

MiFID II Equities Factsheet

About Shore Capital

Shore Capital Stockbrokers Limited (“Shore Capital”), a subsidiary of Shore Capital Group Limited, is a leading independent securities business offering private client brokers, institutions and corporate clients leading investment banking, research, sales and trading related services.

We are represented across the UK enabling extensive distribution and institutional coverage. This distribution capability is complemented by our associate Shore Capital and Corporate Limited, our experienced corporate advisory finance and broking team who offer discreet, innovative and valued advice to companies on both the Main Market and AIM. Shore Capital is also a top 3 ranked market maker registered in approximately 1,300 UK equities. We offer effective and dynamic execution services through our sales trading team as well as research and sales services to our clients.

About MiFID II

The EU’s revised Markets in Financial Instruments Directive (“MiFID”) and Markets in Financial Instruments Regulation (“MiFIR”) (together “MiFID II”) will go-live on 3 January 2018.

In broad terms, MiFID II is enacted as part of the European Commission’s response to the financial crisis in 2008 and to take account of market developments such as the growth of algorithmic trading. The legislation has several core objectives, including:

- (a) increased investor protection requiring greater transparency pre- and post-trade and more robust controls around the identification and management of conflicts of interest;
- (b) alignment of regulation across the EU in certain areas;
- (c) increased competition across the financial markets; and
- (d) the introduction of reinforced supervisory powers.

MiFID II governs the buying, selling and organised trading of shares, bonds, units in collective investment schemes, derivatives and certain other financial products. It seeks to achieve these objectives through implementing a broad range of complex provisions requiring MiFID firms (such as investment firms, asset managers, trading venues and other market operators who undertake MiFID business in the EEA whether or not based in the EU) to consider existing systemic and organisational frameworks and make changes where necessary.

At Shore Capital, we view MiFID II as taking positive steps to ensure the financial markets are more resilient, transparent and investor-friendly. These changes will create strategic and operational challenges for both the buy-side and sell-side but we are seeking to seize the opportunities this will bring in order to continue delivering the best service and outcome for our clients.

In order to help you navigate through MiFID II we have produced this factsheet to summarise the expected changes and how we are seeking to meet them. It is not an exhaustive guide and due to the evolving regulatory landscape, may be subject to change. We hope it will be of some use to you and your organisation.

Legal entity details

All trading and execution services continue to be carried out by Shore Capital Stockbrokers Limited.

Our registered address is Bond Street House, 14 Clifford Street, London W1S 4JU.

Our LEI is [2138009KZO3MK7TV6372](#).

We are authorised and regulated by the Financial Conduct Authority (FRN: 124784).

Shore Capital Stockbrokers Limited

We are Members of the London Stock Exchange (Mnemonic: SHOCGB21) and the NEX Exchange.

Corporate Finance advisory services are carried out by Shore Capital & Corporate Limited which is also authorised and regulated by the Financial Conduct Authority (FRN:146629).

Client Classification

With the exception of clients which are a Local Government Pension Scheme (“LGPS”), we will not be undertaking a reclassification exercise; your client classification under the existing regime will continue under MiFID II.

Clients which are a LGPS should email mifid2@shorecap.co.uk where we can provide further information on the proposed changes and any reclassification requirements.

The Systematic Internaliser (SI) Regime

A Systematic Internaliser is an investment firm which, on an organised, frequent, systematic, and substantial basis, deals on its own account (principal trading) by executing client orders outside trading venues: Regulated Market (RM), Multilateral Trading Facility (MTF), or Organised Trading Facility (OTF). The SI regime, which is being enhanced under MiFID II to capture over-the-counter (OTC) trading activity, places on those who execute trades outside a RM, MTF or OTF, an obligation of pre- and post-trade transparency to ensure that the internalisation of order flow by SI firms does not undermine the efficiency of price formation on trading venues.

Shore Capital does not intend to become an SI for equities. As detailed below, this is unlikely to affect our trade reporting obligations and we expect that the way in which you engage with Shore Capital currently will remain the same post 3rd January, 2018.

Shore Capital’s trading capacity

Shore Capital expects to transact in the DEAL capacity.

Trade Reporting

Shore Capital is a registered market maker and a member of both the London Stock Exchange and NEX Exchange. Trades with Shore Capital will be executed ‘off order book, on-exchange’ in accordance with the rules and regulations of these trading venues and reported to the relevant venue in accordance with that venue’s trade reporting obligations. The obligation to trade report post-MiFID II will in many ways remain the same. Accordingly we do not envisage the need for our clients to make use of ‘assisted’ or ‘delegated’ reporting in this regard.

Timestamps

MiFID II requires the timestamp of orders and transactions to be captured at differing degrees of granularity, depending on the activity conducted by the firm.

Trades executed against our own liquidity (as market maker) will be captured (and, where relevant, communicated) to the nearest second (for manual/voice executions) or to the nearest millisecond (for electronic executions). Where timestamps are provided to us i.e. where we source liquidity from the wider market, those timestamps will be captured and communicated at the relevant level of granularity as appropriate and as provided to us.

Short Selling Indicators

MiFID II requires firms, where possible, to identify and flag a sale of shares as a short sell as appropriate. Where you enter into a short sale with Shore Capital, we will be able to receive this information and

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record it in our systems for transaction reporting purposes.

However, the provision of this information is not mandatory. Unless advised by you to the contrary, we expect to flag any sell orders executed for clients as “UNDI” (undisclosed). We can continue to accept your sale instructions regardless of whether you have provided the short selling information.

Transaction reporting

Due to the complexities of Transaction Reporting under MiFID II, we do not currently plan to support delegated or assisted Transaction reporting models. However, in order for Shore Capital to be able to continue to provide you with execution related services, we will require a LEI (for entities) or national identifiers (for private/custody clients). We will be in touch separately to gather this information where necessary.

Order Execution Policy

We expect to update our Order Execution Policy and make this available to clients in Q4 2017. We shall publish the top five execution venues in terms of trading volumes for all executed client orders in accordance with RTS 28. This will be available on our website at:

<http://www.shorecapmarkets.co.uk/legal-and-regulatory-information>

Terms of Business

Our intention is to update our terms of business during Q4 2017, which we will distribute as soon as possible when we have decided on the changes we will make. Rather than seek express consent, we will assume acceptance of the revisions we make and continue to deal with you on the basis of our current terms as amended.

Research & Unbundling

MiFID II requires the costs of research to be ‘unbundled’ or separate from the costs of execution related services.

Shore Capital produces both Non-Independent and Investment Research on equities.

Non-Independent research is written on those issuers to which we are appointed as either Nominated Adviser/Financial Adviser and/or Corporate Broker. This type of equity research is paid for by the issuer and we expect to be able to continue to provide this to our institutional clients as a non-monetary benefit.

Under MiFID II, the cost of Shore Capital’s Investment Research on equities will need to be unbundled from execution commissions and recipients will be required to pay for the research in order not to breach the new inducements rules. The cost of this service will vary from client to client and will be based on *inter alia* the value to which each client ascribes to the research and the benefit derived from its substantive analysis. If you wish to discuss commercials with us please contact your Shore Capital Sales representative or email mifid2@shorecap.co.uk for more information.

Research payment mechanisms

Shore Capital aims to support Own funds (P&L) and RPA (transactional and accounting) mechanisms. Should you wish to discuss an enhanced CSA/RPA arrangement please contact your Shore Capital representative or email mifid2@shorecap.co.uk.

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Next steps

Shore Capital will be in touch with each of its clients, where necessary, in order to ensure that we hold the correct information. For legal persons, this will include the gathering of an LEI number. Where you do not have one, please see the FCA's Market Watch 53 (link below) for further information.

For fellow exchange members we expect to continue to operate under the rules of the relevant exchange. We may need to update existing data held and will be in touch separately as appropriate.

We anticipate sending amendments to our trading Terms and Conditions, which will incorporate changes pursuant to MiFID II in Q4 2017.

Please contact your relevant Shore Capital representative or email us at mifid2@shorecap.co.uk with any enquiries you may have with respect to MiFID II and the potential changes it may have to your relationship with us.

Finally, please refer to our website for further updates and information on this matter (www.shorecapmarkets.co.uk).

Helpful Links

<https://www.fca.org.uk/mifid-ii/1-overview>

FCA's first MiFID II consultation paper providing an introduction to MiFID II and dealing with core themes. Subsequent consultation papers and the FCA's two Policy Statements can also be found by searching on this website.

<https://www.fca.org.uk/publication/newsletters/market-watch-53.pdf>

FCA's Market Watch 53 provides details on LEI numbers including how to register for one and market data obligations including Transaction Reporting.

[https://www.esma.europa.eu/search/site/mifid%20ii?f\[0\]=is_esma_bundle_group%3A1](https://www.esma.europa.eu/search/site/mifid%20ii?f[0]=is_esma_bundle_group%3A1)

ESMA Q&A on various MiFID II related topics together with consultation papers

<https://www.esma.europa.eu/policy-rules/mifid-ii-and-mifir>

ESMA's MiFID II related papers

<http://eur-lex.europa.eu/oj/direct-access.html>

The Official Journal of the EU on which MiFID II, MiFIR and the Level 2 regulations (the implementing and regulatory technical standards together with the relevant commission delegated regulations) can be searched.

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