

# Transaction Reporting Forum December 2016

*You should seek your own professional advice on the application of transaction reporting requirements under MiFID I, and under forthcoming MiFIR, to your business. Further, the presentation does not comment on any matter that has been or is presently the subject of public consultation and in respect of which we have not published a response, although the presentation does reflect ongoing consultation proposals and references them where appropriate.*

# Agenda

Topics	Presenter
Introduction	Ana Fernandes
Welcome	Simon Hargreaves
MiFID I Transaction Reporting	Andrew Leonard
MiFIR Transaction Reporting	Ana Fernandes Juliet Onyeka
FCA Market Data Processor (MDP) overview	Ayo Fashina
Conclusion	Ana Fernandes



# Welcome

Simon Hargreaves  
Head of Market Monitoring Department





# MiFID I Transaction Reporting

Andrew Leonard

Team Leader, Markets Reporting Team (MRT)



# MiFID I Transaction Reporting

## Key message

**MiFID I remains in force until 3<sup>rd</sup> January 2018!**

The FCA remains committed to ensuring good quality of transaction reports

Draft transitional rules proposed in SUP TP (as consulted on in [CP 16/19](#)) apply the requirements in the Supervision Manual (SUP) regarding notification and remedy of breaches of MiFID I Transaction Reporting even after 2<sup>nd</sup> January 2018

# MiFID I Transaction Reporting Impact

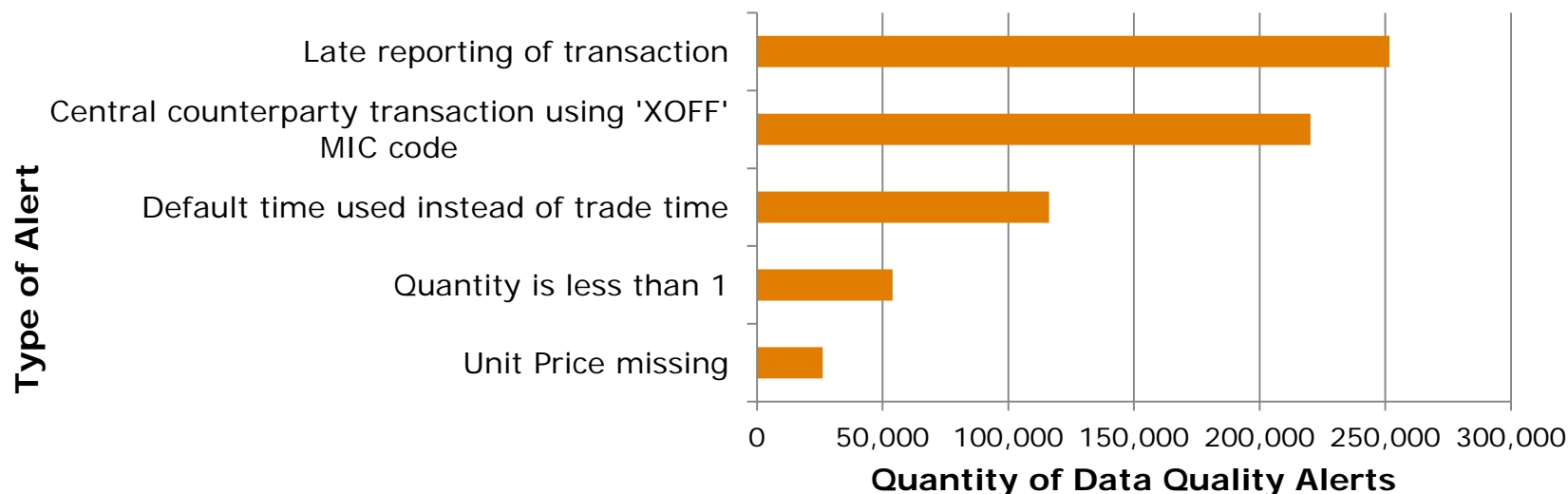
Inaccurate transaction reports also impact the work of other users:

- Other competent authorities
- Bank of England
- Takeover Panel
- Prudential Regulatory Authority
- Other Regulatory Bodies

# MiFID I Transaction Reporting

## Data quality analysis

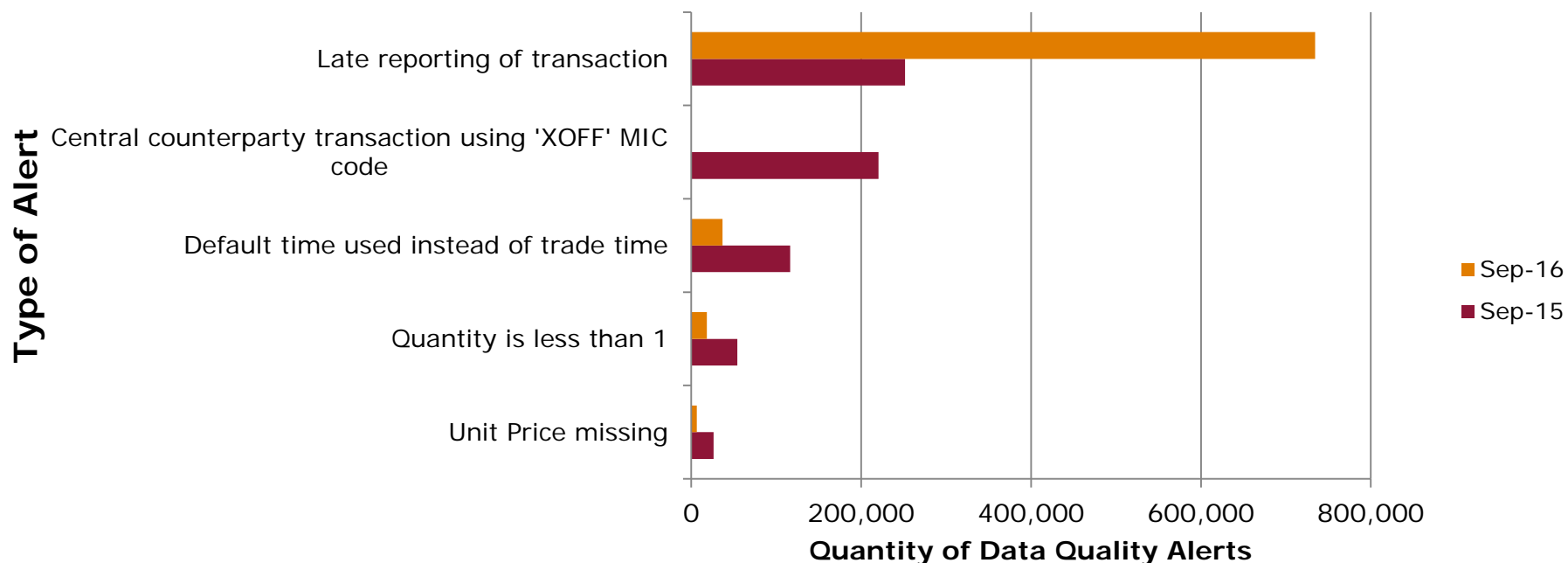
The FCA carries out periodic data quality analysis of submitted reports.



Source: Market Watch 50

# MiFID I Transaction Reporting Trend

Improving trend.....?





# MiFID I Transaction Reporting Transaction Reporting Breach form

To notify the FCA of:

- errors in transaction reports;
- failure to submit some or all transaction reports



Use the Transaction  
Reporting Breach form

All details have to be adequately completed.

# MiFIR Transaction Reporting

Ana Fernandes

Manager, Markets Reporting Team (MRT)

Juliet Onyeka

Senior Associate, Markets Reporting Team (MRT)

# MiFIR Transaction Reporting Contents

- Key messages
- Readiness for 2018

# MiFIR Transaction Reporting

## Some highlights

- Larger scope of entities and instruments
- More granular information
- New way of reporting

# MiFIR Transaction Reporting Legislation

Article 26 MiFIR (L1) and RTS 22 (L2) will be directly applicable law<sup>1</sup>

**FCA**  
**CP15/43**  
(covering SUP 17)

**Proposal:** not to extend the obligation to managers of collective investment undertakings and pension funds at this stage – **CHANGE**

**Proposal:** transaction reporting rules under Article 26 MiFIR and RTS 22 to apply to UK branches of 'third country investment firms'<sup>2</sup> as though they were MiFID investment firms

<sup>1</sup> The [Guidelines](#) on transaction reporting, order record keeping and clock synchronisation under MiFID II will also apply.

<sup>2</sup> A firm which would be a MiFID investment firm if it had its head office or registered office in the EEA.

# Transaction Reporting under article 26(7) MiFIR

## The who and the what



# MiFIR Transaction Reporting Principles

Emphasis on data quality

RTS 22 Article 15

Internally consistent

Fields within a report have to be coherent

Collective view

Reports related to the same transaction should collectively make sense

# MiFIR Transaction Reporting Principles

Increased validation

Extensive validation rules

Point of execution

Interested in what takes place at the time of execution

Changes in terminology

E.g. reporting firm replaced by executing firm



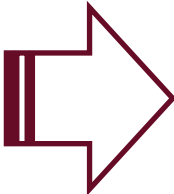
# MiFIR Transaction Reporting

## New way of reporting (example)

Investment Firm X trades on behalf of client A by purchasing shares on an agency basis from Firm Y

Buy/Sell Indicator	• B - Buy
Trading Capacity	• A - Agency
Reporting Entity	• Firm X
C'party	• Firm Y
Client	• Client A

(MiFID I)



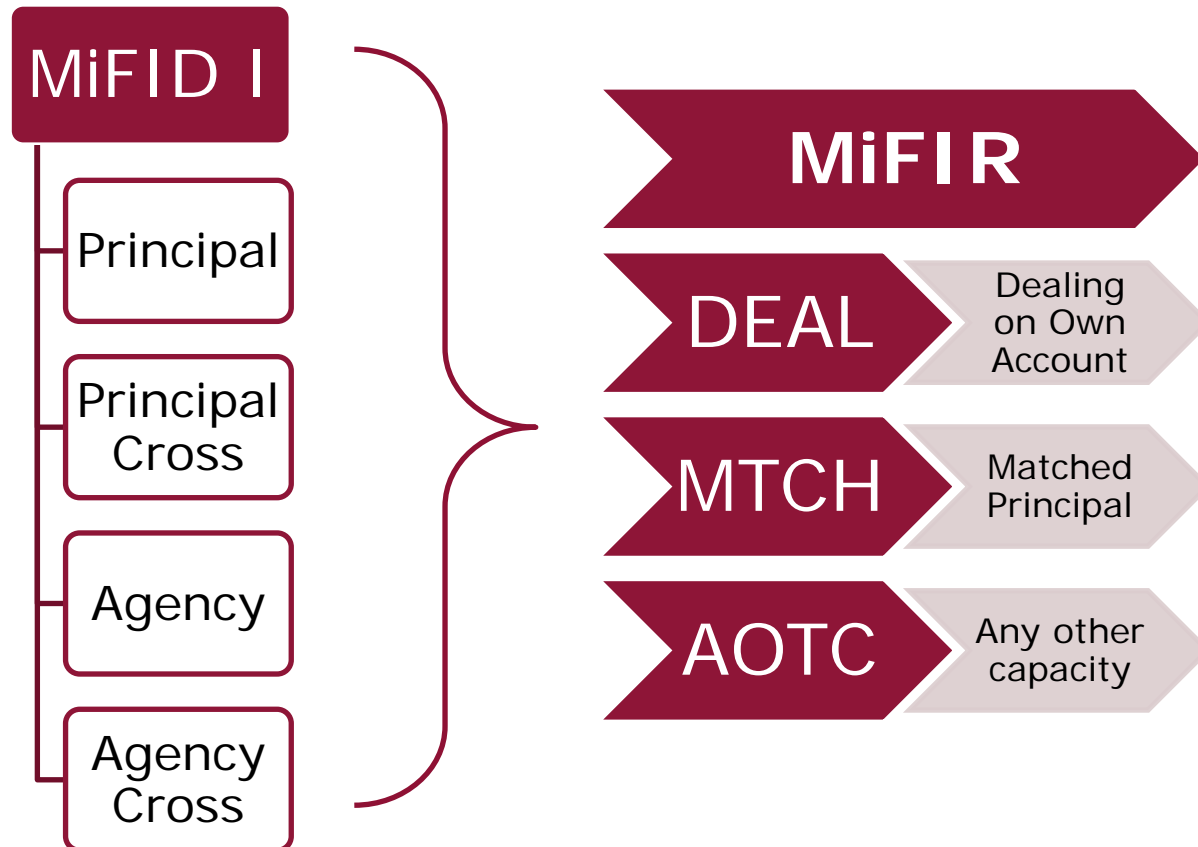
Trading Capacity	• AOTC
Executing Entity	• Firm X
Buyer	• Client A
Seller	• Firm Y

(MiFIR)



# MiFIR Transaction Reporting

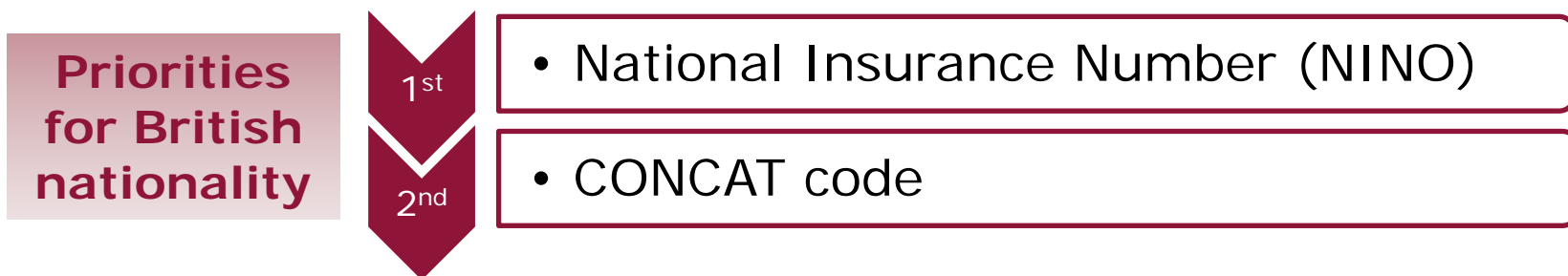
## Concepts - Trading capacity



# MiFIR Transaction Reporting

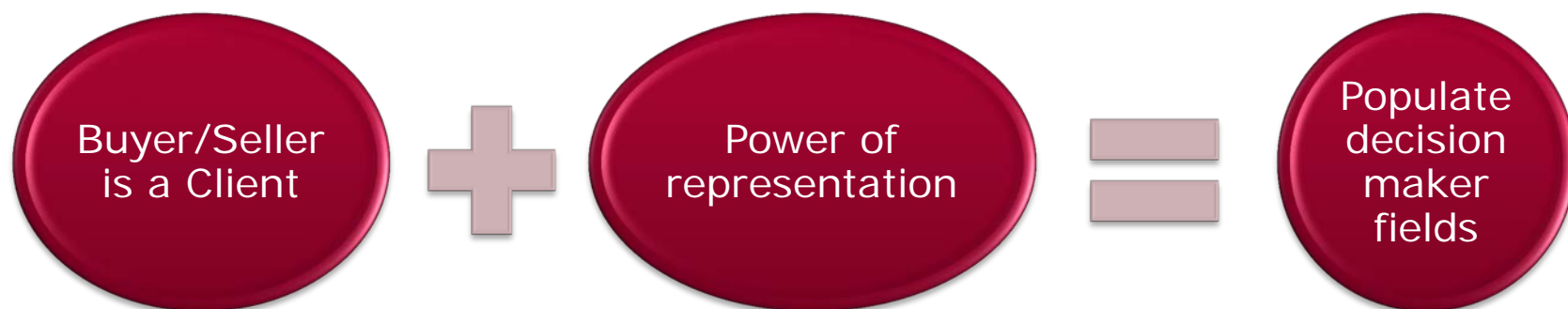
## Identification of parties non eligible for LEI

- Identifier based on nationality
- The highest priority identifier available must be used



Full name and date of birth also to be reported **(NEW)**

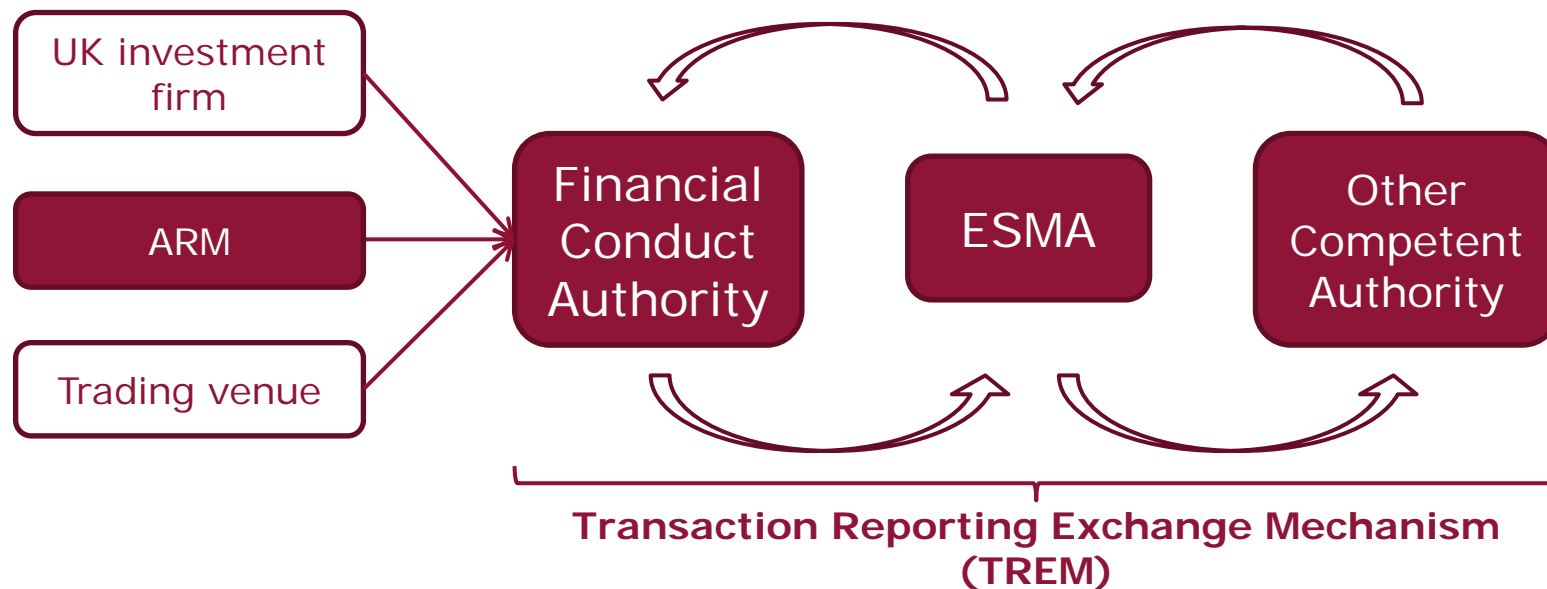
# MiFIR Transaction Reporting Concepts - Decision maker



Otherwise, it is assumed the buyer/seller is the decision maker (decision maker field not populated)

# MiFIR Transaction Reporting Concepts – Submitting entities

Article 26(7) MiFIR sets out the entities that may submit transaction reports to the competent authority (CA)



# MiFIR Transaction Reporting

## Use of ARMs

In [CP 16/43](#) the FCA is proposing guidance in MAR 9.5.9G and 9.5.10G that makes clear that we think that trading venues (whether operated by market operators or investment firms) can use ARMs to report transaction reports to us and it is permissible for a group of investment firms to aggregate their reporting via an internal hub provided the hub uses an ARM or is an ARM.

# MiFIR Transaction Reporting Concepts - Which CA to submit?

**General rule:** all transaction reports are to be made to a single point - the home competent authority (reversal of current situation where reporting is to host)

Submitting entity under Article 26(7)

- ARM
- Investment Firm
- Trading venues

→ reports



Home CA of the executing firm

Submitting entity under Article 26(5)

- Trading venue

→ reports



Home CA of the trading venue

# MiFIR Transaction Reporting

## Concepts – Report status

Only two statuses – NEW and CANCEL



Update no longer available

Correcting a  
transaction  
report



Cancel  
original  
transaction  
report

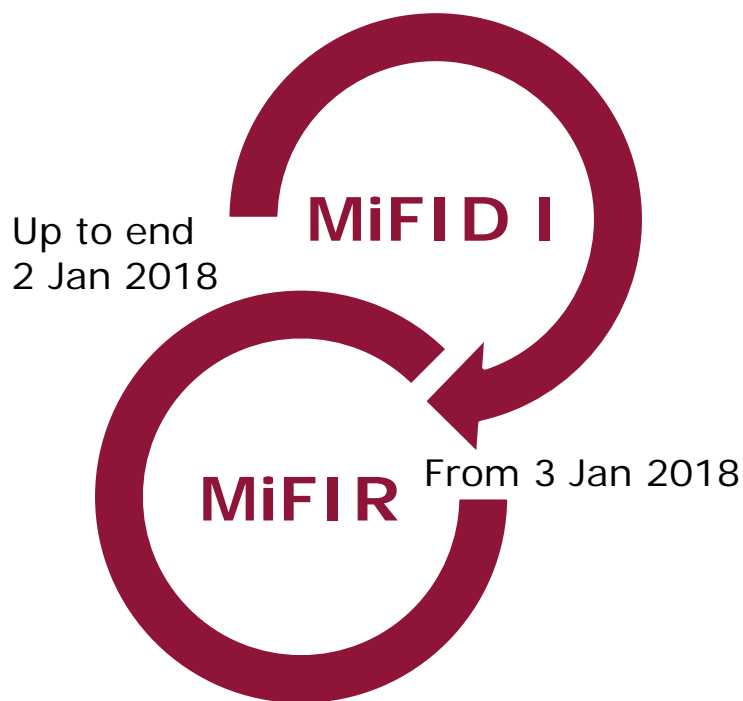


Submit a  
new  
transaction  
report

Fields to be reported for a cancellation: transaction reference number, executing entity identification code and submitting entity identification code



# MiFIR Transaction Reporting Transition for 3<sup>rd</sup> Jan 2018 (CP16/19)



Requirements in the  
Supervision Manual (SUP)  
regarding notification and  
remedy of breaches of MiFID I  
transaction reporting applies  
even after 2<sup>nd</sup> January 2018

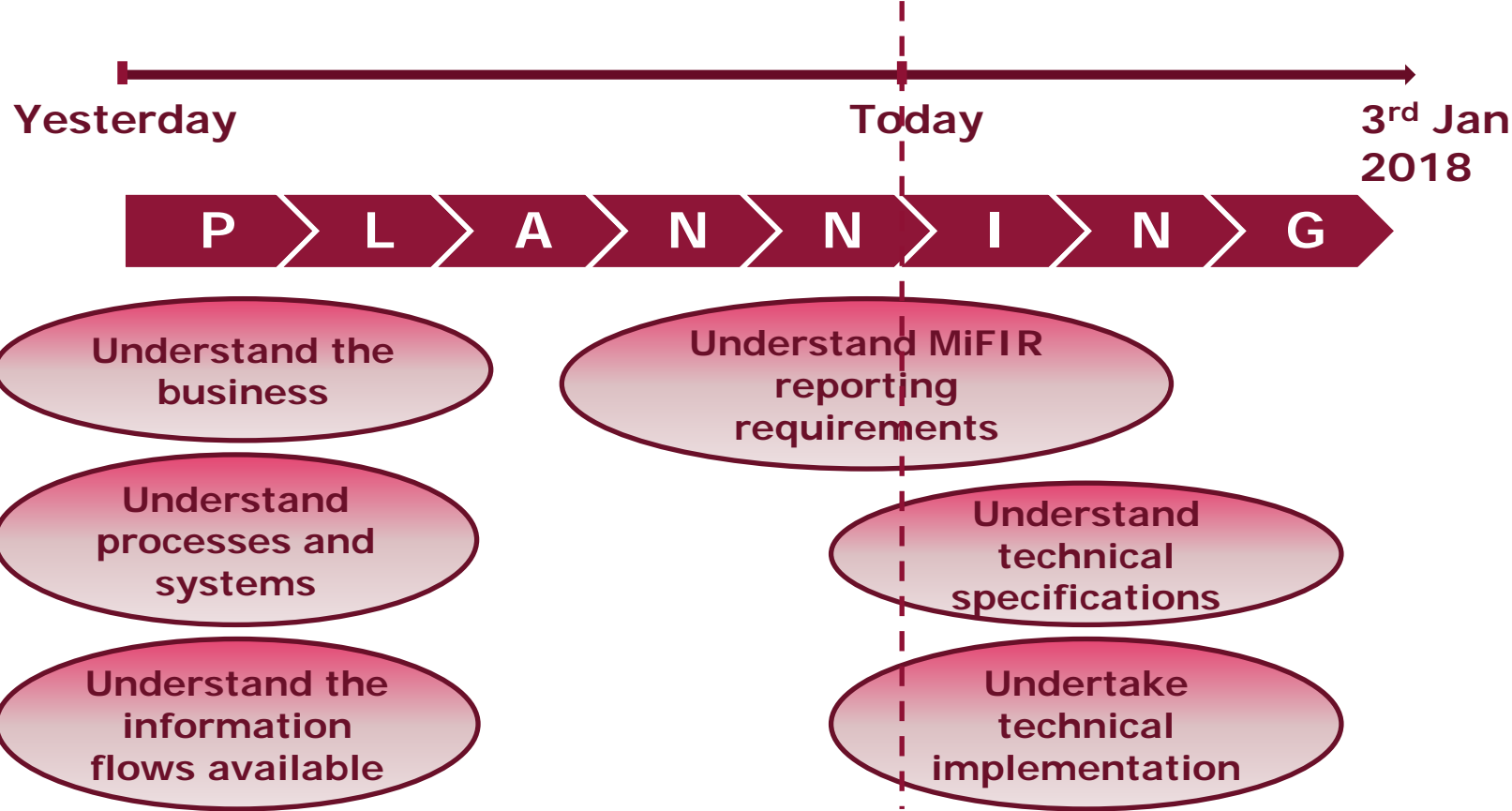


Remediation of  
erroneous  
transaction reports

# MiFIR Transaction Reporting

➤ Readiness for 2018

# MiFIR Transaction Reporting Readiness for Jan 2018



# MiFIR Transaction Reporting Readiness for Jan 2018



(\*) Under Article 13 of RTS 22 an investment firm shall obtain an LEI for a client who is eligible for an LEI prior to providing a service to that client that would trigger an obligation for the investment firm to submit a transaction report



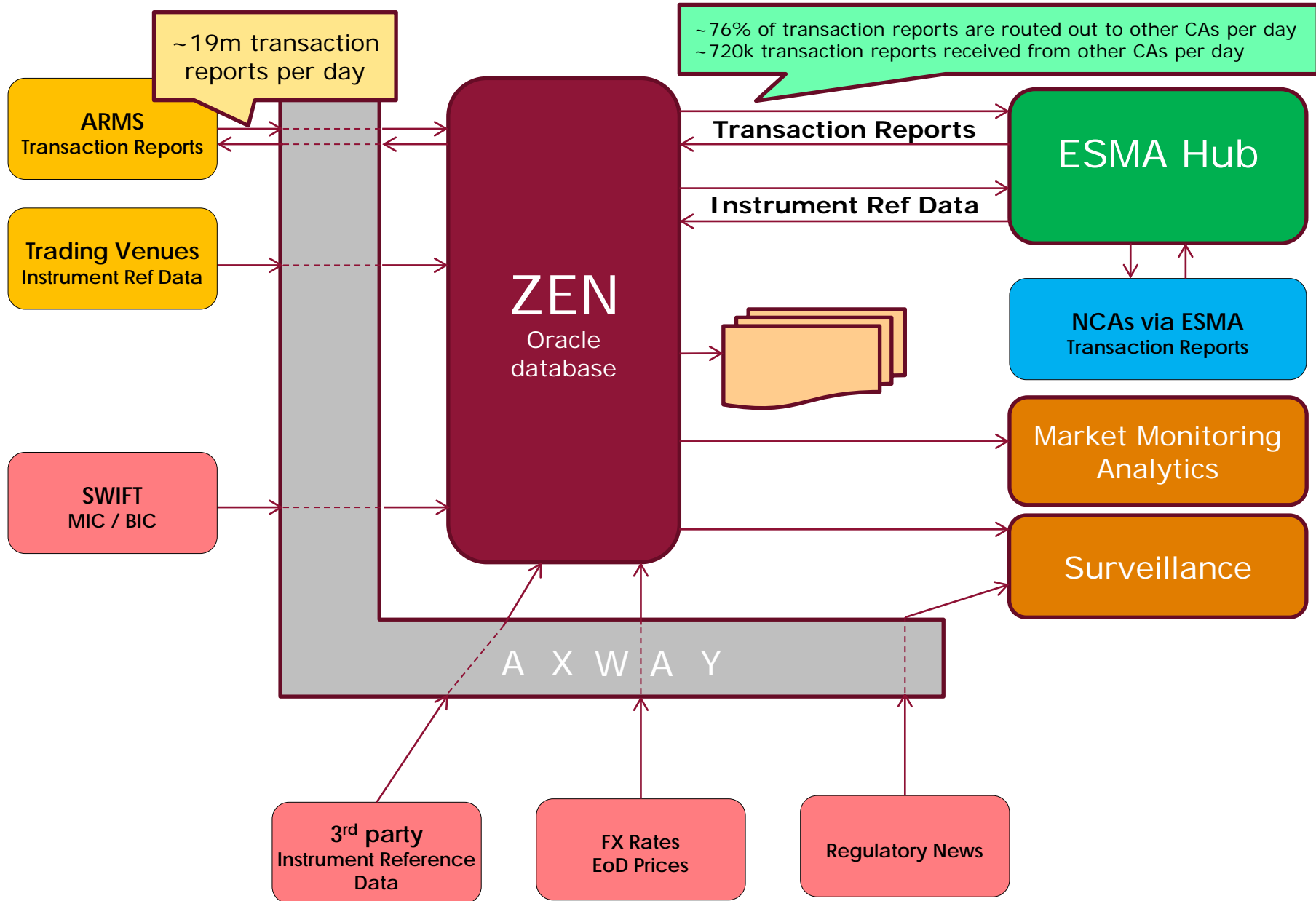
# FCA Market Data Processor (MDP) overview

Ayo Fashina

Senior Associate, Markets Reporting Team (MRT)



# Market Data - current technology map



# MiFIR Transaction Reporting

## MDP - What is it?

System commissioned by the FCA to receive, ingest or transfer market data in fulfilment of the obligations set out in the MiFID II, MiFIR and MAR legislations.

# MiFIR Transaction Reporting

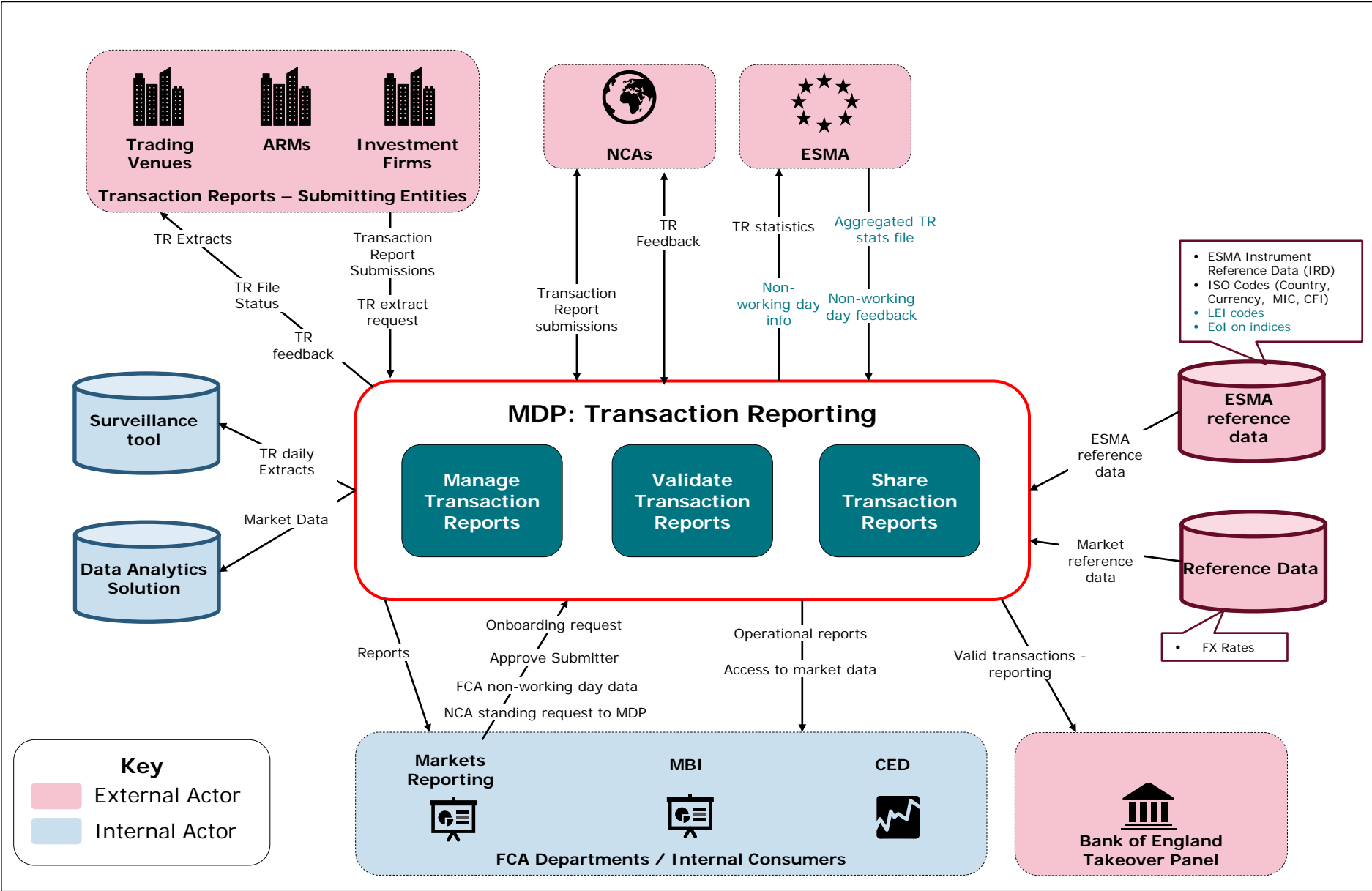
## MDP - What is it?

It will replace ZEN for the receipt, validation, storage and sharing of Transaction Reports and it will also receive and store (and in some cases process) other data types:

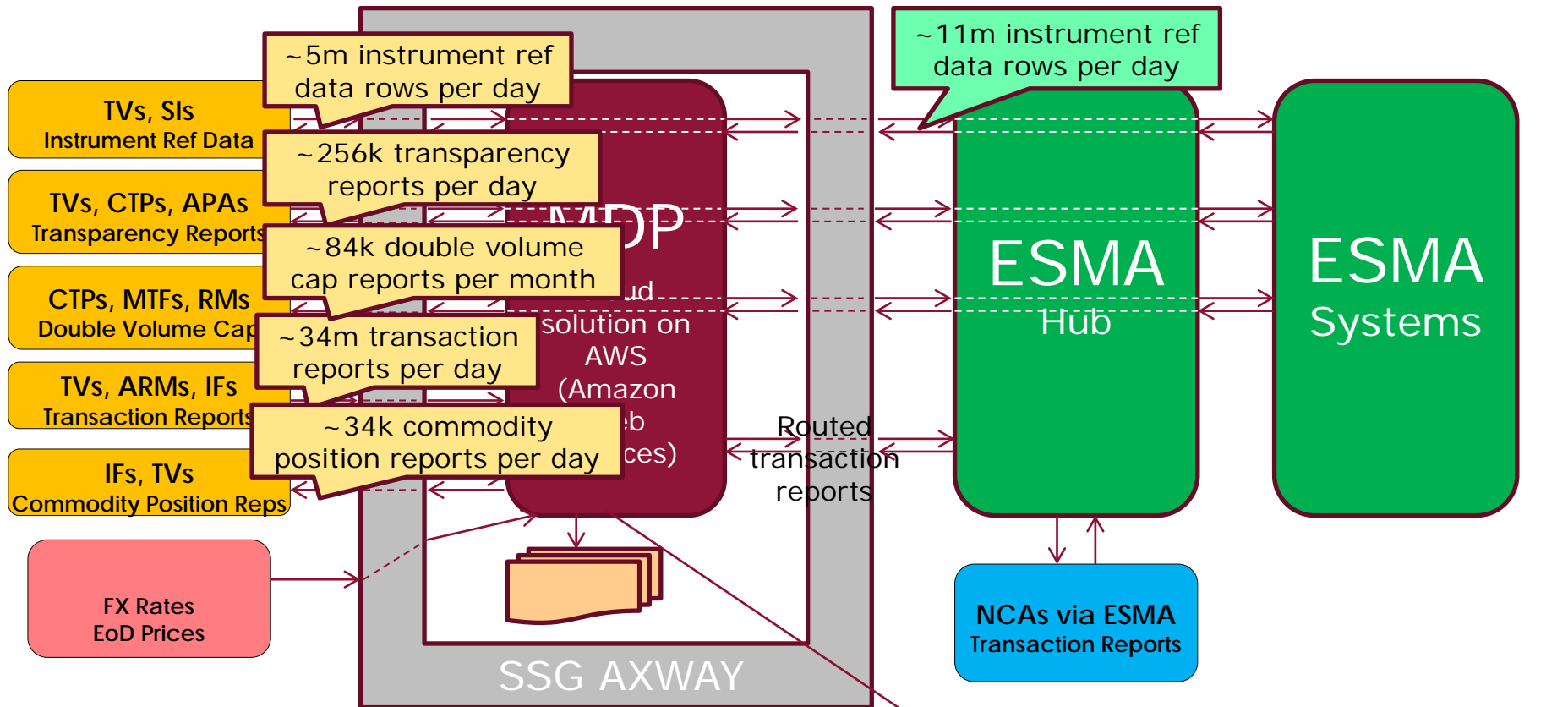
- Transaction Reports
- Instrument Reference Data
- Double Volume Cap Data
- Transparency Data
- Commodity Position Reports
- Non-Working Day Data



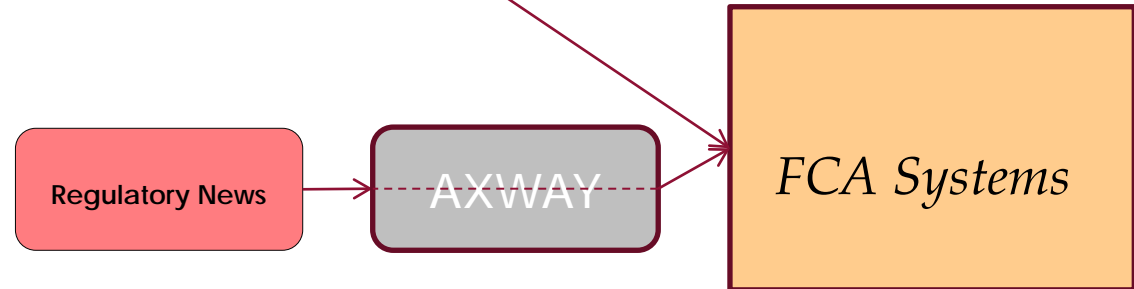
# MDP Context Diagram (Transaction Reporting)



# Market Data - future technology map



- Key:
- TV – Trading Venue
  - SI – Systematic Internaliser
  - CTP – Consolidated Tape Provider
  - APA – Approved Publication Arrangement
  - RM – Regulated Market
  - MTF – Multi-lateral Trading Facility
  - OTF – Organised Trading Facility
  - IF – Investment Firm
  - ARM – Approved Reporting Mechanism



# MiFIR Transaction Reporting

## MDP concepts

### Entity portal

- Access to information in support of on-boarding and market data reporting operations
- Data request facility, relating to transaction reports
- Management information facility, allowing entities to query the status of their data submissions

# MiFIR Transaction Reporting

## MDP concepts

### Access to Portal

- MRT responsible for manually verifying an Administrator that requests access to the portal
- Administrators will be allowed to create sub accounts for other users

# MiFIR Transaction Reporting

## MDP concepts

### File Size limits

- 500,000 records per file across all report types excluding transaction reporting
- 1,000,000 records per file shall apply to transaction report submissions
- Uncompressed size above 3GB will be rejected

### No submission slots

# MiFIR Transaction Reporting

## MDP concepts

### Data Extract request [RTS 22 Article 15(3)]

One request per day

One full day worth of data or maximum of 10 million records when based on date range

Request should be fulfilled within 2 business days or at the latest, by the end of the weekend after the submission date

XML format

# MiFIR Transaction Reporting

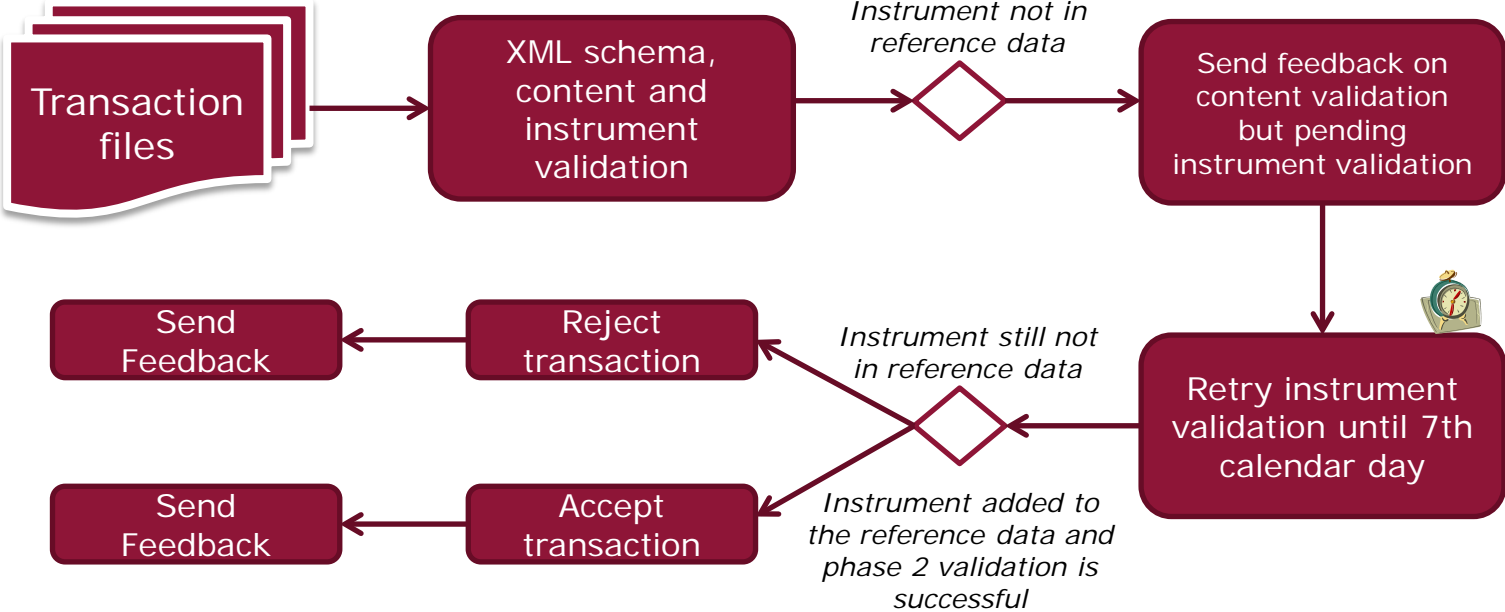
## MDP concepts

### Pending Transactions

- Pending process applies only to the validation of the instrument
- Each submitting entity should receive daily feedback about submitted files confirming the current status of those files including pending transactions

# MiFIR Transaction Reporting

## MDP concepts





# MiFIR Transaction Reporting

## MDP concepts

### Held Transactions

- For validating transactions executed on day T, the reference data as of day T is used [RTS 23, Article 7(4)]
- Transactions executed and submitted on day T are not processed/validated until the relevant reference data is available

# MiFIR Transaction Reporting

## MDP concepts

### Held Transactions (cont.)

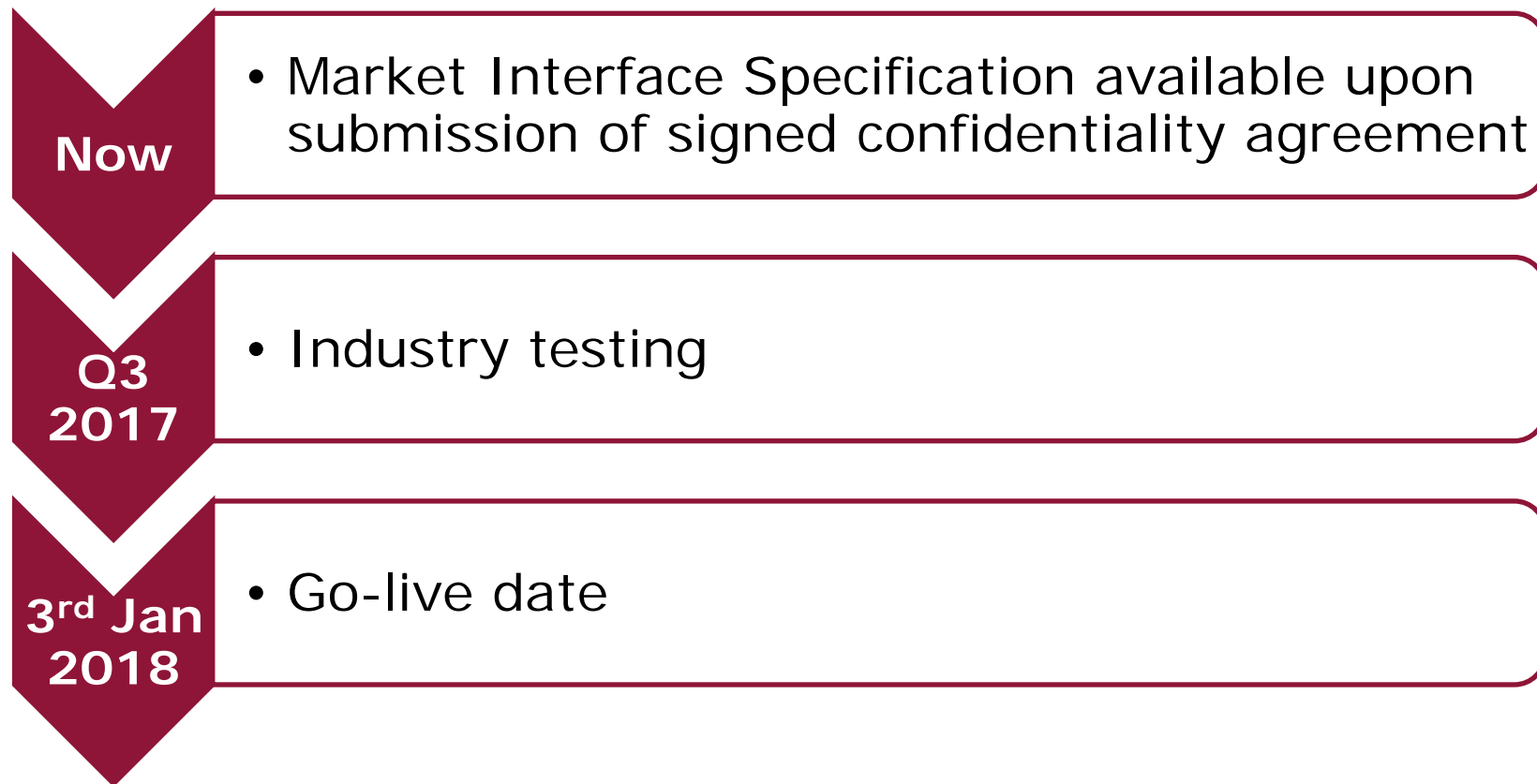
- Transactions in a held state will not be included in data extracts
- Order for processing transaction reports:



- Files will be accepted to the Axway server but will not be processed until reference data, pending and held processes have been completed

# MiFIR Transaction Reporting

## Key dates





# Contacts

Markets Reporting Team

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