

Fund Manager MiFID Survey

Stage of readiness of the industry and impact assessment

November 2007

Agenda

Introduction

1. Stage of readiness of the industry and impact assessment
2. Relationship fund managers / distributors
3. Retrocessions and inducements
4. Implications on open architecture
5. Competitiveness of investment funds

Conclusion

PwC MiFID Survey - Introduction

- The sample covers 34% of total AuM in Luxembourg¹
- All participants are cross-border players
- Objectives of the Survey:
 - Assessing the impact of MiFID on the promoters' operating model
 - Identifying distribution matters
 - Pointing out potential impacts on the market

¹ Source: Fitzrovia, as at December 2006

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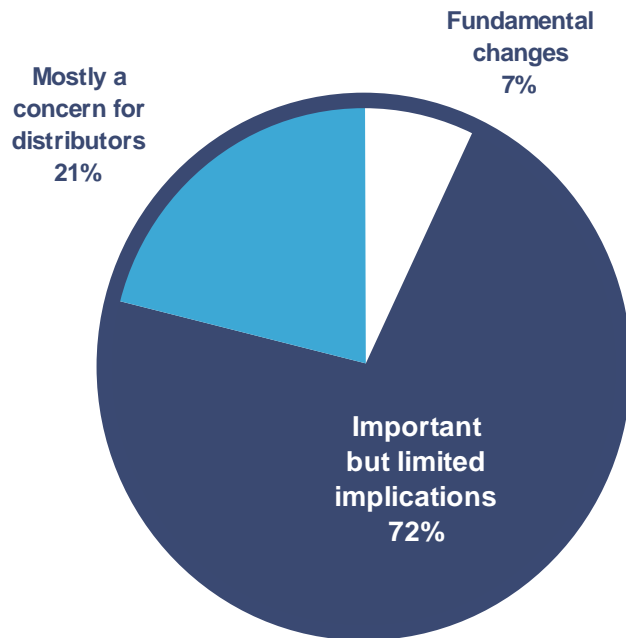
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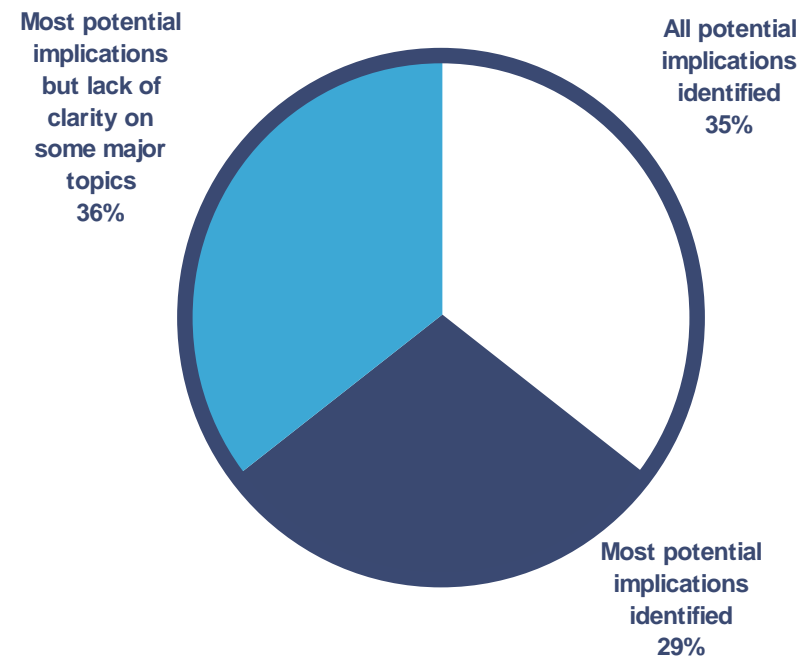
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I. Stage of readiness of the industry and impact assessment

How would you assess the potential implications of MiFID on your fund management business?



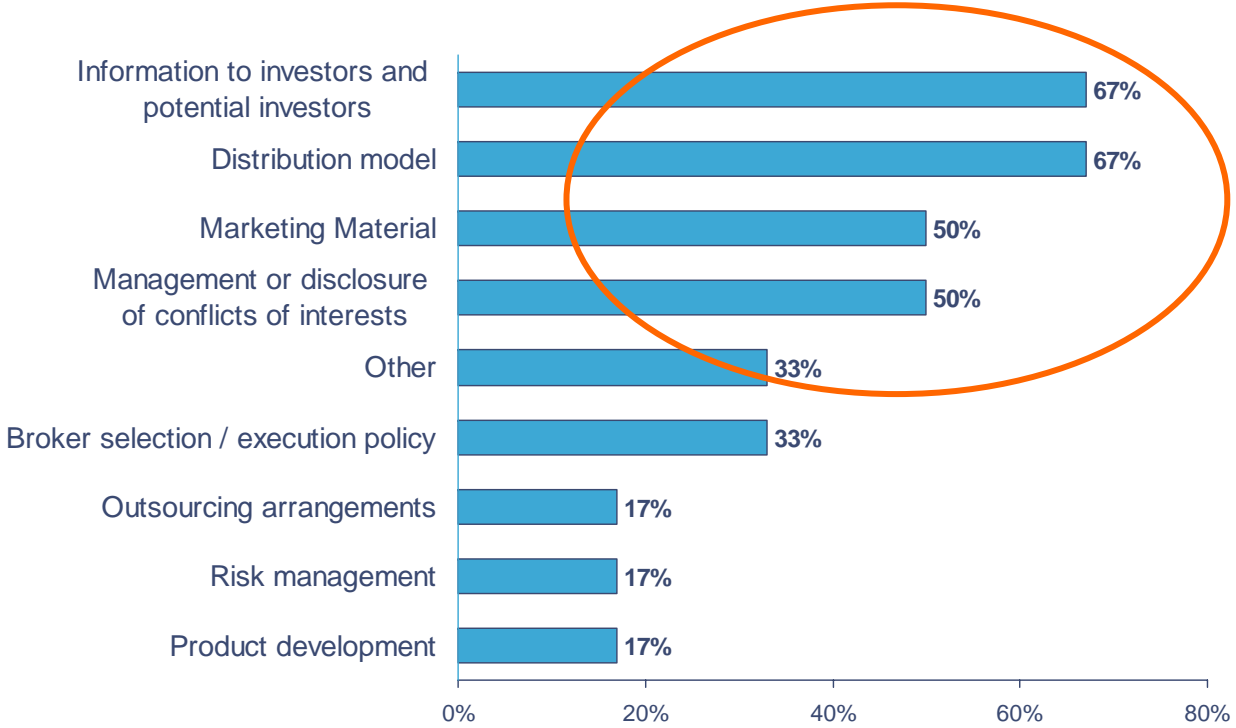
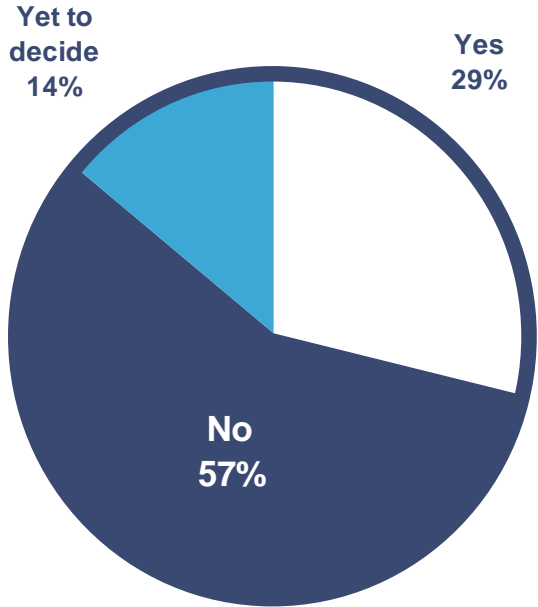
What is the stage of readiness of your fund management organisation with regards to MiFID?



I. Stage of readiness of the industry and impact assessment

Do you intend to modify your operating model as a result of MiFID?

If yes or yet to decide, what are the areas considered?



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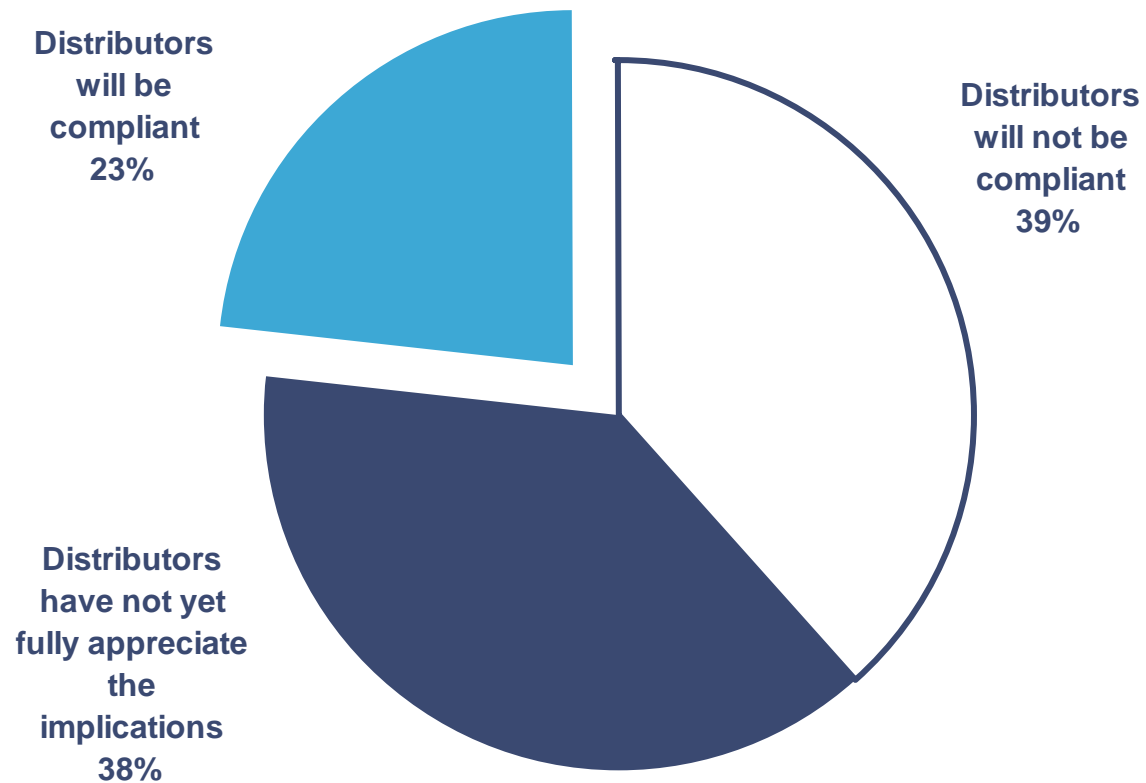
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II. Relationship fund managers / distributors

According to you, what is the stage of readiness of your distributors with MiFID?



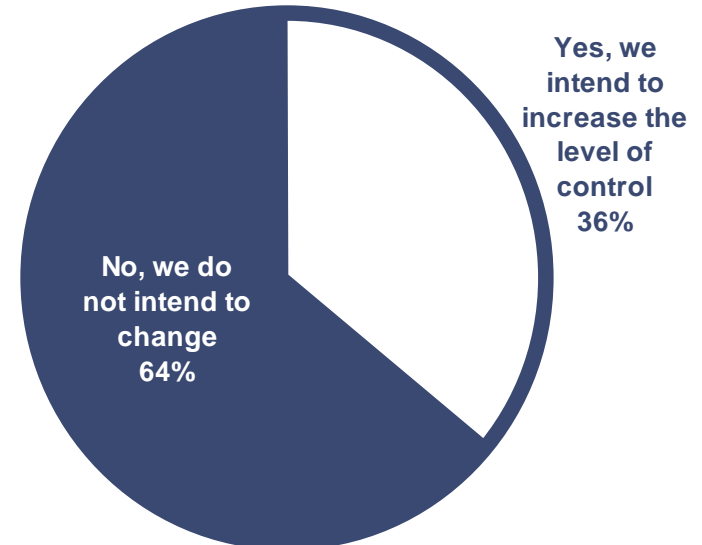
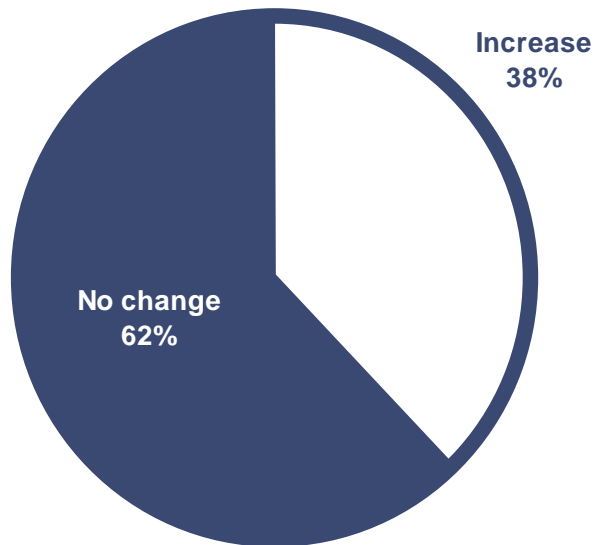
II. Relationship fund managers / distributors

95% perform due diligence on their distributors

77% use MiFID exempted distributors

How do you intend to modify the level of due diligence regarding your 3rd party EU distributors?

Do you intend to modify the way you currently deal with exempted distributors?



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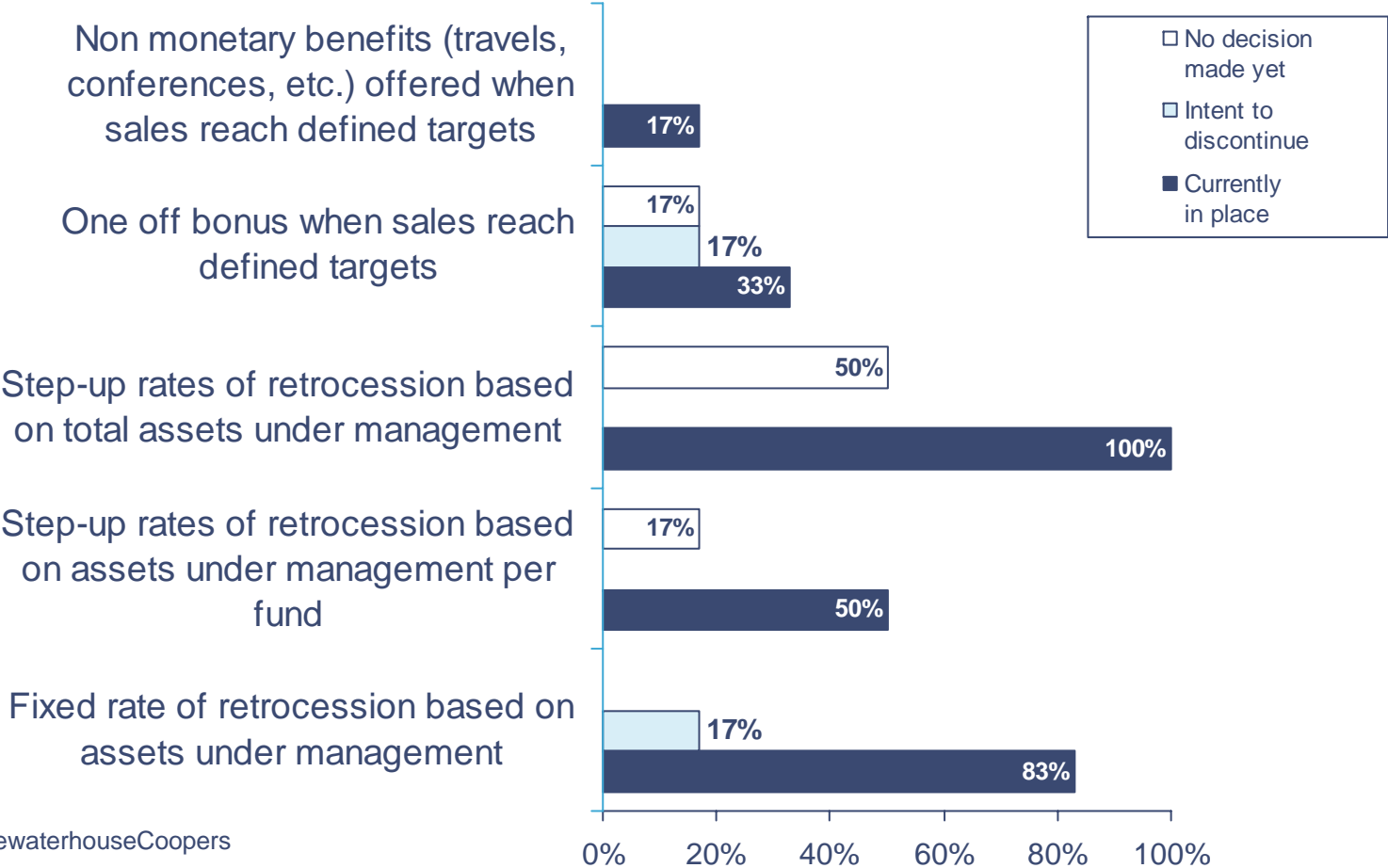
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III. Retrocessions and inducements

70% of respondents do not intend to modify the way they currently compensate distributors. How the remuneration schemes currently in place will evolve?



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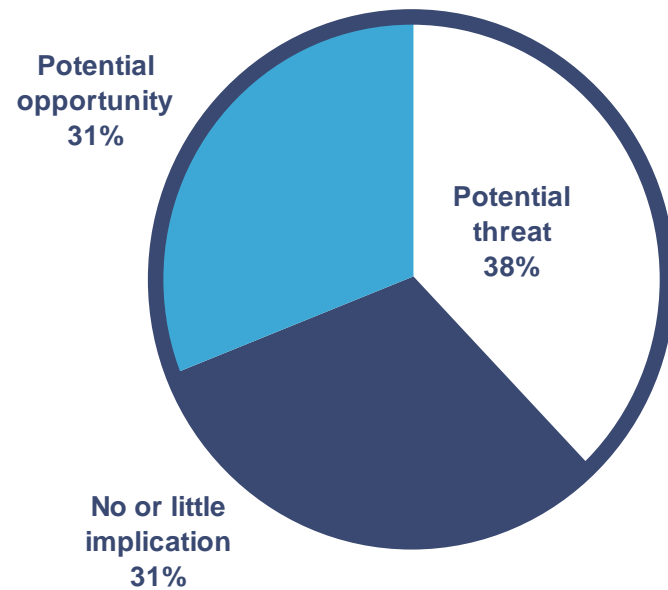
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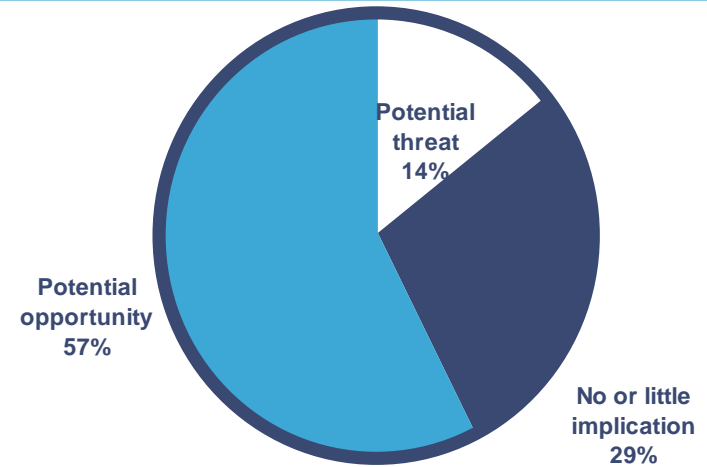
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IV. Implications on open architecture

In your opinion, what will be the implications of MiFID on open architecture?

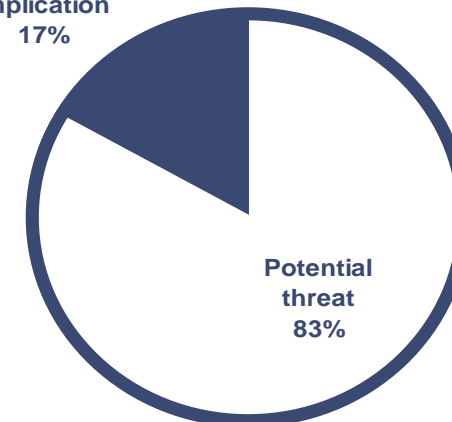


UK/US
players



Continental
players

No or little
implication
17%



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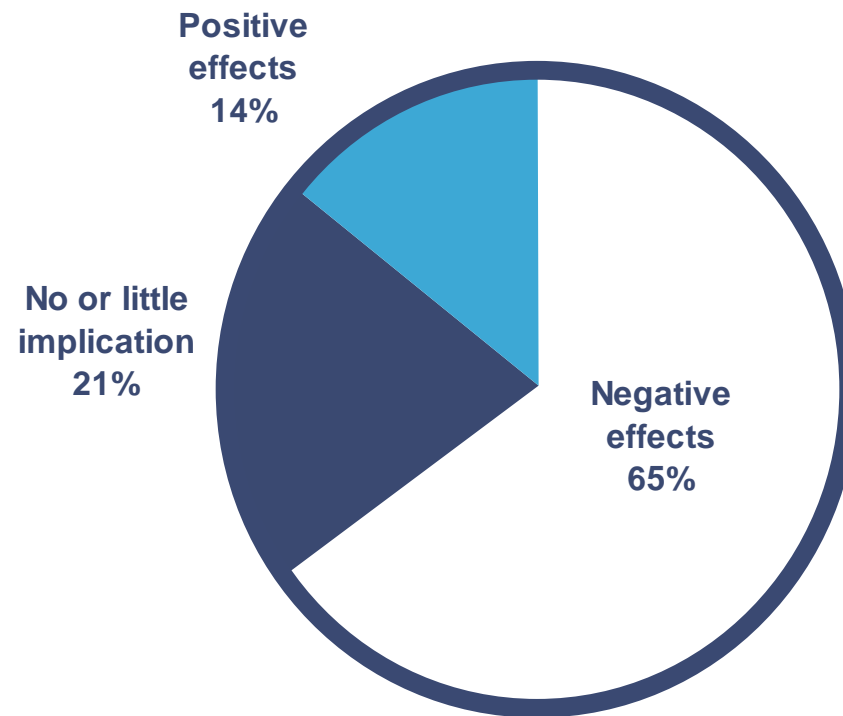
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V. Competitiveness of investment funds

In your opinion, what will be the implications of MiFID in the medium term on the competitiveness of investment funds, compared to alternative investment products such as structured products, life insurance and pension products?



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- According to fund promoters interviewed, MiFID is a distribution matter above all
- Fund managers estimate to be well prepared for November 1st, whereas they think their distributors are not fully ready
- The most common forms of retrocession involved step-up rates linked to assets as well as fixed rates. Despite the fact that inherent conflicts exist in such step-up arrangements, over 70% of fund providers confirmed they had no plans to amend them
- The vast majority of US/UK players see MiFID either as positive or at worst, neutral. On the other hand, the Continental view is much more negative as 83% saw it as a threat to the future of open architecture
- The other big issue for the industry is the lack of level playing field MiFID introduces for funds compared to other more opaque products – specifically life insurance and structured products. Unsurprisingly, 2/3rds viewed MiFID as making funds less competitive

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