



**GFMA Global FX Division**

**Standardisation of 'Option Type' Field**

**Regulation (EU) No 600/2014 – MiFIR**

**Article 26: Obligation to Report Transactions**

**Regulation (EU) No 648/2012 – EMIR**

**Article 9: Reporting Obligation**

**Version: April 2017**

## **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,<sup>1</sup> collectively representing around 85% of the FX inter-dealer market.<sup>2</sup> 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.

## **Disclaimer**

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<sup>1</sup> 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.

<sup>2</sup> According to Euromoney league tables.

In the interests of providing clarity to market participants and improving data quality, the GFMA Global FX Division proposes the following guidelines for reporting the ‘option type’ field for FX options in (1) trade reporting under EMIR and (2) transaction reporting under MiFIR. The below proposals should be used in respect of:

- **EMIR: Commission Implementing Regulation (EU) No 1247/2012, which illustrates technical standards for the format of EMIR trade reports;**
- **EMIR: Commission Implementing Regulation (EU) No 2017/105, amending Commission Implementing Regulation (EU) No 1247/2012, which sets out revised technical standards for the format of EMIR trade reports, applicable from 1 November 2017; and**
- **MiFIR: Commission Delegated Regulation (EU) 2017/590, which illustrates technical standards for the reporting of transactions to competent authorities under MiFIR.**

#### EMIR Requirement

Field 55 ‘option type’ under the current technical standards (1247/2012 above) for the format of trade reports may be completed with ‘P’ in the case of a put or ‘C’ in the case of a call. Under the revised technical standards (2017/105 above) for the format of trade reports, which apply from 1 November 2017, field 78 ‘option type’ may be completed with ‘P’ in the case of a put, ‘C’ in the case of a call or ‘O’ where it cannot be determined whether it is a call or a put.

#### MiFIR Requirement

The technical standards list several fields (fields 42-56) in a transaction report that must be completed where the instrument is not identified by an International Securities Identification Number (ISIN) in field 41. Field 50 ‘option type’ may be completed with ‘PUTO’ in the case of a put, ‘CALL’ in the case of a call and ‘OTHR’ where it cannot be determined whether it is a call or a put.

#### Proposed Standardisation

Some FX options have both put and call functionality, i.e. they involve the exchange of two currencies, an example of which would be a counterparty buying a FX option consisting of a CHF call and a USD put, which, if exercised, would result in the counterparty buying CHF and selling USD. For these FX options, reporting parties are required to determine the value for the ‘option type’ field in trade and transaction reports.

To prevent confusion when completing the 'option type' field for such FX options, the GFXD proposes that this field should be populated with the option type in relation to the currency which is first when sorted alphabetically by ISO code. For example, in a CHFUSD option, each counterparty would complete the 'option type' field according to whether the option is a put or call in relation to CHF, not in relation to USD.

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