



MiFID II

Focus on Foreign Exchange

Christiane Schon

Head of Market Integrity, Data Protection & Cross Border
Corporate Compliance - Banque Internationale à Luxembourg SA

Vincenzo Dimase

Head of Market Development, Trading, Continental Europe –
Thomson Reuters

Luxembourg, 26 October 2017

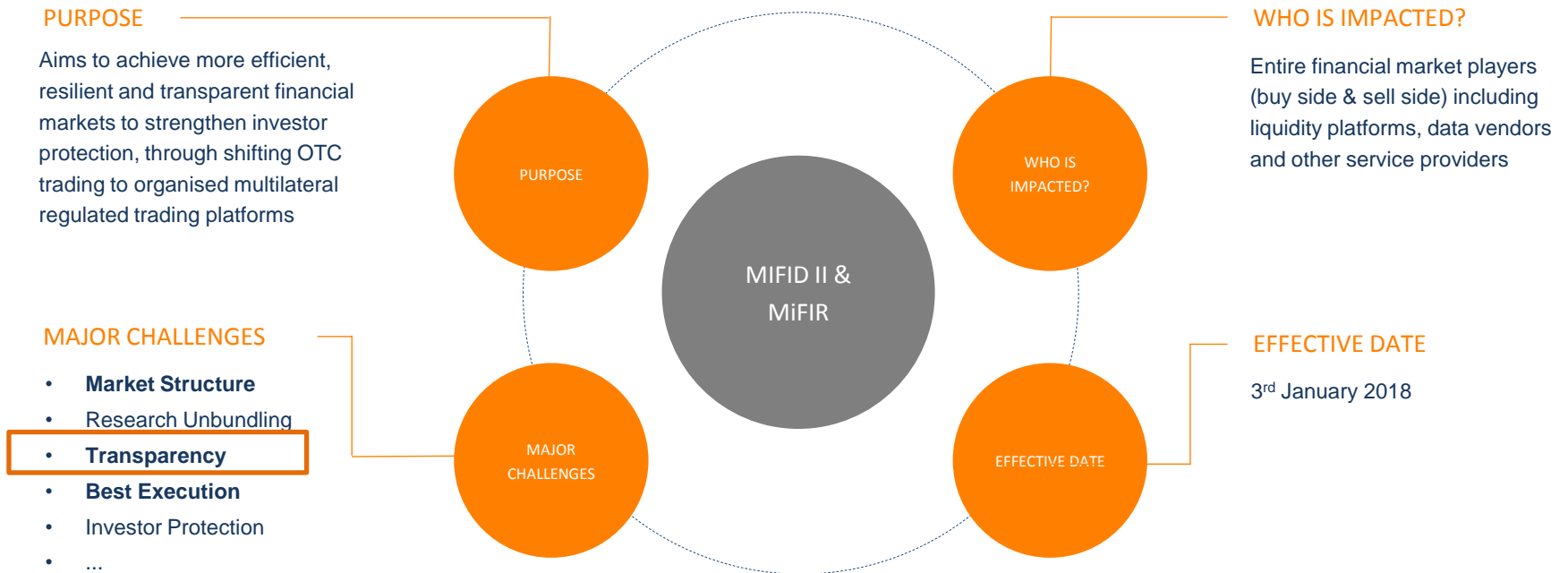


The intelligence, technology and human expertise
you need to find trusted answers.



the answer company™
THOMSON REUTERS®

MiFID II

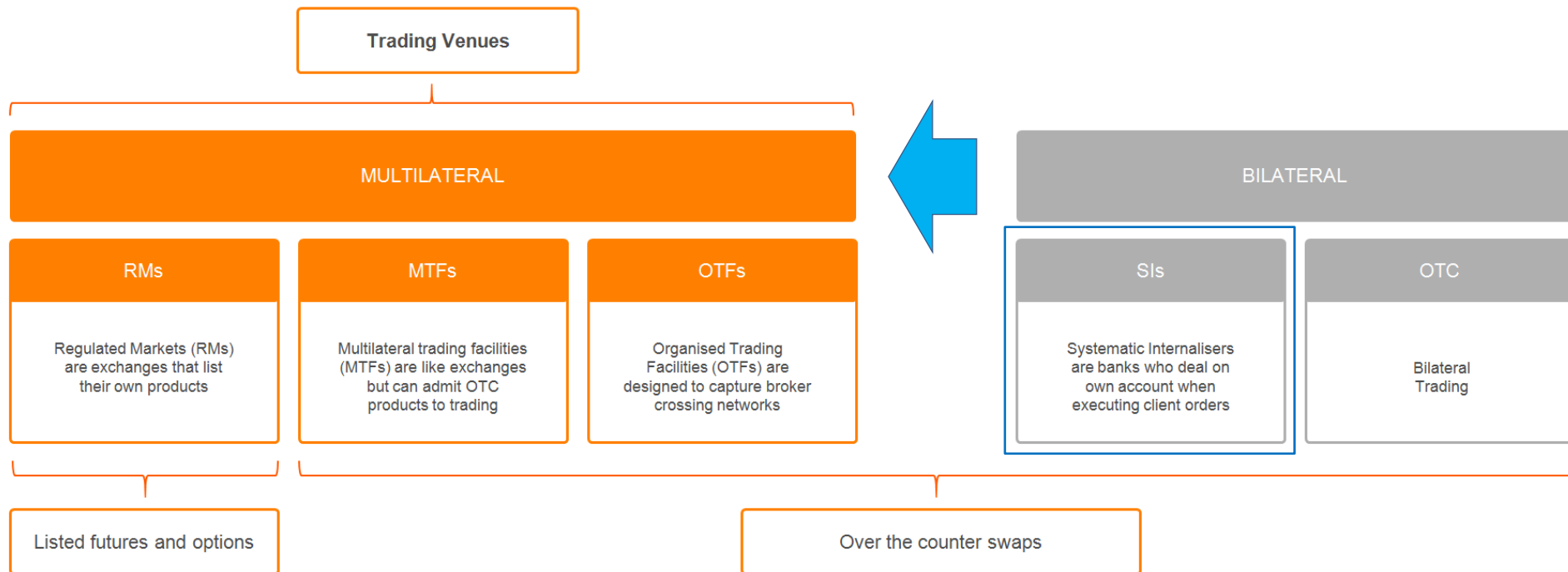


MiFID II TIMELINE & READINESS

“How confident are you that your firm will be compliant with the transparency regime on January 3, 2018?”

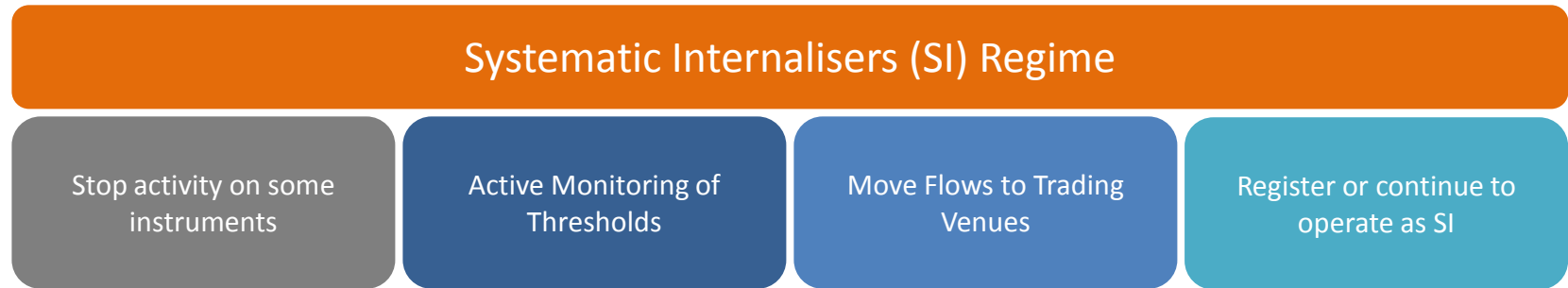


Market Structure Overview



*“The extension of the **SI regime** to non-equities markets and the introduction of quantitative thresholds have put this obligation at the heart of many sell-side firms MiFID II compliance programmes.”*

Systematic Internaliser Regime What's New



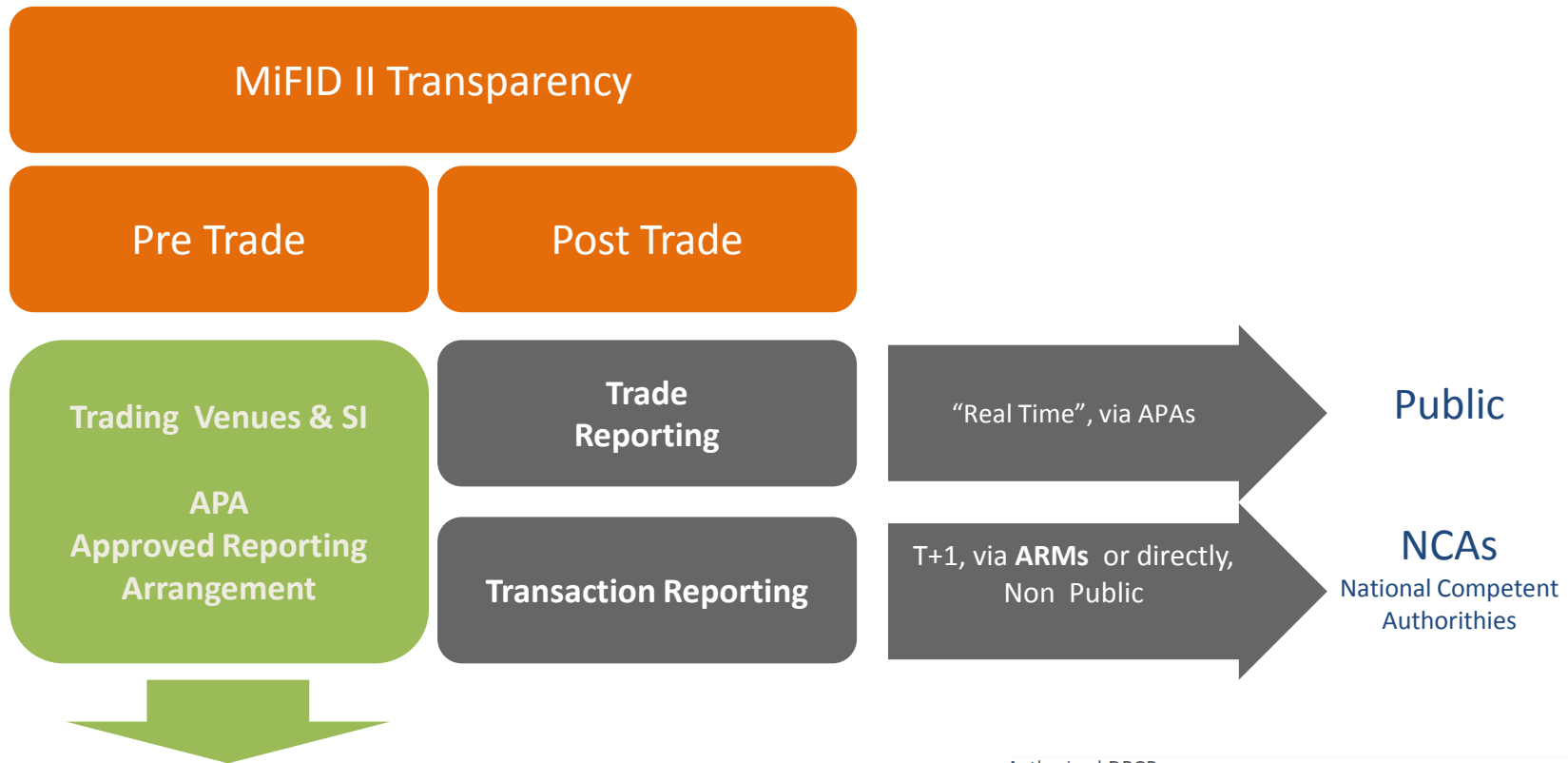
- **ESMA Official Data:** Available from August 18 – first analysis to be completed in Sept 18
- **Monitoring tools:** SI Thresholds Dashboards – Thomson Reuters Velocity Analytics 8
- **Trading Venue:** Thomson Reuters continues to operate **MTF** (FXAll and Forward Matching)
- **SI “Proxy” Data:** Thomson Reuters Data
- **SI Role** in Post Trade Transparency (Trade reporting) – who trade reports ?

Transparency Objectives

OBJECTIVES OF MiFID II TRANSPARENCY

- ✓ Move trading turnover (currently OTC) onto trading venues (RM, MTF & OTF).
- ✓ Create price discovery mechanism for OTC products.
- ✓ Create reference data for OTC products.
- ✓ Diminish systemic risks to increase investor protection.

Transparency Overview



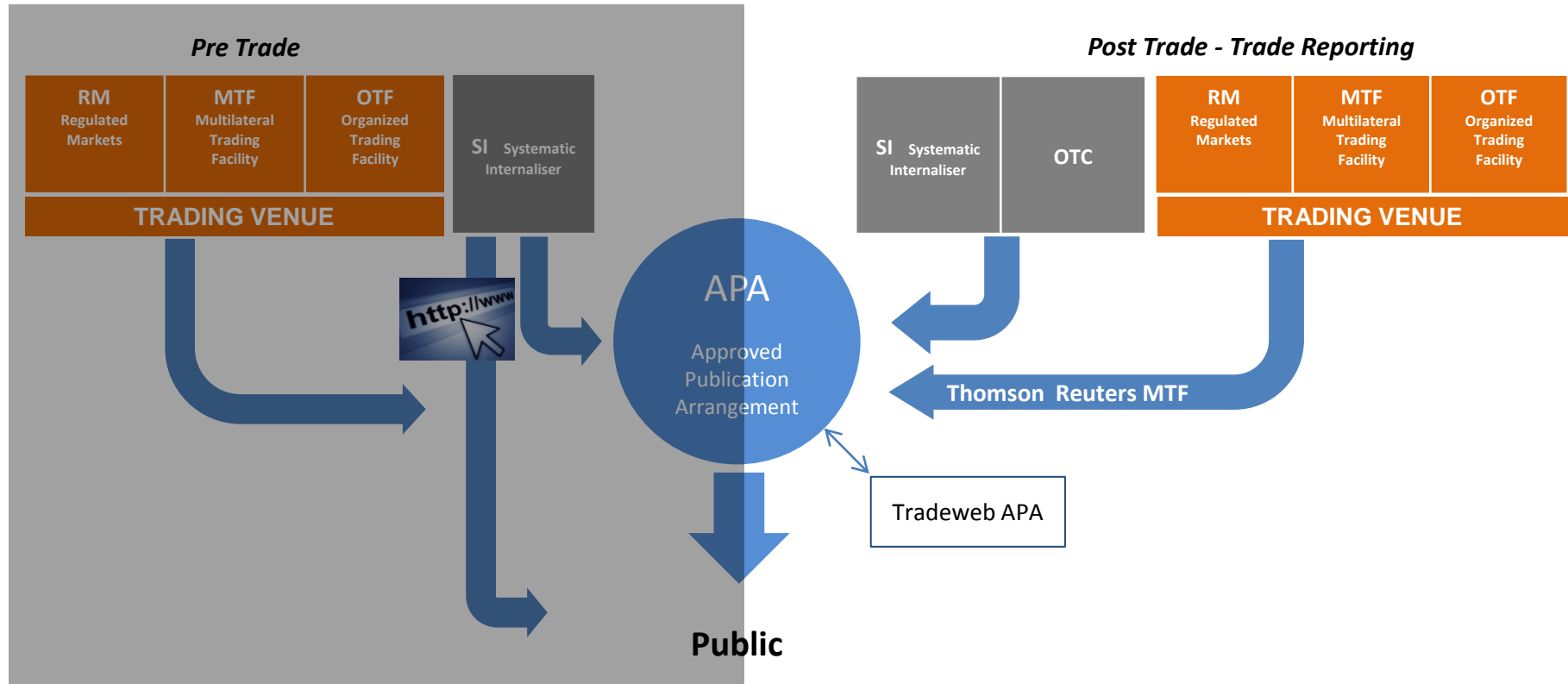
Authorised DRSPs

This table shows DRSPs which have been authorised or verified by the FCA.

Entity name	DRS type	Effective Date
Abide Financial DRSP Limited	APA/ARM	3 January 2018
Bats Trading Limited	APA	3 January 2018
Bloomberg Data Reporting Services Limited	APA/ARM	3 January 2018
London Stock Exchange plc	APA/ARM	3 January 2018
Tradeweb Europe Limited	APA	3 January 2018
Xtrakter Limited	APA/ARM	3 January 2018

Transparency Overview

- ESMA deemed illiquid all **FX** instruments = > No Pre Trade Transparency

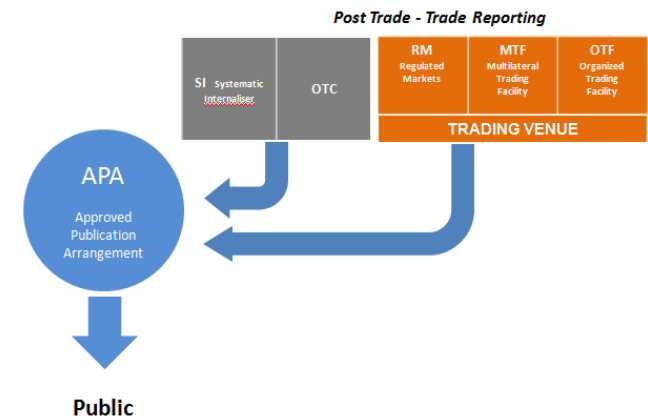


Transparency Post Trade – Who Reports & When

FX derivatives

All trades, amendments and cancels must be published by the trading venue or via an APA – Approved Publication Arrangement :

- “Real time” reporting (within 15 minutes of execution)
 - In 2020, real time = within 5 min of execution



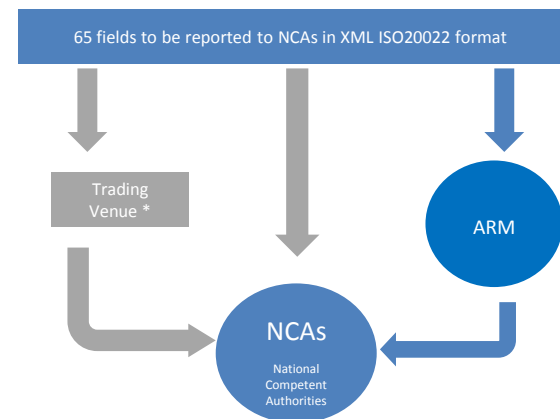
- Delayed publication (48 hours) permitted for:
 - Transactions greater than Large in Size Threshold (LIS)
 - **Instruments where there is no liquid market (FX)**
 - Transactions greater than the Size Specific to the Instrument Threshold (SSTI)

Transparency Transaction Reporting

Article 26 (1) MiFIR requires **investment firms** executing transactions in **financial instruments** to **report** to the national competent authorities (**NCA**s) details of those transactions. This will enable NCAs activity to detect and investigate potential scenarios of market abuse and monitor how markets are functioning.



- **WHEN:** To be completed no later than the following working day: $t+1$
- **WHAT:** RTS (22) list (Cash Equities, Bonds, Indexes & Equity, FX, IR and commodity Derivatives (OTC & ETD) + Financial Instruments whose underlying is directly or indirectly traded on a TV.
 - Additional Fields (from 23 to 65)
 - Applies to **TOTV** and **uTOTV** financial instruments
- **TO WHOM:** Non Public (National Competent Authorities)/ **ARM** Approved Reporting Mechanisms



Best Execution Overview

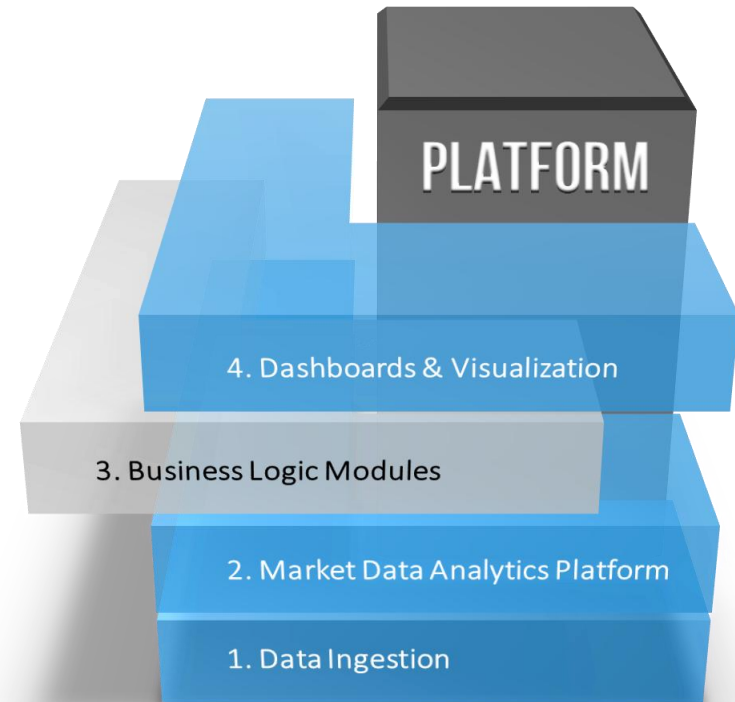
- The overarching MiFID II best execution obligation requires firms to **take all sufficient** steps to obtain the best possible result, taking into account a range of execution factors, when executing client orders or placing orders with (or transmitting orders to) other entities to execute.
- This changed from MiFID I where client were only obliged to provide **reasonable** steps.
- Best Execution is not only Best Price.



Best Execution The Challenge

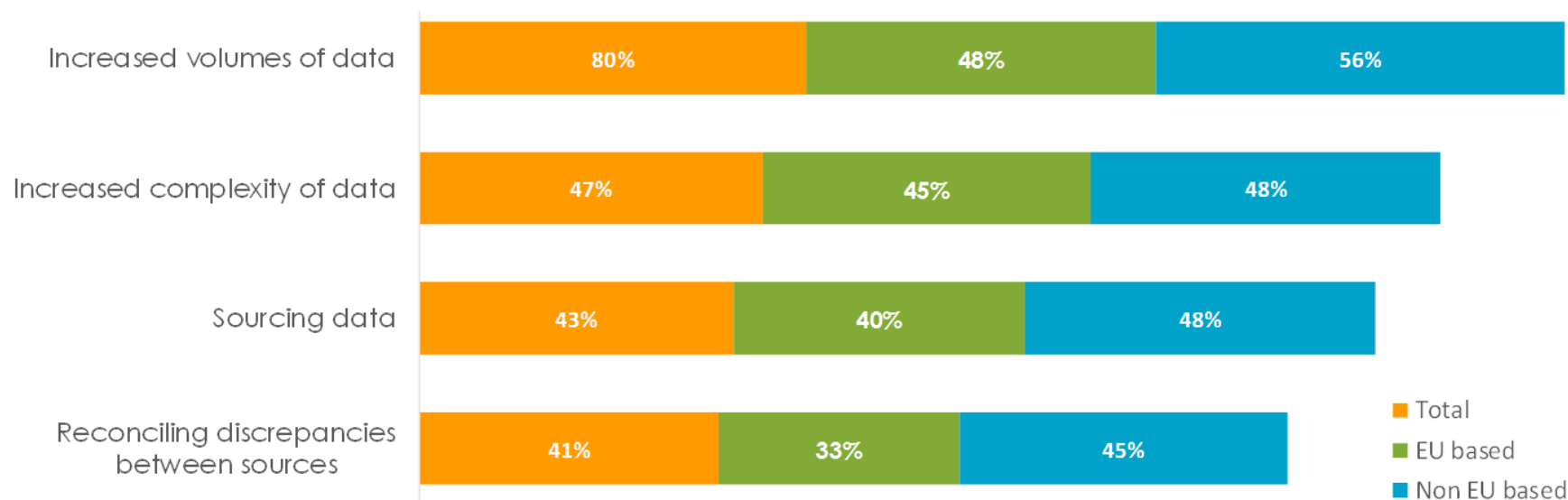
Best Execution Policy Implementation

- **Reporting:** RTS 27 & 28 available to the public for 2 years
- **Monitoring:** TCA Tools & Dashboards
- **Controlling :** Policies & Escalation Management



The biggest challenges data management practitioners are still facing

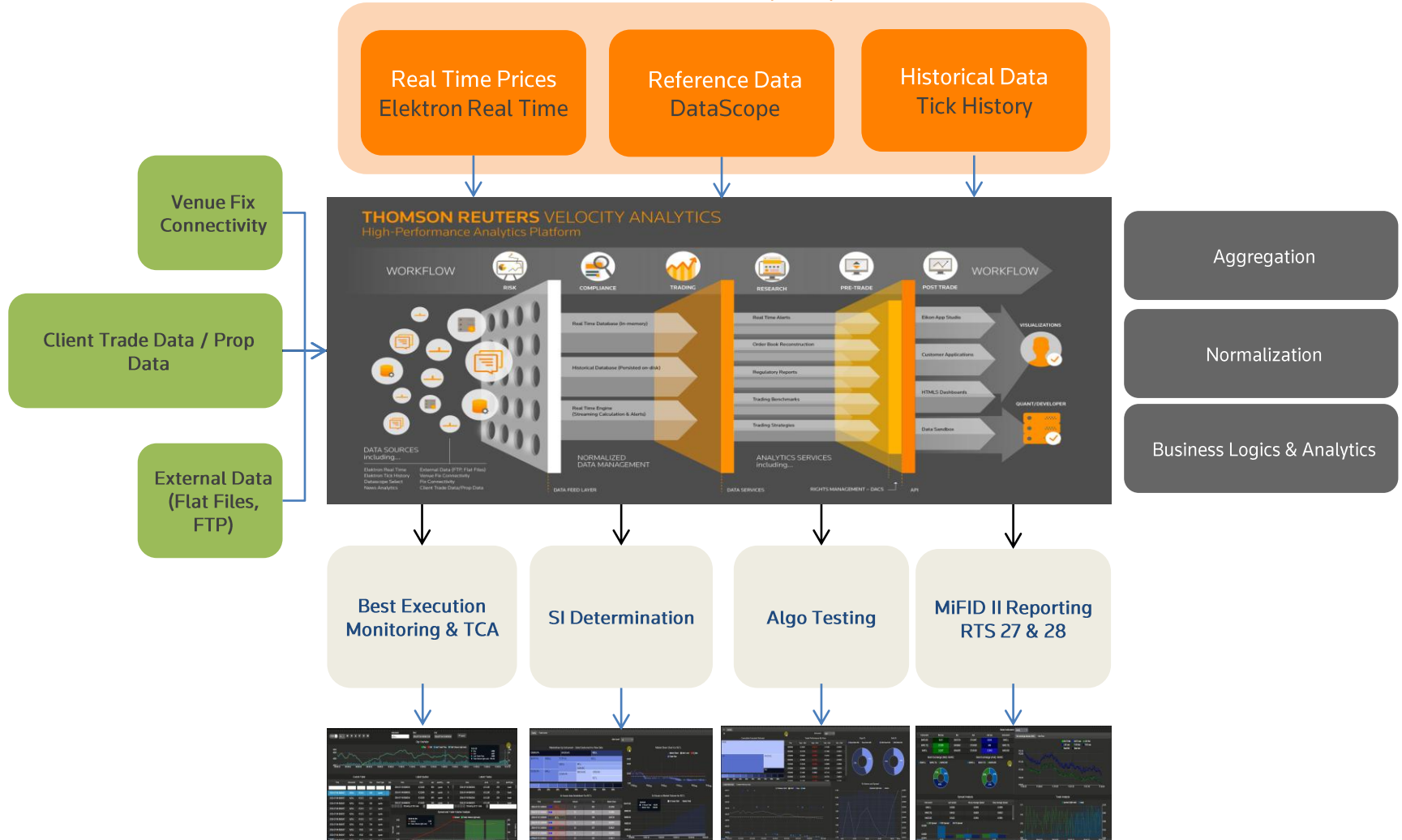
Challenges from a data management perspective



Source: Thomson Reuters, *The challenges of MiFID II Compliance 2017 MiFID II Market Readiness Report, 2017*

Best Execution The Data Challenge

Thomson Reuters Velocity Analytics 8 is a Multi Asset solution



Best Execution Growing Role of TCA

The Foreign Exchange Global Code of Conduct

“...Market Participants acting as Clients should regularly evaluate the execution they receive”

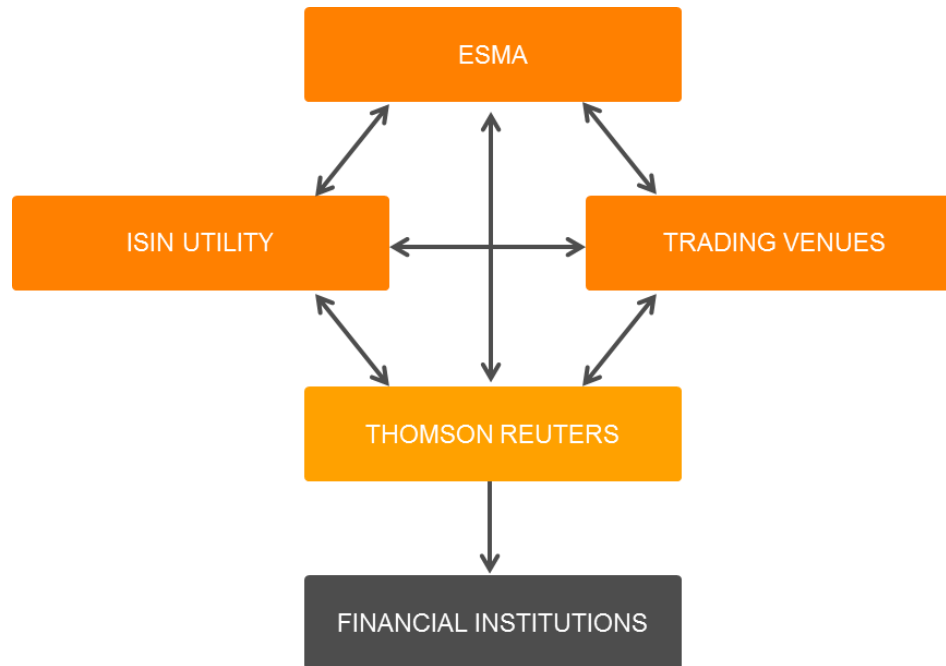
Execution – Principle 9

- ✓ Issued 25th May 2017
- ✓ Built around 6 leading principles
 - Ethics
 - Governance
 - Information Sharing
 - Risk Management & Compliance
 - Execution
 - Confirmation & Settlement
- ✓ Applicable to ALL market participants
- ✓ Growing relevance of TCA tools.



Reference Data Overview

- Reference Data is the foundation that drives MiFID reporting processes
 - ✓ Determines **eligibility of an instrument or trade** needs to be reported (i.e. TOTV & uTOTV)
 - ✓ Determines **timing of reporting requirement based on liquidity and size of traded, which drives waivers or deferrals**
 - ✓ **Impacts on Trading – Post Trade / Transaction Reporting** (i.e. LEI availability)
- MiFID establishes **entirely new way that reference data** is exchanged between market participants and created.



Reference Data No LEI, No Trade


MEETING NEW TRANSACTION REPORTING REQUIREMENTS

- No LEI, No Trade
- LEI code to be requested & maintained
- 20 digits code (GLEIF)

- ✓ Neutral
- ✓ Global
- ✓ Unique
- ✓ Standard
- ✓ Public

- Full Profiling of counterparties

- ✓ [Thomson Reuters LEI Profiling Service](#)



LEI: MORE THAN A NUMBER

Any firm subject to MiFID II transaction reporting obligations **will not be able to execute a trade** for a client who is eligible for a Legal Entity Identifier (LEI) and does not have one.

the answer company™
THOMSON REUTERS®

Reference Data ESMA briefing on LEI requirements

ESMA expects market participants to take all necessary steps to ensure full compliance with the LEI requirements under MiFID II

Article 13(2) of ESMA RTS 22 MiFIR ...“Investment firms shall not provide a service that would trigger the obligation of an investment firm to submit transaction reports” under MiFIR “for a transaction entered into on behalf of a client who is eligible for the legal entity identifier code, prior to the LEI being obtained from that client”.

The screenshot shows the ESMA website with the following content:

- Header:** ESMA logo, navigation links (FAQ, GLOSSARY, CONTACT US, WHISTLEBLOWERS, FOLLOW ESMA), and social media icons.
- Search Bar:** A search input field with a magnifying glass icon and an 'Extranet' button.
- Navigation Menu:** Links for About ESMA, Press & News, Policy activities, Supervision, Convergence, Risk Analysis, Rules, Databases & Library, and Investor corner.
- Breadcrumb:** Home > ESMA highlights importance of LEI for MIFIDII/MIFIR compliance.
- Main Content:**
 - Title:** ESMA HIGHLIGHTS IMPORTANCE OF LEI FOR MIFIDII/MIFIR COMPLIANCE
 - Date:** 09 October 2017
 - Category:** MIFID - SECONDARY MARKETS, PRESS RELEASES
 - Text:** The European Securities and Markets Authority (ESMA) has published a Briefing on the Legal Entity Identifier (LEI) as part of its efforts to raise industry awareness and facilitate compliance with the LEI requirements under MiFID II ahead of its 3 January 2018 launch.
 - Text:** ESMA expects market participants to take all necessary steps to ensure full compliance with the LEI requirements under MiFID II. Based on its previous experience with EMIR reporting, ESMA urges reporting entities not to delay in addressing this important matter, as advance preparation will help in avoiding backlogs and ensuring that all market participants are ready for the new regime.
- Related Documents:**
 - LEGAL ENTITY IDENTIFIER - BRIEFING NOTE**
 - Date: 09 October 2017
 - File: ESMA70-145-238_LEI_BRIEFING_NOTE.PDF (181.66 KB)
 - ESMA HIGHLIGHTS IMPORTANCE OF LEI FOR MIFIDII/MIFIR COMPLIANCE**
 - Date: 09 October 2017
 - Text: The European Securities and Markets Authority (ESMA) has published a...
 - File: ESMA71-99-613_ESMA_HIGHLIGHTS_IMPORTANCE_OF_LEI_FOR_MIFIDII_MIFIR_COMPLIANCE.PDF (145.53 KB)
- ON THE SAME TOPIC:** (Empty section)

“...An investment firm reporting under MiFIR Article 26 should **have appropriate arrangements** in place in order to **collect and verify** the LEI of its client before the transaction takes place. In particular, investment firms have to ensure that the length and construct of the code are **compliant with the ISO 17442** standard, that the code is included in the **Global LEI database** and that it pertains to the client concerned.”

09 Oct 2017

Reference Data ISINs

European legislation MiFID II/MiFIR & MAR have specified the use of **ISINs** for all the instruments in-scope of the regulation, including OTC derivatives tradable on an EU trading venue or with an underlying tradable on an EU trading venue.

The **ANNA Derivatives Service Bureau (DSB)** is a fully automated generator of International Securities Identification Numbers (ISINs) for OTC derivatives.

ANNA DSB is operational as of 2nd October 2017.

Its core purpose is to serve as a global numbering agency, providing unique identification of OTC derivatives to serve the needs of market participants and regulators through allocation of the International Securities Identification Number (ISIN), as well as the Classification of Financial Instruments (CFI) and Financial Instrument Short Name (FISN), as OTC products are created.



Inclusion of **ToTV (Traded on a Trading Venue) flagging** will begin UAT testing on 20 November and move into production in the latter half of December 2017.

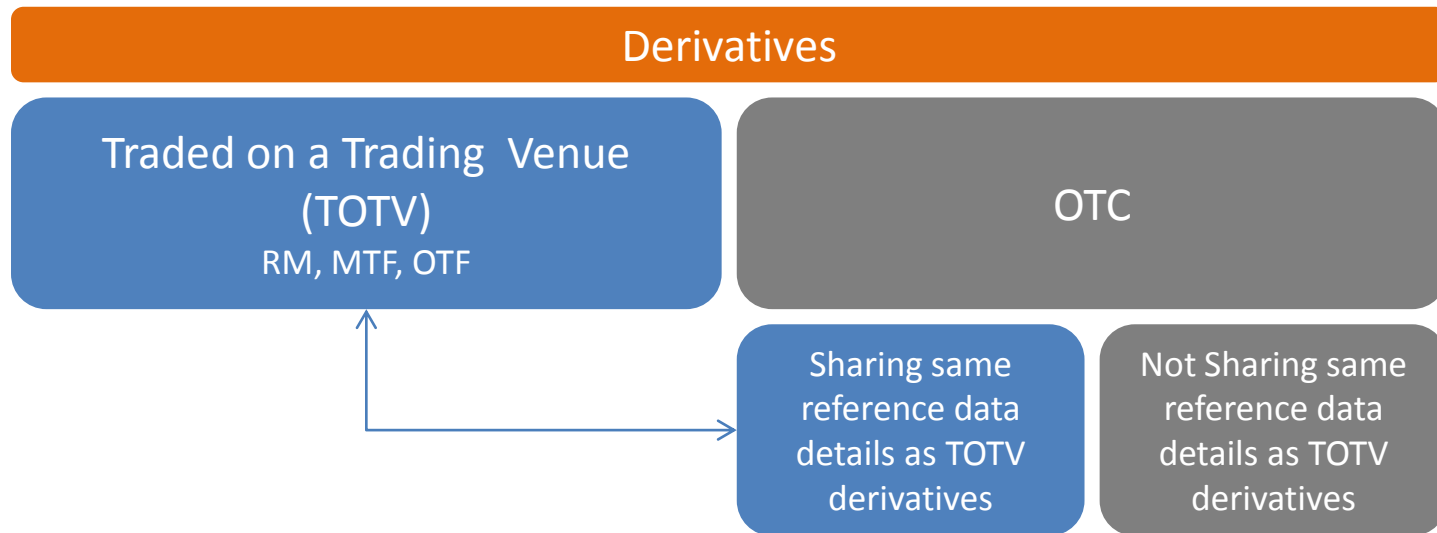
Key Areas for the Industry

- Commercial Model based on “Cost Recovery Basis” : Fees review in January 2018
- Access Profiles: Power, Standard, Infrequent & Registered Users
- Connectivity: Programmatic (FIX/XML protocol/API,...)

Reference Data TOTV definition

ESMA Opinion - 22 may 2017

- Definition of “Traded on a Trading Venue” is relevant for scope of application of several provisions of MiFIR (transparency & transaction reporting).
- MiFIR broadens scope of application for Transparency & Transaction Reporting from instruments admitted to trading on a Regulated Market (RM) to include also those traded on a Trading Venue (MTF, OTF)
- The concept of TOTV was not defined in MiFID II/MiFIR.



https://www.esma.europa.eu/sites/default/files/library/esma70-156-117_mifir_opinion_on_totv.pdf

Final Considerations...some

“How confident are you that your firm will be compliant with the transparency regime on Jan 3, 2018?”

- **Known Unknowns & Industry Challenges...**

- TOTV Definition
- ISINization of the OTC market
- No LEI No Trade
- Record Keeping
- KIDs, New workflows, Illiquidity Status of FX, ...



- **Increased Costs**

- Data Acquisition (real time/historical price & reference data)
- Infrastructure & Technology
- Knowledge, Business Logics & Analytics
- New Entities to deal with - DRSPs: APAs, ARMs, CTPs

- **Opportunities ?**

- Increased Transparency = Safer Market
- Price Discovery
- First Mover advantage
- Better Data Management to serve regulations



Thomson Reuters for MiFIDII www.mifidii.com

Thomson Reuters Answers to MiFID II Challenges

If you are interested in discovering more on how Thomson Reuters can help you to solve MiFID II Challenges, you can contact your Account Manager or one of the following members of the Luxembourg Specialists team:

- Philippe Karas philippe.karas@thomsonreuters.com +352 475151 334
- Rebecca Marciano rebecca.marciano@thomsonreuters.com +352 47 51 51 346
- Olivier Dubois olivier.dubois@thomsonreuters.com +352475151314

Visit Thomson Reuters website dedicated to MiFIDII www.mifidii.com

Follow us on Twitter @mifidii @vincedimase #TRFinReg

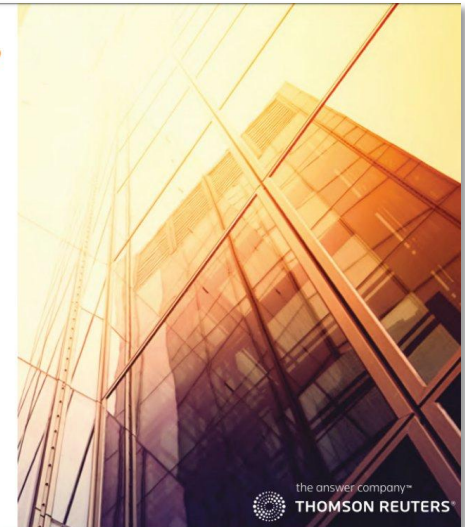
Will the market be ready?

With **3 January 2018** quickly approaching our survey respondents are concerned **they won't be ready.**

Will your company be ready for MiFID II?

Discover more industry insights in our survey.

Visit mifidii.com for details





MiFID II

Focus on Foreign Exchange

THANK YOU

Luxembourg, 26 October 2017



The intelligence, technology and human expertise
you need to find trusted answers.

