



MIFID II UPDATE

EIFR

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Agenda

Current Status on MiFID II

Inventory as at 29/03

First clients feedbacks

Current Hot Topics

- Pre and Post Trade Transparency:
- Transaction reporting : RTS22
- SI / European aggregation volume.
- Best Execution

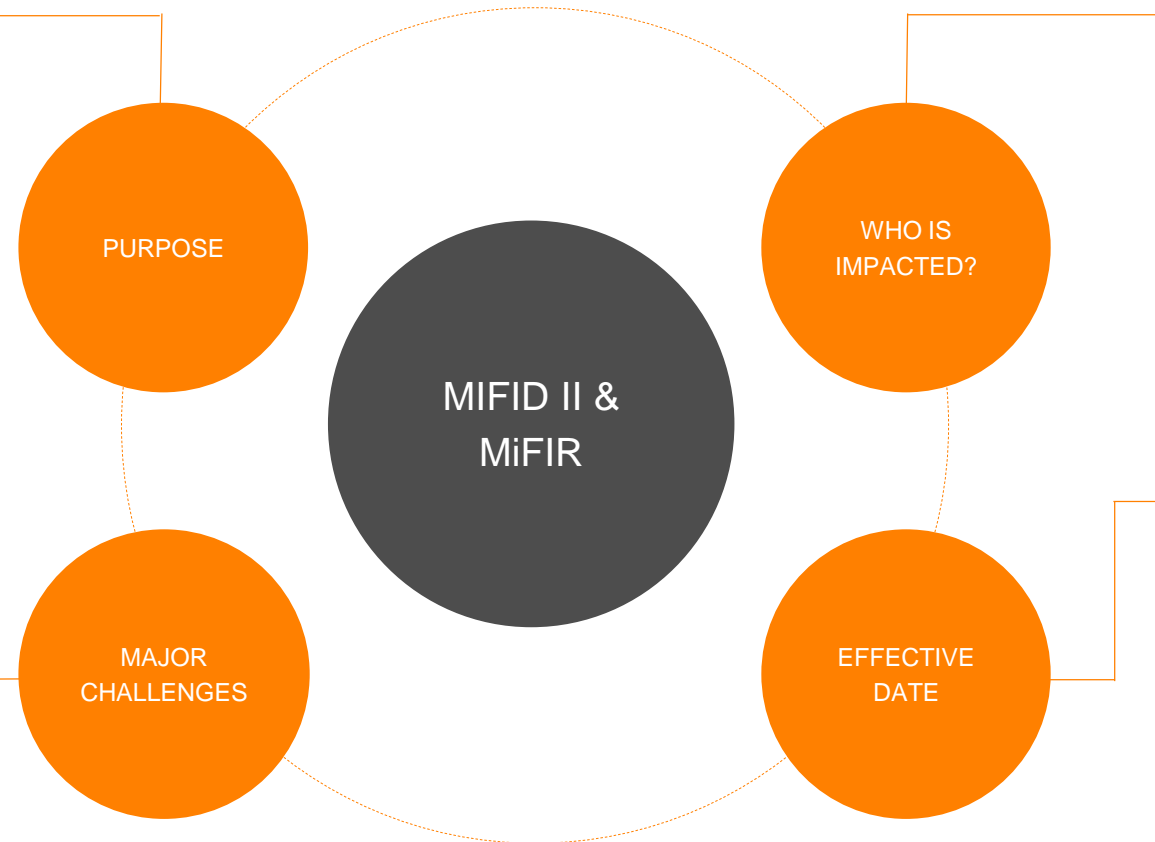
Current Status | MiFID II

PURPOSE

Aims to achieve more efficient, resilient and transparent financial markets to strengthen investor protection, through shifting OTC trading to organised multilateral regulated trading platforms

MAJOR CHALLENGES

- **Market Structure**
- **Research Unbundling**
- **Transparency**
- **Best Execution**
- **Investor Protection**
- **Micro Structure**



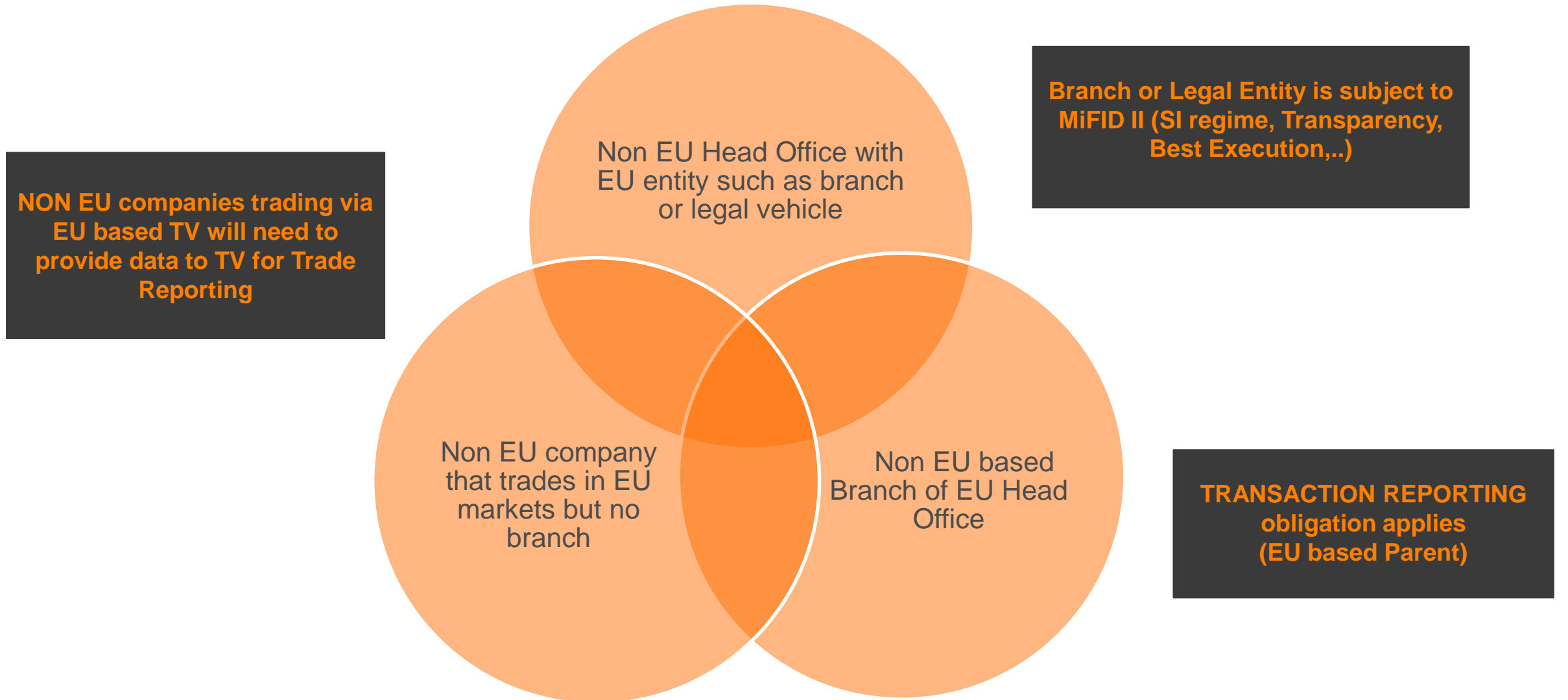
WHO IS IMPACTED?

Entire financial market players (buy side & sell side) including liquidity platforms, data vendors and other service providers

EFFECTIVE DATE

3rd January 2018

Current Status | Non-EU Companies are impacted



Current Status | Non-EU Firms Operating in EU under MiFID II



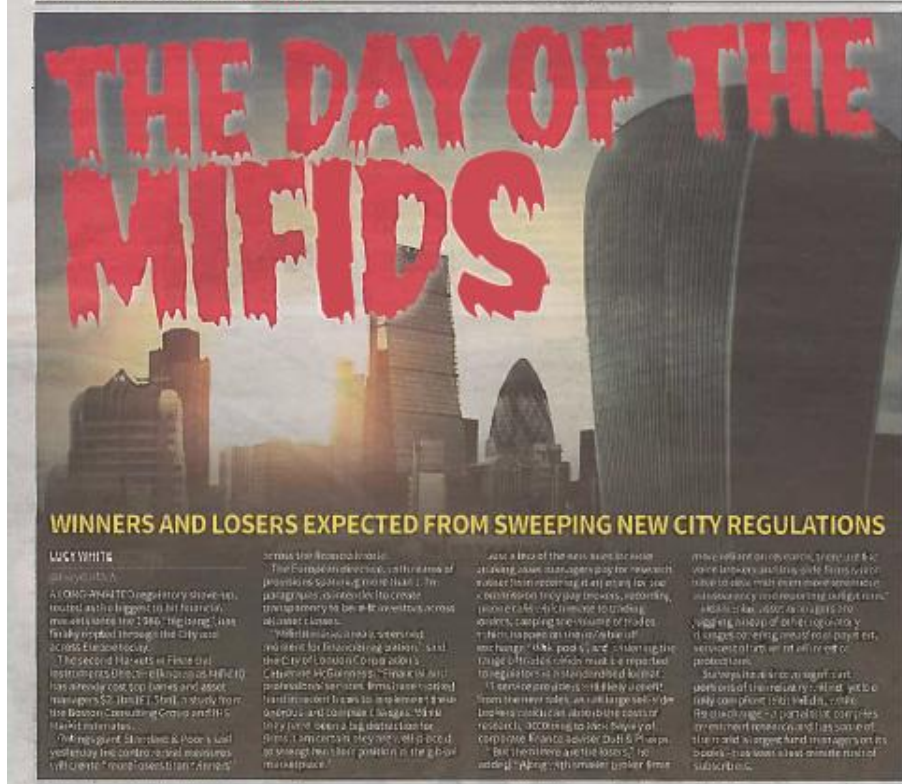
Third country firm has to register with ESMA
Fully harmonised regime run by ESMA for provision of services into EU (for Eligible counterparty business only)

Registration contingent on non-EU company being authorised and subject to home-state supervision and enforcement, and cooperation agreement of home-state regulatory body with ESMA.

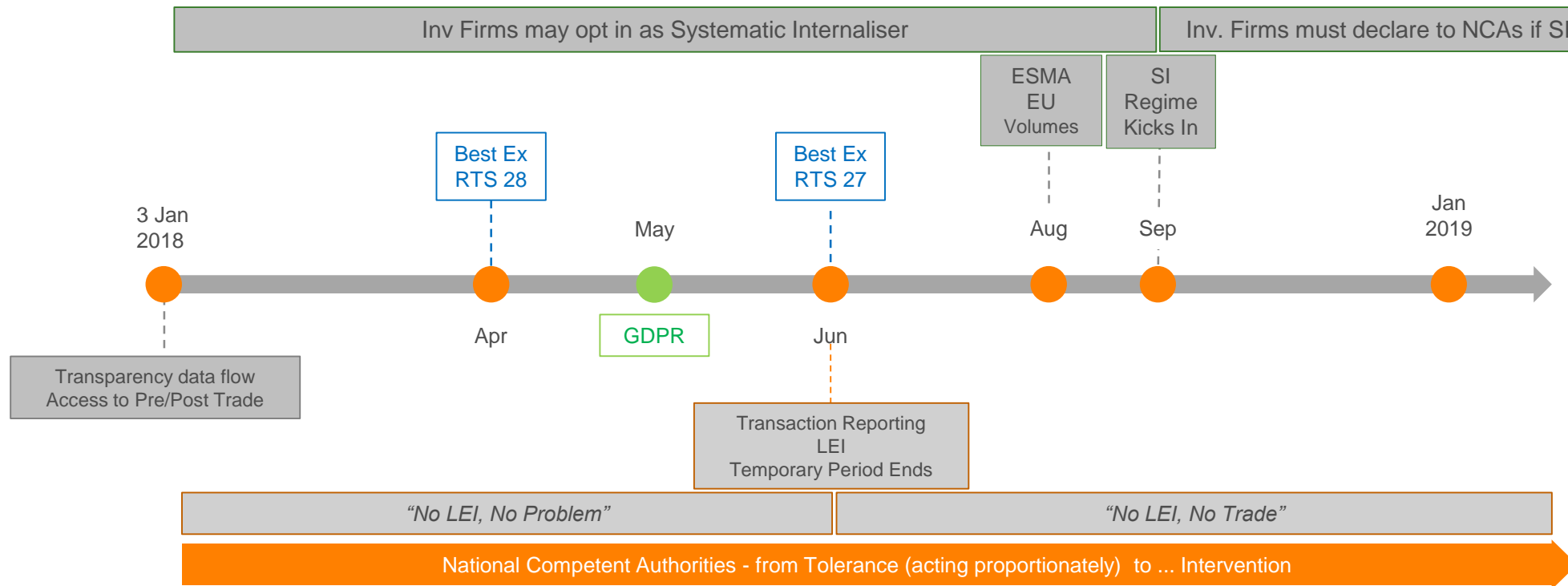
Further equivalence decision will needed to be taken by commission until then, no retail engagements will be allowed.

Once this process is completed, non EU entity within EU will be treated like an EU entity; hence will fully be subject to MiFID II requirements

MiFID II Inventory | MiFID II is effective as of Jan 3rd 2018 – No Big Bang!



MiFID II Inventory | The Real Journey just started...



MiFID II Inventory | Directive transposition

EU Member States readiness (Directive Transposition)

- As of today 10 countries are missing full transposition of directive into Local Law (due July 2017);
- Source: https://ec.europa.eu/info/publications/mifid-ii-directive-transposition-status_en updated Feb 20th
- Infringement proceeding pending on all 19 countries who missed initial deadline (France, Belgium, Luxembourg, Sweden, ...)

MIFID II directive - transposition status

First published on 25 January 2017 (last update on: 20 February 2018)
Author Financial Stability, Financial Services and Capital Markets Union

Directive: [2014/65/EU](#)

Transposition deadline: 3 July 2017

Full transposition status: 18 Member States



No transposition measures communicated:

- Bulgaria
- Croatia
- Romania
- Slovenia

Partial transposition measures communicated:

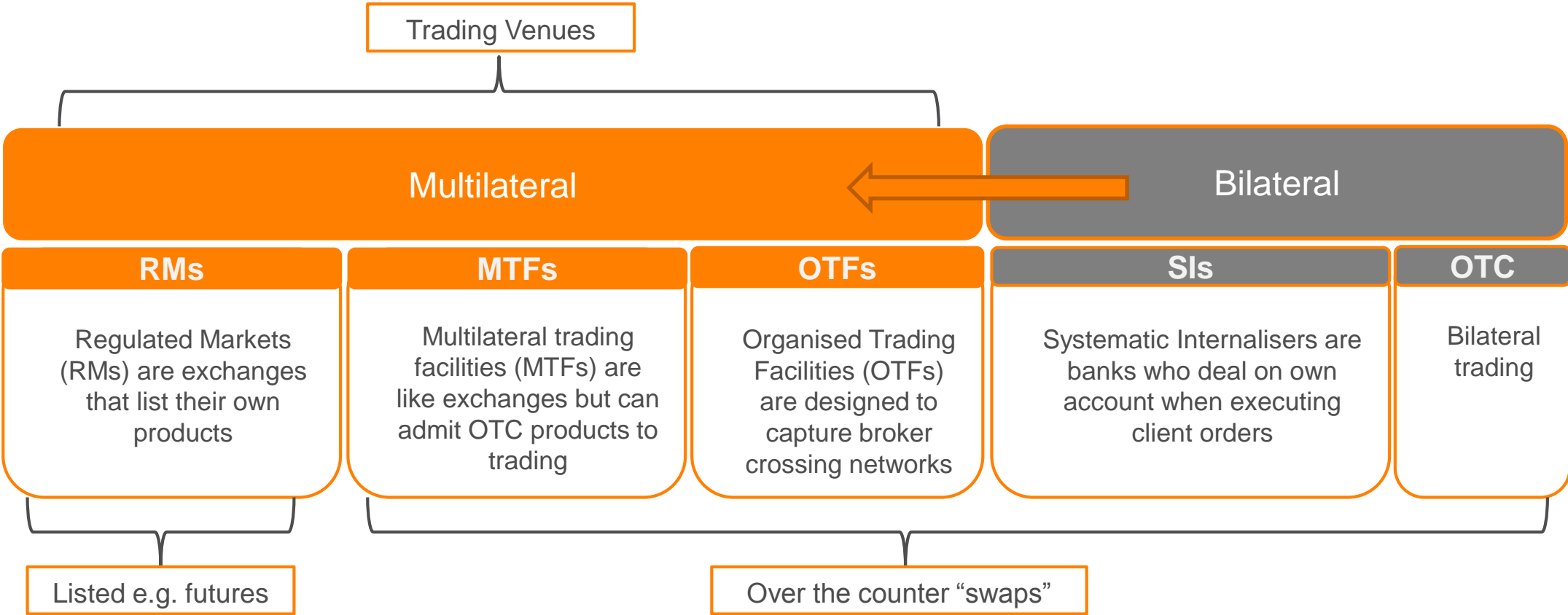
- Lithuania
- Luxembourg
- Portugal
- Poland
- Spain
- Sweden

First Customers Feedback

Current Hot Topics | Pre & Post Trade Transparency

CONTEXT: CHANGING MARKET STRUCTURE FOR TRADING

Changing market structure for trading will present challenges for market participants, but also opportunities for new trading strategies



Current Hot Topics | Pre & Post Trade Transparency

APPROVED PUBLICATION ARRANGEMENT (APA)

What is it?

- APAs are designed to provide services to an investment firm in order for it to meet its MiFID II reporting obligations under Articles 20 and 21.
- As a key pillar in the move towards greater transparency, the directive requires that firms publish all trade reports in near real-time.

Why is it important?

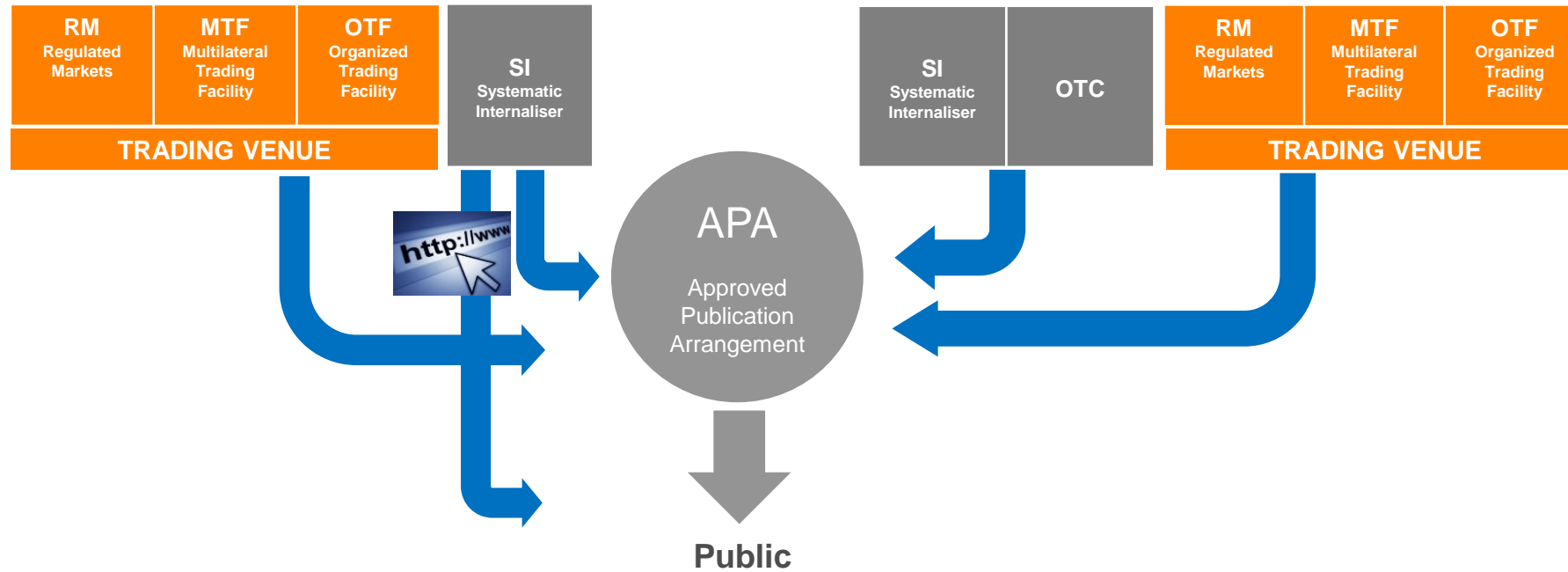
- That APA output, or “exhaust”, contains previously undisclosed pre- and post-trade data from brokerages, closed trading platforms and dark pools.
- Thomson Reuters: 19 APA’s have or plan to go live in 2018.

Current Hot Topics | Pre & Post Trade Transparency

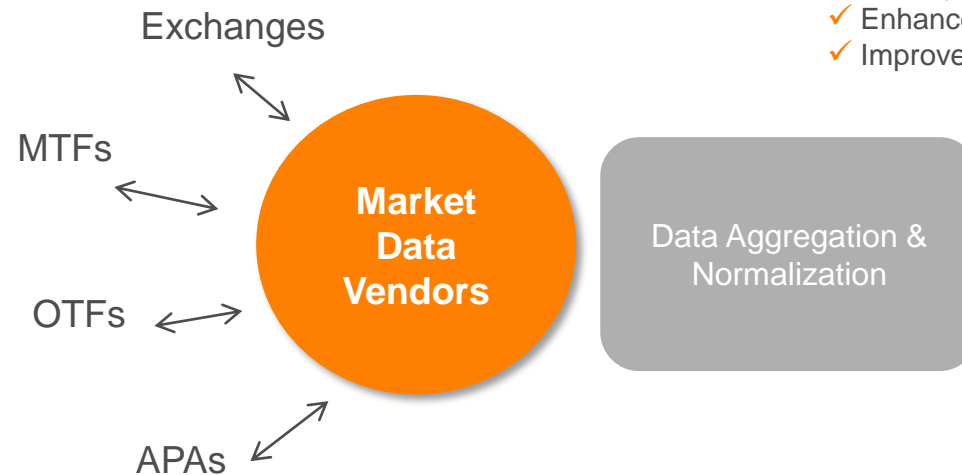
WHAT CONTENT IS PUBLISHED TO AN APA?

- the **identifier** of the financial instrument;
 - the **price** at which the transaction was concluded;
 - the **volume** of the transaction;
 - the **time** of the transaction;
 - the **time** the transaction was reported;
 - the **price notation** of the transaction;
 - the **code** for the trading venue the transaction was executed on, or where the transaction was executed via a [systematic internaliser](#) the code 'SI' or otherwise the code '[OTC](#)';
 - if applicable, an **indicator** that the transaction was subject to specific conditions.
-
- The APA must ensure that the information, which has to be made public, is sent through all distribution channels at the same time, including when the information is made public as close to real time as technically possible or 15 minutes after the first publication.
-
- Market Data Vendors will enhance this APA derived data with standard value-add (OHLC, etc) as well as some of it's own MiFID Reference Data.

Current Hot Topics | Pre & Post Trade Transparency



- ✓ Entirely New Set of Data available as of Jan 3rd (new venues)
- ✓ Enhanced Market Transparency
- ✓ Improved Price Discovery



Current Hot Topics | MiFID II Transparency

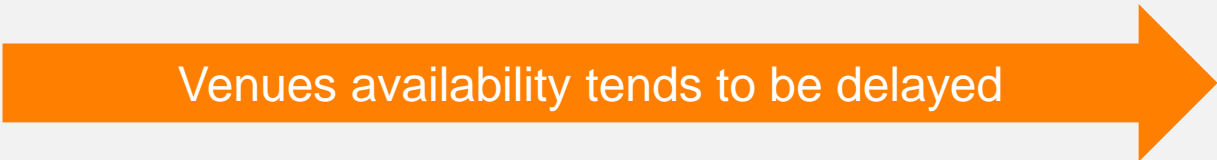
NEW VENUES AGGREGATION

THOMSON REUTERS MiFID II READINESS

As of February 20th 2018

NEW VENUES: TIMELINE

The information provided in this document is intended for informational purposes only, is not definitive, and is subject to change without notice.

	2017	JAN-18	FEB-18	MAR-18	Q2 2018	TBD
NEW VENUE GO-LIVE DATES	<ul style="list-style-type: none"> TRADEcho APA -Equity data Cboe Europe APA - Post trade data NASDAQ APA - Equity data 	<ul style="list-style-type: none"> Tradeweb APA & MTF (Jan 3) - Tradeweb MTF/OTF - Thomson Reuters Matching MTF - Fxall MTF - Tradeweb APA Trax APA (Jan 3) - MarketAxess MTF - TRAX APA MTS Bondvision* (Jan 10) Oslo APA (Jan 3) Vienna APA (Jan 10) - Equity data 	<ul style="list-style-type: none"> Cboe Europe APA - Pre-Trade SI quotes (Feb 19) 	<ul style="list-style-type: none"> Athens SE APA (Mar 26) Deutsche Boerse APA (Mar 5) 	<ul style="list-style-type: none"> Bloomberg APA ◇ BME APA (30-Apr) Euronext APA (30-Apr) NASDAQ APA -non equity data (16-Apr) TP ICAP MTF/OTF (9-May) - iSwap MTF - ICAP Global Derivatives MTF - ICAP MTF - ICAP Securities OTF - ICAP Energy OTF - Tullett Prebon Europe OTF - Tullett Prebon (Institutional Services) OTF - PVM oil Futures OTF, - Tullett Prebon Securities MTF - Tullett Prebon Europe MTF - Tullett Prebon Europe OTF - Tullett Prebon Securities OTF Vienna APA (30-Apr) -non equity data 	<ul style="list-style-type: none"> Budapest APA ◇ Currenex MTF ◇ □ - Currenex MTF - FX Connect MTF Bloomberg MTF ◇ BGC Partners MTF/OTF ◇ - BGC MTF/OTF - GFI MTF/OTF - Aurel OTF - Sunrise OTF Integral MTF ◇ □ NEX APA □ - EBS MTF - Brokertec MTF and APA TRADEcho APA ◇ - non -equity data Zagreb SE APA ◇ □
						

Current Hot Topics | Pre & Post Trade Transparency

FRTB SYNERGY WITH MiFID II

- FRTB compliance will have certain synergies with the upcoming European Union legislation, the Markets in Financial Instruments Directive II (MiFID II). This regulation comes into effect in January 2018, prior to FRTB.
- MiFID II mandates that trading platforms as well as buy-side and sell-side firms have obligations to publish trade details. The obligations cover cash and derivatives across all asset classes, subject to an exception for spot FX markets. It is this extensive source of information that could be used as a source of “real” price data under FRTB.

On 20th December ESMA issued statement providing market with Temporary Period of 6 months.

Temporary Period will end in June 2018

ESMA ISSUES STATEMENT ON LEI IMPLEMENTATION UNDER MIFID II

20 December 2017

MIFID - SECONDARY MARKETS

The European Securities and Markets Authority (ESMA) has issued today a [statement](#) to support the smooth implementation of Legal Entity Identifiers (LEI) requirements under the Markets in Financial Instruments Regulation (MiFIR).

MiFIR obliges EU investment firms to identify their clients that are legal persons with LEIs for the purpose of MiFID II transaction reporting. Trading venues equally are obliged to identify each issuer of a financial instrument traded on their systems with an LEI code when making daily data submission to the Financial Instruments Reference data System (FIRDS).

In the last weeks, ESMA and national competent authorities (NCAs) learnt that not all investment firms will succeed in obtaining LEI codes from all their clients ahead of the entry-into-force of MiFIR on 3 January 2018. The same may be the case for trading venues' non-EU issuers whose financial instruments are traded on European trading venues.

In that context, and to support the smooth introduction of the LEI requirements, ESMA will allow for a temporary period of six months that:

- investment firms may provide a service triggering the obligation to submit a transaction report to the client, from which it did not previously obtain an LEI code, under the condition that before providing such service the investment firm obtains the necessary documentation from this client to apply for an LEI code on his behalf; and
- trading venues report their own LEI codes instead of LEI codes of non-EU issuers currently not having their own LEI codes.

Current Hot Topics | Systematic Internaliser Regime

SI : an investment firm which, on an organized, frequent, systematic and substantial basis, deals on own account by executing client orders outside an RM, MTF or OTF without operating a multilateral system.

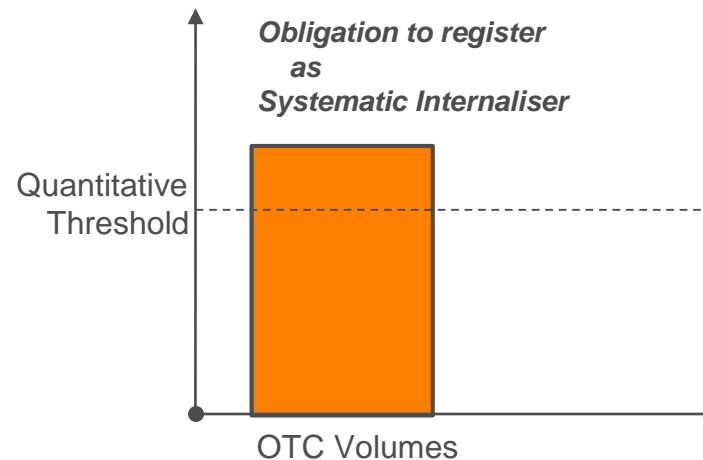
Firms executing client orders on own account (principal) will need to register as an SI if they breach quantitative threshold. Analysis done on quarterly basis, based on last 6 months activity. Thresholds are set on the definition if “Frequent, systematic and substantial basis”.

FREQUENT & SYSTEMATIC: number of transactions a firm undertakes in an instrument/class.

SUBSTANTIAL: volume (notional or turnover) that the firm undertakes and will consider

- a) Size of Trading in that instrument as a proportion of the firm’s total trading activity
- b) Size of trading in that instrument as a proportion of **total EU trading** in that instrument

Registering as SI will require the firm to comply with MiFID transparency and organization requirements.



Current Hot Topics | SI calculation: determination service overview

Systematic Internaliser definition

Equity & non-equity instruments

At least daily

At least once per week

i

Frequent & systematic

EU OTC market share (#)²

	Equities & equity like ¹	Bonds	SFP	Derivs
	+	+	+	+
	0.4%	2-3%	3-5%	2-3%

+

Substantial 1

Percentage (of vol.) internalised

	15%	25%	30%	25%
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OR

ii

Substantial 2

EU OTC market share (vol.)³

	0.4%	0.5%-1.5%	1.5%-3%	0.5%-1.5%
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Requirements

- Investment firms are required to determine whether they meet the requirements of trading on an (i) frequent and systematic and (ii) substantial basis
- Determination based on activity exceeding certain thresholds
- Assessment performed quarterly (Jan, Apr, Jul, Oct) based on previous 6 months data

Current Hot Topics | Systematic Internaliser Regime

SI regime kicks in September 2018

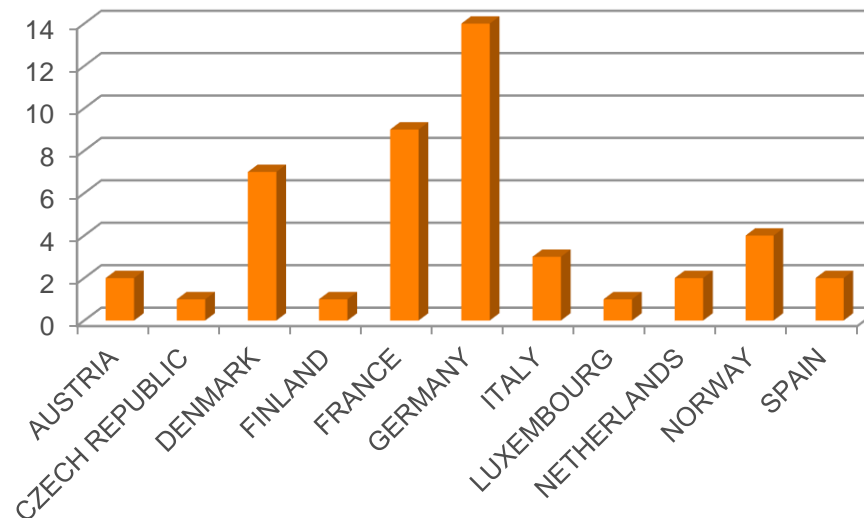
- ESMA to:
- publish EU Volumes on quarterly data
 - First release Aug 18
 - First Calc Sep 18

Majority of investment firms willing to avoid SI regime. Some will opt in before deadline to take competitive advantage

- Market Data Vendors to provide:
- Dashboards to monitor SI Thresholds (VA8)
 - Daily EU volumes proxy data

Systematic Internaliser Regime

As of Today we have 46 Investment Firms listed in ESMA register



Source : ESMA register

Best Execution: MiFID I to MiFID II

The overarching MiFID II best execution obligation requires firms to take all **sufficient** steps to obtain the best possible result, taking into account a range of execution factors, when executing client orders or placing orders with (or transmitting orders to) other entities to execute. This changed from MiFID I where client were only obliged to provide **reasonable** steps.

Current Hot Topics | Best Execution

CHALLENGES & SOLUTIONS

CHALLENGE

Best Execution Reporting

Best Ex Reporting requires Execution Venues (RM's, MTF's, Market Makers, OTF's, SI's) to publish execution reports and the Buyside to publish investment reports that detail where a firm trades

Best Execution Monitoring

MiFID II has increased the scrutiny on execution quality with an amplified focus on non-equity instruments. Firms are looking to use traditional Equity based tools such as TCA to examine trader and execution performance in a cross asset context

Best Execution Controls

Firms need to monitor execution policy and address any possible breaches that may occur during electronic or voice trading platforms

THOMSON REUTERS SOLUTION

Buy Side

RTS 28:
Investment
Firms

Sell Side

RTS 27: Execution
Venues
RTS 28:
Investment Firms

Execution Venue

RTS 27:
Execution Venues

Vendor Solution: Best Execution Monitoring

- Cross-Asset
- Regulatory imperative
- Broker Neutral
- Benchmarks
- Evaluated Pricing

Vendor Solution: Best Execution Controls

- Policy effectiveness
- Policy review
- Calibration
- Alerts
- Case Management
- Archiving

TARGET OPERATING MODEL

MIFID II COMPLIANCE

Best Execution
(RTS 27, 28)

Transparency Waivers
(3, 4)
&
Transparency
(RTS 1, 2)

Market Data Reporting
(RTS 22, 23, 24, 25)

MAR Cross-over

Data Publication & Access
(RTS 13, 14, 15, 16)

Transaction Reporting
(RTS 22, 23)

SI Determination / Monitoring

DATA FOUNDATIONS

Market Data Feeds
RM's
APA's
MTF's
OTF's
Contributed Pricing

Historical Data
Level 1 and Level 2 data

Reference
Classification Codes
LEI
Flags and Indicators
Waivers
Total Market Size

Client Data
Order/Execution
System Information
(outages/Disruptions)
Internal Prices