

For professional advisers only and not to be relied upon by retail clients.

# **MiFID II, Octopus and You**

## A guide for financial advisers

December 2017

**octopus**

The update to the Markets in Financial Instruments Directive, known as MiFID II, is effective from 3 January 2018. It aims to increase transparency and better protect investors across the financial markets in the European Union.

MiFID II is a far-reaching piece of regulation that impacts almost everything that Octopus Investments does. Most of the work that Octopus has done is behind the scenes, bringing our systems and processes in line with the new regulation. This guide focuses on how our service is changing for you and your clients in our retail investment products from 3 January 2018.

All of the retail investment products at Octopus are affected in some way by MiFID II, we will consider them in three categories:

Investment Services	Venture Capital Trusts (VCTs)	Funds
Octopus Inheritance Tax Service	Octopus Titan VCT	Multi Manager funds
AIM Inheritance Tax Service	Octopus AIM VCT & AIM VCT 2	Micro Cap Growth fund
AIM Inheritance Tax ISA	Other Octopus VCTs	
Octopus EIS		
Octopus Eureka EIS		
Octopus Portfolio Manager		

Note that Octopus Choice and Octopus Cash are not impacted by the new regulation.

**We haven't changed the investment objectives or the fees and charges of any of our products or services as a consequence of the new regulation.**

### Changes to our terms & conditions and literature

We have updated our terms and conditions, and some of our policies, so that they reflect administrative changes we are required to make because of the new regulation. There are no changes that are detrimental for your clients.

Octopus has reviewed the product literature for each of our investment products and services, and we have made a few updates. You should make sure you have the latest versions of our material.

### Personalised illustrations

You will probably be aware that you can ask us to provide you with a personalised illustration for your clients in our Investment Services (excluding EIS). We have made sure that these illustrations meet your obligations under MiFID II to show the client the full cost of the investment and the impact that our combined costs and charges could have on investment returns.

Additionally, we've improved our service by making personalised illustrations available for investments in our Venture Capital Trusts.

The way that you request an illustration isn't changing for now, simply [email](#) our Sales Support team or call 0800 316 2067 to provide all the details and we'll email the personalised illustration to you so you can pass it to your client.

### New Key Information Documents

In addition to the new personalised illustrations for VCT investments, we will be making a Key Information Document (KID) available for our open VCTs from 31 December 2017 to comply with the PRIIPs regulations.

Separately, we will also be completing the European MiFID Template (EMT) and European PRIIPs Template (EPT) for our VCTs and Funds, as required.

## Application forms

For applications for our Investment Services, we have made it clearer that we expect advisers to ensure that the service they are recommending is suitable for their client. This has always been part of our Terms of Business for intermediaries, but we are now asking advisers to sign the application form to verify that they have conducted a suitability assessment.

## Client reporting

**Investment Services:** From 2018, we will provide investors with quarterly reporting for our Investment Services where we are the portfolio manager or nominee. Today, we typically provide these documents twice a year, so the amount of reports your clients will receive will increase. We're also changing the content of these reports to comply with the requirements of the new regulation.

Octopus will monitor any decreases in value of a client's portfolio and on an occasion where it falls by 10% or more within a quarterly reporting period, we will promptly inform the client, and will tell you by email that we have done this.

**Venture Capital Trusts:** Our VCTs will continue to report to their shareholders twice a year. Advisers will be able to fulfil their reporting obligations in relation to our VCTs from the net asset value (NAV) and share prices that are publicly available.

Although it is not a requirement, we will email advisers on any occasion where a VCT announces a material change in NAV to the stock market, broadly triggered by movements of 5% or more. This will enable those advisers who are providing a portfolio service to meet their own reporting obligations to their clients.

## Transaction reporting

New regulatory requirements mean that we need information from clients in the Octopus AIM Inheritance Tax Service and ISA, or Octopus Eureka EIS, so that we can trade in listed instruments on their behalf. For natural persons, we need to obtain their nationality, and a National Insurance number or passport number. For corporate clients, charities and trusts we need a Legal Entity Identifier (LEI).

We would have already contacted you if you have clients from whom we need the above information. If we don't have the necessary information, we will not be able to make investments on your clients' behalf, so if you haven't replied please do so as quickly as possible so we can continue to actively manage your clients' portfolios.

## Further information

If you have questions, please contact your local Business Development Manager, or [email](#), or call 0800 316 2067. We don't provide advice to other businesses on how they can comply with regulatory changes. However, we are happy to talk about how we have prepared for the implementation of MiFID II, and any questions you have about our products and services.

For professional advisers only and not to be relied upon by retail clients. This guide has been designed to provide information about MiFID II in relation to Octopus products and services, and is based on our understanding of the current legislation. The information herein should not be regarded as investment or legal advice. Investments should only be made on the basis of the information provided in the relevant product literature and we recommend that investors take professional advice before making any investment decisions. We record telephone calls. Issued by Octopus Investments Limited, which is authorised and regulated by the Financial Conduct Authority. Issued: December 2017. M2-CAM06301



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