

WHAT IS HAPPENING & WHY

Post the 2008 financial crisis, European policy makers started to review the Market in Financial Instruments Directive (MiFID).

The MiFID2 objectives were to:

- Increase transparency
- Increase market stability and confidence
- Bring more trading onto more structured market venues
- Bolster investor protection through best execution and unbundling of research
- Extend the reach of MiFID beyond Equities

MiFID2 and the corresponding regulation (MiFIR) will be applied to all Investment Firms that operate and conduct business within the EU from 3rd January 2018.

WHAT DOES THIS MEAN IN PRACTICE?

Share Trading Obligation:

- All share trading should take place on a Regulated Market, MTF, SI or equivalent overseas trading venue
- Many sell side firms, including Exane BNPP will opt into the SI regime from the 3rd of January for all Equity and Equity Like instruments
- Broker crossing networks will be banned
- Regulators will apply caps restricting the volume that can be traded in a dark venue
- We anticipate trading venues will expand their Large In Scale Services

Increased Transparency (Pre and Post Trade):

- Exane BNP Paribas will be an SI in all Equity and Equity Like instruments and provide public quotes for all liquid instruments
- Trade Reporting obligations will be retained by Exane BNPP

Investor Protection:

- Ban on Inducements
- Best execution has been enhanced and applies to all Investment Firms:
 - Buy side as well as the sell side
 - Requirement has changed from 'Reasonable' to 'Sufficient' steps
 - Investment Firms to provide an annual report of their top 5 trading venues.
 - Exane BNP Paribas Execution Policy to be published on our website
- Trading cannot take place without the client's Legal Entity Identifier (LEI)
- Requirement to capture client trading preferences (i.e. authority to trade outside a regulated market / MTF). If you have not already signed our Client Acceptance Form (CAF) we will send you an updated version shortly.

Organisational Requirements:

- Defined governance structure for all investment firms

Regulators:

- Larger role for ESMA
- Strengthening and harmonising sanctions
- Exane BNP Paribas' Transaction reports are to match clients reports

WHAT CHANGES WILL BE MADE TO FIX PROTOCOL?

It will not be easy to comply with MiFID₂ if you do not use FIX protocol to transmit orders.

FIX Protocol has updated the FIX specifications in order to support MiFID₂. There is a requirement for more information to be captured at order entry and greater transparency on how the order was executed.

Exane BNP Paribas will be fully compliant with the specifications and within reason, will support bespoke client implementation requests.

Quick checklist

- ❑ Obtain your Legal Entity Identifier (LEI)
- ❑ Sign your Client Acceptance Forms (CAF) – required to trade outside a regulated market / MTF
- ❑ Get ready for new reporting obligations
- ❑ FIX protocol impacts - more information has to be captured
- ❑ Choose how you will pay for research: Research Payment Account (RPA) or P&L and agree pricing with brokers
- ❑ Get ready for new Best Execution requirements: document existing process, selection of counterparties, TCA, annual report of Top 5 venues

Fact Sheet / or Exane BNPP contacts

See LEI Fact Sheet

Contact: client.service@exane.com, if you have not signed

See Fact Sheets on: Transaction Reporting & Trade Reporting Obligations

See each FIX section of Fact Sheet

Contact your salesperson to set up an RPA (CSA) with Exane BNPP

Our Best Execution information will be published on our website

EXANE MIFID2 CONTACTS

General enquires:

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Client questionnaires:

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LEI, transaction reporting :

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See disclaimer printed on our folder