

## Changes to UK MIFID's conduct and organisational requirements | Removal of RTS 27 and 28 Reports & Changes to research rules

*Of particular interest to:*

- *Investment firms*
- *Persons providing investment advice and reception and transmission of orders who did not opt into MiFID ('Article 3' firms)*
- *Banks and operators of Collective Investment Schemes who provide investment services*

### **In brief:**

- On November 30<sup>th</sup>, 2021, The FCA announced that firms will no longer be required to prepare RTS 27 and RTS 28 reports from 1 December 2021. These are the obligations on execution venues and firms to make public information on their Top 5 Execution Venues/Brokers with a summary of the execution outcomes achieved
- From 1 March 2022, asset managers and research firms will be able to exercise the options on exempting the following from the FCA's inducement rules on research:
  - research on small and mid-cap listed or unlisted companies (SMEs) below a market capitalisation of £200m
  - third party research on fixed income currencies and commodities (FICC) instruments
  - research provided by research providers who do not provide execution services and are not part of a group that includes a firm offering execution services
  - openly available written research would not fall within the scope of the inducement rules

### **Summary:**

Following feedback to Consultation Paper 21/9, the FCA published a Policy Statement (PS21/20) outlining their final policy position and changes to the research rules and the removal of best execution reporting in Regulatory Technical Standards (RTS) 27 and 28. The changes being made by the FCA are intended to ensure rules for research and best execution under the UK Markets in Financial Instruments Directive (UK MiFID) are more proportionate to the risks arising, removing unnecessary and complex regulation.

### The new inducement rules relating to research:

- Exempt research on small and mid-cap listed or unlisted companies (SMEs) who have a market capitalisation below £200m from the inducement rules. This means that research on firms below this threshold could be provided by brokers to asset managers on a bundled basis or for free and would not constitute an inducement

- Exempt third party research on fixed income currencies and commodities (FICC) instruments from the inducement rules allowing it to be provided on a bundled basis and would not constitute an inducement
- Exempt research providers from our inducement rules who do not provide execution services and are not part of a group that includes a firm offering execution services
- Clarify that openly available written research would not fall within the scope of the inducement rules

The rules on reporting obligations remove:

- the obligation on execution venues to publish a report on a variety of execution quality metrics to enable market participants to compare execution quality at different venues (known as RTS 27 reports)
- the obligation on investment firms who execute orders to produce an annual report setting out the top 5 venues used for executing client orders and a summary of the execution outcomes achieved (known as RTS 28 reports)

**Useful link**

To read the complete publication, [click here](#).