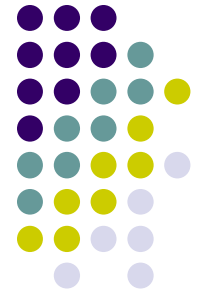


# Addressable Liquidity in post MiFID2 world



Irina Sonich-Bright  
Co Chair Transparency Working Group



**14<sup>th</sup> of March 2019**



# Transparency WG Brief

- Examine ESMA Technical Standards on **pre- and post- trade Transparency**
- Propose necessary changes to FIX Protocol related to the subject
- Create MiFD2 Transparency Best Practices document to serve as an industry implementation guide to assist in implementation of the regulatory guidelines
- Liaison with other FIX groups (MMT, MiFID2 Reference data, Trade and Transaction Reporting) to ensure no gaps and no duplication of effort.
- Members include Buy Side, Sell Side, Trade Venues and vendor community



# Transparency Working Group – deliverables



<https://www.fixtrading.org/fix-and-mifid/mifid-implementation-guidelines/>

- ✓ Analysed and documented a set of scenarios that apply ESMA post-trade transparency flags to a possible work flow. **RTS1 and RTS2 post trade flag usage decision trees**
- ✓ Passed the scenarios to the MMT group to assist them in producing the **MIFID II revision of the MMT protocol**
- ✓ MiFID/MiFIR II **Trade Reporting Implementation Guidelines**
- ✓ Work with AFME – FIX WG on the Hand offs user guide for defining **tags to be passed between counterparties**

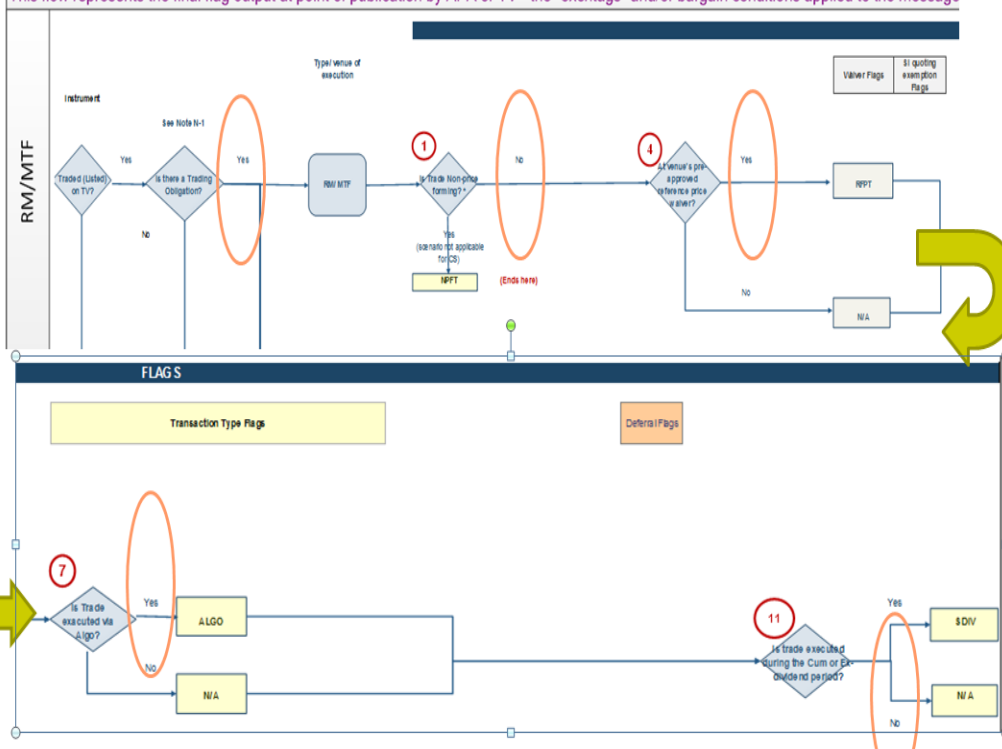
# Transparency WG – MMT collaboration



## Trade Reporting Flags/ Use case 100 [ Reference price waiver trade report]



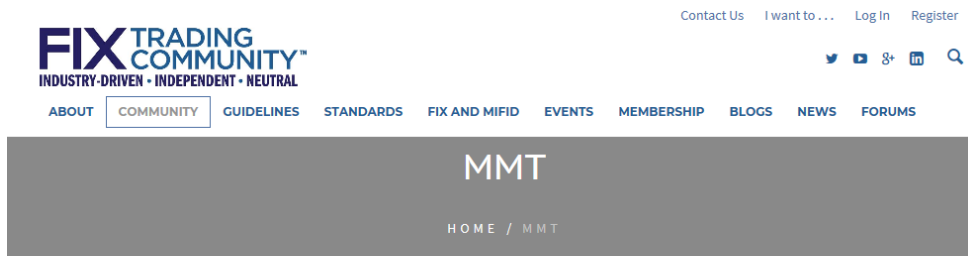
This flow represents the final flag output at point of publication by APA or TV - the "exchtags" and/or bargain conditions applied to the message



Asset Class		Equity (-like)
MMT Version:	v3.01	100
	Level	Trade Reporting / Reference Price Matching
MMT Level 1		
MMT_MARKET_MECHANISM	1.0	3
MMT Level 2		
MMT_TRADING_MODE	2.0	2
MMT Level 3		
MMT_TRANSACTION_CATEGORY	3.1	D
MMT_NEGOTIATION_OR_TRANSPARENCY_WAIVER_INDICATOR	3.2	"-"
MMT_AGENCY_CROSS_TRADE_INDICATOR	3.3	"-"
MMT_MODIFICATION_INDICATOR	3.4	"-" or CANC or AMND
MMT_BENCHMARK_OR_REFERENCE_PRICE_INDICATOR	3.5	RFPT
MMT_SPECIAL_DIVIDEND_INDICATOR	3.6	"-"
MMT_OFF_BOOK_AUTOMATED_INDICATOR	3.7	"-"
MMT_CONTRIBUTION_TO_PRICE_DISCOVERY_PROCESS	3.8	P
MMT_ALGORITHMIC_INDICATOR	3.9	ALGO
MMT Level 4		
MMT_PUBLICATION_MODE	4.1	"-"
MMT_POST_TRADE_DEFERRAL_MODE	4.2	"-"
MMT Level 5		
MMT_DUPLICATIVE_INDICATOR	5.0	"-"



# MMT on the FIX website



<https://www.fixtrading.org/mmt/>

## Market Model Typology v3.04 (incorporating MiFID II RTS 1 and RTS 2 mandatory trade flags)

Note that the following MMT v2.2 trade flags have been REMOVED from this version:

"G" - Give-Up/Give-In Trade

"F" - Trade with Conditions

Assuming that RMs, MTFs, OTFs and APAs are required to  
natively publish the codes in the format prescribed by RTS 1  
& RTS 2 (versus a display-only requirement).

Level	Full Name	Encoding Options		Display Code	MiFID II Equivalencies or Utilisation			
		Efficient	...with ESMA Stipulations		Trade Flag	RTS 1 (equity)	RTS 2 (non-equity)	RTS 1 SI Use Only
1	MARKET MECHANISM							
	Central Limit Order Book	"1"	"1"	"LB"	n/a	x	x	x
	Quote Driven Market	"2"	"2"	"QB"	n/a	x	x	x
	Dark Order Book	"3"	"3"	"DB"	n/a	x	x	x
	Off Book (including Voice or Messaging Trading)	"4"	"4"	"OB"	n/a	x	x	x
	Periodic Auction	"5"	"5"	"PA"	n/a	x	x	x
	Request for Quotes	"6"	"6"	"RQ"	n/a	x	x	x
	Any Other, Including Hybrid	"7"	"7"	"AH"	n/a	x	x	x
2	TRADING MODE							
	Undefined Auction	"1"	"1"	"AU"	n/a	x	x	x
	Scheduled Opening Auction	"0"	"0"	"OA"	n/a	x	x	x
	Scheduled Closing Auction	"K"	"K"	"CA"	n/a	x	x	x
	Scheduled Intraday Auction	"I"	"I"	"IA"	n/a	x	x	x
	Unscheduled Auction	"U"	"U"	"UA"	n/a	x	x	x
	Continuous Trading	"2"	"2"	"CT"	n/a	x	x	x
	At Market Close Trading	"3"	"3"	"AC"	n/a	x	x	x
	Out of Main Session Trading	"4"	"4"	"OT"	n/a	x	x	x
	Trade Reporting (On Exchange)	"5"	"5"	"ON"	n/a	x	x	x
	Trade Reporting (Off Exchange)	"6"	"6"	"OF"	n/a	x	x	x
	Trade Reporting (Systematic Internaliser)	"7"	"7"	"SI"	n/a	x	x	x
3.1	TRANSACTION TYPE : TRANSACTION CATEGORY							
	Dark Trade	"D"	"D"	"D"	n/a	x	x	x
	Trade that has Received Price Improvement	"R"	"RPRI"	"RPRI"	"RPRI"	✓	x	✓
	Package Trade (excluding Exchange for Physicals)	"Z"	"TPAC"	"TPAC"	"TPAC"	x	✓	x
	Exchange for Physicals Trade	"Y"	"XFPH"	"XFPH"	"XFPH"	x	✓	x
	None apply (a standard trade for the Market Mechanism and Trading Mode)	"."	"."	nothing	n/a	x	x	x



## Example representation of MMT display codes on a vendor terminal

RFC1 FB € ↓ 21.54 -1.68 B21.53 /21.56B 50 x50  
At 10:12 d Vol 6,875,976 0 21.40B H 21.64B L 21.16B Val 148.818M

REC1 EB Equity 1) Actions 97) Settings Page 3 Trade/Quote Recap

Range 02/23/16 06:30:00 - 02/23/16 17:00:00

2) Trade Recap 3) Quote Recap

Show Ticks All Cond Code Definitions

High 21.64 Low 21.16

Time	Size	Price	E	MIC	Cond (MMT)	Trd Date	Trd Time
	<min size>						
09:56:30	469	21.58	B		LB,CT,P	2/23/16	09:56:30
09:56:30	101	↓21.58	B		LB,CT,P	2/23/16	09:56:30
09:53:51	118	↓21.6025	B	BATE	OB,ON,P,N	2/23/16	09:53:51
09:53:30	102	↓21.605	B	BATE	OB,ON,P,N	2/23/16	09:53:30
09:52:43	166	↑21.61	B		DB,CT,D	2/23/16	09:52:43
09:52:38	324	↑21.605	B	BATE	OB,ON,P,N	2/23/16	09:52:38
09:52:20	100	↑21.60	B		LB,CT,P	2/23/16	09:52:20
09:51:56	792	21.595	B		DB,CT,D	2/23/16	09:51:56
09:51:52	817	↑21.595	B		DB,CT,D	2/23/16	09:51:52
09:51:49	884	21.59	B		DB,CT,D	2/23/16	09:51:49
09:51:47	39	↓21.59	B	BATE	OB,ON,P,N	2/23/16	09:51:47
09:50:34	76	21.60	B		LB,CT,P	2/23/16	09:50:34
09:50:34	50	↑21.60	B		LB,CT,P	2/23/16	09:50:34
09:49:46	50	↓21.57	B		LB,CT,P	2/23/16	09:49:46
09:49:45	4	21.59	B		LB,CT,P	2/23/16	09:49:45
09:49:45	526	21.59	B		LB,CT,P	2/23/16	09:49:45
09:49:44	432	↑21.59	B		LB,CT,P	2/23/16	09:49:44
09:49:36	259	↑21.575	B	BATE	OB,ON,P,N	2/23/16	09:49:36
09:49:35	104	↑21.57	B		LB,CT,P	2/23/16	09:49:35

Currency EUR



## Pop-up hint that briefly translates the MMT display codes for the selected trade

DB,CT,D	2/23/16	09:51:49
OB,ON,P,N	2/23/16	09:51:47
LB,CT,P	Condition Code: Off Book (OB) Condition Code: Trade Reporting (On Exchange) (ON) Condition Code: Plain-Vanilla Trade (P) Condition Code: Negotiated Trade (N)  Click to display condition code definitions. Right-click for more options.	09:50:34
LB,CT,P		09:50:34
LB,CT,P		09:49:46
LB,CT,P		09:49:45
LB,CT,P		09:49:45
LB,CT,P	2/23/16	09:49:44
OB,ON,P,N	2/23/16	09:49:36
LB,CT,P	2/23/16	09:49:35

Source: Bloomberg



# Transparency WG – Trade Reporting guide

## Non-SI buying from SI

	Client (OTC)	←	Brkr 1 (OTC)	←	Brkr 2 (OTC)	←	Broker 3 (SI)
Reports?	No		No		No		Yes
From SI	No		No		No		
Tag 30	B3 SI MIC		B3 SI MIC		B3 SI MIC		
Rptd flag	SI seller		SI seller		SI seller		

## Non-SI selling to SI

	Client (OTC)	→	Brkr 1 (OTC)	→	Brkr 2 (OTC)	→	Broker 3 (SI)
Reports?	No		No		No		Yes
From SI	No		No		No		
Tag 30	B3 SI MIC		B3 SI MIC		B3 SI MIC		
Rptd flag	SI buyer		SI buyer		SI buyer		

## Off-venue; client is a non-MiFID (NM) firm, execution from non-SI firm

### Non-SI buying from SI

	Client (NM)	←	Brkr 1 (OTC)	←	Brkr 2 (OTC)	←	Brkr 3 (OTC)
Reports?	No		Yes		No		No
From SI	No		No		No		No
Tag 30	B3 SI MIC		B3 SI MIC		B3 SI MIC		
Rptd flag	Non-SI sell		Not rptd		Not rptd		

### Non-SI selling to SI

	Client (NM)	→	Brkr 1 (OTC)	→	Brkr 2 (OTC)	→	Brkr 3 (OTC)
Reports?	No		Yes		No		No
From SI	No		No		No		No
Tag 30	B3 SI MIC		B3 SI MIC		B3 SI MIC		
Rptd flag	Non-SI buy		Not rptd		Not rptd		





# Transparency WG / FIX-AFME hands of user guide on tags usage post MiFID II

SI Order Indicator	OrderAttributeTypes	8015	5 = Systematic internaliser	2593 = 1 2594 = 5 (SI order) 2595 = Y	Required if the order is associated with an SI in that instrument and <b>if this cannot be inferred by the investment firm.</b>  <i>NB: The assumption that the flag will be passed all the way down the order flow chain.</i>
SI Execution Indicator	MatchType	574	9 = Systematic Internaliser	n/a	Indicates if trade was done within an SI. Last market (Tag 30) will also be used to indicate SI with the MIC code of the SI.
OTC Execution Indicator	TrdType	828	54 = OTC	n/a	Optional field. Indicates if the original trade was OTC (including non-SI) <b>Note: This field cannot be used as an indicator if the trade was reported or not</b>
Trade Reporting Indicator	TradeReporting Indicator	2524	0 = The trade has not been reported 6 = The trade has, will be or is expected to be reported	n/a	Provides information to the counterparty on the status of the post trade transparency – whether the trade was trade reported or will be reported.  <b>Optional values:</b> 1 = The trade has or will be reported by
Assisted Trade Reporting	PartyIDPublishing Intermediary	20123	MIC code of the APA	452 = 123 (Publishing Intermediary) 447 = G (MIC) 448 = APA MIC code	APA used to publish trade report as part of the Assisted Reporting Arrangement



# Transparency Working Group – factors affecting quality of post trade data

- ✓ **Technical trades reported as Systematic Internaliser, e.g. give up trades on the back of RFMD**
  - ESMA update for Q&A on Transparency Topics. **04 January 2019**. *Give Up trades on the back of RFMD activity are to be reported as non price forming OTC trades.*
- ✓ **Trading on 3<sup>rd</sup> country venues**
  - ESMA update on TCTVs assessment - **20 December 2018**. “... pending the publication of the [equivalent] lists, investment firms do not have to make public their transactions concluded on TCTVs via an approved publication arrangement (APA)... ”
- **Seller Reports, unless you are dealing with Systematic Internaliser**
  - Need to be able to define who should be the reporting side and when on the chain transactions (e.g. Buy Side → Broker1 → Broker2 → Broker3)
  - Am I dealing with SI?
  - Do I need to report in my jurisdiction?
- **Post Trade Transparency requirements coming from different regulations**
  - FCA , ESMA , FinFrag
  - ESMA public statement 7 March 2019: “ ... In case of a no-deal Brexit investment firms established in the UK will no longer be considered EU investment firms but will fall into the category of counterparties established in a third country. In consequence, EU investment firms are required to make public transactions concluded OTC with UK counterparties via an APA established in the EU27. This approach ensures that all transactions where at least one counterparty is an EU investment firm will be made post-trade transparent in the EU27”