Bloomberg & MIFID II

FXCG Meeting Oct 5th 2017
Agenda

• **Breadth of the challenge**
  – Broad functional response to Mifid II
    • Many competitors but few if any at the same scale

• **Organisational challenges**
  – Global business with regional requirements
    • Liquidity Fragmentation

• **External Dependencies**
  – ESMA Data / ISIN Generation
  – Affect on off-platform flows.

• **Customer Preparedness**
  – Execution
  – Other requirements
Breadth of MiFID II provision

- **New Businesses**
  - RHUB APA ARM
- **E-Trading**
  - EMSX / Trade-book
  - FIT
  - FXGO
- **Execution & Order Management**
  - TSOX
  - AIM
  - TOMS
  - SSEOMS
- **Enterprise**
  - Data feeds (RT & EOD)
  - TCA
  - VAULT
- **Terminal**
  - Reference Data
  - Research
  - DAPI
  - IB – STW
- **Connectivity**
- **~30 work-streams**
Organisational Challenges
Platform & Liquidity Fragmentation

• **Pre Mifid II**
  - Liquidity fragmentation less of an issue
    - EEA liquidity providers could:
      - provide liquidity to US customers on SEF (SWAPS only)
      - everyone else including Asia off SEF

• **Post Mifid II**
  - Now Fragmentation is real
    - European Dealers only able to provide liquidity on MTF
      - no recognised platform equivalence.
      - Asian Clients have to source local and EEA liquidity separately
    - Risk of losing further liquidity for European clients – e.g Latam
  - 3rd country participants can execute on MTF
    - There are considerable implications
      - MTF reporting Obligations / Provision of PII data
    - Debate exits around rest of world vs EEA trading
      - Corporate platform for Forwards & Swaps
      - Orders including Algos (EMSX analogy) / Affirmations
      - FI Single dealer pages / IB
      - Legal debate
    - What constitutes EEA Participant
      - Sales Person / Auto-Pricer - Asia priced from EEA Auto-pricer eg
      - Overseas person exemptions

• **Need for seamless customer experience**
3rd Party Dependencies

- **ANNA DSB**
  - MTF must provide ISIN for TXN reporting
    - We will preload as much as possible
    - When RFQ trade request comes in we can attach an ISIN to it
    - Bulk create ISIN’s where for e.g they don’t exists for that trading day
    - What if ISIN doesn’t exist ?
      - Trade request field will be empty
      - ISIN attached as part of post trade message
  - **SWAPS**
    - Significant issue is requirement for single ISIN for swaps
    - Originally to be composed of 2 forwards
      - ESMA dictated Anna DSB will replace leg identifiers with a single ISIN
      - This makes pre-loading challenging
    - Banks book as 2 forwards – technology implications
      - Transaction reporting challenges

- **ESMA**
  - SI status is Opt in pre 2018
    - Mechanism for aggregation of data
      - Opt in at Sub Asset Class Level – Issuer level fro bonds
      - Transparency has huge affect on reporting efficiency
  - Important for trade flow off platform through IB
  - **Timestamps**
    - Buy-side
    - Sell-side
Customer Preparedness

- **Bloomberg MTF is Live**
  - FX Sep 18th
  - Equity Aug 24th
  - FIT July 20th

- **General Observations**
  - Bloomberg Enterprise Survey results
    - Mix of Buy-side and sell-side participants
  - Not possible to be 100% ready? What does 100% compliant look like?
  - ‘90% of Buy-Side at Risk of Non-Compliance By MiFID II Deadline’; JWG July 2017
  - ‘6% of Asset Managers ready for Mifid II Best Ex Standards’; Traders Magazine Sep 17

- **On-boarding**
  - At some point as a vendor it becomes impossible to guarantee Jan 3rd Compliance

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% Respondents

- 100%
- 80-100%
- 60-80%
- < 60%

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