MiFID II Remediation & Regulatory Risk Review (2020–2024)

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1. Executive Summary

This project reviews European financial transaction data from 2020 to 2024 to assess MiFID II compliance, reporting discipline, regulatory risk exposure and remediation steps taken to ensure all capital markets clients are MiFID II Compliant.

While the significant number of clients are compliant, a consistent level of non-compliance and reporting delays persists every year. In addition, large transactions are linked to late or missing reporting, increasing regulatory and financial risk.

2. Why The Remediation Was Conducted

MiFID II regulations require firms to:

- comply with strict transaction rules,
- report trades accurately and on time, and
- manage client and transaction risk appropriately.
- Receive appropriate MiFID documentation.
- Classify clients to determine the level of financial advice given based on the documentation.

Failure to meet these requirements can lead to fines, audits, and reputational damage. This review helps decision-makers understand where compliance is strong and where corrective action is needed.

3. Scope of the Analysis

The review covered:

- **5 years of data (2020–2024)**
    - MiFID II compliance status
    - Reporting timeliness
    - Client classification

Each non-compliant client was treated as a **potential regulatory risk**.

Why this matters:
This pattern suggests that compliance issues are **systemic rather than isolated**, requiring process improvement rather than one-off fixes.

5. Overall Compliance Distribution

What was reviewed:
All clients were grouped by compliance status.

What the data shows:

- **33.46%** of clients are compliant
- **33.37%** are non-compliant
- **33.17%** are pending review

Why this matters:
Only **one-third of clients are fully compliant**, while two-thirds still require review or corrective action.

6. Reporting Delays and Missing Reports

What was reviewed:
Transactions marked as **Late Reporting** or **Not Reported**.

What the data shows:

- **33,683** transactions were reported late
- **33,433** transactions were not reported
- Combined transaction value exceeds **€27 trillion** (or equivalent reporting currency)

Why this matters:

Late and missing reports involve a **very high financial value**, increasing the likelihood of regulatory scrutiny and penalties.

7. High-Value Transaction Types

What was reviewed:
Total transaction value by transaction type.

What the data shows:
The highest transaction values are concentrated in:

- Repo Transactions
- Swap Transactions
- FX Transactions
- Securities Lending
- Derivatives
- Bond Trades

Why this matters:
These transaction types carry **high financial exposure**, meaning any compliance failure within them has an **outsized regulatory impact**.

8. Client Classification and Transaction Value

What was reviewed:
Average transaction value by client type.

What the data shows:

- **Eligible Counterparties** are linked to the highest transaction values
- **Professional Clients** show moderate transaction values
- **Retail Clients** are associated with much lower transaction values

Why this matters:
Higher-value clients require **stronger compliance controls**, as mistakes carry higher regulatory consequences.

9. Non-Compliance by Client Category

What was reviewed:
Non-compliant transactions grouped by client type.

What the data shows:

- **Eligible Counterparties:** 24,362 non-compliant transactions
- **Professional Clients:** 7,917 non-compliant transactions
- **Retail Clients:** 1,091 non-compliant transactions

Why this matters:
Non-compliance is **heavily concentrated among higher-value client categories**, increasing financial and regulatory risk.

11. Key Risks Identified

Based on the findings, the main risks are:

- Persistent MiFID II non-compliance over multiple years
- High-value transactions with late or missing reports
- Concentration of non-compliance among eligible counterparties
- Large volume of transactions still pending review

12. Business Recommendations

To reduce regulatory exposure:

1. Liaise with Sales to seek clients' co-operation in the remediation process.
2. Prepare MiFID packs, send to clients and follow up to ensure proper execution of the MiFID packs
3. Strengthen compliance controls for all transactions
4. Improve reporting timeliness monitoring

5. Focus compliance reviews on all parties
6. Regular review of MiFID.

13. Conclusion

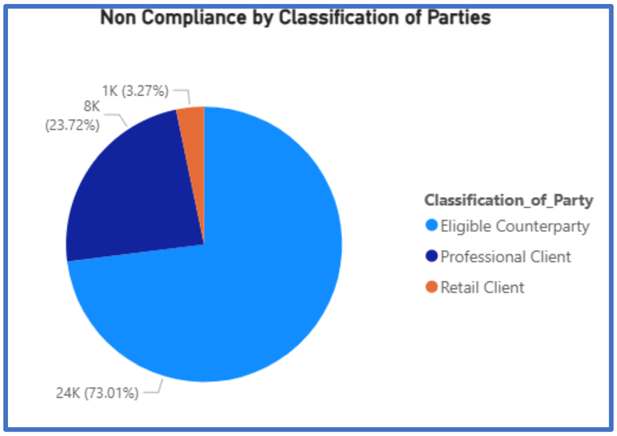
This review shows that a significant number of clients are not MiFID compliant; thus, risk remains high.

Addressing these gaps will help organisations:

- reduce regulatory penalties
- improve transparency
- strengthen market trust

1. Non-Compliance by Client Classification (ECP / Professional / Retail)

“Non-Compliance Is Concentrated in Eligible Counterparties — Where Exposure Is Highest”



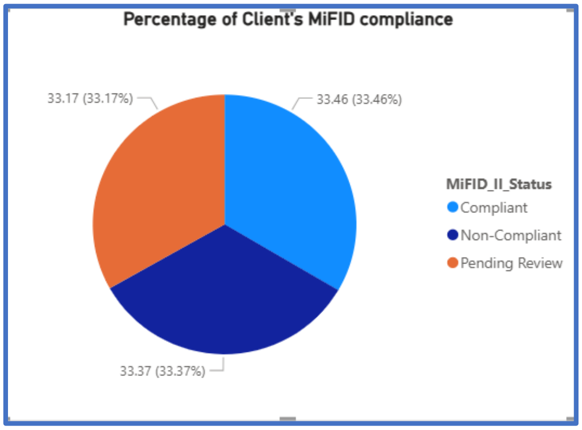
Non-compliance is heavily concentrated in **Eligible Counterparties (ECPs)**, which account for **24 thousand cases (73%)**. As against 8 thousand cases **(24%)** for **Professional Clients** and One thousand cases for **Retail clients (3%)**.

This means our MiFID remediation risk is **not broadly distributed**—it sits mainly in the **institutional segment** where transaction values and regulatory exposure are highest. The priority is therefore **ECP-first remediation**: accelerate MiFID pack execution, confirm/refresh classification evidence, close aged “pending” files and upload in the Firm’s internal system for evidence with strict follow-up and escalation.

SteerCo decision sought: Approve a targeted ECP remediation sprint and tighter controls so non-compliant ECPs cannot remain unresolved while high-value trading continues. So as to allow Sales continue to trade on behalf of clients.

2. Client Compliance Status (Compliant / Non-Compliant / Pending)

Only 1 in 3 Clients Are Fully MiFID-Compliant — Remediation Backlog Drives Ongoing Risk

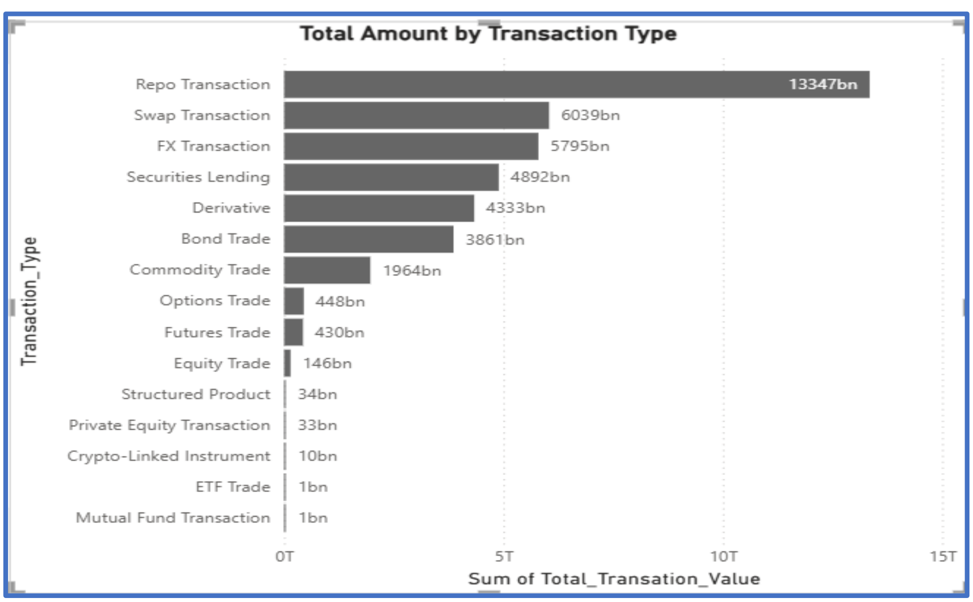


Only **33.46%** of clients are fully **MiFID compliant**, while **33.37%** are **non-compliant** and **33.17%** remain **pending review**. This means **two-thirds of the client base** still requires remediation action or validation, keeping regulatory exposure structurally high. The remediation priority is to **convert "Pending Review" into closed outcomes quickly** and reduce non-compliance through targeted outreach and document execution.

SteerCo action: approve a **time-bound remediation sprint** with clear ownership, weekly closure KPIs, and escalation for non-responsive clients.

3. Total Amount by Transaction Type

Regulatory Exposure Is Product-Led: High-Value Trading Concentrated in Repo, Swaps and FX

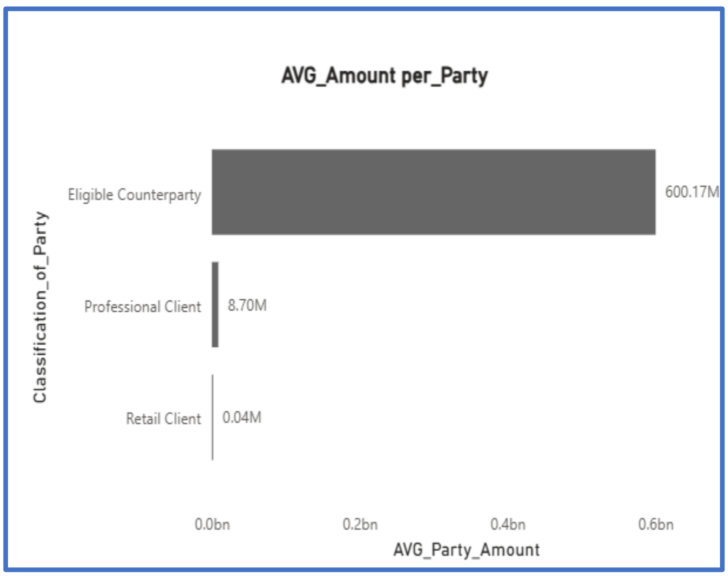


Transaction value is highly concentrated in a few products—**Repo** is the largest at **13,347bn**, followed by **Swaps (6,039bn)**, **FX (5,795bn)**, **Securities Lending (4,892bn)**, **Derivatives (4,333bn)** and **Bonds (3,861bn)**. This concentration means our MiFID remediation and reporting risk is **product-led**: a control failure in these high-value types creates outsized regulatory exposure. Remediation should therefore prioritise **client documentation + classification checks** and **reporting controls** specifically for these top-value products.

SteerCo action: approve a focused workstream for the top 5–6 products (plus ECP clients), with exception monitoring and fast closure targets.

4. Average Amount per Party (by Client Classification)

ECPs Drive Disproportionate Value per Client — Tight Remediation Controls Needed for the Highest-Impact Segment.



Average transaction value is overwhelmingly driven by **Eligible Counterparties (≈600.17M per party)**, compared with **Professional Clients (≈8.70M)** and **Retail Clients (≈0.04M)**. This shows our highest-value exposure sits in the same segment where non-compliance is concentrated, so any documentation or classification gaps for ECPs carry **disproportionate regulatory and financial impact**. Client remediation should therefore be **risk-based**: prioritize ECP files for MiFID pack completion, classification evidence, and stricter follow-up/escalation timelines.

SteerCo action: approve an **ECP-first remediation sprint** and reinforce controls so high-value ECP trading is not supported by incomplete or stale MiFID documentation.