

MiFID II Do it Yourself Toolkit

PwC The Netherlands

April 2015



Implement MiFID II cheaper, with a predicted outcome

The need to implement regulation efficiently

We have compiled extensive research to get a better understanding of your needs. Many Asset managers and Private Banks are under significant pressure with increased competition and regulation, tighter margins and savvier customers.

As you are preparing for growth new regulation is distracting you from doing just that by eating away your much needed resources and budget. As a result the implementation of new regulation needs to be as efficient and cheap as possible, based upon accurate analysis and a predicted outcome (fully compliant). Further more we see an increasingly appetite to implement new regulation yourself. In order to achieve this, you need:

1. Information that is readily available and at the heart of decision making
2. A clear structure to strip away duplicate, fragmented and inefficient ways of working
3. Comfort that you are compliant at the end of the project.

To meet these requirements for the latest regulation, MiFID II, we have created the MiFID II Do It Yourself (DIY) Toolkit. This DIY Toolkit enables you to execute your MiFID II project yourself in the most optimal way.

MiFID II

Some organizations have started to address MiFID II a while ago. As they are completing their initial gap / impact assessments, they are starting to understand the size and complexity of the task ahead. And they all realize there is hardly any room for error because of the tight deadlines. MiFID II strengthens investor protection, building on the initial MiFID Directive. It applies to parties providing: investment advice, discretionary portfolio management/ mandates, execution and reception and transmission of orders, both for Retail and Professional clients.

Additional objectives of MiFID II are to increase transparency in the financial markets, reduce data fragmentation and further harmonise the regulatory regimes within EEA jurisdictions.

Highlights of our approach

1

Return on Investment Our DIY Toolkit helps you to simplify, structure and standardise an optimal implementation of MiFID II, and therefore significantly reduce your MiFID II project costs.

2

Knowhow By simply giving you access to all of our information, we simply remove the information asymmetry that exists, assuring that all the necessary information sits with your people at the end of the project.

3

Compliant to MiFID II The DIY Toolkit not only ensures that the basics and MiFID II requirements are delivered efficiently, but that at the end of the project you will also be fully compliant.

In order to enable you to comply with MiFID II in an optimal way, PwC developed a 'MiFID II Do It Yourself Toolkit'



Training



Intelligence Hub



Resources



Sounding Board



Status Reviews

We can help you to remove complexity when implementing MiFID II yourself, by providing you with all of our expert knowledge and tooling. This so called Do It Yourself (DIY) Toolkit will empower you to focus your energies on creating value for your customers, driving efficiency and complying with MiFID II requirements.

We pride ourselves on understanding the challenges shaping a MiFID II project and on our ability to completely empower you to manage these challenges.

The DIY Toolkit consists of our best global approaches, methods and tooling:



Training

Our MiFID II experts will train your project team and business in order for them to hit the ground running

This will improve knowhow which will result in speed and less mistakes, meaning higher ROI



Intelligence Hub

This Hub will provide you with the structure and knowhow you need to easily manage and monitor this complex project

This Hub will help you deliver the project in the most efficient way to increase ROI. And because the entire MiFID II Directive, including interpretations, is included in the tool it is clear what is being meant with each article and what you need to do to ensure compliance



Resources

Whenever the projects hits rough water and you are in need of an extra resource, we can provide you with our best MiFID II resources

With their expertise knowhow compliance is assured in the most efficient manner (higher ROI)



Sounding Board

A regulatory sounding board will be available to answer questions and give guidance. Its your personal helpdesk!

This helpdesk will boost your MiFID II knowhow and points you in the right direction to become fully compliant



Status Reviews

Our MiFID II experts will perform three status reviews during the project

These three reviews will keep you on the right track and provide you with comfort of full compliance

MiFID II Do It Yourself Toolkit



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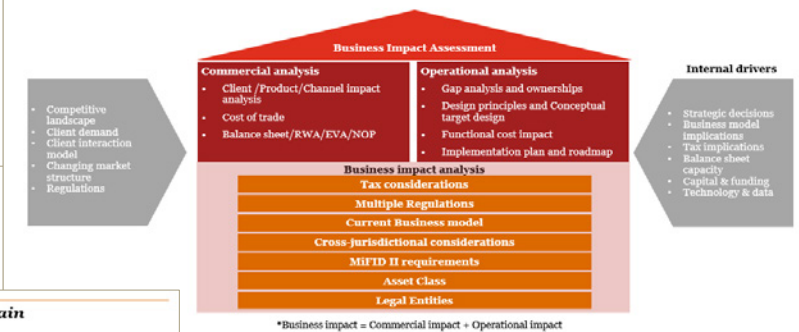
Status Reviews

Training of your project personnel as part of the knowledge transfer

1. The Toolkit includes an initial MiFID II Training of your project team by senior PwC consultants and regulatory experts with the goal to enable your team to execute the impact assessment for your organization. The training includes the impact areas from a business perspective as a basis for internal follow-up discussions with the business functions to assess the business impact
2. We will train your MiFID II project team on the new additions and changes compared to MiFID I as well as the MiFIR regulation
3. We will provide training on how to run a regulatory project from a project management perspective
4. In addition PwC provides an initial outside-in view, which areas of the operating model will be most impacted by the new regulation
5. Additional training will be provided to the project team as soon as new Level 3 requirements are published

Course agenda		
Day 1		
Introduction	13:00 – 13:15	
Section 1 – MiFID II Overview	13:15 – 14:15	
Section 2 – Market Structure	14:15 – 15:15	
Break	15:15 – 15:30	
Section 3 – High Frequency & Algorithmic Trading	15:30 – 16:30	
Section 4 – Commodity Derivatives	16:30 – 17:30	
Day 2		
Introduction	13:00 – 13:15	
Section 5 – Transparency	13:15 – 14:00	
Section 6 – Investor Protection	14:00 – 15:15	
Break	15:15 – 15:30	
Section 7 – Regulatory Convergence, Supervisory Powers, Sanctions and Third Country Access	15:30 – 16:30	
Section 8 – Authorization & Organisational Requirements	16:30 – 17:15	
Evaluations & Close	17:15 – 17:30	

Framework for business impact* analysis



MiFID II and MiFIR impact per part of the value chain

Main MiFID II/MiFIR topics and their potential impacts for Asset Managers (depending on the respective applicability of the new regulation)					
1. Market infrastructure			2. Investor protection		
Topic of interest	Impact		Topic of interest	Impact	
1.1 Derivatives trading obligation	+		2.1 Inducement ban	+	
1.2 Organized trading facilities	+		2.2 Product governance	+	
1.3 Trading obligation for equities	+		2.3 Tests of appropriateness & suitability	+	
1.4 Best execution	+		2.4 Information obligations	+	
1.5 Pre-trade transparency	+		2.5 Record keeping	+	
1.6 Post-trade transparency	+		2.6 Organisational requirements	+	
1.7 Transaction reporting	+				
1.8 Algorithmic trading	+				
1.9 Commodity Derivatives	+				

MiFID II overview

Key features for markets

Pre- and post-trade transparency	Derivatives trading requirements
<p><i>Builds on the existing transparency regime</i></p> <ul style="list-style-type: none"> Equity instruments – shares, depository receipts, exchange-traded funds, certificates and similar instruments Non-equity instruments – bonds, structured finance products, emissions allowances and derivatives Waivers – includes limited waivers 	<p><i>Completes the 2009 G20 Pittsburgh summit obligations for the EU</i></p> <ul style="list-style-type: none"> Builds on EMIR – EMIR introduces mandatory central clearing of eligible derivatives EMIR scope – applies to EMIR FC/NFC+ firms Exchange trading obligation – firms must trade sufficiently standardised derivatives on a Regulated Market, MTF or OTF
Data reporting services	Non-discriminatory market access
<p><i>A new category of regulated service provider</i></p> <ul style="list-style-type: none"> APA – Approved Publications Arrangements will publish post-trade transaction data CTP – Consolidated Tape Providers will collate and trade data from across the market ARM – Authorised Reporting Mechanisms will act as centre repositories for transaction reports 	<p><i>Competition between exchanges and CCPs</i></p> <ul style="list-style-type: none"> Open access to CCPs – exchanges can request that any CCP clear their contracts Open access to exchanges – CCPs can request to contract data and IT support to clear contracts from any venue

MiFID II Do It Yourself Toolkit



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Status
Reviews

Your MiFID II Intelligence Hub: PwC tooling for efficient project management and implementation

We understand that reading and interpreting a directive like MiFID II is complex and very time consuming for employees that do not have a background in Law.

We also recognize that translating legal requirements into business requirements and business impact is challenging and involves many people to get it right.

In order to minimize time spent by your people on reading, interpreting and translating the directive, we have already:

1. Interpreted the legal regulations
2. Translated the regulations to business requirements
3. Mapped the business requirements to processes and organization structure

With the support of the Intelligence Hub every MiFID II topic important to you can be analysed systematically down to the specific impact.

This Hub will also provide you with the structure you need to easily manage and monitor this complex project.

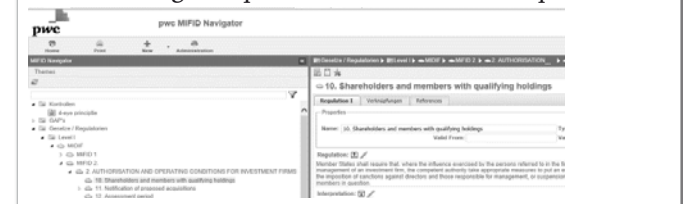
List of MiFID II topics:

- 1 Transparency requirements (MTF, OTF, SI)
- 2 Trading derivatives on „official“ platforms
- 3 Post-trade transparency for OTC-transactions
- 4 Record keeping
- 5 Increased regulation on algorithmic trading
- 6 Position limits for commodity derivatives
- 7 Emission allowances = financial instruments
- 8 Higher standards for eligible counterparties
- 9 Yearly reporting of Top 5-trading venues
- 10 Distribution and marketing ban for products
- 11 Higher sanctions in case of misbehaviour
- 12 Higher requirements for senior management
- 13 Third country regulation
- 14 Decision dependent / independent
- 15 Periodic information duties
- 16 “Ex-post advise obligation“
- 17 Record-keeping for electronic orders
- 18 Target markets for new products
- 19 Individual-price-transparen. of product bundles
- 20 Investor protection for structured deposits

Breaks down MiFID to (legal) requirements



Translates legal requirements to business requirements



Project plan & status reports



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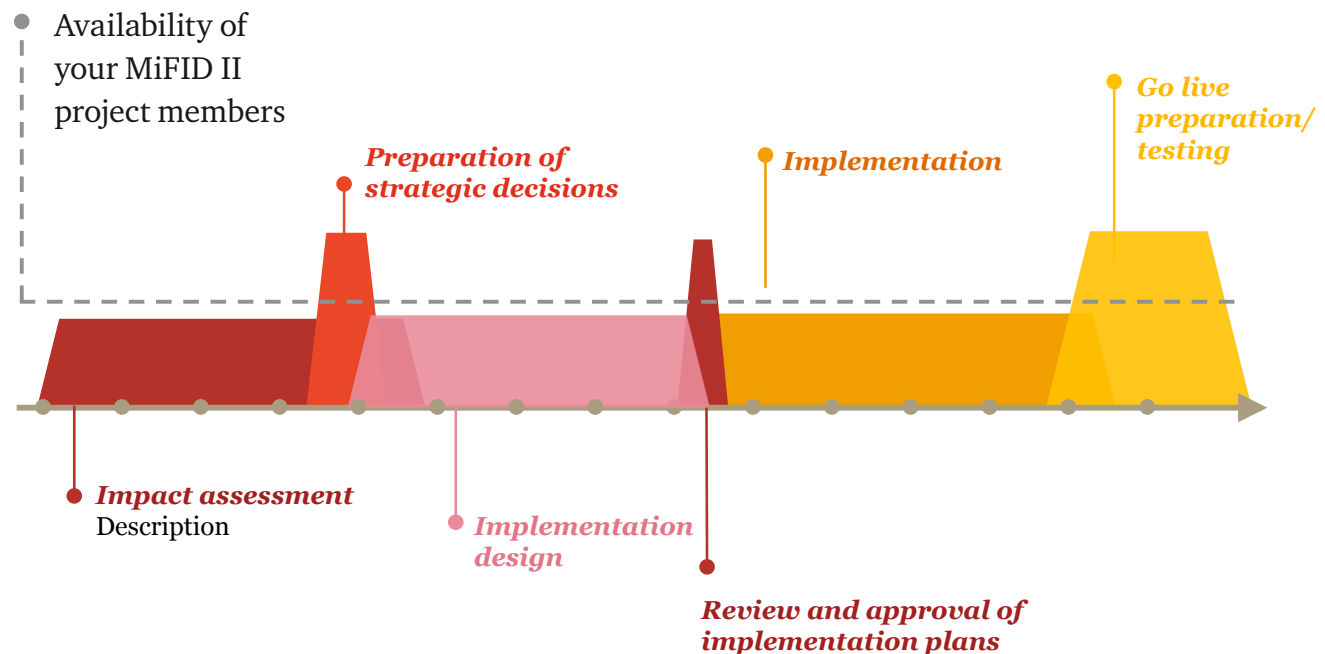


Status
Reviews

You can optimize your resource planning with our pool of MiFID II professionals that can support during peak moments

Our project experience shows that the implementations which were most successful in regards of budget, timing and quality always relied on a stable core project team with dedicated in-house professionals (including personal from all parts of the business).

If your planning requires additional support for certain phases of the project, PwC can assist you with the additional resources. Therefore, we hold a pool of the best MiFID II professionals to assist you.



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You can use our legal and regulatory experts as a sounding board for validation of assumptions and plans

Based on our experience with numerous regulatory implementation projects there are decision points when assessing the requirements or designing the implementation where you would like to discuss and validate your plans.

Therefore, part of the DIY Toolkit is a group of legal and regulatory experts that will act as a sounding board to validate your views and give guidance based on our industry knowledge. Consider it to be your personal helpdesk... or in some cases your lifeline.

Our MiFID II experts are standing by in order for you to test ideas or assumptions about deliverables

Our MiFID II experts can share insights based on PwC's market practice knowledge (need to have vs. nice to have)

You can use our MiFID II experts to discuss how to approach or involve the regulator to discuss your solutions

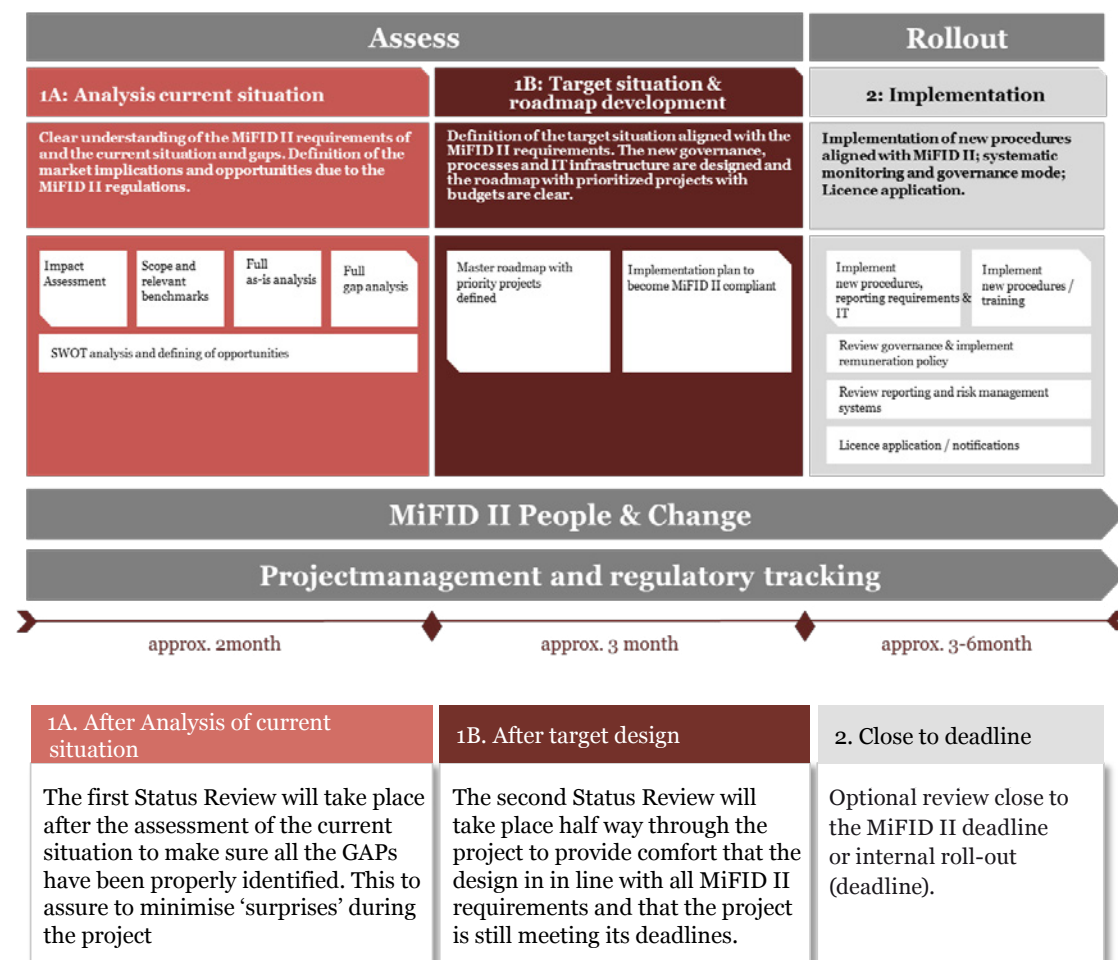
Our MiFID II experts can be used to further clarify articles and / or requirements that are unclear to the project team and / or business

MiFID II Do It Yourself Toolkit



In order to provide you with comfort, our MiFID II experts will perform two status reviews during the project

The Status Review provides independent reviews at key points in the delivery of the MiFID II project. Our Status Review is intended to bring transparency to the Steering Group on all aspects of the project including interdependencies, risks, resource issues and compliance issues. The review will be consolidated and delivered in a report with the highest quality to allow effective decision making and becoming compliant.



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