



GFMA Global FX Division

Standardisation of MiFIR Post Trade Transparency and Transaction Reporting for FX Vanilla Options

Regulation (EU) No 600/2014 – MiFIR

- **Article 10: Post-Trade Transparency Requirements for Trading Venues**
- **Article 21: Post-Trade Disclosure by Investment Firms, Including Systematic Internalisers**
- **Article 26: Obligation to Report Transactions**

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About the Global FX Division (GFXD)

The GFXD was formed in co-operation with the Association for Financial Markets in Europe (AFME), the Securities Industry and Financial Markets Association (SIFMA) and the Asia Securities Industry and Financial Markets Association (ASIFMA). Its members comprise 25 global foreign exchange (FX) market participants,¹ collectively representing around 85% of the FX inter-dealer market.² Both the GFXD and its members are committed to ensuring a robust, open and fair marketplace and welcome the opportunity for continued dialogue with global regulators.

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¹ Bank of America Merrill Lynch, Bank of New York Mellon, Bank of Tokyo Mitsubishi, Barclays, BNP Paribas, Citi, Credit Agricole, Credit Suisse, Deutsche Bank, Goldman Sachs, HSBC, JP Morgan, Lloyds, Mizuho, Morgan Stanley, Nomura, RBC, RBS, Scotiabank, Société Générale, Standard Chartered Bank, State Street, UBS, Wells Fargo and Westpac.

² According to Euromoney league tables.

MiFIR requires market participants to report executed trades for a number of different purposes in different formats.

This paper addresses a particular challenge that arises from two of those obligations (Post-Trade Transparency and Transaction Reporting), namely that the templates provided in the technical standards do not contain enough fields to fully report FX Vanilla Option trades. The below proposals are intended to provide clarity to market participants and improve data quality.

The proposals should be used in respect of:

- MiFIR Articles 10 and 21, with the Commission Delegated Regulation (EU) 2017/583, which illustrates technical standards on transparency requirements for trading venues and investment firms in respect of bonds, structured financial products, emission allowances and derivatives (“RTS 2”); and
- MiFIR Article 26, with the Commission Delegated Regulation (EU) 2017/590, which illustrates technical standards for the reporting of transactions to competent authorities under MiFIR (“RTS 22”).

The proposed standards are set out below, and illustrated with an example trade of a EURUSD Vanilla Option, which the reporting party has booked into its system on a notional of 10 million USD, at a strike price of 1.12, with a premium of 5000 EUR. Further examples are then provided using different currency pairs.

This paper has also been drafted with our proposal for FX Forwards and NDFs in mind³.

Proposal for MiFIR Post-Trade Transparency (“RTS 2”)

The technical standards for RTS 2 contain one field for ‘notional currency’, and one field for ‘notional amount’. However, FX Vanilla Options have, by definition, two notionals and two currencies. The premium may be expressed in one of these two currencies, or a third currency.

The problem is compounded by the fact that the ‘price’ and ‘price currency’ fields cannot be used to report the second notional and currency, since these fields must be used to report the premium and premium currency. There is no field provided for the strike price.

GFXD therefore proposes the following field standards, so that the reporting party can generate its report in accordance with the way in which the trade has been booked in its own system.

³ Available at [http://www.gfma.org/Initiatives/Foreign-Exchange-\(FX\)/FX-MiFID-Working-Group/](http://www.gfma.org/Initiatives/Foreign-Exchange-(FX)/FX-MiFID-Working-Group/)

The ‘example report’ shown is for a EURUSD Vanilla Option, booked on a notional of 10 million EUR, at a strike price of 1.12, with a premium of 5000 EUR.

Relevant fields	GFXD proposed standard	Example report
Price	Premium	5000
Price notation	Monetary value - ‘MONE’ (as per RTS)	MONE
Price currency	Currency of premium	EUR
Quantity	Number of contracts (as per RTS)	1
Notional amount	Denominator currency notional	10000000
Notional currency	Denominator currency of strike price as booked by reporting party	EUR

Further examples for RTS 2

Relevant fields	GFXD proposed standard	USDJPY Vanilla Option booked on notional of 10 million USD, strike 114.84, premium 2000 USD	EURCHF Vanilla Option booked on notional of 10 million CHF, strike 0.93206, premium 4000 USD
Price	Premium	2000	4000
Price notation	Monetary value	MONE	MONE
Price currency	Premium currency	USD	USD
Quantity	Number of contracts	1	1
Notional amount	Denominator currency notional	10000000	10000000
Notional currency	Denominator currency of strike price	USD	CHF

Proposal for MiFIR Transaction Reporting (“RTS 22”)

The technical standards for RTS 22 contain one field for ‘quantity’ (i.e. notional) and one field for ‘quantity currency’ (i.e. notional currency). The ‘price’ and ‘price currency’ fields must be used to record the premium (which may be expressed in one of the two notional currencies, or in a third currency). However, as stated above, FX Vanilla Options have two notionals and two notional currencies.

GFXD therefore proposes the following field standards, to allow the consumer of the report to calculate the second notional from the strike price. Where an ISIN is populated in Field 41 the consumer of the report must infer the second currency from the ISIN. The proposal has been created so that each reporting party can generate its report in accordance with the way in which the trade has been booked in its own system.

The ‘example report’ shown is for a EURUSD Vanilla Option, booked on a notional of 10 million EUR, booked at a strike price of 1.12, with a premium of 5000 EUR.

Relevant fields	GFXD proposed standard	Example report
30 Quantity	Denominator currency notional	10000000
31 Quantity currency	Denominator currency of strike price	EUR
33 Price	Premium	5000
34 Price currency	Premium currency	EUR

44*	Notional currency 1	Numerator currency of strike price	USD
45*	Notional currency 2	Denominator currency of strike price	EUR
51	Strike price	Strike price as booked by reporting party	1.12
52	Strike price currency	Numerator currency of strike price	USD

*Required only where no ISIN is populated in field 41

Further Examples for RTS 22

Relevant fields		GFXD proposed standard	USDJPY Vanilla Option booked on notional of 10 million USD, strike 114.84, premium 2000 USD	EURCHF Vanilla Option booked on notional of 10 million CHF, strike 0.93206, premium 4000 USD
30	Quantity	Denominator currency notional	10000000	10000000
31	Quantity currency	Denominator currency of strike price	USD	CHF
33	Price	Premium	2000	4000
34	Price currency	Premium currency	USD	USD
44*	Notional currency 1	Numerator currency of strike price	JPY	EUR
45*	Notional currency 2	Denominator currency of strike price	USD	CHF
51	Strike price	Strike price as booked by reporting party	114.84	0.93206
52	Strike price currency	Numerator currency of strike price	JPY	EUR

*Required only where no ISIN is populated in field 41

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