

MiFID II transaction reporting meeting: "a practical use of the guidelines"

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January 2017

Agenda

- Legal framework
- Major changes
- Technical information
- 2017 Planning
- Guidelines
- Examples

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Legal framework



Legislation transaction reporting

- MiFIR art 26 (Transaction reporting)
- RTS 22
- Guidance: “Guidelines transaction reporting, order record keeping and clock synchronisation under MiFID II”

Together their main objectives are data quality and full harmonisation.

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Major changes (Scope 1/3)

- Instruments
 - *From:*
 - 1) Financial instruments admitted to trading on a Regulated Market
 - *To:*
 - 1) Financial Instruments
 - a) Admitted to trading on Trading Venues (RM, MTF, OTF)
 - b) Traded on Trading Venues
 - c) For which a request to admission is made
 - 2) Financial instrument for which the underlying fulfils 1b
 - 3) Financial Instruments for which the underlying is an index or basket with at least 1 constituent that fulfils 1b

Major changes (Scope 2/3)

- Investment firms
 - *From:*
 - 1) Market Facing only in NL
 - *To:*
 - 1) All IF's in the transaction chain, except where transmission obligations have been fulfilled
 - 2) Trading venues for non MiFID firm members

Major changes (Scope 3/3)

- Transaction data retention
 - *From:*
2 months of data (NL only), ≈ 65 million
 - *To:*
5 years of data, ≈ 2 billion

Major changes (Fields)

- Most important new fields
 - Client ID (National ID for natural persons and LEI for legal entities)
 - Client Details (name, date of birth)
 - Decision Maker (both investment and execution)
 - Trader ID
 - Algo ID
 - Short Selling Flag
 - Applicable Waiver Flag
 - Branch Flags

Major changes (File format)

- *From:*
Each country its own format
- *To:*
One harmonised format throughout Europe (ISO 20022)

Major changes (Reporters)

- *From:*
Investment firm, trading venue and third party. No license obligation for third party.
- *To:*
Investment firm, trading venue and ARM. ARM needs to have a license.

Major changes (Branches)

- *From:* Transactions send to different competent authorities
 - Branch reports partially to the host and partially to the home competent authority, depending on country specific rules
- *To:* All transactions to one competent authority
 - For EEA IF's: Home competent authority
 - For non EEA IF's: Competent authority of choice, but choice limited to competent authorities of the host jurisdictions

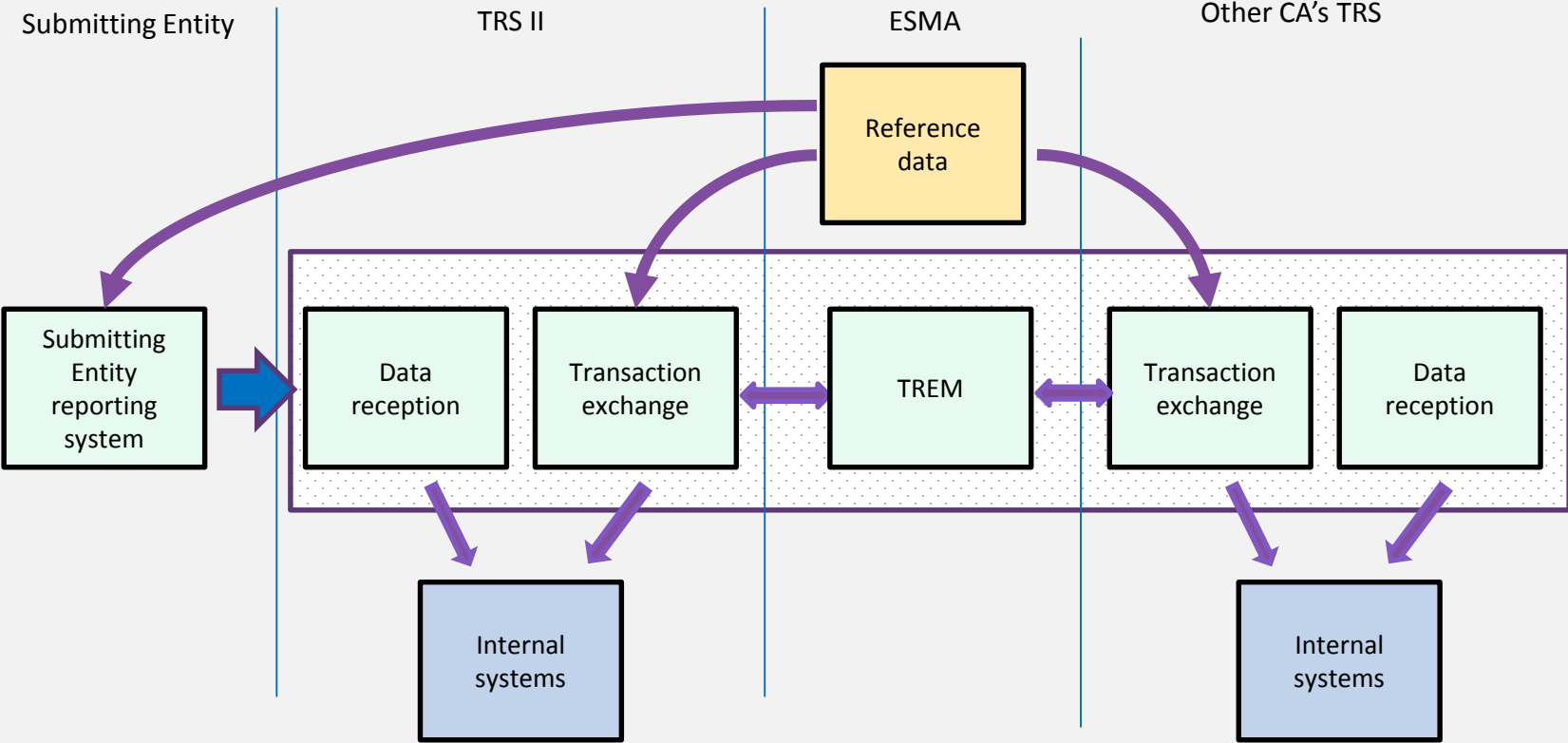
Major changes (Routing)

- Routing criteria:
 1. Relevant competent authority
 2. Branches (**adapted rule**)
 3. Country of trading venue (**new rule**)
 4. Country of Index (**new rule**)
 5. Request

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System overview



Settings / configuration

- Connection:
 1. SFTP
 2. Optional additional encryption
- Exchange of information before test of connection:
 1. LEI code
 2. IP address for firewall configuration
 3. Contact persons
 4. Key exchange for SFTP

Transaction and feedback files

- File Errors
- Content Errors
- The system will try to capture as many errors as possible per transaction

Transaction and feedback files

- A single feedback file per transaction file will be created
- Additional feedback file per day in case further feedback is needed. The daily feedback file will contain feedback concerning:
 1. Transactions which were not validated previously since reference data was not yet received
 2. Transactions which have been parked because of missing instrument in reference data (parked state).

Note that a daily feedback file can have feedback for transactions from different transaction files

File Naming Convention

Transaction file: TR_SEIC_ORI_YYYYMMDD_SEQ.TYPE

Segment	Content
TR	Literal, stands for "Transaction Report"
SEIC	Submitting Entity Identification Code. Legal entity identifier (LEI) as defined in ISO 17442 (20 alphanumeric characters).
ORI	The originating system or department of the file. A 2-digit number. 00 = The TRSII system. Reserved for future use. 01...99 = Department or system at the SE. Used for uploaded files or files sent from a SERS (automated). The number uniquely specifies the department that created and sent the file.
YYYYMMDD	Date the file was created by the Submitting Entity.
SEQ	Sequence number. A 4-digit sequence number [0000-9999]. Starts over every day.
TYPE	File type. File type accepted will be configurable. We expect <u>zip</u> but not yet finalised.

File Naming Convention

File feedback: FF_TR_SEIC_ORI_YYYYMMDD_SEQ_VER.TYPE

Segment	Content
FF	Literal. Stands for "Feedback on File"
SEQ	Sequence number; same as original transaction file
VER	Version number. Probably 1 digit

Daily feedback: FD_TR_SEIC_ORI_YYYYMMDD_SEQ.TYPE

Segment	Content
FD	Literal. Stands for "Feedback, Daily"
SEQ	Sequence number; generated by TRSII

Test XML - MyStandard

- MyStandards / Readiness Portal
- The MyStandards Readiness Portal will be made available for CAs and SEs to support the testing of ISO 20022 XML messages.
- This tool enables the users to submit XML messages and check whether they are correctly formatted (compliant with the XML schema) and follow data quality rules.
- <https://www2.swift.com/mystandards/#/>

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2017 Planning

- March 2017 first release
- April 2017 expected to start test with investment firms, ARM's and trading venues (limited functionality)
- September 2017 release 1.5
- September 2017 testing with ESMA
- November 2017 release 2.0
- 3 January 2018 production

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Guidelines

- ESMA publication of “Guidelines on transaction Reporting, order record keeping and clock synchronisation under MiFID II.”
- Document is not intended to encompass each and every possible scenario.
- Dutch translation is expected for 2017.
- Further Q&A’s are likely to be published in the future.

How to use the document

- The document is divided into subjects for which possible scenarios are set out and for which the expected result is given
- In order to create transactions for a certain scenario, the scenario should be broken up in the different building blocks and the outcome for each block shall be combined to a transaction report. (Or in some cases, multiple transaction reports.)

Overall structure

1. General principles
2. Blocks
3. Trading scenarios
4. Reporting of different type of instruments

General principles

1. General Approach
2. Trading capacity
3. Chains and transmission
4. Execution on a trading venue
5. Identifiers for parties
6. Meaning of transaction
7. Mechanics for reporting

Blocks

1. Buyer / Seller
2. Decision maker for buyer / seller
3. Specific scenarios for buyer and seller
4. Investment decision within the firm
5. Execution within the firm
6. Trading date time
7. Trading venue (including SI)
8. Short Selling flag
9. Waiver, OTC post trade and commodity derivative indicator
10. Branches
11. Status of report and corrections
12. Change in Notional

Trading Scenarios

1. Transfer of securities
2. Investment firm introducing without interposing
3. One order for one client executed in multiple transactions
4. Grouping orders
5. OTF acting on a matched principal basis
6. Chains and transmission
7. Investment firm acting under a discretionary mandate
8. Direct Electronic Access
9. Hedging through CFD's
10. Trading venue under art 26(5)
11. Securities Financing Transactions

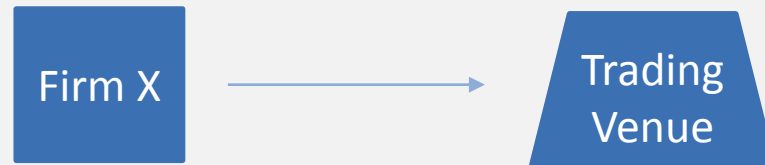
Financial Instruments

1. Principles
2. Transaction on a trading venue or instrument on the ESMA list
3. Other instruments
4. Instrument specific features

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Example 1



A HFT firm buys on own account 100 shares in Koninklijke Philips on Euronext Amsterdam.

Example 1

N	Field	Content	Remark
1	Report status	NEWT	
2	Transaction Reference Number	2017-01-24500001B	
3	Trading venue transaction identification code	XAMS_NL0000009538_00000025	
4	Executing entity identification code	12345678901234567890	LEI of Firm X
5	Investment Firm covered by Directive 2014/65/EU	true	
6	Submitting entity identification code	12345678901234567890	LEI of Firm X
7	Buyer identification code	12345678901234567890	LEI of Firm X
8	Country of the branch for the buyer		
9	Buyer - first name(s)		
10	Buyer - surname(s)		
11	Buyer - date of birth		
12	Buyer decision maker code		
13	Buy decision maker - First Name(s)		
14	Buy decision maker – Surname(s)		
15	Buy decision maker - Date of birth		
16	Seller identification code	11111111111111111111	LEI of CCP

Example 1

N	Field	Content	Remark
17	Country of the branch for the Seller		
18	Seller - first name(s)		
19	Seller - surname(s)		
20	Seller - date of birth		
21	Seller decision maker code		
22	Sell decision maker - First Name(s)		
23	Sell decision maker – Surname(s)		
24	Sell decision maker - Date of birth		
25	Transmission of order indicator	false	
26	Transmitting firm identification code for the buyer		
27	Transmitting firm identification code for the seller		
28	Trading date time	2017-01-24T12:25:01.667234Z	
29	Trading capacity	DEAL	
30	Quantity	100	
31	Quantity currency		
32	Derivative notional increase/decrease		
33	Price	27.99	
34	Price Currency	EUR	
35	Net amount		

Example 1

N	Field	Content	Remark
36	Venue	XAMS	
37	Country of the branch membership	NL	
38	Up-front payment		
39	Up-front payment currency		
40	Complex trade component id		
41	Instrument identification code	NL0000009538	
42	Instrument full name		
43	Instrument classification		
44	Notional currency 1		
45	Notional currency 2		
46	Price multiplier		
47	Underlying instrument code		
48	Underlying index name		
49	Term of the underlying index		
50	Option type		
51	Strike price		
52	Strike price currency		
53	Option exercise style		
54	Maturity date		
55	Expiry date		
56	Delivery type		

Example 2



Client 1 of firm X sells 10 call options on TOM MTF.

Example 2

N	Field	Content	Remark
1	Report status	NEWT	
2	Transaction Reference Number	2017-01-24500035S	
3	Trading venue transaction identification code	TOMD_INGT_C_10_Jun17_0000005	
4	Executing entity identification code	12345678901234567890	LEI of Firm X
5	Investment Firm covered by Directive 2014/65/EU	true	
6	Submitting entity identification code	12345678901234567890	LEI of Firm X
7	Buyer identification code	22222222222222222222	LEI of CCP
8	Country of the branch for the buyer		
9	Buyer - first name(s)		
10	Buyer - surname(s)		
11	Buyer - date of birth		
12	Buyer decision maker code		
13	Buy decision maker - First Name(s)		
14	Buy decision maker – Surname(s)		
15	Buy decision maker - Date of birth		
16	Seller identification code	NLCD02K12G9	Passport

Example 2

N	Field	Content	Remark
17	Country of the branch for the Seller	NL	
18	Seller - first name(s)	Jan	
19	Seller - surname(s)	de Jong	
20	Seller - date of birth	1963-07-15	
21	Seller decision maker code		
22	Sell decision maker - First Name(s)		
23	Sell decision maker – Surname(s)		
24	Sell decision maker - Date of birth		
25	Transmission of order indicator	false	
26	Transmitting firm identification code for the buyer		
27	Transmitting firm identification code for the seller		
28	Trading date time	2017-01-24T12:25:01.667Z	
29	Trading capacity	AOTC	
30	Quantity	10	
31	Quantity currency		
32	Derivative notional increase/decrease		
33	Price	1.05	
34	Price Currency	EUR	
35	Net amount		

Example 2

N	Field	Content	Remark
36	Venue	TOMD	
37	Country of the branch membership	NL	
38	Up-front payment		
39	Up-front payment currency		
40	Complex trade component id		
41	Instrument identification code	XX0000000010	Fake ISIN
42	Instrument full name		
43	Instrument classification		
44	Notional currency 1		
45	Notional currency 2		
46	Price multiplier		
47	Underlying instrument code		
48	Underlying index name		
49	Term of the underlying index		
50	Option type		
51	Strike price		
52	Strike price currency		
53	Option exercise style		
54	Maturity date		
55	Expiry date		
56	Delivery type		

Example 3



Firm X buys 100 shares in Koninklijke Philips on Euronext Amsterdam for Client 1 under its discretionary mandate.

Example 3

N	Field	Content	Remark
1	Report status	NEWT	
2	Transaction Reference Number	2017-01-24500001B	
3	Trading venue transaction identification code	XAMS_NL0000009538_00000025	
4	Executing entity identification code	12345678901234567890	LEI of Firm X
5	Investment Firm covered by Directive 2014/65/EU	true	
6	Submitting entity identification code	12345678901234567890	LEI of Firm X
7	Buyer identification code	NLCD02K12G9	Passport
8	Country of the branch for the buyer	NL	
9	Buyer - first name(s)	Jan	
10	Buyer - surname(s)	De Jong	
11	Buyer - date of birth	1963-07-15	
12	Buyer decision maker code	12345678901234567890	LEI of Firm X
13	Buy decision maker - First Name(s)		
14	Buy decision maker – Surname(s)		
15	Buy decision maker - Date of birth		
16	Seller identification code	11111111111111111111	LEI of CCP

Example 3

N	Field	Content	Remark
17	Country of the branch for the Seller		
18	Seller - first name(s)		
19	Seller - surname(s)		
20	Seller - date of birth		
21	Seller decision maker code		
22	Sell decision maker - First Name(s)		
23	Sell decision maker – Surname(s)		
24	Sell decision maker - Date of birth		
25	Transmission of order indicator	false	
26	Transmitting firm identification code for the buyer		
27	Transmitting firm identification code for the seller		
28	Trading date time	2017-01-24T12:25:01.667Z	
29	Trading capacity	AOTC	
30	Quantity	100	
31	Quantity currency		
32	Derivative notional increase/decrease		
33	Price	27.99	
34	Price Currency	EUR	
35	Net amount		

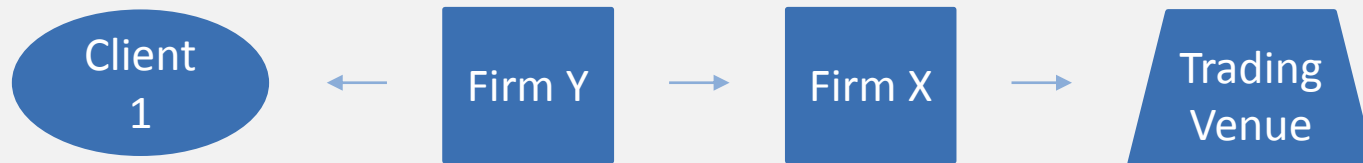
Example 3

N	Field	Content	Remark
36	Venue	XAMS	
37	Country of the branch membership	NL	
38	Up-front payment		
39	Up-front payment currency		
40	Complex trade component id		
41	Instrument identification code	NL0000009538	
42	Instrument full name		
43	Instrument classification		
44	Notional currency 1		
45	Notional currency 2		
46	Price multiplier		
47	Underlying instrument code		
48	Underlying index name		
49	Term of the underlying index		
50	Option type		
51	Strike price		
52	Strike price currency		
53	Option exercise style		
54	Maturity date		
55	Expiry date		
56	Delivery type		

Example 3

N	Field	Content	Remark
57	Investment decision within firm	NLFVK12G912	Passport
	Country of the branch responsible for the person making the investment decision	NL	
58			
59	Execution within firm	NLFVK12G912	Passport
	Country of the branch supervising the person responsible for the execution	NL	
60			
61	Waiver indicator		
62	Short selling indicator		
63	OTC post-trade indicator		
64	Commodity derivative indicator		
65	Securities financing transaction indicator	false	

Example 4



Firm Y buys 100 shares in Koninklijke Philips on Euronext Amsterdam for Client 1 under its discretionary mandate. Firm Y is not a member of Euronext and uses Firm X to execute the trade. Firm Y does not fulfil the transmission criteria.

Example 4

N	Field	Content Report 1 (Firm Y)	Content Report 2 (Firm X)	Remark
1	Report status	NEWT	NEWT	
2	Transaction Reference Number	2017-01-24500001B	3231420170124B	
3	Trading venue transaction identification code		XAMS_NL0000009538_00000025	
4	Executing entity identification code	55555555555555555555	12345678901234567890	
5	Investment Firm covered by Directive 2014/65/EU	true	true	
6	Submitting entity identification code	55555555555555555555	12345678901234567890	
7	Buyer identification code	NLCD02K12G9	55555555555555555555	
8	Country of the branch for the buyer	NL		
9	Buyer - first name(s)	Jan		
10	Buyer - surname(s)	De Jong		
11	Buyer - date of birth	1963-07-15		
12	Buyer decision maker code	55555555555555555555		
13	Buy decision maker - First Name(s)			
14	Buy decision maker – Surname(s)			
15	Buy decision maker - Date of birth			
16	Seller identification code	12345678901234567890	11111111111111111111	

Example 4

N	Field	Content Report 1 (Firm Y)	Content Report 2 (Firm X)	Remark
17	Country of the branch for the Seller			
18	Seller - first name(s)			
19	Seller - surname(s)			
20	Seller - date of birth			
21	Seller decision maker code			
22	Sell decision maker - First Name(s)			
23	Sell decision maker – Surname(s)			
24	Sell decision maker - Date of birth			
25	Transmission of order indicator	true	false	
26	Transmitting firm identification code for the buyer			
27	Transmitting firm identification code for the seller			
28	Trading date time	2017-01-24T12:25:01.667Z	2017-01-24T12:25:01.667Z	
29	Trading capacity	AOTC	AOTC	
30	Quantity	100	100	
31	Quantity currency			
32	Derivative notional increase/decrease			
33	Price	27.99	27.99	
34	Price Currency	EUR	EUR	
35	Net amount			

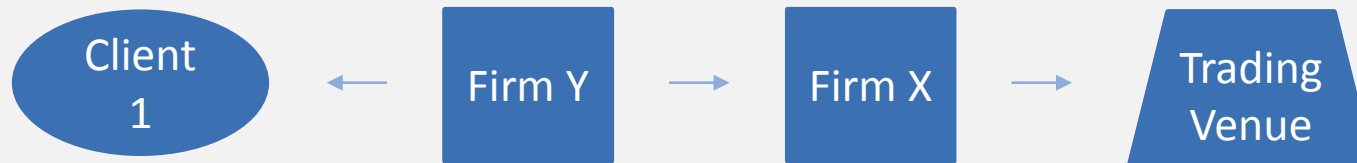
Example 4

N	Field	Content Report 1 (Firm Y)	Content Report 2 (Firm X)	Remark
36	Venue	XOFF	XAMS	
37	Country of the branch membership			
38	Up-front payment			
39	Up-front payment currency			
40	Complex trade component id			
41	Instrument identification code	NL0000009538	NL0000009538	
42	Instrument full name			
43	Instrument classification			
44	Notional currency 1			
45	Notional currency 2			
46	Price multiplier			
47	Underlying instrument code			
48	Underlying index name			
49	Term of the underlying index			
50	Option type			
51	Strike price			
52	Strike price currency			
53	Option exercise style			
54	Maturity date			
55	Expiry date			
56	Delivery type			

Example 4

N	Field	Content Report 1 (Firm Y)	Content Report 2 (Firm X)	Remark
57	Investment decision within firm	NLFVK12G912		
58	Country of the branch responsible for the person making the investment decision	NL		
59	Execution within firm	NLFVK12G912	ALGO_1234	
60	Country of the branch supervising the person responsible for the execution	NL		
61	Waiver indicator			
62	Short selling indicator			
63	OTC post-trade indicator			
64	Commodity derivative indicator			
65	Securities financing transaction indicator	false	false	

Example 5



Firm Y buys 100 shares in Koninklijke Philips on Euronext Amsterdam for Client 1 under its discretionary mandate. Firm Y is not a member of Euronext and uses Firm X to do the trade. Firm Y does fulfil the transmission criteria.

Example 5

N	Field	Content (Firm X)	Remark
1	Report status	NEWT	
2	Transaction Reference Number	2017-01-24500001B	
3	Trading venue transaction identification code	XAMS_NL0000009538_00000025	
4	Executing entity identification code	12345678901234567890	LEI of Firm X
5	Investment Firm covered by Directive 2014/65/EU	true	
6	Submitting entity identification code	12345678901234567890	LEI of Firm X
7	Buyer identification code	NLCD02K12G9	Passport
8	Country of the branch for the buyer	NL	
9	Buyer - first name(s)	Jan	
10	Buyer - surname(s)	De Jong	
11	Buyer - date of birth	1963-07-15	
12	Buyer decision maker code	55555555555555555555	LEI of Firm Y
13	Buy decision maker - First Name(s)		
14	Buy decision maker – Surname(s)		
15	Buy decision maker - Date of birth		
16	Seller identification code	11111111111111111111	LEI of CCP

Example 5

N	Field	Content (Firm X)	Remark
17	Country of the branch for the Seller		
18	Seller - first name(s)		
19	Seller - surname(s)		
20	Seller - date of birth		
21	Seller decision maker code		
22	Sell decision maker - First Name(s)		
23	Sell decision maker – Surname(s)		
24	Sell decision maker - Date of birth		
25	Transmission of order indicator	false	
26	Transmitting firm identification code for the buyer	55555555555555555555	
27	Transmitting firm identification code for the seller		
28	Trading date time	2017-01-24T12:25:01.667Z	
29	Trading capacity	AOTC	
30	Quantity	100	
31	Quantity currency		
32	Derivative notional increase/decrease		
33	Price	27.99	
34	Price Currency	EUR	
35	Net amount		

Example 5

N	Field	Content (Firm X)	Remark
36	Venue	XAMS	
37	Country of the branch membership	NL	
38	Up-front payment		
39	Up-front payment currency		
40	Complex trade component id		
41	Instrument identification code	NL0000009538	
42	Instrument full name		
43	Instrument classification		
44	Notional currency 1		
45	Notional currency 2		
46	Price multiplier		
47	Underlying instrument code		
48	Underlying index name		
49	Term of the underlying index		
50	Option type		
51	Strike price		
52	Strike price currency		
53	Option exercise style		
54	Maturity date		
55	Expiry date		
56	Delivery type		

Example 6



Firm X buys 1000 shares in Koninklijke Philips on Euronext Amsterdam for Client 1. The order is executed on the exchange in two transactions. Firm X deals in the AOTC capacity. The client gets an average price.

Example 6

N	Field	Content Report 1	Content Report 2	Remark
1	Report status	NEWT	NEWT	
2	Transaction Reference Number	2017-01-24500001B	2017-01-24500135B	
3	Trading venue transaction identification code			
4	Executing entity identification code	12345678901234567890	12345678901234567890	
5	Investment Firm covered by Directive 2014/65/EU	true	true	
6	Submitting entity identification code	12345678901234567890	12345678901234567890	
7	Buyer identification code	NLCD02K12G9	NLCD02K12G9	
8	Country of the branch for the buyer	NL	NL	
9	Buyer - first name(s)	Jan	Jan	
10	Buyer - surname(s)	De Jong	De Jong	
11	Buyer - date of birth	1963-07-15	1963-07-15	
12	Buyer decision maker code			
13	Buy decision maker - First Name(s)			
14	Buy decision maker – Surname(s)			
15	Buy decision maker - Date of birth			
16	Seller identification code	11111111111111111111	11111111111111111111	

Example 6

N	Field	Content Report 1	Content Report 2	Remark
17	Country of the branch for the Seller			
18	Seller - first name(s)			
19	Seller - surname(s)			
20	Seller - date of birth			
21	Seller decision maker code			
22	Sell decision maker - First Name(s)			
23	Sell decision maker – Surname(s)			
24	Sell decision maker - Date of birth			
25	Transmission of order indicator	false	false	
26	Transmitting firm identification code for the buyer			
27	Transmitting firm identification code for the seller			
28	Trading date time	2017-01-24T12:25:01.667Z	2017-01-24T16:38:42.395Z	
29	Trading capacity	AOTC	AOTC	
30	Quantity	400	600	
31	Quantity currency			
32	Derivative notional increase/decrease			
33	Price	28.00	27.50	Avg=27.70
34	Price Currency	EUR	EUR	
35	Net amount			

Example 6

N	Field	Content Report 1	Content Report 2	Remark
36	Venue	XAMS	XAMS	
37	Country of the branch membership			
38	Up-front payment			
39	Up-front payment currency			
40	Complex trade component id			
41	Instrument identification code	NL0000009538	NL0000009538	
42	Instrument full name			
43	Instrument classification			
44	Notional currency 1			
45	Notional currency 2			
46	Price multiplier			
47	Underlying instrument code			
48	Underlying index name			
49	Term of the underlying index			
50	Option type			
51	Strike price			
52	Strike price currency			
53	Option exercise style			
54	Maturity date			
55	Expiry date			
56	Delivery type			

Example 6

N	Field	Content Report 1	Content Report 2	Remark
57	Investment decision within firm			
58	Country of the branch responsible for the person making the investment decision			
59	Execution within firm	ALGO_1234	ALGO_1234	
60	Country of the branch supervising the person responsible for the execution			
61	Waiver indicator			
62	Short selling indicator			
63	OTC post-trade indicator			
64	Commodity derivative indicator			
65	Securities financing transaction indicator	false	false	

Example 7



Firm X buys 100 shares in Koninklijke Philips on Euronext Amsterdam for Client 1 under its discretionary mandate. Firm X is an AIFM company

Example 7

Article 1.2 of MIFIR:

This Regulation applies to investment firms, authorised under Directive 2014/65/EU and credit institutions authorised under Directive 2013/36/EU of the European Parliament and of the Council (1) when providing investment services and/or performing investment activities and to market operators including any trading venues they operate.

This means: no transaction reporting obligation under this scenario.

Questions

Information:

www.afm.nl

or

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