

Neil Robson Comments on MiFID II Challenges for UK Asset Managers

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Financial Services partner Neil Robson was featured in an article by *Global Custodian* on the UK Financial Conduct Authority's (FCA) approach to unbundling research spending under the Markets in Financial Instruments Directive II (MiFID II) puts unnecessary burdens on asset management businesses. He stated, "The FCA is proposing to introduce an extra layer of gold-plating which would require that UK firms that delegate portfolio management to an affiliate outside the UK should require that those affiliates comply with the FCA's enhanced rules also and not their local requirements. This goes well over and above what the EU regulators have demanded. It would ultimately make the UK a more difficult place to do business. This is exactly what we should not be doing as we implement Brexit." Neil notes that for larger firms, this requirement isn't a big deal, as they likely have internal resources; however, "Smaller firms are at a disadvantage, as some of these firms will traditionally have been heavily reliant on "free" research from brokerage firms." That cost will likely be passed on to investors through added fees.

Since MiFID II is not likely to go away, firms need to move toward compliance. "If the UK is not fully MiFID II compliant at the point of Brexit, there will be zero chance of an equivalence determination for the UK as regards the EU27 and, consequently, no chance of any passport. There is no complacency—certainly among my clients—who recognize MiFID II will kick in from January 2018, more than a year before the UK exits the EU. UK firms have to comply with MiFID II—but we do not necessarily need to go beyond the core requirements if we want to maintain access to EU markets, assuming that is a politically-achievable outcome." ("FCA's Approach to MiFID II Hindering UK Asset Managers, Says Expert," April 12, 2017)

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