

Pension Fund Investment Sub-Committee

11th September 2017

MIFID II

Recommendation

The Sub-Committee delegates to the Head of Finance the MIFID II “opt up” process with each fund manager as appropriate, to ensure that professional status is achieved by 3 January 2018.

1. Background

- 1.1 The Markets in Financial Instruments Directive (MiFID) is the framework of European Union (EU) legislation for:
 - Investment intermediaries that provide services to clients around shares, bonds, units in collective investment schemes and derivatives (collectively known as ‘financial instruments’)
 - The organised trading of financial instruments
- 1.2 MiFID was applied in the UK from November 2007, but is now being revised to improve the functioning of financial markets in light of the financial crisis and to strengthen investor protection.
- 1.3 The changes are currently set to take effect from 3 January 2018, with the new legislation being known as MiFID II - this includes a revised MiFID and a new Market in Financial Instruments Regulation (MiFIR).
- 1.4 At the Sub-Committee meeting of 12 June Hymans Robertson presented slides on the upcoming MIFID II legislation and what it means for the fund.
- 1.5 Under MIFID II investors will be automatically classified as retail investors by asset managers. Whilst retail investors are afforded an extra degree of protection there are certain types of more sophisticated investment that asset managers are unable to offer to the retail market. The fund will therefore be required to “opt up” as a professional investor with each asset manager that the fund currently has a relationship with. It is also expected that the fund will have to opt up with Border to Coast Pensions Partnership and the fund’s investment consultant.

2. Report from Fund Independent Advisor

2.1 A comprehensive report covering the opt-up process, timescales and requirements can be found at **Appendix A**.

Background Papers

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