

Asset Managers Get to Grips with MiFID II EMT Version 3

A new, third version of the European MiFID Template (EMT v3) has been created and product manufacturers, distributors and platforms all need to be ready. But what has changed in this latest version of the template and when must you act?

Read on for the answers to some of the most pressing questions about EMT v3, hear how we are supporting our clients through this latest update and find out what you need to do next.

As you navigate these changes, remember that we are here to help. With extensive experience, we can assist our clients in meeting the overall requirements of costs and charges disclosure under the MiFID II regulation and specifically within Article 50.

WHAT IS THE PURPOSE OF THE EMT?

Product manufacturers need to transmit information required under MiFID II to the distributors of their products.

To help make this happen in a standard way, FinDatEx created EMT version 1 in 2017. Version 2 followed but this was just designed for structured products.

WHY HAS A NEW VERSION BEEN CREATED?

While the first version of the template has been widely used in Europe by fund products to transmit MiFID II data, it has brought some challenges.

Specifically, these relate to the naming of target market headers, confusion about what dates to include within the data set, the question of using a value of '99.99' to indicate a null or non-applicable meaning for performance fee, and general queries on the data file.

WHEN IS V3 COMING INTO FORCE?

FinDatEx has allowed a one-year transition period for adoption. So, that means all EMTs should be in v3 format by 10th December 2020.

WHAT ARE THE KEY CHANGES?

There have been a series of additions and tweaks to existing fields:

- New information section: new fields to show who the producer of the EMT is in instances where the manufacturer has outsourced the EMT production, along with contact details for the same. New fields have been added here to give more granular information around the "as at" date for specific cost fields.
- Removal of 99.99 usages: the manufacturer now indicates via a 'Y' or 'N' if performance fees apply or not.
- Product governance process: a new field added to indicate how closely to MiFID II requirements the manufacturer adheres to when ensuring compliance of their products amongst their issuers.
- Product category: now only specific to German products.
- Investor type professional: responses for this field have changed to provide more options when defining the suitable target market.
- Minimum recommended holding period: additional clarification added to this field to remove the confusion associated with the version 1 approach of defining which indicator to use.
- ESG preferences: New field added to isolate ESG preferences (ESG reference was previously rolled up into the 'Other specific investment need' field).

- Other specific investment need: ESG has been separated out as per the above, and an 'Other' option has been added to help define specific investment needs.
- Borrowing costs ex-ante/ex-post: new fields added to display borrowing costs in a field of their own.

WHAT ARE THE TIMELINES AND WHEN DO I NEED TO START CONSIDERING THIS?

All platforms and distributors will need to be ready to receive v3 by August or September 2020, so asset managers should now be considering the new data points and where the new information will be sourced.

Here at Broadridge we are switching over to version 3 production from 1st October 2020 for all clients. However, we will maintain the ability to deliver version 1 if required up to the December cut-off date.

HOW OFTEN SHOULD THE TEMPLATE BE UPDATED?

There is no right or wrong answer: it depends on factors such as change of cost calculations, addition or closure of products and the year-end of the end-user.

Most of our clients produce the EMT monthly, with a smaller number producing it quarterly.

ARE THE WM DATEN AND OPENFUNDS TEMPLATES GOING TO CHANGE?

We have received confirmation from WM Daten that the data file it expects to receive will not change. So, for asset managers who have been converting the standard EMT version into a WM Daten friendly format, which is based on EMT v1, the new v3 will need to be converted to the v1 format file which currently goes to the platform.

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Openfunds has announced that it is updating the Openfunds template to include the new EMT v3 fields, with release expected to occur around mid-July.

WE PRODUCE AN EMT FILE ONCE A YEAR IN MAY. DOES THIS MEAN OUR FIRST V3 FILE CAN WAIT UNTIL MAY 2021?

We understand that platforms will have expectations to have all EMT v3 fields surfaced by 10th December, so we would recommend converting by then.

THE NEW BORROWING COSTS: THEY ARE OPTIONAL AND ONLY FOR THE UK. HOW DO YOU SEE THE DEMAND EVOLVING FROM CLIENTS FOR THIS FIELD?

Most clients who distribute in the EU distribute to the UK as well so we would expect a fairly full take-up of this field.

HOW CAN I GET HELP WITH THIS?

WE ARE HERE TO HELP.

To ease the process, we have provided our clients with an EMTv3 data matrix outlining the additional data that they will now need to provide for us to produce a v3 template. We are helping them with any questions they have regarding the updated dataset and will be issuing EMTv3 templates from 30th September 2020 onwards.

We are also in regular touch with future recipients of the v3 template to ensure that they are fully set up and prepared to receive the new documents. We will of course still be able to issue EMT v1 to clients up until the December changeover deadline.

If you'd like to hear more from us on this topic, listen to our recent webinar [MiFID II EMT v3: Meeting the Challenge of Change](#).

With extensive experience in regulatory distribution, we have created an industry standard service for MiFID II transaction reporting, ensuring your MiFID II data can be quickly and easily distributed to multiple end points as and when it is required.

CONTACT US

For any support with your MiFID template update "contact us today, and let us help you meet your regulatory challenges so you can concentrate on your clients.



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