



Game Changer MiFID II

Broker Models according to MiFID II

Presentation by Michael Diegelmann, CEO of cometis AG,
at the IR Conference 2018, 30 January.

- » The most comprehensive change in EU financial market regulation of the past decade, MiFID II, has been in force since the beginning of 2018.
- » This will lead to massive shifts in the equity research business.
- » For a long time, analyst research was part of the package for which investors paid with the fees they transferred to banks and brokers for securities trading transactions.
- » Now analyst research must be paid separately.
- » This leads to new rules and structures in the market.
- » The overview on the following page is based on the presentation by Michael Diegelmann and highlights the changes in the industry

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Situation	Parties involved	Consequences
Model 1: Only investors pay	... probably companies like Deutsche Bank, J.P.Morgan, UBS	<ol style="list-style-type: none"> 1. focus on the "best" companies and/or industries/sectors, PRESUMED CONSEQUENCE: Number of companies covered will decrease! 2. focusing on the largest investment houses (their interest: liquid, larger stocks) PRESUMED CONSEQUENCE:raise claims 3. investments in research, HR & technology PRESUMED CONSEQUENCES: Claim: To be always among the top 3 among investors Research is merely created due to the investors' interest
Model 2: Companies and investors pay	... presumably local, sub-regionally oriented banks with their own financial institutions. Research team, e. g. Baader	<ol style="list-style-type: none"> 1. focusing on smaller issuers & investors 2. larger investors who also offer products will probably only enter into contracts with one or two of these vendors 3. contracts are concluded with issuers for clearly defined services (including paid research and investor access). More details will surely be transparent soon 4. will these providers position their research towards Europe? Are niche positions being sought? 5. smaller investors could focus more on purely quantitative evaluations, do more of their own work, avoid research
Model 3: Companies pay	... presumably companies that do not have any own research or only a very small amount of with a small team, e.g. ACON, Quirin	<ol style="list-style-type: none"> 1. These providers will continue to work as before. The issuer pays for each service. This has to be exactly identified "only" with immediate effect. 2. all investors can be approached because the issuer pays. 3. How will investors take up research paid by the issuer?