



IHS Markit™

FINANCIAL MARKETS DATA & SERVICES

# MiFID II Solutions

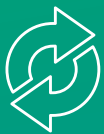
IHS Markit's comprehensive set of solutions to meet  
MiFID II requirements

# 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.

Trade  
Execution



Investor  
Protection



Reporting &  
Settlement



## 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 establish and implement an order execution policy. 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 reaffirm client categorisations as professional or retail.



# Planning ahead and working to comply

Despite MiFID II being delayed to 2018, the urgency around implementing solutions to comply with the new requirements has not subsided.

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.



## We have the solutions that you need to address your MiFID II requirements

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	✓	✓	✓	✓	✓ <sup>1</sup>
	Trade reporting to APAs	MarkitSERV, EDM	✓	✓	✓	✓	✓
	Benchmarks and analytics	EDM	✓	✓	✓	✓	✓
	Pre and post trade analysis	Pricing Data			✓		✓
Market structure	New venue types and rules RTS 27-28	Trading Analytics (Best Execution and TCA)	✓	✓	✓	✓	✓
	MTFs and OTFs	MarkitSERV				✓	✓
	Management of repapering	Counterparty Manager					
	Centralisation of regulatory data		✓	✓	✓	✓	✓

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 reasonable 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.

## 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.

## 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). Real time public reporting for price transparency and transaction reporting for systemic risk monitoring are also required 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 tools enable trading venues and investment firms to transmit data to Approved Publication Arrangements within prescribed timeframes.
- Transaction reporting workflow sends reports to Approved Reporting Mechanisms on behalf of investment firms.

## 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.

## 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.

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