

# FCA TRANSITIONAL DIRECTION FOR THE SHARE TRADING OBLIGATION

## 1 Part 1: The transitional direction for the share trading obligation

- 1.1 D This direction is made by the *FCA* under Part 7 of the Financial Services and Markets Act 2000 (Amendment) (EU Exit) Regulations 2019 (the 2019 Regulations), having consulted HM Treasury and other regulators as required by regulation 202 of those regulations, and being satisfied within the terms of regulation 200(3) and (4) of those regulations.
- 1.2 D The direction shall come into force on *IP completion day*.

## 2 Part 2: Interpretation

- 2.1 D **Systematic internaliser, UK trading venue** and **EU trading venue** have the meanings contained in article 2.1.12, 2.1.16A and 2.1.16B respectively of *MiFIR*. For the purposes of this direction, **systematic internaliser** and **EU trading venue** include a venue or firm that has its head office in an EEA state.
- 2.2 D Italicised words and phrases have the meanings contained in the *Glossary* of the *FCA Handbook*.
- 2.3 G Guidance contained in the main FCA transitional directions also applies to this direction to the extent relevant.

## 3 Part 3: Modification of the share trading obligation

- 3.1 D The *FCA* directs that article 23(1) of *MiFIR* is modified so that an investment firm does not breach it if the trade takes place on an **EU trading venue** or **systematic internaliser**.
- 3.2 D The direction in 3.1 also applies to *firms* required to comply with *MiFIR* as a result of *GEN 2.2.22AR*.

## 4 Part 4: Guidance

- 4.1 G The UK share trading obligation at article 23(1) of *MiFIR* requires firms to trade in scope shares on **UK trading venues**, systematic internalisers and equivalent third country trading venues.
- 4.2 G The effect of this direction is to allow firms to continue to trade shares on **EU trading venues** and **systematic internalisers**, as an alternative to the options in 4.1G. This mitigates the disruption that could reasonably be expected to arise from compliance with onshored obligations.
- 4.3 G The direction does not affect the requirement for **EU trading venues** and **systematic internalisers** to carry on an activity with a *firm* only where the **EU trading venue** or **systematic internaliser** has the relevant regulatory status, for example, as a Recognised Overseas Investment Exchange, under the relevant temporary permission regime, or where their activities meet all of the conditions required to benefit from the Overseas Persons Exclusion.

- 4.4 G *Third country investment firms* subject to *MiFIR* by virtue of *GEN 2.2.22AR* may rely upon this direction in the same way as other firms.
- 4.5 G The UK share trading obligation, as modified by this direction, defines the parameters of where firms are able to trade. Within these parameters, firms must take all sufficient steps to obtain the best possible results for *clients* when executing orders, as set out in *COBS 11.2A.2R*.
- 4.6 G This direction may be varied or revoked (without prejudice to any continuing effect in relation to earlier times).

By order of the Board

December [date], 2020

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