
Systematic Internaliser for bonds and derivatives

Trading and liquidity provision unaffected by SI de-registrations

October 2025

1. Key Takeaways

- All pre- and post-trade transparency reporting obligations linked to the Systematic Internaliser (SI) status for bonds and derivatives have been removed. The Designated Publishing Entity (DPE) regime and Designated Reporting (DR) regime have replaced the SI obligation to report for post-trade transparency (PTT) in the EU and UK respectively. Consequently, most firms that were previously SIs have now registered as DPEs and DRs.
- As a result, many investment firms are expected to de-register as SIs for bonds and derivatives.
- We expect this transition not to have any adverse impact on markets or market participants. Trading execution, market-making and liquidity provision will remain unaffected by the expected SI de-registrations.
- Only in equity markets will the SI concept continue to be an integral component of the market structure and to bear specific obligations.

2. Background

Since its implementation in MiFID II & MiFIR, SIs were responsible, amongst other things, for PTT reporting of transactions executed outside of a trading venue through an Approved Publication Arrangement (APA). Firms qualified as an SI, based on trading volumes in specific instruments, or could choose to opt in to obtain SI status. Many investment firms chose to opt in as SI's specifically to take on the PTT reporting obligation, as a client service offering, irrespective of whether they met the SI criteria or not. However, as part of the MiFID/R review in both the EU and UK SIs no longer take over the responsibility of post-trade reporting. Consequently, the incentive to opt-in as an SI for that purpose has been removed.

3. Regulatory change under the EU MiFID/R Review and UK Wholesale Market Reform

The EU MiFID/R review entered into force on 28th March 2024.

- It amended the definition of SI to be limited to equity instruments only from 29th September 2025, with the possibility for firms to opt in still as an SI for bonds or derivatives.

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- Pre-trade transparency reporting by bonds and derivatives SIs for trades executed outside of a trading venue (as per MiFIR Article 18 requirements to make public firm quotes) was removed.
- The DPE regime came into effect on 3rd February 2025 for PTT reporting of OTC trades, replacing the requirement for SIs to take over the responsibility to post trade report.
- Once a firm ceases to be an SI it will no longer have the obligation to report instrument reference data. In the EU, if a firm is a DPE, then it will take on the obligation to report instrument reference data once RTS 23 (supplementing MiFIR Article 27) is amended at some point in 2026 or thereafter

Similarly, the **UK** has also significantly reformed its SI regime for bonds and derivatives instruments.

- Pre-trade transparency reporting by bonds and derivatives SIs for trades executed outside of a trading venue has been removed since 31 March 2025.
- The DR regime came into force on 29th April 2024 and as in the EU, decoupled SIs from PTT in OTC trades.
- The FCA has recently concluded the consultation phase of the initiative that proposes to remove all residual SI obligations for bonds and derivatives instruments.
- Once a firm ceases to be an SI it will no longer have the obligation to report instrument reference data.

4. In practice – SI registers and reporting

Because the SI obligations for pre- and post-trade transparency reporting for bonds and derivatives have been eliminated, investment firms in the EU and the UK are expected to de-register as SIs for those products. They will do so by notifying their National Competent Authority (NCA), which will then remove them from the appropriate EU or UK SI register.

PTT will be unimpacted. Trades executed on trading venues will continue to be made transparent by those venues. Trades executed outside of trading venues will continue to be reported by DPEs and DRs or by the seller if neither counterparty is DPE or DR. Market participants might want to validate that firms who used to report trades as an SI in the past, are continuing to do so as DPE and DR.

In accordance with existing regulatory requirements, when an investment firm that has deregistered as an SI, trades outside of a trading venue resulting in neither counterparty being an SI,

- For PTT, the “execution venue” field is populated with XOFF instead of SINT.
- For transaction reporting, investment firms populate the “venue of execution” field with XOFF or XXXX depending on the type of the instrument instead of the SI MIC.

5. No Market Impact

We do not expect this transition to have any adverse impact on markets or market participants. Trade execution, market-making and liquidity provision will remain unaffected by the expected SI de-registrations.

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