

Midas/Midas Plus

Ensure compliance with MiFID whilst driving efficiencies through STP

The Markets in Financial Instruments Directive (MiFID) introduces a single market and regulatory regime for investment services across the 27 member states of the European Union and the three other member states of the European Economic Area (Iceland, Norway and Lichtenstein).

MiFID is one of the cornerstones of the European Commission's Financial Services Action Plan – introduced in 1999 – whose 42 measures are bringing substantial changes to the regulation to the EU financial services markets.

Major aspects of MiFID

The central objective of MiFID is to allow the principle of a 'passport' for financial services and the creation of one integrated financial services market across Europe. 'Passporting' enables all investment banks, portfolio managers, brokers and corporate finance firms to provide cross-border services and establish branches without restriction in all EU member states.

As a wide ranging piece of legislation, MiFID impacts a number of areas within a bank's business, including:

- + Authorisation, regulation and passporting
- + Client classification
- + Client order handling
- + Pre-trade transparency
- + Post-trade transparency
- + Best execution

MiFID: financial instrument coverage

In order to determine which entities are affected by MiFID and which aren't, MiFID distinguishes between 'Investment services and activities' and 'Ancillary services'. If an entity performs investment services and activities, it is subject to MiFID in respect of both of these and also of ancillary services (and it can use the MiFID passport to provide them to member states other than its home state).

However if an entity performs ancillary services, it is not subject to MiFID (but nor can it benefit from the MiFID passport). MiFID covers almost all tradable financial products with the exception of foreign exchange trades.

Key benefits of Misys MiFID solution

- + Improves efficiencies by preserving and enhancing existing Straight-Through-Processing and workflows
- + Integration in one system avoids duplication of effort (data entry/storage/enquiries/reporting)
- + Automatically collects the necessary data and eliminates the need for manual work
- + No need for additional systems and complex interfaces, thereby reducing risk

The development of an EU-wide basis of new activities, such as intermediation in commodity derivatives and data vending, brings new revenue opportunities for banks. Furthermore, MiFID should enable banks to offer improved client service and to compete more effectively in all countries of the EU

Opportunities and challenges for banks

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MiFID does, however, create a number of challenges for banks including transparency requirements, strengthened reporting and best execution efficiency (order routing).

Scope of Misys MiFID solution

Misys has developed a solution for customers using its Midas/Midas Plus and Private Banking applications to help them ensure MiFID compliance. The scope of the solution is specific to the areas of MiFID that directly impact these applications, namely Client classification and Client order handling. Other aspects of MiFID fall within the remit of front office solutions or other bank functions.

+ Client classification. MiFID requires entities to categorise clients as 'eligible counterparties', professional clients or retail clients (they have increasing levels of protection). Clear procedures must be in place to categorise clients and assess their suitability to each type of investment product. That said, the appropriateness of any investment advice or suggested financial transaction must still be verified before being given

+ Client order handling. MiFID has requirements relating to the information that needs to be captured when accepting client orders, ensuring that a firm is acting in a client's best interests and as to how orders from different clients may be aggregated

Of the financial instruments covered by MiFID, the following financial instruments are within the scope of the Misys MiFID solution:

- + Forward foreign exchange transactions (straight forward & swaps)
- + Money Market instruments
- + Forward Rate Agreements (FRA)
- + Interest Rate Swap (single currency & cross currency)
- + Securities
- + Futures
- + Options

Using MiFID to your advantage

The Misys solution is the most efficient and low risk way of ensuring MiFID compliance for Midas/Midas Plus and Private Banking. The fully integrated solution protects, and even enhances, existing Straight-Through-Processing (STP) by making available advanced data definitions (such as customer classification, product classification) and enabling real-time process control of orders in accordance with MiFID rules and recommendations.

For example, it will prevent an account manager from accepting orders from a customer not meeting the legal requirements. The solution will also ensure that the customer receives the appropriate advice and executes the order efficiently and according to the best execution policy published by the bank.

Blocking and warning messages are shown automatically. High defaulting of data and automatic time stamps will reinforce the business lines in their STP model and protect both the bank and customers against possible mistakes or blocking steps in processing.

Comprehensive information distribution and active remark processing, from the initiation of the customer order until the expiry date of the transaction, provide the bank staff all the information they need at any time, helping to enhance the service provided to customers.

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Features at-a-glance

- + High defaulting from enhanced standing data
- + Automatic validation rules at order generation level and in workflows
- + Easy capture of specific instructions or remarks across the whole process
- + Full synchronisation with back office allowing perfect understanding and exchange between Front and back department staff
- + Fully compliant settlement messages
- + High flexibility to customise customer correspondence
- + Possible internal and external reporting
- + Customer classification and related tests
- + Portfolio details enhanced
- + Product qualification
- + High defaulting at order generation, transmission and execution
- + Warning messages
- + Dates & times automatically collected
- + Remark field interactive along the order/transaction life
- + Transaction enquiry enhanced
- + Customer correspondence enhanced
- + Consolidated and generic MiFID information file

Driving efficiencies through STP (Fig. 1)



Key enhancements to enable STP

The enhancements of the Misys MiFID solution all contribute to improving efficiencies through STP, as show in the diagram above (Fig. 1), and they are summarised below:

Standing data

- + Reference tables
- + Customer details
- + Portfolio details
- + Securities details
- + Order type/sub-type

Front office

- + Client classification
- + Order generation
- + Transactions enquiries

Workflows

- + Check product complexity/client classification
- + Collect and record transmission details
- + Collect and record execution details

Back office

- + Transaction capture
- + Transaction enquiries
- + Data collection for SWIFT messages
- + Data collection for customer correspondence
- + Data collection for reporting

Financial Messaging

- + SWIFT message MT5xx

Correspondence

- + Details available for confirmation

Reporting

- + Details available for local reporting

World-class professional services

The Misys professional services and customer support teams ensure you can get your MiFID solution deployed smoothly and quickly. Relying on decades of experience in financial institutions of all sizes across the world, the professional services team are expert not only in delivering technology solutions, but also in banking practices and methodologies.

To find out how Misys can help you implement a MiFID solution that also drives efficiencies for your bank, please contact your Misys account representative or visit www.misys.com/banking



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