

## Nathaniel Lalone Comments on Regulatory Complications Under MiFID II

March 27, 2017

London Financial Services partner Nathaniel Lalone was interviewed by Risk.net on the regulatory confusion surrounding trading activity classifications as part of the Markets in Financial Instruments Directive (MiFID II) regulations. Nate stated, "The threshold is set rather lower than you might think for qualifying as multilateral activity. Any kind of interaction, or even potential interaction, between third-party buying and selling interests—even if it is just to help facilitate a conversation that may lead to a transaction—could be treated as multilateral activity." This presents a potential challenge to brokers who operate as systematic internalizers (SIs) and may now have their activities viewed as multilateral without even realizing it. "There is a risk that the broker could be characterized as effectively facilitating a transaction between their hedging counterparty and their underlying client, or at least there is some question as to whether that could be caught by the multilateral definition."

When examining hedging activities as part of the mix, the difference between bilateral and multilateral activities becomes even murkier. Nate adds, "Take the example of a broker and its clients with a dealer with whom they hedge in the background. The broker is basically passing the price they get from the dealer back down to their client, plus a commission and some kind of mark-up. Are those orders then not somehow interacting via the interface of the broker?" ("[Identity Crisis: Venues Still Struggle With MiFID Designations](#)," March 27, 2017)

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### CONTACTS

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