

DYFED PENSION FUND COMMITTEE

DATE 21/09/2017

Implementation of the Markets in Financial Instruments Derivative (MiFID II)

RECOMMENDATIONS / KEY DECISIONS REQUIRED:

The Committee to:

1. Note the potential impact on investment strategy of becoming a retail client with effect from 3rd January 2018.
2. Agree to the immediate commencement of applications for elected professional client status with all relevant institutions in order to ensure it can continue to implement an effective investment strategy.
3. In electing for professional client status, the committee acknowledges and agrees to forgo the protections available to retail clients attached as **APPENDIX 1**.
4. Delegate the Section 151 Officer the appropriate approvals for the purposes of completing the applications and determining the appropriate basis of the application.

REASONS:

In accordance with the implementation of the Markets in Financial Instrument Directive 2014/65 ("MiFID II"), and in particular the risk to the administering authority of becoming a retail client on 3rd January 2018, and recommends that the Committee agree that elections for professional client status should be made on behalf of the authority immediately.

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EXECUTIVE SUMMARY
DYFED PENSION FUND COMMITTEE
DATE 21/09/2017

**Implementation of the Markets in Financial Instruments Derivative
(MiFID II)**

BRIEF SUMMARY OF PURPOSE OF REPORT

1. Under the current UK regime, local authorities are automatically categorised as 'per se professional' clients in respect of non-MiFID scope business and are categorised as 'per se professional' clients for MiFID scope business if they satisfy the MiFID Large Undertakings test. Local authorities that do not satisfy the Large Undertakings test may opt up to elective professional client status if they fulfil certain 'opt-up criteria'.
2. Following the introduction of the Markets in Financial Instrument Directive 2014/65 ("MiFID II") from 3 January 2018, firms will no longer be able to categorise a local public authority or a municipality that (in either case) does not manage public debt ("local authority") as a 'per se professional client' or elective eligible counterparty (ECP) for both MiFID and non-MiFID scope business. Instead, all local authorities must be classified as "retail clients" unless they are opted up by firms to an 'elective professional client' status.
3. Furthermore, the FCA has exercised its discretion to adopt gold-plated opt-up criteria for the purposes of the quantitative opt-up criteria, which local authority clients must satisfy in order for firms to reclassify them as an elective professional client.

DETAILED REPORT ATTACHED?

YES

IMPLICATIONS

Policy, Crime & Disorder and Equalities	Legal	Finance	Risk Management Issues	Staffing Implications
NONE	NONE	NONE	NONE	NONE

Section 100D Local Government Act, 1972 – Access to Information

List of Background Papers used in the preparation of this report:

THESE ARE DETAILED BELOW

Title of Document	File Ref No.	Locations that the papers are available for public inspection/WEBSITE LINK