

# The long arm of MiFID II: How non-EU firms will be impacted

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MiFID II Obligations							
Relationship to the EU entity	Research: unbundling execution from research	Pre-trade Transparency	Post-trade trade report	EU-Venue trading: shares & derivatives	Transaction reporting	Best execution	Trade reconstruction & trade surveillance
<p><b>I am a:</b> Am a <b>non-EU fund manager</b> handling money for an MiFiD II Investment Firm. (e.g. EU MiFID II Investment Firm gives money to a fund managed by a non-EU-based manager)</p>						<p>The MiFID II Investment firm will probably require third-country broker to:</p> <ul style="list-style-type: none"> <li>- Have an order execution policy</li> <li>- Demonstrate "sufficient steps" were taken for best execution. This may include supplying best execution reports to show that they are executing in their clients' best interests</li> </ul>	
<p><b>I am a:</b> <b>Third-country broker</b> executing orders in a <b>local (only) instrument</b> for an MiFID II Investment Firm (e.g. EU MiFID II Investment Firm places buy order with a non-EU-based broker in a non-EU small-cap stock )</p>	<p>EU manager will have to conform to "use of dealing commission" directives.</p> <p>The EU manager will require commissions to be unbundled e.g. be able to determine what part of the commission relates to the execution services provided by the broker.</p>			<p>As long as the security is not admitted to trading or listed on a regulated market there is no obligation.</p>		<p>EU manager will probably require third-country broker to:</p> <ul style="list-style-type: none"> <li>- Have an order execution policy</li> <li>- Demonstrate "sufficient steps" were taken for best execution. This may include supplying best execution reports to show that they are executing in their clients' best interests</li> </ul>	<p>EU investment firm <b>MAY</b> perform market abuse/trade surveillance on their third-country broker's executions.</p>

Direct Obligation
  Indirect Obligation
  Need Guidance

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<p><b>I am a: Third-country broker</b> executing orders for an <b>MiFID II Investment Firm</b> in an instrument with a DUAL EU listing. (e.g. EU MiFID II Investment Firm places buy order with a non-EU-based broker in a non-EU large cap stock that is also admitted to trade on a European Trading Venue)</p>	<p>EU manager will have to conform to “use of dealing commission” directives. The EU manager will require commissions to be unbundled e.g. be able to determine what part of the commission relates to the execution services provided by the broker.</p>	<p>Further guidance awaited from regulators on which rules apply where an instrument has an EU listing but the primary listing is outside the EU. <b>Note:</b> it is not relevant to the Third country broker because they will never be subject to this obligation.</p>	<p>Further guidance awaited from regulators on which rules apply where an instrument has an EU listing but the primary listing is outside the EU. <b>Note:</b> it is not relevant to the Third country broker because they will never be subject to this obligation.</p>	<p>In shares, if the security is listed or made available to trade on a EU venue then its has to be executed on a venue in the Union or “Equivalent” market. Further guidance awaited from regulators on which rules apply where an instrument has an EU listing but the primary listing is outside the EU.</p>	<p>The EU Investment firm will have to include the trades in their transaction reports. <b>Note:</b> The MiFID II Investment Firm will require the third country broker to provide a valid LEI prior to placing an order with the broker.</p>	<p>EU manager will probably require third-country broker to:</p> <ul style="list-style-type: none"> <li>- Have an order execution policy</li> <li>- Demonstrate “sufficient steps” were taken for best execution. This may include supplying best execution reports to show that they are executing in their clients’ best interests</li> </ul>	<p>The MiFID II Investment Firm MAY perform market abuse/trade surveillance on their third-country broker’s executions.</p>
<p><b>I am a: Third-country investment firm</b> giving money to an <b>MiFID II Investment Firm</b>. (e.g. A non-EU-based money manager invests money in an EU-based MiFID II Investment Firm)</p>	<p>Third-country firm will be notified of all charges, including costs associated with research. The Delegated Directive (7 April 16, Article 13(b) (ii) page 27) states that all investors regardless of locale will be required to agree the research charges with the MiFID II Investment Firm.</p>						
<p><b>I am a: Third country investment firm</b> giving orders to an <b>EU broker</b> to execute. (e.g. non-EU firm places buy order with a EU-based broker in a EU-listed stock)</p>	<p>EU broker will be unable to “create” soft dollars because they have to conform to “use of dealing commission” directives.</p>	<p>Further guidance awaited from regulators. If the instrument is traded or even admitted to trading on an EU venue, then the EU broker may have to comply with the transparency, venue trading and SI obligations.</p>	<p>Further guidance awaited from regulators. If the instrument is traded or even admitted to trading on an EU venue then the EU broker may have to comply with the transparency, venue trading and SI obligations.</p>	<p>Further guidance awaited from regulators. If the instrument is traded or even admitted to trading on an EU venue then the EU broker may have to comply with the transparency, venue trading and SI obligations.</p>	<p>The non-EU firm will be required by the EU broker to provide a valid LEI prior to placing an order with the broker.</p>		<p>EU broker will perform market abuse/trade surveillance on their third-country counterparties’ orders and executions.</p>

■ Direct Obligation    ■ Indirect Obligation    ■ Need Guidance

MiFID II Obligations							
Relationship to the EU entity	Research: unbundling execution from research	Pre-trade Transparency	Post-trade trade report	EU-Venue trading: shares & derivatives	Transaction reporting	Best execution	Trade reconstruction & trade surveillance
<p><b>I am a: Branch of an EU MiFID II Investment Firm</b> executing off-hours in a <b>non-EU listed</b> instrument.</p> <p>(e.g. Branch places buy order on an Asian stock exchange for a non-EU-listed stock)</p>	Branch will have the same responsibilities as the EU entity.	Further guidance awaited from regulators. Third-country branches of EU firms are legally the same as their EU entities but clarification is needed where the trades are not executed during EU hours, and when the primary listing of instruments is not in the EU. Clarification is also needed on equivalent third-country venues where execution can take place and satisfy MIFIR rules.	Further guidance awaited from regulators. Third-country branches of EU firms are legally the same as their EU entities but clarification is needed where the trades are not executed during EU hours, and when the primary listing of instruments is not in the EU. Clarification is also needed on equivalent third-country venues where execution can take place and satisfy MIFIR rules.	Further guidance awaited from regulators. Third-country branches of EU firms are legally the same as their EU entities but clarification is needed where the trades are not executed during EU hours, and when the primary listing of instruments is not in the EU. Clarification is also needed on equivalent third-country venues where execution can take place and satisfy MIFIR rules.	Branch will have the same responsibilities as the EU entity.	Branch will have the same responsibilities as the EU entity.	Branch will have the same responsibilities as the EU entity.
<p><b>I am a: Branch of an EU MiFID II Investment Firm</b> executing off-hours in an instrument with a <b>DUAL EU listing</b>.</p> <p>(e.g. Branch places buy order on an Asian stock exchange for a DUAL-listed stock)</p>	Branch will have the same responsibilities as the EU entity.	Further guidance awaited from regulators. Third-country branches of EU firms are legally the same as their EU entities but clarification is needed where the trades are not executed during EU hours, and when the primary listing of instruments is not in the EU. Clarification is also needed on equivalent third-country venues where execution can take place and satisfy MIFIR rules.	Further guidance awaited from regulators. Third-country branches of EU firms are legally the same as their EU entities but clarification is needed where the trades are not executed during EU hours, and when the primary listing of instruments is not in the EU. Clarification is also needed on equivalent third-country venues where execution can take place and satisfy MIFIR rules.	Further guidance awaited from regulators. Third-country branches of EU firms are legally the same as their EU entities but clarification is needed where the trades are not executed during EU hours, and when the primary listing of instruments is not in the EU. Clarification is also needed on equivalent third-country venues where execution can take place and satisfy MIFIR rules.	Branch will have the same responsibilities as the EU entity.	Branch will have the same responsibilities as the EU entity.	Branch will have the same responsibilities as the EU entity.

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