



Client Frequently Asked Questions – MiFID II

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BNY MELLON

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Introduction

Beginning late October 2017, BNY Mellon is writing to clients who receive (or may receive) services regulated by MiFID II from one or more BNY Mellon group companies and branches located in the European Economic Area. The purpose of this document is to provide information about BNY Mellon and its services and to seek clients' consent to certain matters as required by MiFID II.

Impacted clients will receive (or have already received) a letter from BNY Mellon regarding MiFID II (referred to as our "**MiFID II Letter**") and an accompanying information document referred to as the "**Regulatory Information Document (RID)**". This Frequently Asked Questions "**(FAQ)**" document provides answers to some of the questions BNY Mellon's clients may have regarding these materials. Some clients may also receive (or have received) additional communications relating to BNY Mellon's MiFID II preparations. This document does not address material in these communications which can be discussed with your BNY Mellon Relationship Manager (RM).

In this FAQ document, the term "**BNY Mellon**", "**we**", "**us**" and "**ours**" refers to any one (or all, as the context requires) of the companies and branches listed in the Regulatory Information Document, and the term "**you**" or "**your**" refers to any client of any of those companies and branches. Capitalised terms used in this FAQ document shall, unless specified otherwise, have the meaning given to them in the RID.

Clients whose questions are not addressed by this FAQ document should contact their BNY Mellon RM for more information. Please note that neither this FAQ document nor any further information from RMs or other BNY Mellon employees is intended as (nor should be taken as) legal or regulatory advice. Clients who are unsure about the content of any MiFID II materials received from BNY Mellon and what they and MiFID II mean for them, are encouraged to seek professional advice from their legal, financial or other professional advisers.

Note: Nothing in this FAQ document supplements, amends or supersedes the RID or the MiFID II Letter to which it refers. This FAQ document is not intended to be legally binding or to create legal relations with any party.

Questions about MiFID II

What is MiFID II?

The second Markets in Financial Instruments Directive (EU Directive 2014/65) is a European Directive that applies across the 31 member countries of the European Economic Area (EEA) and comes into effect on 3 January 2018. This Directive, along with the Markets in Financial Instruments Regulation (EU Regulation 600/2014), associated EU regulatory and technical standards, and implementing law and regulation, is referred to as “**MiFID II**”.

MiFID II sets out a comprehensive regulatory regime governing how firms performing investment and ancillary services and investment activities must organise their internal systems and controls and how they must conduct business with their clients. MiFID II is a key element of the European Union’s financial services regime, which is designed to facilitate the integration of Europe’s financial markets, enhance investor protection and attract new investors to the EU capital markets.

What are some of the key aspects of MiFID II?

Key aspects of MiFID II include provisions covering conduct of business, client categorisation, order handling and best execution, transaction reporting, pre-trade and post trade transparency, systematic internaliser status, and suitability and appropriateness assessments.

Questions about BNY Mellon’s MiFID II Communication

Why has BNY Mellon sent a MiFID II Letter and Regulatory Information Document to me/us?

MiFID II requires that investment firms that are subject to MiFID II give clients who receive (or may receive) investment or ancillary services regulated by MiFID II, written notice relating to certain MiFID II activities that are carried out by that firm, and obtain clients’ consent to certain activities. To meet these requirements, BNY Mellon is sending impacted clients a MiFID II Letter and a RID.

As you (or those you represent) are a client of one or more BNY Mellon entities and branches in the EEA which provides services regulated by MiFID II, you would have received our MiFID II Letter and RID.

How do these documents impact my current agreements with BNY Mellon?

The MiFID II Letter is intended both to provide you with information and obtain your agreement to its contents; it therefore takes the form of a legally binding agreement between you and us. As such, it will have the effect of supplementing and amending any existing agreement(s) between you and BNY Mellon in effect as of 3 January 2018.

The RID is a means of providing you with some of the information about BNY Mellon and its services which we are required by law to deliver to you.

The information in the RID is provided in a way that meets the requirements of MiFID II and is the most up-to-date information from BNY Mellon on the topics covered. Some of the information may therefore be inconsistent with similar information provided in existing documentation from us or in your current agreements with us. Where any such inconsistencies occur, the information in the RID is intended to apply and supersede the earlier information you have been given.

Do I need to sign and return the documents to you?

We ask that you sign and return our MiFID II Letter and, if relevant to you, provide us with details of any security interests that you have created in favour of third parties over assets that BNY Mellon holds for you. Details of how to return your signed letter and details of any security interests are provided in the MiFID II Letter and elsewhere in this FAQ document.

Note: the RID is provided for information purposes only. You do not need to return it to us.

Questions about the MiFID II Letter

Your MiFID II Letter appears to be sent from numerous BNY Mellon entities, some of which I/we have no contract with – why is this?

Compliance with MiFID II requires that we communicate with all clients who receive (or may receive) services regulated by MiFID II. Many clients do business with multiple BNY Mellon entities. Rather than sending multiple similar letters concerning MiFID, each from a single BNY Mellon entity or branch, we produced a letter in a single format that would be suitable for all clients.

Accordingly, you should consider that the letter is sent to you by the one or more BNY Mellon companies and branches listed in Schedule 1 to the letter of which you are a client, and not by the others (even though others may be listed). Those BNY Mellon companies and branches are:

- The Bank of New York Mellon, Brussels branch and London branch;
- The Bank of New York Mellon SA/NV and its Amsterdam, Dublin, Frankfurt, London, Luxembourg and Milan branches;
- The Bank of New York Mellon (International) Limited and its Luxembourg branch; and
- BNY Mellon Capital Markets EMEA Limited.

What does your MiFID II Letter contain?

The information in the letter:

- Explains the purpose and status of the accompanying RID;
- Sets out certain matters which MiFID II requires express client consent (and seeks your consent to the same). These include:
 - Provision of information from us, which is not personally addressed to you, by means of a website;
 - Execution of your orders outside of a trading venue (i.e., OTC transactions); execution of orders in accordance with the relevant BNY Mellon order execution and handling policy; and an approval not to make public any unexecuted parts of a limit order; and
 - Reporting by us of certain data related to transactions with you or on your behalf to regulators and trading venues and to publish certain data in accordance with applicable market transparency requirements;
- Requests that, if applicable, you provide us with details of security interests you have created in favour of third parties over assets that we hold for you;

- Reminds you (if applicable) that we are discontinuing certain Global Corporate Events services (“GCE Services”) with effect from 1 December 2017; and
- Notifies you (if applicable) of changes to Clearing House Automated Payment System (CHAPS) terms applicable to certain sterling cash deposit accounts held in the UK and seeks your consent to the same.

The MiFID II Letter created a clear record of agreement to certain mandatory requirements under MiFID II which is beneficial to both parties.

What happens if I take no action to sign and return the MiFID II Letter?

By continuing to do business with BNY Mellon (for example, by you continuing your relationship with us under their current service agreements or giving us further instructions to enter into transactions or perform other services), BNY Mellon will deem you to have agreed and consented to the MiFID II Letter.

Why is BNY Mellon requesting information on third party security interests?

The purpose of this section of the MiFID II Letter is for BNY Mellon to request information about any third party security interests you have created (or have been created by someone else) over assets held in custody by BNY Mellon for you (or others represented by you, if applicable) (“**Third Party Security Interests**”). The reason for the request is that where BNY Mellon holds assets in safekeeping for a client, MiFID II introduces a requirement on BNY Mellon to include details of such security interests in the account statements it provides to the client. Third Party Security Interests may have been created without any knowledge of BNY Mellon, which is why we have to ask you for information about them.

The MiFID II requirement is listed in Article 63(2) (e) of the MiFID II Delegated Regulation on organisational requirements for investment firms. These rules are not optional, but rather are a mandatory regulatory requirement which BNY Mellon must comply with in order to provide custody services to clients in the EEA.

Questions about the Regulatory Information Document (RID)

What is the RID?

The RID is a means of providing you with information about BNY Mellon and its services which we are required by law to give you.

The information in the RID is provided in a way that meets the requirements of MiFID II, and is the most up-to-date information from BNY Mellon on the topics covered. Some of the information may therefore be inconsistent with similar information provided in existing documentation from us or in your current agreements with us. Where any such inconsistencies occur, the information in the RID is intended to apply and supersede the earlier information.

What information is included in the RID?

The RID provides some of the information required by MiFID II. Specifically, the contents of the RID address:

- *Part A: General Information:*
 - Recordkeeping requirements for telephone and electronic conversations concerning client orders;
 - BNY Mellon complaints handling processes; and
 - BNY Mellon conflicts of interest management.
- *Part B: Information Regarding BNY Mellon MiFID Investment Services:*

- Client categorisation under MiFID II (i.e., Retail Clients, Professional Clients (Per Se Professional Client or Elective Professional Client) and Eligible Counterparties);
- BNY Mellon's order handling and execution policies;
- Transaction reporting to regulators and market transparency reporting to the public;
- 'Systematic Internaliser' status arising from dealing on own account when executing client orders;
- Assessing suitability and appropriateness of certain BNY Mellon products and services when providing investment advice or portfolio management;
- BNY Mellon's receipt of minor, non-monetary benefits from third parties where of reasonable de minimis value as permitted by applicable regulations; and
- Risks inherent to certain types of investment services (for example, title transfer collateral arrangements and third party security) and to certain types of financial instruments.

The RID is being sent to all BNY Mellon clients that receive (or may receive) investment or ancillary services regulated by MIFID II. It is effective as of 3 January 2018. Updates may be made from time to time to the RID as and when the information in it changes. When changes are made, a new version of the RID will be made available at: <https://bnymellon.com/RID> .

Questions regarding how to respond or obtain further information

Where should I send my signed MiFID II Letter?

You should return your signed MiFID II Letter to us either:

- By email to mifid2disclosures@bnymellon.com * or
- By post to:

MiFID II Notifications & Consent Team
 BNY Mellon
 One Canada Square
 London E 14 5AL
 England

Please note that the email address set out above has been established only for the purposes of receipt of signed MiFID II Letters and for the return of requested information on third party security interests. No client queries will be responded via this mailbox.

Where should I send details of any third party security interests?

You should return details of any third party security interests either:

- By email to mifid2disclosures@bnymellon.com * or
- By post to:

MiFID II Notifications & Consent Team
 BNY Mellon
 One Canada Square
 London E 14 5AL
 England

I have further questions on the MiFID II Letter and/ or RID. Who should I contact?

If you have questions which are not addressed in this FAQ document, please contact your BNY Mellon RM.