maximilian Seufert  
Director - Regulatory Advisory  
MiFID Coordinator  
+352 49 48 48 4023  
maximilian.seufert@lu.pwc.com

International Experts MiFID II

Austria  
Christoph Obermaier  
Director  
+43 150188 3629  
christoh.obermaier@at.pwc.com

Belgium  
Jean-François Bourmanne  
Director  
+32 2710 9426  
jean-francois.bourmanne@be.pwc.com

Cyprus  
George Lambrou  
Partner  
+35 72255 5728  
george.lambrou@cy.pwc.com

France  
Nicolas Montillot  
Partner  
+33 1 56 57 77 95  
nicolas.montillot@fr.pwc.com

Germany  
Ullrich Hartmann  
Partner  
+49 17526 50257  
ullrich.hartmann@de.pwc.com

Ireland  
Garvan O’Neill  
Partner  
+353 1 792 6218  
garvan.oneill@ie.pwc.com

Italy  
Fabiano Quadrelli  
Partner  
+39 02667 20538  
fabiano.quadrelli@it.pwc.com

Spain  
Abraham Carpintero Pérez  
+34 91568 4334  
abraham.carpintero@es.pwc.com

Sweden  
Veronica Sommerfeld  
Director  
+46 (0)10 2133737  
veronica.sommerfeld@se.pwc.com

Switzerland  
Guenther Dobrauz  
Director  
+41 58 792 14 97  
guenther.dobrauz@ch.pwc.com

UK  
Laura Cox  
Partner  
+44 (0) 207 212 1579  
laura.cox@uk.pwc.com

US  
Graham O’Connell  
Partner  
+1 64647 12547  
graham.oconnell@us.pwc.com

International Experts MiFID II

Netherlands  
Jochen Blaffert  
Partner  
+31 88792 1097  
jochen.blaffert@nl.pwc.com

Norway  
Clint Sookermany  
Partner  
+47 9526 1278  
clint.sookermany@no.pwc.com

Portugal  
Cláudia Parente Goncalves  
Senior Manager  
+35 12135 99208  
claudia.parente.goncalves@pt.pwc.com