

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?

MiFIR's complex transparency regime

SSTI

FWAF

Deferral

DATF

Waiver

RM

TPAC

VOLO

LIS

To see a full
list of terms turn
to the Glossary
page 17

TOTV

MTF

SI

IDAF

Liquidity

APA

COAF

LMTF

OTF

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...

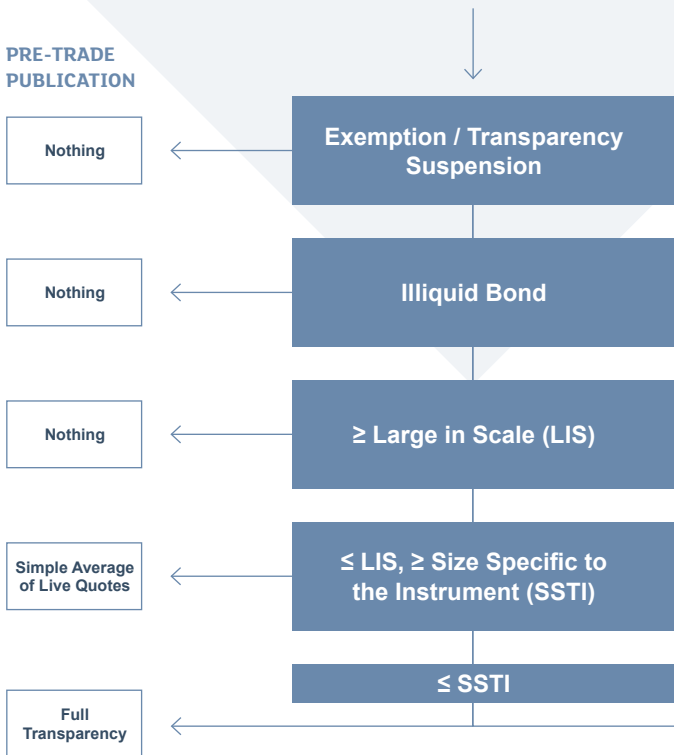
... subject to **exemptions, waivers, and deferrals!**



Client Question (2)

When does transparency apply?

BondVision RFQ Transparency Rules Engine



MTS BondVision will enrich Client RFQ Requests with waiver and deferral indicators

POST-TRADE PUBLICATION

Money Market Instruments are exempt, and NCAs may suspend transparency obligation.



Nothing

An illiquid bond is eligible for both a pre-trade waiver and a post-trade deferral.



Deferred

LIS value may differ between bond types and for pre-trade waivers and post-trade deferrals.



Deferred

SSTI value may differ between bond types and for pre-trade waivers and post-trade deferrals.



Deferred

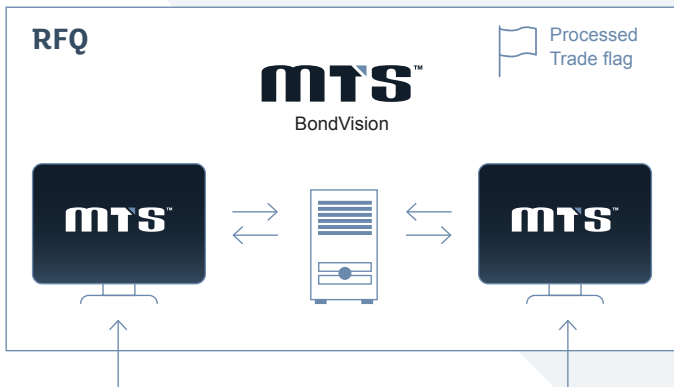


Real Time

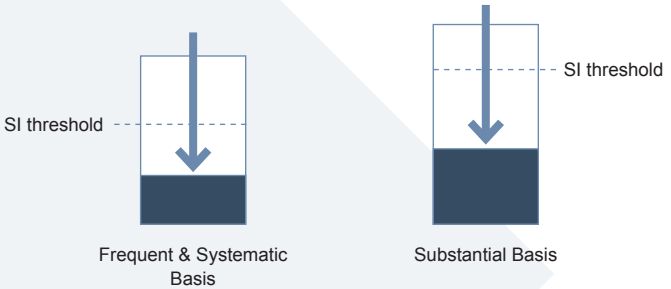
MTS BondVision Processed Trade

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



Negotiation



(2) Trade Booked

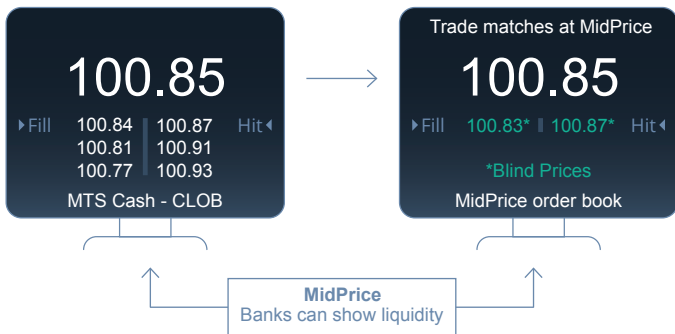
MTS Cash

MidPrice Crossing & Trade Registration

Mid Price Crossing

Trade at LIS level in this semi-lit order book

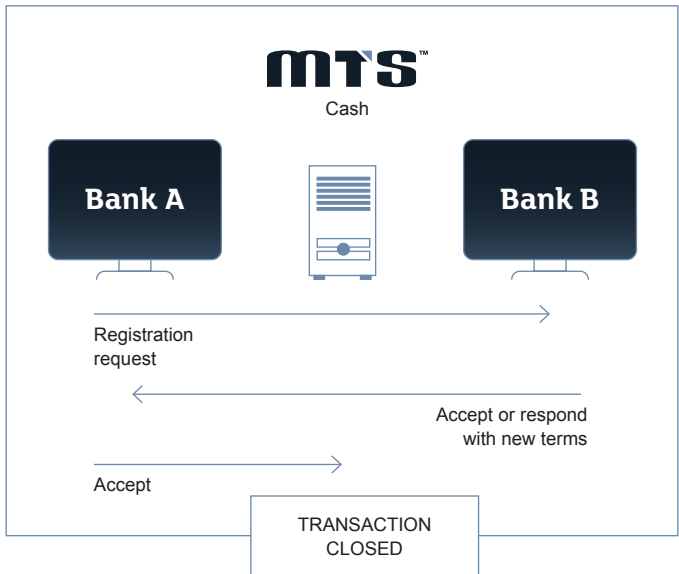
- ▶ No disclosure of quantities and side (buy/sell) will happen pre-trade (before the trade is executed)



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

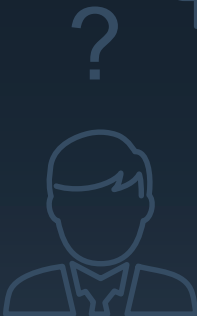
MiFID II Reporting Services

Client questions:

▶ What is the difference between trade and transaction reporting?

▶ How can I report my transactions?

▶ How can I trade report?



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:

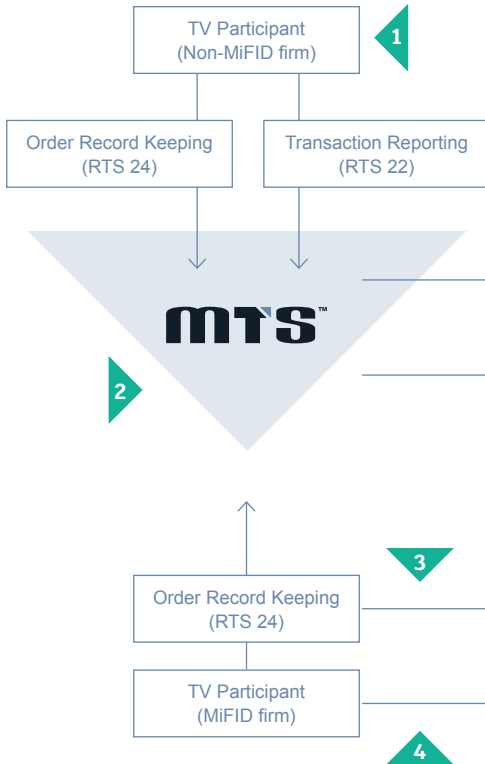
MiFID firms report for themselves, trading venues to report for non-MiFID firms

OTC:

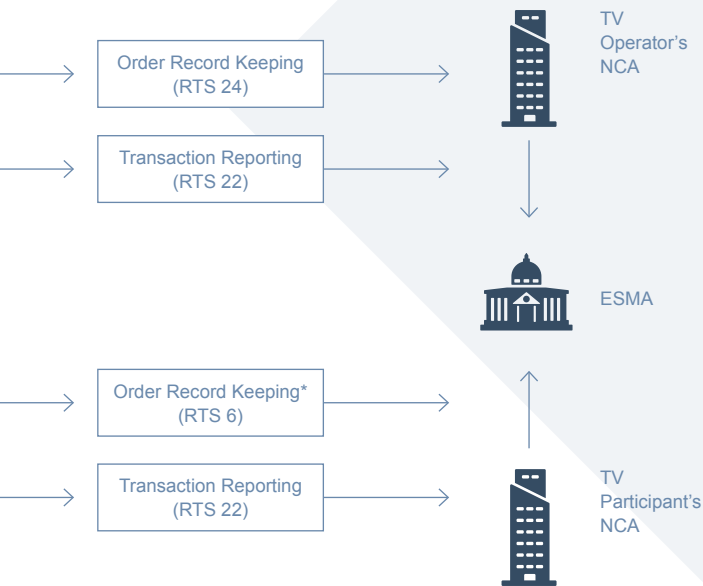
investment firms to report for themselves, no obligation on non-MiFID firms

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 |
|------------------------|-----------------------|-------------------------|-------------|

For more information,
please consult www.mtsmarkets.com/data

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 |
|------|--|

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 |


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