

MiFID II RESEARCH UNBUNDLING SOLUTIONS

Buy-side firms carry the burden of complying with MiFID II Research Unbundling requirements. Under the MiFID II investor protection rules, investment firms may no longer bundle research payments with execution commissions. Firms that use client funds to pay for research via a Research Payment Account (RPA) must budget for research, report to clients how the budget was spent, keep meticulous records of research usage, and value research to allocate payments accordingly.

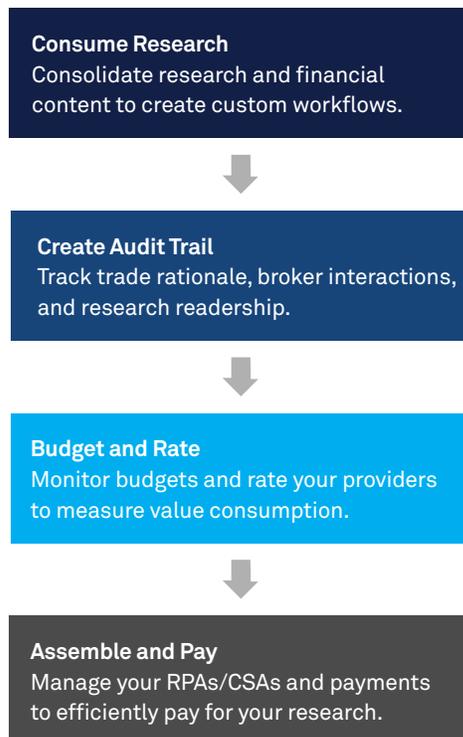
Leading up to January 2018 and in the months since, affected buy-side firms have pursued a variety of strategic adjustments to help them comply, such as consolidating sell-side research contributors, consuming less sell-side research generally, eliminating unsolicited incoming research, and consuming more boutique research. One of a buy-side firm's biggest decisions is whether to pay for research from its P&L or with client funds. Thus far, a greater number of firms than initially expected have chosen the P&L method, largely because it is simpler and less expensive to administer.

HOW CAN FACTSET HELP?

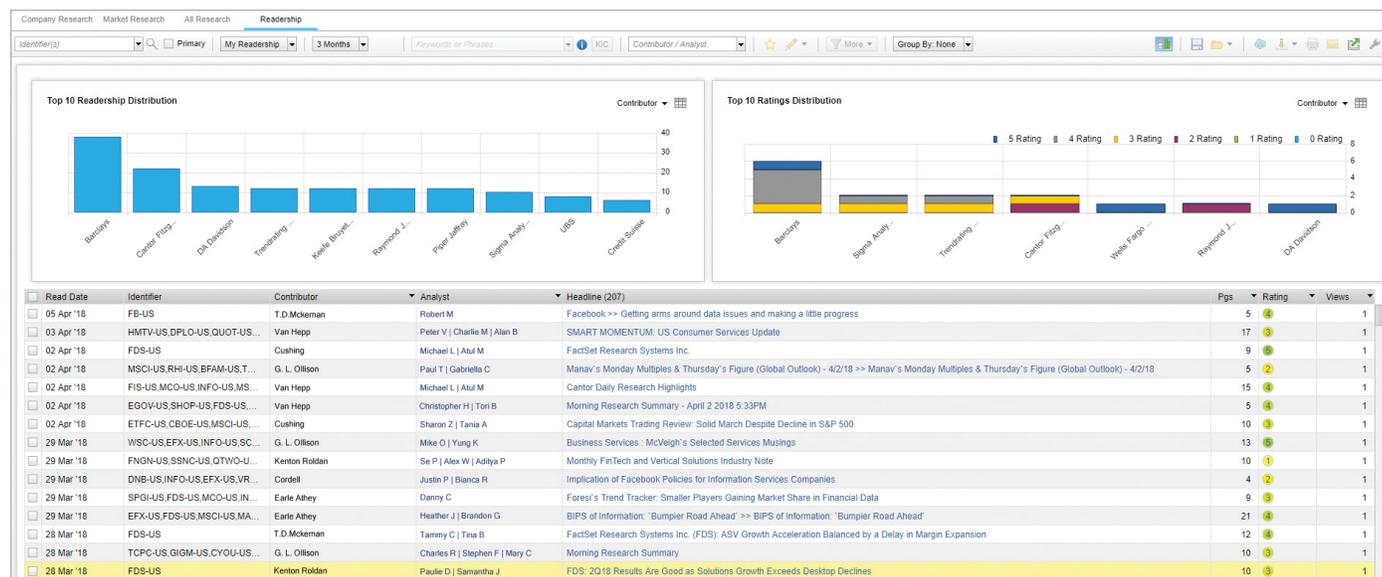
Regardless of which method a firm uses to pay for research, closely tracking research consumption, and being able to value it, will be crucial. FactSet provides solutions for precision entitlements, consumption tracking, broker resource tracking and evaluation, and RPA services.

- **Robust Entitlement System:** Use FactSet's entitlements system to prevent access to research you are not paying for.
- **Track and Rate Your Interactions:**
 - Leverage the research rating tool to quickly rank research on a simple scale to easily recall influential research at the time of your broker evaluation.
 - Encourage internal collaboration and leverage your firm's research to inform decisions via FactSet's research management solution (RMS). Provide transparency on the value of external providers by tracking and rating meetings and calls, access to models, and other resources consumed by your counterparties.
 - Benefit from FactSet's integrations with broker voting and payment platforms to simplify the transfer of research consumption and interaction data.
- **Reconciliation:** Identify discrepancies between your records of interactions with sell-side firms and the interaction records provided by the brokers themselves. Use the reconciled data to support your broker evaluation.

Prepare your firm for MiFID II compliance. Please contact sales@factset.com for more information on how FactSet's integrated suite of solutions will help you address the challenges imposed by research unbundling under MiFID II.



RESEARCH READERSHIP AND RATING TOOL



A CLOSER LOOK AT MiFID II

MiFID II took effect on January 3, 2018. By way of background, the European Union implemented the Markets in Financial Instruments Directive (MiFID) in 2007. It is the keystone of the Financial Services Action Plan that outlines pre- and post-trade transparency and capital requirements with the goal of integrating the EU's financial markets into one cohesive platform. In 2011, the European Commission published a proposal for MiFID II to further reduce risk, increase transparency, strengthen the markets, and promote full-bodied investor protection.

The expressed values underlying MiFID II are transparency, competition, and proportionality to ensure the best outcome for users of the financial markets. In the absence of clear guidance from regulators on enforcement standards, a firm's reference to those underlying values, and its ability to demonstrate a good faith effort to comply with the letter and spirit of MiFID II, are key. The European Commission and the U.S. Securities and Exchange Commission issued joint guidance that a firm's compliance with MiFID II's Research Unbundling provisions will not be treated as a violation of the SEC's prohibitions against hard-cash payments for research.

REGULATORY SERVICES

Activating a compliance strategy is difficult. We're here to help with the flexible, consultative approach you've come to expect from FactSet. Talk to regulatory specialists about your challenges, and we'll help you figure out the most effective solution—without disrupting your investment process: regulatory.solutions@factset.com. For more on this topic or other global regulatory matters, visit www.factset.com/smartdata.

We bring together industry expertise, reliably connected data, portfolio analytics, client reporting, and strategic partnerships to help you address multiple regulations and standards, including: MiFID II, PRIIPS, BMR, KYC & AML, Solvency II, and more.