

MTS BondVision and Cash Approach to MiFID II Order Submission Requirements

Sellside focus



MiFID II order submission requirements



From 3rd January 2018, MiFID II will require trading venues to collect information from its participants for the purposes of:

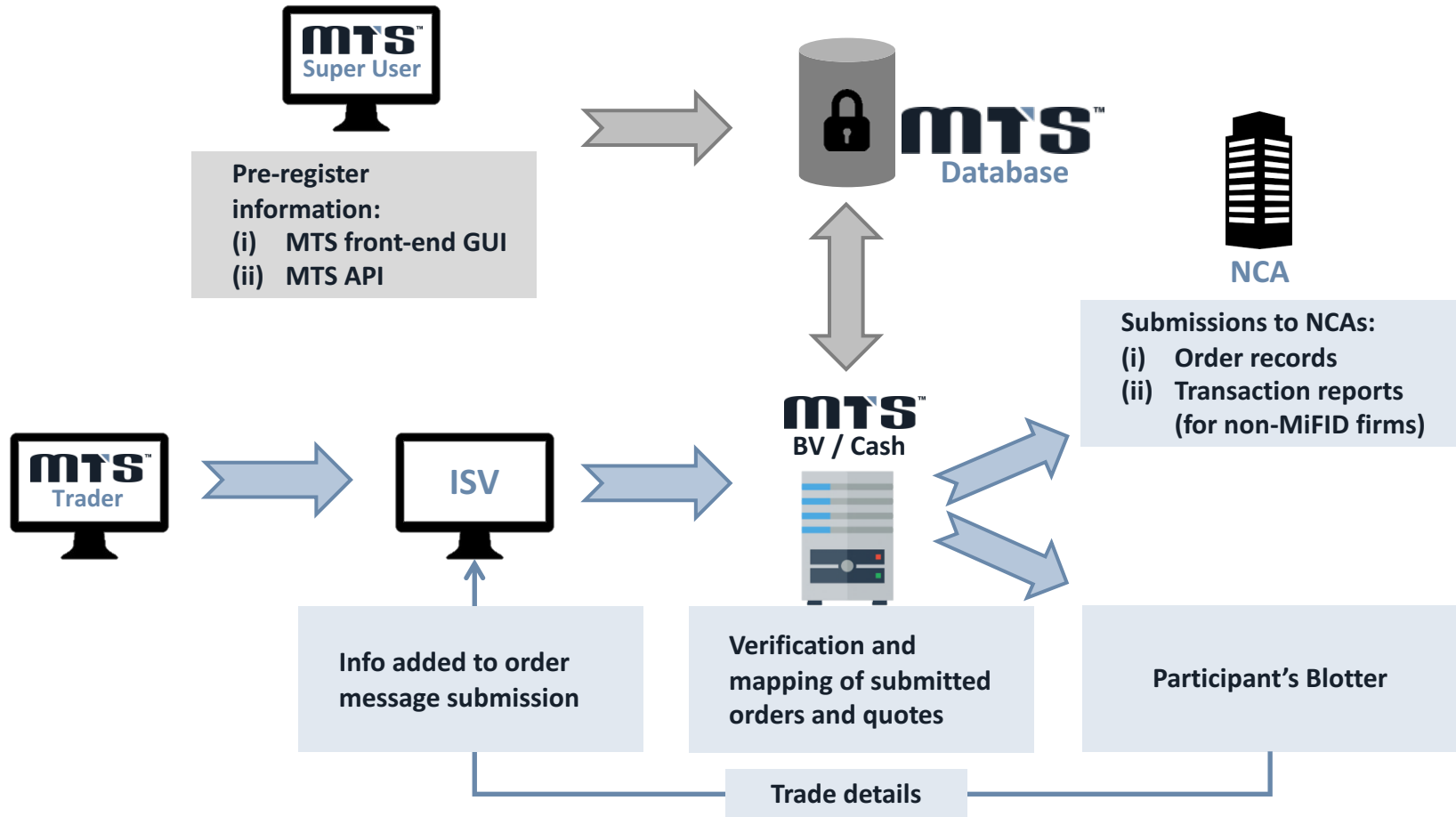
- order record keeping (MiFIR Article 25, RTS 24)
- systems and controls (MiFID II Article 48, RTS 7)
- for non-MiFID firms only: transaction reporting (MiFIR Article 26, RTS 22)

MTS has evaluated the information required and has developed an approach by which to collect this information efficiently and store it securely.

Note that this presentation focuses on the pre-registration and order submission requirements associated with the Execution ID and Investment Decision Maker ID, and related information.



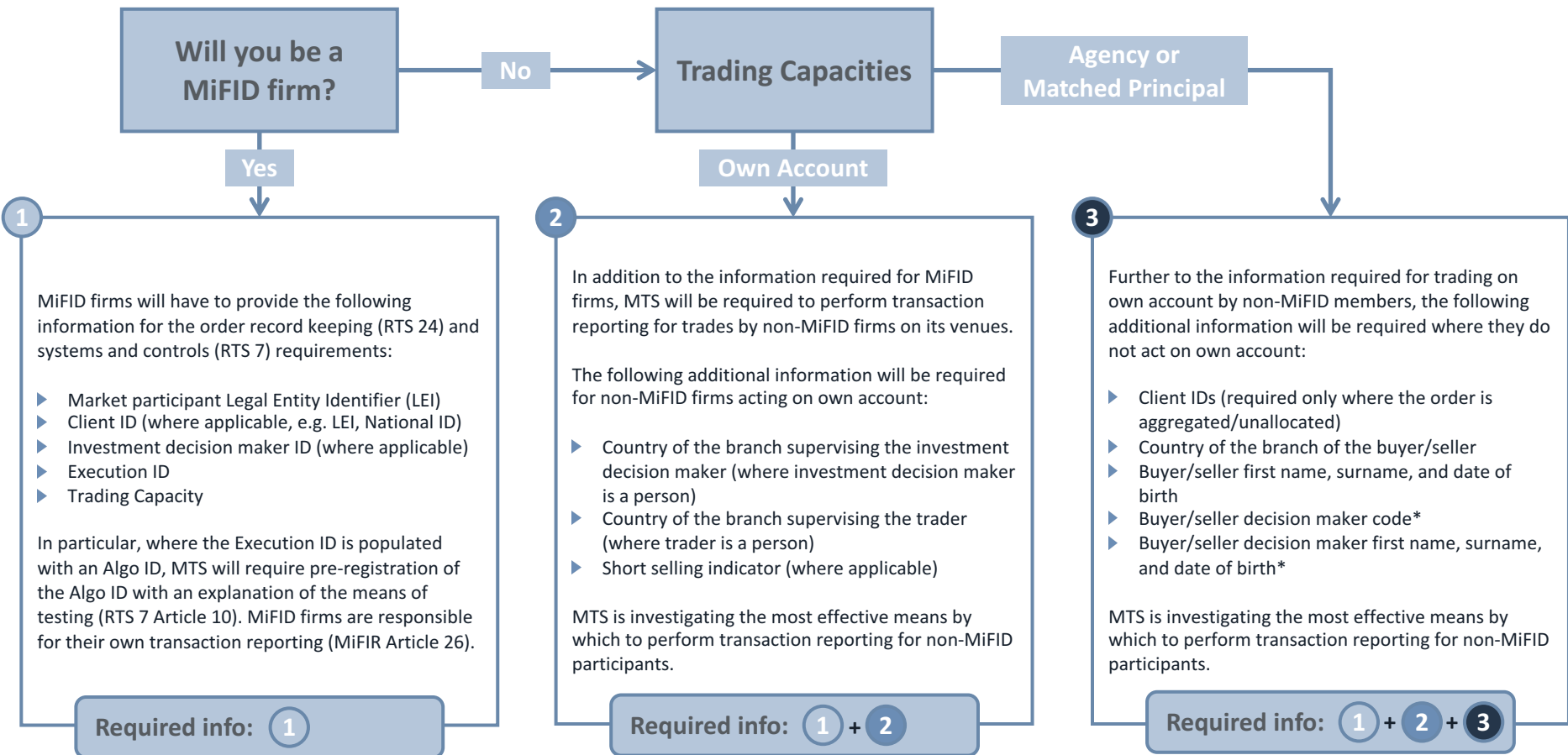
MTS Approach



Summary of information required



Regulatory status and trading capacity trigger additional information requirements, as summarised below



*These fields are only required when the decision maker is acting under the power of representation. According to the ESMA guidelines on Transaction reporting, order record keeping and clock synchronisation under MiFID II, "The power of representation refers to a third party or third parties that are external to the client and have been granted authority to take investment decisions on behalf of the client". Please refer to these guidelines for further details.



Summary of information supported **MTS**[™]

| Market | Pre-registration required | Field | Order/Quote messages | Participant Blotter ¹ |
|----------|---------------------------|---|----------------------|----------------------------------|
| CMF, BV | Yes | Legal Entity Identifier (LEI) of market participant | - | Y |
| CMF, BV | Yes | Investment decision ID (where applicable) | Y | Y |
| CMF, BV | Yes | Execution ID | Y | Y |
| CMF, BV | - | Trading Capacity | Y | Y |
| CMF, BV | Yes | Country of the branch supervising the investment decision maker | - | - |
| CMF, BV | Yes | Country of the branch supervising the trader | - | - |
| CMF, BV | - | Short selling indicator | Y | Y |
| CMF only | - | Liquidity Provision Flag | Y | Y |
| CMF, BV | - | Venue MIC | - | Y |
| CMF, BV | - | Waiver Flag | - ² | Y |

¹ Participant Blotter includes both the Audit Trail (records of orders and quotes) and records of trades

² For BondVision, Dealers will be notified of applicable waivers and deferrals on RFCQ messages from Clients, to account for different trading venues offering different waivers (if any) based on their market model

Focus on Algo & National IDs

New market protocol (SDP) fields



Expected additional fields to be added to the SDP protocol (and FIX for BV only) to support the submission of Algo and National IDs*:

CMF

CMF - Additional Fields in SDP to support Algo & National ID submission

| Member | Short code 1 – Investment Decision | Short code 2 – Order Execution | Algo (optional) |
|------------|--|--|-----------------|
| Dealer ABC | Investment decision Algo ID short code or National ID short code | Order Execution Algo ID short code or National ID short code | Yes/No/Blank |

BV

BV - Additional Fields in SDP & FIX to support Algo & National ID submission

| Member | Short code 1 – Investment Decision | Short code 2 – Order Execution | Short code 3 – Client |
|------------|---|--------------------------------|-----------------------|
| Dealer ABC | Investment decision maker ID short code | Order Execution ID short code | Client ID short code |

*Subject to confirmation when the protocol specifications are published.

Quote and order messages sent to the market with UNREGISTERED short codes will be REJECTED



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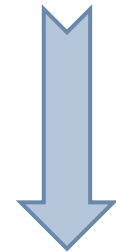
Info registration tool (1/5)



Super User profile

- ▶ Dedicated user profile to ensure only permissioned persons are able to input information
- ▶ Registered information stored securely by MTS
- ▶ MTS working closely with OMS providers and ISVs to ensure efficient transmission and receipt of information on orders, RFQs, and trades

Quote and order messages (and edits) sent to the market with UNREGISTERED short codes will be REJECTED



MTS
Database



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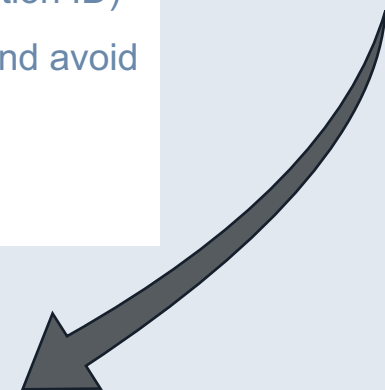
Info registration tool (2/5)



Additional information will be required depending on the ID Type Definition and regulatory status of the member firm

Information submission tool in Market GUI:

- ▶ Register Algo, Client, and National IDs and define roles (e.g. Execution ID)
- ▶ Map short codes to full ID Codes (“long codes”) to reduce latency and avoid transmission of sensitive information in order/quote messages
- ▶ Optional ID Name display for ease of selection and readability



CMF BV Or CMF BV

| ID Type Definition | ID Type | ID Code | ID Code (Short) | ID Name display |
|---|--|--|-----------------|-----------------|
| Algo ID <input type="radio"/> | Execution ID <input checked="" type="checkbox"/> | GB19760223JOHN#SMITH | a1b2 | John Smith |
| National ID <input checked="" type="checkbox"/> | Investor ID <input checked="" type="checkbox"/> | <input type="text"/> Use as ID Code (Short)? | | |
| LEI <input type="radio"/> | Client ID <input type="radio"/> | | | |

Note: **Investor ID** refers to **Investment decision within firm** (See: RTS 22 Annex I Table 2 Field 57, RTS 24 Annex Table 2 Field 4)

Info registration tool (3/5)



| ID Type Definition | ID Type | ID Code | ID Code (Short) | Algo cert. | Algo ID Tested |
|---|--|--|-----------------|---|----------------------|
| Algo ID <input checked="" type="checkbox"/> | Execution ID <input checked="" type="checkbox"/> | algo11 | exa1 | ... <input checked="" type="checkbox"/> | MTS test environment |
| National ID <input type="checkbox"/> | Investor ID <input type="checkbox"/> | <input type="checkbox"/> Use as ID Code (Short)? | | | |
| LEI <input type="checkbox"/> | Client ID <input type="checkbox"/> | | | | |



Self-certification of having tested algorithms and explanation of the means of testing must be provided

| ID Type Definition | ID Type | ID Code | ID Code (Short) | Algo cert. | Algo ID Tested |
|---|--|---|-----------------|---|-----------------------|
| Algo ID <input checked="" type="checkbox"/> | Execution ID <input checked="" type="checkbox"/> | algo12 | algo12 | ... <input checked="" type="checkbox"/> | Proprietary test env. |
| National ID <input type="checkbox"/> | Investor ID <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> Use as ID Code (Short)? | | | |
| LEI <input type="checkbox"/> | Client ID <input type="checkbox"/> | | | | |

Info registration tool (4/5)



CMF BV

| ID Type Definition | ID Type | ID Code | ID Code (Short) | ID Name display |
|--|----------------------------------|--|-----------------|-----------------|
| Algo ID <input type="radio"/> | <input checked="" type="radio"/> | FR19760223NICOLMARTI | nima | Nicolas Martin |
| National ID <input checked="" type="radio"/> | | <input type="checkbox"/> Use as ID Code (Short)? | | |
| LEI <input type="radio"/> | | | | |

- ▶ ID Type restrictions for National IDs only available for BondVision
- ▶ LEI/Client ID registrations only available for BondVision

CMF BV

| ID Type Definition | ID Type | ID Code | ID Code (Short) | ID Name display |
|--|---|---|----------------------|-----------------|
| Algo ID <input type="radio"/> | Execution ID <input checked="" type="radio"/> | FR19760223NICOLMARTI | FR19760223NICOLMARTI | Nicolas Martin |
| National ID <input checked="" type="radio"/> | Investor ID <input checked="" type="radio"/> | <input checked="" type="checkbox"/> Use as ID Code (Short)? | | |
| LEI <input type="radio"/> | Client ID <input type="radio"/> | | | |

Info registration tool (5/5)



Additional information required from Non-MiFID firms:

For each National ID registered by Non-MiFID firms, a two letter country code (ISO 3166-1 alpha-2 format) must be provided associated with:

- ▶ Country of the branch responsible for the person making the investment decision
- ▶ Country of the branch supervising the person responsible for the execution

CMF BV Or CMF BV



| ID Type Definition | ID Type | ID Code | Country | Order Execution | Country Investment Dec. |
|--------------------|----------------------------------|--|---------|-----------------|-------------------------|
| Algo ID | <input type="radio"/> | GB19760223JOHN#SMITH | ... | IL | IL |
| National ID | <input checked="" type="radio"/> | <input type="text"/> Use as ID Code (Short)? | | | |
| LEI | <input type="radio"/> | | | | |

Focus on ID formats

Algo ID, National ID, and Legal Entity Identifiers (LEI)



MiFID II (RTS 22, RTS 24) are highly prescriptive in terms of formatting:

ALGO ID up to 50 alphanumerical characters

➔ e.g. algo123

NATIONAL ID up to 35 alphanumerical characters, depending on nationality

➔ e.g. FR19760223NICOLMARTI, see example on the right

LEI 20 alphanumerical characters, issued by national numbering agencies

➔ e.g. 213800OANOWGT2KW8O63

Personal details

| Name | Country | Date of Birth |
|----------------|---------|---------------|
| Nicolas Martin | France | 23/02/1976 |



RTS 22 Annex II Identifiers

| Country | Country Code | Identifier |
|---------|--------------|------------|
| France | FR | CONCAT |



RTS 22 Annex II Identifiers

| ID Type | ID Code |
|-------------|----------------------|
| National ID | FR19760223NICOLMARTI |



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