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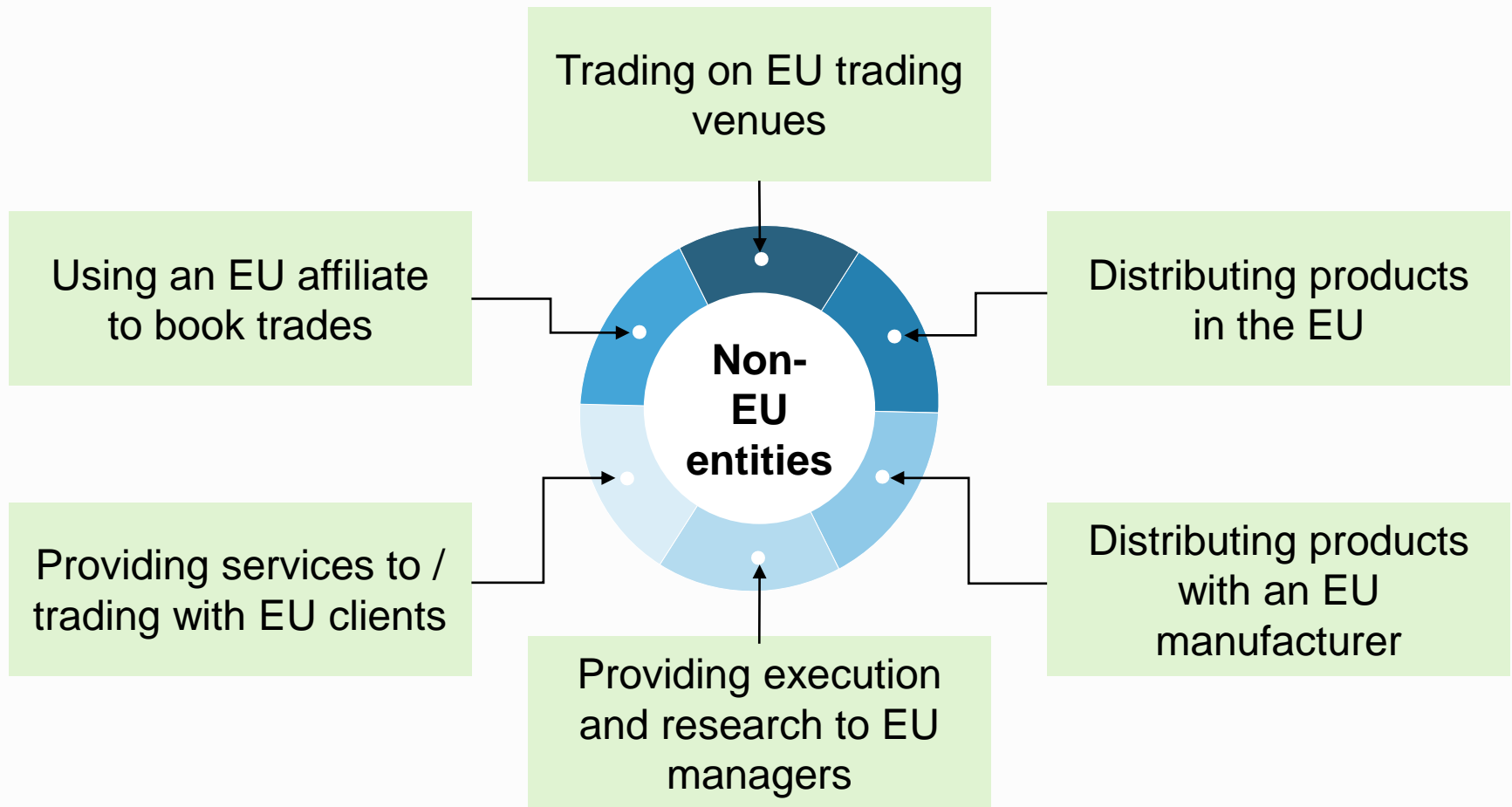
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Growing Asia's Markets



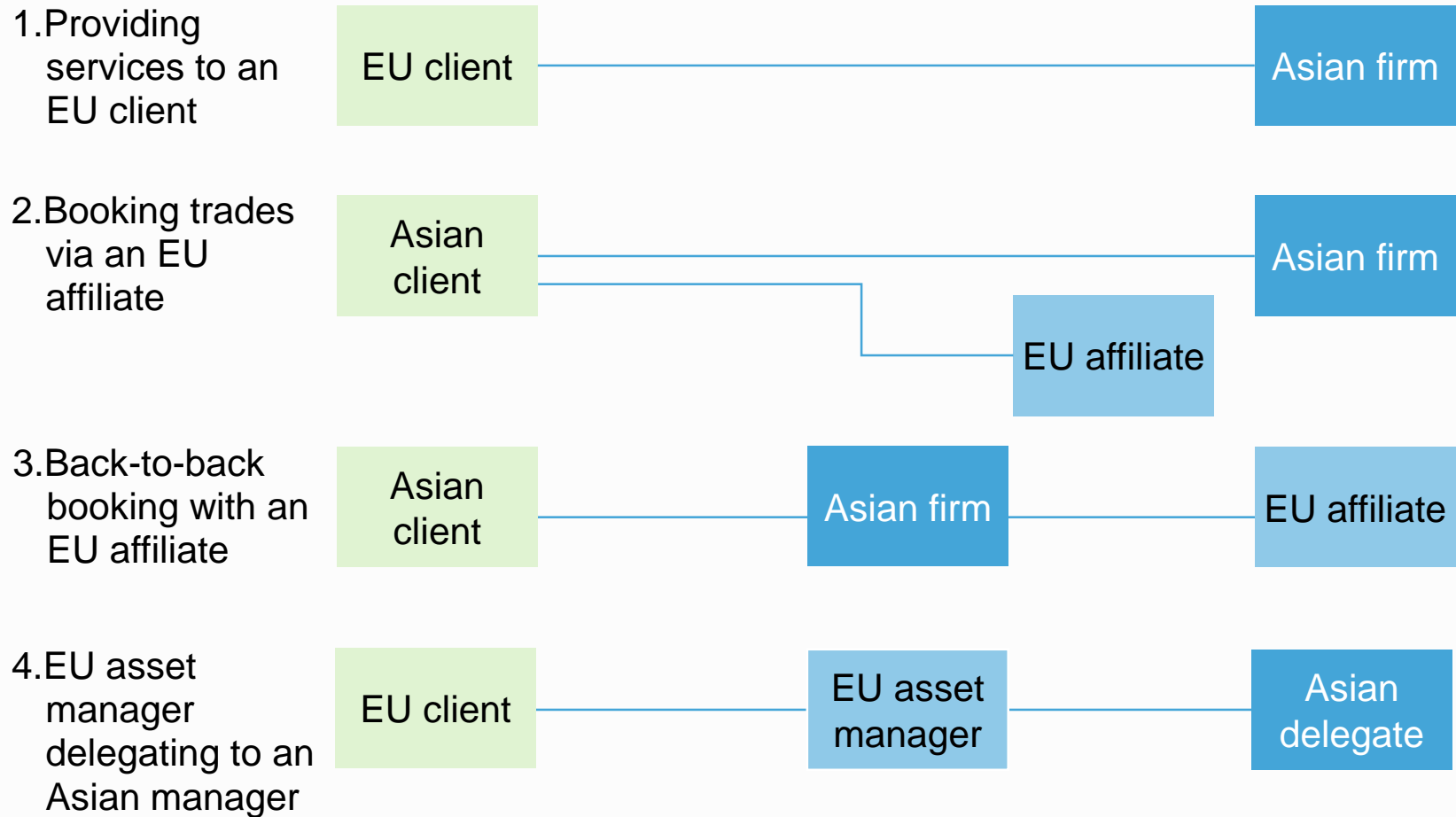
**MIFID2 – ASIAN FINANCIAL INSTITUTIONS
BEST EXECUTION**

SEPTEMBER 2017

IS MIFID2 RELEVANT TO ME?



KEY TRIGGERS – IDENTIFYING EU CLIENTS AND EU AFFILIATES



BEST EXECUTION: RTS 28

Article 27(6) MiFID 2: Member States shall require investment firms who execute client orders to summarise and make public on an annual basis, for each class of financial instruments, the top five execution venues in terms of trading volumes where they executed client orders in the preceding year and information on the quality of execution obtained.

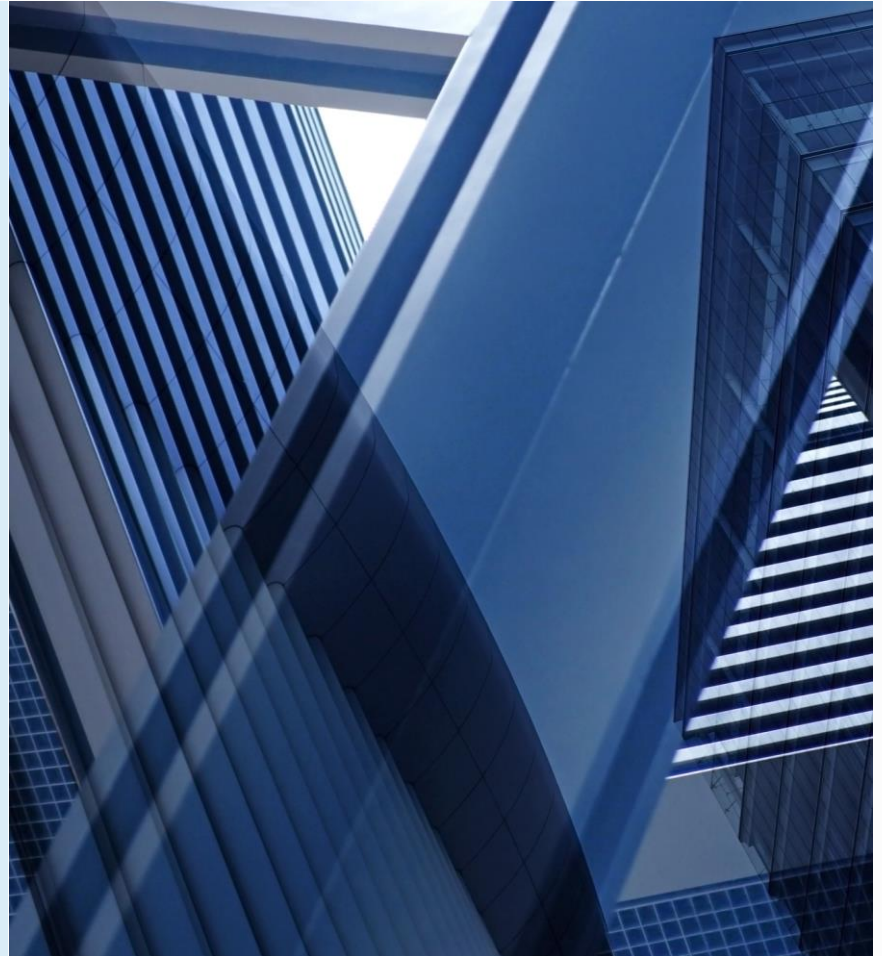
- Obligations in RTS 27 apply to “investment firms in relation to client orders executed on **trading venues, systematic internalisers, market makers** or other **liquidity providers** or **entities that perform a similar function in a third country**”.

- Trading venues = regulated markets, MTFs, OTFs (ESMA register)
- Systematic internalisers
- Market makers = a person who holds himself out on the financial markets on a continuous basis as being willing to deal on own account by buying and selling financial instruments against that person’s proprietary capital at prices defined by that person
- Liquidity providers
- Entities that perform a similar function in a third country

BEST EXECUTION: RTS 28 (CONTINUED)

Classes of financial instruments:

- Equities (shares & depositary receipts)
- Debt instruments
- Interest rates derivatives
- Credit derivatives
- Currency derivatives
- Structured finance instruments
- Equity derivatives
- Securitised derivatives
- Commodities derivatives
- Contracts for difference
- Exchange traded products
- Emission allowances
- Other instruments
- **Classes further divided into sub-classes?**



BEST EXECUTION: RTS 28

(CONTINUED)

Top five execution venues – retail clients

For each class of financial instruments:

- Investment firms must publish the top five execution venues in terms of trading volumes for all executed client orders for retail clients, excluding SFTs

Information shall include:

- Volume and number of client orders executed on that venue (as a percentage of total volume), passive / aggressive / directed orders, notification whether it has executed an average of less than one trade per business day in the previous year in that class of financial instruments

Top five execution venues - SFTs

For each class of financial instruments:

- Investment firms must publish the top five execution venues in terms of trading volumes for all executed client orders in SFTs

Information shall include:

- Volume and number of client orders executed on that venue (as a percentage of total volume), notification whether it has executed an average of less than one trade per business day in the previous year in that class of financial instruments

Top five execution venues – professional clients

For each class of financial instruments, an investment firm must publish the same information as for retail clients

BEST EXECUTION: RTS 28 (CONTINUED)

Summary of analysis and conclusions

For each class of financial instruments:

- Investment firms must publish a summary of the analysis and conclusions it draws from its detailed monitoring of the quality of execution obtained on the execution venues where it executed all client orders in the previous year

Information shall include:

- Explanation of the relative importance given to execution factors of price, costs, speed, likelihood of execution or other factors
- Description of close links
- Description of specific arrangements with any execution venue, including payments made or received, rebates, discounts, non-monetary benefits
- An explanation of how the firm has used any data or tools relating to quality of execution, including the data published under RTS 27

Notes:

- Information must be published on the firm's website, in the templates set out in RTS 28, in a machine-readable electronic format, available for downloading by the public
- Information on analysis and conclusions to be published in an electronic format available for downloading by the public

BEST EXECUTION: RTS 27

Article 27(3) MiFID 2: Member States shall require that for financial instruments subject to the trading obligation in Articles 23 and 28 MiFIR each trading venue and systematic internaliser and for other financial instruments each execution venue makes available to the public, without any charges, the data relating to the quality of execution of transactions on that venue on at least an annual basis and that following execution of a transaction on behalf of a client the investment firm shall inform the client where the order was executed. Periodic reports shall include details about price, costs, speed and likelihood of execution for individual financial instruments.

Trading venues, systematic internalisers, market makers and liquidity providers must publish information on:

- Price
 - Includes intraday information
 - Broken down by reporting ranges specified in Article 8
- Costs
- Likelihood of execution
- Additional information for continuous auction order book / continuous quote driven execution venues
- Additional information for RFQ execution venues

BEST EXECUTION: RTS 27 (CONTINUED)

Execution venues must publish the required information:

- For each trading day that the execution venue was open for trading
- In a machine-readable format, available for downloading by the public
- Four times a year and no later than three months after the end of each quarter:
 - By 30 June (1 Jan – 31 March)
 - By 30 September (1 April – 30 June)
 - By 31 December (1 July – 30 September)
 - By 31 March (1 October – 31 December)



Notes:

Who is subject to this obligation? Definition of execution venue? If an entity is a market maker on a trading venue, do both the market maker and the trading venue have to publish this information?

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