

INITIAL IMPACT OF MIFID II VENUE PERSPECTIVE

ECB BOND MARKET CONTACT GROUP

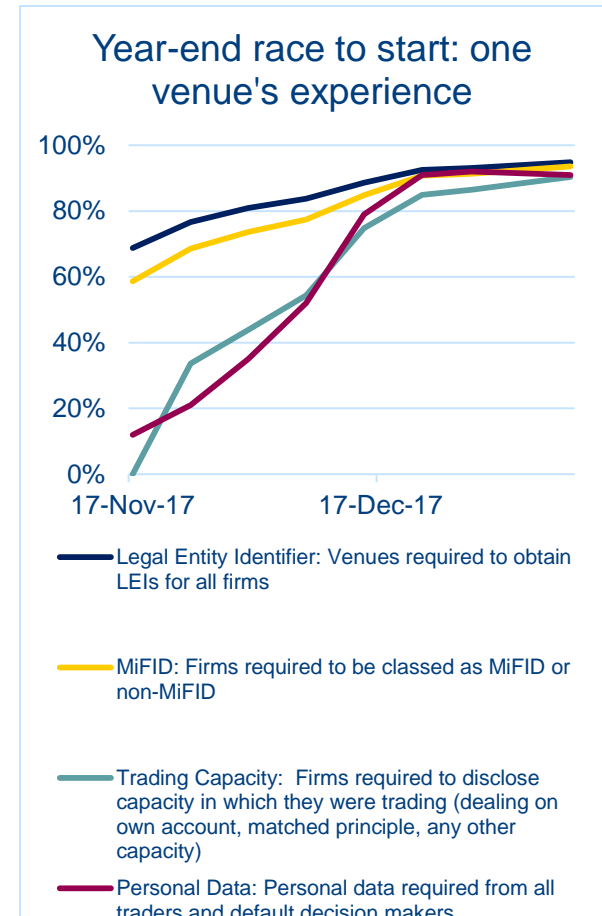
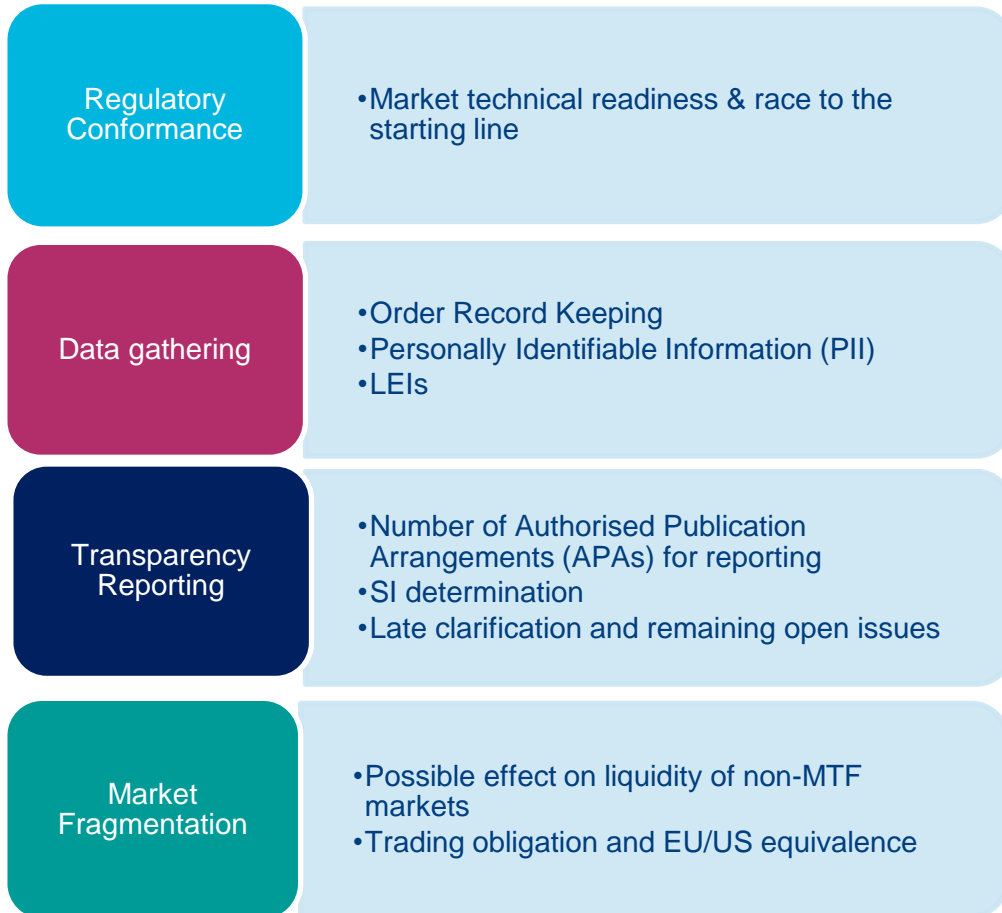
6 FEB 2018

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MiFID II Challenges & Concerns in Run Up to Jan 2018

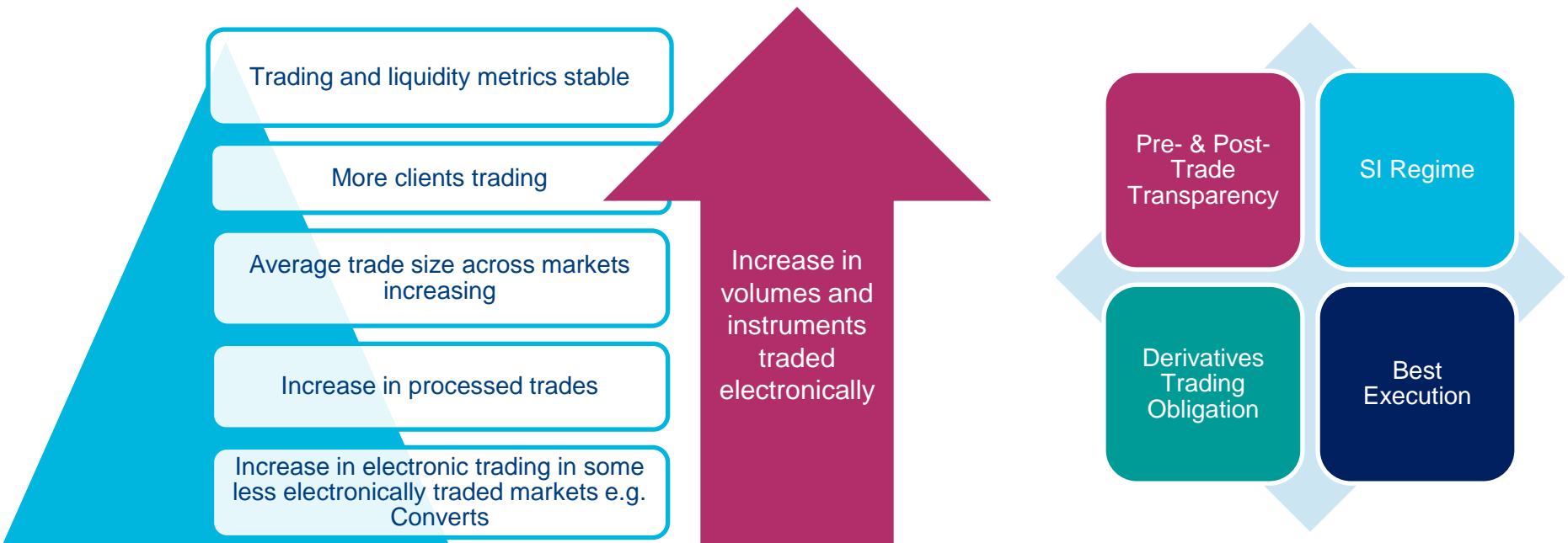


Venue Observations

Implementation and start of MiFID II went fairly smoothly:

- Venues saw increase in volumes e-traded, well beyond typical January seasonals
- Trading and liquidity metrics have been surprisingly stable (hit rate, quote rate, transaction cost and trade from mid, time to quote, number of dealers in an RFQ)
- Liquidity on and off- MTF similar

Looking ahead, big topics continue to be:



Overall level of transparency

- Pre- and post-trade transparency is published in real-time or waived/deferred
- Significant real-time transparency in some asset classes (sovereign bonds) but almost non-existent in others (corporate bonds).
- Scope of bond transparency to grow quickly, but update of derivatives calibration only in June 2019

Usability of transparency

- Reference data challenges (e.g ToTV and ISIN)
- Wide variation of publication formats and level of access
- No consolidated view available (yet)

Real-time transparency

Bonds	Transactions	Volume
EU Govt bonds	53%	16%
GBP Govt bonds	81%	21%
Corp bonds	1%	1%
Derivatives		
EUR IRS	28%	12%
Credit index	69%	53%

%age of transactions/volume below post-trade SSTI

MiFID II / MiFIR Timelines

	2018												2019				2020				2021			
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Pre- and Post-Trade Transparency	Widening scope for bonds <ul style="list-style-type: none"> ESMA ITC to add Nov/Dec 2017 new issues Addition of new issues on a running basis Full bond liquidity TTC in May 2018 												Annual TTC updates (from May/June 2019) <ul style="list-style-type: none"> Thresholds and liquid/illiquid across asset classes Review & phase-in of certain variables of the regime (from 30/07/2019) <ul style="list-style-type: none"> Pre-trade SSTI thresholds, minimum number of trades, and minimum issuance sizes 											
SI Regime	<ul style="list-style-type: none"> Voluntary opt-in 								<ul style="list-style-type: none"> 1st September: mandatory SI determination (& voluntary) 															
Derivatives Trading Obligation	<ul style="list-style-type: none"> Category 1 & 2 firms Additional Clearing Obligations 												<ul style="list-style-type: none"> Category 3 and 4 firms 											
Best Execution	From 30 April: 1st annual RTS 28 report (covering 2017)																							
	From 30 June: 1st quarterly RTS 27 report (covering Q1/2018)																							

Appendix: Mandatory Clearing Obligation Phase-In a Long Process



		2016						2017				2018				2019					
		JUN	JUL	AUG	SEP	OCT	NOV	DEC	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
G4 Rates RTS	Cat 1	MCO: from 21 Jun																			
	Cat 2	FL: until 20 Dec*						MCO: from 21 Dec													
	Cat 3																			MCO: from 21 Jun	
	Cat 4																			MCO: from 21 Dec	
EEA Rates RTS	Cat 1					FL: 9 Oct – 8 Feb 17*			MCO: from 9 Feb												
	Cat 2					FL: 9 Oct – 8 Aug 17*				MCO: from 9 Aug											
	Cat 3																			MCO: from 21 Jun	
	Cat 4																			MCO: from 9 Aug	
CDS RTS	Cat 1					FL: 9 Oct – 8 Feb 17*			MCO: from 9 Feb												
	Cat 2					FL: 9 Oct – 8 Aug 17* **				MCO: from 9 Aug											
	Cat 3																			MCO: from 21 Jun	
	Cat 4																			MCO: from 9 May	

FL = Front loading
MCO = Mandatory clearing obligation

** frontloading requirement is under proposal to be removed via a review of EMIR (Final text of EMIR review not yet finalised)

Category	
1	Clearing members
2	FCs & AIFs (>€ 8bn threshold)
3	FCs & AIFs (<€ 8bn threshold)
4	NFC+