

FIX Trading Community EMEA Regulatory Sub-Committee

Responses to Discussion Paper Questions

Section 2 – Investor protection

Q13 Do you agree that trading venues should publish the data relating to the quality of execution with regard to a uniform reference period, with a minimum of specific reporting details and in a compatible format of data based on a homogeneous calculation method? If not, please state why.

Yes and would be happy to assist in the definition of such standards.

Q34 Do you agree that the investment firms should publish the data relating to their execution of orders with regard to a uniform reference period, with a minimum of specific reporting details and in a compatible format of data based on a homogeneous calculation method? If not, please state why.

Yes and would be happy to assist in the definition of such standards.

Q36 What format should the report take? Should there be any difference depending on the nature of the execution venues (MTF, OTF, Regulated Market, systematic internalisers, own account) and, if so, could you specify the precise data required for each type?

We recommend the use of industry standards in such reporting, specifically as regards identification of instrument, venue, currency, trade type, venue type and (where relevant) client and would be happy to assist in the definition of such standards.

Section 3 – Transparency

Q45 What in your view would be the minimum content of information that would make an indication of interest actionable? Please provide arguments with your answer.

Price, Volume and Buy or sell is the minimum content of an IOI; therefore to be an actionable IOI it must additionally include an explicit indication that it is actionable to avoid misclassifying traditional (non-actionable) Indications of Interest.

Q61 Do you agree with ESMA's view that the most relevant market in terms of liquidity should be the trading venue with the highest turnover in the relevant financial instrument? Do you agree with an annual review of the most relevant market in terms of liquidity? Please give reasons for your answer.

We do not have an opinion on the question specifically, but do recommend that where lists of the identity of the most relevant market for each instrument exist, they do so using industry standard and unambiguous identifiers (particularly for venue and instrument identifiers) and be made available in a machine-readable form.

Comments on double volume cap mechanism

This is not a response to any questions, but we would like to take the opportunity to recommend the use of industry standards in regards to the volume reporting requirements (e.g. instrument identifiers, use of waivers, venue identifiers) and would be happy to assist in the definition of such standards.

Q74 Do you agree that the content of the information currently required under existing MiFID is still valid for shares and applicable to equity-like instruments? Please provide reasons for your answer.

We do not have an opinion on the list of fields specifically, but do recommend that industry standards be used where relevant (e.g. timestamp, instrument identifier, venue type/identifier, currency).

Q75 Do you think that any new field(s) should be considered? If yes, which other information should be disclosed?

We feel that identification of the type of trade (as per Q80 below) is also important and recommend that this also be covered using an industry standard such as MMT.

Q80 What is your view on requiring post-trade reports to identify the market mechanism, the trading mode and the publication mode in addition to the flags for the different types of transactions proposed in the table above? Please provide reasons for your answer

Based on feedback from our members and our experience of working with exchanges, sell side firms and buy side firms on execution reporting, trade reporting and market data, we do see this as useful, particularly with regards to collecting trade information for TCA purposes and venue analysis. As for Q75, we recommend the use of an industry standard for trade categorisation.

Q168 Do you agree that there should be consistent categories of derivatives contracts throughout MiFIR/EMIR

Yes.

Q178 and Q182 Do you have any comments on the content of requests as outlined above? and Q182 What is your view of ESMA's initial assessment of the format of data requests and do you have any proposals for making requests cost-efficient and useful for all parties involved?

Only to argue for consistency of requests and normalisation of requested data (as per paragraphs 3 and 12-14 but additionally stating that NCAs should follow a standard format when making the requests and that the requests make use of industry-standard identifiers where appropriate). We would be happy to assist in development of standards of format both for the requests and the resultant data (i.e. the templates referred to in paragraph 13).

Section 4 – Microstructural issues

We have chosen not to respond directly to the majority of the questions in this section as we feel they are better answered by individual firms or their trade bodies. We would however like to make some broad comments regarding the topics covered in this section:

- Regarding controls (both pre-trade order controls and the governance processes around them) our Risk Management group has done some work on this topic which we would be happy to share with you and provide ongoing assistance.¹
- Regarding testing, we support the need for adequate testing of algorithms and note that, in addition to phased deployments and access to test markets, a number of our

¹ Please refer to FIX Trading Community paper “Recommended Risk Control Guidelines (2012)” which can be found at <http://www.fixtradingcommunity.org/pg/file/fplpo/read/32127/recommended-risk-control-guidelines-2012>.

members are requesting that all markets are mandated to provide test symbols (as is done in the US equity markets and some EU markets) and that these be made available during all hours their market is in operation. It is recognised that this is not a substitute for the other types of testing described in this paper but should be regarded as a useful risk mitigation step at the beginning of a deployment cycle.

- Regarding tick sizes, we take no position regarding the choice of methodology used but request that, regardless of the methodology ultimately applied, the following principles be followed:
 - A single mechanism consistent across all MTFs and RIEs be put in place to ensure there is no ambiguity as to the tick scale being used for each instrument,
 - That the tick scales be made available to the public in an electronically readable manner,
 - That a mechanism is implemented to ensure that all venues are using same tick size for each stock at a given time,
 - That changes to tick scales be communicated in advance, and
 - That such changes be made available to download in advance of the live date to facilitate testing.

Section 5 – Data publication and access

Q366 Do you agree with the proposal to define machine-readability in this way? If not, what would you prefer?

We think this is a reasonable definition though also comment that to reduce implementation costs, that standards be defined and mandated for the storage of such data and that these standards be applied in a consistent manner

Section 6 – Requirements applying on and to trading venues

Q461 Do you agree with the specifications outlined above for the suspension or removal from trading of derivatives which are related to financial instruments that are suspended or removed

We recommend that the suspension notification uses industry standard identifiers (e.g. for instrument identification) and that this information be disseminated using a single consistent open standard protocol to reduce implementation cost to the industry. It is specifically important that these notifications identify the 'instances' of an instrument being

suspended (e.g. including any rights, warrants, options, futures, associated companies, other listings).

Q463 Do you agree with the principles outlined above for the timing and format of communications and publications to be effected by trading venue operators.

Yes and would be happy to assist in the development of standards in this regard, noting that the current lack of application of standards is regarded as a cost by the industry as such communications are, on occasion, ambiguous with regards to the specific instrument or instruments being covered

We note additionally that these principles be applied also to NCAs and any other parties where they initiate these types of communications.

Section 8 – Market data reporting

Q550 We invite your comments on the proposed fields and population of the fields. Please provide specific references to the fields which you are discussing in your response.

We do not comment on the list of fields, but recommend the use of standards in such fields and will be happy to assist in the definition of such standards. Specific comments regarding items on the list are:

- Use of unambiguous and industry-standard instrument identifiers and client identifiers (items i, iii and vi), for example LEI and ISIN.
- There is currently no industry standard for the ‘applicable waiver’ or the ‘way the transaction was executed’ (items v and vii) and recommend that the standard be developed in conjunction with the requirements for post-trade transparency in section 3.2. Specifically we recommend the use of MMT for such coding.

Q551: Do you have any comments on the designation to identify the client and the client information and details that are to be included in transaction reports?

We support the proposed approach, particularly with the emphasis on usage of LEI and similar standard identifiers. We recommend that where reference is made to national coding systems, a standard be created for the list of coding systems.

Q552 What are your views on the general approach to determining the relevant trader to be identified?, Q553 In particular, do you agree with ESMA’s proposed approach to assigning a trader ID designation for committee decisions? If not, what do you think is the best way for NCAs to obtain accurate information about committee decisions? and Q554 Do you have any views on how to identify the relevant trader in the cases of Direct Market Access and Sponsored Access?

We believe that an industry standard for trader identifier would be required here. Though we don’t have a specific view on whether end-client traders using Direct Market Access or Sponsored Access facilities should be identified, we do recommend that should such an approach be taken, that the same industry standard for trader identifier should apply to end-client (e.g. non-member) firms

Q555 Do you believe that the approach outlined above is appropriate for identifying the ‘computer algorithm within the investment firm responsible for the investment decision and the execution of the transaction’? If not, what difficulties do you see with the approach and what do you believe should be an alternative approach?

We do not have an opinion on the approach but request that a consistent approach be taken across all in-scope markets and instruments (making the data more consistent and useful, and reducing implementation cost to the industry). We also request that markets also requiring such data do so using the same approach as used here, again to ensure consistency of data and ease of implementation.

Q567 Which format, not limited to the ones above, do you think is most suitable for the purposes of transaction reporting under Article 26 of MiFIR? Please provide a detailed explanation including cost-benefit considerations.

We feel that rather than specify a list of available formats, a single standard (both for the data formatting/content and method of transmission) be mandated and would be happy to assist in the definition of such standards. Having multiple formats and transmission protocols increases implementation costs.

Q568 Do you anticipate any difficulties in providing, at least daily, a delta file which only includes updates?, Q569 Do you anticipate any difficulties in providing, at least daily, a full file containing all the financial instruments?, Q570 Do you anticipate any difficulties in providing a combination of delta files and full files? and Q571 Do you anticipate any difficulties in providing details of financial instruments twice per day?

We anticipate no difficulties for any of these points.

In addition we recommend that, where possible, all instrument reference data referred to elsewhere in these papers (e.g. identity of liquid instruments, standard market size, identity of most relevant market etc.) be covered under this topic of instrument data distribution. It is the view of our members that instrument reference data distribution and management is unnecessarily complex and represents a significant operational cost to the industry, so any move towards standardising and consolidating the way this data is managed and distributed will be strongly supported.

It is also worth noting that, while not directly referenced in these papers, it is desirable that we establish and adopt a common instrument identification schema that meets all the requirements laid out in these papers. We clearly support the use of industry standard identifiers and have done prior work to recommend how those be used in the context of instrument-related concepts of 'listing', 'tradable instrument' and 'fungible instrument'. We would be glad to assist in such topics.

Q571 Do you anticipate any difficulties in providing details of financial instruments twice per day?

No, but we recommend that any proposed solution be able to run with any desired frequency (including real time). With reference to our answers to Q568-571, we believe that both full-list and delta-based solutions could achieve the twice-daily requirement.

Q572 What other aspects should ESMA consider when determining a suitable solution for the timeframes of the notifications? Please include in your response any foreseen technical limitations.

One concern with the twice-daily approach is with timing. With current market hours in the equity market this is unlikely to represent a problem, but in the derivatives space (some of which operates on nearly a 24 hour basis) and the theoretical possibility of extensions to market hours in equities, having one file before any markets open and another after they have all closed may not be achievable.

Q578 In your view, which option (and, where relevant, methodology) is more appropriate for implementation? Please elaborate.

We support the use of common standards but recognise that not all data needs to be standardised for its own sake. As such, we recommend option 3, in that data that is

applicable to multiple trading venues be stored in a standardised format, but that data that is specific to that venue (and therefore does not need to be directly consolidated with or compared against data from other venues) can be stored in a venue-specific format.

Q579 In your view, what are the data elements that cannot be harmonised? Please elaborate.

We are not aware of any data elements that cannot or could not be harmonised but would like to take the opportunity to elaborate further on our response to Q550 with some examples of data that could in theory be harmonised, but where venue-specific formats also have some value.

- Order types; imposing a standard for order types may be too restrictive and stifle innovation in trading venues. However, where order type is deemed to be useful information for analysing or comparing orders across venues, some type of higher level categorisation - which could and should be standardised – could be adopted (see also Q588 on this topic).
- Execution condition codes; similar to the above comment and relates to comments both in the papers and our responses regarding trading phases, market mechanisms and similar. As prior work on MMT has shown, trading venues have a variety of different trade condition codes but they can be categorised into a higher level structure which is standardised across venues. Retaining both the original and MMT equivalents means we have no information loss while still adopting a cross-venue standard.

Q580 For those elements that would have to be harmonised under Option 2 or under Option 3, do you think industry standards/protocols could be utilised? Please elaborate.

Absolutely, and would be happy to assist in any efforts to define and utilise such standards.

Q581 Do you foresee any difficulties with the proposed approach for the use of LEI?

No.

Q582 Do you foresee any difficulties maintaining records of the Client IDs related with the orders submitted by their members/participants? If so, please elaborate.

We are not aware of any, and recommend the use of standards such as Legal Entity Identifier.

Q583 Are there any other solutions you would consider as appropriate to track clients' order flows through member firms/participants of trading venues and to link orders and transactions coming from the same member firm/participant?

We recommend that standards be mandated to support the linkage of orders as they pass between intermediaries. We have significant experience of such matters as this capability is designed into the FIX Protocol and is already used for a significant proportion of trading.

Q584 Do you believe that this approach allows the order to be uniquely identified? If not, please elaborate.

Yes, with one caveat regarding instances of having more than one instrument with the same ISIN trading on the same order book. A couple of good examples are ST Microelectronics and Nokia, both of which have multiple primary listings which trade as separate instruments on the MTFs:

ST Micro.				
ISIN	SEDOL	Venue	Ccy	Ticker
NL0000226223	5962332	EQD	EUR	STMp
NL0000226223	5962332	BTE	EUR	STMp
NL0000226223	5962332	CIX	EUR	STMp
NL0000226223	5962332	TRQ	EUR	STMp
NL0000226223	5962343	BTE	EUR	STMm
NL0000226223	5962343	CIX	EUR	STMm
NL0000226223	5962343	TRQ	EUR	STMm

Nokia Corp.				
ISIN	SEDOL	Venue	Ccy	Ticker
FI0009000681	5902941	BTE	EUR	NOK1Vh
FI0009000681	5902941	CIX	EUR	NOK1Vh
FI0009000681	B19GJC0	BTE	EUR	NOK1Vm
FI0009000681	B19GJC0	CIX	EUR	NOK1Vm
FI0009000681	B19GJC0	TRQ	EUR	NOK1Vm
FI0009000681	B1YCCZ7	BTE	SEK	NOKIs
FI0009000681	B1YCCZ7	CIX	SEK	NOKIs

We believe that further analysis and consultation is required to resolve issues such as this (especially as this gets more complex in the equity-like and non-equity space).

We also note the reference to an “alphanumerical code established for each and every order book of the trading venue”. We agree that we need a lower level of identification than the trading venue, but believe that further analysis/consultation is required to establish:

- Whether ‘order book’ is sufficient or whether we need to go down to trading segment level or similar.
- Whether the segment-level MIC structure is sufficient for this purpose and, if not, whether we should seek to extend it (in effect introducing a more complete market model hierarchy to the MIC standard).

Finally, we seek clarity regarding what happens to an order identifier during various types of events, e.g.:

- A contingent triggering event (e.g. a stop order reaching its stop price, an iceberg order exhausting its displayed quantity) – we recommend that the order identifier does not change under such circumstances.
- An order modification request from outside the trading venue – we recommend that the order identifier does change under such circumstances as this permits a full audit trail of changes to be maintained and accurate linking of executions to the correct ‘version’ of an order. We note that this is standard practice in the FIX Protocol and is therefore already followed by the majority of market participants.

Q585 Do you foresee any difficulties with the implementation of this approach? Please elaborate.

We feel that this is a complex area and requires further discussion and analysis. Given our experience of these matters, we would be happy to assist in this area.

Q586 and Q587 Do you foresee any difficulties with the proposed approach [date and time, sequence numbers]? Please elaborate

We support the use of UTC for time-stamping purposes and also the use of a sequence number to sequence orders individually.

It is our view that an appropriate level of granularity of timestamp be derived by considering the speed of order processing technology in the market, and specifically order book matching engine speed. At the time of writing, the fastest systems we are aware of can match orders in around 50 microseconds and so recommend a granularity of 100 microseconds (nearest order of magnitude). We note that this may need to be revised down in the future as technology improves further.

Q588 and Q589 Would the breakdown in the two categories of order types create major issues in terms of mapping of the orders by the Trading Venues and IT developments? Please elaborate.

With reference to our response to Q579, we agree with the concept of having a normalised representation of order categories while still retaining the original order type values used by individual venues so as to avoid information loss.

We have concerns with the categorisation of all orders into the two types specified and feel that further analysis be conducted given the wide range of order types in use across the various asset classes traded. We would be happy to assist with this given our experience and knowledge of such matters.

Q590: Are the proposed validity periods relevant and complete? Should additional validity period(s) be provided? Please elaborate.

We agree with the list in so far as it applies to order-driven markets, but with the following comments:

- ‘Valid for auction’ mentions the ability to define which auction are to be targeted and feel that for this expiry condition to be complete, we also need to define a standard for identifying a specific type of auction (e.g. open, close, scheduled intraday).
- We also believe the concept applies to continuous trading, especially where markets may have more than one continuous trading phase (e.g. where there is an intraday auction or post-close ‘trading at last’ phase).

The above requires some further analysis/discussion to ascertain how best to define a standard for trading phases that will support future developments in market structure and the requirements of other trading models (e.g. those found in non-equity markets).

Q591 Do you agree that standardised default time stamps regarding the date and time at which the order shall automatically and ultimately be removed from the order book relevantly supplements the validity period flags?.

We do not believe this to be practical due to the following reasons:

- Using the two proposed expiry times could potentially conflict with explicit Good-Till-Time expiry times in the event that markets move to a 24 hour model (or indeed any model that spans UTC midnight).
- Orders that have auction-related expiries may not have a known expiry time until the auction has actually taken place (especially as most auction uncrosses are randomised) and so expiry time cannot be computed at the point of order capture.

We feel that a standardised codification of trading phases as per our response to Q590 is more appropriate, with the onus on the trading venue to be able to tell a CA exactly when a trading phase ended for a specific instrument on a specific date.

Q594: Is the list of specific order instructions provided above relevant? Should this list be supplemented? Please elaborate.

We note that some of the items in the list (e.g. filled quantity, passive/aggressive indicator) appear to pertain to executions rather than order placements and request clarification on this point. Other comments are:

- Quantity – shares vs. lots. Recommendation (for equities and equity-like instruments that trade in round lots) is shares, which reflects current practices.
- Date and time of expiry – please refer to our response to question Q591.
- Instrument identifier – please refer to our response to question Q584.

Q595: Are there any other type of events that should be considered?

We do not consider the list of events to be complete, nor the categorisation into event types to be entirely correct. We recommend this area be subjected to further analysis and discussion, noting our experience of the complexities of order state modelling through our work with the FIX Protocol².

² Details of FIX treatment of various order state scenarios can be found in 'Appendix D' to the FIX 4.2 specification <http://www.fixtradingcommunity.org/pg/file/fplpo/read/30027/fix-42-specification-documents->

Q598: Do you foresee any difficulties in generating a transaction ID code that links the order with the executed transaction that stems from that order in the information that has to be kept at the disposal of the CAs? Please elaborate.

No, and given our experience of this with the FIX Protocol, we would be happy to assist with the definition of standards in this regard.

Q600 Do you foresee any difficulties with the elements of data to be stored proposed in the above paragraph? If so, please elaborate.

We recommend that the lists of parameters as defined in 8.3 be applied to both non-high-frequency and high-frequency firms and our comments on those lists (questions Q578 onwards) therefore apply here.

Q602: Would you prefer a synchronisation at a national or at a pan-European level? Please elaborate. If you would prefer synchronisation to a single source, please indicate which would be the reference clock for those purposes.

We feel that anything other than pan-European synchronisation negates the purpose of synchronisation.

We strongly recommend UTC, noting that this can be sourced in a number of different ways and so not only meets requirements for precision and availability, but avoids a requirement to use a single technical implementation or infrastructure.

Q603 Do you agree with the requirement to synchronise clocks to the microsecond level?

Yes.

Q604: Which would be the maximum divergence that should be permitted with respect to the reference clock? How often should any divergence be corrected?

[pdf](http://www.fixtradingcommunity.org/pg/file/fplpo/read/29961/fix-50-service-pack-2-with-20110818-errata-specification-volume-7) and, for full asset class coverage, in FIX 5.0 volume 7
<http://www.fixtradingcommunity.org/pg/file/fplpo/read/29961/fix-50-service-pack-2-with-20110818-errata-specification-volume-7>.

We recommend that clocks be permitted to drift by no more than 10% of the granularity recommended for trading timestamps (and, given our recommendation for that to be 100 microseconds, we therefore recommend this limit to be 10 microseconds). Any deviation beyond this should be corrected immediately, with a recommendation that synchronisation be a continuous process.

FIX Trading Community MMT (Market Model Typology) Technical Committee

Responses to Discussion Paper Questions

Section 3 – Transparency

The following responses have been put together by the MMT Technical committee and cover the specific area of post-trade transparency and codification/categorisation of trades. The MMT originated as a result of the publication of CESR’s Technical Advice paper on Post-trade Transparency Standards (CESR/10-882, October 2010) and its data structure is based on the proposals made in that paper; hence some of the MMT responses aim to highlight deviations from the original proposals.

It should be noted that the MMT Technical Committee has undertaken to adapt MMT to the contents of the final Level 2 requirements to ensure it continues to remain a data standard suitable for meeting the requirements of MiFID/R.

For reference, the MMT data structure can be found at this link: [FIX Trading Community: MMT Initiative Mapping Matrix v2.2.](#)

Q77 Do you agree with the proposed list of identifiers? Please provide reasons for your answer.

We have no opinion as to the “business meaning” of the identifiers; our comments below relate purely to the values themselves:

- Firstly, we strongly recommend that each identifier be used for a specific and unambiguous purpose and avoid bundling multiple types of information into a single identifier.
- Secondly, it would appear that the new value “R” [execution subject to reference price waiver] suggested in the Discussion Paper is at least partly overlapping with the value “D” [Dark Trade] recommended by CESR/10-882. The CESR document outlined a desire to be able to identify ‘dark’ trades and, to the extent that ‘dark’ and ‘reference price waiver’ do not completely overlap, we recommend that they be broken into separate identifiers.

- Thirdly, it would appear that the new values “NTV”, “NTI” and “NTC” suggested in the Discussion Paper are at least partly overlapping with the flag “N” [Negotiated Trade] recommended by CESR/10-882. It is not clear to us what types of distinction between different types of trades we want to capture with the new flags “R”, “NTV”, “NTI” and “NTC” and request further clarification on this point, also reiterating our first point above that where a single trade has multiple characteristics (e.g. ‘negotiated’, ‘price within spread’) that this be denoted by separate identifiers.
- Finally, we recommend a consistent data attribute length as this is generally easier to manage from an implementation perspective and recommend that all trade identifiers use a single letter (e.g. replacing the proposed three-character codes).

Q78 Do you think that specific flags for equity-like instruments should be envisaged? Please justify your answer.

We are not aware of any additional requirements for equity-like instruments and note that some market operators operate platforms that trade both equities and equity-like products³ and use the same trade flags for both sets of products (indeed they use the MMT model for this).

We would like to point out, however, that it is important that we have an unambiguous definition of ‘equity-like’ instruments and indeed instrument classification in general and recommend that should requirements for different trade types for different instrument classes arise, that a standard be adopted for the classification of instruments (e.g. ISO 10962, CFI) with clear demarcation of ‘equity’, ‘equity-like’ and ‘non-equity’ instruments.

Q79 Do you support the proposal to introduce a flag for trades that benefit from the large in scale deferral? Please provide reasons for your answer.

We have no opinion on whether large in scale trades should be explicitly identified but note the use of the word ‘deferral’ in the question – we just want to clarify that identification of a large in scale trade should not in itself imply deferral of trade reporting, instead requesting (as our response to Q81) that this have its own distinct flag.

³ Indeed some even cover non-equity instruments such as bonds, again using the same trade flags.

Q80 What is your view on requiring post-trade reports to identify the market mechanism, the trading mode and the publication mode in addition to the flags for the different types of transactions proposed in the table above? Please provide reasons for your answer.

We feel that it makes sense to leverage the industry consultation performed at the time for the CESR/10-882 recommendations (which laid the ground of the current FIX MMT standard). The conclusions then were that market mechanism, trading mode and publication mode were beneficial data elements and we believe those conclusions are still relevant today. Furthermore, we strongly feel that it is vital that these data items be provided in a standardised normalised format⁴.

Q81 For which transactions captured by Article 20(1) would you consider specifying additional flags as foreseen by Article 20(3)(b) as useful?

We believe, based on industry feedback, that a separate and explicit 'deferred publication' indicator would be useful. We recommend ESMA to consider an already established industry solution.⁵

⁴ It should be noted that a significant part of the European equity market is either already using, or plans to use, MMT for such data items.

⁵ The MMT data model covers this under "Publication Mode" (MMT level 4, values provided '-', immediate and '1', deferred). For further details, please refer to [FIX Trading Community: MMT Initiative Mapping Matrix v2.2](#).