

Local Pension Board

5 March 2019

Markets in Financial Instruments Directive (MIFID) II

Recommendation

The Local Pension Board notes and comments on the report.

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 has since been revised to improve the functioning of financial markets in light of the financial crisis and to strengthen investor protection.
- 1.3 The changes took 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 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 has therefore had to “opt up” as a professional investor with each asset manager the fund currently has a relationship with.

2. Professional status

- 2.1 The fund was successfully opted up to professional status by all its asset managers. One exception was JP Morgan who decided that the pension fund is protected under the rules applied by the “Undertakings for the Collective Investment of Transferable Securities” (UCITS).
- 2.2 An analysis of a member training survey was presented at the December 2017 meeting. Following the survey key areas of training were identified. Training sessions were then planned to cover these areas.

3. Actions since initial opt-up

- 3.2 During the year WCCPF has successfully opted up with BCPP and one of our Private Debt Managers – Alcentra.
- 3.3 Members received bespoke training sessions in May and August of this year. These covered the following topics:
- Investment Strategy & Regulation
 - Understanding Risks
 - Equity Protection
 - Understanding the Pension Fund Accounts
 - Actuarial Valuation
 - Pooling

The plan is to continue with these sessions so that fund is able to evidence compliance with the qualitative requirements under MIFID II.

- 3.4 The team are continually updating and maintaining evidence of member training.
- 3.5 Asset Managers are also notified of any changes in key officers and advisers.

Background papers

None.

	Name	Contact Information
Report Author	Chris Norton	chrisnorton@warwickshire.gov.uk
Assistant Director Finance and ICT Strategy	Lisa Kitto	liskitto@warwickshire.gov.uk
Joint Managing Director	David Carter	davidcarter@warwickshire.gov.uk
Portfolio Holder	Bob Stevens	bobstevens@warwickshire.gov.uk

The report was circulated to the following members prior to publication:

Local Member(s):

Other members: