Annex 5

Response to the Financial Conduct Authority's consultation on the implementation of the EU Directive: Markets in Financial Instruments Directive (MiFid II)

Q16: Do you agree with our approach to revise the quantitative thresholds as part of the opt-up criteria for local authorities by introducing a mandatory portfolio size requirement of £15m? If not, what do you believe is the appropriate minimum portfolio size requirement, and why?

The Council's investment portfolio includes a mix of deposit accounts, notice accounts and term deposits with banks and building societies. These are arranged with an institution directly or via brokers. Diversification is enhanced through access to certificates of deposit, treasury bills, gilts, money market funds and enhanced cash funds.

As a *billing authority*, the Council's investment balances vary during the financial year and are at their lowest at financial year end. Whilst the Council's investment balances are currently substantially above the £15m quantitative threshold that situation is expected to change over time as the Council uses its reserves to manage reduced financial support from Government.

We feel the proposal will preclude a significant number of district and higher tier authorities from consideration as 'professional clients' and through it, impact on the security, diversity and yield of their investment portfolios. Either a lower portfolio requirement should be adopted (£10m) or our preferred solution: that local authorities be subject to the 'large undertakings' test applied to private sector organisations (€40m annual income, €20m of assets and €2m in reserves) and the proposed qualitative tests dispensed with.

Q17: Do you agree with our approach to extend these proposals to non-MiFID scope business? If not, please give reasons why.

Agree.