

ESMA CONSULTATION ON TECHNICAL STANDARDS ON REPORTING, DATA QUALITY, DATA ACCESS AND REGISTRATION OF TRADE REPOSITORIES
UNDER EMIR REFIT

FIX TRADING COMMUNITY RESPONSES

Questions	Proposed Response
Overall Comments	<p>The FIX Trading Community welcomes the opportunity to participate in this discussion and would like to make it clear that our responses below are focused on addressing the standards and governance elements and does not consider any commercial or market structure aspects.</p> <p>FIX Trading Community is the non-profit, industry-driven standards body (representing the entire industry including buy side, fintech providers, sell side, and trading venues) at the heart of global trading. The organization is independent and neutral, dedicated to addressing real business and regulatory issues impacting multi-asset trading in global markets through standardization, delivering operational efficiency, increased transparency, and reduced costs and risks for all market participants. Central to FIX Trading Community’s work is the continuous development and promotion of the FIX family of standards, including the core FIX Protocol messaging language, which has revolutionized the trading environment and has successfully become the way the world trades.</p> <p>Understanding the data needs of the market is at the heart of the work that the FIX Trading Community does to ensure that the users of the protocol can work with clear and unambiguous standards. It is also critical that the data elements defined are usable across all jurisdictions and asset classes.</p> <p>In our experience Industry-led solutions are a good way to provide the industry what it (they) need, however we recognise that in order to meet the needs of the markets and the regulators the most effective solutions are industry led initiatives in cooperation and with guidance from the commission and regulators. The industry is continually evolving, and any adopted standards must be flexible in order to adapt to those changes and continually create and develop best practice.</p> <p>As market structure develops, the FIX Trading Community is happy to provide assistance to ESMA where necessary to reach their goals in the best interest of providing healthy and robust markets.</p>

Q11. Do you agree with the proposed technical format, ISO 20022, as the format for reporting? If not, what other reporting format would you propose and what would be the benefits of the alternative approach?

The FIX Trading Community is involved in improving ISO 20022 and broadening its support for pre-trade through post settlement processing. FIX invested significant member funds in an attempt to align by reverse engineering the FIX application messages into the ISO 20022 repository in the 2006-2008 timeframe. This effort did not produce usable results due to the repository technology in use at that time. FIX became involved in a leadership capacity in the effort to introduce web semantic technology for use with ISO 20022 at the repository level and FIX is still leading that effort today. Our goal is to find an approach where FIX messaging, which predates by many years the ISO 20022 standard, can become part of the ISO 20022 repository.

Due to the number of industry participants using FIX for a significant portion of their trading lifecycle, The FIX Trading Community would welcome the opportunity for FIX to be mandated as a complementary standard alongside ISO 20022 and are committed to the interoperability and convergence of FIX with ISO 20022.

The FIX Trading Community is focused on the use of standards to improve electronic trading from pre-trade activities, which may reach all the way back to issuance and syndication, through post settlement, including asset servicing where automation is required. However, the decision on where we focus our efforts is very much driven by market demand and needs and not by the desire to provide blanket coverage of the full trading lifecycle.

The FIX Trading Community can provide resources and expertise during the process to define the data elements and the creation of message formats. The likely result of involving the FIX Trading Community early in the process will lead to reduced costs both for regulatory entities and for the firms required to implement the regulation, help reach message formats fit for purpose and create systems that are much easier to support in the long term.

Having the regulation much closer aligned with the transaction processing standards that already are in use should lead to reduced time to implementation resulting in lower costs. Working together from the start of message design, the approach to reporting would be closely aligned with transaction processing, which should result in improved data quality via the elimination of mapping and data transformation that is often fraught with complexities.

Involving FIX as a resource in the message design up front can also lead to the creation of closely aligned messages in both FIX and ISO 20022, which will help us to converge over time to a common ISO 20022 based standard. The experience with past efforts where there was no involvement from the FIX Trading Community during the design has led to divergence from that goal of a unifying FIX application messages within ISO 20022.

	<p>The FIX Trading Community continues to play a leadership role in the evolution of ISO 20022. We believe that much work still remains. At the same time the FIX Trading Community is also working to bring our technical standards for encoding and communicating messages into the ISO TC68 family of standards. This is in addition to finding a path toward compliance of FIX application messages within ISO 20022.</p> <p>Regarding the choice of specific standard and technology for reporting, the FIX Trading Community encourages a practical and industry led approach. Instead of assuming that ISO 20022 is the preferred approach because it is an ISO standard, the industry including the vital regulatory function, would be better served by an analysis of the overall lifecycle of the reporting information, then chose the appropriate reporting standard examining the following:</p> <ul style="list-style-type: none"> • Where has the sought information originated? • Where has the information persisted and in what form? Are there any existing industry standards that are already aligning data definitions? • What are the volumetrics in terms of message size (report size) and the frequency or number of reportable events per unit time? <p>These questions can help to select the appropriate message encoding. For certain higher volume message flows, XML or even JSON may be prohibitively expensive in terms of message size. Alternatives such as the FIX Simple Binary Encoding (SBE) format might be preferred.</p> <p>The FIX Trading Community is willing to commit the resources to ensure that the FIX standard will contain a compatible set of messages to what is developed in ISO 20022. We continue to work, as members of the ISO 20022 RMG, toward convergence and interoperability between the FIX application layer and ISO 20022.</p>
<p>Q12. Do you foresee any difficulties related to reporting using an ISO 20022 technical format that uses XML? If yes, please elaborate.</p>	<p>Likely there will be additional costs incurred to introduce the ISO 20022 XML application messages for firms that have not yet adopted it. These costs are of course mitigated by the prevalence of software technology stacks to assist in this transformation, but the cost difference could be in the hundreds of thousands of Euros, possibly more when compared to allowing other existing technology standards to be used in addition to ISO 20022 XML, such as the FIX standard. The FIX Trading Community is willing to work with the global regulatory community to develop the standard for reporting using FIX as well as a conformance test plan and a FIX Orchestra based specification (Orchestra is a machine readable rules of engagement document that is also used as the format to represent the FIX standard itself)</p>
<p>Q23. Do you expect any challenges related to the proposed format and/or structure of the UTI? If yes, please elaborate on what challenges you foresee.</p>	<p>The ISO 23897 standard Unique Transaction Identifier (UTI) was designed with wide industry input. The approach uses an LEI + a transaction identifier. This approach permits reuse of unique transaction identifiers within a financial market participant or a trading venue. The LEI provides the “namespace” or higher-level</p>

	<p>qualifier that ensures uniqueness across reporting entities. We applaud the combined work of the regulatory community working with industry practitioners to arrive at this standard.</p>
<p>Q24. Do you have any comments concerning the use of ISINs as product identifiers under EMIR for the derivatives that are admitted to trading or traded on a trading venue or a systematic internaliser?</p>	<p>Given the close relationship between the UPI, CDE and OTC ISIN for the identification of OTC derivatives products and instruments, we recommend ESMA performs an in-depth review of the role of the UPI, CDE and OTC ISIN in order to establish best practice use of each identifier for all regulatory use cases involving OTC derivatives. Such an analysis should include a full transaction lifecycle analysis of the different options and be performed with industry input.</p> <p>We also support the FSB’s recommendations for harmonized data standards and would like to see alignment with those recommendations.</p>
<p>Q25. Do you have any comments concerning the use of UPIs as product identifiers under EMIR? Should in your view UPI be used to identify all derivatives or only those that are not identified with ISIN under MiFIR?</p>	<p>We note the close relationship between the UPI, CDE and OTC ISIN for the identification of OTC derivatives products and instruments and the Financial Stability Board’s desire to harmonise OTC derivative reporting across jurisdictions (with which we concur).</p> <p>Given the intended use of the UPI across all jurisdictions, we recommend ESMA considers whether utilisation of the UPI plus CDE attributes in EMIR reports may provide an alternate route to achieve the same benefits provided by the use of the OTC ISIN.</p> <p>We would like to see ESMA prioritise the use of relevant identifiers in a consistent manner for the purpose for which they are intended.</p> <p>We would also recommend a full transaction lifecycle analysis of any proposed changes be performed with industry input, and The FIX Trading community would be happy to assist in this analysis.</p>
<p>Q26. Do you agree with the assessment of the advantages and disadvantages of the supplementary reporting of some reference data? Are there any other aspects that should be considered?</p>	<p>Once a UPI has been assigned, and the UPI and associated reference data is available in the reference database, then it would seem appropriate for firms not to be required to report the UPI data, which would be already available to authorities in the database.</p> <p>Such a scheme of working requires that the metadata associated with the UPI is freely available from the designated UPI issuer. It also pre-supposes that the UPI database issuer is operational.</p>
<p>Q27. Some of the instruments’ characteristics that are expected to be captured by the future UPI reference data are already being reported under EMIR, meaning that they have already been implemented in the counterparties’ reporting systems. If this data or its subset were continued to</p>	<p>Once a UPI has been assigned, and the UPI and associated reference data is available in the reference database, then it would seem appropriate for firms not to be required to report the UPI reference data, which would be already available to authorities in the database.</p> <p>Such a scheme of working requires that the metadata associated with the UPI is freely available from the designated UPI issuer. It also pre-supposes that the UPI database issuer is operational.</p>

<p>be required in trade reports under EMIR, what would be the cost of compliance with this requirement (low/moderate/high)? Please provide justification for your assessment. Would you have any reservations with regard to reporting of data elements that would be covered by the UPI reference data?</p>	
<p>Q.28 Do you foresee any issues in relation to inclusion in the new reporting standard that the LEI of the reporting counterparty should be duly renewed and maintained according to the terms of, any of the endorsed LOUs (Local Operating Units) of the Global Legal Entity Identifier System?</p>	<p>This would be in line with the practice under MiFID II/MiFIR and we would support that the LEI should be duly renewed and maintained.</p>
<p>Q29. Do you foresee any challenges related to the availability of LEIs for any of the entities included in the Article 3 of the draft ITS on reporting?</p>	<p>All of these entities are eligible for LEIs and should in most cases already have them. We would support regulatory encouragement for all LEIs involved in the reporting process to be appropriately maintained and renewed, not simply issued.</p>
<p>Q30. Do you have any comments concerning ESMA approach to inclusion of CDEs into EMIR reporting requirements?</p>	<p>CDEs as defined by international regulators, bring critical standardisation into the trade reporting process, and we support their inclusion, and the fact that ESMA plans to follow them as closely as the requirements of EMIR reporting require. Global aggregation based on good and consistent data is the end goal here.</p> <p>The FIX Trading Community is a strong advocate for free and open standards, and we support a robust transaction lifecycle analysis be performed to ensure data can be used and effectively merged.</p> <p>The FTC is also committed to ensuring the CDE's are fully supported within the FIX standard.</p>