

MiFID II: the inducements regime and corporate access

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¹ *These slides do not constitute FCA Guidance and were presented as visual aides for the Investment Association's MiFID II briefing: corporate access event on 30 April 2018*



A bit of history

- Nov 2012: FSA publishes thematic report on Conflicts of Interest between asset managers and their customers with accompanying 'Dear CEO' letter.
- Nov 2013: CP 13/17 on the use of dealing commission.
- May 2014: PS 14/7 finalised rule changes in COBS 11.6; corporate access is not research.
- July 2017: FCA implementation of MiFID II conduct rules finalised in PS 17/14.



Defining 'corporate access'

FCA Handbook Glossary:

Corporate access: the service of arranging or bringing about contact between an investment manager and an issuer or potential issuer.

ESMA Q&A 7 on Inducements (research):

"...the service of a third party arranging meetings with the management of a corporate issuer for an investment firm."

"Arranging a meeting itself...does *not* appear to be 'research' and should be considered a discrete service."

Source: ESMA Q&A on MiFID II and MiFIR investor protection and intermediaries topics


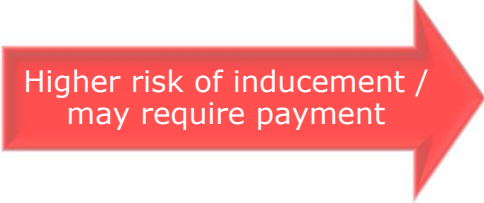


Corporate access and the MiFID II inducements regime

- Does not capture direct engagement with an issuer
- Third party corporate access service could be an inducement unless it is:
 - Deemed a minor non-monetary benefit; or
 - Paid for by a firm as a 'commercial service' (ESMA Q&A)
- It is for portfolio managers to assess whether they are in receipt of an inducement if they accept corporate access
- Brokers should offer separate pricing of corporate access from execution or research services, and price at 'commercial levels'

[COBS 2.3C.2R and ESMA Q&A 7 on Inducements (research)]

Possible factors for assessing corporate access (CA)

<i>Examples</i>	 No / limited risk of inducement	 Higher risk of inducement / may require payment	<i>Examples</i>
<i>'Independent' CA services</i>	CA provided by a non-broker 3 rd party	CA is provided alongside execution and research services	<i>Broker CA services</i>
<i>Capital-raising meetings</i>	Meeting request originates from or agreed with issuer	Asset manager approaches broker to organise the meeting	<i>Reverse road shows</i>
<i>Rate cards Conferences</i>	Access paid ad hoc for specific meetings	'All you can eat' CA bundled with research	<i>Platinum research client gets CA 'free'</i>
<i>Roadshow</i>	Event non-exclusive or broker role is incidental	Event is exclusive or bespoke	<i>Investor field trips</i>



Key messages

- Your firm will need to be able to demonstrate corporate access is not received as an inducement
- We will take a risk-based approach – broker-supplied access is the main potential conflict
- Implementation of MiFID II research unbundling rules is a supervisory focus for the FCA in 2018/19



Any Questions?



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