

FI-FORUM

Transaction reporting

FI Forum

15 March 2017



Agenda

- Legal framework
- MiFID II – new developments in the area of technology
- IT solutions
- Tests
- Transactions, files and validations
- Communication and information
- Questions

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Legal framework

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MiFID II/MiFIR

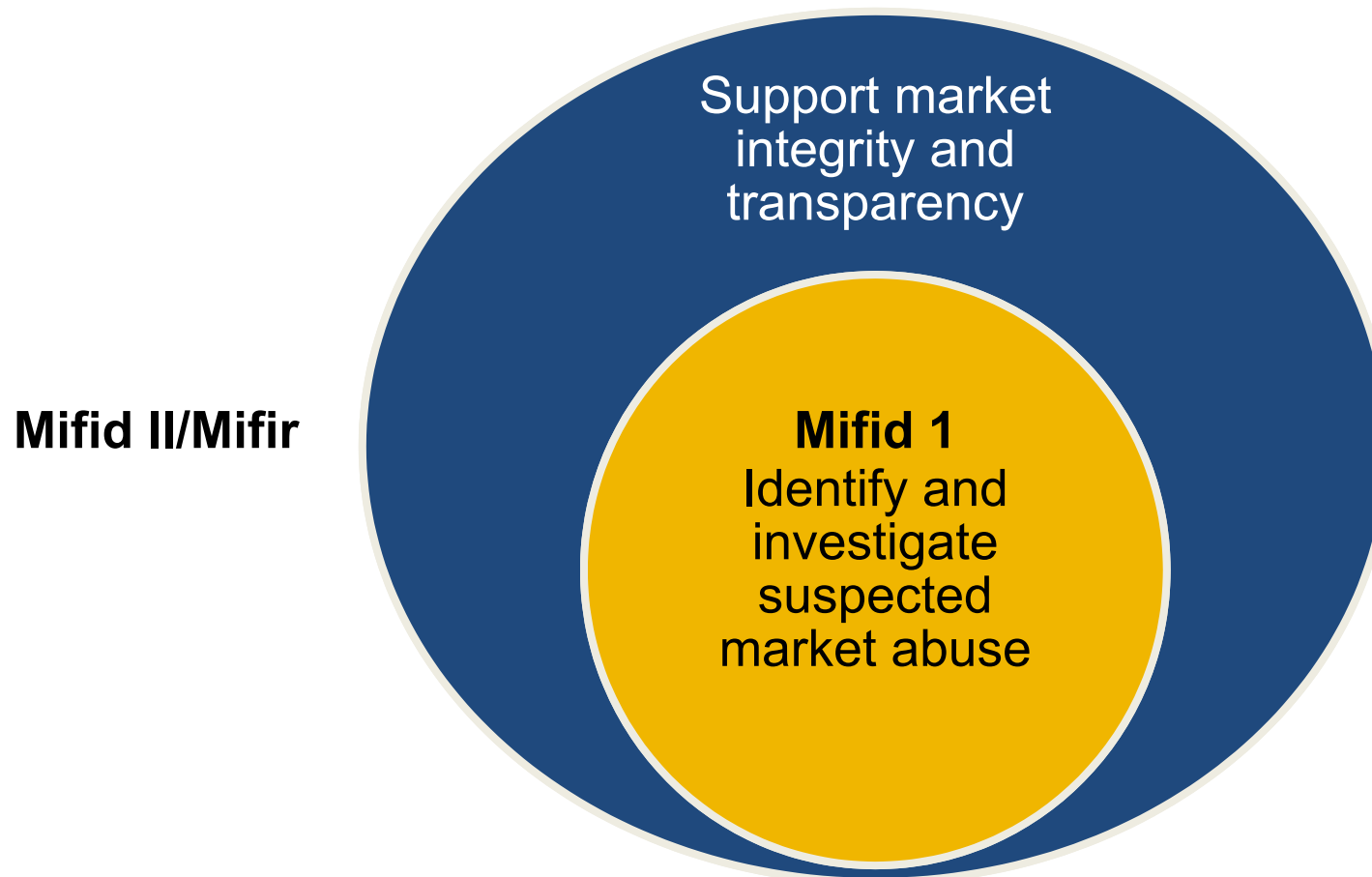
The legal framework is being adapted to a more complex financial market with more types of financial instruments and more methods of trade.

Strengthen financial stability and rectify deficiencies in MiFID I

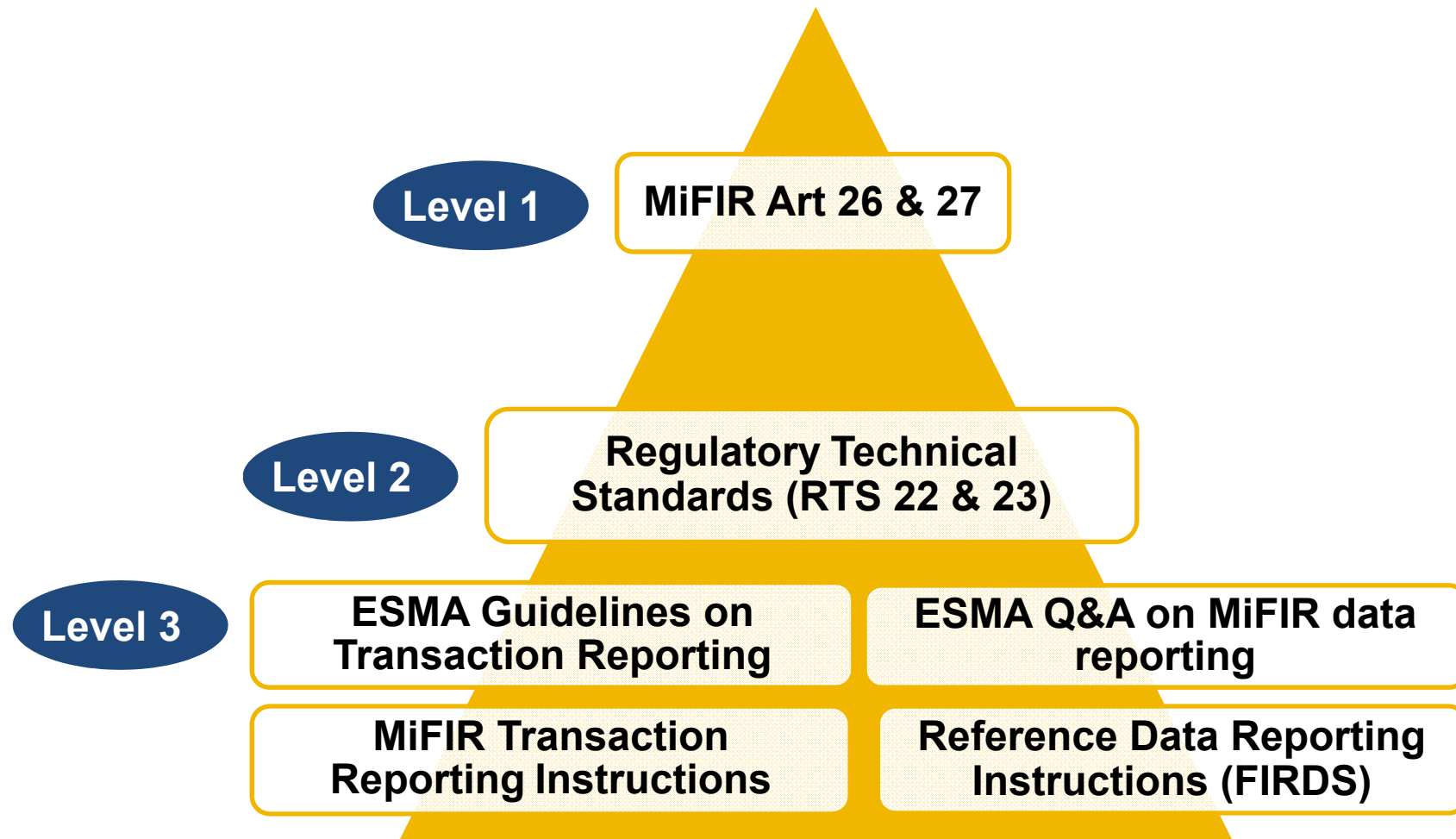
Increase transparency of trade in financial instruments

Achieve greater investor protection

How does FI use transaction data?



Regulations



Who must report?

MiFID I	MiFID II/MiFIR
Investment firms executing transactions.	All investment firms that are covered by the entire transaction chain.
	The operator of trading venues, for members not subject to article 26 Mifir.

What must be reported?

MiFID I	MiFID II/MiFIR
Financial instruments admitted to trading on a regulated market or MTF.	1) Financial instruments: a) admitted to trading on trading venues, b) traded on trading venues, c) for which a request for admission is made.
OTC derivatives with underlying financial instruments that are admitted to trading on a regulated market.	2) Financial instruments for which the underlying instruments fulfil 1b above,
	3) Financial instruments for which the underlying instrument is an index or basket with at least one constituent that fulfils 1b above.

Keep track of the terms

Execution	Transaction
A) Reception and transmission of order	Buy or sell
B) Execution of orders on behalf of clients	Open/close/change derivative contracts
C) Dealing on own account	
D) Execution of investments as part of discretionary management	Several exceptions are listed in RTS 22, Art. 2.
E) Move financial instruments to and from accounts.	

Point A does not constitute execution if certain conditions are met pursuant to Article 26(4) of MiFIR.

Reporting

A transaction can be reported to the competent authority by:

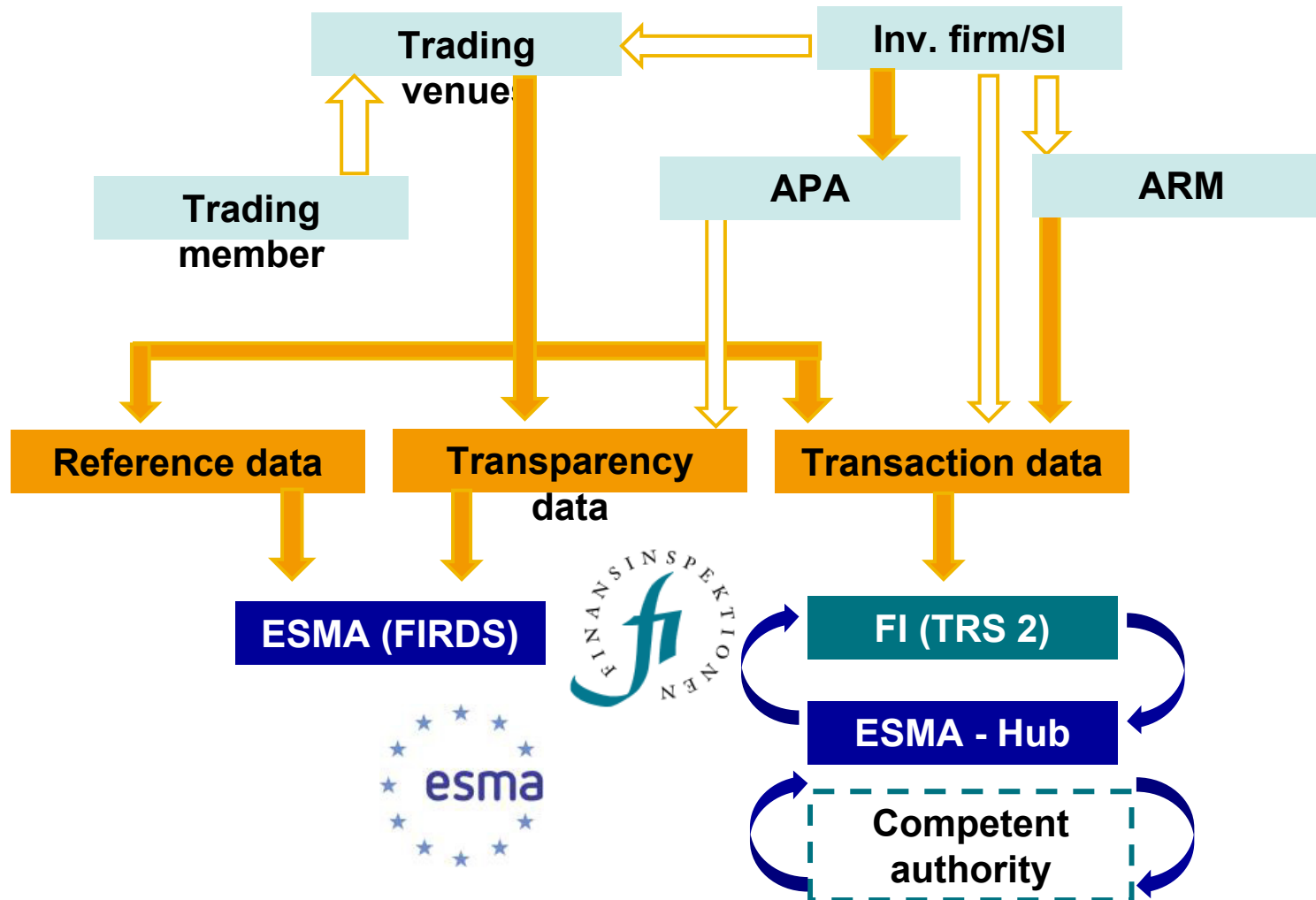
- the investment firm,
- an approved reporting mechanism (ARM),
- the trading venue on which the transaction took place.

Trading venues, when making reports on behalf of investment firms shall establish sound safeguards that ensure accuracy, confidentiality and counteract corruption of a database.

Data reporting services

- ARM, APA (approved public arrangement) and CTP
- Chapter 10 of the Securities Market Act
- EU Commission Delegated Regulation (EU) xx/xx on technical supervision standards as regards authorisation, organisational requirements publication of transactions for suppliers of data reporting services
- ESMA's guidelines - transaction reporting, order record keeping and clock synchronisation under Mifid II
- FFFS 2007:17 regarding management suitability assessments
- FI can process applications for authorisation starting on 3 July 2017

New companies, new reporting



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MiFID II – new developments in the area of technology

Karl Hansell

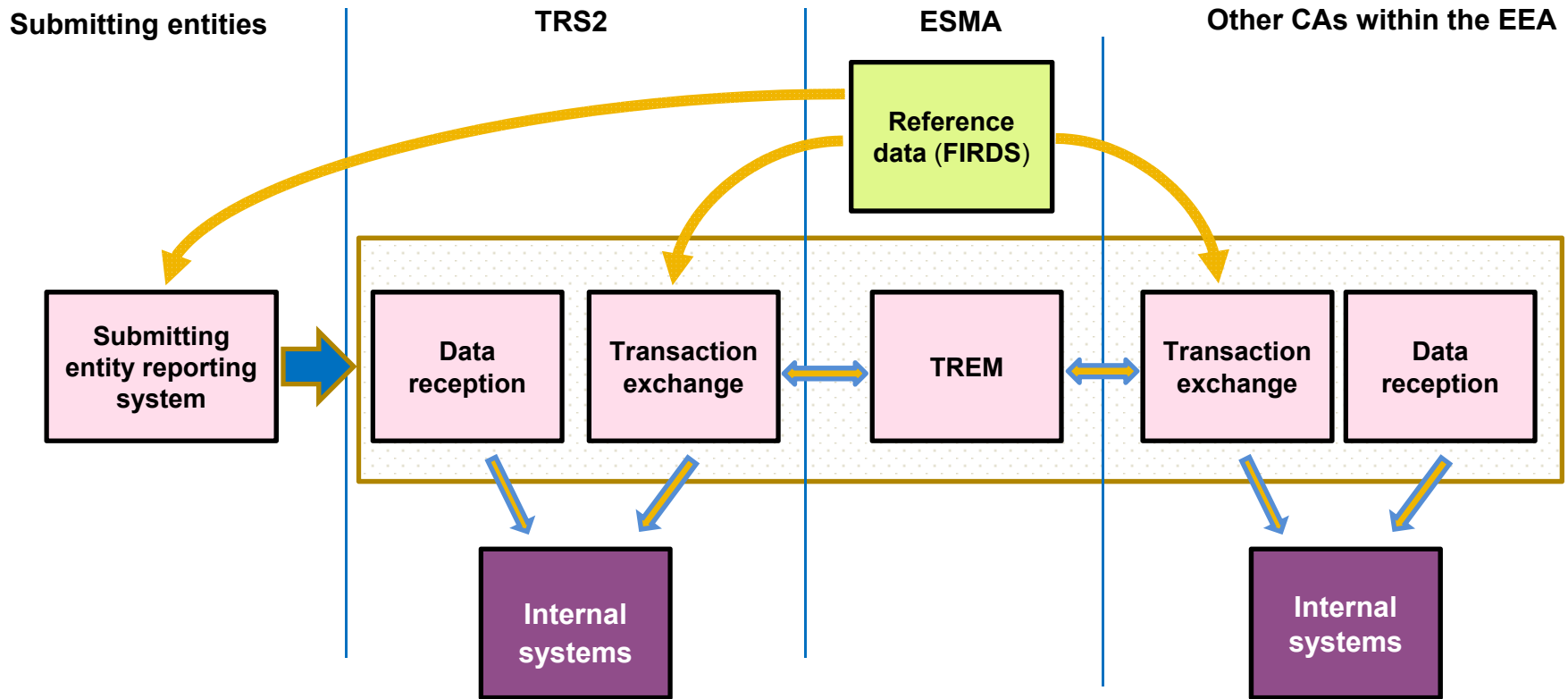
International Coordinator, IT



MiFID – some news

- More transactions
- More data in each transaction
- Reference data system
- New file format ISO 20022

System overview



ESMA's reference data system

- Gather financial instruments reference data from trading venues, SI or competent authorities (NCA) and validate the data.
- Gather quantitative data about financial instruments to conduct transparency calculations (threshold for transparency and liquidity).
- Store and maintain data.
- Publish/distribute reference data and the thresholds for all NCAs and on the website.
- Facilitate NCA's coordination of sanctions and publication of such decisions.

LEI - Legal Entity Identifier

- LEI - a global company identification code
- Administered by the Global LEI Foundation (www.gleif.org)
- Distributed by Local Operating Units
- All legal entities that report under MiFID must have an LEI.
- All legal entities acting as end customers must have an LEI. NH8

Bild 17

NH8

Added after seminar
Niklas Hagberg; 2017-03-28

Reference data

- ESMA will gather all reference data.
- ESMA will consolidate a new reference data set every day.
- The reference data will be available for download from ESMA's website at 9:00 AM every morning.
- Data will be available in three files, one *full file* and one *delta file* for active records and one file for inactive records.

New file format - ISO 20022

- Based on XML.
- Standardised by ISO. Managed by Swift.
- The ISO messages are still drafts, a final ISO-approved version will be available later this year.
- ESMA may make small changes to the ISO messages.
- Sweden may make small changes to ESMA's messages (for example max 500,000 transactions per file).

Demo – instructions

1. Go to <https://www2.swift.com/mystandards/#/>
2. Create an account
3. Go to Group, select “ESMA”
4. Select a portal.
5. Select action under the Action menu.

ESMA



Usage Guidelines

MiFIR - Transaction Data - Reporting

MiFIR - Transparency Data - Reporting

MiFIR - Reference Data - Reporting

MiFIR - Reference Data - Distribution

MiFIR - Double Volume Cap - Reporting

Open Communities

MiFIR
Markets in Financial Instrument Regulation

Member

Portals

MiFIR - Transaction Data - National Re
Readiness Portal

Transparency Data

Reference Data

Double Volume Cap

Releases

This Group has not documented any Release on MyStandards yet.

Sub-groups

This Group has not created any Sub-groups on MyStandards.



News

This Group has not published any New



MiFIR - Transaction Data - National Reporting Readiness Portal
Portal for the purpose of testing transaction data reporting message.

[How to use this portal](#) | Logged as Karl Hansell(Public Group) | [Logout](#)

  Messages to ESMA

DRAFT15auth.016.001.01_ESMAUG_Reporting_1.0.2

Actions ▾





0 attached document(s)

[Show details](#)

Content Result view Impact Analysis Compare Comments

View only restricted elements

Hide removed elements

search message (min 2 chars)



Show xml tags

Min Max Restrictions

Display full width

	Min	Max	Restrictions
Financial Instrument Reporting Transaction Report V01 (DRAFT15auth.016.001.01)			⚠️
Transaction	1	*	⚠️
New	1	1	⚠️
Transaction Identification	1	1	⚠️
Executing Party	1	1	⚠️
Investment Party Indicator	1	1	⚠️
Submitting Party	1	1	⚠️
Buyer	1	1	⚠️
Seller	1	1	⚠️
Order Transmission	1	1	⚠️
Transaction	1	1	⚠️
Financial Instrument	1	1	⚠️
Investment Decision Person	0	1	⚠️
Executing Person	1	1	⚠️
Additional Attributes	1	1	⚠️
Technical Attributes	0	1	⊘
Supplementary Data	0	*	⊘
Cancellation	1	1	⚠️

Transaction Identification

Rule "ESMA_Transaction Identification"

If the report is a new transaction, the transaction reference number shall pertain to a single transaction per the executing entity, i.e. the same transaction reference number has not been used before or pertains to a transaction that has been cancelled (the last accepted report with this transaction reference number was a cancellation report).

Rule "ESMA_Transaction Identification"

If the report is a cancellation report, a transaction with the same transaction reference number should have been reported by the executing entity before.

Rule "ESMA_Transaction Identification"

If the report is a cancellation report, this transaction should be an active transaction (there was no cancellation report following the last accepted new transaction report for this transaction reference number).

Annotation

RTS 22 Field 2





Upload Export History

0 DRAFT15auth.016.001.01_ESMAUG_Reporting_1.0.2

The message is valid against this Usage Guideline.

```
1 <?xml version="1.0" encoding="UTF-8"?>
2 <BizData xmlns="urn:iso:std:iso:20022:tech:xsd:head.003.001.01"
3   xmlns:xsi="http://www.w3.org/2001/XMLSchema-instance"
4   xsi:schemaLocation="urn:iso:std:iso:20022:tech:xsd:head.003.001.01 head.003.001.01.xsd">
5   <Hdr>
6     <AppHdr xmlns="urn:iso:std:iso:20022:tech:xsd:head.001.001.01"
7       xsi:schemaLocation="urn:iso:std:iso:20022:tech:xsd:head.001.001.01 head.001.001.01_ESMA_restricted.xsd">
8       <Fr>
9         <OrgId>
10          <Id>
11            <OrgId>
12              <Othr>
13                <Id>SENDING_ENTITY</Id>
14              </Othr>
15            </OrgId>
16          </Id>
17        </OrgId>
18      </Fr>
19      <To>
20        <OrgId>
21          <Id>
22            <OrgId>
23              <Othr>
24                <Id>RECEIVING_ENTITY</Id>
25              </Othr>
26            </OrgId>
27          </Id>
28        </OrgId>
29      </To>
30      <BizMsgId>DRAFT12auth.016.001.01</BizMsgId>
31      <MsgDefId>auth.016.001.01</MsgDefId>
32      <BizSvc>aaa</BizSvc>
33      <CreDt>2001-12-17T09:30:47Z</CreDt>
34    </AppHdr>
35  </Hdr>
36  <PyId>
37    <Document xmlns="urn:iso:std:iso:20022:tech:xsd:DRAFT15auth.016.001.01"
38      xsi:schemaLocation="urn:iso:std:iso:20022:tech:xsd:DRAFT15auth.016.001.01 MiFIR_Transaction_Data_Reporting_DRAFT15auth_016_001_01_ESMAUG_Reporting_1_0_2.xsd">
39    <FinInstrmRptgTxRpt>
40      <Tx>
41    ..
```



More technical information

- **ESMA:**

<https://www.esma.europa.eu/policy-rules/mifid-ii-and-mifir/mifir-reporting-instructions>

- **ISO:** KH1

<https://www.iso20022.org/>

Här kan man också beställa boken “ISO 20022 for Dummies”

- **MyStandards:**

<https://www2.swift.com/mystandards/#/>

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KH1

<http://viewer.zmags.com/publication/b0a184af>
Karl Hansell; 2017-03-10

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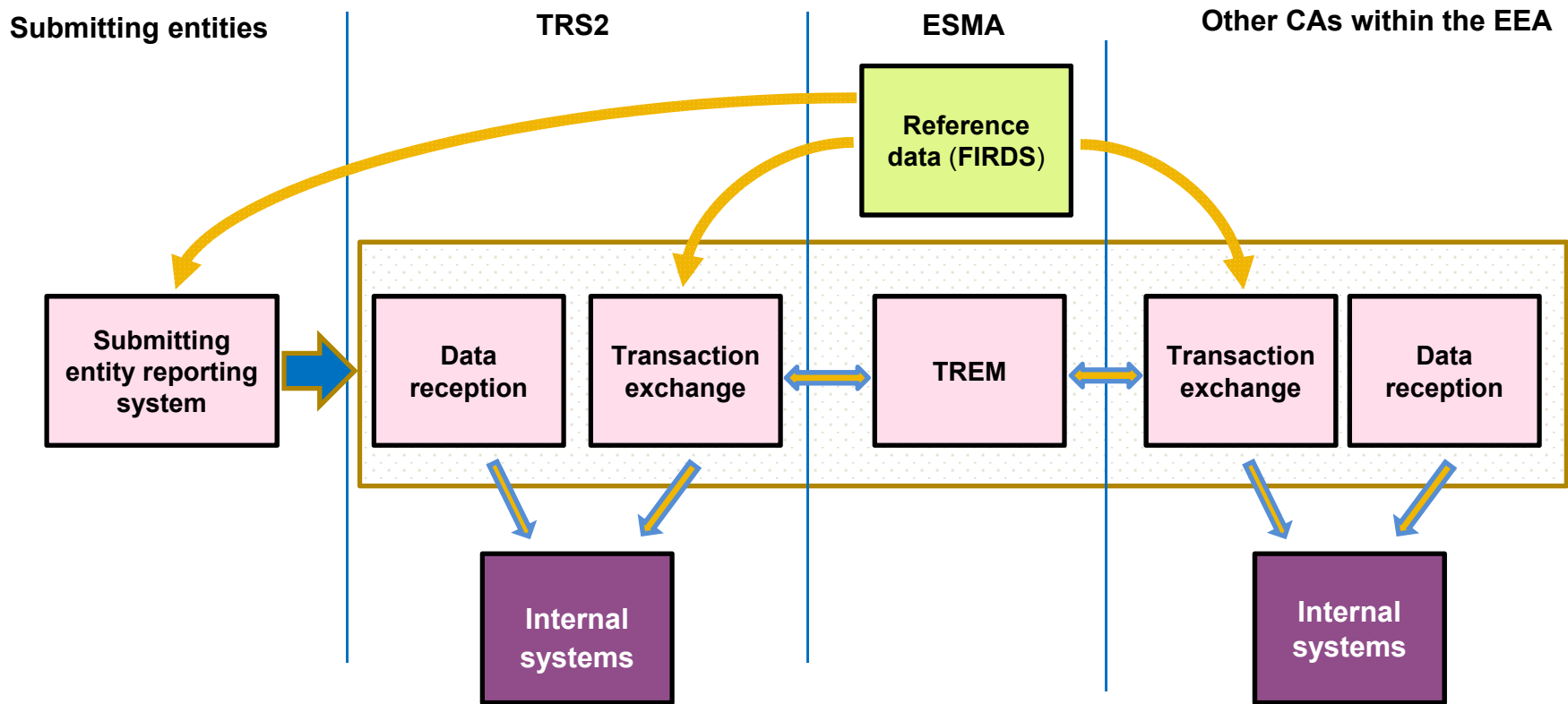
IT Solution

Niklas Hagberg

System Manager, Reporting Systems



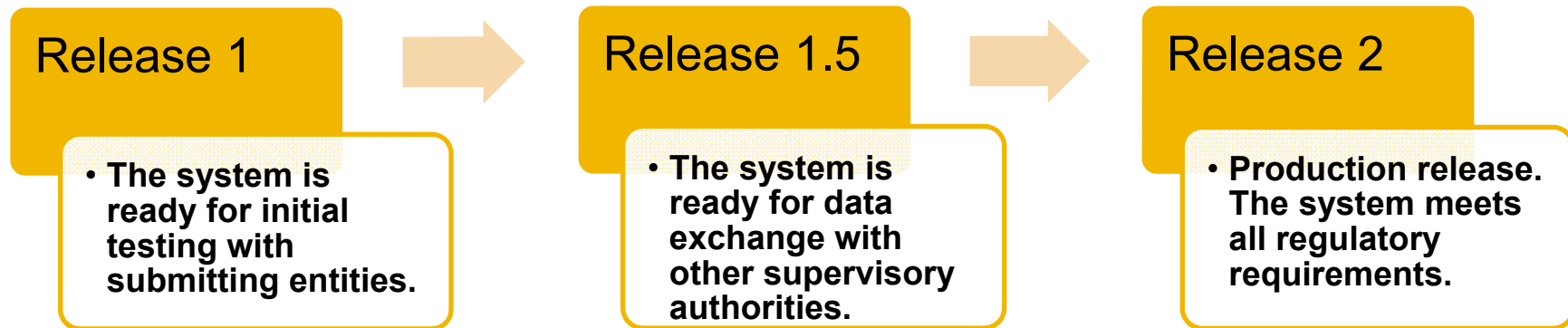
System overview



TRS2 system

- Developed jointly by the CAs in Denmark, Finland, the Netherlands, Norway and Sweden.
- External supplier
- Local operation

System releases



System interface

- Connection via SFTP
 - Requires FTP client
 - Key exchange for SFTP encryption
 - Folder structure similar to the current structure
- No web interface
- PKI for encryption of files (no decision made yet)
- One test environment
 - Accessible until further notice
 - Updated with new releases

Test schedule 2017

Start date	What?
May	Connection to the system. Validation of transactions. Sample reference data created by the project.
July	Preliminary validation of transactions to reference data from ESMA.
September	New release and version in the test environment. Validation of reference data from ESMA.
November	Test of production release.

Focus and limitations

- Goals for testing
 - Establish connection
 - File and transaction validation
 - Both FI's and the submitting entity's systems
- Limitation during tests
 - Reference data from ESMA July 2017
 - No encryption of files until September/October 2017

Pre-requisites for testing

- LEI code
 - Companies that use an external party for reporting must provide an LEI for both their own company and the external party.
- IP address/IP range to make exceptions in the firewall
- Key exchange for SFTP connection
- Contact information
- Application via a form on FI's website.

Transaction report scenarios

- The transaction is reported on the same day as it is executed ($R=T$). The validation is done the following day ($T+1$) when updated reference data is available. The status for the transaction is **received**.
- The transaction is executed one day or more days before reporting ($R>T$). The transaction is **accepted**.
- The transaction is executed one day more days before reporting ($R>T$) but contains errors. The transaction is **rejected**.
- The transaction is executed one day or more days before reporting ($R>T$) but the instrument is not found in the reference data. The transaction is **parked** with a grace period of up to seven days. If ISIN is still missing after seven days it will be **rejected**.

Transaction types

- A transaction report can either be a new report (NEW) or a cancellation of a previously submitted report (CANC).
- To update a previously submitted transaction report, first cancel the report and submit a new report.
- A cancelled transaction must have the same transaction ID as the previously submitted transaction.

Transaction and feedback files

- One feedback file per submitted transaction file.
- One daily feedback file can also be sent in the event that:
 - transactions are not validated since up-to-date reference data is not available.
 - transactions have a **parked** status since reported instrument is missing in the reference data.

Please note that the daily feedback file can contain feedback on transactions that were submitted in different transaction files.

File naming convention - transaction file

TR_SEIC_ORI_YYYYMMDD_RFSEQ.TYPE

Segment	Table of Contents
TR	Abbreviation for “Transaction Report”.
SEIC	Abbreviation for “Submitting Entity Identification Code”. LEI (Legal Entity Identifier) pursuant to ISO 17442.
ORI	<p>Originating system or department. The system or department from which the file came. 2-digit number.</p> <p>00 = TRS2. Reserved for use of the TRS2 system.</p> <p>01 – 99 = System or department of submitting entities.</p> <p>Not a requirement to differentiate between systems or departments. The same ORI can be used for all files submitted.</p>
YYYYMMDD	The date the file was created by submitting entities.
RFSEQ	Abbreviation for “Report File Sequence Number”. 4-digit sequence number [0000-9999]. Re-starts every day.
TYPE	File type

File naming convention - feedback files

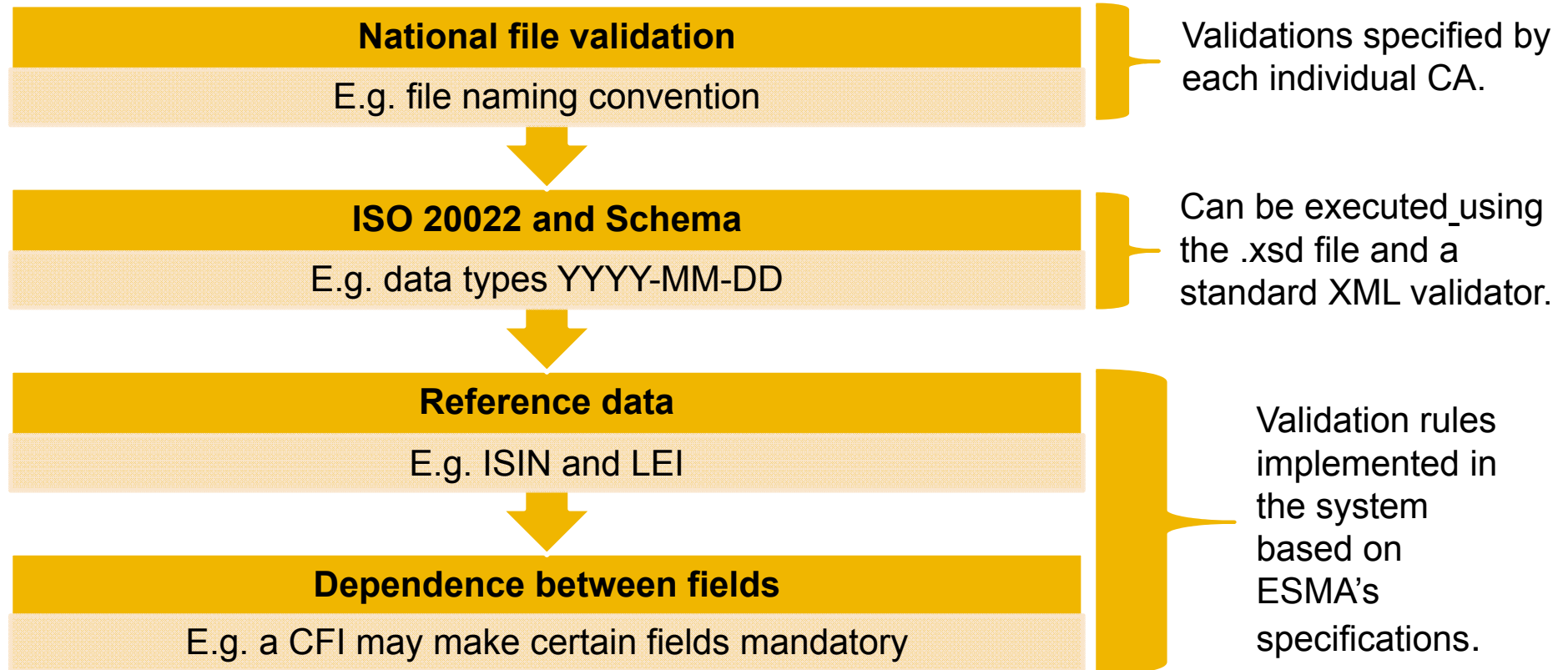
Individual transaction file: FF_<Transaction file name>_FFSEQ.TYPE

Segment	Table of Contents
FF	Abbreviation for “Feedback File”.
<Transaction file name>	The same name as the submitted transaction file
FFSEQ	Abbreviation for “Feedback File Sequence Number”. 2-digit number. The sequence number of the feedback file. Can be used e.g. if more than one feedback file must be sent for the same transaction file.
TYPE	File type

Daily feedback file: FD_<Transaction file name(except RFSEQ & TYPE)>_FFSEQ.TYPE

Segment	Table of Contents
FD	Abbreviation for “Feedback, daily”.

Validation types



Validation errors - example

File level. **AA** will be the country code

Control	Error code	Error message	Explanation and resolution
File name syntax	AAX-001	The file name has an illegal syntax.	Correct the file name so it complies to the file name convention
ISO 20022	FIL-104	The ISO 20022 Message Identifier in the BAH must refer to the latest schema approved	Correct the Message Identifier according to the latest XSD schema

Transaction level. **CON** = “Content error”

Error code	Error message
CON-023	Transaction report with the same transaction reference number has already been sent for the firm and not cancelled
CON-162	Seller MIC XXX is not valid for the trade date

More information and contact

■ Website fi.se:

<http://www.fi.se/sv/marknad/vardepappersmarknad-mifidmifir/>

- New page with technical specifications will be available soon
- Subscription (Reporting, Markets)

■ Technical questions

trs@fi.se

■ Regulatory questions

marknadsanalys@fi.se

Questions?

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