

## MiFID II – what does it mean for me?

3 January 2018 sees the introduction of the Markets in Financial Instruments Directive II (“MiFID II”) seen by many as the largest overhaul of European financial services legislation in over a decade. All firms, be they product providers or some form of distributor of investment products, will be affected. This short article aims to dispel some myths and reassure clients of advisory firms about MiFID II.

### **Independent financial advice**

We remain committed to the provision of independent advice and this is unchanged. There will be a new definition of independent advice and a new concept of focused independent advice however this change will not affect our relationship with our clients.

Some additional retail investment products such as shares, bonds, derivatives and structured deposits will fall into MiFID II under the remit of Packaged Retail Insurance based and Investment Products (“PRIIPs”), again this will not affect our relationship with our clients.

### **Reporting to clients**

There are new regulations affecting firms with discretionary permissions – Discretionary managers will be required to report to clients on at least a quarterly basis and will also be required to report any 10% drop in value of a portfolio by the end of the working day.

The Retail Distribution Review brought about more transparent disclosure of costs and charges in the UK. The MiFID II requirements seek to unify disclosure of costs and charges across Europe. As well as being provided with pre-sale costs, clients will be provided with aggregated information about costs and charges on an annual basis.

As we work on an advisory basis, we will continue to provide clients with regular valuations and during 2018 these will be enhanced by an annual report not only reviewing the suitability of investments against client specific objectives and attitude to risk, but also setting out aggregated information about costs and charges.

### **Recording of telephone calls**

Any communication relating to the “reception, transmission and execution of client orders” will need to be recorded. As we work on an advisory basis, our advice and instructions are almost invariably agreed by letter (or e-mail). On the rare occasions that we take such orders by telephone then this will be on a recorded line. You will be informed when such calls are to be recorded.

### **Best execution**

Sufficient steps must be taken to obtain the best possible result for clients when placing a deal in a financial instrument. In accordance with new regulations, an annual report will be published to identify the top 5 trading platforms used by our firm.

### **Conflicts of interest**

The new regulations bring in enhanced requirements in relation to conflicts of interest. Appropriate steps must be taken to identify, prevent or manage conflicts of interest. In the case of a conflict being identified, this will be detailed and disclosed to you.

## **Legal entity identifiers (“LEI”)**

In a move to combat market abuse, any transaction in an exchange tradeable asset (individual listed shares, investment trusts, ETFs, gilts) will require the client to have a LEI. There is no impact for unit trust portfolios.

LEIs were introduced to create a global reference data system that uniquely identifies every legal entity or structure, in any jurisdiction, that is party to a financial transaction. A LEI is therefore a unique identifier applicable to a corporate entity or a trust, in the same way that an individual has the unique identifier of a NI number. If a trust or corporate entity requires a LEI as a result of a specific investment recommendation then you will be informed and guided through the process in good time.

If you have any questions about MiFID II please feel free to contact me or one of my colleagues.

## **Amanda Valentine**

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