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MIFID "QUICK FIX"

The intention of the "Quick fix" amendments to MiFID 2 is to support economic recovery from the Covid-19 pandemic. The European Commission tries to achieve this via certain reliefs of administrative requirements on firms.

Member states are required to transpose the changes into national law by 28 November 2021 and apply them by 28 February 2022.

Furthermore, additional reviews shall be performed by the European Commission by mid-2021 resulting in a legislative proposal.

Key points

- MiFID "quick fix" was published on 26 February 2021, is to be transposed into national law by 28 November 2021 and shall apply by 28 February 2022
- Main changes are related to product governance, payment for research, information and reporting requirements and commodity derivatives markets
- The commission is required to review several topics of the MiFID text and submit a legislative proposal to the European Parliament and the council by 31 July 2021

What measures does the "quick fix" to MiFID introduce?

Product Governance

- An exemption from Product Governance rules has been introduced for bonds with "make-whole clauses". In case of early redemption, a make-whole clause obliges an issuer to include the NPV of the coupon which would have been paid. These products are generally considered safe and simple and eligible for retail clients.

Payment for research

- The changes to the research requirements allow firms to bundle research and execution charges under particular circumstances if the research covers companies with a market capitalisation of less than EUR 1 billion.
- Aim is to increase research of small and mid-cap companies and facilitate their access to funding.

Information and reporting requirements

- Suspension of the obligation for trading venues and systemic internalisers under RTS 27 to produce best-execution reports until 27 February 2023.
- Under certain circumstances, firms are allowed to apply an exemption for the requirement to provide ex ante cost and charges disclosures.
- Default channel for client communication is switched from paper-based to electronic.
- Easing of the requirement for cost-benefit analysis when switching financial instruments for professional clients.

Commodity derivatives market

- National Competent Authorities (NCA) may rely on a combination of quantitative and qualitative elements when assessing whether an activity is ancillary and therefore is in the scope of the according exemption.
- The amendments change the scope of position limits to only apply to agricultural and significant and critical contracts. ESMA is mandated to establish a list of significant and critical commodity contracts for this purpose.

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