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# World Platinum Investment Council (WPIC) Research in a MiFID II Context – Asset Manager Compliance Department Edition

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January 2018

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This document is divided into three sections and is designed to explain WPIC's research status under MiFID II to allow Compliance Departments to approve it as a "Minor Non-Monetary Benefit".

If there are any questions on this document or related issues please contact:

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## Section 1 – Summary

Broadly speaking, based on the MiFID II rules, research content and services received by asset managers can be categorised into two groups:

1. **Substantive research.** Research that provides a substantive opinion as to the present or future value of a financial instrument can currently only be received by an asset manager if paid for either from its own P&L or through a research payment account.
2. **Minor non-monetary benefit.** The MiFID II rules make provisions for certain content and services to be received without the need to pay for them under the inducement rules. The list includes:
  - a. Written research that is paid for by the issuer either to promote a new issue, or where there is a contractual engagement to produce this written content on an ongoing basis where the relationship between the issuer and the research provider is clearly disclosed and is made widely available to the general public.
  - b. Brief, unsubstantiated summaries on company results and upcoming releases and events.
  - c. Macroeconomic and fixed income research that is freely disseminated with information that is generic in nature.
  - d. Investor roadshows that are organised by an investor relations officer, or where the issuer pays a third-party provider to organise a roadshow that is made widely available to institutional and other investors.

**The World Platinum Investment Council has reviewed its content and services, and would highlight the following to the recipients of its research, attendees of its roadshows and their Compliance/Legal departments:**

WPIC research content falls clearly into the **Minor Non-Monetary Benefit Category** and can continue to be consumed by all asset managers free of charge.

1. We do not conduct any financial instrument execution business. We do not have any market making, sales trading, trading or share dealing activity.
2. Our content is disseminated widely and made available to the public through a range of different channels. Our research is made freely available through our own website. We do not have any permissioning requirements on research aggregation platforms.
3. We do not, and will not seek, any payment from our readers for our research. We make it clear to institutional investors that we do not want payments from them for our freely available content.
4. Our research does not recommend the purchase/sale of any securities and does not forecast their future prices.

WPIC research is ultimately paid for via its corporate shareholders which are disclosed on our website.

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## Section 2 – Detailed examination of WPIC research against regulations from ESMA/FCA/AMF

This section will consider the nature of WPIC research services in light of regulations coming from ESMA, the FCA and the AMF. Under all three, confirmed through external advice, WPIC is confident that its research constitutes a “Minor Non-Monetary Benefit” and can therefore be received by asset managers and shared internally for free, without breaching the regulation.

### Definition of WPIC Research Services

WPIC research services include documents, (via email, WPIC website and research aggregators), analyst meetings, conferences, presentations, news releases, analyst phone consultations, bespoke replies to inbound inquiries and data and analysis. All elements of the service are included under the Minor Non-Monetary Benefit classification.

#### WPIC Research – MiFID II Classification Summary

	Inducement-Free	“Minor Non-Monetary Benefit”	Issuer-Sponsored
No Execution Capacity	✓		
Freely Available to All Parties		✓	
No Charge (Free)		✓	
No Investment Recommendations		✓	
WPIC is Funded by its Shareholders			✓

The material below was drawn from the MiFID II Delegated Directive, and both source documents and Q&A publications from ESMA, the FCA and the AMF as at the date of this Publication (January 2018).

### European Securities and Markets Authority (ESMA)

Source: Questions and Answers on MiFID II and MiFIR investor protection and intermediaries topics December 2017 [https://www.esma.europa.eu/sites/default/files/library/esma35-43-349\\_mifid\\_ii\\_qas\\_on\\_investor\\_protection\\_topics.pdf](https://www.esma.europa.eu/sites/default/files/library/esma35-43-349_mifid_ii_qas_on_investor_protection_topics.pdf)

**ESMA:** In what circumstances should material received by a firm be considered a minor non-monetary benefit under Article 12(3) of the MiFID II Delegated Directive rather than research?

Firms should have in place policies and systems to assess the nature and scale of any service, benefit or material provided by any third party to determine whether it can be considered as a minor non-monetary benefit or as research subject to Article 13 requirements.

Whereas an overall definition of minor non-monetary benefits is provided for in Article 24(8) of MIFID II, and specific items are provided for in Article 12(3) of the MiFID II Delegated Directive, Recital 29 of the MiFID II Delegated Directive provides some further clarity in relation to certain types of information or material.

It states that in particular “non-substantive material or services consisting of short term market commentary on the latest economic statistics or company results” that firms providing independent investment advice or portfolio management may treat as minor non-monetary benefits.

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The assessment of whether material is substantive or not (and therefore can be viewed as a minor non-monetary benefit) should only be linked to its content and not to the qualification given/ alleged by the provider nor its provenance within the third-party provider.

Article 12(3) of the MiFID II Delegated Directive makes clear that for any third-party benefits to be an acceptable minor non-monetary benefits, a firm should assess and ensure they are “reasonable and proportionate and of such a scale that they are unlikely to influence the firm’s behaviour in any way that is detrimental to the interest of the relevant client.”

For example, a detailed research report or conversation with a research analyst, which in content meets the nature of research described in Recital 28, cannot be considered as a minor non- monetary benefit due to it being labelled as such by a provider or because such material is provided through a dealing desk rather than a research department.

However, macroeconomic material made openly available at the same time to any investment firm or the general public (for e.g. on a website) could be justified as a minor non-monetary benefit, representing information that is “generic in nature” under Article 12(3) (a) of the Delegated Directive.

By contrast, short market updates with limited commentary or opinion may be capable of being considered as information that is a minor non-monetary benefit consistent with Recital 29 and Article 12(3)(a) of the MiFID II Delegated Directive.

The restriction on inducements, including research, should also not prevent communications between a firm’s trading desk and a trader in another firm’s dealing desk in the context of seeking market information to immediately execute an order, for example on available liquidity or recently traded prices, which should be considered as part of the execution service.

Material repeating or summarising public news stories or public statements from corporate issuers (e.g. public quarterly results reports or other market announcements) could also be considered as information that constitutes a minor non-monetary benefit.

Recital 29 also refers to Article 12(3)(b) of the MiFID II Delegated Directive. This provides that a minor non-monetary benefit can include “written material from a third party that is commissioned and paid for by a corporate issuer or potential issuer to promote a new issuance by the company... provided that the relationship is clearly disclosed in the material and that the material is made available at the same time to any investment firms wishing to receive it or to the general public”.

This exemption can allow investment firms to receive ‘pre-deal’ material directly relating to a new capital raising event by an issuer, which is produced by a third party such as another investment firm who is placing and / or underwriting the issue (often referred to as ‘connected research’), provided that the nature of the material is made clear and it is available at the same time to any prospective investor.

Article 12(3)(b) also allows investment firms to accept material from a third party where they are “contractually engaged and paid by the issuer to produce such material on an ongoing basis”, again subject to the relationship being clearly disclosed within it and the material being made available at the same time to any investment firms wishing to receive it or to the general public. This permits so-called ‘issuer sponsored’ third party coverage to be distributed and received by an investment firm as a minor non-monetary benefit, provided that it is offered generally either to any investment firm or is made public.

In both cases under Article 12(3)(b) of the MiFID II Delegated Directive it is clear that there should be no expectation or actual payment from a recipient investment firm for such material or restriction in access that could in any way infer the provision of this material could act as an inducement and not constitute a ‘minor’ benefit.”

**WPIC Conclusion: Based on the underlined ESMA text, WPIC research qualifies as a “Minor Non-Monetary Benefit”.**

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**ESMA:** Can macroeconomic analysis be considered research that can be paid for from an RPA and client research charges under Article 13(1)(b) of the Delegated Directive?

“Macroeconomic analysis is a relatively broad term. Whether it can be considered research will depend on its nature and content, which should be considered against the criteria set out in Recital 28 of the Delegated Directive. This recital provides an expansive interpretation of what counts as value-added analysis that can inform investment decisions across a variety of financial instruments and asset classes.

ESMA considers, as a starting point, that most macro-economic analysis is likely to, explicitly or implicitly, suggest an investment strategy (e.g. by providing views on inflation expectations, economic growth, the interest rate curve or currencies for certain countries or regions), although some macro-economic material may be sufficiently general to fall outside the definition.

Where macro-economic analysis is substantive or involves the allocation of valuable resources by a provider to an investment firm, based on Recital 30, or is deemed to have a material value by a recipient firm, it will not constitute a minor non-monetary benefit satisfying the criteria set out in Article 12(3) of the Delegated Directive.

Macroeconomic material made openly available at the same time to any investment firm or the general public (for example on a website) could be justified as a minor non-monetary benefit, representing information that is generic in nature.

**WPIC Conclusion: Based on the underlined ESMA text, WPIC research qualifies as a “Minor Non-Monetary Benefit”.**

### Financial Conduct Authority (FCA)

Source: Markets in Financial Instruments Directive II Implementation: Policy Statement PS17/14 July 2017  
<https://www.fca.org.uk/publications/policy-statements/ps17-14-mifid-ii-implementation>

### Acceptable minor non-monetary benefits

COBS 2.3A.19 **R**03/01/2018

An acceptable minor non-monetary benefit is one which:

1. is clearly disclosed prior to the provision of the relevant service to the client, which the firm may describe in a generic way (where applicable, in accordance with article 11(5)(a) of the MiFID Delegated Directive (see COBS 2.3A.10R));
2. is capable of enhancing the quality of service provided to the client;
3. is of a scale and nature that it could not be judged to impair the firm’s compliance with its duty to act honestly, fairly and professionally in the best interests of the client;
4. is reasonable, proportionate and of a scale that is unlikely to influence the firm’s behaviour in any way that is detrimental to the interests of the relevant client; and
5. consists of:
  - (a) information or documentation relating to a financial instrument or an investment service, that is generic in nature or personalised to reflect the circumstances of an individual client;
  - (b) written material from a third party that is commissioned and paid for by a corporate issuer or potential issuer to promote a new issuance by the company,  
  
or where the third party firm is contractually engaged and paid by the issuer to produce such material on an ongoing basis, provided that the relationship is clearly disclosed in the material and that the material is made available at the same time to any firms wishing to receive it, or to the general public; or
  - (c) participation in conferences, seminars and other training events on the benefits and features of a specific financial instrument or an investment service;”

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**WPIC Conclusion: Based on the underlined FCA text, WPIC research qualifies as a “Minor Non-Monetary Benefit”.**

### Autorité des marchés financiers (AMF)

Source : Guide on the New Rules Governing the Funding of Research by Investment Service Providers Under MiFID II January 2018  
[http://www.amf-france.org/en\\_US/Reglementation/Dossiers-thematiques/Marches/Directive-MIF/L-AMF-modifie-son-guide-sur-le-financement-de-la-recherche-dans-le-cadre-de-MiFID-II](http://www.amf-france.org/en_US/Reglementation/Dossiers-thematiques/Marches/Directive-MIF/L-AMF-modifie-son-guide-sur-le-financement-de-la-recherche-dans-le-cadre-de-MiFID-II)

### General Principles

**MiFID II excludes from the regime of Article 13 of the Delegated Directive any “Minor Non-Monetary Benefit”.**

A **definition** of minor non-monetary benefits is set out in the provisions specific to investment advice and portfolio management services in **Article 24 (7) and (8) of MiFID II**. Two conditions have to be met:

- These benefits are capable of enhancing the quality of service provided to a client;
- Their scale and nature are such that they could not be judged to impair compliance with the investment firm’s duty to act in the client’s best interest.

Moreover, **Article 12 (3) of the Delegated Directive** sets out the **list<sup>19</sup>** of non-monetary benefits that can be considered as minor.

**3.6 Is the fact that research is made accessible to potential investors or the general public (notably via its publication on a website) a sufficient criterion for it to be qualified as a minor non-monetary benefit?**

**Yes.** Insofar as such research is made freely available to any potential investor or the general public, it is legitimate to consider that it no longer constitutes a particular advantage to the recipient and is therefore no longer likely to generate a conflict of interest. This research can legitimately be qualified as a minor non-monetary benefit when all of the following criteria are met:

- It enhances the quality of the service provided to the client by the research consumer;
- It constitutes a benefit of such scale and nature that it could not be judged to impair compliance with the research consumer’s duty to act in the best interest of the client.

**4.3 Under what conditions may a macroeconomic analysis note be qualified as a minor non-monetary benefit?**

A macroeconomic analysis note can reasonably be regarded as a minor non-monetary benefit in view of:

- its generic nature in view of its substance; or
- its accessibility to all investors wishing to receive it and/or to the public

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#### 4.4 May a research consumer justify that a macroeconomic analysis note is a minor non-monetary benefit for the sole reason that it is freely accessible to potential investors or the general public (notably via its publication on the research provider’s website)?

Yes. Insofar as such research is made freely available to any potential investor or the general public, it is legitimate to consider that it no longer constitutes a particular advantage to the research consumer that receives it and it is therefore no longer likely to generate conflicts of interest.

This approach is explicitly confirmed by ESMA in its **Question-Answer No. 8**, which states that a macroeconomic analysis note made freely available to all institutions wishing to receive it and/or to the public can be legitimately qualified as a minor non-monetary benefit.

**WPIC Conclusion: Based on the underlined AMF text, WPIC research qualifies as a “Minor Non-Monetary Benefit”.**

### Section 3 – About WPIC

**Full Legal Name:** World Platinum Investment Council Limited

**Company Registration Number** 9301487

**Principal Address:** 64 St. James’s St., London SW1A 1NF, UK

**Other Locations:** Floor 32, No. 1 Building of Century Link, No. 1198 Century Avenue, Pudong New Area, Shanghai, PRC.

**Website:** [www.platinuminvestment.com](http://www.platinuminvestment.com)

**Firm Foundation Date:** Nov. 7, 2014

#### **Brief History:**

The company has now completed three complete financial periods and is currently in its fourth year of operation. The company has grown to circa 15 people, a blend of employees and consultants.

Headquartered in London, the company has occupied our current London office since early 2015. In 2017, we opened an office in China.

The company is audited by Deloitte, and primarily uses KPMG for tax work.

#### **Brief Descriptive Overview:**

Our mission is to stimulate investor demand for platinum through both actionable insights and targeted development: providing investors with the information to support informed decisions regarding platinum; working with financial institutions and market participants to develop products and channels that investors need.

WPIC is responsible for sourcing, distributing and marketing independent global platinum research and analysis and performs this role separately, independently and without undue influence from its shareholders.

As an organisation we are:

- Committed to providing investment insights which explain platinum as an investment option
- Clear in sourcing information only from trusted providers
- Responsive to the needs of investment market professionals around the world
- Informed on why platinum may be an attractive long-term source of value

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**WPIC Members/Shareholders:** <http://www.platinuminvestment.com/about/members>

WPIC members/ shareholders provide funding and have board representation. WPIC member companies are: Anglo American Platinum; Impala Platinum Limited; Lonmin; Northam Platinum Limited; Royal Bafokeng Platinum Limited; Sibanye-Stillwater

**Key Personnel:** <http://www.platinuminvestment.com/about/our-team>

Position	Employee	Email	Phone
Director of Research	Trevor Raymond	traymond@platinuminvestment.com	+44 203 696 8774
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Chief Administrative Officer	David Badham	dbadham@platinuminvestment.com	+44 203 696 8773
Legal Counsel	Conan Chitham	legal@platinuminvestment.com	
CEO	Paul Wilson	pwilson@platinuminvestment.com	

### Summary of Products/Services Offered:

Research and Investor Development services: published research and direct investment professional interaction via meetings and conferences.

### Research Products:

Investment case for Platinum, Platinum Quarterly, Platinum Essentials and Platinum Perspectives.

### Research Delivery Channels (currently):

- Website
- Face to face meetings
- Conferences
- Email
- Bloomberg terminal
- Social Media (LinkedIn)
- Family Office portal
- News releases (Platinum Quarterly)

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### **Content Distribution:**

All third-party content/information that is commissioned is on terms that explicitly require that it will be shared.

### **Compliance/Legal Information:**

This function is led by the Chief Administrative Officer (David Badham) and the WPIC Legal Counsel (Conan Chitham).

### **External Counsel:**

Clifford Chance – London

### **Payment Information:**

WPIC does not and does not intend to charge for its research.

### **Disclaimer:**

The World Platinum Investment Council is not authorised by any regulatory authority to give investment advice. Nothing within this document is intended or should be construed as investment advice or offering to sell or advising to buy any securities or financial instruments and appropriate professional advice should always be sought before making any investment. For further information, please visit [www.platinuminvestment.com](http://www.platinuminvestment.com)