

# **Council**

## **SUPPLEMENTAL SUMMONS**

**DATE: Thursday 28 September 2017**

**12. IMPLEMENTATION OF THE MARKETS IN FINANCIAL INSTRUMENTS  
DIRECTIVE (MIFID II). (Pages 3 - 8)**

Recommendation I: Pension Fund Committee  
(18 September 2017)

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**COUNCIL**  
**28 SEPTEMBER 2017**

**PENSION FUND COMMITTEE**  
**RECOMMENDATION**  
**(18 SEPTEMBER 2017)**

**RECOMMENDATION I**

**IMPLEMENTATION OF THE MARKETS  
IN FINANCIAL INSTRUMENTS  
DIRECTIVE (MIFID II).**

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# PENSION FUND COMMITTEE

## MINUTES

### 18 SEPTEMBER 2017

<b>Chair:</b>	* Councillor Nitin Parekh		
<b>Councillors:</b>	* Kairul Kareema Marikar	* Bharat Thakker	
	* Norman Stevenson		
<b>Co-optee (Non-voting):</b>			
<b>Trade Union Observers:</b>	* John Royle	Pamela Belgrave	
<b>Independent Advisers:</b>	* Mr C Robertson	Independent Adviser	
	* Honorary Alderman R Romain	Independent Adviser	
<b>Others:</b>	* Colin Cartwright	Aon Hewitt	(duration of the meeting except Minute 239)
	* Richard Harbord	Chair of Pension Board	(Part I business only)
	* Howard Bluston		(Part 1 business only)

\* Denotes Member present

## RECOMMENDATION

### 229. Implementation of the Markets in Financial Instruments Directive (MiFID II)

The Committee received a report of the Director of Finance, which outlined the impact of the implementation of the Markets in Financial Instrument Directive 2014/65 (“MiFID II”) and the risk to the administering authority of becoming a retail client on 3 January 2018. The report sought authority that elections for professional client status be made without delay.

The title of the report circulated with the Pension Fund Committee agenda was amended to read ‘Implementation of the Markets in Financial Instruments Directive (MiFID II)’.

An officer introduced the report and reported as follows:

- that the process had been guided by the Local Government Association (LGA) and the London Collective Investment Vehicle (LCIV);
- there was a requirement to complete the process, supported by evidence, by 3 January 2018. Administrative support may be required but would be dependant on the details of any questions raised by Fund Managers and others from whom professional investor status was to be sought. The Committee was mindful that there may be costs associated with the process;
- the risks and the protections available were set out in the report.

Colin Cartwright, Aon Hewitt – Council’s Investment Adviser, outlined the implications of not opting up and pointed out that a three month period would be required to complete the applications, including any iterations. Members were of the view that the forms should reflect them as a ‘collective’ in order to avoid the need to notify changes in memberships.

Members of the Committee discussed a suggestion that the decision of the Committee ought to be ratified by Council. They noted that a separate report on ‘Treasury Management Compliance with the second Markets in Financial Instruments Directive (MiFiD II)’ would be submitted to both Cabinet and Council for decision. The Committee, whilst acknowledging that the recommendations in the report fell within the remit of the Committee, considered it prudent if these were ratified by the Council and, accordingly, it was

**Resolved to RECOMMEND:** (to Council)

That

- (1) the immediate commencement of applications for elected professional client status with all relevant institutions be agreed in order to ensure it could continue to implement an effective investment strategy;
- (2) the Director of Finance be delegated responsibility for completing the applications and determining the basis of the application as either full or single service.

**RESOLVED:** That

- (1) the potential impact on investment strategy of becoming a retail client with effect from 3 January 2018 be noted;
- (2) the Director of Finance amend paragraph 20, 'Financial Implications', of the report to reflect that there may be minor financial implications arising from the report;
- (3) that guidance notes on the opt-up process be circulated to all members of the Pension Fund Committee.

*[Note: Resolution (2) above of the Pension Fund Committee actioned in that the Financial Implications have been amended to read: There may be on-going administrative costs depending on the scale of requests for further information from Fund Manager compliance departments. Any additional costs will be charged to the Pension Fund.]*

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