

### WHAT DO YOU NEED TO KNOW?

MiFID2 introduces the Share Trading Obligation (STO) which mandates that shares which are admitted to trading in the EU have to be traded on a Regulated Market, MTF, Systematic Internaliser or equivalent overseas trading venue. There are some exceptions e.g. non-systematic trades, ad-hoc, irregular and infrequent or technical trades.

One specific consequence of the STO is that Broker Crossing Networks (BCNs) are no longer recognised. Client to client crosses, where applicable, are to take place on a Trading Venue.

### Impact on Market Structure

	AGENCY (On Trading Venue)				CLIENT CROSS		RISK	
	Regulated Market	Third Party SIs (Incl Liquidity Provider)	Multilateral Trading Venue		House Book	BCN	OTC	Exane BNPP SI
			Dark	Lit				
Aligned with the STO	✓	✓	✓	✓	✗	✗	✗	✓
MiFID2 Impact	Expect increase in market share ↑	Increase in the number of SIs ↑	Volumes Capped ↓	New Offerings (e.g. Periodic, Auctions) ↑	Restricted ↓	Banned ↓	Restricted ↓	New ↑
Comment		Trade @ quoted price up to SMS	Double Vol Cap; RPW & NTW Trading capped at 4 & 8%		Unless Occasional, ad-hoc and irregular		Unless non-systematic, ad-hoc, irregular and infrequent or are technical trades	Trade @ quoted price to SMS
Pre Trade Transparent	✓ Lit Order Book	✓ SI Quotes	✗ Trade Under RPW & NTW	✓ Lit Order Book	✗	N/A	✗ Seller Trade Reports	✓ SI Quotes
Post Trade Transparent	✓ Venue Trade Reports	✓ Seller Trade Reports Unless Buyer is an SI	✓ MTF Trade Reports	✓ MTF Trade Reports	✓ Seller Trade Reports	N/A	✓ Seller Trade Reports	✓ Exane BNPP Reports Unless Buyer is an SI

MiFID2 also seeks to limit the amount of “**dark trading**” to 4% of pan-European turnover at any single venue and 8% across the European dark venues as a whole. Dark trading is defined as trading which is conducted using the reference price waiver (whereby trades are priced according to an external source) or negotiated trade waiver.

The assessment of the amount of dark trading is on a rolling 12-month basis and, if the caps are exceeded, trading is suspended at the relevant venue or across the market for a period of 6 months. Trading data is currently being gathered to determine which stocks will be impacted by the caps, effective 3rd January 2018. The impact is expected to be particularly significant in the UK since dark trading for UK stocks has historically been higher than in most other European markets.

Orders above “**large in scale**” (LIS) will not be impacted by the dark volume caps. As such, this is expected to result in a renewed focus on trading blocks.

Average daily turnover (ADT) in EUR	< 50 000	50 000 to < 100 000	100 000 to < 500 000	500 000 to < 1 000 000	1 000 000 to < 5 000 000	5 000 000 to < 25 000 000	25 000 000 to < 50 000 000	50 000 000 to < 100 000 000	> 100 000 000
LIS qualifier (EUR)	15 000	30 000	60 000	100 000	200 000	300 000	400 000	500 000	650 000

### WHAT IS EXANE BNP PARIBAS DOING?

We are focused on LIS blocks and are already an active participant in Turquoise Plato Block Discovery and BATS LIS (conditional and designated broker). We are also in the process of connecting to Euronext’s new Block product.

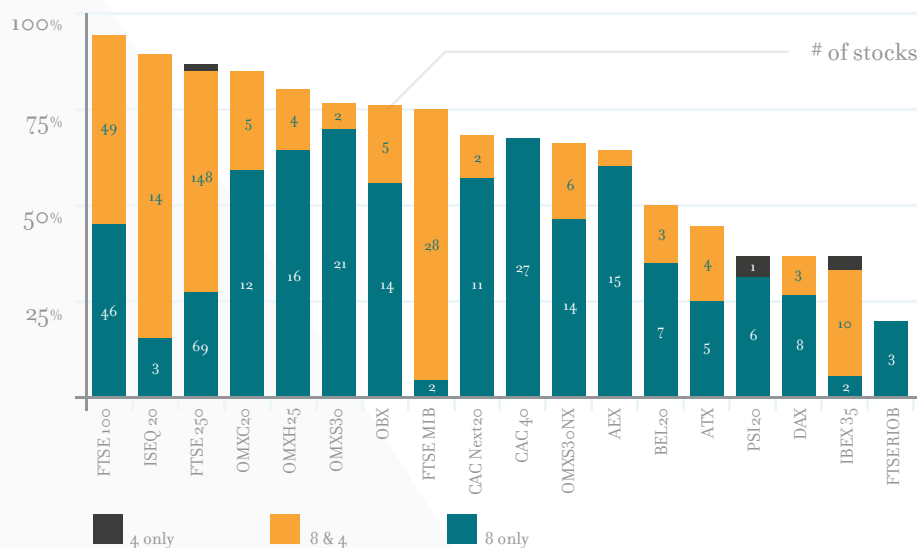
Our existing BCN (EX) will cease to operate at the end of 2017. We will, however, register as a systematic internaliser so that we can execute customer orders on risk as appropriate.

We are also connecting to 3rd party SI Liquidity Providers.

### HOW IS THIS GOING TO IMPACT YOU?

At this stage we expect the following percentage of index names to be impacted by the dark caps in national indices.

% of Stocks Breaking MiFID2 Double Volume Caps



Source: BATS Global Markets, Exane BNP Paribas, June 30th, 2017

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