

# The MiFID II Trading Landscape for OTC Derivatives

|   | Trading Venues   |   |  | OTC trading   |  |
|---|--|---|--|---|--|
| Regulatory Categorisation                                     | Regulated Market   | Multilateral Trading Facility (MTF)   | Organised Trading Facility (OTF)   | Systematic Internaliser (SI)  | Pure OTC   |
| New Concept?  | No   | No, but revised   | Yes  | Yes, existing SI regime substantially revised   | No. Restricted to <b>occasional, ad hoc, irregular trading</b> |
| Eligible venue for fulfilling mandatory trading obligation? * | Yes  |   |  | No. Transactions with non-financial counterparties not subject to the mandatory trading obligation can still take place in this manner  |  |
| Pre-trade Transparency  | Continuous public quoting, including for OTC derivatives. Regulators can waive the obligation for specific sets of products based on the market model, the characteristics of trading activity and the liquidity profile |   |  | For clearing eligible products and those available to trade on a trading venue, <b>a response to an RFQ below a pre-defined size must be posted to all clients.</b> Only relevant to extent mandatory trading obligation does not apply<br>** | No   |
| Post-trade Transparency                                       | Post-trade publication required; delays to be determined by ESMA   |   |  |   |  |
| Can venue operator take proprietary positions?                | No. An investment firm may not operate a regulated market  | Orders are handled according to pre-defined rules; as such the operator (or affiliate) can in theory input its own orders without impacting clients | No. This is a response to the discretion that exists in respect of order execution   | Yes. SIs <b>cannot, however, cross client orders</b>  |  |
| Discretion over execution?                                    | No   |   | Yes – for example, the investment firm has the ability to route orders to other venues. Note that best execution still applies |   |  |
| Clearing (EMIR)   | EMIR clearing obligation switched on by MiFID (scope of EMIR otherwise excludes trading on regulated markets)  | Contracts to be cleared if subject to clearing obligation under EMIR  |  |   |  |

\* Applies to clearing eligible and sufficiently liquid contracts, as determined by ESMA

\*\* Size thresholds to be defined by ESMA. More stringent pre-trade transparency applies to transactions in shares and related instruments