

MiFID II Wholesale Firms Conference

19 October 2015, ExCeL

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Breakout session: Conduct of Business

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Agenda

Part I (30 mins)

- Costs and charges disclosure
- Product governance
- Questions

Part II (30 mins)

- MiFID II inducements rules
- Conflicts of interest
- Questions

Disclosure of costs and charges

- MiFID II introduces a new requirement to disclose all costs and charges
- Applies in relation to all clients
- Flexibility around the design of the disclosure
- Firms should consider how the disclosure can empower clients to make effective decisions

Product governance

- MiFID II brings new requirements for both manufacturers and distributors
- Requirements on systems and controls relating to design, distribution and ongoing management of products throughout their lifecycle
- Good product governance should result in products:
 - meeting the needs of one or more identifiable target markets
 - being sold to clients in the target markets through appropriate distribution channels
 - delivering improved consumer outcomes

Questions?

Agenda Part II

- MiFID II inducements rules:
 - Level 1 requirements
 - Inducements in the advice market
- Conflicts of interest:
 - Level 1 requirements
 - Underwriting and placing

Inducements reforms

- MiFID II inducements rules in Level 1
- Independent advisors & portfolio managers:
 - Cannot accept and retain any monetary or non-monetary third party benefits
 - Only exception for *minor* non-monetary benefits
- Other investment services:
 - Inducements rules consistent with current MiFID
 - Quality enhancement - criteria to be specified in Level 2

Inducements in the advice market

- Ban on third-party inducements involves some key differences from RDR-driven rules
- Reaffirms importance of our domestic work on inducements, focused on product providers and advisory firms
- Some concerns remain about existing practices / inconsistencies in how firms apply the inducement rules (e.g. in regard to hospitality)
- Mindful of FAMR

Conflicts of interest

- General rules around conflicts of interest largely unchanged.
- Identify and *prevent* or manage
- More detailed disclosures

Underwriting and placing

- Underwriting and placing currently governed by general conflicts of interest rules.
- MiFID 2 introduces new set of rules.
 - provision of information
 - management of conflicts
 - record keeping

Questions?

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