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Cut to the Chase

MiFID II

Markets in Financial Instruments Directive

WHAT is MiFID II and what are its requirements for research?

The Markets in Financial Instruments Directive (MiFID) is the EU legislation that regulates firms who
provide services to clients linked to financial instruments such as shares, bonds, units in collective
investment schemes and derivatives, and the venues (Regulated Markets, Multi-lateral Trade Facilities
and Organized Trade Facilities) where these instruments are traded.

The requirements fall on both buy and sell side investment firms.

SELL Side	BUY Side
Firms must not induce clients to trade by bundling research within their execution services	Firms have to make explicit payments for research, and demonstrate that research contributes to better investment decisions and is therefore not an inducement
Firms are required to review and identify services provided that could be categorized as research and therefore for which payment would be required.	Investment firms need to provide better reporting to facilitate payments being made for research and to help demonstrate the value that research is providing
Firms need to provide clients unbundled costs of trading, separately identifying and charging for execution, research and other advisory services	

WHEN is it going to be implemented?

 MiFID was initially applied in the UK from November 2007, which is now being revised with the new legislation known as MiFID II that includes a new Markets in Financial Instruments Regulation (MiFIR).
 The changes are currently set to take effect from 3 January 2018.

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WHO is going to be affected?

As the investment environment have become global, MiFID II implementation will impact firms around the world that deal either directly or indirectly with Europe.

Specifically, non-European entities that:

- Are either beneficial (ultimate) owners of European-based companies, or beneficiaries of funds or portfolios of European investments; or
- Have "exposures" by the holding, investing, trading of MiFID II-mandated European assets that are held, bought or sold on European regulated exchanges and platforms.

The biggest impact will be experienced by banks, broker dealers and trading venues, while investment managers, insurance firms, independent financial advisors (IFAs), custodian banks and other asset servicing entities will also need to undertake a substantial effort.

WHY is research being segregated?

- The clear separation of research and trading costs is to inject more transparency into the fees that asset managers charge customers.
- Prior to the regulations research was arguably used to induce trade by sell side firms and entice investors.

HOW will payment for research take place?

- Buy side investment firms can pay for investment research directly from their own account or via a
 Research Payment Account (RPA) supported by Commission Sharing Agreement which segregates
 execution costs and research costs and codifies how commissions are to be shared amongst research
 providers.
- With the new requirements buy side firms must not link the amount paid for research to the volume or value of transactions, instead they must agree a budget to be paid for research up front and pay an amount that correlates to the quality and value that it would provide to the end investor.
- Sell side investment firms will need to unbundle their costs for research from the cost of execution, such that buy side firms can make explicit payments for research received. They will then need to be able to process direct payments or commission based payments and attribute those payments appropriately.

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Kuwait. Tel: 00965 1804800 Fax: 00965 22450647. Email: research@markaz.com

Research

Capital Market Research

- Most Valuable Companies in GCC
- GCC High Margin Industries
- GCC Sovereign Debt Issuances
- Berkshire Hathaway (2015)
- Apple: 5 Questions (Bilingual) (2015)
- Kuwait's new Law on Preference Shares (2015)
- Kuwait Investment

Economic Research

- SME Startup Stories in GCC
- · Bitcoin to Blockchain
- Financing Options in GCC
- Are GCC Businesses Leveraging Social Media
- . The What of VAT
- FINTECH in GCC
- Kuwait Proiects: KWD 10bn Awarded
- Kuwait Economic Themes
- Qatar Economic Themes
- Saudi Economic Themes
- UAE Economic Themes
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- Kuwait Electricity Tariff Hikes (Bilingual)
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Industry Research

- Private Equity: GCC
- Brokerage: UAE, Saudi
- Asset Management: UAE, Saudi
- · Contracting: Saudi, UAE. Kuwait
- Education: GCC, Saudi, UAE
- Investment Banking: GCC, UAE • Healthcare: UAE, GCC, Saudi
- Insurance: GCC, Saudi
- Petrochemicals: GCC, Kuwait Petrochemicals, Saudi
- Retail: Kuwait Luxury Retail, UAE Luxury Retail, GCC Luxury Retail, Saudi Retail, GCC Retail, GCC Online Retail

- Wealth Management: UAE Wealth Management, GCC Wealth Management
- Banking: Kuwait, Saudi, UAE, Qatar Media: UAE Media, UAE Social Media, GCC Social Media, GCC Media
 - Other Industries: GCC Institutional Investors SWF. Saudi Remittance Industry, Saudi Mortgage, GCC Family Business, Saudi Hospitality, GCC Islamic Finance, Offsets in the GCC, GCC Hospitality, GCC Islamic Finance, Metals and Mining. When GCC Women Invest

Infrastructure Research

- Power: Kuwait, UAE, Qatar, Egypt, Saudi
- Water: Saudi, Kuwait, Qatar
- · Ports: Saudi, Kuwait, UAE. Qatar. Oman
- · ICT: UAE, Qatar, Saudi, Kuwait
- · Aviation: Qatar, Kuwait, GCC Aviation: Full Service Carriers (FSC), GCC Aviation: Low Cost Carriers, UAE, Saudi
- Roads and Railways: Saudi, Qatar
- Real Estate: Qatar Residential Real Estate, Saudi Residential Real Estate. UAE Residential Real Estate, GCC Office Real Estate, Saudi Office Real Estate, GCC Affordable Housing, Kuwait Real Estate (Bilingual) (2015)

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- Kuwait's PPP Law (Bilingual) (2013)
- Bankruptcy Law in the GCC (2013)

Company Reports

KSA

Al Raihi Bank

Almarai Group Company for Cooperative Insurance (Tawuniya) Jarir Marketing Co. National Commercial Bank Riyad Bank SABIC Samba Financial Group Saudi Arabian Fertilizer Co. Saudi Arabian Mining Company Saudi British Bank Saudi Cement Company

Saudi Electricity Co Saudi Telecom Savola Group **TASNEE National** Industrialization Company The National Shipping Co. of Saudi Arabia (BAHRI)

Qatar

Barwa Real Estate Co QSC Commercial Bank of Qatar Ooredoo Qatar Electricity and Water Co Qatar Insurance Co Qatar National Bank

Abu Dhabi Commercial Bank Abu Dhabi National Hotels Co Air Arabia Aldar Properties PJSC Arab National Bank Arabtec Holding Company

Aramex Dubai Islamic Banking **EMAAR Properties Emirates NBD** Emirates Telecom First Gulf Bank National Bank of Abu Dhabi

Periodic Reports

- Daily Morning Brief
- Daily Fixed Income
- Kuwait Daily

UAF

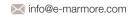
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- International Market Update
- GCC M&A Report
- GCC Bonds and Sukuk Market
- GCC Corporate Earnings
- GCC WACC
- GCC Stock & Debt Market Outlook
- GCC Regulatory Digest

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in marmore-mena f marmoremena +965 2224 8280

@marmoremena G+ marmoremena



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