

UK Implementation of MiFID

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19 April 2007**

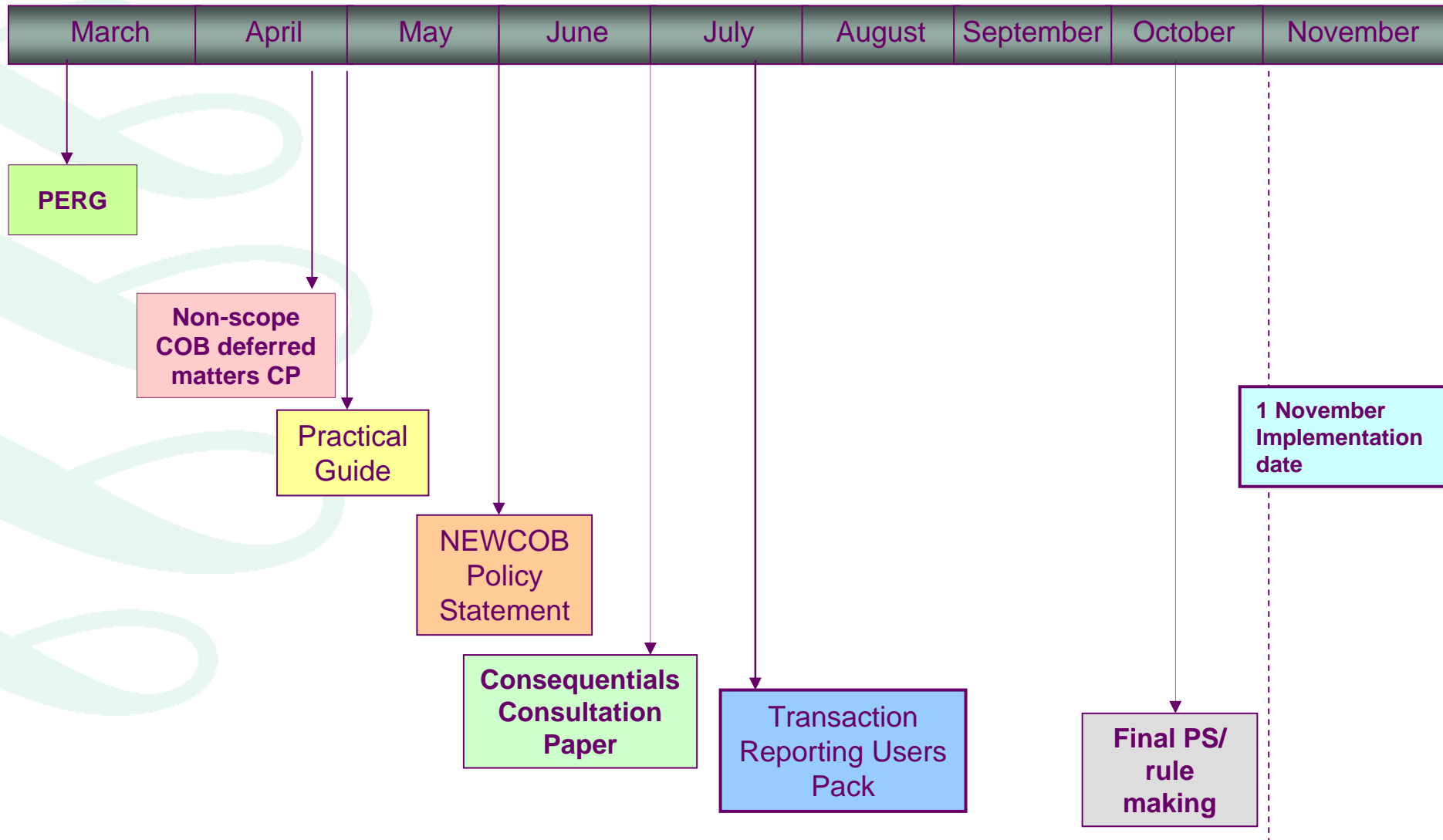
Agenda

- State of play on implementation
- Level 3 work programme
- Article 4 state of play
- Firms' preparations for UK implementation
- Industry Guidance

Transposition status

- **UK:**
 - 31 January 2007: deadline for MiFID transposition met
 - 31 January 2007: Article 4 notifications made
- **Rest of Europe:**
 - Romania transposed on time
 - Most other Member States indicate they will transpose late but implement on time
 - http://ec.europa.eu/internal_market/securities/isd/mifid_implementation_en.htm
- **1 November 2007: application date for firms and Member States**

FSA close-out of MiFID consultation



Level 3 work programme

- Focussed on convergent application of key Level 1 and Level 2 provisions
- CESR final guidelines and recommendations issued on:
 - Record-keeping (9 February)
 - Data consolidation (9 February)
- Consultations have closed on:
 - Best execution (16 March)
 - Transaction reporting (2 March)
 - Inducements (9 February)
 - Passporting (9 February)
- A reconsultation on Inducements (alone) closes 27 April

Best execution

- CESR sought Commission's legal view on the scope of best execution obligation
- Commission's view is that best execution will only apply in dealer markets where the firm is acting on its client's behalf when executing an order
- CESR feedback on best execution CP expected shortly
(in Q & A format focussed on particular practical issues)

Transaction reporting

- Domestic aim:
 - to maintain the current transaction reporting regime but adding an instrument flag for credit default swap transactions
- Likely shape of CESR Level 3 guidelines, expected shortly:
 - Basic test is location of the person committing the firm to the transaction
 - To which authority should branches make their transaction reports?
 - At the firm's option, all transactions reported to the host authority only
 - Scope of the reporting obligation
 - Interim solution, allows regulators to collect reports of the client-facing leg as well as the market-facing leg.
 - CESR will review after 12 months full operation

Passporting: Home-Host

- Key issue is which regulator, home or host, is responsible for the conduct of business oversight of the branch of an EEA firm
- Essential that FSA is able adequately to oversee branches' activities in the London markets
- Interpretation of Article 32(7)

Article 4

- 31 January 2007: Article 4 notifications made
- Published on FSA and Commission websites
 - http://ec.europa.eu/internal_market/securities/isd/mifid_implementation_en.htm
 - http://www.fsa.gov.uk/pages/Library/Other_publications/EU/eu_docs/article4.shtml
- Decisions subject to:
 - consideration of consultation responses
 - discussion of Commission's preliminary views

Firms' preparations and progress

- Wholesale investment banks
 - Gap/impact analyses undertaken
 - Some firms have taken strategic decisions
- Wholesale banks and investment firms
 - Some firms have yet properly to assess impact
 - Sense that smaller firms are struggling more than larger firms
- Major retail groups
 - Questionnaire showed positive results from firms
 - Most are on track with work programmes
- Retail firms
 - Questionnaire, surgeries, road shows and roundtable events
 - Good progress, understanding and knowledge

- Reviewing MiFID Connect draft guidelines on outsourcing, suitability and conflicts
- Looking to give confirmation in line with parameters set out in DP06/5
- Expect to confirm outsourcing guideline shortly