



MiFID2 / MiFIR

MiFID2 / MiFIR refers to the European legislation that regulates the activities of intermediaries in secondary markets; it went 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?

Most investment management firms that are established in the EU are 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?

One of MiFID2’s standout features is the ban on “inducements”, which requires partial unbundling of research and execution services received by in-scope managers, with detailed new rules on payment for research.

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.

Where can I find more information?

On the AIMA website you will find:

- [AIMA MiFID2 Guide for Investment Managers](#) (03 February 2017)
- [AIMA MiFID2 Vendor List](#) (06 March 2017)
- [AIMA MiFID2 Best Execution Guide for Investment Managers](#) (14 July 2017)
- [MiFID2 Commodities Position Reporting and Limits - AIMA Guidance Note](#) (26 September 2017)
- [AIMA’s written submissions on MiFID2](#)
- [Template Research Charge Collection Agreement \(RCCA\) - AFME, IA and AIMA](#) (13 November 2017)
- [AIMA DDQ for Transaction Cost Analysis Vendors](#) (28 November 2017)
- [Standard client certification for MiFID2 DEA FIA template questionnaire – MFA and AIMA](#) (08 December 2017)

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