

ECB Bond Market Contact Group

Update on the impact of MiFID II/R on EU Bond Markets

Prepared for the ECB BMCG Meeting 9 October 2018

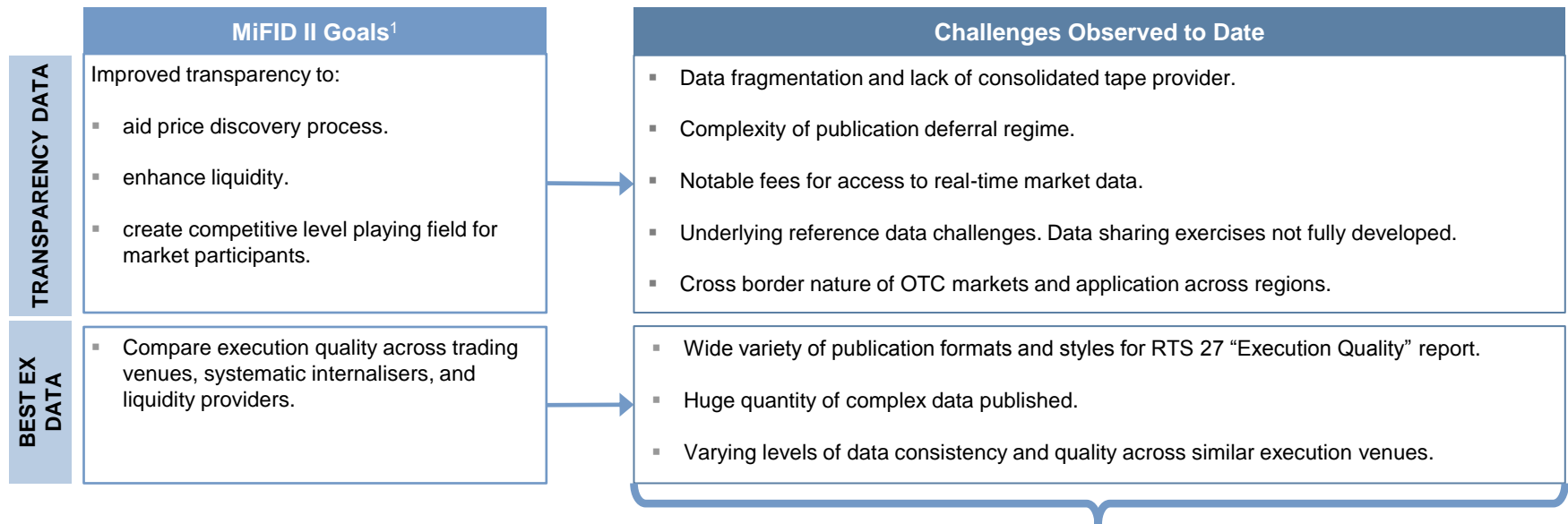
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October 2018

Summary Observations:

- Transparency: limited impact of new market data on EU bond market liquidity observed *so far*.
- Execution Quality Report: limited use of new execution report data observed *so far*.
- Slight execution channel shift from voice to electronic for Bonds, driven by embedded incentives within MiFID II reinforcing longstanding trend.
- Requirements largely fully implemented. Processes, infrastructure, and re-allocation of resources expected to evolve in response to MiFID II changes over time.

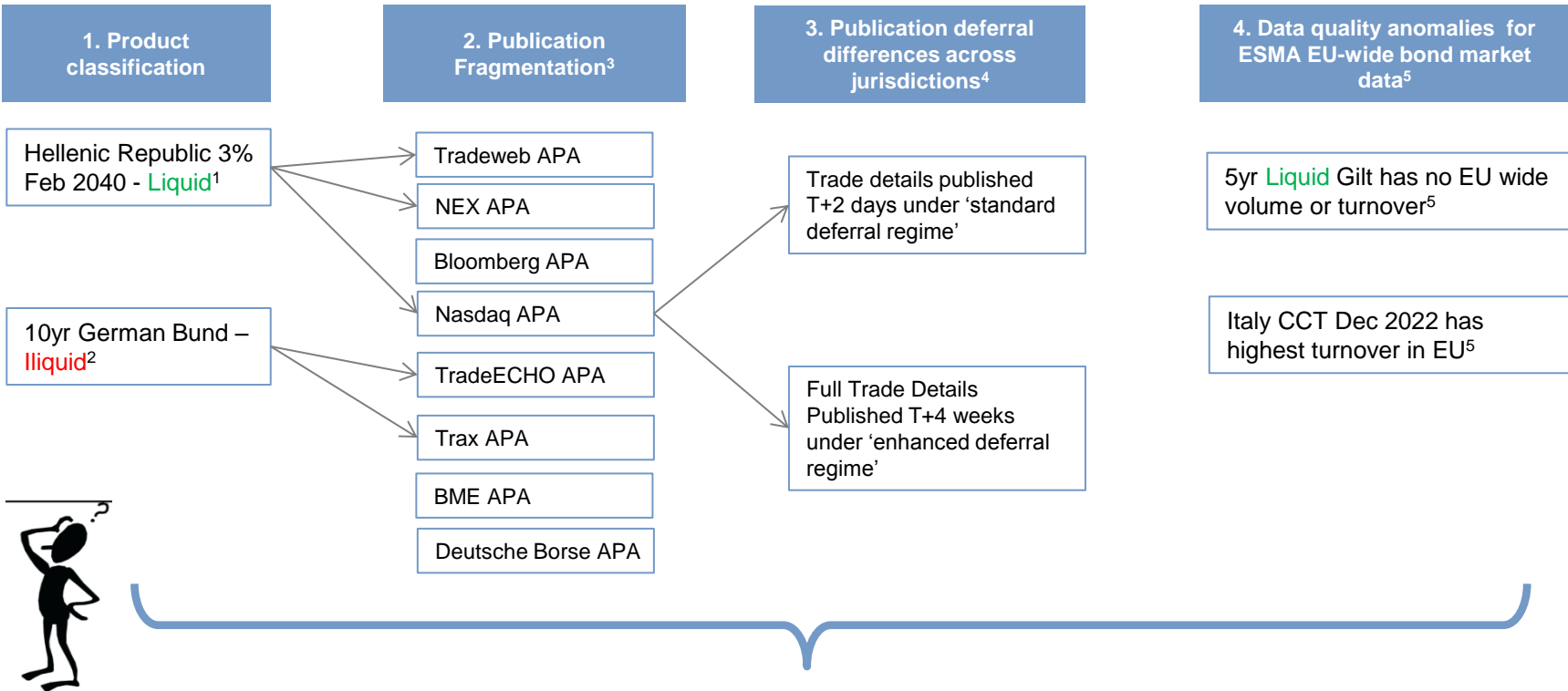
MiFID II Transparency & Best Execution Report Data Overview:



Extensive resource and data consumption exercise to overcome current challenges and extract value from Transparency and Execution Report Data

¹ = Per MiFID II/R RTS 2 and RTS 27 Recital

Illustrative Example of Observed Challenges of MiFID II Bond Market Data:



Complexity will take time to navigate. Infrastructure and mechanisms to access and interpret the data take time to bed in

1 – ISIN = GR0138012787. Source of product classification: ESMA FITRS ([Financial Instruments Transparency System](#)) Database; 2 – ISIN = DE0001102440 Source: ESMA FITRS. 3 – per Data Reporting Service Providers in ESMA's [register](#) 4 – supplementary deferral regime can differs across NCA's. FIX RTS 2 Tree illustrates: <https://www.fixtrading.org/packages/rts2/>; 5 – Source: [ESMA SI Calculations](#), ISIN = GB00BD0PCK97, ISIN = IT0005137614

Overcoming Challenges and Future Expectations:

Usability and quality of new market data generally **expected to improve over time**. Usability will be aided by the following:

- CTP (Consolidated Tape Provider) and / or complete APA aggregator to reduce fragmentation.
- Competition reducing market data costs.
- Industry solutions emerge to current reporting challenges – e.g. SI registry database.
- Improved understanding of reporting regimes and data publication.

Additional key influencing items on usefulness of MiFID II market data:

- Brexit deal and application of MiFID II in the UK vs EU-27.
- Appropriate calibration of future “liquidity” and size (LIS, SSTI) thresholds.

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