



GFMA Global FX Division

GFXD recommendations on MiFIR transaction reporting for FX transactions processed on Trading Venues

Regulation (EU) No 600/2014 – MiFIR

- **Article 26: Obligation to report transactions**

Commission Delegated Regulation (EU) 2017/590 – RTS 22

Version: July 2018

Background to the Global Foreign Exchange Division

The Global Financial Markets Associations (GFMA) Global Foreign Exchange Division (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 participants¹, collectively representing over 80% of the FX inter-dealer market². 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, Barclays, BNP Paribas, Citi, Credit Agricole, Credit Suisse, Deutsche Bank, Goldman Sachs, HSBC, JP Morgan, Lloyds, Mizuho, Morgan Stanley, MUFG, Nomura, RBC, RBS, Scotiabank, Société Générale, Standard Chartered Bank, State Street, UBS, Wells Fargo and Westpac

² According to Euromoney league tables

Background

Following the go-live of MiFID II/MiFIR in January 2018, GFXD members have encountered differing practices regarding the provision of data from trading venues, especially in consideration of the obligations placed on firms under MiFIR, Article 26: Obligation to Report Transactions.

The GFXD and its members would welcome further dialogue with the wider industry on the provision of data to enable firms to meet their Article 26 obligations. To aid that dialogue, the GFXD MiFID working group has analysed existing data flows considering only those trades where there is no change to the price or the financial instrument via the allocation process. As discussed below, we have identified a series of recommendations for consideration which we believe will further promote the harmonisation of reporting under MiFIR.

Recommendations

Firms are required to report many data fields in order to meet their obligations with regard to regulatory technical standards for the reporting of transactions to competent authorities (RTS 22). In order to ensure consistency in reporting the GFXD recommends the following:

Trades concluded³ on venue and allocated⁴ on venue

1. The time at which the trade is concluded on the trading venue is the time reported as the 'Trading date time' (Table 2, Field 28), and will be provided by the trading venue to the counterparties to the trade in order to enable them to meet their reporting obligations as required
2. Due to the nature of Article 26, those parties that have the reporting obligations will each report the block details against each other, rather than reporting the subsequent individual allocations
3. All data attributes should be provided by the trading venue to those parties that have the reporting obligations at the block level, not at the allocation level, including the 'Trading venue transaction identification code' (Table 2, Field 3)

Trades concluded off venue and then allocated on venue

1. The time at which the block trade is concluded⁵ between the two counterparties to the trade is the 'Trading date time' for the purposes of RTS 22 reporting, rather than the time at which the trade is entered at the venue for 'processing', i.e. allocation
2. In this instance, no 'Trading venue transaction identification code' is required (Table 2, Field 3), as the trade is concluded bilaterally off venue
3. The action of allocating the trade on the trading venue does not constitute 'execution' and should be considered a post trade exercise for the purposes of RTS 22
4. Due to the nature of Article 26, those parties that have the reporting obligations will each report the block details against each other, not the subsequent individual allocations

³ We note that bilateral trading can include multiple methods, such as voice

⁴ Trade allocations can be obtained from multiple sources and may not be on the same venue as that which the block trade is concluded

⁵ If traded electronically, this is likely to be the at the point at which the trade acknowledgement message is provided

Additional data elements that would be of benefit

GFXD members believe there to be additional benefits in trading venues providing the following additional data attributes, noting that these are complementary to RTS22.

Firstly, due to the cross-border nature of the global FX markets, it is highly likely that MiFID eligible firms will transact on a combination of both EU and non-EU venues. To avoid scenarios of either over reporting or under reporting, and noting the specific guidance provided in Article 26.5⁶, the GFXD recommends that it would be of benefit if trading venues provide guidance (within the data provided to firms) to identify who the trading venue believes has the reporting obligation under RTS22, as follows:

1. Who has the RTS 22 reporting obligation: trading venue Yes/No

Secondly, whilst it is a requirement for EU trading venues to obtain a Market Identifier Code (MIC), we note that this is not yet a current regulatory requirement for non-EU trading venues. We believe that the provision of this code will enable significant operational benefits within firms, especially noting the organisational complexity within venues, and whilst not a regulatory requirement we suggest that venues provide this information as follows:

2. The identification of the trading venue, including non-EU venues: MIC

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⁶ 26.5. The operator of a trading venue shall report details of transactions in financial instruments traded on its platform which are executed through its systems by a firm which is not subject to this Regulation in accordance with paragraphs 1 and 3.