

### SYSTEMATIC INTERNALISER MONITORING AND REPORTING

The Systematic Internalizer (SI) regime introduced by MiFID II defines a SI as "an investment firm which, on an organized, frequent, systematic and substantial basis, deals on its own account when executing client orders outside a regulated market, an MTF or an OTF without operating a multilateral system" (Directive 2014/65/EU Article 4 (1)(20)). Investment firms are required to perform a quarterly assessment on their trading activity to determine whether it falls under the scope of the SI regime. An Investment firm that classifies itself as an SI upon the assessment or chooses to opt-in under the SI regime is subject to further obligations related to pre- and post-trade transparency as well as reporting.

### SYSTEMATIC INTERNALISER DETERMINATION (SID)

The Systematic Internaliser Determination (SID) module monitors the OTC trading activity while executing client orders on a daily basis. It keeps track of the number and the volume of transactions, monitoring the regulatory criteria that determine the SI status (frequency, systematicity and substantiality) per instrument or class of instruments as stated in CDR (EU) 2017/565 Art. 12-17. The SI monitoring is performed with respect to the EU calculations that ESMA makes public on a quarterly basis.

The facilities provided by the SID module support the investment firm not only for the quarterly assessment but also for continuous monitoring of the trading activity. Two types of thresholds are defined:

- Regulatory threshold: ESMA threshold defined in DR 2017/565
- Proximity threshold: an alert threshold calculated as a percentage (Proximity Factor) of the regulatory threshold.

Calculations and thresholds are used for:

- Assessment: The official assessment is performed on the full regulatory period and it is based on the regulatory thresholds only. The output of the assessment determines whether the Investment Firm is SI on the given instrument or classes of instrument. Thus, the assessment evaluates whether all conditions (frequent and systematic and substantial) are satisfied on the period.
- Continuous monitoring: all over the period, the module performs continuous monitoring raising alarms whenever calculated values cross either regulatory or proximity thresholds. Alarms are raised for each criterion.

Systematic Internaliser Monitoring and Reporting is the module of LookOut that allows investment firms to comply with the obligations related to the SI regime. It includes:

- Systematic Internalizer Determination (SID) for assessment and continuous monitoring of the OTC trading activity against the frequency, systematicity and substantiality thresholds per asset class (CDR (EU) 2017/565 Art. 12-17),
- Reference Data reporting module to comply with MiFIR Reference data reporting obligations (MiFIR Art. 27)
- RTS27 report module for Best execution obligations (MiFID II Art 27 (3)) (see section 5.5.)

The post-trade transparency obligation is covered by LookOut PTT module.