

MiFID II Terms and Timeline

Markets in Financial Instruments Directive

ENTITY/TERM	DEFINITION
<u>EXISTING CONCEPTS</u>	
Commission Sharing Arrangement (CSA) / Client Commission Agreements (CCA)	<ul style="list-style-type: none"> - Research payment mechanism that allows the buy-side to allocate commissions to brokers and independent providers, while they are trading through execution-only brokers - Widely used in the U.S. and Europe
Multilateral trading facilities (MTF)	<ul style="list-style-type: none"> - Existing European regulatory term, established under MiFID - Serve as alternatives to traditional trading exchanges where a market is made in securities - Affects equity, equity-like and non-equity instruments
Regulated Market (RM)	<ul style="list-style-type: none"> - Traditional trading exchanges (e.g. LSE, NYSE) - Affects equity, equity-like and non-equity instruments
<u>NEW CONCEPTS</u>	
Organized trading facilities (OTF)	<ul style="list-style-type: none"> - New European regulatory term for non-exchanged financial trading venue, capturing previously unregulated trades - Affects non-equity instruments such as derivatives and cash bond markets
Research Payment Accounts (RPA)	<ul style="list-style-type: none"> - New concept under MiFID II - Buy-side can either pay for research consumed by establishing an RPA or directly from their P&L - Can only be funded by a specific research charge set by the firm and not linked to volume and/or value of transactions executed
<u>EXISTING BUT CHANGES TO COME</u>	
Broker Crossing Networks (BCN)	<ul style="list-style-type: none"> - System operated by an investment firm which matches client orders internally, and do not show order books - Will cease to exist in 2018 and will have to migrate to a regulated market, MTF or SI, or close
Systematic Internalizers (SI)	<ul style="list-style-type: none"> - Existing European regulatory term, established under MiFID I, but significantly expanded to capture previously unregulated arrangements - Market-making investment firms, matching “buy” & “sell” orders from clients internally against their own book, as opposed to central exchanges - Affects equity, equity-like and non-equity instruments

KEY DATES / TIMELINE

3 January 2018	MiFID II to apply within Member States
3 July 2017	MiFID II transposed into national law of Members States
15 April 2014	MiFID II adopted by the European Parliament
20 October 2011	European Commission adopted a legislative proposal for the revision of MiFID
November 2007	MiFID became applicable across the European Union

Sources: Jefferies; European Securities & Markets Authority (ESMA); “EU’s MiFID II: Double jeopardy for global banks,” PWC, April 2016

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