

Markets in Financial Instruments Regulation (MiFIR): European Commission proposal

The European Commission has published legislative proposals to amend MiFIR and MiFID II. These amendments are the output from the MiFID II review and the legislative procedure is expected to take 18 months.

The European Commission has focused on three key areas for revision:

- 1) Improving the transparency and availability of market data;
- 2) Improving the level playing field between execution venues;
- 3) Ensuring EU market infrastructures remain competitive internationally.

Amendments to MiFID II

These amendments are intended to ensure coherence with MiFIR

DEA licensing relaxed

The licensing requirement for persons only dealing on own account on a trading venue via Direct Electronic Access (DEA) is removed (on the basis that DEA providers will act as gatekeepers to ensure that DEA users have the necessary and appropriate systems and controls in place and orderly trading can be maintained).

Data standards arrangements

Member states must implement a requirement for trading venues to have arrangements in place to meet data quality standards now included in MiFIR.

RTS 27 best execution reporting deleted

The best execution reporting requirement in Art 27 (3) MiFID II (RTS 27 reporting) is being deleted. These best execution reports will no longer be required because CTPs will provide sufficient post-trade information.

Amendments to MiFID II

These amendments are focused on:



Reducing liquidity and trade execution risk



Maintaining the balance between 'lit' venues and other trading



Removing open access requirements for exchange traded derivatives



Refining the scope of the Share Trading Obligation (STO) and Derivatives Trading Obligation (DTO)

Key changes:

- Overhauled Consolidation Tape Provider (CTP) regime: Single CTP model and mandatory contribution;
- Multilateral systems: Obligations moved into MiFIR;
- Equities transparency: Reference price waiver modified and the 'double volume cap' becomes a 'single volume cap';
- Non-equities transparency: SSTI waivers and deferrals deleted; post-trade deferral periods shortened and harmonised;
- Reasonable Commercial basis: further details to come from ESMA;
- Equity SI pre-trade transparency: Minimum quoting size of 2x SMS introduced, while mid-point matching permitted between 2x SMS and LIS;
- European Union STO scope: Restricted to EEA ISIN shares;
- Transaction reporting and reference data: Technical changes made, but further commitment to examine harmonisation with EMIR and SFTR;
- Derivatives trading obligation: Small FCs excluded, DTO suspensions where clearing obligation suspended and 'ad hoc' suspensions for certain investment firms to mitigate effects of conflicting DTOs;
- Open access requirements: Exchange Traded Derivatives removed;
- Ban on payment for order flow (PFOF).

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