

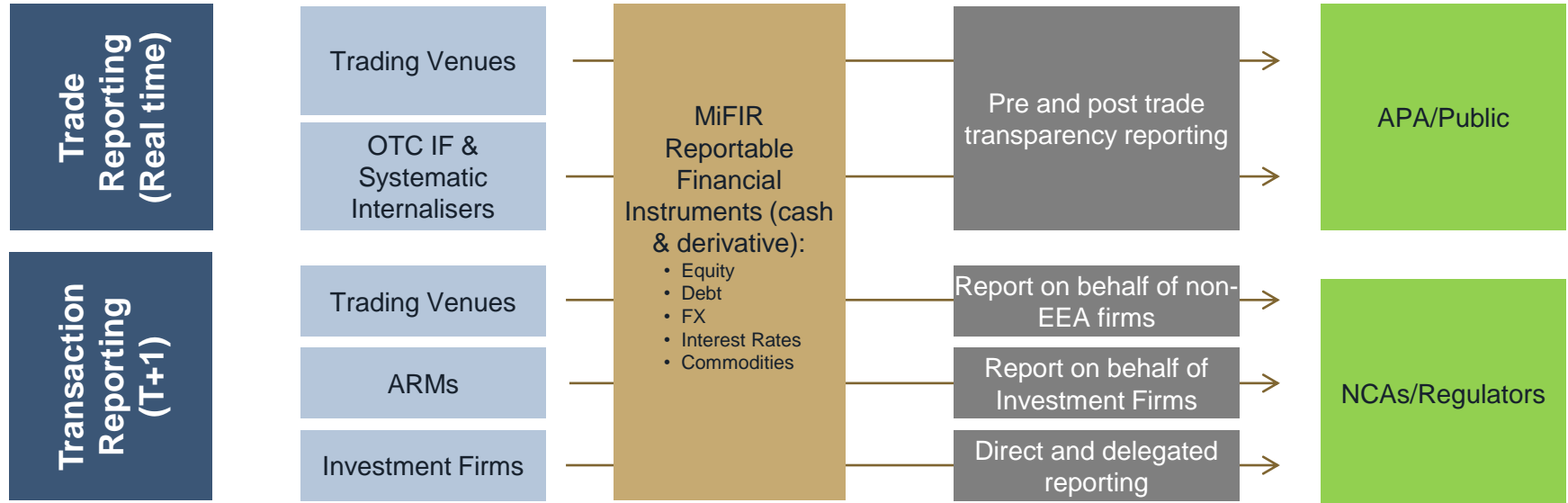


MiFIR Transaction Reporting – Impact On U.S. Firms

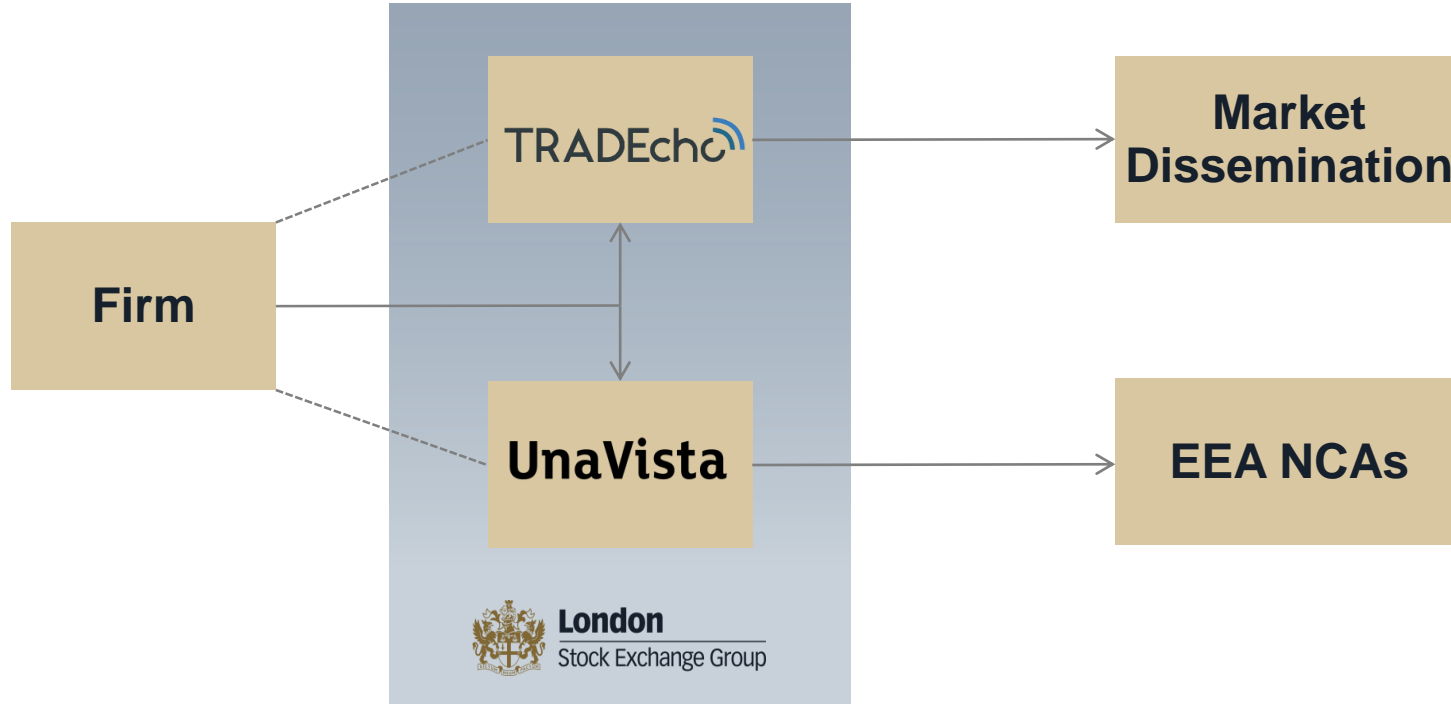
UnaVista



MiFIR Trade and Transaction Reporting



Introducing UnaVista





UnaVista

MiFIR Transaction Reporting

MiFIR – headline changes from MiFID transaction reporting



- Significant increase in the number of reportable financial instruments
 - **Addition of FX, commodities and interest rate derivatives**
- Large increase in the number of fields within a transaction report and changing data standards
 - **Increase from 24 fields to '65'**
- Change in the way buy/sells are reported
 - **No buy/sell indicator or CP1/CP2; new 'trading capacity'**
- Significant impact on the entities that have a reporting obligation
 - **MiFIR captures branches of EEA investment firms located outside the EEA when they make a transaction in a reportable instrument**
 - **Many more buy-side firms may potentially need to report.**



What is the impact on U.S. firms

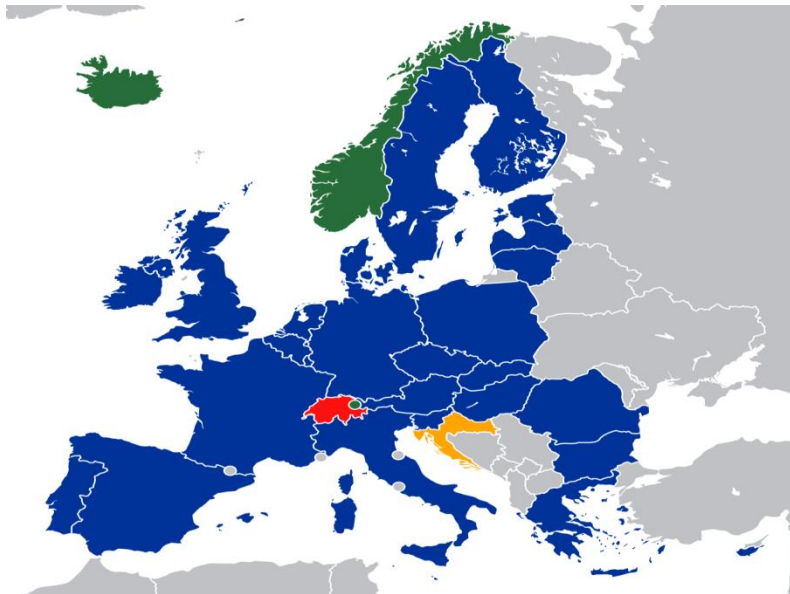
- MiFIR “Investment Firms” are obliged to transaction report under MiFIR
 - **This captures U.S. investment firms operating within the EEA when they make a transaction in a reportable financial instrument**
- MiFIR also captures branches of EEA investment firms located in the U.S. when they make a transaction in a reportable instrument
- Many U.S. instruments will become reportable
- Many more buy-side will be caught as they no longer be able to take advantage of the FCA’s “reliance” on the sell-side brokers’ reports
- There will be pressure on many U.S. firms to obtain LEIs if they are counterparties to EEA firms



Impact on buy-side firms

- Many discretionary portfolio managers currently take advantage of an FCA “exemption”
 - **Do not need to report if they are acting on a discretionary basis and dealing with an EEA broker**
- This exemption disappears with MiFIR
- Can still avoid reporting through ‘transmission of an order’ provisions but will need to satisfy many criteria including:
 - **Written transmission agreements with each broker (broker need to be subject to MiFIR reporting)**
 - **All information required to report is transmitted to the brokers – the broker will not already have this information, e.g.:**
 - **Personal information on the dealer / decision committee needs to be transmitted**
 - **Information of whether it’s a short sale needs to be transmitted**
 - **Where the order is aggregated for several clients, information shall be provided for each allocation**
- Wealth managers, in particular, will need to obtain LEIs for their non-discretionary clients

NCA Connections



Client demand driven NCA

connectivity:

- ARMs are connecting to multiple NCAs
- Connectivity specifications were expected in Q3 2017
- Most regulators are planning end to end testing in Q3/Q4 2017
- UV is testing with most

Which of the following parts of MiFIR reporting are you most concerned about?



Q. Which of the following parts of MiFIR reporting are you most concerned about?

A. Reference Data

57%

B. Validations and Workflow

22%

C. Reconciliations

11%

D. MI & Analytics

3%

E. Quality Assurance

6%



MiFIR

Product Reference Data



Importance of ISIN Reference Data

- MiFIR instrument reportability is still a major concern in the industry
 - ESMA will collect reference data from Trading Venues and make this available to the industry
 - ISINs for trades on Trading Venues will need to match the ESMA list or potentially be rejected after seven days
 - Index or basket derivatives where at least one of the underlying constituents is a financial instrument traded on a TV are reportable
 - How good will ESMA's list be?
 - **Dependent on the quality of submission of data from trading venues**
 - **Can ESMA collect all the reference data required to identify reportable instruments?**
- How can firms still hit T+1 reporting and be sure not to over-report?
 - Firms need controls to only report eligible instruments
 - Commercial providers will be supplying a reference data file
 - Incorporates ESMA, ANNA DSB, feeds from exchanges including third country exchanges, index constituents, warrants and depository receipt 'underlyings'



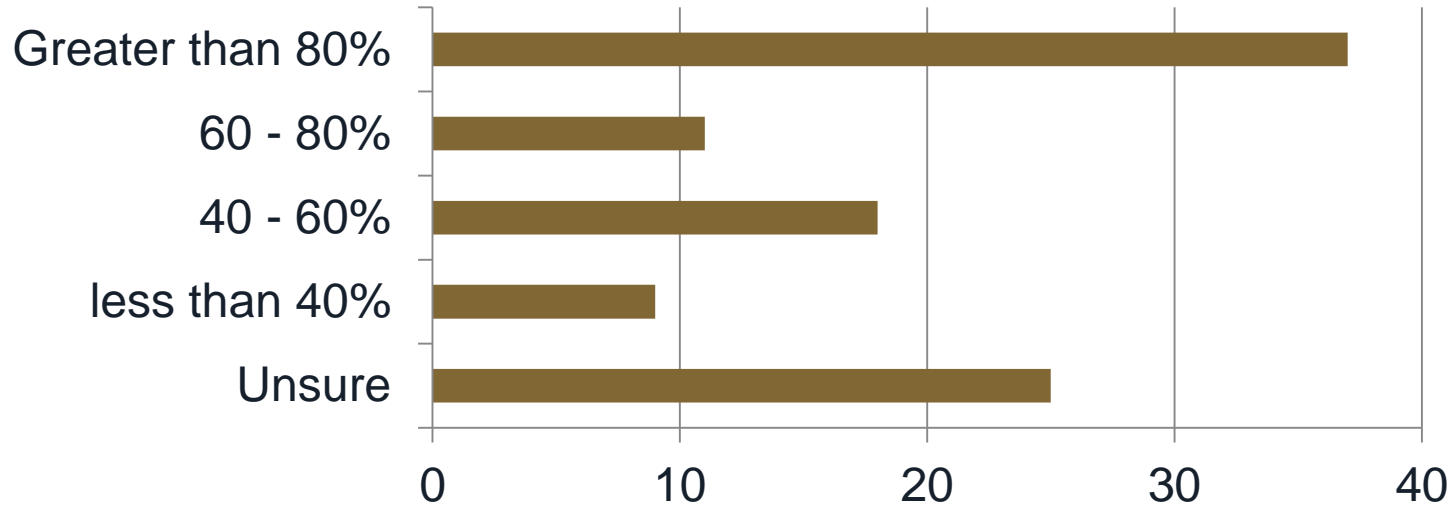
MiFIR Counterparty Identification



Use of Legal Entity Identifiers

- Organisations must be identified with an LEI
 - Validations ensure ‘internal’ codes cannot be used
 - Clients that are organisations must be identified with an LEI
 - ***“Investment firms shall not provide a service that would trigger the obligation of an investment firm to submit a transaction report....prior to the legal entity identifier code being obtained from that client”***
 - As individual funds and trusts will be identified as ‘buyer’ or ‘seller’ they will all need LEIs
- ‘Local Operating Units’ assign LEIs and can help facilitate this process

What % of your clients that need LEIs actually have LEIs already?





Getting An LEI Is Easy

LSE, as an authorised Local Operating Unit (LOU) for the global allocation of Legal Entity Identifiers (LEI), understands that the new MiFIR regulation will put new demands on clients. **Reference Data Management Tools** are value add services for clients to manage not only their LEI's but also those of their clients. The aim is to reduce the data issues caused from the new regulation (MiFIR), and help them manage their LEI needs accordingly.

The key features of new solution are:

- Enable clients to compare and **reconcile their data with the GLEIF** universe to establish need for their client/counterparty LEIs.
- Enable clients to easily **apply for needed LEIs** through bulk submission process workflow, with systematically submitted supporting documents .
- The ability to **create a client watch list** and be notified when an LEI is added or changed with that client, or when one needs to be renewed.
- Can be combined with Rules Engine for data input/output to meet client needs.



Entity Identifiers for Natural Persons

- National identifiers are required to identify individuals within a transaction report:
 - Client – “Buyer Identification Code” or “Seller Identification Code”
 - Decision maker – “Buyer/Seller decision maker code” if acting under a power of representation
 - Investment Decision Trader / Person - responsible for the investment decision
- Additionally, first names, surnames and dates of birth are required for some fields



Entity Identifiers for Natural Persons

- National identifier is dependent on the nationality of the individual
- All codes start with the ISO 2 alpha country code
- For EEA nationals, there is a hierarchy for the identifiers to be used, e.g.:
 - **Netherlands:** 1. Passport number, 2. National ID Card, 3. CONCAT
 - **UK:** 1. National insurance number, 2. CONCAT
 - **France:** CONCAT
- For non-EEA countries: 1. Passport number, 2. CONCAT
- It is a hierarchy: not a choice



Data Protection Issues

- “To address data protection concerns, ESMA confirms that confidentiality of the data will be ensured”
 - *Potential for conflict with regional data privacy regulations*
- Compliance burden as clients and employees may need to be informed that their personal data will be processed
- Firms need to be aware that GDPR is expected to come into effect mid 2018
 - *Stricter regime with fines up to 4% of annual turnover*
 - *Firms need to consider notifications and consents from individuals now*

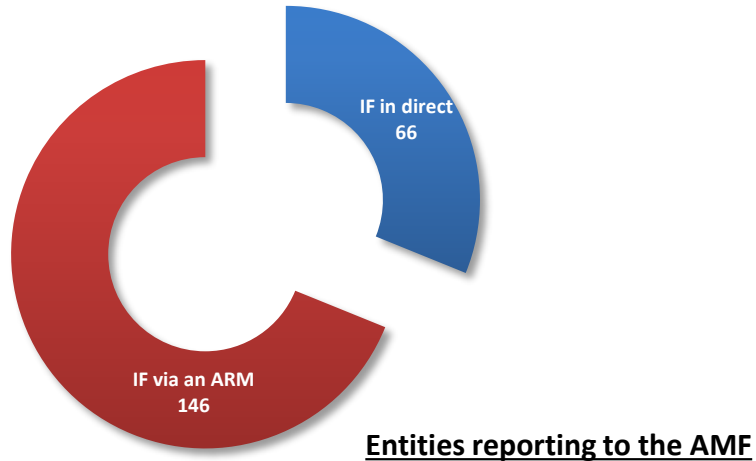


MiFIR

Reliable Reporting



Continental NCAs Are Embracing ARMs



- To connect to us through an ARM:
 - Investment firms and the ARM are responsible of executing business related tests
 - The ARM will connect to our platform from mid July when the testing environment is ready
 - Test plan available on the AMF's website from end of June
 - Once the tests are done, the investment firms submitting reportings via an ARM must send a formal letter to the AMF confirming the test are passed
 - Registration, test and connection, as well as sending transaction reports to the AMF are free of charge



MiFIR ARM Summary

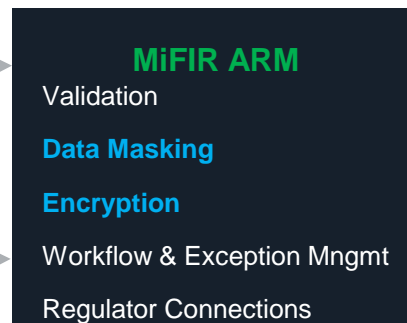
Data input formats:

- CSV/XLS
- ISO 20022 XML
- FpML 5.5/5.9

Static/Reference

Data:

- **Personal Data: UI/CSV/API**
- LEI GLEIF Reference
- MiFIR Eligibility File
- SEDOL Masterfile
- Validation Reference Data



Optional Modules:

- Eligibility Blocking
- SEDOL Data Enrichment
- LEI Data Management
- Peer to Peer/User Defined Thresholds
- MiFIR ARM Reconciliations Suite
- APA/Boat Connection

Data Output Formats:

- ISO 20022 XML (**multiple NCAs**)
- Reconciliation files (TBD)
- Daily summary files

Workflow outputs:

- Exceptions file
- ACKs/NACKs

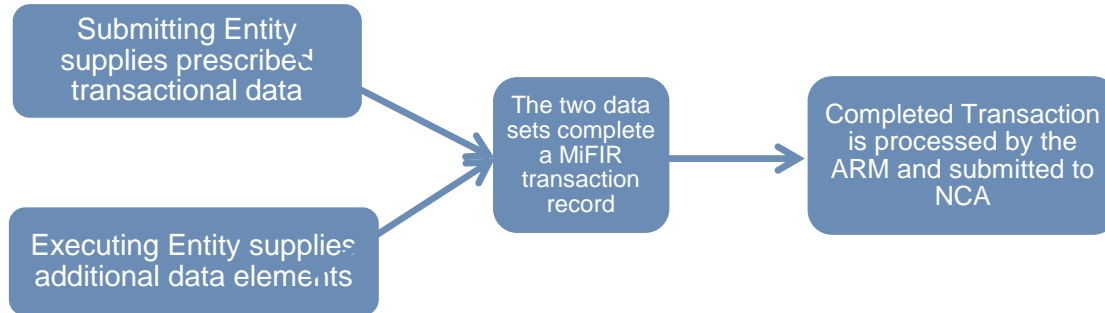
API Access:

- Input
- Status



What is Assisted Reporting?

Assisted Reporting is a MiFIR reporting framework where one firm (Submitting Entity) supplies transactional data for use by another firm (Executing Entity) with the aim of assisting their reporting obligations. The Submitting Entity acts as a data provider only; they assume no responsibility for the accuracy or correctness of the report. Any exceptions, management of transactions and data ownership will reside with the Executing Entity.





MAR Alerts

The same data stream can be used to provide MAR Surveillance services from the same data stream already supplied for regulatory reporting:

MAR Surveillance Alerts:

- Insider Dealing
- Marking the Close
- Wash Trading
- Ramping
- Front Running

Behavioural Alerts:

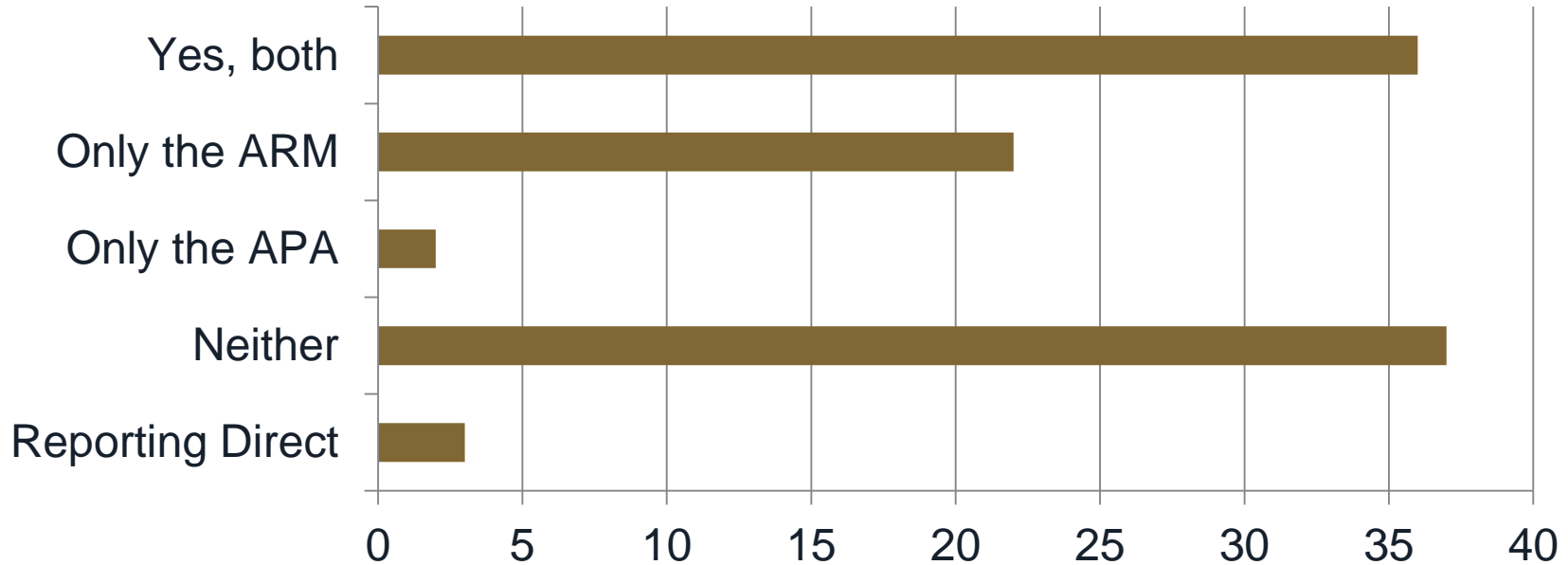
- Beating the Market
- Trade Outside Possible Price Range
- Unusual Trade Size
- Unusual Trade Price
- Unusual Trade Velocity
- Unusual P&L



Have You Selected Your ARM & APA Yet?



London
Stock Exchange Group



Time To Choose Your Reporting Mechanism



- Firms can report to their NCA via a trading venue, directly themselves or via an ARM
- Reporting directly could avoid some costs, but ARMs can add value and stop errors being exposed
- There are a number of ARMs available in the industry; which one is right for you:
- Think of:
 - *Track record – secure, robust, reliable service*
 - *Responsive helpdesk and subject matter expertise*
 - *Access to community*
 - *Reference data etc.*
 - *Connectivity, ease of use*
 - *Reconciliation tools*
 - *Management information*
 - *Offering other global regulatory reporting services*
 - *Testing tools and training*



Concluding Thoughts

- Now less than 120 days to get your transaction reporting into shape
 - If you haven't got a project team and project plan in place, you are already behind the curve
 - A governance model is essential to ensure best practice with appropriate accountability
 - Ensure you understand the reporting requirements
 - Take advantage of the 'community'
 - Get your reference data into shape
 - Choose your reporting mechanism and design your reporting architecture accordingly
- Don't be in denial; this really is going to happen in January 2018



Thank You