

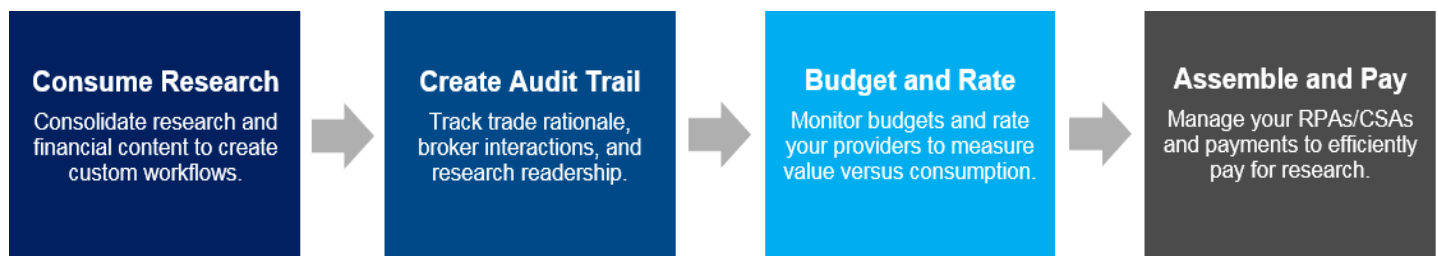
## FactSet's Solutions for Research Unbundling Under MiFID II

Buy-side firms carry the majority of the burden to comply with MiFID II. 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, firms have begun to consolidate sell-side research contributors, consume less sell-side research, eliminate unsolicited incoming research, and consume 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.

### 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.



Contributor	Analyst	Headline (22)	Pgs	Rating	Views
Credit Suisse	Robert M	MKC: Synergy Estimates	33	5	1
Credit Suisse	Pieter V   Charlie M   Alan B	NESN S: Nestle - Great	14	4	1
Jefferies	Michael Jon A	Ain: Japan's Last Front	25	3	1
Deutsche Bank Research	Paul T   Gabriella C	Debate Recaps >> Bear	1	2	1
UBS	Michael L   Atul M	Bed Bath & Beyond Inc. "Hard Pressed to Find Fans" (Neutral) Lasser >> Hard Pressed to Find Fans	20	1	1
JP Morgan	Christopher H   Tori B	Target Corporation >> Sizing Up The Market Share Opportunity From Toys "R" Us' Woes; TGT and WMT Long Term ...	7	0	1
William Blair	Sharon Z   Tania A	Revising Estimates on Current Trends and Hurricane Penalty	3	0	1
Piper Jaffray	Mike O   Yung K	Netlix Search Index Suggests Q3 Upside for Both Int'l & Domestic Subs; Reit OW	10	0	1
Goldman Sachs	Se P   Alex W   Aditya P	Europe: Media: 26th Annual Communacopia Conference Takeaways: European Media	17	0	1
AMZN-US, NFLX-US	Raymond James	AMZN/NFLX: 3Q OTT Video Review; Narcos Addiction Spreads; Amazon's Growing Pains; Hulu G	19	0	1
5031-MY	Credit Suisse	Asian Daily: Malaysia - Time Dotcom Berhad: Growth stays intact across enterprise and retail. Maintain OUTPERFORM	6	0	2
HRL-US	Vertical Group	Hormel Foods, Inc. (HRL - Hold - \$34.15): Reducing H2'17 Estimates; PT Unchanged	4	0	1

Research Readership and Rating Tool

- **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 that allows you 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 from 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](mailto: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.**

### **A Closer Look at MiFID II**

MiFID II is expected to take 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.

After initial delays, regulators recently affirmed the implementation date of January 3, 2018. 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 did recently issue 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. See <https://www.sec.gov/news/press-release/2017-200-0>. For more on this topic or other global regulatory matters, check out <https://www.factset.com/smartdata>, or email [regulatory.solutions@factset.com](mailto:regulatory.solutions@factset.com).