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MARKET STRUCTURE: AN EVOLUTION FROM MIFID I TO MIFID II

A new directive and a new regulation, which will become effective in January 2018, are major steps in harmonizing and strengthening the regulation of exchanges and other venues for organized trading in the EU. The subjects covered include management and organization of markets, admission and removal of financial instruments, access to regulated markets, monitoring of compliance, and pre- and post-trade transparency. The new directive also introduces the new Organized Trading Facility, which covers non-equity trading not previously regulated.

By Nathaniel Lalone and Christopher Collins*

On January 3, 2018, roughly six years after they were first proposed, reforms to the Markets in Financial Instruments Directive¹ (“MiFID I”) in the form of a new directive² (“MiFID II”) and regulation³ (“MiFIR”) will

come into force in Member States of the European Union. That timeline included years of consultation, negotiation, and, even after the initial deadline for implementation and compliance had been set, an extension of one year to the application date. Such a timeline reflects the extensive changes that the package of legislation is introducing to European financial markets. One principal area of change is to the market structure of the EU, including the introduction of a new type of trading venue, as well as the harmonization and strengthening of the regime applicable to trading venues under MiFID I.

¹ Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC, 2004 O.J. (L 145) 1.

² Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (recast), 2014 O.J. (L 173) 349.

³ Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial

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instruments and amending Regulation (EU) No 648/2012, 2014 O.J. (L 173) 84.

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