

CASE STUDY 1: PROPRIETARY TRADING FIRM UNDER MiFID

Background:

Client Firm was authorised under the Investment Intermediaries Act 1995 and became subject to the MiFID regulations when they came into force in November 2007. The firm obtained a 'hybrid' authorisation as it continued to transact in investment instruments under the Investment Intermediaries Act 1995 as well as financial instruments under the MiFID regulations.

Assignment:

CIRS undertook a MiFID mapping review and a separate Corporate Governance review to verify the firm's full compliance with the provisions of the MiFID Regulations. The reviews undertaken covered:

- (i) mapping the firm's MiFID Financial Instruments, Services and Activities to its authorisation from the Financial Regulator to ensure that what was recorded by the Financial Regulator matched what the firm actually did.
- (ii) benchmarking the business, its controls, policies and procedures against the Financial Regulator's requirements and expectations of a MiFID firm. This was performed by thoroughly assessing the firm by reference to the following areas:
 1. Structure and Head Office;
 2. General Business Information;
 3. Memorandum and Articles of Association;
 4. Financial Information;
 5. Directors and Managers – Roles, Fitness & Probity;
 6. Shareholders/Members and Qualifying Shareholders;
 7. Organisational Structure;
 8. Provision of Information to Board and Financial Regulator on an Ongoing Basis
 9. Ability of Financial Regulator to Supervise Applicant;
 10. Regulatory Background;
 11. Other -
 - i. Continuation of IIA Services and Instruments,
 - ii. Qualifying Shareholder Requirements,
 - iii. Client Asset Procedures.
- (iii) advising management of any gaps or areas of weakness identified.
- (iv) working with the firm to put in place appropriate policies and procedures in order to address highlighted gaps.
- (v) advising the Board of Directors on implementation of additional regulatory requirements
 1. Capital Requirements Directive calculations
 2. Internal Capital Adequacy Assessment Process
 3. Pillar 3 Disclosures