



Cantor Fitzgerald Europe MiFID II & MiFIR Implementation – Frequently Asked Questions

Background & Scope

- Cantor Fitzgerald Europe (CFE) is an integrated, full-service investment bank. Our firm provides corporate broking, corporate finance, market making and sales and trading services.
- We at CFE are writing to you ahead of the implementation of the Markets in Financial Instruments Directive (2014/65/EU) and the Markets in Financial Instruments Regulation (600/2014), collectively referred to here as MiFID II, to inform you of the changes that may apply to you.

Background to MiFID II

- MiFID II is European legislation which aims to harmonise the operation of financial markets across Europe. MiFID II centres on strengthening investor protection and transparency of markets via wide reaching changes to market structure, organisational structure, and pre and post trade reporting.
- **MiFID II will enter into force on 3rd Jan 2018.**

Who does this apply to?

- Products in scope of MiFID II include:
 - Transferable securities
 - Money market instruments
 - Units in collective investment undertakings
 - Derivatives
 - Emission allowances and
 - Structured products
- MiFID II applies to those financial services businesses undertaking MiFID business anywhere in the EU as well as those providing services cross-border. This includes investment firms, trading venues, data reporting service providers and third-country firms providing investment services or performing investment activities into the EU.

What does Brexit mean for MiFID II?

- The UK financial regulator, the Financial Conduct Authority (FCA) has stated that “Firms must continue to abide by their obligations under UK law, including those derived from EU law, and continue with implementation plans for legislation that is still to come into effect”. The FCA has clarified that irrespective of the potential impact of Brexit, MiFID II will become law in January 2018 and firms need to make sure they are prepared.

Legal Entity Identifiers

What is an LEI?

- The LEI is a unique 20-character alpha-numeric code, based on ISO 17442, which uniquely identifies a legal entity that participates in a financial transaction.
- Once a legal entity obtains an LEI code, the code stays with the legal entity for the duration of the entity’s existence. Special rules apply for LEIs regarding natural persons (see ‘Identifiers for Individuals’ below). For more information, visit: www.gleif.org.

Why do I need to obtain an LEI now?

- The Financial Stability Board (FSB) has emphasised the importance of the global adoption of the LEI. The key drivers are to increase the quality of financial data, improve transparency and stem market abuse and financial crime.
- A growing number of global legislators have mandated market participants to obtain an LEI in order to trade or clear financial products in a variety of circumstances.
- From 3rd January 2018, MiFID II will require EU investment firms to obtain an LEI from their clients prior to providing a service that would result in a transaction reporting obligation.
- All clients of investment firms, including but not limited to, sub-funds, intermediaries and wealth clients, will be required to have an LEI.
- Non-EU counterparties are required to have an LEI if they trade with an EU Entity.
- If investment decisions are made by a third party under a power of representation, then the investment decision maker must be identified by an LEI.

No LEI, No Trade

- From 3 January 2018, we will be unable to enter into a MiFID II transaction with a counterparty if that counterparty has not provided us with a valid LEI.

Do you have to pay to request an LEI?

- Yes, you do have to pay for an LEI. The price varies depending on the issuing body and will cost approximately 150 - 200 EUR for the LEI issuance, and approximately 100 EUR on a yearly basis for renewal. The LEI must be renewed every year to remain valid.
- Once issued for a specific entity, a LEI is not reused for other entities even if it becomes lapsed.

Further questions relating to LEI?

- You can find further questions and answers on LEIs at the following website: <https://www.gleif.org/en/about-lei/introducing-the-legal-entity-identifier-lei>

List of entities and corresponding LEIs

- In order to facilitate compliance with your MiFID II obligations, please find below Cantor Fitzgerald Europe’s LEI and other Cantor group booking entities with their corresponding LEIs. Please refer to your trade confirm to identify the relevant Cantor group booking entity.

Full Legal Entity Name	Legal Entity Identifier (LEI)
Cantor Fitzgerald Europe	549300KM6VUHPKQLQX53
Cantor Fitzgerald Ireland Limited	635400N5XVNTLTWTUK34
Cantor Fitzgerald (Hong Kong) Capital Markets Limited	549300T18X31XV2WEG32
Cantor Fitzgerald & Co.	5493004J7H4GCPG6OB62
Cantor Fitzgerald Securities	549300DWZ3YOKJO5X179

Identifiers for individuals

Client identifiers for natural counterparties

- Individuals and non-incorporated entities may not be eligible to obtain an LEI.
- In such cases, CFE must generate a client identifier composed of a National Identifier and a country code corresponding to the individual’s country of nationality for individuals that are party to a transaction, including buyer, seller or third party decision makers.

Trader identifiers

- Where CFE provides you with assisted reporting, in the relevant report we are required to identify the individual in your firm responsible for making the investment decision with a national identifier.

The composition of identifiers for individuals

- The following data is required for identification of individuals:
 - First Name
 - Surname
 - Date of Birth
 - Country of Nationality
 - National ID (dependent on individual’s nationality).

How will CFE collect personal data?

- CFE will use UnaVista for personal data management. Clients will enter and maintain their personal data directly on the UnaVista web portal and provide us with corresponding short codes.
- CFE will not have access to stored personal data. Clients will be provided with instructions on how to sign up to the UnaVista portal via our client outreach.



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Systematic Internaliser and Venue Status

What is a Systematic Internaliser?

- A Systematic Internaliser (SI) is an investment firm which, on an organised, frequent, systematic and substantial basis, deals on its own account by executing client orders outside an RM, MTF or OTF.
- Firms exceeding specified thresholds are caught by the SI regime, but others can opt into the regime and they must notify their competent authority in order to do so.

Will CFE be a Systematic Internaliser?

- CFE does not expect to exceed the SI thresholds and does not intend to opt into the SI regime.

Will CFE operate its own Trading Venue?

- CFE will not operate as a venue.

How will trading with CFE enable our clients to meet the Share Trading obligation under MIFIR Article 23?

- CFE will continue to operate as a registered Market Maker and liquidity provider to facilitate client trades on trading venues.

Trade Reporting

What is Trade Reporting?

- For exchange traded instruments, firms must publish the volume, price and time of transactions on a trade-by-trade or aggregated basis, within 1 minute for equities and 15 minutes for bonds.
- Where a transaction is concluded outside a trading venue, firms must make those trades public through an Approved Publication Arrangement.

Which Approved Publication Arrangement (APA) will CFE use?

- Our APA for all products is TradeEcho.

Will CFE support other APA solutions?

- TradeEcho supports connection to other APA providers that clients may elect to use.

Transaction Reporting

Which trades are in scope?

- Investment firms that execute transactions in financial instruments are required to report those transactions to their home competent authority
- Reports must be submitted no later than the end of the next working day.

What has changed?

- MiFID II has introduced new fields that must be completed, including client identifiers, IDs of persons or algorithms that made the decision to trade and execute.
- Parties to the trade must be identified with an LEI if they are legal entities. Individuals are to be identified with a National Identifier.
- Various new designations have been introduced including indicators for waivers and short sales.

How are reports submitted?

- Firms must report through either an ARM or by delegating reporting to another firm. Trading venues will report trades executed by firms not subject to the reporting obligation.

Which Approved Reporting Mechanism (ARM) will your firm use?

- Our ARM is UnaVista.

Assisted Reporting

Will CFE provide assisted reporting?

- We will offer assisted reporting for post trade and transaction reporting for all asset classes.
- Further details about assisted reporting will be dispatched as part of our client outreach.



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Research

What changes have been made to the rules for Research?

- MiFID II in Europe and commission “unbundling” regulations in the rest of the world are driving significant change in the commercial model of full-service broker-dealers and investment banks. Regulation requires all research consumed by an asset manager to be “paid for” in explicit terms, rather than “bundled” in the brokerage commission. Any research delivered without a charge may be seen as an “inducement to trade” by the regulators and therefore considered illegal under the new regime.
- Research has to fulfil certain criteria in order to be eligible to be considered as a “paid” offering. Research has to be “substantive” in order to justify being chargeable to the asset manager. Substantive research has to mean “any value-add views that in one way or another inform the investment decision.” Under the proposed ruling and definition, it brings within the net not only single-company corporate research, but also economics, fixed income, currency, commodity and strategy research.
- Items that fall outside of this “substantive” definition relate to items of “minor, non-monetary benefits,” (“MNMB”) which includes previews, earnings updates, news comment, etc. However, the latter can be debated, as there are some news events that warrant a comment and have a significant bearing on stock performance and therefore not “minor, non-monetary” in benefit. Therefore, such eligibility criteria on what constitutes “substantive” and what is mere “news reporting” may go through a process of iteration to remove regulatory ambiguity.

Substantive vs MNMB

- CFE is a non-independent Research provider. CFE has reviewed its materials to determine what we deem is substantive and what we deem is MNMB.
- It is the responsibility of the receiver to assess the materials and affirm if this is MNMB.
- If a client determines our materials to be substantive then we can accept payment as determined by the client or cease the distribution of any particular material.

Equity Corporate Research

- CFE is a leading Nominated Advisor (Nomad) to the Alternative Investment Market (AIM) of the London Stock Exchange. We have a proven track record of successfully advising companies coming to AIM and are a Nomad and/or broker to over 40 companies.
- For AIM companies where research is, in many cases, restricted to the house broker such as CFE, broad access to

the house broker research is important for the company as well as the market as a whole.

- CFE intend to continue to distribute research for our corporate clients without charge to research recipients and that institutions will be able to accept this research as MNMB as per Article 12 (3)(b) of the Commission Delegated Regulation C 2013: “written material from a third party that is commissioned and paid for by an corporate issuer or potential issuer to promote a new issuance by the company, or where the third party firm is contractually engaged and paid by the issuer to produce such material on an ongoing basis, provided that the relationship is clearly disclosed in the material and that the material is made available at the same time to any investment firms wishing to receive it or to the general public”
- In addition our sector-based research teams provide sector/thematic research and coverage of other stocks within their sector. We view this as part of our overall offering in support of our corporate coverage to Corporates.
- CFE are developing our platform to enable full tracking of client interactions including Analyst and Company Meetings, analyst models and bespoke research to enable charging where required. We will provide an API for Clients adopting an automated content and interactions analytical system to assist them with tracking, voting and paying for interactions.

CFE Tracker Quants

- This product is substantive research having met the relevant criteria.
- Our expert team are developing the appropriate structure to continue to deliver their high quality insight in to market liquidity events.
- We will provide further information in due course. If you have any questions then please contact the team #CFETrackerQuants@Cantor.com

Fixed Income

- Any materials produced by CFE are deemed to be MNMB.

Global CFE affiliate materials

- CFE currently distribute both substantive and MNMB research on behalf of the Cantor affiliates within the Americas and Asia. CFE will cease distribution of these materials. Any distribution will be directly from the affiliate.
- If you have any questions or concerns then please discuss with your CFE Sales contact or email us at MiFIDII@Cantor.com

Client Outreach

How will CFE communicate changes resulting from MiFID II to our clients?

- We will use the **Bloomberg Entity Exchange** platform to contact our clients to collect and compile specific information that we require from you and notify you of changes to policies, terms of business and other legal documentation.
- You will incur no additional costs or charges by responding via the platform.
- We would appreciate it if you could provide the requested information via the link that you will receive by email.

Next Steps

What happens next?

- We will continue our MIFID II implementation project and will shortly reach out to all clients to begin the data collection exercise.

Ensure you have an LEI

- From 3 January 2018, we will not be able to trade with you if you do not have an LEI. More information is available via the following link: <https://www.gleif.org/en/about-lei/introducing-the-legal-entity-identifier-lei>

FIX connectivity

- Where clients connect to CFE via FIX Protocol, our FIX Technical Specification is provided in a separate document to the FAQ.

General queries

- In the meantime, if you have any MIFID II queries, please contact MiFIDII@cantor.com

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