

Target Market Reporting Specification

MiFID II sets out obligations throughout the distribution chain to determine whether financial instruments are reaching the clients for whose needs, characteristics and objectives it was not considered compatible. Investment firms are also required to take reasonable steps to ensure that the financial instruments are distributed to the identified target market and periodically review the identification of the target market of and the performance of the products they offer

Importantly, under MiFID II there are requirements for product distributors to make available relevant information to product manufacturers which in turn product manufacturers can use to help inform their ongoing product monitoring and review process – including the identification of “crucial events”.

Specifically, distributors should periodically inform manufacturers about their experience with the products and; while distributors are not required to report every sale to manufacturers they should provide the data that is necessary for the manufacturer to review the product and check that it remains consistent with the needs, characteristics and objectives of the target market as defined by the product manufacturer.

Where manufacturers are already receiving information from distributors it would be sensible to align their MiFID II MI requests to existing frequency schedules, as firms are likely to processes in place today to process this data.

1 Document Purpose

This document sets out a framework for reporting back to Manufacturers. The framework is agnostic of solution, but does set out how this could be achieved on a standalone report basis. The complexities of some UK distribution chains are shown and the roles and responsibilities throughout this distribution chain are set out in principle.

This document proposes a framework for target market data reporting only. It does not extend to other areas of distribution oversight, for example complaints monitoring.

1.1 Context in which this reporting is to be provided

Where existing sales MI is provided by the distributor to the Product Manufacturer this mechanism can be extended to include the additional attributes defined below.

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2 Reporting requirements

2.1 Frequency of reporting

Reporting shall cover a 1 month period and be provided on at least a quarterly basis, with a period of up to 1 month from the period end to deliver the report to the manufacturer. This time after the period end is provided in order for the distributor to interrogate their results and be in a position to identify whether there is justification for sales outside of the target market.

The first report must be made available to the manufacturer by 30th April 2018.

Where existing reporting arrangements are more frequent than this it is anticipated that this frequency of reporting will persist and include Target Market Reporting.

2.2 Transactions to be reported

An aggregation of by distributor of all Client Purchases (Sales) which have been priced by the Fund Manager within the reporting period will be included i.e. the date of the Valuation Point will be used to determine inclusion. The restriction to the Purchase side only is on the basis that these are the only transactions specifically requiring an assessment of compatibility to the Target Market. Obligations in respect of Target Market Reporting are based on whether **Purchases** have been made outside the Target Market or into the Negative Target Market. On this basis the following variants of a purchase have been deemed to be the transactions types which are in scope for reporting:

1. Lump sum purchase
2. Regular purchase
3. Switch In (the Purchase side of a switch transaction)
4. Cash Transfer In (the purchase of an asset following a cash transfer in from another provider)

The following transactions should be excluded as they are not deemed to necessitate assessment as to the compatibility of the product being sold:

- a. Distribution Reinvestment
- b. Corporate Actions
- c. Re-registration or change of beneficial owner without consideration

Where a Purchase has been placed during the reporting period and subsequently cancelled the Purchase will be included in the aggregated position reported as the purpose of this reporting is to facilitate proportionate review.

2.3 Target Market attributes to be reported

Distributors can only report on information that is available to them. However, if distributors report attributes as “not known” they are likely to be the firms which manufacturers are most interested in investigating so these values should only be used where the relationships involved in the distribution chain prevent this information from being available.

End Investor type
0 - Not known
1 - 01010_Investor_Type_Retail
2 - 01020_Investor_Type_Professional
3 - 01030_Investor_Type_Eligible_Counterparty

Per Se and Elective Professionals will be reported as 01020_Investor_Type_Professional as it is not anticipated that UK firms will be able to make this distinction for reporting purposes at this time.

Basis of End Investor transaction
0 - Not known
1 - 06010_Execution_Only
2 - 06020_Execution_With_Appropriateness_Test_Or_Non_Advised_Services
3 - 06030_Investment_Advice
4 - 06040_Portfolio_Management

Appropriateness test result
0 - Not Known
1 - Passed
2 – Failed
3 – Not Applicable



2.4 Other Target Market Attributes

Chapter XXX of ESMA places an obligation on the end distributor to report sales into the negative target market. It is understood that current business processes are unlikely to be able to support identification of each Purchase made into the negative target market. Understanding the client's needs, objectives and other client specific attributes is separate to the process of purchasing assets, particularly in a platform model where suitability tools are often provided separately to the provision of platform services. Where the information is available for example where an adviser firm is completing this return this framework will support the reporting of Purchases into the negative target market for the other Target Market Attributes not already covered; knowledge and experience, Ability to bear loss, Risk tolerance, and Client objectives and Needs.

Other Target Market Attributes
0 - Not Known
1 – Not in the Negative Target Market
2 – Negative Target Market

3 UK Distribution chain

The purpose of the diagram is to depict the roles and responsibilities of each party in different distribution chains.

End Distributors

Distributors C, D, F, G and H are all “end distributors” because they are distributing to an end investor. End distributors are required to provide information to the manufacturer on the end sale. Distributors B and E, they are “end distributors” in respect of transactions 3 and 10 respectively. Therefore, their obligations for those transactions would be the same as end distributor obligations.

Intermediary Distributors

Distributors B and E are “intermediate distributors” in respect of transactions 4, 5, 6, 11 and 12 respectively. This is because they are distributing to distributors who are not end investors. Intermediate distributors must enable the manufacturer to gain information from the next distributor in the chain.

End distributors and intermediate distributors have three options for reporting information, sending information: (1) directly to the manufacturer; (2) back up the chain; or (3) via a third party service provider.

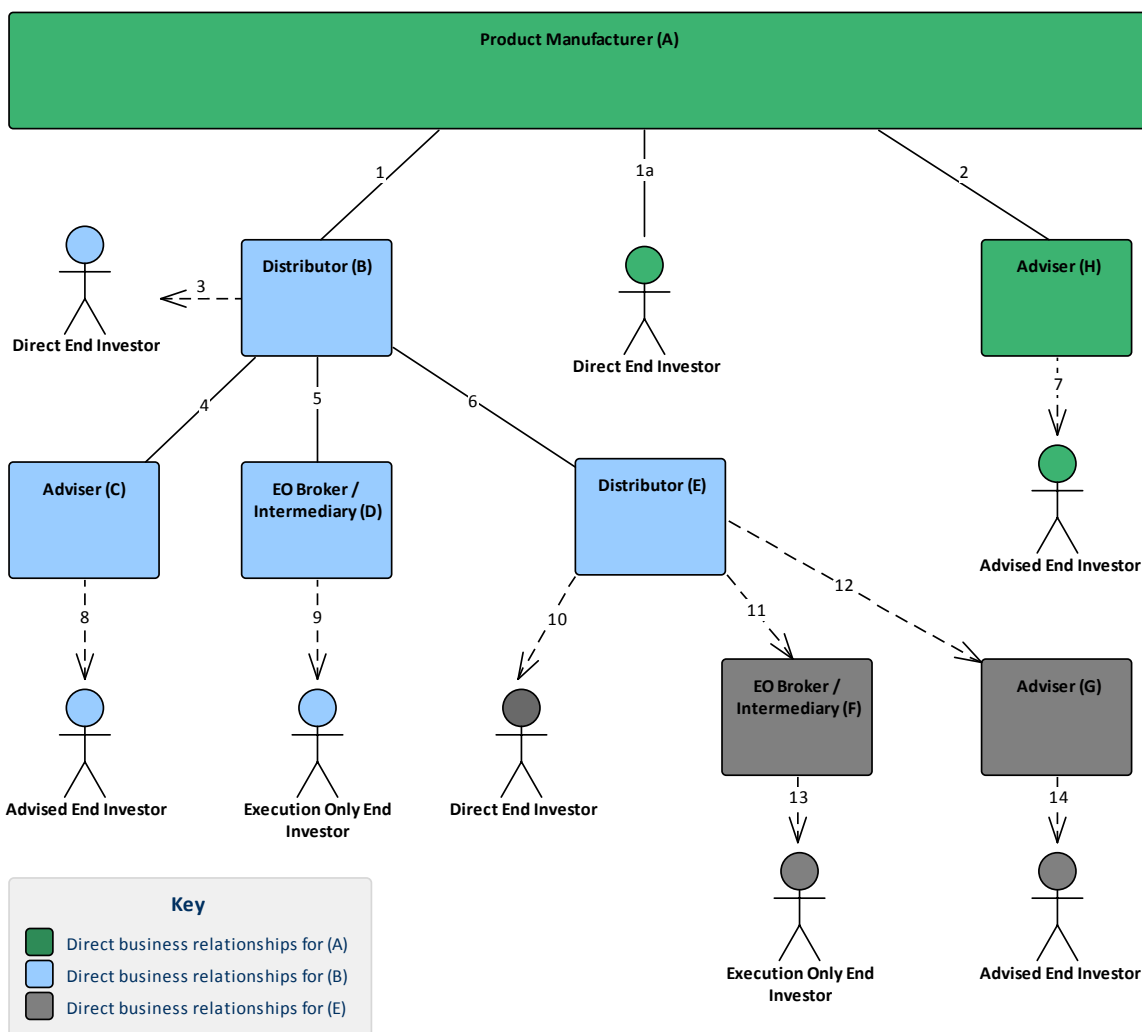


Figure 1 UK Distribution chain

3.1 Obligations and recommended approach to reporting across UK Distribution chains

Entity	Relationship	Next point in distribution chain	Role of the entity in this relationship	Entity's regulatory obligation	Working group recommendation
A - Product Manufacturer	1	B - Distributor	Manufacturer	Obtain information	Reporting provided by end Distributor
	*1a	Direct End Investor	Distributor	Obtain information	Reporting collated by Manufacturer
	2	H - Adviser	Manufacturer	Obtain information	Reporting collated by Manufacturer
B - Distributor	3	Direct End Investor	End Distributor	Provide information to the Manufacturer	Provide information to the Manufacturer
	4	C - Adviser	Intermediate Distributor	Enable Manufacturer to obtain information	Provide information to the Manufacturer
	5	D - EO Broker / Intermediary	Intermediate Distributor	Enable Manufacturer to obtain information	Provide information to the Manufacturer
	6	E - Distributor	Intermediate Distributor	Enable Manufacturer to obtain information	Enable Manufacturer to obtain information
H - Adviser	7	Advised End Investor	End Distributor	Provide information to the Manufacturer	Provide information to the Manufacturer
C - Adviser	8	Advised End Investor	End Distributor	Provide information to the Manufacturer	Reporting provided by Distributor (B)
D - EO Broker / Intermediary	9	Execution only End Investor	End Distributor	Provide information to the Manufacturer	Reporting provided by Distributor (B)
E - Distributor	10	Direct End Investor	End Distributor	Provide information to the Manufacturer	Provide information to the Manufacturer
	11	F - EO Broker / Intermediary	Intermediate Distributor	Enable Manufacturer to obtain information	Provide information to the Manufacturer
	12	G - Adviser	Intermediate Distributor	Enable Manufacturer to obtain information	Provide information to the Manufacturer
F - EO Broker / Intermediary	13	Execution only End Investor	End Distributor	Provide information to the Manufacturer	Reporting provided by Distributor (E)
G - Adviser	14	Advised End Investor	End Distributor	Provide information to the Manufacturer	Reporting provided by Distributor (E)

*1a - Product Manufacturer selling direct to an End Investor would become a Distributor in this relationship.

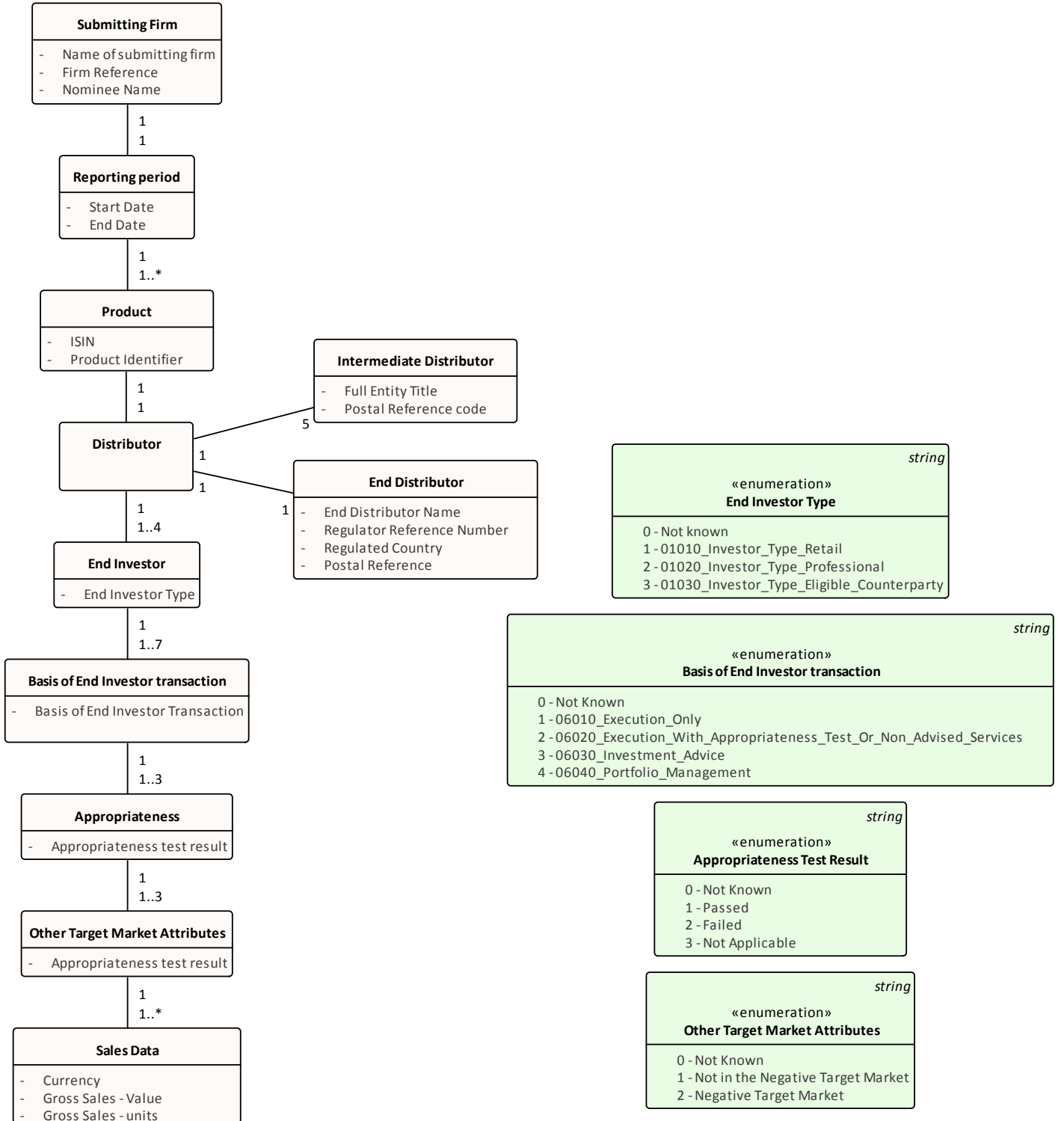
4 File Structure and specification

The following sections relate to the definition of a file used for sharing this information back up the distribution chain. Where existing reporting mechanisms are in place it is anticipated that those reporting functions could be extended to incorporate the attributes as shown in *2.3 Target Market attributes to be reported* and ensuring details are provided of the distribution chain as far as is available.

4.1 Specification

Working Days	No files are expected for a day that is not a UK business working day (e.g. weekends and bank holidays).
Data Protection	Data provided will not include personally identifiable information, but will relate to transactions placed through a distribution chain for a specific Fund Manager. A secure mechanism for transmission and reception of data is therefore required.
Record Keeping	Reports shall be retained for a period of 7 years
Report Transmission method	To be determined between the manufacturer and the distributor.
Format	<p>ASCII text file, comma separated values is recommended, but Excel files would be acceptable.</p> <p>The file will be in text format with the variable length fields separated by a ',' character. Where a field is optional and no value is to be supplied, then no value or padding is expected in the file i.e. the file separators for this and the previous field would be adjacent and shown as ,,.</p> <p>For numeric values it is expected that the decimal point is supplied rather than implied. E.g. 21 to 4 decimal places would be represented as, say, 21 or 21.0 or 21.0000, not as 210000.</p>

4.2 Logical data structure diagram



4.3 File Naming Convention

In order to aid consistency the recommendation is to have a file name which is made up of the following components:

_NNX_PPX_BDX_DIX_

Tag	Description
_NN	Nominee Name
_PP	Product Manufacturer Name
_BD	Business Date. The date to which the content relates in the format CCYYMMDD.
_DI	Unique ID. Incremented if more than one file is supplied on a business day.
_	Trailing underscore

For example:

_NNCofundsltd_PPVanguard_BD20170323_DI01_

4.4 Header Row

The header record format will be as follows:

Seq. No.	Name	Data Type	Size	Description
1	Header Identification	Alpha	1	H – 'Header'
2	Submitting firm Name	Alphanumeric field - Max 250 Characters	250	
3	Submitting firm Regulator Reference Number	Alphanumeric	25	Unique reference number assigned by the home state regulator. In the UK this would be expected to be the FCA Firm Reference Number.

4.5 Field specification

Seq. No.	Name	Mandatory /Optional	Data Type	Max Size	Description
1	Nominee Name	Optional	Alphanumeric	50	Nominee name as it appears on the main register, unless submitting on behalf of a firm that does not require a nominee
2	Start Date	Mandatory	Numeric	8	The start date for which the sales relates to
3	End Date	Mandatory	Numeric	8	The end date for the sales data Note: recommendation is for each return to cover no more than a 1 month period.
4	ISIN	Mandatory	Alphanumeric	12	The unique ISIN of the product
5	Product Identifier	Optional, but mandatory if ISIN not available	Alphanumeric	20	A non ISIN unique identifier for the product
6	Intermediate Distributor 1	Mandatory	Alphanumeric	250	Full entity title of the first Intermediate distributor in this chain
7	Intermediate Distributor 1 Postal Reference	Mandatory	Alphanumeric	10	Post reference code of the first intermediate distributor
8	Intermediate Distributor 2	Mandatory	Alphanumeric	250	Full entity title
9	Intermediate Distributor 2 Postal Reference	Mandatory	Alphanumeric	10	Post reference code of the second intermediate distributor
10	Intermediate Distributor 3	Mandatory	Alphanumeric	250	Full entity title
11	Intermediate Distributor 3 Postal Reference	Mandatory	Alphanumeric	10	Post reference code of the third intermediate distributor
12	Intermediate Distributor 4	Mandatory	Alphanumeric	250	Full entity title



Seq. No.	Name	Mandatory /Optional	Data Type	Max Size	Description
13	Intermediate Distributor 4 Postal Reference	Mandatory	Alphanumeric	10	Post reference code of the fourth intermediate distributor
14	Intermediate Distributor 5	Mandatory	Alphanumeric	250	Full entity title
15	Intermediate Distributor 5 Postal Reference	Mandatory	Alphanumeric	10	Post reference code of the fifth intermediate distributor
16	End Distributor Name	Mandatory	Alphanumeric	250	Name of the entity, as held on the Nominee's records
17	Regulator Reference Number	Mandatory	Alphanumeric	25	Unique reference number assigned by the home state regulator of the End Distributor
18	Regulated Country	Mandatory	Alphanumeric	3	The country in which the End Distributor is regulated
19	Postal Reference	Mandatory	Alphanumeric	10	The postal reference code of the end distributors office that the sales are registered against
20	End Investor Type	Mandatory	Numeric	1	The Client Type - As defined in the target market statement
21	Basis of End Investor Transaction	Mandatory	Numeric	1	The basis upon which the sales have been made - As defined in the Target Market statement
22	Appropriateness Test Result	Mandatory	Numeric	1	The result of the Appropriateness Test, if applied
23	Other Target Market Attributes	Mandatory	Numeric	1	An indication of whether Sales have been made in the Negative Target Market for the remainder of attributes set out in the EMT.
24	Currency	Mandatory	Alphanumeric	3	The ISO 3 letter Currency code in which data has been reported for this line.
25	Gross Sales - Value	Optional, but mandatory if Gross Sales - Units is empty	Numeric	20	The value, in the reporting currency, of all purchases in the reporting period.



Seq. No.	Name	Mandatory /Optional	Data Type	Max Size	Description
26	Gross Sales - Units	Optional, but mandatory if Gross Sales - Value is empty	Numeric	20	The total number of units purchased in the reporting period.

4.6 Trailer Record

The trailer record format will be as follows:

Seq. No.	Name	Data Type	Size	Description
1	Record Type	Alpha	1	'T' - trailer
2	Number of records	Number	20	The number of detail records in the file (not including header/trailer rows).

5 Version History

Version	Comment	Author	Date
0.1	Initial draft for discussion at TISA working group	G Taylor	25/05/2017
0.2	Updated draft following TISA discussion	G Taylor	14/06/2017
0.3	Updated following TISA session held 19 th July	G Taylor	28/06/2017
0.4	Updated following TISA session held 8 th August	G Taylor	11/08/2017
0.5	Updated following TISA session 15 th August and IA session held same day	G Taylor	18/8/2017
0.6	Updated with comments received from Funds Library	G Taylor	18/08/2017