

UBS Custody *News*

Priority: High – Market: Switzerland

Swiss Equivalence Update

The European Commission's (EC) equivalence of Swiss trading venues under MiFID II's Share Trading Obligation (STO) is due to expire at the end of June 2019.

As of end 25 June 2019, no steps had been taken by the EC to formally propose an extension. Given this process usually requires five days to be completed, the market has been preparing for equivalence to expire at the end of June.

On 24 June 2019, the Swiss Federal Department of Finance (FDF) notified the market of their [plans](#). Should equivalence expire, the FDF would activate a measure to protect the Swiss stock market by prohibiting EU trading venues (e.g. MTFs, including Lit, Dark and Periodic Auctions) from trading Swiss issued shares. This has the intention of removing Swiss shares from the scope of the STO and would be effective from 1 July 2019.

Announcements from EU MTFs such as Cboe, UBS MTF and Aquis confirmed plans to comply with this prohibition and will remove the ability to trade Swiss issued shares on their platform. This suggests the FDF's measures will likely be successful and on exchange liquidity in Swiss issued shares will take place on Swiss trading venues, including SIX Swiss Exchange.

UBS is taking steps to prepare in case equivalence expires or is withdrawn. If this occurs, from 1 July 2019, UBS will:

- continue to route orders in Swiss issued shares, and shares whose primary liquidity is on SIX to Swiss venues
- cease trading Swiss issued shares on EU MTFs, including UBS MTF

It still may be possible that equivalence is extended by the EU and for the Swiss measures to not apply. In that case the changes above will not be applied.

UBS will continue to appraise its approach, given the potentially significant changes to market structure that may follow any withdrawal of Swiss equivalence, or any further regulatory guidance.

Sources:

Federal Department of Finance

Should you have any questions, please contact your UBS Custody Relationship or Client Service Manager.

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