

# **Mizuho International plc**

## **Commercial Policy In Relation To Pre-Trade Obligations under MiFID II In Fixed Income Products**

### **Introduction**

The EU Markets in Financial Instruments Regulation (MiFIR), EU 640/2014<sup>1</sup>, establishes, amongst other things, uniform requirements in relation to the disclosure of trade data to the public.

MiFIR Article 18 sets out requirements on investment firms to make public details of firm quotes made to clients to buy or sell financial instruments.

These requirements apply where:

- The financial instrument is traded on a Trading Venue<sup>2</sup>;
- The firm is a Systematic Internaliser<sup>3</sup> in that financial instrument;
- The firm makes a firm quote to a client in that financial instrument outside of a Trading Venue.

In accordance with MiFIR Article 18, Mizuho International plc (MHI) has implemented the commercial policy below which sets out the non-discriminatory and transparent limits on the number of transactions it undertakes to enter into with clients pursuant to any given quote in financial instruments in which it is a Systematic Internaliser.

MHI's normal trading hours are 8:00 am - 4:00 pm on London business days.

### **Commercial Policy**

- 1) Within a reasonable timeframe, for any fixed income financial instrument for which there is a liquid market, in which MHI is a Systematic Internaliser, MHI will upon request from a client provide a firm quote at which it is willing to buy or sell that financial instrument, if the size requested is in the Size Specific To the financial Instrument<sup>4</sup> or smaller and MHI agrees to provide a quote.
- 2) MHI will honour the firm trade quote provided under (1) to that client so long as market conditions (including the respective security's last price) have not materially changed.

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<sup>1</sup> MiFIR: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014R0600&from=EN>

MiFID II: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0065&from=EN>

<sup>2</sup> MiFID II Article 4(24): 'trading venue' means a regulated market, an MTF or an OTF.

MiFID II Article 4(21) 'regulated market' means a multilateral system operated and/or managed by a market operator, which brings together or facilitates the bringing together of multiple third-party buying and selling interests in financial instruments – in the system and in accordance with its non-discretionary rules – in a way that results in a contract, in respect of the financial instruments admitted to trading under its rules and/or systems, and which is authorised and functions regularly and in accordance with Title III of MiFID II.

MiFID II Article 4(22) 'multilateral trading facility' or 'MTF' means a multilateral system, operated by an investment firm or a market operator, which brings together multiple third-party buying and selling interests in financial instruments – in the system and in accordance with non-discretionary rules – in a way that results in a contract in accordance with Title II of MiFID II.

MiFID II Article 4(23) 'organised trading facility' or 'OTF' means a multilateral system which is not a regulated market or an MTF and in which multiple third-party buying and selling interests in bonds, structured finance products, emission allowances or derivatives are able to interact in the system in a way that results in a contract in accordance with Title II of MiFID II.

<sup>3</sup> MiFID II Article 4(20): 'systematic internaliser' means an investment firm which, on an organised, frequent systematic and substantial basis, deals on own account when executing client orders outside a regulated market, an MTF or an OTF without operating a multilateral system

<sup>4</sup> MiFIR Article 9(5)(d): ESMA shall develop draft regulatory technical standards to specify the size specific to the financial ... for which pre-trade disclosure may be waived...

- 3) The firm quote provided by MHI under (1) will be published by MHI through an Approved Publication Arrangement<sup>5</sup>.
- 4) The firm quote provided by MHI under (1) will be made available to other clients, *ceteris paribus*, up to original quoted size in aggregate or until a point where internal risk limits on a security, book, desk or entity-wide basis have been reached.
- 5) If MHI is requested by a client to provide a firm quote at which it is willing to buy or sell a financial instrument in a size greater than the Size Specific To the financial Instrument for a financial instrument for which there is a liquid market and in which MHI is a Systematic Internaliser, MHI will only provide a quote if it agrees to do so. Any such quote will not be made public as it would benefit from the relevant pre-trade disclosure waiver.
- 6) If MHI, acting as a Systematic Internaliser, is asked to provide a quote in a fixed income financial instrument for which there is not a liquid market, it may or may not agree to provide a firm quote at its discretion.
- 7) Firm quotes provided by MHI in (6) will not be published by MHI through an APA.
- 8) MHI reserves the right to update the quotes mentioned in (1) and (6) at any time in order to reflect changing market circumstances.
- 9) In accordance with MiFID II, MHI reserves the right to make available the quotes mentioned in (3) to tiered counterparties in a non-discriminatory fashion based on various factors including, but not limited to, historical relationships with MHI and Mizuho affiliates.
- 10) Firm quotes provided by MHI to clients which MHI is required to make public, will be published via our Approved Publication Arrangement, Trax.

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<sup>5</sup> MiFID II Article 4(52): 'approved publication arrangement' means a person authorised under MiFID II to provide the service of publishing trade reports on behalf of investment firms pursuant to Articles 20 and 21 of MiFIR.