

# MiFID II

## Frequently Asked Questions

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## MIFID II FREQUENTLY ASKED QUESTIONS

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The following FAQs are meant to give an overview on questions related to the requirements for the revised Markets in Financial Instruments Directive (MiFID) and Markets in Financial Instruments Regulation (MiFIR) also known as MiFID II which will come into effect as of 3 January 2018.

Note: The subject matter of this communication is described in summary form only and may contain material omissions. For a more detailed explanation of the issues highlighted in this document, please contact your legal counsel. Professional legal advice should be obtained before taking or refraining from taking any action as a result of the contents of this document.

Financial regulation is subject to rapid change and development as regulators and the industry interpret new laws and regulation. All information included within this document is subject to change and UniCredit Bank AG is not obliged to inform you of any changes therein. You and your legal counsel are encouraged to actively review and monitor regulations applicable to you.

In addition to the following FAQs, if you have further questions please contact us by emailing to [mifid-cib@unicredit.de](mailto:mifid-cib@unicredit.de).

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## BACKGROUND

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### 1. What are MiFIR and MiFID II?

MiFID / MiFIR is a regulatory framework which sets high investor protection standards throughout Europe and regulates and harmonises trading in financial instruments. MiFID II is the revision and continuation of MiFID I (which came into force in 2007) due to changes in market structures as a result of the financial crisis and is particularly intended to increase transparency in the markets and the efficiency and integrity of financial markets. The MiFID II Directive / MiFIR Regulation contains stricter rules for the sale of financial products to protect investors and will be implemented as of 3 January 2018.

Following a review by the EU, the revised directive and regulation (MiFID II) introduces new requirements in a wide range of areas. For more details on the aims of MiFID, we invite you to visit the European Commission's webpage:

[https://ec.europa.eu/info/business-economy-euro/banking-and-finance/financial-markets/securities-markets/investment-services-and-regulated-markets-markets-financial-instruments-directive-mifid\\_en](https://ec.europa.eu/info/business-economy-euro/banking-and-finance/financial-markets/securities-markets/investment-services-and-regulated-markets-markets-financial-instruments-directive-mifid_en)

## UNICREDIT BANK AG SET-UP

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### 2. Will UniCredit Bank AG operate any Trading Venues?

UniCredit Bank AG does not currently have any plans to operate a multilateral trading facility (MTF) or an organised trading facility (OTF) across any of its business areas for January 2018. This approach may be reviewed in the future as market structure and client demand evolves.

### 3. What is UniCredit Bank AG's MiFID II investment firm status?

UniCredit Bank AG is regulated in Germany by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFIN) / Federal Financial Supervisory Authority.

<https://portal.mvp.bafin.de/database/InstInfo/institutDetails.do?cmd=loadInstitutAction&institutId=100027>

## LEGAL ENTITY IDENTIFIER (LEI)

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The Legal Entity Identifier (LEI) is an international, standardised identifier for financial market participants which serves to uniquely identify legal entities (particularly legal persons, trading companies, private companies, commercial partnerships, associations, professional partnerships, corporations and, under certain circumstances, registered merchants) in transactions in financial instruments which are subject to a reporting obligation. It is necessary to fulfil reporting obligations vis-à-vis supervisory authorities. Clients are obliged to inform the Bank of their LEI and to prolong it regularly. After 3rd January 2018, we will no longer be able to execute any transactions that are subject to a reporting obligation for and on behalf of clients if the required documents have not been submitted to us.

UniCredit Bank AG as a financial participant has LEIs of its own which you can find as follows:

Identifier (LEI) code

Entity: UniCredit Bank AG

LEI: 2ZCNR8UK830BTEK2170

#### 4. Which entities should we obtain an LEI for?

Separate LEIs should be obtained for each legal entity that enters into financial transactions with UniCredit Bank AG.

Please see the definition of legal entities eligible to obtain an LEI by clicking here: <http://www.leiroc.org/lei.htm>

#### 5. How long does an LEI last?

An LEI is valid for one year. You should renew this on an annual basis.

#### 6. We are a non-European entity and the EMIR and MiFIR regulations do not apply directly to us. Are we still required to obtain an LEI?

Yes. UniCredit Bank AG, as a company, is subject to the transaction reporting obligations under the EMIR and MiFIR frameworks, and is required to identify the counterparties to the transactions using their LEI. Therefore, for UniCredit Bank AG to fulfill its regulatory obligations and to continue to trade with you, it requires LEIs from all clients transacting in derivatives or relevant MiFIR instruments.

#### 7. Is an LEI required other than for EMIR and MiFIR?

Yes – various regulatory regimes are making LEIs mandatory for all counterparties transacting in regulated financial instruments. Globally, regulators are acknowledging the use of a global standardised Legal Entity Identifier for all record keeping and regulatory reporting obligations.

Reporting under the US Dodd Frank Wall Street Reform and Consumer Protection Act mandates the use of LEIs in transaction reporting and we have also seen regulations such as the Consumer Protection Act take this same direction of travel.

We also refer to our German regulator, the BaFin (Federal Financial Supervisory Authority) and the European Securities and Markets Authority's announcements on LEIs and invite you to check the following links for more information: [https://www.bafin.de/EN/Aufsicht/BoersenMaerkte/Transparenzpflichten/LEI/lei\\_artikel\\_en.html](https://www.bafin.de/EN/Aufsicht/BoersenMaerkte/Transparenzpflichten/LEI/lei_artikel_en.html)

[https://www.esma.europa.eu/sites/default/files/library/esma70-145-238\\_lei\\_briefing\\_note.pdf](https://www.esma.europa.eu/sites/default/files/library/esma70-145-238_lei_briefing_note.pdf)

#### 8. What are the transactions governed by EMIR and MiFIR?

Derivatives transactions are governed by the EMIR regulations.

Transactions in financial instruments admitted to trading or those traded on a trading venue, and also in financial instruments where the underlying is traded on a trading venue are governed by the MiFIR regulations. Financial instruments meeting the conditions in Article 26 MiFIR will be impacted. The MiFIR scope impacts certain derivatives hence there is an overlap with EMIR.

Examples of financial instruments that are impacted include (but not limited to), derivatives (such as Interest Rate, FX derivatives, Commodities derivatives), shares, bonds, collective investment schemes and emission allowances.

## BEST EXECUTION

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### 9. Does UniCredit Bank AG already have a MiFID II corresponding Best Execution Policy?

UniCredit Bank AG is currently preparing for the implementation of MiFID II / MiFIR as of the respective effective date. This includes corresponding information to its clients as well as respectively amended Terms & Conditions, including a revised Best Execution Policy – that will be available before the effective date of MiFID II / MiFIR. We kindly ask you to check our Internet Webpage for current information: <https://www.hypovereinsbank.de/portal?view=/de/corporate-investment-banking/mifid2-engl/policies.jsp#>

## TRADING CAPACITY

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### 10. As a result of MiFID II, what trading capacities does UniCredit Bank AG expect to use when trading with their clients?

UniCredit Bank AG always deals in a DEAL capacity.

## TRADE REPORTING

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### 11. Will UniCredit Bank AG offer assisted trade reporting (broker reports on our behalf) through an APA?

UniCredit Bank AG offers Assisted Reporting via its APA provider, **MarketAxess**. The Assisted Reporting service aims to support clients performing post-trade transparency publications in relation to Art. 20 and Art. 21 of MiFIR when trading OTC with UniCredit Bank AG.

As a reminder, when trading on a trading venue post-trade transparency publications are performed by the trading venue itself. Therefore, if you only trade with us via a trading venue there would be no need to sign up for Assisted Reporting.

The service covers all relevant trades executed between the client and UniCredit Bank AG and is offered free of charge subject to the signature of a dedicated agreement.

If you are interested in the Assisted Reporting Service, please contact your UniCredit Sales representative in order to receive the required documentation.

## SYSTEMATIC INTERNALISER

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### 12. In what instrument classes and / or instruments UniCredit Bank AG is Systematic Internaliser (SI)?

UniCredit Bank AG opted-in as Systematic Internaliser for

- about 100 selected ISINs of Germany listed shares
  - Structured Finance Products, mainly on ABS (Asset Backed Securities)
  - selected Sub-Asset-Classes of Bonds
  - Securitised Derivatives for Equity and Commodity linked products for own and third-party issuers.
  - all Interest Rate and FX Derivatives traded on trading venue
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### 13. How will UniCredit Bank AG be making their Systematic Internaliser (SI) quotes available?

These will be made available in a machine and human readable format. In case you are interested in receiving pre-trade transparency data, please contact MarketAxess directly via <https://traxapa.com/apa-publication/index.html>.

## OPERATIONAL

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### 14. Will UniCredit Bank AG provide us with all our trade data upon request?

We will continue to comply with our regulatory obligations and will provide our clients with all of the trade data that we are required to provide to them.

### 15. Will UniCredit Bank AG provide their timestamps in trade confirms and how will UniCredit Bank AG pass this information across?

UniCredit Bank AG will provide all relevant post-trade information via trading venue interfaces or confirmation messages. The confirmation messages will follow industry standard and include the execution time of the trade.

## PRODUCT APPROVAL

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### 16. Which process is implemented within UniCredit Bank AG for product approvals?

All products of UniCredit Bank AG are covered by the new product approval process. The process ensures that the products are compliant with the relevant regulatory requirements (incl. MiFID II product governance); in particular with regard to the definition and approval of target market and distribution strategy, the management of conflict of interest, the assessment of poor outcomes (scenario analyses), the assessment of appropriate charging structures and events that could materially affect the potential risk to investors.

## RESEARCH

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### 17. Will I still be allowed to receive UniCredit Bank AG's award-winning Research free of charge?

Most probably yes. Nevertheless: A compensation may be required if you are an investment firm in the European Union providing independent investment advice or portfolio management. Due to certain exemptions or a lack of tripartite relationships, corporates, banks, insurances, pension funds usually may continue to receive Research for free – even asset managers not managing EU citizens money could potentially continue to receive Research for free.

### 18. What is a minor non-monetary benefit (MNMB)?

Even investment firms providing independent investment advice (except for Germany) or portfolio management are allowed to accept Research when it qualifies as a MNMB. There are four cornerstones to what determines if a benefit can be viewed as minor:

- a. Is it widely available – the research has been published either publicly for all or at least to the provider's client base, i.e. it not tailored to the clients' needs.
  - b. Tied to a), the provider does not assign significant internal resources to the recipient.
  - c. There is a lack of substantial analysis within the material.
  - d. It does not have a significant influence on the recipient's activity e.g. not used to advise clients, not used a basis for trading decisions or proposed strategies etc.
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**19. Can macro-economic analysis be considered Research that can be received free of charge?\***

When a research provider makes macro-economic-related material openly available at the same time to any investment firms wishing to receive it or to the general public, for example on a website it could be justified as a minor non-monetary benefit.

**20. How should Research related to fixed income, currencies or commodities (FICC) be treated for the purposes of the MiFID II inducements restriction for firms providing portfolio management or independent investment advice?\***

In the case FICC research is available to all investment firms or the general public or if it is commissioned and paid for by a corporate issuer or a potential issuer it could qualify as a MNMB.

\*Please note that the detailed answers to these questions may be found in the ESMA Questions & Answers: Investor Protection [https://www.esma.europa.eu/sites/default/files/library/esma35-43-349\\_mifid\\_ii\\_qas\\_on\\_investor\\_protection\\_topics.pdf](https://www.esma.europa.eu/sites/default/files/library/esma35-43-349_mifid_ii_qas_on_investor_protection_topics.pdf)

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Life is full of ups and downs.  
We're there for both.

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