

WHITE PAPER

WILL MiFID II SET THE STANDARD OF BEST PRACTICE FOR US FIRMS?



Wall
Street



By now, the impending implementation of the EU's Markets in Financial Instruments Directive overhaul, or better known as MiFID II, is front and center in the minds of most companies that will directly fall under the new regulations. This is to be expected, since the January 2018 deadline is rapidly approaching and the systems and procedures needed for compliance are complex and expensive.

If you're a U.S.-based financial professional outside of MiFID II's direct purview, you've probably been listening to all the "noise" around MiFID II compliance with a feeling of "thank goodness I don't have THAT on my plate." But think again – even for those not immediately impacted, the new law still has some important considerations. In fact, while many on Wall Street already know what MiFID II is, very few firms have carefully analyzed the likely impact on their business in the near future.

Let's review: MiFID II is a broad set of directives aimed at improving transparency, compliance, regulation and supervision of banks, investment managers, brokers, research providers, and trading firms across the European Union. It's a gigantic version of Dodd-Frank, and with many of the same goals - commendable improvements in investor protection, transparency, best execution etc. – but as often the case with such large, industry-wide regulatory revamps, the new law is extraordinarily complicated, and compliance with it will require a comprehensive, time- and capital-consuming approach.

U.S. firms with European offices and clients are obviously directly impacted by MiFID II's requirements - that we know for certain. But what about the rest? Simply not having feet on the ground in a EU state is not nearly enough to stay clear of MiFID II, because the law's regulations apply to what you do as well as with whom you do it and where they are.

Therefore, a key – and probably overdue – internal conversation many U.S. firms need to have is that while they may not fall directly under MiFID II's purview, individuals, corporations or entities with whom they work almost certainly do – and that not only brings MiFID II right into their front lobby, but also raises a more tangential set of issues.

For instance, a U.S.-based hedge fund with EU-based investors or brokerage firms will almost certainly be asked to modify, adapt or introduce some level of internal data or process so that their EU-based partners can be compliant under MiFID II. Although the U.S. firm itself does not fall under the new rules, a good understanding of the requirements is going to be necessary in order to accommodate the compliance needs of its clients overseas who do.

Relatedly, much of the MiFID II discussion has revolved around the different obligations for buy and sell side firms. As highlighted, it's largely irrelevant what kind of firm you are – what matters is what you do. U.S.-based investment funds may find that their European investors, for instance, expect MiFID II-level standards for information about trade transparency, while U.S.-based brokers trading for EU clients may find they are asked to mimic MiFID II's trade-reconstruction and research unbundling rules simply because that's what their customers have come to expect.





This is the crux of a broader strategic question facing U.S. firms nominally outside of MiFID II's umbrella. Will the EU's new requirements eventually morph into a set of global best practices that place non-conforming firms at a significant competitive disadvantage? In our conversations with U.S. based asset managers, this is definitely a factor some firms are considering. A select number have even stated that they believe compliance with MiFID II regulations is something that will distinguish them among their peers and are implementing systems to help them comply so that they are able to market themselves as following industry best practice.

Given MiFID II's granular requirements for cost transparency, best-price trade execution reporting and other investor-friendly measures, it is easy to see how compliance could be viewed as a smart business strategy to implement. In such a world, firms that choose not to follow the requirements will almost certainly compare poorly against a fully MiFID II-compliant competitor when pitching for a new investment mandate or trading account. Therefore, even if you're nominally outside of MiFID II's shadow, U.S. firms need to ask themselves another key question - how will we stack up in a world that holds investment industry participants to MiFID II's exacting standards?

To read our previous white papers on MiFID II, follow these links:



MiFID II: What is it and who does it impact

scan QR code or visit: <http://alturl.com/9po7f>



How technology can help firms tackle the MiFID II regulations for Corporate Access

scan QR code or visit: <http://alturl.com/fxykd>



Looking to the future: MiFID II and the impact on Investor Relations

scan QR code or visit: <http://alturl.com/fo6np>



Preparations for MiFID II: Are you sure this is the right way?

scan QR code or visit: <http://alturl.com/g8vri>

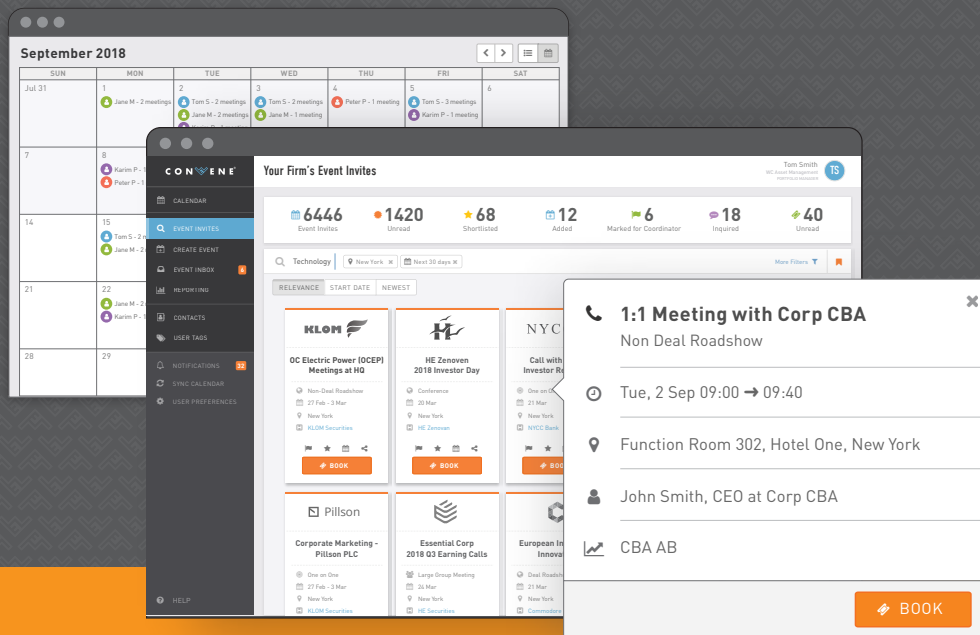
VISIT

weconvene.com



ABOUT WECONVENE

WeConvene is a global, independently owned web-based platform that automates corporate access consumption and evaluation for the investment community. Events large and small directly impact investment strategies and WeConvene provides value to buy-side, sell-side and corporate organizations by enabling efficient discovery, booking and tracking of meetings.



To find out more or to get in touch

Visit

weconvene.com

PARTNERED WITH
Bloomberg[®]
PROFESSIONAL