

MiFID II

Challenges and MTS Solutions



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Transparency

MiFID II transparency

Client questions:

When does transparency apply?

How am I affected?

How can MTS help me to manage the transparency regime?



MiFID II TRANSPARENCY

MiFIR's complex transparency regime



CLIENT QUESTION (1)

Transparency: How am I affected?

I trade a bond on an EEA trading venue (TV)

I am a MiFID firm, I trade over the counter a bond which is listed on an EEA TV

I am not subject to MiFID ("non-MiFID firm") and I trade over the counter a bond listed on an EEA TV with a MiFID firm

MiFID II transparency may apply...

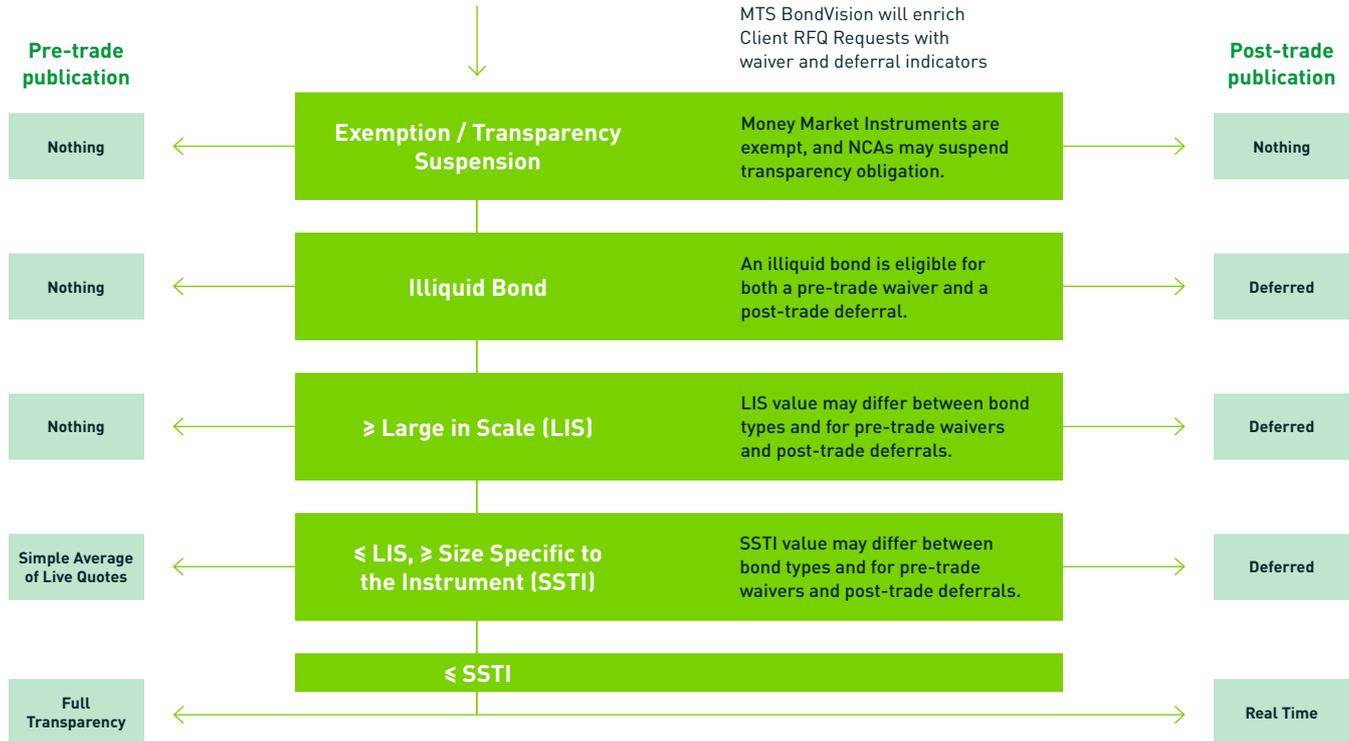
... subject to **exemptions, waivers, and deferrals!**



CLIENT QUESTION (2)

When does transparency apply?

BondVision RFQ Transparency Rules Engine

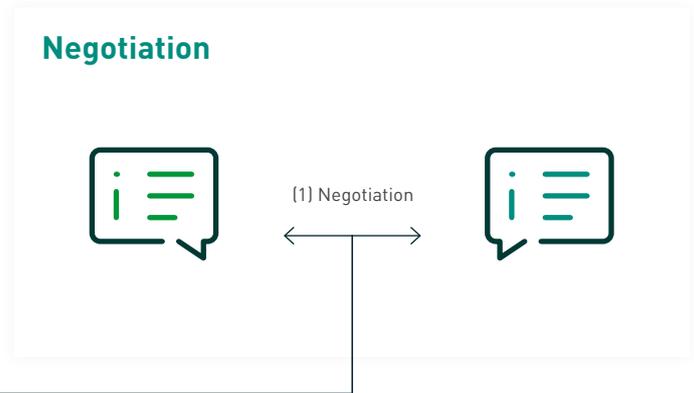
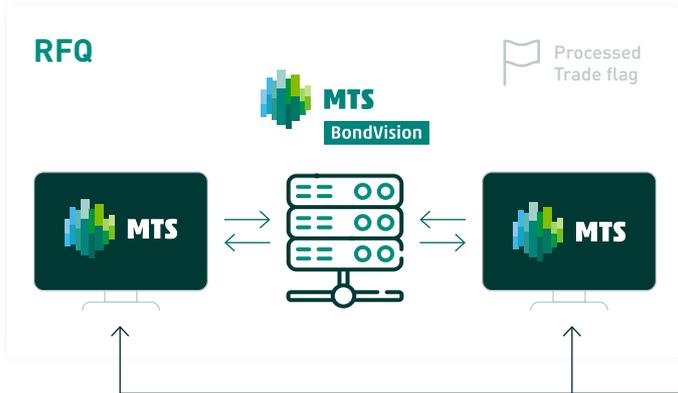
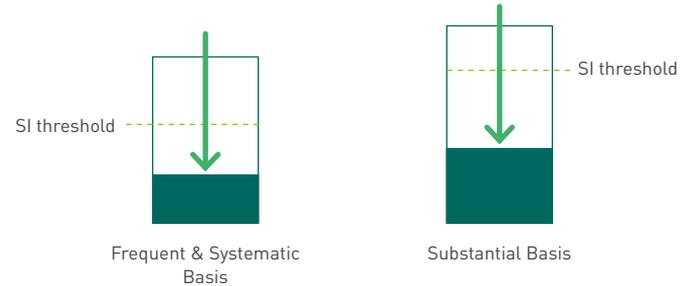


MTS BondVision Processed Trade

Benefits of registering Processed Trades on MTS trading venues:

- ✓ Reduce Systematic Internaliser (SI) count
- ✓ MTS venue responsible for reporting trade
- ✓ Leverage MTS transparency waivers and deferrals
- ✓ Streamline processes with MTS's STP

Book trades on MTS venues to reduce SI count



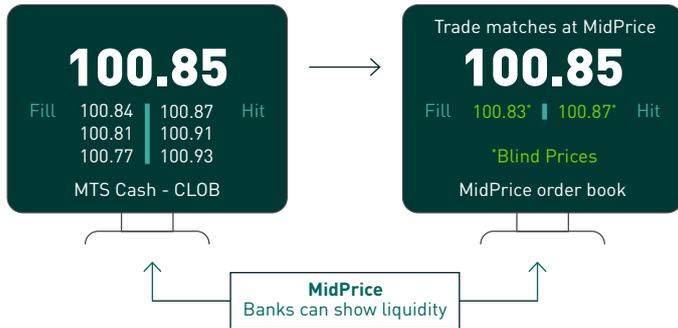
MTS Cash

MidPrice Crossing & Trade Registration

Mid Price Crossing

Trade at LIS level in this semi-lit order book

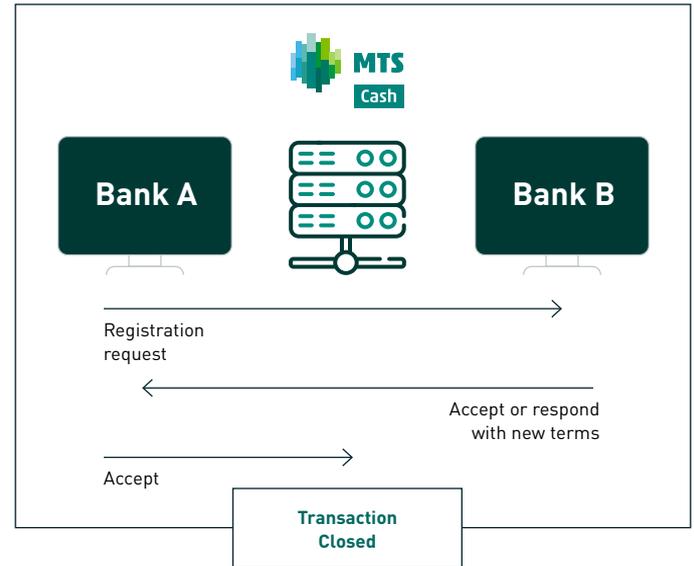
- No disclosure of quantities and side (buy/sell) will happen pre-trade (before the trade is executed)



Trade Registration / Processed Trades

Register trades on MTS Cash

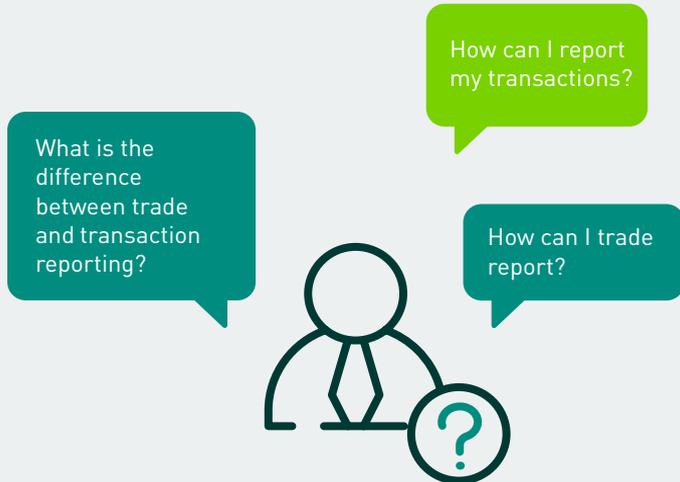
- Details of trades registered on MTS Cash will remain undisclosed until MiFID II transparency deferrals expire



Reporting

MiFID II Reporting Services

Client questions:



CLIENT QUESTION (1)

What is the difference between trade and transaction reporting?



Trade Reporting – Transparency

Obligation to make trades in certain instruments transparent to the public

On Venue:
the trading venue (e.g. BondVision MTFs) has the transparency obligation.

OTC:
if at least one counterparty is an investment firm, then one counterparty has the transparency obligation.

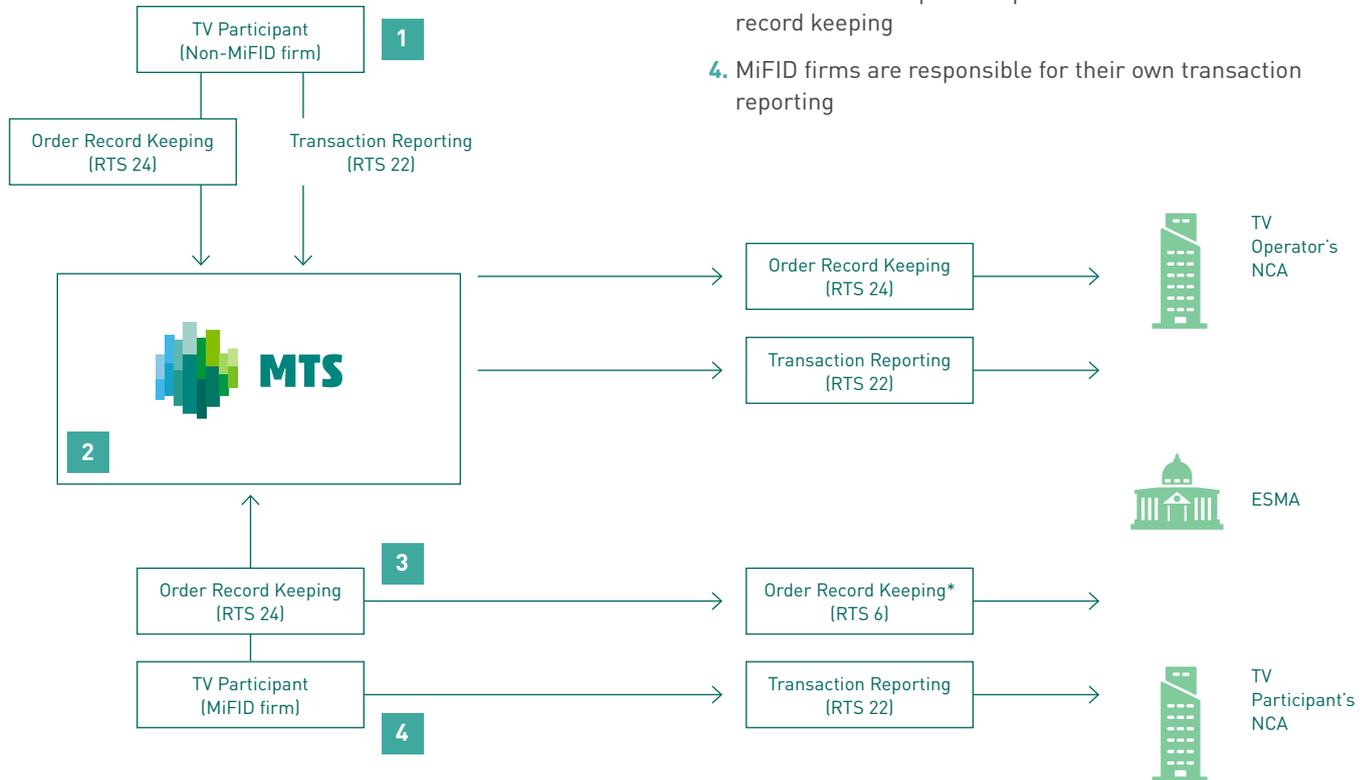
Transaction Reporting

Obligation to report certain transactions to the regulator

On Venue:
MiFID firms report for themselves, trading venues to report for non-MiFID firms

OTC:
investment firms to report for themselves, no obligation on non-MiFID firms

MiFID II REPORTING On Venue Reporting



1. TVs required to transaction report for non-MiFID firm
2. TVs required to collect additional information on orders from all Participants, only to be sent to NCAs on request
3. HFT firms are required to perform their own enhanced order record keeping
4. MiFID firms are responsible for their own transaction reporting

Data

MiFID I ARTICLE 21, MiFID II ARTICLE 27 MiFID I vs MiFID II

Member States shall require that investment firms take all emphasis to obtain
... the best possible result for their clients



MiFID II DATA SOLUTIONS

With 30 years of experience providing data, analytics and trading solutions for Fixed Income Markets, MTS is the industry leader who can help you solve your MiFID II challenges.

MTS Market Data delivers an un-paralleled source of continuous transparency:

- Unrivalled pre- and post-trade interdealer and, from 2018, dealer-to-client data
- Trading community of over 500 counterparties and average daily turnover exceeding EUR 100 billion
- Leverage MTS Data to meet your best execution obligations and to complete your RTS 27/28 execution quality reports

MTS Data offers includes:

MTS Historical Data	MTS Real-Time Data	MTS Reference Prices	MTS Live
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For more information,
please consult mtsmarkets.com/data

MiFID II Glossary

Market Infrastructure

TV	Trading Venue; a multilateral system that is an RM, MTF, or OTF
RM	Regulated Market; a multilateral system to bring together multiple third-party buying and selling interests in accordance with non-discretionary rules, e.g. MTS Italy
MTF	Multilateral Trading Facility; similar to a Regulated Market but subject to lighter regulatory requirements, e.g. BondVision EU & BondVision UK
OTF	Organised Trading Facility; similar to an MTF but with discretion allowed in relation to executing orders
SI	Systematic Internaliser; an investment firm which, on an organised, frequent, systematic and substantial basis, deals on own account when bilaterally executing client orders over the counter
DRSP	Data Reporting Service Provider; an APA, ARM, or a CTP
APA	Approved Publication Arrangement; an entity which manages the publication of OTC trade reports, e.g. TRADEcho
ARM	Approved Reporting Mechanism; an entity which manages the reporting of transactions to NCAs or to ESMA on behalf of investment firms, e.g. UnaVista
CTP	Consolidated Tape Provider; an entity which consolidates trade reports published by TVs and APAs

Transparency

Waiver	A pre-trade transparency waiver, where granted by the relevant NCA, permits for the pre-trade transparency obligations to be removed or amended
Deferral	A post-trade transparency deferral, where granted by the relevant NCA, permits for the post-trade transparency obligations to be postponed, e.g. the standard non-equities deferral is T+2
Liquid bond	A bond defined as Liquid by ESMA; calculated quarterly on an ISIN basis other than for new issues, which are calculated on a class of instrument basis
LIS	Large in Scale; thresholds are defined at the class of bond level by ESMA
SSTI	Size Specific to the Instrument; thresholds are defined at the class of bond level by ESMA
TPAC	Package Transaction; a trade composed of several components/legs
OMF	Order Management Facility; a waiver available to order books, e.g. iceberg waiver on MTS Cash markets
LMTF	Limited Details deferral; a supplementary deferral which requires additional information
DATF	Daily Aggregation deferral; a supplementary deferral which requires additional information
VOLO	Volume Omission deferral; a supplementary deferral allowing for an extended period without full post-trade transparency

FWAF	Four Week Aggregation deferral; a supplementary deferral allowing for an extended period without full post-trade transparency
IDAF	Indefinite Aggregation deferral; a supplementary deferral allowing for an indefinite period without full post-trade transparency
COAF	Consecutive Aggregation deferral; a supplementary deferral allowing for an indefinite period without full post-trade transparency

Miscellaneous

TOTV	Traded on a Trading Venue; one determinant of the scope of the transparency, transaction and reference data reporting, and trading obligation requirements
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Regulation

MiFID II	The revised Markets in Financial Instruments Directive 2014/65/EU
MiFIR	The Markets in Financial Instruments Regulation No 600/2014/EU
RTS	Regulatory Technical Standard; a secondary legislative instrument
ITS	Implementing Technical Standard; a secondary legislative instrument
NCA	National Competent Authority
EC	European Commission
ESMA	European Securities and Markets Authority

Contact Us

Find out how we can enhance your fixed income trading business by speaking to our expert team:

mts.sales@euronext.com

mtsmarkets.com

London

44 20 7076 0001

Milan

+39 02 7242 61

Rome

+39 06 4212 01

Paris

+33 1 70 37 67 05

New York

+1 212 257 4062

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