

Whilst the height of the financial crisis may seem like a distant memory now, it exposed weaknesses in the transparency and functionality of the financial markets. Following the crisis there was a global desire for a regime that underpinned Financial Stability and on the 3rd January 2018 across the European Union, the new regime came into force. Markets in Financial Instruments Directive II (MiFID II) and its implementation into UK law represents a new focus on consumer protection and market integrity, improving transparency of client costs and mitigating the chance of fraud and market abuse.

To us here at Equilibrium Asset Management and our sister company Equilibrium Investment Management, MiFID II represents one of the biggest changes to our internal processes in recent years, but some of these changes will impact you. To help you understand what these changes are and how this may alter the service you receive from Equilibrium, we have produced this helpful fact sheet.

Telephone Recording and Meetings

From 3 January 2018, all calls made and received by members of the investment team, who are part of Equilibrium Investment Management, will be recorded. This includes calls with suppliers or clients.

Calls to or from your Client Manager, Financial Planner or any other member of Equilibrium Asset Management will not be recorded but will be documented within your file. We have always taken notes during meetings even though it wasn't a regulatory requirement. However, MiFID II now requires us to take focused notes documenting our discussions with you about our recommendations or any financial transactions we might be placing on your behalf, so don't be alarmed if you call and your Client Manager asks for more information. We will only ever ask for the information that we need to provide you with suitable and appropriate financial advice.

Suitability Reports

As clients of Equilibrium, you will all have received a Suitability report as part of the advice process. Whilst you will continue to receive these reports, we now have to provide these before we place any business. We have always issued reports in a timely manner, however, this change could lengthen the time it takes us to action new business. Please allow for the time needed to write and issue the reports whenever you authorise us to transact business on your behalf, including withdrawals.

The regulations mean that from January 2019 we will also be reassessing suitability on an annual basis to ensure that recommendations made continue to be suitable for you and your current circumstances. We already hold annual reviews with clients and invite you to attend these meetings each year so we can get an update on your circumstances and assess continuing suitability, the only change you will see is that this will now be written down in a letter.

Documentation

Any time you receive a recommendation for a new product or wrapper, we provide you with a Key Features Illustration (KFI) and a Key Features Document (KFD). From January 2018, for certain products or funds, you may also receive a Key Information Document (KID). This is a new document which provides a summary of the key information relating to the products or fund including the costs and risks.

Where you receive a KID, you will also be issued with a Supplementary Information Document (SID). This contains usual information about the product or fund, and should be read in conjunction with the KID.

The illustrations you may have been used to within the original KFI's or KFD's will also be changing slightly, but this is with the aim of making them more transparent for clients. As with Suitability reports, these now need to be issued before the transaction is completed (unless you are making an additional investment/transaction to an existing account).

Annual Statement

By January 2019, every client will receive an annual statement which will provide you with a breakdown of all the charges you have paid for your investments under Equilibrium's management. This includes any fees you pay to:

- Equilibrium Asset Management
- Equilibrium Investment Management
- Platforms (Nucleus, 7IM)
- Funds (Ideal funds or the EQ IFSL Funds)

The breakdown will detail costs as both a percentage and a monetary value, so you will be able to see the total cost of your investment each year.

Loss Reporting

Whilst Equilibrium aim to provide clients with a long-term return on their investment above inflation, there are times when investment values will fall. From January 2018, if you are a client of Equilibrium Investment Management and you are receiving a discretionary service, you will be notified of any losses of 10% or more during a statement period on your individual accounts. This will be done by letter and it will be issued by the close of business on the same day as the loss occurred.

Quarterly Statements

Here at Equilibrium, we issue you with regular quarterly valuations based on your annual review date. If we have recommended that you hold your investments in wrappers on the Nucleus platform, then you will also receive statements issued October and April. From January 2018, Nucleus will be issuing you with a statement each quarter. This means that in addition to the October and April statements you already receive, you will now be issued with statements in January and July.

Natural Person Identifiers and Legal Entity Identifiers

To improve market integrity, MiFID II requires all firms who deal in Financial Instruments to make reports whenever these instruments are transacted. A reportable Financial instrument could include any of the following:

- Stocks and Shares
- Derivatives
- Structured Deposits
- Investment Trusts
- Exchange Traded Funds.

Every report must identify the person who has bought or sold these instruments, so to do this we must hold either a Natural Person Identifier (NPI) and Nationality of a client or a Legal Entity Identifier (LEI) on file.