

Background

The recast Markets in Financial Instruments Directive 2014/65/EU (“MiFID II”) and the Markets in Financial Instruments Regulation 600/2014/EU (“MiFIR”) collectively require MiFID Investment Firms (including credit institutions) trading in financial instruments for which they are a Systematic Internaliser (“SI”) outside a Regulated Market (“RM”), Multilateral Trading Facility (“MTF”) or Organised Trading Facility (“OTF”) to comply with pre-trade transparency obligations (the “SI Requirements”). The purpose of these obligations is to support efficient price discovery around trading activities taking place off trading venues and to promote a level playing field with on-venue trading.

The nature of an SI’s obligations varies depending on whether it is dealing in:

- i. “equities”, being shares, depositary receipts, ETFs, certificates and other similar financial instruments; or
- ii. “non-equities”, being bonds, structured finance products, emission allowances, derivatives, ETCs and ETNs

Under MiFID II, an SI is defined as ‘an investment firm which, on an organised, frequent, systematic and substantial basis, deals on own account when executing client orders outside a RM, an MTF or an OTF without operating a multilateral system.

BofAML SI

Merrill Lynch International (“MLI”) will be an SI in all equity/equity-like MiFID instruments and, within the MiFID non-equity category, equity derivative instruments that are ‘Traded on a Trading Venue’ (“TOTV”).

MLI, Bank of America Merrill Lynch International (BAMLI) UK and BANA London Branch will also be an SI in all other MiFID non-equity instruments that are TOTV, with the exception of Commodity products.

Access to the SI

BofAML will operate as an SI within its normal trading hours.

BofAML recognises the role it plays in providing liquidity to financial markets and of the regulatory obligations to provide clients, who have been classified as being 'good-to-trade' for the purposes of MiFID II, access to our publicly available quotes. We also recognise that providing access to such liquidity must also be balanced with recognition of our own commercial considerations, the requirement to manage a variety of risk measures and various SI Requirements.

Published quotes may be updated at any time. They may also be withdrawn under exceptional market conditions. This is owing to changes in the external trading environment that influence the underlying value of the financial instrument for which a quote has been provided. Such factors influencing this may include, but are not limited to, market risk, liquidity risk and volatility risk. Published quotes may also only be available to trade for a limited time that is reasonable to allow clients to execute against them, owing to the dynamic nature of the underlying products.

As part of our internal risk management policies, we reserve the right to limit the number of transactions we enter into with clients to only that for which we provided the initial quote. Where a requesting client has decided not to trade against the quote (or execute only part of it), we may allow other clients to trade on this quote, subject to the other factors governing access to BofAML's quotes as commercially determined by it. The ability to trade on this will also be restricted to the notional size of the original quote or that which remains where it has been partially executed.

Published Pre-Trade quotes are in those financial instruments for which BofAML is:

- an SI and has provided a firm quote in response to a client request
- the instrument has been determined to be liquid in accordance with MiFIR
- it has been quoted in a size that is less than or equal to the Size Specific to the Instrument ("SSTI"); and
- the instrument is classified as being TOTV

Equities

- Access to the MLI SI will be via BofAML algorithms, smart order router or High Touch
- The MLI SI will operate with a normalised best bid/offer calculated from consolidated market data
- The MLI SI will make public quotes in a minimum of 10% Standard Market Size (“SMS”) in most liquid instruments. These quotes will be disseminated via Cboe
- For orders below SMS, executions will occur at the MLI SI public quote, unless there are justified circumstances to offer price-improvement
- Above SMS and in illiquid instruments, the MLI SI will have the sole discretion to deal away from the public quote (e.g. offer price/size improvement)

Non Equities

Access for clients to trade published pre-trade quotes is also contingent upon our own internal assessment of pricing considerations. Any published quote in a financial instrument reflects the value of the underlying instrument and wider valuation adjustment (VA) factors, as applicable. VA factors, relevant to derivatives, include, but are not limited to, considerations of counterparty risk, CSA terms and collateral arrangements. For this reason, the quote that is published in response to an RFQ from one client may not be available to another client owing to these broader factors.

- Clients are able to access Pre-Trade quotes through Tradeweb, who supply this information through a secure website or a multicast data feed
- Tradeweb Pre-Trade quote information is available on a subscription basis and provides users access to SI quotes in MiFID financial instruments in real time
- Further information on how to subscribe to this service can be obtained from Tradeweb at: europa.clientservices@tradeweb.com
- Published information includes instrument description, ISIN (where available), price, size and publishing SI
- We request clients seeking to trade on published quotes to contact their appropriate BofAML sales contact through their usual voice-flow channels.
- Please provide the ‘Quote ID’ field published by Tradeweb in order to allow your sales contact to readily identify the instrument and relevant quote