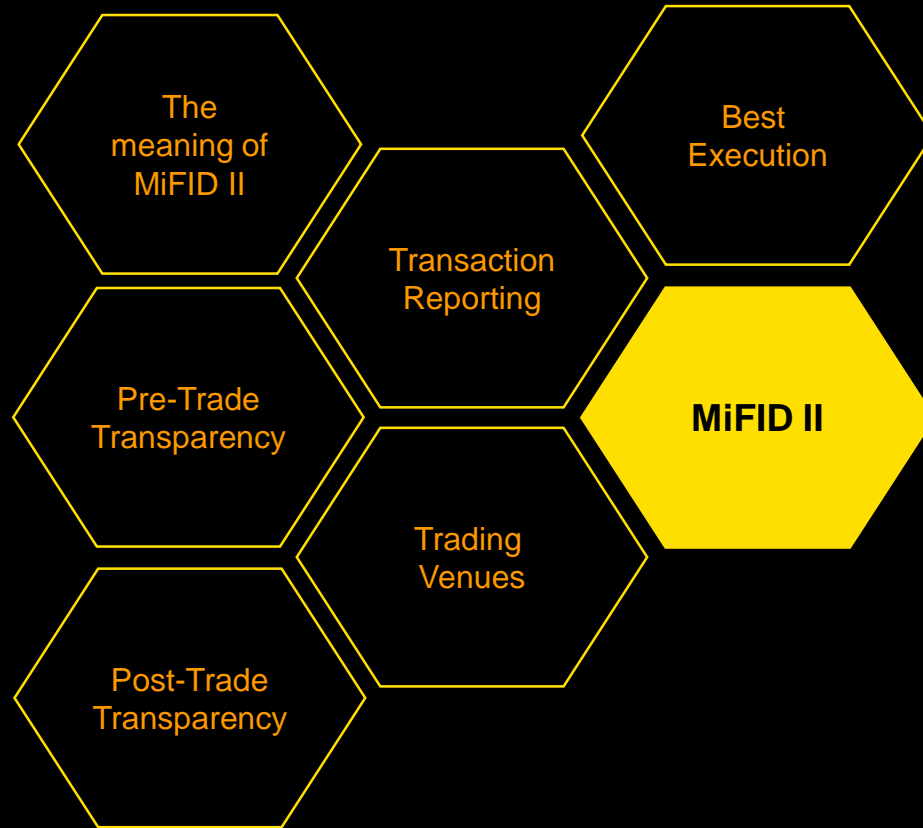


MiFID II

What to Expect and How to Prepare

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MiFID II – The challenges of compliance



MiFID II – Best Execution “...the best possible result for their clients...”



MiFID II Art 27 (RTS 28)

“Member States shall require that Investment Firms take all **sufficient** steps to obtain, when executing orders, the **best possible result** for their clients, taking into account price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order.”

MiFID I required that firms “take all **reasonable** steps”.

The difference is not merely one of semantics.

MiFID II – Best Execution “...the best possible result for their clients...”

Reporting Obligations RTS 28 Report



Under MiFID II, firms have to summarise and make public on an annual basis, for each class of financial instrument, the top five execution venues in terms of trading volumes where they executed client orders in the preceding year as follows:

- Information must be segregated by client type.
- It must contain venue name and identifier for the top 5 venues with corresponding MIC codes.
- It must show the volume of client orders executed on each venue as a % of total executed volume and the number of client orders executed on each venue as a % of total executed orders.
- It must show the % of order that were passive and aggressive, and the % of orders that were directed to a specific venue by the client prior to execution of the order.
- It must indicate whether it has executed an average of <1 trade per business day in the previous year in a class of financial instrument.

MiFID II – Best Execution “...the best possible result for their clients...”



But is it fair?

RTS 27 Art 64.4 25/04/2016

4. When executing orders or taking decision to deal in OTC products including bespoke products, the investment firm shall check the **fairness** of the price proposed to the client, **by gathering market data** used in the estimation of the price of such product and, where possible, by comparing with similar or comparable products.

ESMA Q&A 10/10/2016

“...MiFID II now imposes an **explicit requirement** on firms to ensure that such checks are undertaken on a systematic basis”

“...Firms would therefore need to have records, documentation in place, to evidence this as part of their ongoing **monitoring of best execution.**”

THANK YOU



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