Deutsche Bank
Global Equities

Global Market Structure – Europe

Execution Excellence

November 20, 2017

MiFID II: Deutsche Bank's Position on Systematic Internalisers

Briefing Note

What is happening?

- MiFID II will apply the Systematic Internaliser (SI) and Trade Reporting regimes to trading in equities and equity derivatives starting from January 3rd, 2018.
- Investment firms trading Over the Counter (OTC) in instruments traded on European trading venues on a regular basis will be required to register as SIs in those instruments. Whether or not an investment firm deals on a 'regular basis' will be determined by comparing its OTC volumes with total EU trading volumes in that instrument over a defined period of time.
- ESMA has indicated that it will publish total EU trading volume data (to enable SI calculations to be made) for H1 2018 by August 1, 2018 and expects investment firms to comply from September 1, 2018. However, this does not mean that the SI regime is delayed and will be implemented from September 1, 2018 – this only means that it will be mandatory for investment firms to comply with the SI regime from this date.
- Regardless of their OTC volumes, investment firms will still be able to voluntarily 'opt-in' as SIs from January 3, 2018 as a means to comply with the trading obligation (for shares) and assume responsibility for real time publication (trade reporting) of OTC trades.

What is Deutsche Bank's (DB) position on SIs?

- As recently announced, DB is to voluntarily opt-in as an SI for bonds, derivatives and equities starting from January 3, 2018.
- As an SI in the instruments stated above, DB will need to comply with pre-trade transparency requirements. For more information on pre trade transparency requirements, please refer to our Global Market Structure Briefing Notes on equity derivatives and equities.

How does this help DB's clients post 3 January 2018?

- MiFID II will require real time publication of OTC trades in instruments traded on European trading venues. Generally speaking, the obligation to publish such trades is on the transacting party identified as the 'seller' in the transaction, unless the buyer in the transaction is an SI. Where a transaction takes place between an SI and a non-SI firm, the obligation to publish the trade is on the SI.
- When clients trade with DB in equities and equity derivatives the obligation to publish the trade report will always remain with DB, as DB will be an SI in all such instruments impacted by the trade reporting rules.

– This decision has been made taking into account the varying levels of readiness for MiFID II among DB's client base. DB remains committed in helping its clients transition smoothly into the new MiFID II world.

Global Market Structure- EMEA

Stephen McGoldrick
stephen.mcgoldrick@db.com
+44(20)754-75552

Gargi Purandare
gargi.purandare@db.com
+44(20)754-70168

Previously published documents in the MiFID II Equity Series:

- Directory of Documents
- An Overview of MiFID II
- Topic 1, Update 1, MiFID II – Trade and Transaction Reporting
- Topic 2, Update 1, MiFID II – Trading Obligation and Matched Principal Trading
- Topic 3 MiFID II – Best Execution
- Topic 4, Update 1, MiFID II – Direct Electronic Access, Algorithmic Trading and Self-Assessment
- Topic 5, Update 1, MiFID II – Research Unbundling
- Topic 6, Update 1, MiFID II – Impact on Non Equities
- Topic 7, MiFID II – Extraterritoriality
- Briefing Note – Transparency for Equity Derivatives
- Briefing Note – Changing Landscape of Equity Trading
- Briefing Note – Amendment to Definition of SI and Industry Response to EC Consultation
- Briefing Note – Trading Capacities under MiFID II
- Bulletin 1: Share Trading Obligation

Disclaimer

Quantitative models, processes and parameters are subject to amendment, modification, adjustment and correction at Deutsche Bank's discretion, and may incorporate Deutsche Bank's qualitative judgment. Deutsche Bank will from time-to-time run or update such models at its discretion. Clients are responsible for making their own determination as to the suitability and appropriateness of such models for their investment objectives.

This document is intended for information purposes only and does not create any legally binding obligations on the part of Deutsche Bank AG and/or its affiliates ("DB"). Without limitation, this document does not constitute an offer, an invitation to offer or a recommendation to enter into any transaction. It does not constitute a recommendation or endorsement by DB of any investment, trading strategy or algorithm and should not be relied upon by you to make a determination as to whether or not to invest or to use any strategy or algorithm.

When making an investment decision, you should rely solely on any specific final documentation relating to a transaction and not the summary contained herein. DB is not acting as your legal, financial, tax or accounting adviser or in any other fiduciary capacity with respect to any proposed transaction mentioned herein. This document does not constitute the provision of investment advice and is not intended to do so, but is intended to be general information. Any product(s) or proposed transaction(s) mentioned herein may not be appropriate for all investors and before entering into any transaction you should take steps to ensure that you fully understand the transaction and have made an independent assessment of the appropriateness of the transaction in the light of your own objectives, needs and circumstances, including the possible risks and benefits of entering into such transaction. For general information regarding the nature and risks of the proposed transaction and types of financial instruments please go to www.globalmarkets.db.com/riskdisclosures. YOU SHOULD ALSO CONSIDER SEEKING ADVICE FROM YOUR OWN ADVISERS IN MAKING ANY ASSESSMENT ON THE BASIS OF THIS DOCUMENT. If you decide to enter into a transaction with DB, you do so in reliance on your own judgment. The information contained in this document is based on material we believe to be reliable; however, we do not represent that it is accurate, current, complete, or error free. Assumptions, estimates and opinions contained in this document constitute our judgment as of the date of the document and are subject to change without notice. Any projections are based on a number of assumptions as to market conditions and there can be no guarantee that any projected results will be achieved. Past performance does not guarantee or predict future results. This material was prepared by a Sales or Trading function within DB, and was not produced, reviewed or edited by the Research Department. Any opinions expressed herein may differ from the opinions expressed by other DB departments including the Research Department. Sales and Trading functions are subject to additional potential conflicts of interest which the Research Department does not face. DB may engage in transactions in a manner inconsistent with the views discussed herein. DB trades or may trade as principal in the instruments (or related derivatives), and may have proprietary positions in the instruments (or related derivatives) discussed herein. DB may make a market in the instruments (or related derivatives) discussed herein. Sales and Trading personnel are compensated in part based on the volume of transactions effected by them. DB seeks to transact business on an arm's length basis with sophisticated investors capable of independently evaluating the merits and risks of each transaction, with investors who make their own decisions regarding those transactions. The distribution of this document and availability of these products and services in certain jurisdictions may be restricted by law. You may not distribute this document, in whole or in part, without our express written permission. DB SPECIFICALLY DISCLAIMS ALL LIABILITY FOR ANY DIRECT, INDIRECT, CONSEQUENTIAL OR OTHER LOSSES OR DAMAGES INCLUDING LOSS OF PROFITS INCURRED BY YOU OR ANY THIRD PARTY THAT MAY ARISE FROM ANY RELIANCE ON THIS DOCUMENT OR FOR THE RELIABILITY, ACCURACY, COMPLETENESS OR TIMELINESS THEREOF.

Deutsche Bank AG ("the Bank") is a joint stock corporation incorporated with limited liability in the Federal Republic of Germany. It is registered in the Commercial Register of the District Court, Frankfurt am Main under number HRB 30 000.

The Bank is authorized under German Banking Law (competent authorities: European Central Bank and the BaFin, Germany's Federal Financial Supervisory Authority) and, in the United Kingdom, by the Prudential Regulation Authority. It is subject to supervision by the European Central Bank and by the BaFin, and is subject to limited regulation in the United Kingdom by the Financial Conduct Authority and the Prudential Regulation Authority. Details about the extent of the Bank's authorization and regulation by the Prudential Regulation Authority, and its regulation by the Financial Conduct Authority, are available from the Bank on request.

The Bank is registered as a foreign company in the register of companies for England and Wales (registration number FC007615).

Under its European Passport, the Bank carries on banking and investment services in the United Kingdom through Deutsche Bank AG, London Branch ("London Branch") and is also authorized to provide such services into the United Kingdom from Germany and from its other EEA branches.

Deutsche Bank AG, London Branch is registered as a branch in the register of companies for England and Wales (registration number BR000005). Its registered address is Winchester House, 1 Great Winchester Street, London EC2N 2DB.

In addition to its above authorisations, the Bank is authorised by the Financial Conduct Authority to carry on investment services in precious metals.

London Branch is listed as a member firm of the London Stock Exchange.