

CONFINALE

Digital Banking applied

MIFID II & FIDLEG SOLUTION (01.2018)

MIFID II AND FIDLEG APPLIED

WHAT WE BRING TO THE TABLE

- _ Profound business knowhow of MiFID II and FIDLEG including the investment suitability and target market concept, the client- and asset modelling in Avaloq and the required transaction-, client- and authority-reporting, differences between MiFID II and FIDLEG
- _ Vast practical and technical experience in how to parametrize Avaloq's MiFID II/FIDLEG package based on the investment suitability framework (ISF) using the business rule engine (BRE), how to use Avaloq's decision tables and how to parametrize the interfaces to third party data providers (PRIIPs/KID Services, cross-border manual data etc.)
- _ User-friendly applications in AFP based on the advisory framework save time and hassle

Confinale is an official Special Service Partner of Avaloq in the field of taxation, compliance and advisory and an **official partner of Avaloq for MiFID II and FIDLEG**.

Confinale has a dedicated MiFID II/FIDLEG-team to implement and customize Avaloq's MiFID II/FIDLEG framework. The team consists of experienced business analysts, Business-Rule-Engine architects and parametrisation specialists. It has already successfully implemented MiFID II/FIDLEG

at several Avaloq banks. Our approach is to integrate the new framework with the already existing regulatory infrastructure and processes of the bank where possible and supplement it with additional functionalities where required. With our broad know-how and experience in this challenging area we are an ideal partner for the Avaloq community to get ready for MiFID II/FIDLEG.

CHALLENGING TIMES

MiFID II has come into force in January 2018 and FIDLEG will most likely follow swiftly by mid of 2019. While FIDLEG will be similar to MiFID II there are significant differences that need to be taken into account. In general, MiFID II is heavily rule-based and therefore very comprehensive and formal. FIDLEG, on the other hand, follows the Swiss tradition of principle-based legislation and provides considerable flexibility. For banks subject to FIDLEG this requires important decisions on whether and how this flexibility shall be used. Both sets of rule-books are complex and will have an impact on nearly the whole value chain of a bank. Some of the new regulations and their country-specific implementations (FIDLEG as well as MiFID II) are difficult to interpret and some leave discretion as to how they should be applied. Where this is the case, a common understanding and market practice will yet have to be established over the coming months and years. These uncertainties and the fact that some of the regulations have not been finalized yet, add to the challenges that come with these new regulations. Investor protection represents one of the core topics of the new set of rules. This requires amongst other measures:

_Client profiling - Client assessment and segmentation, establishing investment objectives/horizon, risk awareness, financial situation/loss capacity, knowledge and experience/sophistication, opting-in/opting-out rules.

_Target Market – financial products have to be classified in accordance with their risk profile to allow a matching with the client profiles.

_Suitability & Appropriateness checks – based on Target Market data ensuring that product/investment proposal is suitable and appropriate for a specific client, tax suitability.

_Best Execution – Defining markets on assets and back testing

_Client-reporting – information duty pre-investment (cost sheet, suitability report, product documentation KID), post-investment reporting, periodic suitability monitoring, loss reporting.

_Authority-reporting – transaction reporting, post-trade transaction reporting and Best Execution top-5-reporting

BUILD AROUND AVALOQ'S ISF

Avaloq's Investment Suitability Framework (ISF) using the Business Rule Engine (BRE) offers an efficient, highly automatized way to comply with these new investor protection requirements in a comprehensive and compliant way.

Full integrated in Avaloq, it enables Avaloq banks to automatically collect, match, apply and store/historize the relevant client & asset data using the specific

rule sets defined by the bank in accordance with the regulatory requirements.

Thereby the existing investor protection infrastructure of the bank (incl. cross-border country manual data) and advisory solutions can be taken into account and adopted to the Investment Suitability Framework. Asset data feeds (product risk classification) from external providers like SIX Telekurs or WM-Data and external KID-providers like SIX or Cleversoft can be connected and automatically embedded in the investment proposition.

Decisions that a bank needs to take within the discretion provided by the rules can be made transparent using third-party tools like Actico and Avaloq-Decision-Tables and can later easily be changed should a different interpretation or market practice become applicable.

Producing reports with static and transactional data for internal and audit purposes with a few clicks is just another benefit of such a set-up.

Last but not least, intuitive, user-friendly applications in AFP using Edorasware can support the front-office in being and staying compliant.

Using these solutions, wealth managers save time and hassle and can focus on the business needs of their clients.

HOW CONFINALE CAN SUPPORT YOU

With its dedicated MiFID II/FIDLEG team, Confinale guides you through the jungle of the MiFID II/FIDLEG investor protection rules and tools and ensures a positive analysis- and implementation-experience. We are familiar with Avaloq's BRE/ISF and third-party data-feeds that can be connected, both from a business as well as technical perspective. Defining the target-architecture together with you based on your existing set-up and your bank-specific requirements in form of a "Getting ready for MiFID II/FIDLEG" is usually our starting-point. But it doesn't finish there: we implement the software components for you, customize them with your existing tools and new third party data and document providers. Our experience and knowledge in this area helps you to establish the business rules and to take the required decisions in an efficient way.

Our business and implementation know-how and experience covers the following MiFID II/FIDLEG areas:

- _Client Profiling
- _Target Market Concept
- _Appropriateness and Suitability Test
- _Best Execution
- _Information duty pre- and post-investment
- _Client- and Authority reporting

For more information or to arrange a first meeting please contact us.

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