

MiFID II UPDATE 31.01.2018

Questions & Answers for Financial Advisers

Whitechurch
Securities Ltd
WEALTH MANAGERS

1. What is MiFID II?

MiFID II is the latest version of the "Markets in Financial Instruments Directive, a European directive being implemented to make European financial markets more transparent and investor friendly.

MiFID II came into force on 3 January 2018. The key aims of it are to:

- Strengthen investor protection
- Reduce the risks of a disorderly market
- Reduce systemic risks
- Increase the efficiency of financial markets and reduce unnecessary costs for participants

Regardless of the fact that the UK has voted to leave the European Union, the Financial Conduct Authority has confirmed that the regulations of MiFID II must be adhered to by UK financial institutions.

A key MiFID II change is about investment management reports to clients.

2. Quarterly Reporting

Investment managers are required to send clients a portfolio valuation every quarter. Quarterly reporting dates will be 31st March, 30th June, 30th September and 31st December. Reports will be sent within 25 business days of these dates.

2.1 Who is responsible for the quarterly reporting?

For all investments held directly with Whitechurch, within our nominee company/account, we will be responsible for providing quarterly reports (as we used to do on a six monthly basis).

2.2 What if my clients' investments are on a platform?

The table below shows who will issue quarterly reports to clients.

QUARTERLY REPORTING PROCESS	
	Platform Action
Aviva	Issues direct to client and uploads to client portal
Elevate	Issues direct to client
James Hay	Issues direct to client
Novia	Whitechurch agreement with Novia has ceased Whitechurch Portfolios removed
Standard Life	Issues direct to client
Transact	Issues to client or uploads to portal and notifies client of upload
Zurich	Issues direct to client

3. 10% Depreciation Reports

If the performance of a client's investment portfolio decreases by 10% or more since the last valuation point, investment firms are required to notify the client by the end of the business day during which it occurred (or next business day if it falls on a non-business day).

3.1 Who is responsible for reporting the 10% depreciation?

For client investments held directly with Whitechurch, within our nominee company/account, we will be responsible for providing the Depreciation Reports directly to clients.

3.2 Who is responsible for reporting 10% depreciation on platforms? Where investments are managed on a platform, we may not currently have access to the client information needed to provide 10% Depreciation Reports. This varies from platform to platform; clients will

be informed by either the platform; Whitechurch (where there is a client as agent agreement in place); or the adviser (where there is an adviser as agent agreement in place). The table below shows who will be reporting this to clients.

10% DEPRECIATION REPORTING PROCESS		
	Platform Action	Other Action
Aviva	Informs adviser and Whitechurch	Adviser informs client
Elevate	Informs adviser and Whitechurch	Whitechurch informs client (via post or email)
James Hay	Informs client and adviser	
Novia	Whitechurch agreement with Novia has ceased Whitechurch Portfolios removed	
Standard Life	Informs adviser and Whitechurch	Adviser informs client
Transact	Informs adviser and Whitechurch	Whitechurch informs client (via post or email)
Zurich	Informs client and adviser	

4. Cost and Charges

MiFID II requires firms to provide information on all related costs and associated charges with respect to the provision of MiFID services. **The regulation states:** *The information on all costs and associated charges must include information relating to both investment and ancillary services, including the cost of advice, where relevant, the cost of the financial instrument recommended or marketed to the client and how the client may pay for it. The information about all costs and charges shall be aggregated to allow the client to understand the overall cost as well as the cumulative effect on return of the investment, and where the client so requests, an itemised breakdown shall be provided. Where applicable, such information shall be provided to the client on a regular basis, at least annually, during the life of the investment.*

The information must be available as a percentage and in pounds and pence.

4.1 Reporting our charges

At Whitechurch we have always strived to ensure that our charges are fully transparent, so nothing will change in this regard. Clients will still receive a full breakdown of fees in the quarterly valuations we will send.

However, MiFID II does bring new requirements with regards to reporting charges. These are to do with the provision of:

Ex-ante costs and charges - pre-sale illustrative account of likely costs and charges and the cumulative effect on return

Ex-post costs and charges - post-sale actual account

4.2 Ex-ante costs and charges

To meet the new requirements we have produced an online request form for advisers to complete each time you are advising on a Whitechurch portfolio. This includes new money as well as top ups.

Follow this link to access the **Ex-ante Illustrations Request Form:** whitechurch.co.uk/intermediaries/ex-ante-illustration-request

Within the form is an option to include adviser fees. As some clients pay fees via facilitation and others pay separately by cheque we felt it prudent for advisers to decide whether they wish to incorporate adviser fees within our illustration or communicate them in an alternative format.

We can accommodate both options and it is worth noting that disclosure is both a MiFID and FCA requirement.

Online Valuations: In order to receive reports at the earliest opportunity and to reduce the amount of paperwork received we would urge clients to elect to receive reports electronically. This can be set up online at www.whitechurch.co.uk

4.3 Ex-post costs and charges

All charges including any advisers' fees will be disclosed at least annually to clients as part of the regular discretionary investment client reports. We do not envisage these to be much different to those we issued prior to 3rd January 2018.

4.4 Wrapper charges

If a client's investment is held in an external wrapper (e.g. SIPP, SSAS, onshore or offshore bond) you will not be required to complete the Whitechurch Illustration Request Form or request an illustration direct from Whitechurch. You will be required to obtain one from the [SIPP, SSAS, Bond] provider as you do now and the relevant cost and charges information will be incorporated.

4.5 Reporting our charges to clients on platforms

We will furnish platforms with the information about our cost and charges. Advisers will then need to combine these with their fees when disclosing costs to clients prior to investment. The majority of platforms that we work with are geared up to facilitate this.

5. Client Identification

As part of MiFID II we are required to formally report transactions in certain financial instruments such as ETFs, shares and investment trusts. It is quite likely this requirement will extend to collectives in the future.

In order to carry out our reporting responsibilities we need to have client "Identifiers". For legal entities including SSAS, trusts and charities these are known as Legal Entity Identifiers (LEI). For individual private clients they are known as Personal Identifiers, for the majority of UK investors this will be their National Insurance Number (NINO), for non-UK investors the identifier will depend on the country of residence.

5.1 Personal Identifiers

This is already required for clients holding pension and ISA investments. We have written to all clients for whom we do not hold National Insurance Numbers requesting this information and our new client agreements have been updated to include fields for this information. Non-UK nationals are also being contacted for national personal identifier details.

6. Legal Entity Identifiers (LEI)

A Legal Entity Identifier is a 20-character, alphanumeric code. Legal entities and structures – trusts, charities, corporates and small self-administered schemes (SSAS) must obtain an LEI in order to transact in some financial investments.

6.1 Do advisers need an LEI to continue to work with Whitechurch?

If you are an adviser outsourcing client investments to Whitechurch and we hold a separate DFM management agreement with each underlying client, you are NOT required to provide an LEI to Whitechurch.

6.2 LEI and legal entities

Where Whitechurch manages portfolios on behalf of trusts (excluding bare trusts), charities, corporates and small self-administered schemes (with more than one member) we WILL require an LEI in relation to these entities. Where applicable we will liaise with you, with a view to obtaining an LEI for such clients.

7. Telephone Recording

From the 3rd of January 2018 investment firms are required to record telephone conversations with clients. Investment firms will need to ensure they have telephone recording policies in place and comprehensive procedures for storing these.

At Whitechurch we will record all calls as part of our procedures and will retain the recording where there is the intent to carry out a transaction.

8. Brochures, Applications and Agreements

We have updated all relevant brochures, client agreement and application forms. These can be viewed in the Literature Library at: www.whitechurch.co.uk

You can also order printed copies via this link: www.whitechurch.co.uk/new-agreements-brochures

Please note that we will be unable to accept submissions on old forms, dated prior to 21.11.2017. This is the production date which can be found at the bottom of the back cover of our publications.

Please contact us if you have any questions regarding these details:

Telephone: 0117 916 6175

Email: dfm@whitechurch.co.uk