

Marex Spectron's approach to research

Document updated 3 January 2018

Introduction

Under MiFID II, research can no longer be provided to or received by EEA based investment firm clients (unless ECPs) where this research acts as an inducement to use our execution services. Any such research provided to EEA MiFID II investment firms for such clients must now be charged. Other publications can be provided to clients free of charge if they constitute 'minor non-monetary benefits', i.e. not inducements (please see below).

Both publications identified as either investment research and marketing communications that are not minor non-monetary benefits can be considered "research" for the purposes of MiFID II provided the publications meet certain conditions (see below) and are, therefore, capable of adding value to a firm's decisions on behalf of its clients¹.

Any such research provided to EEA investment firm clients that are categorised as Professional Clients (i.e. non-ECP clients) will not be considered as an inducement to use our execution services if it is received in return for a separate payment². Marex Spectron's pricing structures have been designed to ensure that the cost of producing relevant publications is covered by the price.

Publications covered

This policy applies to any publication issued by Marex Spectron that amounts to an "investment recommendation" as defined in Article 3(1)(35) of the Market Abuse Regulation ("MAR"), namely any publications which may contain information that explicitly or implicitly recommends or suggests an investment strategy concerning a financial instrument, including opinion as to the present or future value or price of such instruments.

Dissemination of publications

When producing or disseminating such publications, Marex Spectron takes reasonable care to:

- (i) Clearly label the publication as an investment recommendation.
- (ii) Identify the name and the job title of all individuals involved in the production of the publication.
- (ii) Ensure that all information in the publication is objectively presented. In particular:
 - Facts. Facts are clearly distinguished from interpretations, estimates, opinions and other types of non-factual information.
 - Sources. All substantially material sources of information are clearly and prominently indicated.
 - Reliability. All sources of information are reliable or, where there is any doubt as to whether a source is reliable, this is clearly indicated.
 - Forecasts. All projections, forecasts and price targets are clearly and prominently labelled as such, and the material assumptions made in producing or using them are indicated.

¹ Recital 28 MiFID Delegated Directive (EU) 2017/593

² Article 13(1) MiFID Delegated Directive (EU) 2017/593

- Date and time. The date and time when the production of the recommendation was completed is clearly and prominently indicated.

(iii) Disclose any relevant conflicts of interest concerning the financial instruments to which the information relates. This includes conflicts of interest on the part of Marex Spectron or any natural individual who was involved in producing the publication.

Difference between Investment Research and Marketing Communications (“Non-Independent Research”)

Marex Spectron further categorises publications that amounts to investment recommendations as either (i) investment research or (ii) marketing communications (“non-independent research”) under MiFID II and clearly labels all publications as such. This determines our obligations surrounding their production.

(i) Investment research

Investment research includes publications which contain information that:

- recommends or suggests an investment strategy, explicitly or implicitly,
- concerns one or several financial instruments or the issuers of financial instruments,
- includes opinion as to the present or future value or price of such instruments,
- **is intended (and labelled) as an objective and/or independent explanation of the matters contained therein, and**
- **is not intended to constitute the provision of investment advice³.**

Marex Spectron is required to have in place certain arrangements relating to the production of investment research to help prevent potential abusive practices by financial analysts or other relevant people involved in the production of investment research (“researchers”). Marex Spectron’s arrangements include⁴:

- (i) prohibition on personal transactions in financial instruments to which the investment research relates;
- (ii) physical separation of researchers where proportionate or establishing alternative information barriers where it is not proportionate due to the size and organisation of our firm, as well as the nature, scale and complexity of our business;
- (iii) prohibition of researchers from accepting inducements from those with a material interest in the subject matter of the investment research; and
- (iv) prohibition of researchers providing favourable research coverage to recipients.

(ii) Marketing communications (non-independent research)

Marketing communications (non-independent research⁵) include publications which contain information that:

- recommends or suggests an investment strategy, explicitly or implicitly,
- concerns one or several financial instruments or the issuers of financial instruments,

³ Article 36(1) MiFID Org Regulation (EU) 2017/565

⁴ Article 37(2) MiFID Org Regulation (EU) 2017/565 and COBS 12.2.21EU

⁵ FCA PS17/14

- includes opinion as to the present or future value or price of such instruments, and
- **is not presented as objective or independent**⁶.

When producing and disseminating marketing communications (non-independent research), Marex Spectron will:

- clearly identify the material as a marketing communication
- ensure that marketing communications are clear, fair and not misleading⁷
- ensure that the marketing communication contains a clear and prominent statement that it has not been prepared in accordance with legal requirements designed to promote the independence of investment research and that it is not subject to any prohibition on dealing ahead of the dissemination of investment research⁸

Minor Non-Monetary Benefits

Marketing communications (non-independent research but not investment research) may also be a “minor non-monetary benefit”, i.e. not an inducement, and Marex Spectron may continue to provide such publications to EEA based investment firms that are categorised as Professional Clients without charge.

From ESMA Guidance and FCA publications, we have interpreted marketing communications to be minor non-monetary benefit if they are publications which:

- Provide limited opinion or commentary⁹
- Are short term in nature¹⁰
- Are based on publicly available sources¹¹
- Include post-trade analytics¹²
- Include price feeds or historical price data that have not been analysed or manipulated in order to present meaningful conclusions¹³
- Lack substantive analysis/material¹⁴ – e.g. reports historic market conditions
- Do not have valuable resource allocated to their production¹⁵

⁶ Article 36(2) MiFID Org Regulation (EU) 2017/565

⁷ COBS 4

⁸ Article 36(2) MiFID Org Regulation (EU) 2017/565 and COBS 12.2.18EU

⁹ ESMA Q&A on MiFID II and MiFIR investor protection and intermediaries topics – Section 7, Question 6

¹⁰ ESMA Q&A on MiFID II and MiFIR investor protection and intermediaries topics – Section 7, Question 6

¹¹ ESMA Q&A on MiFID II and MiFIR investor protection and intermediaries topics – Section 7, Question 6

¹² COBS 2.3B.23G

¹³ COBS 2.3B.23G

¹⁴ ESMA Q&A on MiFID II and MiFIR investor protection and intermediaries topics – Section 7, Question 6 and Recital 29 MiFID Delegated Directive (EU) 2017/593

¹⁵ Recital 28 MiFID Delegated Directive (EU) 2017/593