

**MIFID II - THE UPDATED MARKETS IN FINANCIAL  
INSTRUMENTS DIRECTIVE:  
CUSTOMER INFORMATION SHEET**

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AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED  
LONDON BRANCH

JULY 2018



## EXECUTIVE SUMMARY

The Markets in Financial Instruments Directive – 2004/39/EC MIFID came into effect in 2007. MIFID laid out within the European Economic Area the conduct of business and organisational requirements for investment firms, authorisation requirements for regulated markets, regulatory reporting to avoid market abuse, trade transparency (for shares) and rules on the admission of financial instruments for trading. MIFID II builds upon this foundation with a revised directive and a new regulation MIFIR.

MIFID II and MIFIR were adopted by the European Parliament and Council in mid-2014 with the aim of building upon the original directive in light of market developments and the Global Financial Crisis. The core aims are to make markets 'more efficient, resilient and transparent'. The rules reinforce market structure, improve investor protection and introduce greater transparency to the European markets across in-scope products.

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**MIFID II GOES LIVE IN JANUARY 2018 AND MAY HAVE AN IMPACT ON TRADES UNDERTAKEN BETWEEN YOU AND AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED (ANZBGL) (INCLUDING ITS GROUP ENTITIES). ANZBGL OPERATES THROUGH A BRANCH IN LONDON AND CONSEQUENTLY IS A THIRD COUNTRY INVESTMENT FIRM TO WHICH MIFID II APPLIES.**

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Your company has been identified as being impacted by MIFID II and, as such, there are certain actions which need to be taken in order to continue trading unimpeded from January 2018:

1. Exchange LEI details; and
2. Provide updated disclosures to you, including 'Terms of Business', and potentially receive certain consents from you.

## MARKET STRUCTURE

**With the aim of MIFID II being to provide a fairer, safer and more efficient market, the following changes have been made to the market structure requirements:**

### In-scope instruments broadened

Equity-like instruments, bonds, derivatives, structured finance products and emissions allowances are now in scope for the extended market structure requirements.

### Defined trading venues

The original directive is broadened to reduce the usage of 'dark pools', and push trading away from over-the-counter (OTC) and onto trading venues on which contracts can be executed including Regulated Markets and Multilateral Trading facilities (MTF). A new Organised Trading Facility (OTF) concept has been introduced for non-equity transactions.

### Trading obligation

Certain derivative contracts that are both clearable and liquid will be mandated to trade on trading venues as opposed to OTC.

### Best execution

The duty of best execution has been strengthened from the original directive such that firms should take "all sufficient steps" to achieve best execution.

New Terms & Conditions will be sent to clients in Q4 and this will include ANZBGL London Branch's updated Best Execution policy

### Systematic Internaliser (SI)

SIs have been redefined as "Firms which are organised to frequently and systematically deal on own account by executing client orders outside of a Trading Venue". The SI definition is not new, but the thresholds have been lowered and registration mandatory in certain cases - such that a significantly greater number of firms and products are brought into scope. Firms who qualify for (or who opt-up to) SI status, face enhanced obligations similar to those of a trading venue. This includes pre and post-trade transparency (where applicable).

Firms can opt-up to SI status from the onset of MIFID II, but, mandatory SI obligations (where applicable) begin from September 2018.

ANZ London (operating under the legal entity ANZBGL) has decided to opt-in early as an SI for ToTV instruments in FX, Rates and Credit products (ex. G4 Rates, Commodities and CDS) from 3<sup>rd</sup> January 2018.

### Controls for Algorithmic trading activities

Firms which engage in Algorithmic trading must demonstrate effective systems to manage risk and be compliant with a broad series of constraints on thresholds, limits, capacity as well as preventions on 'spoofing' (sending orders with no intention of having such orders executed) and other potential abuses.

ANZ has surveillance in place to identify and investigate signs of market manipulation for orders and trades generated by algorithmic systems. ANZ also monitors in real-time for signs of disorderly trading.

## INVESTOR PROTECTION

**With one of its key aims being to make markets safer, MIFID II expands investor protections:**

### Documentation and data requirements

Additional client details will be required for various purposes such as reporting. One of the most important requirements is the Legal Entity Identifier (LEI), a global system for identifying firms administered by Local Operating Units (LOU). For more information, visit <https://www.gleif.org/>.

Firms that have not provided ANZ with their LEI will not be permitted to trade in any MIFID business with ANZBGL London Branch.

For ANZBGL please use the following LEI:  
Australia and New Zealand Banking Group Limited:  
JHE42UYNWWTJB8YTTU19

MIFID II firms will also need to update various disclosures to clients including 'Terms of Business', and obtain certain consents from clients.

### Client categorisation

The current client categorisation regime and associated protections remain the same: Retail Client, Professional Client and Eligible Counterparty. Some amendments have been made to the provisions dealing with opting up to a higher categorisation with lesser protections.

### Inducements

MIFID "Investment Firms" may only receive 'minor non-monetary benefits'; this list is very prescriptive.

Specifically this means that if significant research resources are utilised in the provision of a benefit, such that it is no longer deemed 'minor non-monetary', then this must be unbundled and paid for separately as a service by Investment Firms.

### Research Services

ANZBGL considers the following research services to constitute acceptable minor non-monetary benefits and their provision will not involve any charge to you (i.e. the 'Standard Offering'):

1. Widely-published ANZ Research publications covering Australia, New Zealand, Asia, and the G3 (Economics, FX, Rates and Commodities).
2. Publicly-available Asia credit analysis (desk commentary and not investment).
3. Sales Notes, which cross reference published research and other overnight developments..
4. Conference attendance, roadshows, third party meetings and calls, to the extent that the service does not involve the allocation of significant resources.

ANZ considers the following research services to fall outside the scope of 'acceptable minor non-monetary benefits' and are, therefore, subject to a charge which will involve an annual subscription charge of GBP 1,000 (i.e. an 'Extended Offering'):

1. One-on-one analyst presentations.
2. Other bespoke research requests.
3. Conference attendance, roadshows, third party meetings and calls, to the extent that the service involves the allocation of significant resources.

### Manufacturing, distribution and lifecycle management of products

There will now be a requirement for relationships between manufacturers and distributors to be formalised and full and transparent governance detailed to clients prior to conducting MIFID business.

### Reporting requirements

There are various increased reporting requirements on firms. Transaction reporting to the National Competent Authorities has been extended to include new product types, additional fields of information, and new pre and post-trade transparency regimes requiring publication introduced for firms and SIs.

Firms will also be expected to provide a quarterly execution quality report and an annual best execution report which has the goal of enabling the public and investors to evaluate the firm's execution quality.

## Costs and charges

MIFID II requires greater disclosure of costs and charges (and the impacts of those costs) associated with our provision of certain services to you.

We will be providing costs disclosures to clients during Q4 and will be making reports available on costs associated with transactions to clients on an annual basis.

## WHAT DO YOU NEED TO DO TO ENSURE THERE IS NO DISRUPTION TO YOUR BUSINESS WITH ANZ FROM JANUARY 2018?

### 1. Provide us with your LEI

If you don't have an LEI yet, visit: <https://www.gleif.org/> for information on how to get one.

For ANZBGL please use the following LEI:  
Australia and New Zealand Banking Group Limited:  
JHE42UYNWWTJB8YTTU19

ANZBGL London Branch will be unable to enter into reportable transactions with clients from whom we have not received an LEI. If in doubt, please reach out to your ANZ RM, Sales representative or email your LEI to [MIFIDIIClientComms@anz.com](mailto:MIFIDIIClientComms@anz.com)

### 2. Read new terms & disclosures

Owing to the extent of the changes being introduced under MIFID II, it will be necessary to update our terms of business and general disclosures. We aim to send these updated documents in early Q4.

### 3. ANZ Research

Details of the 'Extended Offering' for ANZ Research will be presented to you during our client outreach. Should you require further information please contact us via one of the avenues below.

## ANZ CONTACT INFORMATION

Please contact ANZ with any questions about MIFID II that you have. You may reach us via the following channels:

- Your Relationship Manager
- Via [MIFIDIIClientComms@anz.com](mailto:MIFIDIIClientComms@anz.com)
- Further details are available via our FAQ which is found on the ANZ Institutional website <https://institutional.anz.com/content/dam/Institutional/en/documents/ANZ-MIFID-II-Client-FAQs-November-2017-01.pdf>

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