



# MiFID2 / MiFIR

MiFID2 / MiFIR refers to the legislation that will overhaul the existing Markets in Financial Instruments Directive, going live in January 2018. It is significant for the hedge fund industry not only because it regulates some investment managers but also because it regulates the brokers and trading venues that they deal with.

## Who is this relevant for?

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Most investment management firms that are established in the EU will be subject to elements of MiFID2 if they:

- perform portfolio management on a subadvisory basis for another investment manager, in which case it is likely that they would have to seek authorisation under MiFID as an "investment firm"; or
- offer managed accounts, i.e. perform individual portfolio management. Even if authorised under other legislation, such as AIFMD or UCITS, those firms will need to adhere to certain MiFID2 requirements in respect of their managed account activities.

Any investment manager – even one based outside the EU – that trades on European markets will be impacted by MiFID2 requirements that apply to particular asset classes (transparency requirements for equities and fixed income; commodities position limits; requirements to trade OTC derivatives on venue) or to particular forms of trading (algorithmic trading).

## What does it cover?

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The topic that has generated most controversy is MiFID2's ban on "inducements", which will require partial unbundling of research and execution services received by in-scope managers, with detailed new rules on Research Payment Accounts (RPAs).

Other topics which are of particular interest to AIMA members include:

- a requirement for in-scope managers to **report** transaction data to their regulator on a T+1 basis;
- rules covering **taping** of telephone conversations that could result in a trade;
- rules for firms undertaking **algorithmic trading**;
- a requirement to execute cleared, liquid OTC **derivatives** on a trading venue;
- pre- and post-trade **transparency** rules for trading in equities, bonds and derivatives;
- **position limits** in commodities markets for spot and non-spot months;
- provisions on **best execution**, including public disclosures on top execution venues; and
- **product governance** requirements.

## Important future dates

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The rules will apply from 3 January 2018. The legislative framework at EU-level is now largely complete and national authorities are currently writing the rules into national law. ESMA is also active in producing Guidelines and Q&A on MiFID2. AIMA is engaging with policymakers at national and European level about their ongoing work.

## Where can I find more information?

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Please contact AIMA's [markets regulation team](#) for more detail on any aspect of the new rules.