



MiFiD II

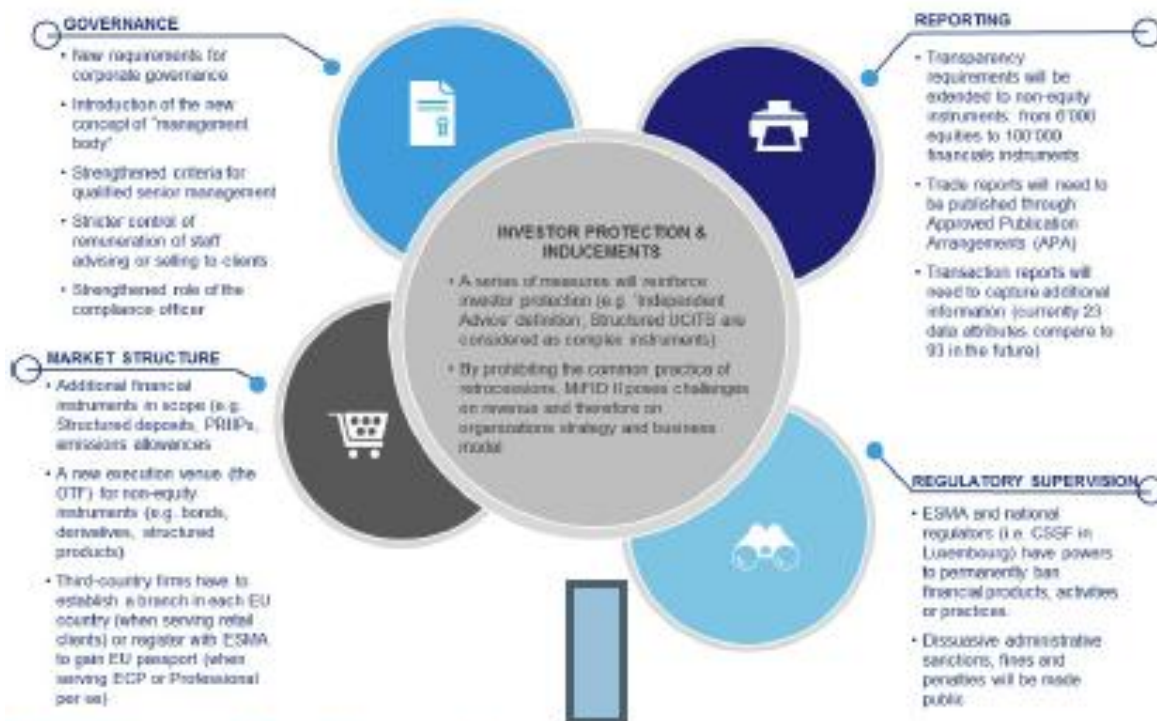
By Michel Maquil

ISEEE Meeting Sarasota

April 3-5, 2016

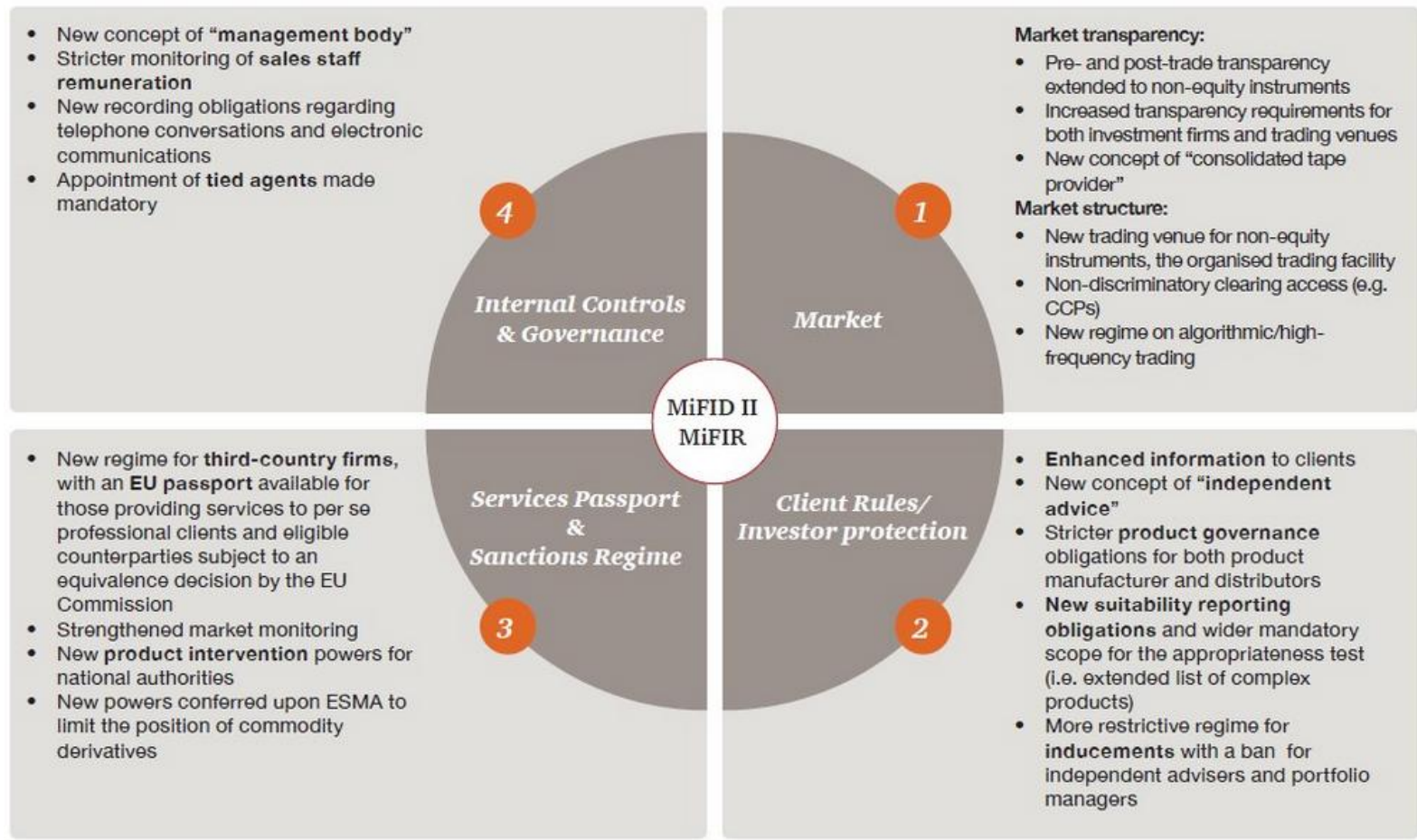
MiFiD II: Main Impacts

Main impacts of MiFiD II – with inducement ban being the far most impacting element

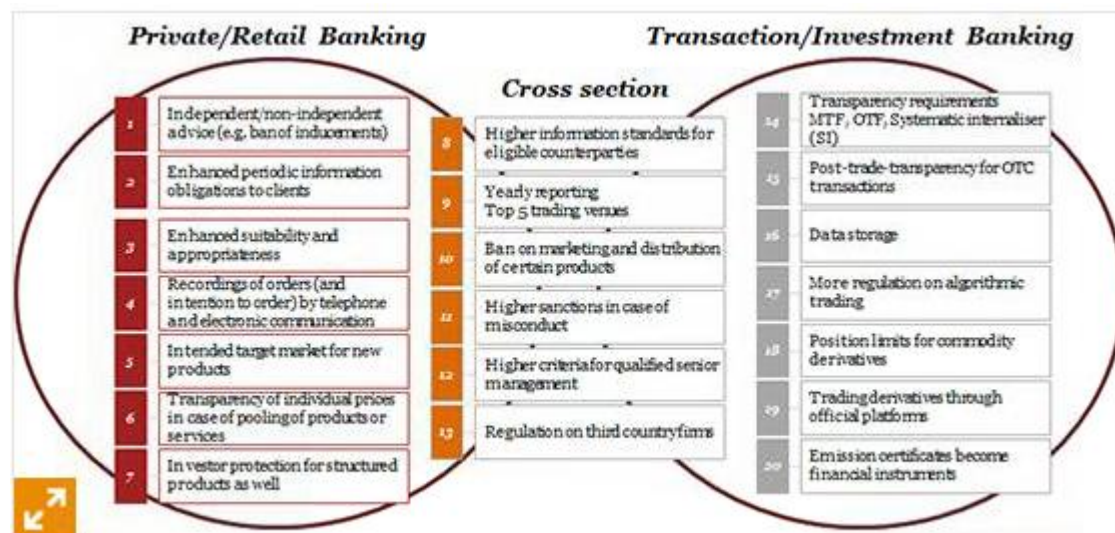


Deloitte Service offering – Top priorities

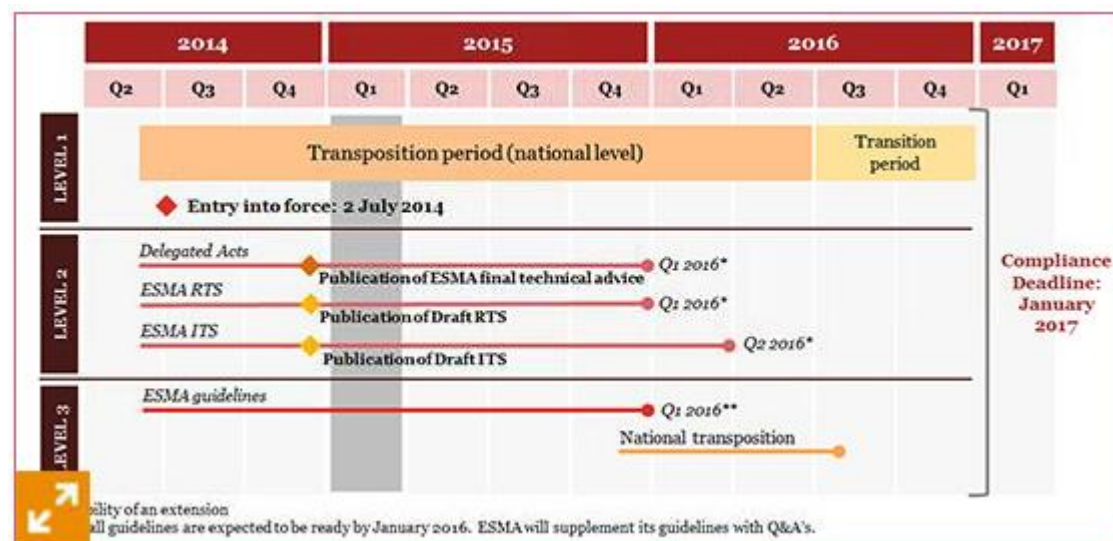
MiFiD II: Main Impacts



MiFiD II



MiFiD II



MiFiD II

LEVEL 2	Delegated Acts	September 2015	European Commission (EC) to adopt Delegated Acts, which are then transmitted to the European Parliament (EP) and Council (EC is currently expected to take a decision before the summer break and then publish the Delegated Acts in September)
		End December 2015	EP and Council scrutiny period ends (+ another 3 months if the Council/EP request it)
		End-January 2016	EC publishes final Delegated Acts (translation to have occurred by this point)
	RTS	Early September 2015	EC to finalise legal review of RTS
		End September 2015	ESMA to deliver final RTS to the EC (ESMA BoS meeting 24 September in Luxembourg)
		End December 2015	Deadline for EC to adopt RTS (3 months from ESMA delivery)
		End-January 2016	EP and Council scrutiny period ends (+ 2 further months if EP/Council request it) → If the EC changes the ESMA draft then EP/Council receive 3 months scrutiny extendable by another 3 upon request
		Q1 2016	Publication in the Official Journal (translation to have occurred at this point)
		03 January 2017	Based on ESMA draft in the last CP - majority of RTS to become applicable
LEVEL 3	ITS & Guidelines	June/July 2015	ESMA publication of additional Consultation Paper for draft ITS and Guidelines (Other consultation papers on knowledge and competence, on complex debt instruments and structured deposits already published)
		August/Sept. 2015	Deadline for responses to the Consultation Paper
		End-January 2016	Deadline for ESMA to publish final guidelines and deliver final draft ITS to the EC
		03 March 2016	Deadline by which NCAs must declare to ESMA whether they intend to comply with the guidelines
		03 April 2016	EC to adopt ITS (+ 1 month if the EC requests it) → No EP/Council scrutiny for ITS

MiFiD II

MiFiD II expected EU legal framework

The delegated acts, technical standards and guidelines to be published to achieve the objectives and goals proclaimed by the EU are substantial. Based on the initial Level 1 texts published in June 2014 and entered into force in July 2014, there will be more than 100 additional delegated acts, technical standards and guidelines expected on Level 2 and Level 3 of the implementation until June 2016.

Level 1

Directive "MiFiD II"

- Specific requirements regarding the provision of investment services
- Scope of exemptions from the current Directive
- Organisational and conduct of business requirements for investment firms
- Organisational requirements for trading venues
- Authorisation and ongoing obligations applicable to providers of data services
- Powers available to competent authorities sanctions
- Rules applicable to third-country firms operating via a branch

Regulation "MiFIR"

- Disclosure of trade transparency data to the public and transaction data to authorities
- Expanded scope and stricter rules of investment firms' transaction reporting obligations
- Removing barriers to non-discriminatory access to clearing facilities
- The mandatory trading of derivatives on organised venues
- Specific supervisory actions on fin. instruments and positions in derivatives
- Provision of services by third-country firms without a branch

MiFiD II

Level 2		
<i>Commission Delegated acts</i>	Expected on a range of topics to provide specifics (e.g. exemption - when an activity is provided in an incidental manner - , best execution factors, client order handling rules...).	Number of documents expected ▪ 33 ITS
<i>Commission Implementing Regulations</i>	Expected on a range of topics to provide specifics (e.g. timing and communication on suspension and removal of FI from trading, standard forms for the exchange of information...). Adopted on the basis of ESMA implementing technical standards.	Number of documents expected ▪ 15 ITS
<i>Commission Delegated Regulations</i>	Expected on a range of topics to provide specifics (e.g. exemptions, best execution information...). Adopted on the basis of ESMA regulatory technical standards.	Number of documents expected ▪ 47 RTS

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Level 3		
<i>ESMA Guidelines</i>	Expected on a range of topics to provide specifics (e.g. assessment and supervision of cross selling practices, assessment of financial instruments with a structure which makes it hard for the client to understand the risk involved...).	Number of documents expected <ul style="list-style-type: none">▪ 10 sets of guidelines

MiFid and the Funds

- Advice for “retail” investors to buy financial instruments deemed “complex”;
- Cost of advice & scope of consideration to render advice sufficiently rigorous to meet regulatory requirements;
- Product design & coordination between manufacturers and distributors;
- Transparency on fees;
- Ban on inducements when “independent advice” and discretionary portfolio management.

Independent Advice and the Consequences

Independent advice and the consequences



History of Commissions

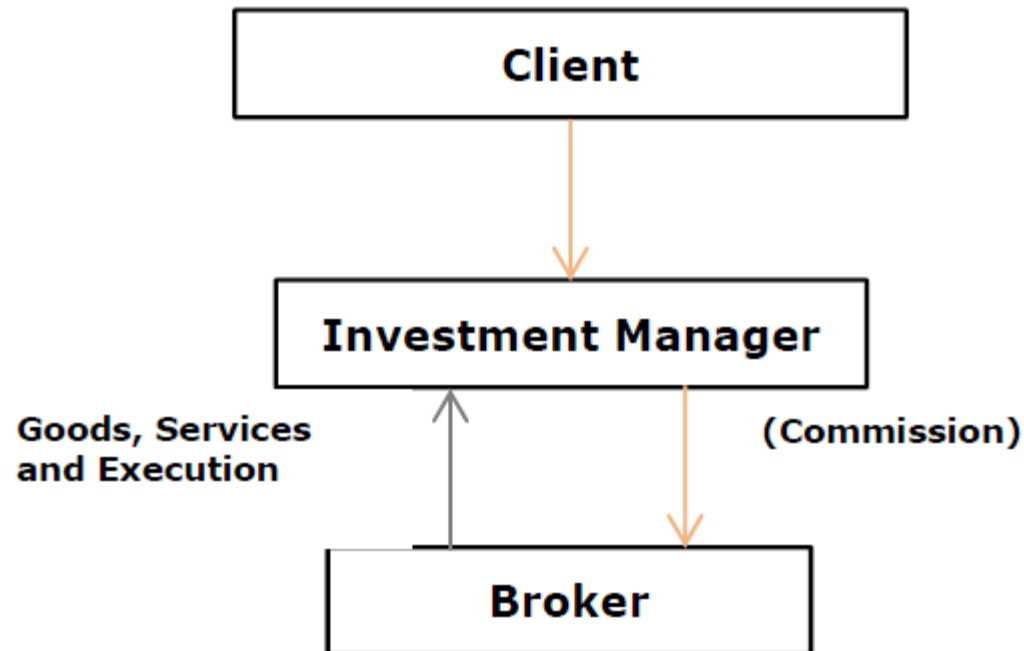
- Exchange Act 1975 Rule 19b-3 (May-Day) abolition of fixed commissions;
- 1975-1990: Most countries follow;
- The 1990s:widespread use of soft commissions +/- 20% of all commission bearing broking business was done on soft terms

History of Commissions

- The Millenium major concerns:
 - Transparency
 - Conflict of Interest
 - Best Execution
 - Over-Consumption of Goods and Services

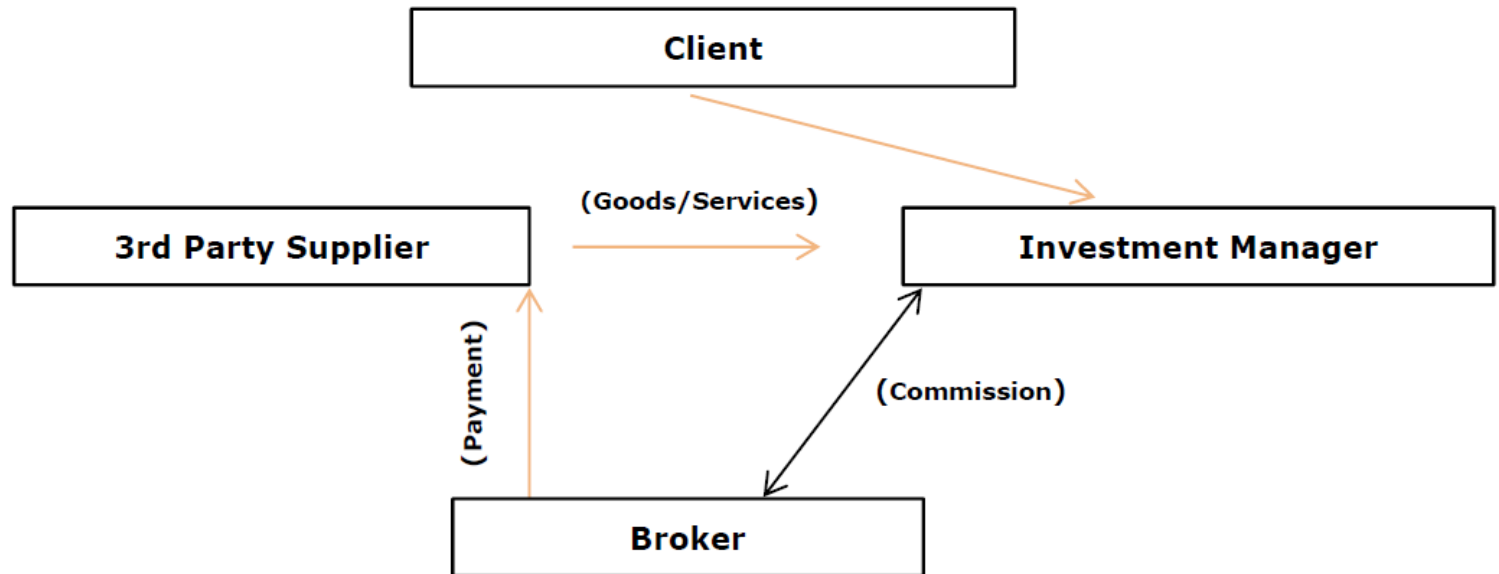
History of Commissions-Market Structure

Bundled Structure



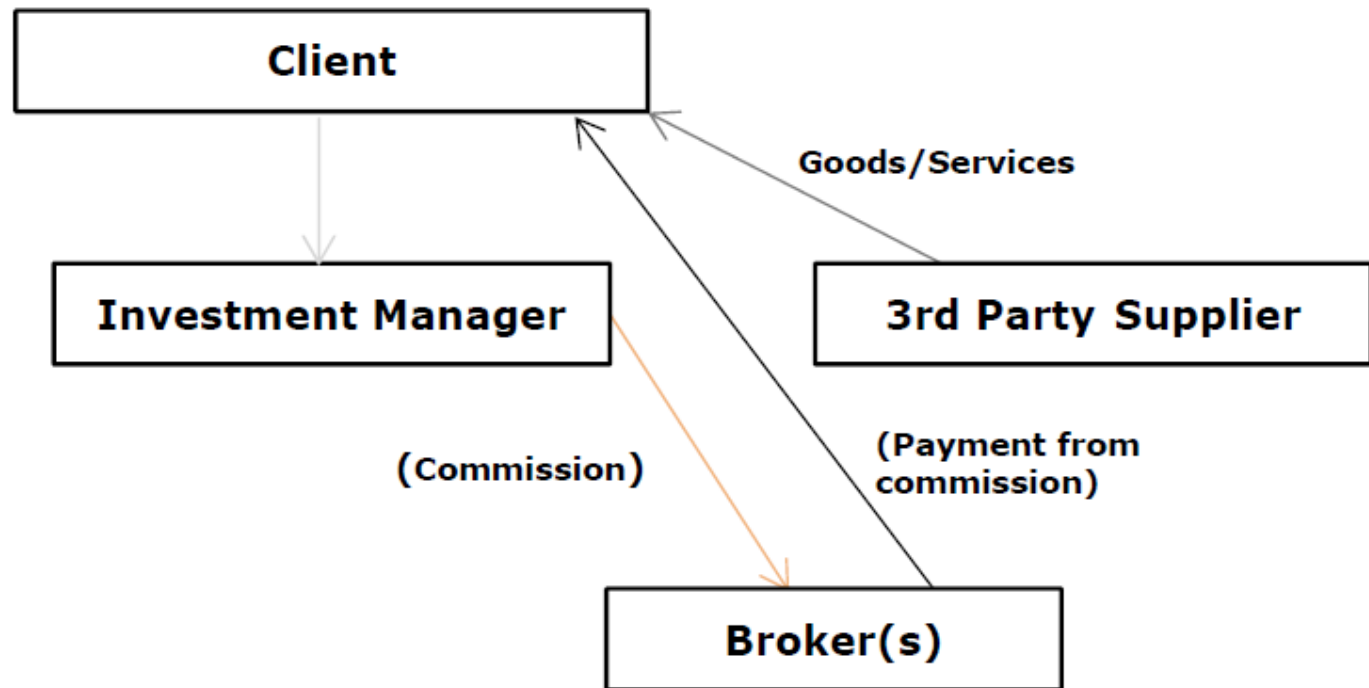
History of Commissions-Market Structure

Soft Commission Structure



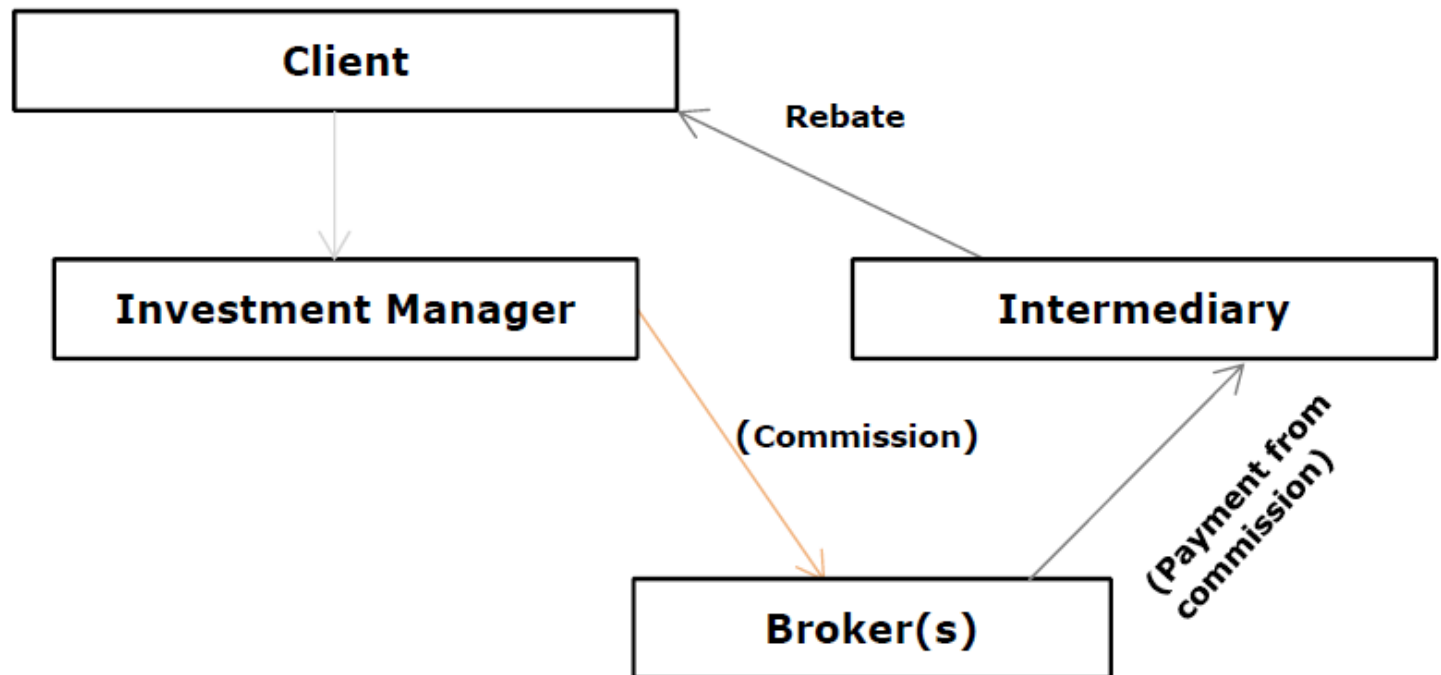
History of Commissions-Market Structure

Directed Commission Structure



History of Commissions-Market Structures

Directed Recapture Structure



Sources

- Ashurst London: Dealing Commission: A History, 2014
- ECB: Building a capital market Union
– Eurosystem Contribution to the European Commission's Green Paper

I thank you for your attention

