

# LIVING WITH MIFID II: EXAMINING ORGANISED TRADING FACILITIES

## AN ASSESSMENT OF THE ADVANTAGES & DISADVANTAGES FOR BANKS AND BUYSIDE FIRMS

MiFID II extends the scope of MiFID I's pre- and post-trade transparency requirements to include bonds and derivatives, such as swaps. To facilitate these transparency requirements, MiFID II created a new trading venue designation – the OTF.

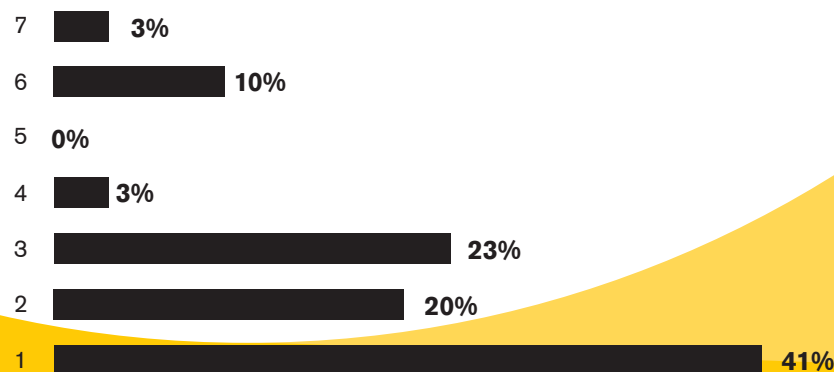
### Ratio of Most Relevant Venues for Derivatives Trading, as of Q1 2018



OTFs create a compelling business for brokers or banks dealing in instruments subject to obligations to trade on-exchange. Operating an OTF for those instruments or products over a multilateral trading facility enables a financial firm to execute those transactions 'internally' and still execute on-exchange.

**87%** OF ESMA-AUTHORISED OTFS OPERATORS ARE AUTHORISED FOR DERIVATIVES TRADING

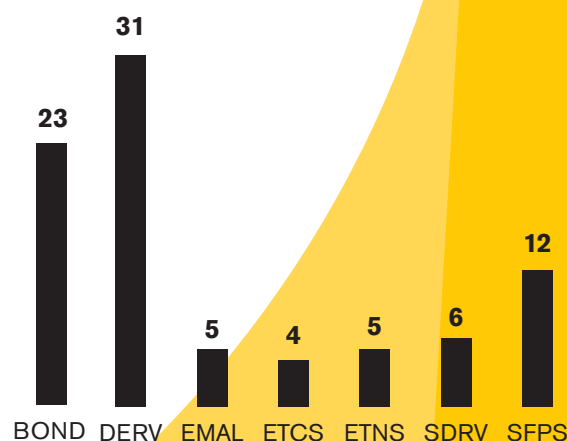
### Ratio of OTFs Authorisations per Legal Entity, as-of Q1 2018



ESMA requirements for separate OTFs authorisations on an individual asset category basis provides firms with a lot of flexibility. A firm could run different OTFs for different categories of instruments or products, each one with its own rulebook and terms and conditions. As of Q1 2018, only one firm has applied to register an OTF that would offer access to all seven instrument and product categories.

**30** ESMA-AUTHORISED OTFS OPERATORS AS OF JANUARY 2018

### Number of OTFs Authorisations per Asset Category, as-of Q1 2018



While many firms operating an OTF as of Q1 2018 either have rulebooks or terms of trade published on their Web sites, only 20% of those firms included in the ESMA and NCA lists published so far detail a list of instrument and product types traded on their OTFs, and some only do so in transaction fee lists.



As of Q1 2018, ESMA and other EU regulators have not yet finalised a list of all registered and authorised OTFs. This report seeks to rectify that fact by aggregating all the relevant information pertaining to OTFs in order to provide market participants with an understanding of the breadth and depth of instruments and products coverage offered by the venues currently.

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