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Date : 5 oct. 2014 07:04
Objet : MIFID 2 & cfinancials.com
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Cc :

Dear Shareholders, Stakeholders & Friends,

Important Information

MIFID 2 (European Directive for Financial Instruments) was adopted by the European Parliament & Council last spring. MIFID 2 will go into effect starting July 2015.

The technical wording in Article 24 and PRIIPS with respect to product risk was produced by cfinancials.com.

As a result, the product risk indicator in MIFID2 is based on TIPERsm by cfinancials.com.

TIPERsm specifications will be added to the product risk indicator in MIFID 2 during the course of the year.

MIFID 2 will make it compulsory for the financial industry, professional & retail investors in the 22 member states dealing/handling/holding financial products to display a specific risk indicator at least once a day. We produce such an indicator and we are the only ones. Competition will have to be approved by the European Parliament to maintain rating integrity. It is a billion dollar market for Europe alone.

The US and China will introduce a similar approach based on the recommendation of the European Parliament & cfinancials.com.

Relevant excerpts from the European Parliament/ ESMA/ European Council links.

European Financial Markets Regulation – The Right Product for the Investor

In recent European financial markets regulation, two files have been dealing with provisions to ensure that investors make well-informed decisions. While the PRIIPS-regulation mainly focuses on retail investors (Art. 1 of PRIIPS-regulation), the Markets in Financial Instruments Directive aims at retail and professional investors alike (cf. recital 86 of MiFID).

Markets in Financial Instruments Directive (MiFID)

Adopted by the European Parliament: 15.04.2014

Adopted by the European Council: 13.05.2014

Published in the Official Journals of the EU: 12.06.2014

Article 24: General principles and information to clients

Art. 24(3): All information, including marketing communications, addressed by the investment firm to clients or potential clients shall be fair, clear and not misleading. Marketing communications shall be clearly identifiable as such.

Art. 24(5): The information referred to in paragraphs 4 and 9 shall be provided in a comprehensible form in such a manner that clients or potential clients are reasonably able to understand the nature and risks of the investment service and of the specific type of financial instrument that is being offered and, consequently, to take investment decisions on an informed basis. Member States may allow that information to be provided in a standardised format.

Art. 24(13): The Commission shall be empowered to adopt delegated acts in accordance with Article 89 to ensure that investment firms comply with the principles set out in this Article when providing investment or ancillary services to their clients, including:

(a) the conditions with which the information must comply in order to be fair, clear and not misleading;

Adoption and publication of all laws, regulations and administrative provisions necessary to comply with this directive by 3 July 2016, full entry into force by 3 January 2017 (Art. 93). Information on the on-going work regarding the development of Level-II-measures can be found on the website of the European Securities Markets Authority (ESMA).²

All Level II-Measures have to be approved by both, the European Parliament and the European Council. Markus Ferber, MEP is leading the European Parliament's negotiation team.

Key Information Documents for Investment Products (PRIIPs):

Adopted by the European Parliament: 15.04.2014

Adopted by the European Council: 03.04.2014

Published in the Official Journals of the EU: (COREPER-Decision, i.e. provisional)³ will be published after lawyer-linguist work is done (probably November)

Article 8(3): The key information document shall contain the following information: (...)

(c) under a section titled "What are the risks and what could I get in return?", a brief description of the risk-reward profile comprising the following elements:

(i) a summary risk indicator, supplemented by a narrative explanation of the indicator, its main limitations and a narrative explanation of the risks which are materially relevant to the PRIIP

and which are not adequately captured by the synthetic risk indicator;

Article 8(5): In order to ensure consistent application of this Article, the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA) and the European Securities and Markets Authority (ESMA) shall, through the Joint Committee, develop draft regulatory technical standards specifying:

- a) the details of the presentation and the content of each of the elements of information referred to in paragraph 3;
- b) the methodology underpinning the presentation of risk and reward as referred to in point (c) (i) and (iii) of paragraph (3) of this Article;

End of Text.

1 Link to the Official Journal (L 173/349):
<http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0065&from=EN>

2 Link to ESMA Homepage:
<http://www.esma.europa.eu/page/Markets-Financial-Instruments-Directive-MiFID-II>

3 Link to European Council's approval of the final compromise text:
<http://register.consilium.europa.eu/doc/srv?l=EN&f=ST%208356%202014%20REV%201>

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Security on financial products. Big Data, Cloud Computing & Product Intelligence on 12 million instruments, offering unmatched solutions for product risk.

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