



ICSA

INTERNATIONAL COUNCIL of SECURITIES ASSOCIATIONS

MiFID II

Non-EU Member Survey - July 2017

Issues, Awareness, Readiness, LEIs, Guidance, and Impact



SUMMARY

The International Council of Securities Associations surveyed its non-EU members on MiFID II implementation to better understand concerns, awareness, readiness, regulatory dialogue, and potential impact on their member firms.

Findings include:

- Non-EU ICSA associations around the world report that member firms are more focused on MiFID II, but awareness and readiness varies.
- Firms need further clarification and interpretation. Guidance is not forthcoming from local regulators and firms are looking for other sources.
- Certain conflicts exist between MiFID II and regulations in other jurisdictions, particularly with regards to the unbundling of research and transparency.
- ICSA associations are broadly optimistic that the necessary Legal Entity Identifier codes will be obtained by larger firms prior to 3 January 2018, but smaller firms might be behind.

At this stage, ICSA associations overall do not feel that they have clear insights into the likely impact of MiFID II on the business plans of their member firms.



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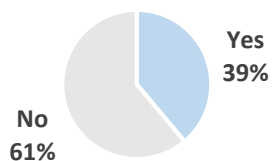
RESULTS

ISSUES

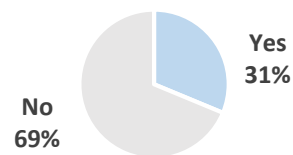
Non-EU ICSA member associations report some conflicts and issues on MiFID.

Do home jurisdiction regulations governing your member firms conflict with MiFID II requirements on? :

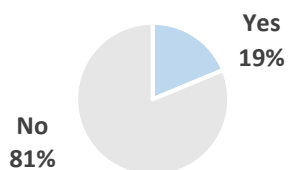
Unbundling of Research



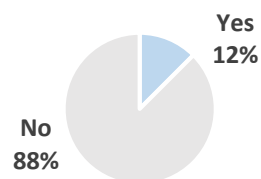
Transparency



Best Execution



Governance



COMMENTS

Unbundling of Research

“Unbundling of research is in direct conflict. Acceptance of unbundled payments for research subjects a broker to the obligations of an investment advisor. Firms are unwilling to accept these obligations and are seeking regulatory relief.”

“Bundling of research is OK in our markets. We don’t want to change this.”

“We have differences regarding the definition, meaning, and functions of independent investment research as well as on the restrictions applied on researchers.”

“Firms will have to determine whether to take a local approach and ring fence transactions with the EU and the UK, or take a global approach.”

Transparency

“Members are concerned about conflicts if there is not timely recognition of third country trading venues.”

“The fixed income pre-trade rules are inconsistent with our market rules and practice. It is unclear how members will deal with this.”

“In Asia, MiFID II transparency rules are still being assessed through working groups. The compatibility of detailed reporting requirements is a major concern. The new transparency regime will not impose any specific requirements on non-EU investors but the data published by EU trading venues and EU brokers will include anonymised information about all transactions on EU trading venues and in certain other products. Some trading strategies may be impacted.”

“MiFID is a very complex and detailed regulation, whereas our regulation is more general within a simpler market structure. There will be issues in implementation.”

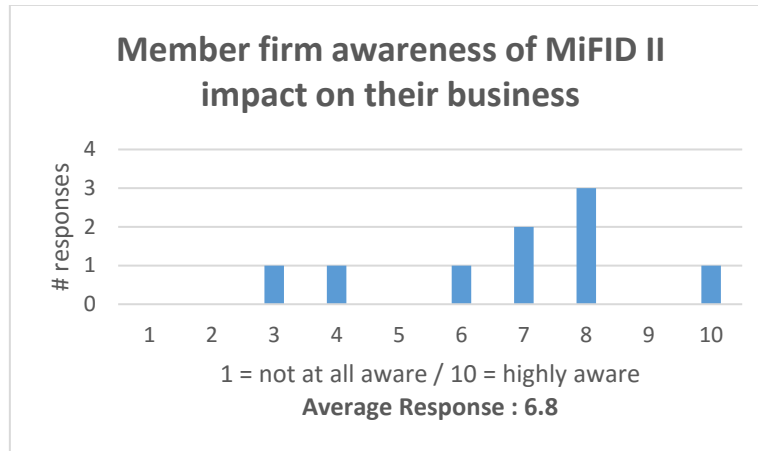
“If some countries do not implement a four-week deferral for large or illiquid transactions, liquidity will migrate to jurisdictions that do have a four-week deferral regime for large and/or illiquid transactions (versus a 48-hr regime, for example).”

Best Execution

“Best Execution obligations in the EU appear to be somewhat higher and could be problematic when applied to EU clients trading here.”

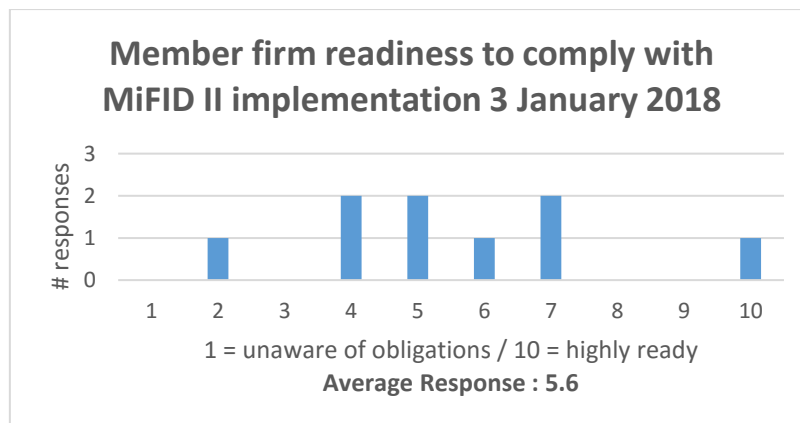
“It is highly likely that member countries will have differing implementation interpretations. This could lead to varying best execution obligations for firms.”

AWARENESS



Non-EU ICSA associations report that since the beginning of 2017 members firms have trained more focus on and dedicated resources to the implementation of MiFID II, but awareness varies.

READINESS



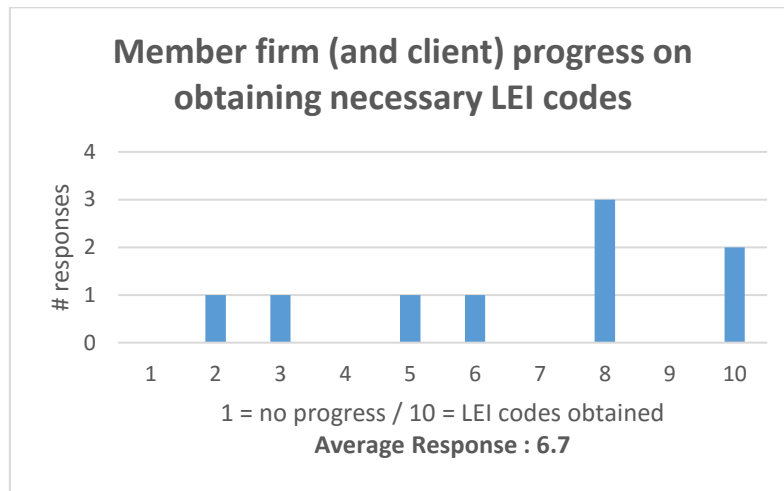
Despite the increased focus described above, ICSA member firms remain concerned about readiness:

“There is considerable uncertainty still on what needs to be done at a local level as extra-territorial application assessments are still being made.”

“It cannot be said that readiness is sufficient because the detail of regulation is still unclear.”

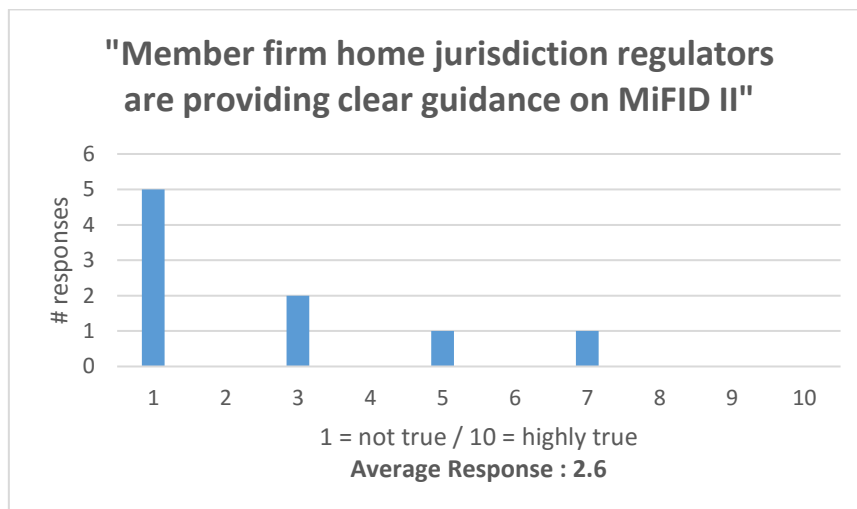
“There is a question about how desirable pooling and sharing of information (among firms) on implementation is commercially desirable....because firms that can meet MiFID II by next January will have a competitive advantage.”

LEGAL ENTITY IDENTIFIER CODES



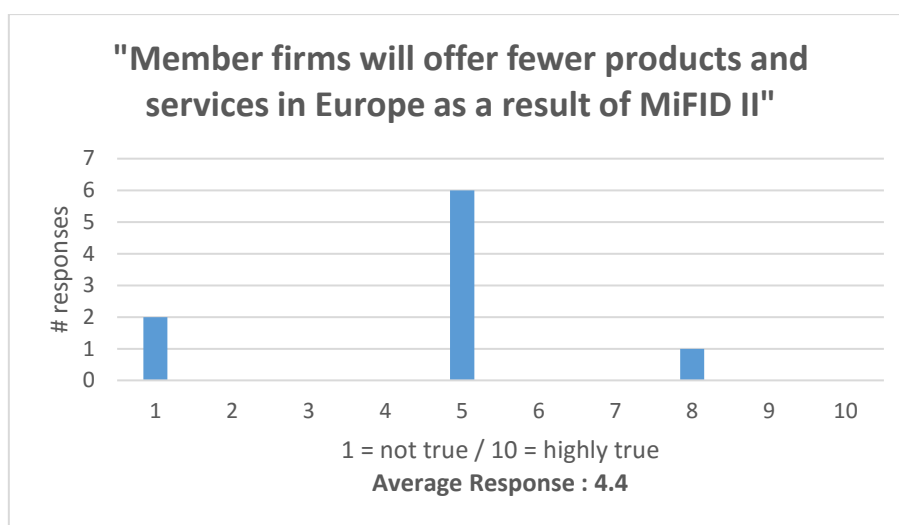
Larger firms with significant EU business are highly aware of requirements for LEI codes, but in some cases need to make further progress. Smaller firms may not be as aware as they should be and behind in obtaining LEI codes. The sell-side continues to educate the buy-side on LEI requirements where necessary.

GUIDANCE



Most ICSA members report that there is no MiFID II guidance from home jurisdiction regulators. Some report discussions where conflicts have been reported to regulators, but obtaining advice on foreign regulation remains a matter for the industry. Firms with international reach are looking to EU-based colleagues for guidance.

IMPACT



A number of ICSA associations do not feel they have clear insights into the likely impact of MiFID II on the business plans of their member firms, and provided neutral responses.

SURVEY PARTICIPANTS

Australia	Australian Financial Markets Association (AFMA)
Canada	Investment Industry Association of Canada (IIAC)
International	International Capital Markets Association (ICMA)
Japan	Japan Securities Dealers Association (JSDA)
Korea	Korea Financial Investment Association (KOFIA)
Taiwan	Taiwan Securities Association (TSA)
Thailand	Association of Thai Securities Companies (ASCO)
Turkey	Turkish Capital Markets Association (TCMA)
USA	Securities Industry and Financial Markets Association (SIFMA)

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