DEMYSTIFYING MIFID II

Record-keeping, Event Reconstruction, & Market Abuse Detection & Prevention
The broad intent of MiFID II is to strengthen investor protections, maximize market transparency and reduce market abuse. To achieve those objectives, ESMA has proposed many changes to the way OTC products and exchange-traded equity markets operate and function.

Among these changes, broader requirements for record-keeping, event reconstruction, and market abuse detection and prevention mandate the retention of records and communications for all services, activities and transactions to enable national regulators to monitor compliance. These new record-keeping and supervision requirements build on the existing EC directives established in Article 13 and in Article 51.

Under MiFID II firms will be required to adhere to the following:

- **Record-Keeping Scope**
  Records must include voice recordings of telephone conversations, minutes from face-to-face meetings, and electronic communications (e.g., email, IM and fax) related to reception, transmission and execution of orders on behalf of clients or on one’s own account (Article 16(7)).

- **Longer Retention Periods**
  The records kept in accordance with Article 16(7) must be provided to the client involved upon request and must be kept for a minimum period of five years and, where requested by regulators, for up to seven years.

- **Reconstruct Events**
  Firms must maintain records of all telephone conversations and electronic communications relating to activities that are intended to result in the conclusion of an agreement, even if those conversations or communications do not result in an agreement. The recordings must not only include any placed orders, but also modifications and cancellations of orders, as well as executed orders and indications of interest. Upon request, firms must reconstruct these records for regulators from individual transactions or counterparties.

- **Compliance Storage**
  Records should be stored in a “durable medium” that allows them to be replayed or copied and must be retained in a format that does not allow the original record to be altered or deleted. In addition, records should be stored in a searchable medium to ensure that they are accessible and “readily available” upon request.

- **Market-Abuse Monitoring**
  In addition to the extensive requirements of MiFID II, CSMAD, MAR and MIFIR now also include market abuse prevention and supervision requirements. Firms will need a comprehensive supervision plan in place to meet these mandates – which go into effect in July 2016.

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1 The Committee of European Securities Regulators, The list of minimum records in Article 51(3) of the MiFID implementing Directive: 2-6.
A market leader in record-keeping, event reconstruction and supervision with nearly 1,000 firms subscribing, Bloomberg Vault supports more than 20 different data sources for record-keeping, supervision and trade reconstruction. These data sources include voice, email, instant messaging, trades, social media, and documents/files.

Our comprehensive event reconstruction solution offers transparency into the complete trade lifecycle. It provides the ability to reconstruct events with the sequence of voice recordings and communications related to a trade and can deliver reconstructed events to regulators on demand, as specified under MiFID II.

A next-generation communication supervision tool with advanced algorithms provides an ability to customize more than 40 out-of-the-box policies. The service is integrated with Bloomberg Transaction Cost Analytics (BTCA) to provide a unique means of reviewing the intersection of trades, market data, market-moving news, communications data, recorded voice and documents in an integrated workflow.

Preventive compliance controls such as restricted lists, information boundaries, ethical walls and access controls support the market abuse prevention objectives of MiFID II.

Bloomberg is committed to helping firms meet future regulatory challenges and handle market structure changes, including the new Dodd-Frank Act and MiFID II requirements, with the successful launch of a Swap Execution Facility (SEF) and commitment to launching a Multilateral Trading Facility (MTF).

Bloomberg Vault's comprehensive coverage includes:

**BLOOMBERG DATA**
- Message (MSG)
- Instant Bloomberg (IB)

**TRADE DATA**
- Bloomberg Trade Data
- Non-Bloomberg Trade Data

**CORPORATE EMAIL**
- Microsoft® Exchange
- Microsoft Office 365
- Lotus Domino
- Google Mail
- Salesforce Email
- Any SMTP Format

**INSTANT MESSAGE & SOCIAL MEDIA**
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- Thomson Reuters
- Blackberry
- Yahoo Messenger
- AOL IM
- Pivot
- Social media data sources
TAKE THE NEXT STEP

Bloomberg Vault’s solution for trade investigation can help your firm to mitigate risk. Contact us at +44 20 7330 7500, vaultsales@bloomberg.net or call your regional representative to schedule a personalized demonstration.

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