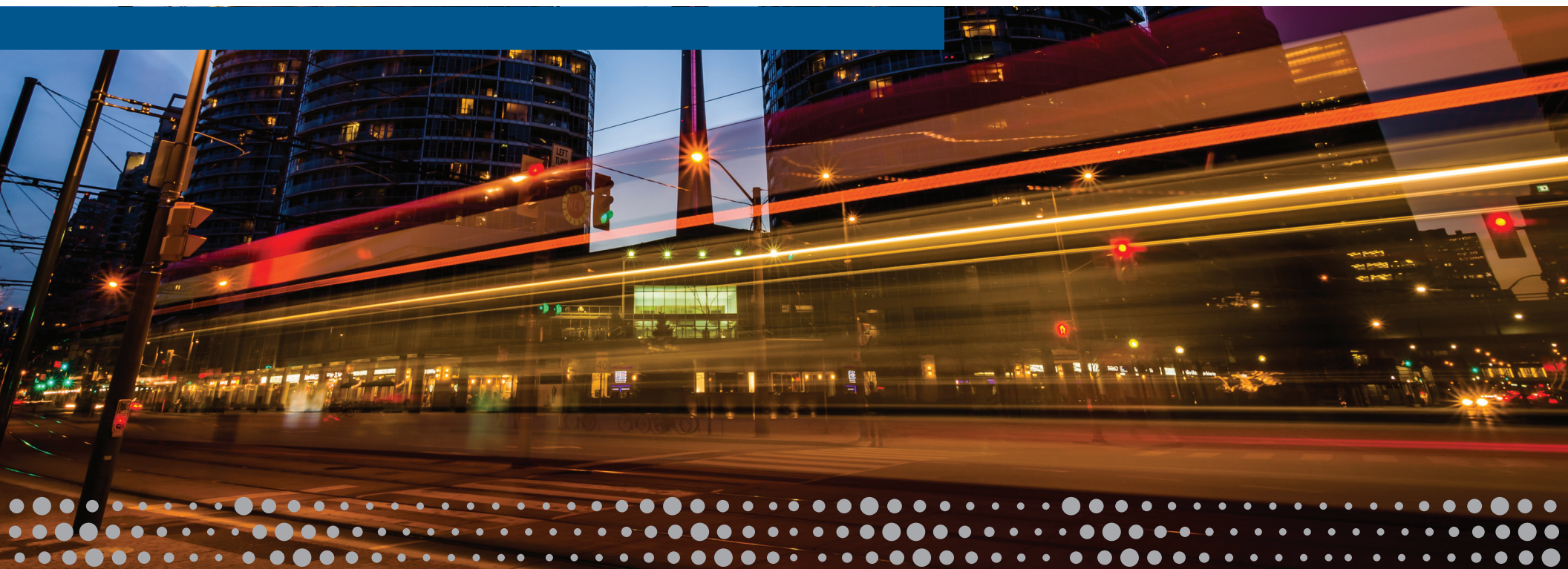


MiFID II EMT





EXECUTIVE SUMMARY

Since the implementation of the European MiFID Template (EMT) at the beginning of 2018, the industry has been working on changes in the background which aim to enhance the EMT data transfer capabilities.

In October 2018 FinDatEx (formerly known as the European Working Group) published the EMT Version 2 however its use was only intended for structured products, not funds. This month, on 10 December 2019, FinDatEx released the third version of the EMT template which will be used by both structured and fund products.

This document provides an overview of the changes for fund products and expectations on the transition plan for the industry.

EMT Background

When did it come into effect / what is it?

The MiFID II Regulation came into force on 3 January 2018 with a key focus on enhancing cost transparency to investors and ensuring the right product types fall into the hands of the right investor (enhanced target market definition). Product manufacturers now need to clearly transmit this information to the distributors of their products, allowing the distributor to effectively apply the MiFID II requirements to their sales process.

FinDatEx is a joint structure established by representatives of the European financial services sector with the view to coordinate, organise and carry out standardisation work to facilitate the exchange of data between industry stakeholders. Ahead of the roll out of MiFID II the body worked on the EMT version 1 and published their first template in late 2017. This template allows for a standardised transfer within from manufactures to distributors of product costs and product target markets.

What prompted a new version to be published?

For the most part, once product manufactures had completed one cycle of the EMT population, the template was a success and allowed distributors to collate the target market information and costs for the products they are selling. There were some difficulties in the beginning and also those which emerged at a later date which prompted for a revised version to be released, some examples below:

- ▶ The wording surrounding the target market sections was sometimes difficult to understand, and left manufacturers unsure about what to answer at times.

- ▶ The dates displayed in the EMT caused confusion at times, especially when cost figures were calculated as at different dates and using different time periods.

- ▶ The question of using a value of '99.99' to indicate a null or non-applicable meaning for performance fees was an area which caused much back and forth at the beginning.

- ▶ Distributors in receipt of an EMT from the manufacturer sometimes and other times from a service provider caused confusion when the distributor needed to query the data being provided.

Overview of changes

General File Changes

- ▶ Dates should now be included for each part of the EMT and reflect the period for which the data is covering.
- ▶ Field name changes and field descriptions updated to help with understanding the meaning.
- ▶ Mandatory / Optional / Conditional / Indicative field requirements updated in a number of areas.

Target Market Changes

- ▶ Client Objectives and Needs now includes an 'ESG' specific field (previously rolled into the 'Other Specific Investment Need' field).

Cost Section Changes

- ▶ Borrowing costs to be included going forward if applicable (both ex-ante and ex-post).

Static Information Changes

- ▶ New clarity added to show who the EMT producer is along with contact information for both the producer and manufacturer to allow the distributor to reach the correct party when queries arise.
- ▶ The financial instrument product type field has been broken down into more classifications, previously just UCITS or NON UCITS for fund products.
- ▶ New indicators added for classes with performance fees and distribution paying arrangements. A German categorisation code field has been added to be populated if the product is sold in Germany.

Implementation of EMT version 3

FinDatEx announced the new template on 10 December 2019 and have given a final implementation deadline of 10 December 2020. They note that they would like to see the industry move across to the new version in a staggered approach during 2020 and that both recipients and providers of the EMT should have capability to produce either version until 10 December 2020.

We believe reality will be data collectors and distributors spending the first few months in 2020 getting their systems ready to consume version 3 and for manufactures to convert and begin sending the new version from June. This will allow all parties sufficient time to get ready and switch over accordingly.



Impact for fund products

New Fields

Indicates field is 'Optional'

FIELD NAME	DEFINITION
00001_EMT_Version	EMT Version 1, 2 or 3
00002_EMT_Producer_Name	If the EMT production was outsourced, who produced
00003_EMT_Producer_LEI	Producer LEI (Legal Entity Identifier)
00004_EMT_Producer_Email	Producer's Contact Email
00005_File_Generation_Date_And_Time	Date and Time of the creation of the EMT file
00006_EMT_Data_Reporting_Target_Market	Y/N if target market data is provided
00007_EMT_Data_Reporting_Ex_Ante	Y/N if ex-ante data is provided
00008_EMT_Data_Reporting_Ex_Post	Y/N if ex-post data is provided
00045_Financial_Instrument_Performance_Fee	Y/N if the class has performance fees or carried interests
00047_Financial_Instrument_Distribution_Of_Cash	Y/N if income is distributed in the form of cash to investors

FIELD NAME	DEFINITION
00073_Financial_Instrument_Manufacturer_LEI	Manufacturer LEI (Legal Entity Identifier)
00074_Financial_Instrument_Manufacturer_Email	Manufacturer's Contact Email
00075_Financial_Instrument_Manufacturer_Product_Governance_Process	A rating to help distributors understand how compliant the product is with Product Governance procedures
00110_Fund_Share_Class_Without_Retrocession	Y/N if the class pays any inducements under MiFID
00120_Ex_Post_Cost_Calculation_Basis_Italy	For Italian distributors, ex-post costs rolling or fixed base
01000_Target_Market_Reference_Date	Date to which the Target Market data within the EMT refers
05105_Intended_Compatible_With_Clients_Having_ESG_Preferences	Product developed to be compatible with ESG strategy seeking clients
07105_Financial_Instrument_Borrowing_Costs_Ex_Ante_UK	Financing costs related to borrowing for the purposes of gearing (ex-ante)
07160_Ex_Ante_Costs_Reference_Date	Date to which all Ex-Ante Cost disclosures refer
08025_One-off_Cost_Financial_Instrument_Entry_Cost_Acquired	% of entry fees acquired to the fund
08045_Financial_Instrument_Borrowing_Costs_Ex_Post_UK	Financing costs related to borrowing for the purposes of gearing (ex-post)

Impact for fund products

Changes to Existing Fields

FIELD NAME	DEFINITION
New Name: 00050_General_Reference_Date ((Old Name: 00050_Reporting_Date))	Reflects the EMT data in the General Section and not all data as in version 1.0
New Name: 00060_Financial_Instrument_Product_Type ((Old Name: 00060_Financial_Instrument_Legal_Structure))	There are now indicators for Structured Securities, Structured Funds, UCITS, Non UCITS, UCITS Money Market Funds, Non UCITS Money Market Funds, Exchanged Traded Commodities or Bonds
New Name: 00070_Financial_Instrument_Manufacturer_Name ((Old Name: 00070_Financial_Instrument_Issuer_Name))	Field name change only
New Name: 00090_Product_Category_Or_Nature_Germany ((Old Name: 00090_Product_Category_or_Nature))	Now only applicable for Germany sold products. German code number 1 to 22.
New Name: 03010_Compatible_With_Clients_Who_Can_Not_Bear_Capital_Loss ((Old Name: 03010_No_Capital_Loss))	Field name change only
New Name: 03020_Compatible_With_Clients_Who_Can_Bear_Limited_Capital_Loss ((Old Name: 03020_Limited_Capital_Loss))	Only to be populated for funds with an explicit capital protection or for Money Market funds now.
03040_Compatible_With_Clients_Who_Do_Not_Need_Capital_Guarantee ((Old Name: 03040_No_Capital_Guarantee))	Field name change only

FIELD NAME	DEFINITION
New Name: 03050_Compatible_With_Clients_Who_Can_Bear_Loss_Beyond_Capital ((Old Name: 03050_Loss_Beyond_Capital))	Field name change only
05010_Return_Profile_Client_Looking_For_Preservation ((Old Name: 05010_Return_Profile_Preservation))	Field name change only
New Name: 05020_Return_Profile_Client_Looking_For_Capital_Growth ((Old Name: 05020_Return_Profile_Growth))	Field name change only
New Name: 05030_Return_Profile_Client_Looking_For_Income ((Old Name: 05030_Return_Profile_Income))	Field name change only
New Name: 05080_Minimum_Recommended_Holding_Period ((Old Name: 05080_Time_Horizon))	Ability to fill out Neutral is taken out and ability to fill out H has been added to reflect that product should be held to maturity.
New Name: 05115_Other_Specific_Investment_Need ((Old Name: 05110_Specific_Investment_Need))	ESG removed.
07020_Gross_One-off_Cost_Financial_Instrument_Maximum_Entry_Cost_Non_Acquired ((Old Name: 07020_One-off_cost_Financial_Instrument_entry_cost))	Field name change only
New Name: 07050_One-off_Costs_Financial_Instrument_Maximum_Exit_Cost_Non_Acquired ((Old Name: 07050_One-off_costs_Financial_Instrument_maximum_exit_cost))	Field name change only

Impact for fund products

Removed Fields

FIELD NAME	DEFINITION
05060_Return_Profile_Other	Removed
05100_May_Be_Terminated_Early	Removed

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