

Sound Archiving System a Must to Comply with MiFID

In April 2004 the EU's Markets in Financial Instruments Directive (MiFID) was passed and the member states deadline for implementation was the 1st November 2007. It would be fair to say that not all member states met this deadline.

However, these changes had to be implemented within an extremely challenging time frame and with a high degree of uncertainty up to and in some cases beyond the November 2007 deadline. Consequently, the industry recognises there are opportunities for the refinement of MiFID implementations and for the increased exploitation of new opportunities that could not be fully addressed within the constraints of the original implementations.

As a result of MiFID any client related order management, trade confirmation, transaction reporting or record keeping application systems should have been modified or extended by firms subject to the requirements of MiFID. Moreover, the management of outsourced services needs to have been reviewed and modified in order to comply with the MiFID demands. Similarly MiFID affects most IT infrastructures and administrative areas. For example, the Directive has introduced new stringent archiving rules particular to the area of electronic communications.

Taking the UK as an example, new rules governing the archival of electronic communications (faxes, e-mails, instant messaging, telephone conversations etc.) were introduced at the same time the MiFID changes took effect but the new rules were only published on the 26th October 2007, too late for institutions to apply by the 1st November 2007 deadline. The most significant change introduced by these new rules is for institutions engaged in such activities as receiving, executing, negotiating or arranging client orders across the securities, fixed income, commodities and derivatives markets must retain telephone recordings and records of electronic communications for a minimum three year period. (see [*FSA CP06/9: Organisational systems and controls*](#) for a detailed report)

In tandem with the UK's regulator's desire to monitor all electronic communications there is the need to both detect and prevent insider dealing. Following the meltdown in financial markets late last year, generally acknowledged to have been caused by lax or non-existent controls, it is anticipated that a much tougher regulatory regime will govern the future activities of the financial markets, making it paramount for all players to ensure they have proper systems and controls in place in order to satisfy the growing demands of their local regulator and ensure their reputation and as such their business is not adversely compromised.

In this new regulatory climate with the regulatory emphasis placed on market participants it is generally recognised by the industry that, in order to ensure compliance, internal control and monitoring can only be effectively carried out with adequate and facilitative software tools. Not to do so is at best a false economy and at worst negligent. These software tools need to have the ability, for example, to access archived e-mails quickly employing advanced search features. HYPERSUITE/5's MR/3 module has superior search features which enable organizations to manage the exponential growth of corporate e-mail, reduce storage costs and improve server performance.

Furthermore, regulators periodically issue contingency guidelines for Disaster Recovery. Part of these recommendations include the need for firms to ensure all their electronic communications should be encrypted to a recognised standard (HYPERSUITE/5 has superior security features to help you meet these requirements) and copies stored in secure off-site silos in case of disaster. Recent natural events, terrorist attacks and pandemic warnings demonstrate the need for companies to be ever vigilant and take all necessary steps to protect their corporate assets.

To conclude, regulatory compliance requirements are becoming evermore demanding and firms need to address these issues head-on if they are to remain not just competitive but in business. Yet in an era of electronic communications it makes sound commercial sense to have an efficient and effective archival system that can better help them to manage their customer relations and the commensurate risks associated with running a business. HYPERSUITE/5 can help your firm on all these fronts so why not contact us for an unbiased appraisal.

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