Wealth and Asset Management in a post-MiFID II environment

What you need to know
Was the MiFID mission accomplished?

The year 2018 certainly started with a bang, with the EU regulation Markets in Financial Instruments Directive II (MiFID II) causing most of the workload for wealth and asset managers. After a massive effort, most financial firms are confident they achieved MiFID II compliance by the specified deadline. Now, COOs and compliance officers are keen to refocus their resources on other priorities as soon as possible. However, EY’s group of MiFID II professionals are warning wealth and asset managers that the mission cannot be considered accomplished at this point. While an initial state of substantial compliance on day-one has widely been achieved, organizations must now consider their day-two activities and continue to evolve their compliance efforts with adequate resourcing until at least the second half of 2018. This is because in the rush toward the implementation deadline, the vast majority of firms:

► Had to make assumptions to deal with uncertainty
► Had to implement with tactical solutions because of time constraints
► Were too busy focusing on compliance to address the regulation’s broader business and strategic implications

Thinking beyond day-one compliance

On 3 January 2018, most firms believed themselves to be largely compliant, but many realize that substantial work remains due to three factors:

1. Firms still have considerable work remaining in areas relating to data limitations and uncertainties that prevented full compliance before 3 January
2. To get over the line, firms made tactical decisions that now need more strategic solutions to enable efficiencies and effective controls
3. Most firms focused on getting to a position of compliance rather than on the best strategic response to a new regulatory environment. This response has implications across the life cycle of the business of asset and wealth managers’ trading activity, operations, product, distribution, and interaction with clients and regulators

In short, even after meeting the compliance deadline, it’s evident to many buy-side firms that the work is far from over.
Regulatory expectations: 3 January 2018 was not an end date but a start

Regulators are expecting firms to have made all reasonable efforts to comply and also to have put in place resources to rectify issues and complete compliance.

What’s next for wealth and asset managers: a post-MiFID II to-do list

You should:

1. Be able to demonstrate that all reasonable efforts have been made to get compliant
2. Ensure that senior management understands what MiFID II means for them and has taken responsibility for the MiFID II program
3. Be able to show where assumptions were made and provide documentation for the rationale behind each assumption
4. Demonstrate that there’s a day-two plan to rectify and complete MiFID II implementation as well as the resources available to complete this work
5. Make arrangements to monitor market practice and regulatory expectations, and amend assumptions where appropriate to ensure effective compliance
6. Review your risks and effectiveness of controls in the light of the MiFID II changes
7. Continue to address the immediate commercial implications, for example, in relation to cost disclosures
8. Perform a strategic review of your operating model, products and distribution in order to make adjustments for growth, efficiency and control in the new environment

Wealth and asset managers looking to take a strategic view of MiFID II compliance will be considering questions, such as:

**Product and distribution**
- Will your products remain viable?
- Should the product mix change?
- Is the pricing strategy fit for the future?
- What’s the right distribution strategy?
- Has the argument for business to consumer (B2C) changed?

**Investment and trading**
- How can the additional market data be used to generate competitive advantage?
- Are there more efficient means of sourcing and using research?

**Organizational**
- Is the global operating model efficient in the new regulatory environment?
- What steps will the firm take to maintain and increase profitability in terms of cost and revenue pressures?
Wealth and Asset Management in a post-MiFID II environment
**EY's MiFID II mission**

Over the last two years, more than 100 of EY’s regulatory professionals have devoted themselves to supporting clients to deliver MiFID compliance programs. We’re committed to supporting our clients complete their compliance. We also help them gain the confidence that their compliance is complete, accurate and embedded, while addressing the opportunities and threats that the post-MiFID II environment presents to their business model and strategy.

MiFID II didn’t end with the January 2018 deadline: Find out how EY can support you.
## How can EY help?

<table>
<thead>
<tr>
<th>Client challenge</th>
<th>EY service</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Has MiFID II been implemented completely, accurately and effectively?</strong></td>
<td>We’ve developed a range of review services to help firms determine that they have:</td>
</tr>
<tr>
<td></td>
<td>► Scoped accurately</td>
</tr>
<tr>
<td></td>
<td>► Identified all applicable requirements</td>
</tr>
<tr>
<td></td>
<td>► Put in place effective procedures and embed them in workflows</td>
</tr>
<tr>
<td></td>
<td>► Implemented processes in line with industry practice</td>
</tr>
<tr>
<td></td>
<td>► Implement appropriate day-two activities in place</td>
</tr>
<tr>
<td><strong>How can we move from tactical fixes to robust and efficient processes?</strong></td>
<td>We have services that’ll help firms:</td>
</tr>
<tr>
<td></td>
<td>► Calculate implicit transaction costs</td>
</tr>
<tr>
<td></td>
<td>► Move from tactical to strategic reporting processes</td>
</tr>
<tr>
<td></td>
<td>► Complete MiFID II or Packaged Retail and Insurance-based Investment Products (PRIIPs) and Financial Conduct Authority-compliant (FCA-compliant) reporting as a managed service</td>
</tr>
<tr>
<td></td>
<td>► Perform value-for-money analysis and reviews to address FCA and strategic product considerations</td>
</tr>
<tr>
<td><strong>Can we be sure that our transaction reporting is complete and accurate?</strong></td>
<td>We’ve invested in developing a tool that supports end-to-end testing by:</td>
</tr>
<tr>
<td></td>
<td>► Taking your trade data for any given period and providing what exactly should have been reported to the regulator</td>
</tr>
<tr>
<td></td>
<td>► Compare trade data to actual reports to assess accuracy</td>
</tr>
<tr>
<td><strong>Is our trading and best execution program in line with best-practice MiFID II compliance?</strong></td>
<td>We have market insights and services to support:</td>
</tr>
<tr>
<td></td>
<td>► Governance</td>
</tr>
<tr>
<td></td>
<td>► Policies and procedures</td>
</tr>
<tr>
<td></td>
<td>► Surveillance and monitoring</td>
</tr>
<tr>
<td></td>
<td>► Liquidity modeling and vendor landscape</td>
</tr>
<tr>
<td>Client challenge</td>
<td>EY service</td>
</tr>
<tr>
<td>---------------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------------------</td>
</tr>
</tbody>
</table>
| Do our processes meet the increased reporting data management requirements of MiFID II and other regulations reliably and efficiently? | We've invested in this area and through deep knowledge and practical experience, we can provide offerings across:  
  ► Data governance  
  ► Architecture  
  ► Sourcing, quality and control  
  ► Testing  
  ► Compliance with General Data Protection Regulation (GDPR) |
| How can we ensure that the new compliance requirements are understood across the business? | We've developed computer-based training that:  
  ► Meets the firm’s generic training requirements with a test  
  ► Can be amended to meet specific functional training needs |
| Does our operating model meet the new research cost and transparency requirements efficiently? | We have deep insights and practical experience of establishing new operating models and can:  
  ► Help firms establish efficient and globally compliant operating model  
  ► Review to ensure efficiency and achieve compliance |
| How do the indirect effects of MiFID II impact third countries in our global business? | We have a team of seasoned professionals that can:  
  ► Help direct and indirect impacts to be fully understood  
  ► Make operating model changes to the global business where appropriate  
  ► Help you in both compliance and making changes to your operating model if appropriate – through our deep understanding of the requirements and global business models |
| What is the most effective distribution framework in the post-MiFID II environment? | We have market insights and digital capabilities to help you:  
  ► Review your distribution strategy  
  ► Put in place digital and robotic processes |
Contacts

Belgium
Jean-François Hubin
Tel: + 32 2 774 9266
Email: jean-francois.hubin@be.ey.com
Dr. Filip Bogaert
Tel: + 32 2 774 9145
Email: filip.bogaert@be.ey.com

Denmark
Henrik Axelsen
Tel: + 45 35 87 26 63
E-mail: henrik.axelsen@dk.ey.com

Finland
Antti Hakkarainen
Tel: + 358 405924433
E-mail: antti.hakkarainen@fi.ey.com

France
Hermin Hologan
Tel: + 33 1 46 93 86 93
Email: hermin.hologan@fr.ey.com
Marianne Tanguy
Tel: + 33 1 46 93 78 21
Email: marianne.tanguy@fr.ey.com

Germany
Ralf Temporale
Tel: + 49 89 14331 22191
Email: ralf.temporale@de.ey.com
Patrick Stöß
Tel: + 49 61 96996 25387
Email: patrick.stoess@de.ey.com

Greece
Alexandros Christidis
Tel: + 30 210 288 6043
Email: alexandros.christidis@gr.ey.com
Ilias Argyriou
Tel: + 30 210 288 6237
Email: Ilias.argyriou@gr.ey.com

Ireland
Cormac Murphy
Tel: + 35 31 221 2750
Email: cormac.murphy@ie.ey.com
Brian Binchy
Tel: + 35 31 221 2326
Email: brian.binchy@ie.ey.com

Italy
Giovanni Andrea Incarnato
Tel: + 39 06 675 35502
Email: giovanni-andrea.incarnato@it.ey.com
Luca Galli
Tel: + 39 02 722 122342
Email: luca.galli@it.ey.com

Luxembourg
Benjamin Accadia
Tel: + 352 42 124 8886
Email: benjamin.accadia@lu.ey.com
Christophe Wintgens
Tel: + 352 42 124 8402
Email: christophe.wintgens@lu.ey.com
Denis Costermans
Tel: + 352 42 124 8949
Email: denis.costermans@lu.ey.com

MENA
George Triplow
Tel: + 971 4 312 9382
Email: george.triplow@ae.ey.com

Netherlands
Alexander Beijer
Tel: + 31 88 40 71181
Email: alexander.beijer@nl.ey.com
Jeroen van der Kroft
Tel: + 31 88 40 71018
Email: jeroen.van.der.kroft@nl.ey.com

Norway
Kjetil Rimstad
Tel: + 47 24 00 27 83
Email: kjetil.rimstad@no.ey.com
Erik Klausen
Tel: + 47 24 00 27 76
Email: erik.klausen@no.ey.com

Poland
Paweł Preuss
Tel: + 48 22 557 7530
Email: pawel.preuss@pl.ey.com
Paweł Flak
Tel: + 48 22 557 6224
Email: pawel.flak@pl.ey.com

Spain
José Luis Castro López
Tel: + 34 915 725 063
Email: josluis.castrolopez@es.ey.com
Enrique Fernández Albarracín
Tel: + 34 915 725 042
Email: enrique.fernandezalbarracin@es.ey.com

Sweden
Fredrik Stigerud
Tel: + 46 8 52059853
Email: fredrik.stigerud@se.ey.com

Switzerland
Christian Röthlin
Tel: + 41 58 286 3538
Email: christian.roethlin@ch.ey.com
Bruno Patusi
Tel: + 41 58 286 4690
Email: bruno.patusi@ch.ey.com

UK
Uner Nabi
Tel: + 44 20 7951 6442
Email: unabi@uk.ey.com
Gillian Lofts
Tel: + 44 20 7951 5131
Email: glofts@uk.ey.com
Dr. Anthony Kirby
Tel: + 44 20 7951 9729
Email: akirby1@uk.ey.com

Ireland
Cormac Murphy
Tel: + 35 31 221 2750
Email: cormac.murphy@ie.ey.com
Brian Binchy
Tel: + 35 31 221 2326
Email: brian.binchy@ie.ey.com
About EY
EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

EY is a leader in shaping the financial services industry
Over 30,000 of our people are dedicated to financial services, serving the banking and capital markets, insurance, and wealth and asset management sectors. At EY Financial Services, we share a single focus – to build a better financial services industry, not just for now, but for the future.

© 2018 EYGM Limited.
All Rights Reserved.

EYG No. 03473-184GBL
EY-000063973.indd (UK) 06/18.
Artwork by Creative Services Group London.
ED None

In line with EY's commitment to minimize its impact on the environment, this document has been printed on paper with a high recycled content.

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax or other professional advice. Please refer to your advisors for specific advice.

ey.com