



IHS Markit™

# MiFID II Solutions

IHS Markit's comprehensive set of solutions to meet  
MiFID II requirements



# The why...

A wide-ranging piece of legislation, MiFID II aims to create fairer, safer and more efficient markets through improving investor protection, increasing transparency in OTC markets and changing market structure to encourage more competition.

Taken together, the measures of MiFID II affect every part of the securities trading value chain.



## Investor Protection

Under the reforms, new legislation establishes strict rules around conflicts of interest, commissions and inducements to improve investor protection by increasing transparency around the use of client money to pay for research.

Historically, research payments have been linked to trading volumes with few firms using formal research budgets. Unbundling the payment for research from the payment for execution has been acknowledged as one way to address these potential conflicts.

New requirements state that research is not considered an inducement if the Investment Firm (IF) pays directly out of their P&L or from a research payment account (RPA).



## Transparency

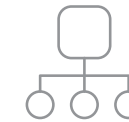
MiFID II expands pre-trade and post-trade transparency regimes to equity-like instruments, bonds, derivatives and structured products, among other financial instruments. For OTC derivatives, there are two layers of trade reporting to enhance price transparency and help regulators monitor risk and market activity.

### Post trade public reporting

MiFIR real-time public reporting is required to be sent to an Approved Publication Arrangement (APA).

### Post trade transaction reporting

MiFIR transaction reporting is required to be sent to an Approved Reporting Mechanism (ARM) by T+1 and requires transaction reports to include; transaction data, legal entity data and personal data about the trader, non-public personal information (NPPI).



## Market Structure

MiFID II aims to increase competition in OTC derivatives markets through mandating the use of electronic trading venues for certain instruments.

### Trading requirement

MiFIR requires trading of certain liquid instruments on a trading venue; Multi-lateral trading facility (MTF) or Organised Trading Facility (OTF).

### Repapering

MiFID II will require firms to notify clients of their order execution policy, receive consent to trade off venue, and notify or receive express consent from clients on other new MiFID II-mandated Terms of Business. This will mean that some firms will need to undertake a substantial repapering process when updating their terms of business and obtaining consent from clients. Additionally firms will need to confirm legal entity identifiers (LEIs) and client categorisations as retail, professional or eligible counterparty.



## Governance

Robust corporate governance continues to be a fundamental pillar of MiFID II given the perceived weakness in the financial sector in this regard and its contribution to the financial crisis in 2007-2008. Poor governance leads to compromised conduct which negatively impacts investor confidence. An investment firm is required to define, approve, oversee and continually scrutinize its provision of investment services with the ultimate aim of achieving responsible business conduct, the fair treatment of clients and the avoidance of any conflicts of interest.



# Planning ahead and working to comply

As the MiFID II deadline draws closer, there is an increased urgency around the implementation of solutions to comply with the new requirements by 3rd January 2018.

These and other regulatory pressures are mounting across the major regions, and as electronification and market structure changes expand globally, firms have to commit to building a basic foundation to ensure regulatory compliance.

Looking beyond simple compliance, forward-looking buy-side and sell-side firms are exploring future-proof frameworks as a potential competitive differentiator. The tools that were once 'nice to have' are becoming more 'must have' as a change is afoot.





MIFID II OBJECTIVES	KEY REQUIREMENTS	IHS MARKIT'S SOLUTION					
			EQUITIES	EQUITY DERIVATIVES	FIXED INCOME	FX	OTC DERIVATIVES
Investor protection	Inducements	Payments (incl. RPA), Evaluation, Interactions, Hub	✓	✓	✓	✓	✓
	Commission tracking						
	Best execution	Trading Analytics (Best Execution and TCA)	✓	✓	✓	✓	
	Suitability						
Transparency	Transaction reporting to ARMs, NCAs	MarkitSERV, EDM	✓	✓	✓	✓	✓
	Trade reporting to APAs	MarkitSERV, EDM	✓	✓	✓	✓	✓ <sup>1</sup>
	Benchmarks and analytics	EDM	✓	✓	✓	✓	✓
	Pre and post trade analysis	Pricing Data			✓		✓
		Reference Data	✓		✓		✓
Market structure	New venue types and rules RTS 27-28	Trading Analytics (Best Execution, RTS 28 Reporting solution and TCA)	✓	✓	✓	✓	✓
	MTFs and OTFs	MarkitSERV				✓	✓
	Management of repapering	Counterparty Manager					
	Centralisation of regulatory data		✓	✓	✓	✓	✓
Governance	Algorithm and best execution due diligence management	Outreach 360	✓	✓	✓	✓	✓
	Customized terms of business repapering		✓	✓	✓	✓	✓
	Client classification and centralization of regulatory data		✓	✓	✓	✓	✓
	Legal entity identifier and systematic internaliser designation		✓	✓	✓	✓	✓

1. MarkitSERV connecting to Approved Publication Arrangements (APAs) for non-listed instruments only.



# Our comprehensive set of solutions helps to meet your regulatory requirements

## Payments

New legislation establishes strict rules around conflicts of interest, commissions, and inducements, with the goal of increasing transparency around the use of client money to pay for research. We provide effective control of research commissions for all trading partners. IHS Markit's Payments platform allows;

- For the aggregation and management of Commission Sharing Agreements (CSA)/Client Commission Arrangements (CCA) credits across trading partners on a single platform, with the ability to import broker evaluation results to support payment allocations.
- Supports simplified broker evaluation processes, enabling the historical record of meetings to be maintained and evaluation cycle tracking to enable commission allocations.

## Interactions

Maintaining a historical record of meetings with research providers is important. IHS Markit's Interactions platform helps to achieve this by;

- Consolidating sellside interactions to maintain a historical record of activity and support buy-side evaluations of their providers.
- Aggregating event data from sellside brokers to provide a single, clean data source for interaction details.

## Hub

MiFID II requires sellside and independent research providers to demonstrate the value of their research. IHS Markit Hub provides;

- A centralised interface for accessing industry content, economic research, company fundamentals and filings through a single sign on.
- Direct-to-source model not only gives users access to research documents, but the proprietary tools and multimedia content available through each provider's site.
- Controlled user level permissions, lead generation features, promotional tools and readership reporting allow providers to measure the value of their research.

## Evaluation

To help investment professionals evaluate the research services delivered by their counterparties and determine how to compensate for those services appropriately, IHS Markit's Evaluation platform provides;

- A simplified broker evaluation process.
- Allows buy-side firms to easily track the evaluation cycle, maximise evaluator responsiveness, analyse results and provide feedback to the sellside.
- Integration with our Interactions and Payments platforms enables a more efficient commission allocation process. Retrieve evaluation results in the Payments platform to make payments for eligible services with CSA/CCA credits.

## Transaction Cost Analysis

Trading venues and investment firms are required to report detailed data on execution quality. Firms must demonstrate they have taken all sufficient steps to obtain the best possible result for their clients, taking into account price, costs, speed, likelihood of execution and settlement, size and other relevant considerations. IHS Markit's TCA product;

- Provides execution, algorithmic, venue and smart order router evaluation analytics across equities, FX and fixed income instruments.
- Actionable insight for trading related execution quality management, compliance and reporting.

## BestEx Reporting

IHS Markit's BestEx reporting product helps to fulfil best execution obligations in conjunction with SEC reporting requirements by;

- Calculating and aggregating customer input data to allow for timely adjustments and corrections, reducing the need to resubmit data.
- The analysis is suitable for both institutional and retail orderflow and is internationally adaptable.



## RTS 28 Reporting Solution

A key component of MiFID II is execution quality measurement and reporting. In April of 2018 investment firms will be required to make annual public disclosures detailing their order routing practices for each customer type and asset class they transact in.

The complexity and effort required in order to be compliant with the rule should not be underestimated. Our RTS 28 compliance automated reporting solution helps by;

- Calculating, formatting and publicizing RTS 28 requirements in an efficient and automated process. Results viewable daily through our IHS Markit hosted website to house and serve client's public reports.
- Maintains a complete audit trail of inbound file processing and client activity that can be annotated with comments.
- Advanced analysis also available on RTS 28 order routing data, providing custom analytics, user defined reports and dashboards.

## Pricing Data

- Provides extensive market colour for hard to price securities, leveraging price inputs from a variety of sources as well as data captured by our real time parsing technology.
- Our services integrate transaction data made publically available from post trade transparency as additional price inputs.

## Reference Data

Instrument Reference Data is being expanded to cover MiFID II attributes for Cash, Equities and Credit Derivatives. IHS Markit's Reference Data will enable firms to identify the instruments that are MiFID II compliant and map these instruments to the MiFID II associated attributes.

- Our comprehensive Reference Data offering is already utilised by 500+ clients, who will benefit from increased coverage and inclusion of MiFID II attributes.
- Clients can access a consolidated database for both Instrument Reference Data and MiFID II compliant attributes.

## Research Payment Account Manager

New requirements state that research is not considered an inducement if the Investment Firm (IF) pays directly out of their P&L or from a research payment account (RPA).

- Calculates allocation of budgets to portfolios with dynamic recalculation of budgets when costings change.
- Our interface to Markit's Payments allows for the automatic recording of sweeps from CSA Accounts with the ability to monitor each portfolio's CSA credits and alert when approaching contribution target as well as management of direct payments to the Research Payment Account by individual portfolios.
- Assisting with regulatory reporting with ability to create 20+ standard reports including client disclosures.

## thinkFolio

MiFID II introduces requirements for detailed transaction reporting. To help firms remain compliant, IHS Markit's thinkFolio:

- Delivers trade related transaction specific data to be used in MiFID II transaction reporting. Supports all asset classes, including cash instruments as well as exchange-traded and OTC derivatives.

## MarkitSERV

OTC derivatives market participants are mandated to trade certain liquid instruments on an electronic venue (MTF or OTF). STP requirements to a CCP where applicable and perform Real time public reporting for price transparency to an APA and transaction reporting to an ARM or NCA directly, for all trades. MarkitSERV provides:

- Single point of connectivity linking banks and investment firms to electronic venues, including MTFs and OTFs and clearinghouses.
- Public reporting data exchange enable trading venues and investment firms to transmit data to Approved Publication Arrangements within prescribed timeframes.
- Transaction reporting data exchange and agreement to enable firms to send reports to Approved Reporting Mechanisms or NCAs directly.

## Counterparty Manager

The electronic repapering of terms and conditions to counterparties will require updating to include the new MiFID II provisions and preferences where applicable. IHS Markit's Counterparty Manager provides;

- Centralised creation, exchange, tracking and extraction of terms in a digital format to integrate into your own systems and avoid manual processing and rekeying.
- Captures key trader and entity data for inclusion on reports to the NCA and to drive logic around any applicable classifications, preferences and IDs used for transaction reporting.

## Counterparty Manager: Outreach 360

Under MiFID II there are several new requirements which mandate the repapering of counterparty documentation and the collection of additional reference data. Outreach 360 available via Counterparty Manager by IHS Markit offers:

- Client outreach and MiFID II entity classification via a single, secure portal designed to streamline outreach and repapering by sending and receiving questionnaires and documentation through one portal.
- Standardized, encrypted, and auditable platform to create, manage, send, track and store all counterparty outreach and contracts for regulatory, due diligence and data gathering purposes.
- Proactive client engagement through a customizable dashboard with real-time information and reporting to track status of all tasks, providing full transparency into the progress of workflows.
- On and off platform client support to reach all of your population, including branded customized email and web-portal templates and e-signature capabilities.

## EDM

Transaction reporting requirements are being expanded to cover all asset classes. The number of attributes that firms must report is also increasing significantly. IHS Markit's EDM supports the entire MiFID II transaction reporting lifecycle by:

- Serving as a hub that sends data to regulators, client repositories and TCA and best execution providers.
- Centralising and validating all required transaction data points.
- Supporting matching and translation of reference data.
- Providing support for management of mastered data.
- Formatting and validating final report outputs to be submitted to an ARM
- Providing visibility into the full process via dashboards.
- Supporting the management and ownership of data with workflow, approval, audit and data lineage functionality.

## About IHS Markit

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 key business and government customers, including 85 percent of the Fortune Global 500 and the world's leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth.

### AMERICAS

**T** +1 212 931 4900

### EUROPE, MIDDLE EAST, AFRICA

**T** +44 20 7260 2000

### ASIA PACIFIC

**T** +65 6922 4200

**E** [sales@markit.com](mailto:sales@markit.com)

IHS Markit makes no warranty, expressed or implied, as to accuracy, completeness or timeliness, or as to the results to be obtained by use of the products and services described herein, and shall not in any way be liable for any inaccuracies, errors or omissions therein. IHS Markit is a registered trademark of IHS Markit Ltd and/or one of its group companies. All other company and product names may be trademarks of their respective owners © 2016 IHS Markit. All rights reserved.

3715-GC-0617