An Exploration of MiFID II and Transaction Reporting in MiFIR

WORKSHOP AGENDA

MiFID II in Perspective

The Markets in Financial Services Regulation and Directive (MiFID II) will take effect on the 3rd January 2018. Many of the proposals create a fundamental shift in regulation across Europe. This session will look at the drivers for policy changes, the key changes and the implementation timetable.

- MiFID II – Why? What? Where?
- The new regulatory regime: Interplay between the EU Commission, ESMA and the European Competent Authorities Network
- Cross Regulatory Impact
- List the milestones within the regulatory process that firms will have to be mindful of.

Exploring the New World of Market Structure

MiFID II welcomes the introduction of new trading venues and applies new rules and regulations to High Frequency Trading as well as Commodities. This session explores the key changes to the market landscape.

- Impact of the new Organised Trading Facilities (OTFs) on the existing market structure including Systematic Internalisers (SIs) & Multilateral Trading Platforms (MTFs)
- Examine the structural change implications for the market
- Provide an overview of the key challenges to firms

Greater Transparency Across Europe

A key driver for greater transparency is to ensure that markets can react quickly to change and in the event of a financial crisis respond effectively and efficient causing least detriment to the underlying investor. This session will examine key aspects of the new requirements introduced by MiFID II to enhance transparency across European markets.

- Examine the reform of equity markets and the impact on broker dark pools
- Assess the new regime for pre- and post-trade fixed income markets and other financial instruments
- Understand the impact of MiFID II on Liquid Market Definitions
- Clarify the requirements for reporting across the scope of financial products including non-equity and derivatives.

The Role of Reporting in the new Regime

MiFID II creates new reporting requirements to the market and to the regulator. Reporting requirements introduced by European Market Infrastructure Regulation are enhanced, while there
is a complete overhaul of the market abuse transaction reporting regime. This purpose of this session is to clarify the various requirements and acknowledge their differences.

- Clarify the differences between the various regulatory reporting regimes.
- Explain the reporting characteristics between post-trade; transaction and repository trade reporting.
- Summarise the importance of transaction reporting for the monitoring of market abuse
- Identify key areas of change and how to potentially manage the risk.

Continuing to Build Greater Protection for Investors

Creating a market is transparent, efficient, resilient and strengthens investor protection is at the heart of MiFID II. The revisions within the regime will have implications across client assets, conduct of business, management oversight and control, as well as introduce new intervention powers given to the European Authorities.

- Delivering appropriate and proportionate levels of investor protection.
- Clarify the amendments to the client classification regime.
- Explore the proposals for best execution.
- Examine the regulatory expectation for the treatment of research in relation to inducements and conflicts of interest.
- A high level examination of the suitability and appropriateness requirements.
- Review the implications for firms of the new third country regime.

The Challenge of Implementation

Although MiFID II comes into effect on the 3rd January 2018, wide-scale change programmes are complex and this session explores how firms may formulate an oversight governance framework to manage these risks particularly where the precise requirements in the more complex area remain uncertain.

- Consider what action firms must take now to develop an oversight framework considering the nature, size and coverage of its business activities.
- Key regulatory principles that firms should review their MiFID II framework against including governance; management oversight; roles & responsibilities; and process.
- Identifying significant operational changes including updating technology requirements
- Managing long-term strategic outputs.

MiFID Moving Forward

MiFID II is an evolving piece of legislation and. Outcomes Based Regulation is very much apart of MiFID II agenda. Firms must ensure that they meet the regulatory authorities expectation in implementing this piece of regulation as there will be an in-built review of the regulatory requirements to follow implementation.
• Clarifying the roles and responsibilities of oversight between the EU Commission, European Securities and Markets Authority (ESMA) and National competent Authorities.
• MiFID II’s impact on Governance, Accountability and Remuneration for Investment Firms.

MiFID Transaction Reporting

The primary purpose of transaction reports is to detect and investigate suspected market abuse, insider trading and market manipulation. Review of a transaction report is a key part of any investigation into alleged market abuse reported to any national competent authority.

• Develop a greater understanding of the importance of Transaction Reporting
• Understanding for regulatory outcomes and practical implications for Transaction Reporting Oversight
• Identify scenarios of market abuse and the importance of Transaction Reporting to the prevention of financial crime.
• Explore what is changing with MiFIR Transaction Reporting including approach, field analysis and scenarios.

MiFIR Transaction Reporting

MiFIR Transaction Reporting for European Regulatory Authorities is key as a measure of European market integrity. It is important that the revised transaction reporting system works and provides regulators with a supervision and enforcement tool to ensure that the European Market remains a global leader in financial services.

• Examine the new reporting obligations for firms – what lies ahead for the buy side.
• Define what a reportable product under Article 50
• Field-by-field guidance – what is changing?
• Explore how to navigate the ‘grey areas’ including client identifier and short-selling flag.
• Illustrate scenarios and seek to identify challenges with the MiFID approach to implementation compared to the MiFIR approach to implementing transaction reporting.

Operational Oversight & Assurance

The Markets in Financial Instruments Regulation (MiFIR) text states that investment firms who execute transactions in financial instruments shall report complete and accurate details of such transactions. This session will examine the key risks to operational oversight and provide assurance.

• Failure to submit accurate transaction reports has the potential to hinder the National Authority’s ability to detect and investigate suspected market abuse.
• Establishing an operational approach to ensuring compliance in the new regulatory environment.
• Exploring how firms manage outsourcing risk and due diligence with Third parties
• Managing Transaction Reporting Systems Changes

Regulatory Challenges and Governance

The Financial Conduct Authority (FCA) have issued enforcement fines, private warnings, notifications and communications on transaction reporting to industry. During this session, we will examine the FCA’s approach to the regulation of transaction and lessons learnt for national competent authorities implementing the new approach under MiFIR.

• Examine the MiFIR Regulatory Requirements including governance framework and controls, reporting data quality, assurance and testing guidelines.
• Summarise the business process operational risks and identify controls and frameworks to mitigate the risks.
• Explore areas of failure to submit accurate transaction reports, which firms need to consider in their regulatory assurance programs.
• Identify key oversight risks and the implication of the introduction of the Accountability Regime.