



MiFID II Transparency and Transaction Reporting

Background

The Markets in Financial Instruments Directive (MiFID I), in force from November 2007 to January 2018, set out the framework for the provision of investment services and activities in Europe. This framework has now been significantly revised through the implementation of MiFID II. MiFID II consists of a Directive 2014/65/EU (“Recast MiFID”) and a Regulation (EU) No 600/2014 (“MiFIR”), collectively referred to as “MiFID II”.

MiFID II contains significant changes to the framework set out in MiFID I, including in relation to investor protection and market structure. This document is intended to provide a high-level overview on the changes related to transparency and transaction reporting requirements.

Regulation | **MiFID II**
February 2018

1. What are the key transparency and transaction reporting reforms in MiFID II?

- **Increased transparency:** Pre- and post-trade transparency requirements are being extended (subject to certain available waivers) under MiFID II to non-equity instruments (for example bonds, structured finance products and derivatives) and equity-like instruments (for example depositary receipts, exchange traded funds and certificates). Under MiFID I, transparency requirements were limited to shares admitted to trading on a regulated market.

As a result of these extended transparency requirements, more information will be available to the public on trading in financial instruments both pre-execution (including quotes and pricing) and post-execution.

- **Transaction Reporting:** Under MiFID II, the obligation to report transactions to the relevant competent authority increases in scope and prescription. The reporting obligation would apply to all financial instruments admitted to trading or traded on an EEA trading venue (TOTV) and to all instruments whose underlying is such a financial instrument (uTOTV). To meet their reporting obligations, firms are required to collect more information from their clients such as legal entity identifiers (“LEIs”).

Key Dates

20 October 2011

The European Commission adopted a legislative proposal for the revision of MiFID in the form of a revised Directive (Recast MiFID) and a new Regulation (MiFIR), together MiFID II.

15 April 2014

MiFID II was adopted by the European Parliament.

12 June 2014

MiFID II was published in the EU Official Journal – level 1 publication.

3 July 2017

Deadline for transposition of MiFID II into national law by member states.

30 November 2017

BNP Paribas decided to voluntarily opt-in as a Systematic Internaliser (SI) for all MiFID II TOTV Non-Equity instruments and ETFs.

3 January 2018

Application of MiFID II within all Member States. Voluntary SI opt-in.

1 September 2018

SI determination calculation - mandatory SI status declaration.



Pre-Trade Transparency

2. What are the pre-trade transparency requirements on Systematic Internalisers (SIs) and what discretion do SIs have in quoting or trading?

Pre-trade transparency obligations apply to:

- EEA Trading Venues (i.e. Regulated Markets, Multi-Trading Facilities and Organised Trading Facilities) and
- Investment Firms registered as Systematic Internaliser (SI).

The section details pre-trade transparency obligations related to SIs.

- **Firm quotes for liquid instruments** - SIs are required to publish firm quotes for those financial instruments qualified as TOTV, for which they are SIs and for which there is a liquid market.
- **Firm quotes for illiquid instruments** - For non-equity financial instruments for which there is no liquid market, SIs must disclose quotes to clients on request if they agree to provide a quote.
- **Waivers** - For quotes on Trading Venues and with SIs, National Competent Authorities (i.e. local regulators) may grant transparency waivers, including waivers for:
 - illiquid instruments,
 - orders that are large in scale ("LIS") compared with normal market size or
 - orders above the size specific to the instrument ("SSTI").

SIs (which by definition are dealing on own account) are required to use the SSTI thresholds and can therefore ignore the LIS (SSTI are lower than LIS).

- **Terms of Business and Commercial Policy**
 - SIs are able to limit the number of transactions a client may enter into, and the client to whom the quotes are provided, as long as it is done in an objective and non-discriminatory manner, on the basis of their commercial policy.
 - SIs may refuse to enter into, or discontinue, relationships with clients on the basis of commercial considerations such as the client's credit status, counterparty risk and final settlement of the transaction.
 - In addition, SIs may update their quotes at any time, and under exceptional market conditions, withdraw quotes.
- **Publication arrangement** - SIs may publish such quotes on their own proprietary arrangement (e.g., proprietary website) or use an approved third party vendor (known as an Approved Publication Arrangement, or "APA").



Post-Trade Transparency

3. Who is subject to post-trade transparency requirements?

- **Who** - Post-trade, all EEA investment firms (including SIs) must make public, via an approved third-party vendor (known as an Approved Publication Arrangement, or “APA”), the volume, price and time of OTC transactions (i.e., executed by voice or via a BNPP single dealer platform) for the instruments that are admitted to trade or traded on an EEA trading venue (i.e. qualified as TOTV).
- **Responsibility** - For those transactions in financial instruments concluded with an SI, the SI is responsible for post-trade transparency requirements (in cases where the clients are not SI themselves). Where the client is also an SI, the seller of the instrument is responsible for making the transaction public.
- **Real-time** - For non-equity instruments, such information must be reported within 15 minutes of execution, and for equity / equity like instruments within 1 minute from the point of execution (subject to applicable deferrals).
- **What** - Execution price and size are made public to all market participants, but the counterparties’ identity is not disclosed.
- **Deferrals** - National regulators may allow deferred publication or publication of limited details of transactions, in certain illiquid instruments or large transactions above specified thresholds (SSTI or LIS).
- **Trading Venues** - For trades executed on a MiFID II Trading Venue (TV), the TV is responsible for fulfilling the pre- and post-trade transparency obligations. The TV is responsible for reporting quotes and trades.

4. Which APA does BNP Paribas Global Markets use to perform post-trade transparency?

To perform the post-trade transparency reporting, BNP Paribas Global Markets (BNPP GM) uses:

- LSE TRADEcho APA for equity and equity-like products
- Tradeweb APA for non-equity products (which includes all bonds and all derivatives classes)

5. What is the impact of post-trade transparency on compression?

EEA investment firms and market operators providing portfolio compression must make public through an APA the volumes of transactions subject to portfolio compression, and the time they were concluded, within the same time limits under the post-trade transparency requirements.

For multi-lateral compressions, post-trade transparency will be managed by the third party (e.g. TriOptima).

6. Assisted Reporting for post-trade transparency

In almost all cases, there has been no need to offer assisted reporting because BNP Paribas is SI for all TOTV instruments that are traded OTC with clients.

As a result, BNP Paribas is responsible for the post trade reporting obligation in almost all cases when trading OTC through the above mentioned entities with clients who are not also registered as SIs.

The only exception is for cash equity (cash equity as delta hedge of equity derivatives or cash equity OTC trade). As BNP Paribas is not SI in cash equity, we continue offering assisted reporting, the same way as under MiFID I.

7. What is the impact on BNP Paribas Global Markets' Single Dealer Platforms ("SDP")?

Transparency

BNP Paribas Global Markets' SDP platforms (e.g. Cortex) are subject to the SI regime where the products are TOTV and therefore subject to the SI obligations. As an SI, BNP Paribas Global Markets is required to publish the pre-trade transparency and to take over the responsibility of publishing the post-trade transparency data.

Trading Obligations

BNP Paribas Global Markets SDP platforms no longer permit transactions in instruments that are subject to the mandatory trading obligation and therefore must be conducted on

- a recognised EEA Trading Venue (e.g. Multilateral Trading Facilities "MTFs", Organised Trading Facilities "OTFs" or Regulated Markets "RMs") or
- non-EEA trading venues recognised as equivalent to EEA TV.

However, BNP Paribas Global Markets continues to offer those instruments on the platforms to its clients who are not subject to the trading obligation (i.e. those clients classified as an NFC- under EMIR).

For more info, please refer to our dedicated factsheet about Trading Obligations.



Transaction Reporting

8. What products are in scope of transaction reporting?

EEA investment firms must report transactions in financial instruments that are in scope of MIFIR Transaction reporting to their "home state" regulator. This includes any execution of a transaction (including acquisition, disposal, or change of ownership) in a financial instrument.

The obligation is intended to assist regulators with monitoring market abuse and it includes:

- instruments admitted to trading or traded on an EEA trading venue (TOTV),
- instruments for which a request for admission to trading has been made (including where traded outside that venue), and
- other instruments referencing such instruments. This can include, for example, where the underlying or where the constituent elements of baskets or indices consist of instruments traded on a trading venue (uTOTV).

For the sake of clarity, Transaction Reporting applies to TOTV and uTOTV, while Pre- and Post-Trade Transparency apply to TOTV only.

Obligations	Applies if Instrument is	Applies to	Reporting by
Pre-Trade Transparency	TOTV	SI	SI
Post-Trade Transparency	TOTV	All investment firms	SI or Seller if between 2 SIs / 2 non-SIs
Transaction Reporting	TOTV + uTOTV	All investment firms	Each investment firm

9. Who is required to submit transaction reports?

All EEA investment firms are subject to the transaction reporting obligation.

Firms can report directly to their home state regulator or through an Approved Reporting Mechanism ("ARM"). Investment firms remain responsible for such obligations even where they submit the transaction reports through a third party or an ARM (approved by an EEA regulator).



FURTHER QUESTIONS

If you have any other comments or questions, please contact the BNP Paribas European Regulatory Reform Team (regreform.eu@uk.bnpparibas.com) or your usual relationship or sales contact.

Disclaimer

This document has been prepared in good faith by BNP Paribas. This document is provided to you by BNP Paribas or any of its affiliates for informational purposes only, is intended for your use only and may not be quoted, circulated or otherwise referred to without BNP Paribas' express consent. This document is not a research report or a research recommendation and does not constitute a personal recommendation. This document should not be considered as an offer or a solicitation to engage in any trading strategy or to purchase or sell any financial instruments. The information and opinions contained in this document have been obtained from sources believed to be reliable, but BNP Paribas makes no representation, express or implied, that such information and opinions are accurate or complete. In any event, information in this publication is intended to provide only a general outline of the subjects covered. This material is not intended to provide, and should not be relied on for, legal, tax, accounting, regulatory or financial advice. Other financial institutions or persons may have different opinions or draw different conclusions from the same facts or ideas analysed in this document. No BNP Paribas Group Company accepts any liability whatsoever for any direct, indirect or consequential loss arising from any use of material contained in this document.

BNP Paribas does not provide legal or regulatory advice and, in all cases, recipients should conduct their own investigation and analysis of the information contained in this document and should consult their own professional advisers.

BNP Paribas is authorised and supervised by the European Central Bank (ECB) and by the Autorité de Contrôle Prudentiel et de Résolution (ACPR) in respect of supervisions for which the competence remains at national level, in terms of Council Regulation n° 1024/2013 of 15 October 2013 conferring specific tasks on the ECB concerning policies relating to the prudential supervision of credit institutions. BNP Paribas is incorporated in France with Limited Liability. Registered Office: 16 Boulevard des Italiens, 75009 Paris, France. 662 042 449 RCS Paris www.bnpparibas.com. © BNP Paribas. All rights reserved.

BNP Paribas London Branch

10 Harewood Avenue, London NW1 6AA; tel: +44 20 7595 2000; fax: +44 20 7595 2555- www.bnpparibas.com.

Incorporated in France with Limited Liability. Registered Office: 16 boulevard des Italiens, 75009 Paris, France. 662 042 449 RCS Paris.

BNP Paribas London Branch is lead supervised by the European Central Bank (ECB) and the Autorité de Contrôle Prudentiel et de Résolution (ACPR). BNP Paribas London Branch is authorised by the ECB, the ACPR and the Prudential Regulation Authority and subject to limited regulation by the Financial Conduct Authority and Prudential Regulation Authority. Details about the extent of our authorisation and regulation by the Prudential Regulation Authority, and regulation by the Financial Conduct Authority are available from us on request. BNP Paribas London Branch is registered in England and Wales under no. FC13447.



BNP PARIBAS

The bank for a changing world

MiFID II: Transparency and Transaction Reporting