

FIX TRADING COMMUNITY™

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FIX Trading Community - MiFID Newsletter

Welcome to the first edition of the FIX Trading Community MiFID Newsletter.

In this regular publication, we will endeavour to keep our members updated on the work being done across the different MiFID working groups as the countdown to Jan 2018 continues.

As members will be aware, in the summer of 2015, FIX launched a number of different working groups to look at specific MiFID II items and how the use of standards could address this raft of new regulatory detail. Each working group has been meeting regularly since their inception, initially to go through the detail of each RTS and then to document guidelines, workflows and proposed changes to the FIX Protocol. This has not been a quick or easy process and we are in debt to the chairs and active members of each of the working groups.

FIX Trading Community has already published two extensions packs as part of the work being done by the MiFID Working Groups.

EP 222, initiated by the FIX EMEA Regulatory Subcommittee and the Global Technical Committee, extends the FIX Protocol to meet the requirements of MiFID II and MiFIR. This extension pack covers an initial set of critical data requirements identified by the sub-working groups on transparency, and order data and recordkeeping.

EP 206, initiated by the FIX Clock Synchronization subgroup of the EMEA Regulatory Subcommittee, enhances the precision of time stamp data types with higher resolution and greater granularity in order to meet MiFID II and MiFIR regulatory reporting

requirements.

Best Execution

Chaired by Rebecca Healey

The Best Execution Working Group has been putting together a set of guidelines for all investment firms to reference in order for them to be compliant for best execution. This document will explain which entities must report under these new requirements, what data they must publish and how often. It will also provide clarity as to how these reports apply to different scenarios based on the entity, their role in the trading workflow and the trading model they employ.

Additionally, there is a glossary providing clear definitions of the terms used by ESMA.

The latest version of this document can be found [here](#).

Clock Synchronisation

Co-chaired by Neil Horlock and Kathleen Traynor

The Clock Synchronisation Working Group started the year by polling the members to identify areas of common interest. As part of this, three work items have been identified. The first is the construction of a framework of tests that can be used to evaluate a solution and that meets the group's collective definition of what a compliant solution may look like and which to a large extent helps with the annual review of system suitability. This workstream was kickstarted by a proposal made by a vendor to put together a unified set of standards / test criteria that will enable compliance from a Clock Synch solution or at least a very good guide.

Focus on the testing and evaluation of solutions will ultimately contribute to and arguably require that we address the second of the items, the revival of work to establish a common baseline for traceability reporting that the group are both comfortable with, and that we

feel meets the spirit and word of the regulations.

The third broad item is focussed very much on implementation challenges addressing questions for network providers, both in-house and for hosting solution providers, who need to understand the technical constraints of synchronisation over wide areas and how to assess such things.

As these work items progress new items are raised and considered. Risk factors around dependency on GPS or another time source, as well as clarifications and discussions with the NCAs are potential avenues that will need to be followed.

Commission Unbundling

Co-chaired by Glenna Lynch and Alison Hollingshead

A proposal has been put forward to use existing FIX tags that are currently available and then to add an additional value to highlight research payment. The Global Post Trade Working Group is currently reviewing this proposal and will advise shortly. The Commission Unbundling Working Group will convene to discuss this proposal.

Order Data and Record Keeping

Co-chaired by Stathis Mallouchos and Nick Dutton

The Order Data and Record Keeping Working Group is now an industry working group following the merger of FIX's and AFME's respective efforts. The work has been split in two distinct areas - investment firms to venues (and vice-versa) and investment firms to investment firms.

The WG is currently exploring using short codes, as proposed by Bats, to represent the data required and then collect a mapping file at the end of the day. It will also be important

to ensure the security of any personal information. By encrypting the information and storing it securely, the aim is to provide the regulators with workflows that meet their approval. This has received broad approval from the venues that have been involved in the initiative but there is still more work to be done.

The WG is additionally reviewing the requirements of submitting firm to receiving firms and will soon look at receiving firms to submitting firms. Details of the work done, can be found [here](#).

The final task for the WG will be to provide a set of guidelines and best practices that can be shared with the industry. Work will commence on this shortly.

Reference Data

Co-chaired by Sassan Danesh and Geoffroy Vanderlinden

The WG focus to date has been on understanding the reference data requirements across the transparency RTS 2, transaction reporting RTS 22 and the reference data reporting RTS 23. Some of the key clarifications include ESMA's expectations for the use of 'OTHR' instead of the supply of an ISIN within RTS 2, the rationale for the differences in reference data attributes between RTS 2 vs RTS 23 and ESMA's expectations on the granularity of ISINs to be reported under RTS 23.

In the coming months, the WG will focus on RTS 23 reference data reporting requirements and the extension of ISIN reporting to OTC derivatives.

Transparency

Co-chaired by Jim Kaye and Irina Sonich-Bright

The Transparency Working Group have been working on three particular areas.

- Updating the documentation for usage of the MiFID II post-trade transparency flags.
- Best practice guidance for post-trade transparency for MiFID II, encompassing APA messaging, 'who reports' logic, deferrals and related topics.
- The first set of FIX protocol extensions for order record keeping, transaction reporting and post-trade transparency.

Call for Participation

Given the timelines, we are as keen as ever to have more active participation from our members in these working groups.

As mentioned, we are extremely grateful to the Co-chairs and a number of other individuals that have given up their time to work on putting together documents for the industry to use.

However, more effort is needed. If you are involved with implementing solutions for MiFID II and would be able to help the Co-chairs in their work, please contact the FIX Program Office - fix@fixtrading.org



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