

WHAT DO YOU NEED TO KNOW?

A Systematic Internaliser (SI) is an Investment Firm trading or dealing on a systematic, frequent and substantial basis on risk when executing client orders.

ESMA has defined ratios that will determine if an Investment Firm must be an SI. For a specific financial instrument these obligations will apply only if the amount of OTC risk trades carried out exceeds the pre-set thresholds.

In addition to being **mandated** to become a systematic internaliser from September 2018, Investment Firms may **opt** into the regime at any time from 3rd January 2018.

SIs will be required to provide public firm two-way quotes to the market in order to satisfy the new pre trade transparency requirements in liquid instruments.

How do SIs improve transparency?:

- These public quotes must be at least 10% of the Standard Market Size (SMS) in liquid names
- The price of the quote must reflect the prevailing market conditions
- Orders below SMS will need to be executed at the live quoted price, although price improvement is allowed in "justified circumstances"

Equities Standard Market Sizes

Average value of transactions (AVT) in EUR	< 20 000	20 000 to < 40 000	40 000 to < 60 000	60 000 to < 80 000	80 000 to < 100 000	100 000 to < 120 000	120 000 to < 140 000	Etc.
Standard market size	10 000	30 000	50 000	70 000	90 000	110 000	130 000	Etc.

When handling a client order, a firm can act in an SI capacity, for example when facilitating a trade on risk or as a broker when sourcing liquidity from other sources, or as both.

WHAT ARE EXANE BNP PARIBAS DOING?

Exane BNP Paribas is **opting into** the SI regime and will be a Systematic Internaliser in all securities you trade on risk with us from 3rd January 2018.

In addition, Exane BNP Paribas will give you the option to access 3rd party Systematic Internalisers through SuperSOR, our latency optimized smart order router.

WHAT DO YOU NEED TO DO?

You need to understand if your counterparties are SIs or are providing you access to other SIs as part of their brokerage functions. This is important as it will have an impact on your trade reporting obligations and execution policy.

If you trade versus your own capital you will need to regularly check if your activity in any traded security breaches the registered SI thresholds.

If you do not wish to trade against Exane BNP Paribas SI or any external SIs please contact your Sales Trader who will action this on your behalf.

You will need to take into consideration Exane BNP Paribas's SI Best Execution Reports as part of your Execution policy.

WHAT CHANGES WILL BE MADE TO FIX PROTOCOL?

To ensure we can determine who has the trade reporting obligation we will require clients to inform us if they are registered as an SI on each order.

FIX Tag = 8015 (OrderAttributeType)

- 5 – SI Order

Clients can define on each FIX order whether they wish to interact with an SI, alternatively they can update our Client Acceptance Form if they wish us to profile their trading instruction.

FIX Tag = 2704 (ExDestinationType)

- 0 - No trading venue restriction
- 1 - Can be traded only on a trading venue
- 2 - Can be traded only on a Systematic Internaliser (SI)
- 3 - Can be traded on a trading venue or Systematic Internaliser (SI)

Exane BNP Paribas will indicate on each FIX execution message where the trade occurred and whether this was against our SI.

FIX Tag = 30 (LastMarket)

- 'EXSI': Exane Ltd SI MIC
- 'EXSE': Exane SA MIC

FIX Tag = 574 (MatchType)

- 9 – Systematic Internaliser

See disclaimer printed on our folder