

The impact of MiFID II/MiFIR on Secondary Markets

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MiFID II – MiFIR: Necessary adjustments in the new environment
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MIFID II - WHY



2008 financial crisis



MiFID Review



European Commission
proposes revision of MiFID



MiFID II

MiFIR

*Implemented
by 3 Jan 2018*

Purpose?

Establishing a **safer, sounder, more transparent** and more **responsible** financial system that works for the economy and the society as a whole.

Areas of Impact



Organisational Requirements

Enhanced record keeping, governance, and tackling conflicts of interests



Investor Protection

Enhanced levels of protection for all clients and counterparties



Transparency

Increase in scope and volume of financial transactions to be reported to market and to regulators



Electronic Trading

Firms must demonstrate that electronic trading is conducted in a safe and controlled manner



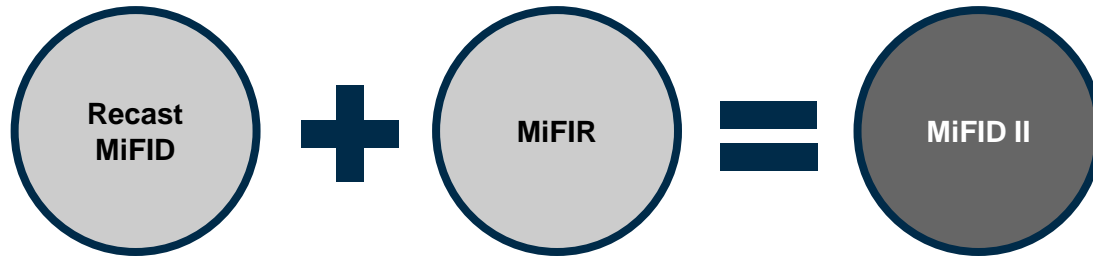
Market Structure

Clearer definitions of types of trading venue, including so-called "dark pools"

MIFID II – OVERVIEW OF LEGISLATIVE PROCESS

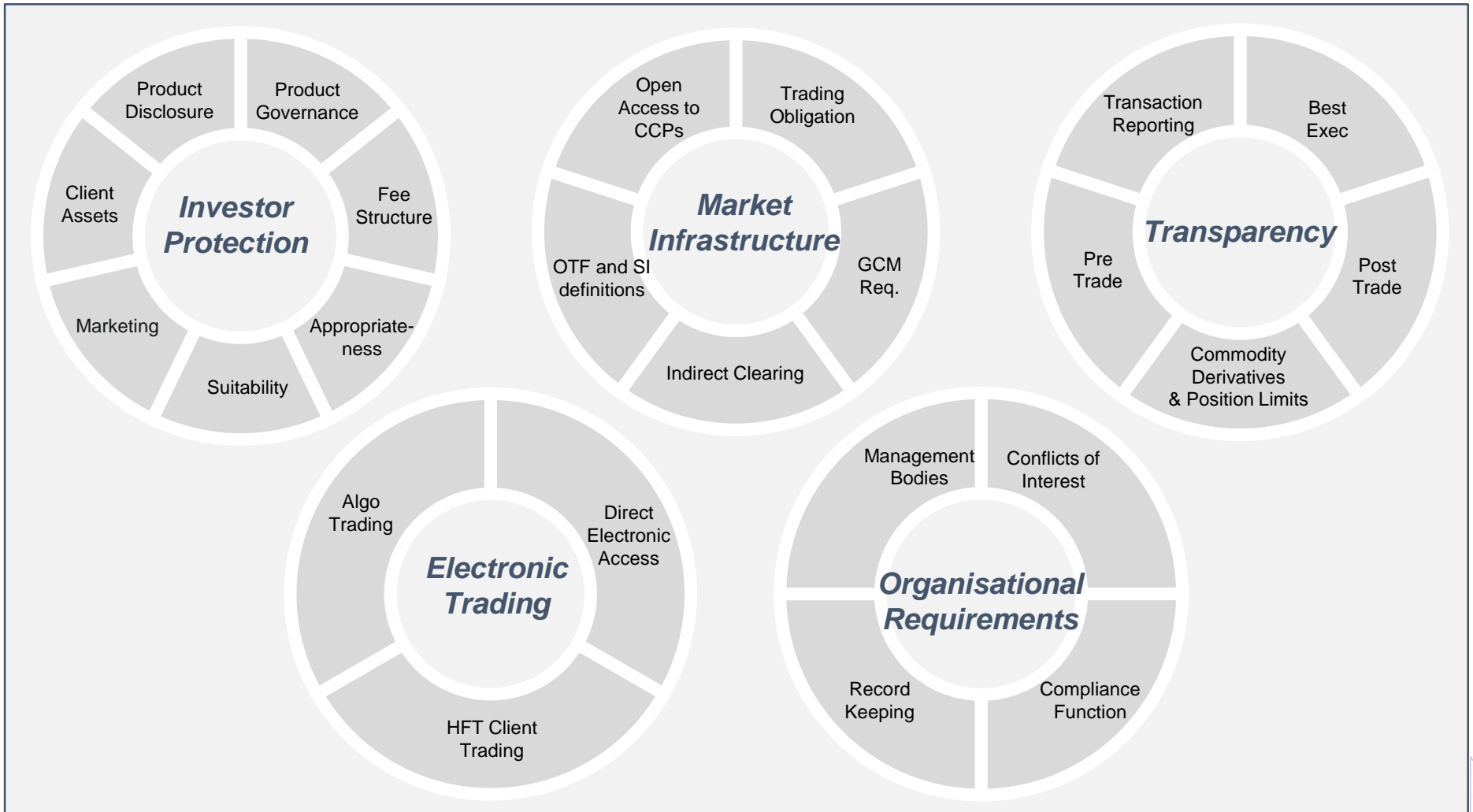
“These new rules will improve the way capital markets function to the benefit of the real economy. They are a key step towards establishing a safer, more open and more responsible financial system”

Commissioner Michel Barnier 2014

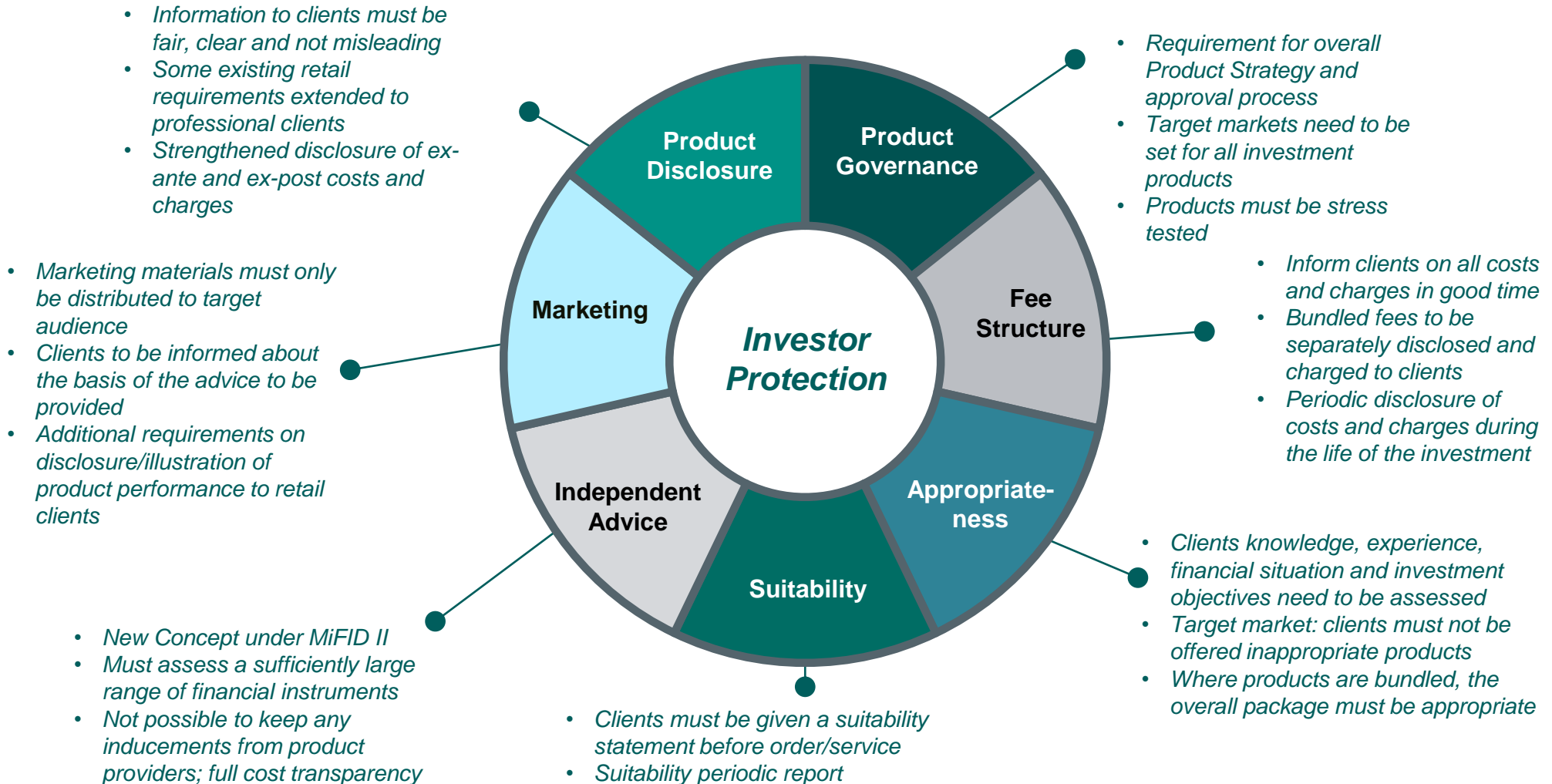


INTRODUCTION TO MIFID II

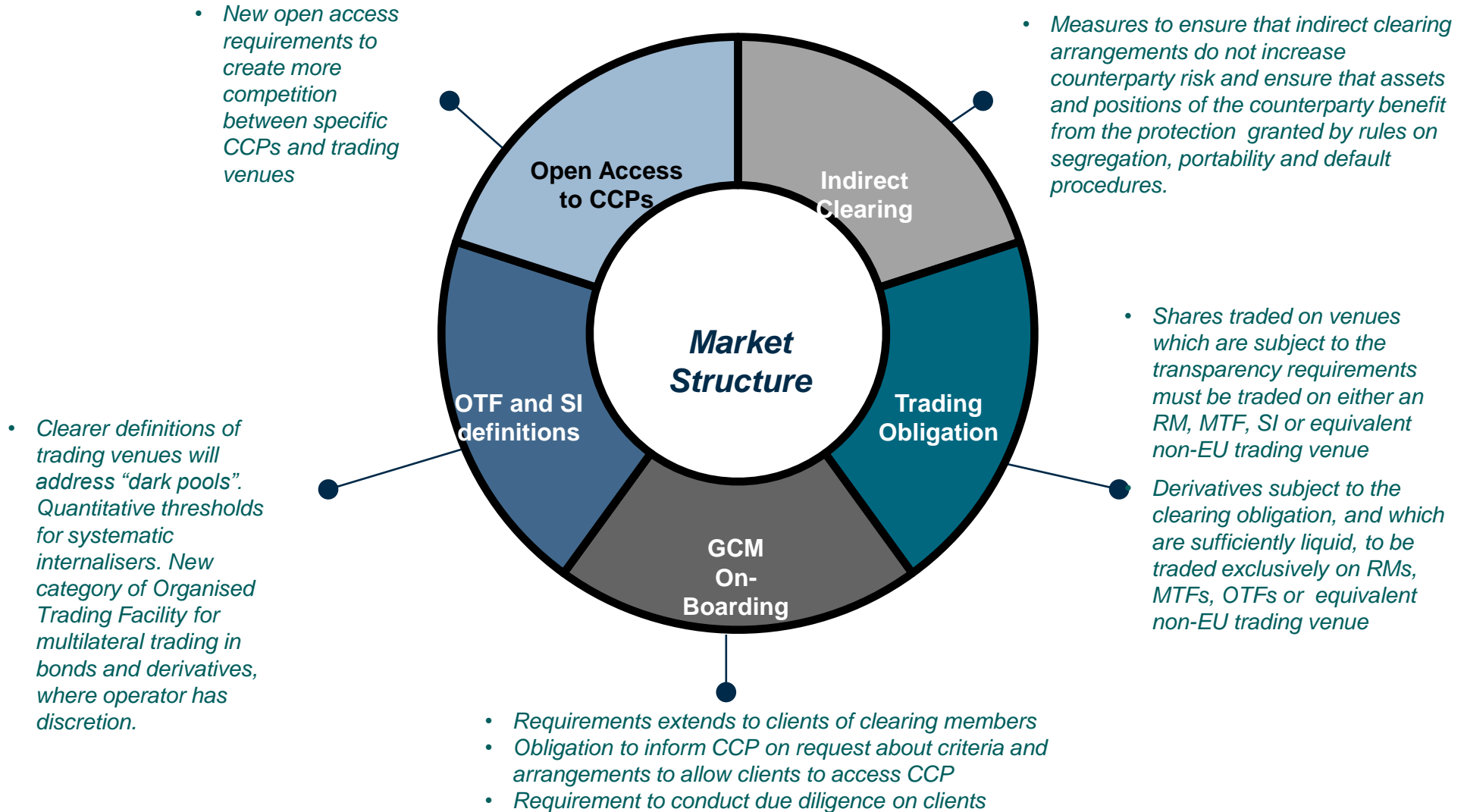
The Markets in Financial Instruments Directive II (MiFID II) represents a major change to the rules that regulate the way investment firms trade financial instruments on central markets and sell investment products to its clients. It does this through 5 broad themes:



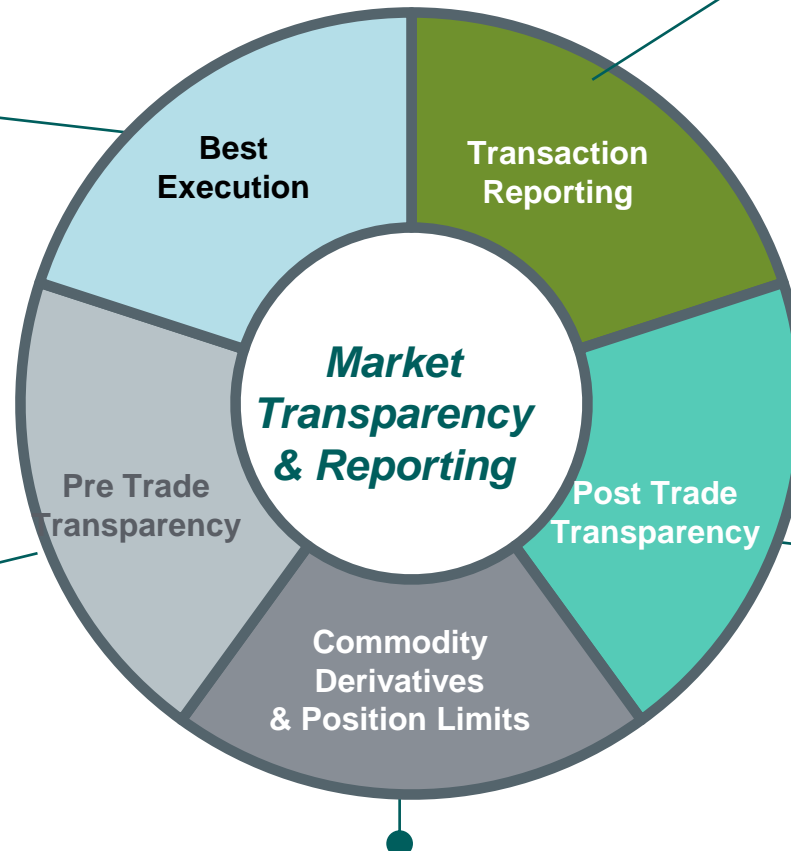
MIFID II - HOW: a) INVESTOR PROTECTION



MIFID II - HOW: b) MARKET STRUCTURE



MIFID II - HOW: c) TRANSPARENCY



- *Enhanced disclosure requirements: firms to disclose the top five execution venues by class of instrument and execution quality*
- *Firms must take all sufficient steps to obtain the best possible result for their clients*
- *The execution policy must be explained in "sufficient detail and be easily understandable"*

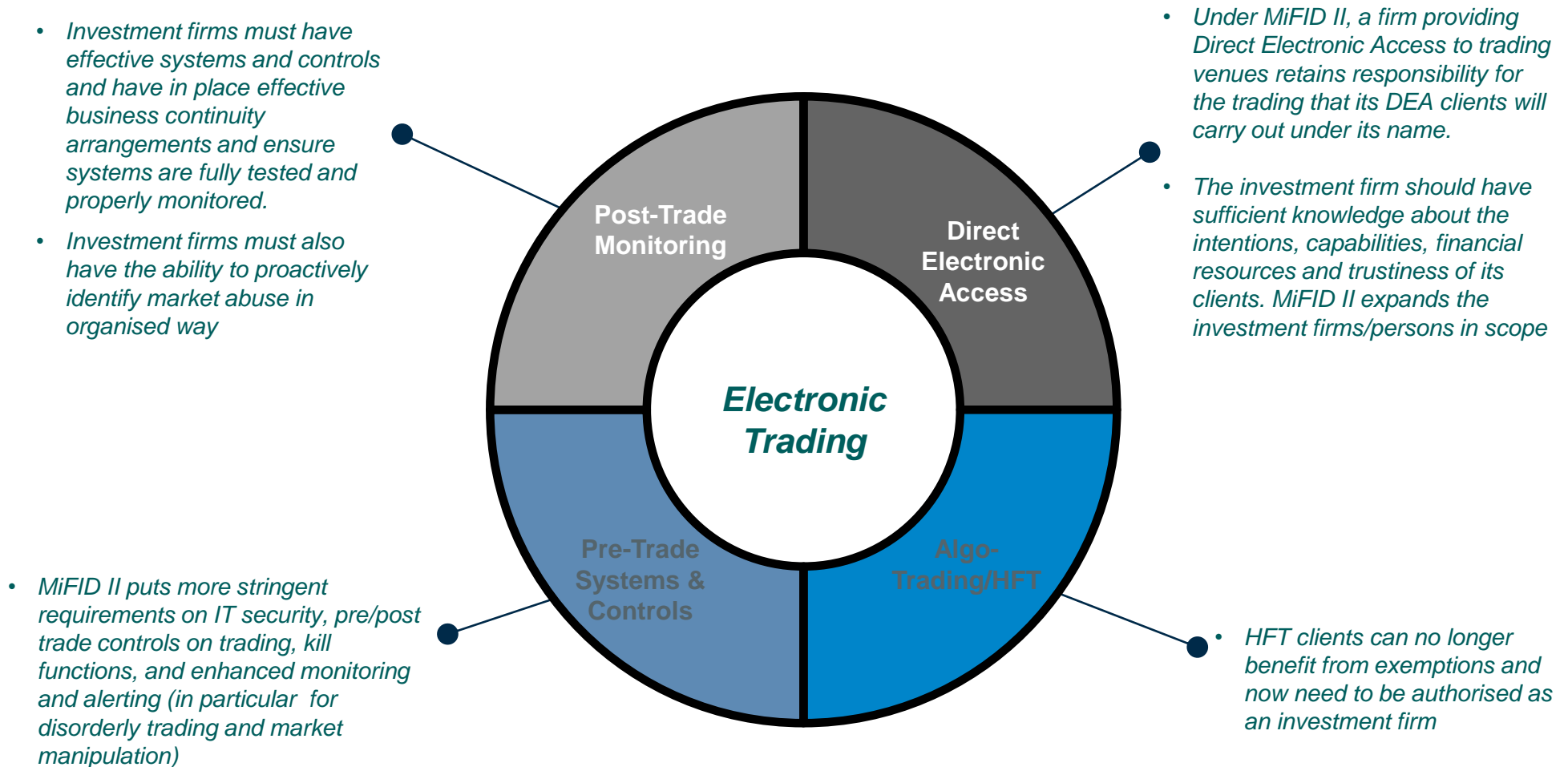
- *Report details of all transactions undertaken to local competent authority*
- *Extended to all instruments traded on a EEA trading venue and OTC derivatives of these instruments*
- *Increased granularity: moved from c24 fields under MiFID I to 65 fields under MiFID II*

- *Scope of transparency expanded to include all instruments traded on an EEA trading venue (Regulated Market, MTF, OTF etc.)*
- *Waivers for illiquid instruments, and large in scale trades*

- *Publish details of the trades undertaken outside of a trading venue to an APA*
- *Instruments in scope include listed equity, equity-like and non-equity instruments (including all listed derivatives)*
- *Reporting must be done in real time; delays for large in scale trades and illiquid instruments.*

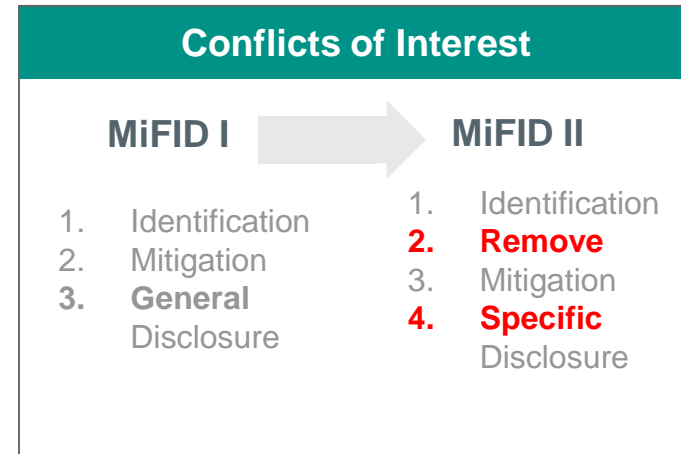
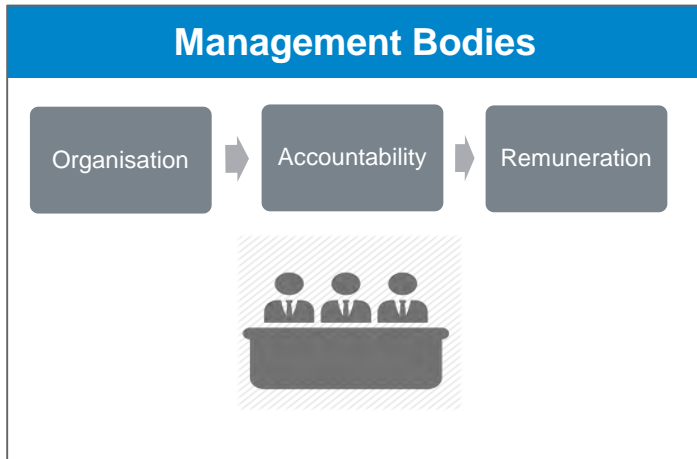
New regime of limits and reporting requirement for commodity positions

MIFID II - HOW: d) ELECTRONIC TRADING



MIFID II - HOW: e) ORGANISATIONAL REQUIREMENTS

MiFID II sets new standards for Organisational Requirements to increase the accountability of senior management and to support and evidence compliance



DAVID LAWTON

Managing Director Financial Services Regulatory Advisory



- David Lawton is a Managing Director with Alvarez & Marsal and jointly heads the firm's Financial Industry Regulatory Advisory Services practice in London.
- He previously held roles as Director of Markets and Director of Markets Policy and International at the Financial Conduct Authority (FCA) and has over 30 years of experience in regulatory and government positions. At the FCA and its predecessor, the Financial Services Authority (FSA), David oversaw the negotiation and implementation of several major post-crisis regulatory reforms, including MiFID II, EMIR, Market Abuse Regulation, Short Selling Regulation, Credit Rating Agency Regulation and the Fair and Effective Markets Review.
- In his roles at the FCA, David led a Division of over 200 staff and was responsible for the UK Listing Authority; primary, secondary, post-trade and wholesale conduct policy; market surveillance and investigations into market abuse; the supervision of the market infrastructure, trading firms, benchmark providers and client assets in the UK; and the regulation of the UK Covered Bond programme.
- He Chaired the FCA's Markets Regulatory Committee and was a Member of the FCA's Executive Policy Steering Committee and Executive Regulatory Issues Committee, taking decisions on the whole range of key FCA policy and regulatory interventions. He was responsible for the FCA's interface with the key European institutions – the European Commission and European Parliament – helping shape the post-crisis regulatory reform agenda and building capital markets union. He was also the sponsor for the FCA's multi-million pound programme to implement MiFID II.
- At a European level, David was the FCA's Alternate Member of the European Securities and Markets Authority's (ESMA) Board of Supervisors, its key decision-making body with responsibility for the development and application of European regulation across the securities and markets sectors. He has also chaired ESMA's Secondary Markets Standing Committee, Investor Protection and Intermediaries Standing Committee, Market Data Standing Committee and the Commodity Derivatives Task Force.
- At a global level, David co-chaired the International Organization of Securities Commissions' (IOSCO) Commodity Futures Markets Committee, developing international principles for the regulation and oversight of commodity derivatives markets. He co-chaired both IOSCO's Benchmarks Task Force and the Financial Stability Board's (FSB) Official Sector Steering Group for benchmarks, strengthening the regulatory framework for key financial market benchmarks. He was also Vice-Chair of IOSCO's Market Conduct Task Force and chaired the OTC Derivatives Regulators Forum.
- Before joining the FSA in January 2005, David spent nearly 20 years at Her Majesty's Treasury, latterly as Head of Capital Markets and Governance, with responsibility for the Department's policy towards securities and wholesale financial markets, prudential capital standards, accounting and auditing issues, corporate governance and company law.
- David is an economist by training, with degrees from Cambridge University and the London School of Economics.



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