

## FAQs on MiFID II - Transitional Transparency Calculations

### Scope:

This document aims at gathering Frequently Asked Questions (FAQs) and answers regarding the publication of the [MiFID II/MiFIR](#) Transitional Transparency Calculations (TTC) for all equity and non-equity instruments in accordance with the Commission Delegated Regulation (CDR) (EU) 2017/587 ([RTS 1](#)), [CDR \(EU\) 2017/567](#), CDR (EU) 2017/583 ([RTS 2](#)) and the CDR (EU) 2017/588 ([RTS 11](#)).

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### Legal basis

1. For further information on the Markets in Financial Instruments Directive II: [MiFID II](#)
2. For further information on the Markets in Financial Instruments Regulation: [MiFIR](#)
3. For further information on the Regulatory Technical standards: [RTS 1](#), [RTS 2](#), [RTS 11](#) and [CDR \(EU\) 2017/567](#)
4. For further information please consult the website of [ESMA](#)

### A. TOPIC – General information

#### A.1. What are the MiFID II Transitional Transparency Calculations (TTC)?

[MiFID II/MiFIR](#) requires performing various transparency calculations in relation to equity and non-equity instruments. Those calculations have to be performed both for the transition from MiFID to [MiFID II/MiFIR](#) as well as on an ongoing basis once [MiFID II/MiFIR](#) apply. National Competent Authorities (NCAs) are responsible for performing the transparency calculations, both for transitional purposes as well as the ongoing calculations.

ESMA was requested to coordinate the exercise in the transitional phase for the delegating NCAs. ESMA staff performed the transitional transparency calculations using data related to 2016 and 2017 trading activity provided by trading venues. It should be noted that the TTC files contains calculations performed by non-delegating NCAs and provided to ESMA for publication.

The scope of the TTC for non-equity instruments is defined in [RTS 2](#). In particular, the data was used for the liquidity assessment and for the calculation of large-in-scale (LIS) and size-specific to the instrument (SSTI) thresholds for pre-trade and post-trade transparency purposes.

The scope of the TTC for equity instruments is defined in [RTS 1](#) and [RTS 11](#). The data received from TVs was used to compute the following:

1. liquidity assessment;
2. pre-trade and post-trade large in scale (LIS) thresholds;
3. standard market size (SMS) threshold;
4. the most relevant market (MRM) in terms of liquidity for the purpose of Article 4(1)(a) MiFIR; and
5. tick size liquidity band assessment.

#### **A.2. How are equity financial instruments classified as having or not a liquid market?**

In order to determine if shares, depositary receipts, exchange traded funds and certificates have a liquid market, the [CDR \(EU\) 2017/567](#) was applied. More specifically, there are 4 criteria to be met: the instrument must be traded on a daily basis, the free float, the average daily number of transactions and the average daily turnover should be greater or equal to different predefined thresholds.

Other equity-like financial instruments are considered not to have a liquid market.

#### **A.3. What are the implications of having or not a liquid market?**

[MiFID II/MiFIR](#) introduces transparency requirements for shares, depositary receipts, exchange traded funds, certificates, other similar financial instruments, bonds, structured finance products, emission allowances and derivatives with powers for NCAs to waive the obligation for market operators and investment firms operating a trading venue to make public pre-trade information for equity and non-equity instruments for which there is not a liquid market. Furthermore, transactions in equity and non-equity instruments for which there is not a liquid market may also benefit from deferred publication.

#### **A.4. What are asset-class, sub-asset class and sub-classes?**

[RTS 2](#) defines several non-equity asset classes, e.g. bonds, commodity derivatives, credit derivatives, equity derivatives, etc. However, the scope of the TTC is the computations required for [RTS 2](#) according to the sub-asset class/sub-class to which each financial instrument belongs. Therefore, reference data was used to determine the sub-asset class/sub-class. For the purpose of the determination of the classes of financial instruments considered not to have a liquid market, asset classes are further segmented into sub-asset classes/sub-classes according to the segmentation criteria as displayed in [Annex III of RTS 2](#).

#### **A.5. What do LIS and SSTI mean for non-equity instruments?**

[RTS 2](#) stipulates the size of orders/transactions which are large in scale (LIS) and the size-specific to the instrument (SSTI) thresholds for which pre-trade transparency may be waived and post-trade transparency may be deferred and further specifies the deferred publication at the discretion of the competent authorities under Article 11(3) MiFIR. These thresholds are

displayed in euros except for emission allowances and derivatives thereof for which they are expressed in tons of carbon dioxide.

#### **A.6. What do LIS and SMS mean for equity instruments?**

[RTS 1](#) stipulates the minimum size of orders qualifying as large in scale (LIS) compared with normal market size for which pre-trade transparency may be waived and post-trade transparency may be deferred and standard market size (SMS) for liquid instruments.

### **B. TOPIC – Application of the TTC**

#### **B.1. From when shall I trade under the transparency requirements described in the TTC?**

The new transparency requirements determined by the TTC will be applicable starting on 3 January 2018.

#### **B.2. Until when will the results of the TTC be valid?**

The following dates are applicable:

1. The outcomes of the TTC are applied from 3 January 2018 until 31 May 2019 for **derivatives (including CFDs), securitised derivatives, ETCs and ETNs, SFPs and emission allowances, LIS and SSTI thresholds for bonds**. The next version of the calculations is planned to be published on 30 April 2019 (by the [IT system](#) and not as part of the TTC). The application period of those updated calculations will be 1 June 2019 – 31 May 2020. The frequency of the calculations is 1 year.

2. The outcomes of the TTC were applied from 3 January 2018 until 15 May 2018 for **bonds - with respect to the liquidity assessment**. The current version of the liquidity assessment for bonds was published on 1 May 2018 by the [IT system](#). The application period of those updated calculations is 16 May 2018 – 15 August 2018. The frequency of the calculations will be 1 quarter.

3. The outcomes of the TTC are applied from 3 January 2018 until 31 March 2019 for **equity instruments**. The next version of the calculations will be published on 1 March 2019. The application period of those updated calculations will be 1 April 2019 – 31 March 2020. The frequency of the calculations will be 1 year.

#### **B.3. How should the TTC be applied for derivatives (including CFDs), securitised derivatives, ETCs and ETNs, SFPs and emission allowances with respect to the liquidity assessment and the LIS and SSTI thresholds?**

From 3 January 2018, the Financial Instruments Transparency System (FITRS) will start publishing non-equity transitional transparency calculations for non-equity instruments on an ISIN basis for the instrument it receives. However, in the case an ISIN is not yet present in FITRS, the TTC published in the [ESMA website](#) provide the necessary information at sub-

class level and should be applied. When considering the results published in FITRS, the valid entry is the one with the latest calculation time.

Please note that the results of the liquidity assessment for bonds in FITRS, will appear as separate entries than the LIS and SSTI calculations (for the same ISIN). The valid entry is the one with the latest calculation time.

**B.4. How should the TTC be applied for bonds (except ETCs and ETNs) with respect to LIS and SSTI thresholds?**

From 3 January 2018 FITRS will start publishing non-equity transitional transparency calculations with respect to LIS and SSTI thresholds for bonds (except ETCs and ETNs) on per ISIN basis for the instrument it receives. However, in the case an ISIN is not yet present in FITRS, the TTC published in the [ESMA website](#) provide the necessary information at sub-class level and should be applied.

**B.5. How should the TTC be applied for bonds (except ETCs and ETNs) with respect to the liquidity assessment?**

From 16 May 2018 the TTC published on the [ESMA website will be no longer applicable and the](#) quarterly liquidity assessment should be applicable. In particular, every 1<sup>st</sup> of May, August, November and February of each year the new quarterly liquidity assessment for bonds (except ETCs and ETNs) admitted to trade until the end of the second month of the calendar quarter are published and are applicable from 16<sup>th</sup> of the same month. [More specifically,](#) the first quarterly liquidity assessment for bonds (except ETCs and ETNs) published by the [IT system](#) on 1 May 2018 should be applied from 16 May until 15 August 2018.

However, if an ISIN is not included in the [IT system](#), please refer to Question C2 for further details on how to proceed.

Please note that the results of the liquidity assessment for bonds in FITRS, will appear as separate entries than the LIS and SSTI calculations (for the same ISIN). The valid entry is the one with the latest calculation time.

**B.6. How should the TTC be applied for equity instruments?**

From 3 January 2018 the Financial Instruments Transparency System will perform transparency calculations for the new equity instruments it receives and having a date of first trade later than or equal to 3 January 2018. For equity instruments traded for the first time on a trading venue before 3 January the TTC published in the [ESMA website](#) will provide the TTC. However, if an ISIN is not included in the excel file provided please refer to Question C3 for further details on how to proceed.

In the cases where the equity was traded for the first time on a trading venue from 3 January 2018, this information will be available at FITRS.

## **C. TOPIC – Data availability**

### **C.1. Why can I not find a specific ISIN/sub-class in the TTC files for non-equity instruments?**

There could be several reasons why an ISIN/sub-class is not available in TTC files: (I) The TTC files applicable to non-equity instruments only display those ISINs/sub-classes that are deemed to be liquid. (II) The particular ISIN/sub-classes was not traded during the reference period, namely from 3 July 2016 to 2 January 2017 (both dates included) (III) ISINs were not requested for each sub-class. (IV) The ISIN of the underlying instrument was modified (e.g. a split of an equity). (V) The trading venues did not provide to ESMA information regarding this particular ISIN/sub-class.

For example, ISINs of derivative contracts are not available, whereas the ISINs of their underlyings may in fact be available. In that case, please use the information on the underlying instrument of the derivative and other characteristics of the derivative to find the applicable information for the sub-class to which the particular derivative belongs to.

For further details on the segmentation criteria, please refer to [Annex III of RTS 2](#).

### **C.2. Which regime should apply if I cannot find a specific ISIN in the liquidity assessment file for bonds?**

If for a specific bond no publication is available in FITRS, the Q&A that ESMA has published on the ESMA website (Q&A 3 of Section 3 - Equity transparency and Q&A 10 of Section 4 – Non-equity transparency of the document “Questions and Answers on MiFID II and MiFIR transparency topics [ESMA70-872942901-35](#)”) defining the default transparency regime should be considered.

### **C.3. Why can I not find a specific ISIN in the files for equity instruments and which regime should apply in such case?**

There could be a number of reasons for not finding the ISIN: (I) If you are referring to the file published on 6 December 2017, the ISIN was not traded for the first time on a trading venue before 12 September 2017 (included); (II) The ISIN is not considered an equity instrument; (III) the ISIN is an equity instrument and was traded for the first time on a trading venue before 12 September 2017 (included) but it did not trade during the period (4 January – 10 October 2017) or did not meet the thresholds for the other parameters. (IV) the ISIN is an equity and was traded for the first time on a trading venue between 13 September 2017 and 2 January 2018 (included). In this case the applicable TTC for which NCAs are in charge and did not delegate this task to ESMA, will be published on the ESMA website early January 2018. **These calculations are now published, so this case should not occur unless ESMA has not been provided with the related data** (V) the ISIN is an equity and was traded for the first time on a trading venue from 3 January 2018, the transparency calculations will be published in FITRS.

With respect to cases (I), (III), (IV) and (V), if for a specific equity instruments no publication is available neither on the [ESMA website](#) nor in FITRS, nor, with respect case (IV) only, on the website of the relevant NCA, the Q&A that ESMA has published on the ESMA website (Q&A 3 of Section 3 - Equity transparency and Q&A 10 of Section 4 – Non-equity transparency of the document “Questions and Answers on MiFID II and MiFIR transparency topics [ESMA70-872942901-35](#)”) defining the default transparency regime should be considered. With respect to tick sizes, please be aware that the default regime is specified in Q&A 8 of Section 4 of the document “Questions and Answers on MiFID II and MiFIR market structures topics [ESMA70-872942901-38](#)” already published by ESMA on its website. Although the Q&A refers to “estimated ADNT” it should be interpreted in broad terms in the context of the TTC and the default regime should therefore apply not only when the estimates are not available, but also when the transitional calculations based on actual trading activity are not available. Participants are requested to check daily whether the publication of TTC has been made available and the published TTC should be applied the day after their publication.

If, for any reason, the transparency calculations are published for a specific equity both in the TTC files on the [ESMA website](#) and in FITRS, those published in the TTC files should prevail.

#### **C.4. Why is there no data available (marked with NA) for some fields included in the TTC files?**

In the case of non-equity instruments, the fields included in the tables refer to the segmentation criteria at which the whole asset class was subject to (please refer to [Annex III of RTS 2](#)). For this reason, some fields, that do not apply for that specific sub-class, were populated with NA.

In the case of equity instruments, NA is used for fields that are not applicable as the instrument is considered illiquid.

#### **C.5. Possible corrections and modifications to the TTC**

ESMA has performed these calculations with utmost care and to the best of its ability. Given the scope and complexity of the calculations, including the various underlying data sources, changes of the results after the initial publication can however not be excluded. ESMA expects to continuously supplement and update the information provided where necessary. Any future up-date will be published on the ESMA webpage.

#### **C.6. Request of clarification on possible inaccuracy of the reference data displayed in TTC**

The national authorities are responsible of the accuracy of the content of the information submitted to ESMA by trading venues or directly by the NCA in the case of non-delegating authorities. In case that the available reference data in the TTC is considered to be inaccurate (e.g. the type of equity instrument) please be advised to communicate this information to the NCA that is responsible for this instrument (“the RCA”) as provided by the Financial Instruments Reference Data System using the field “Upcoming RCA”.

## D. TOPIC – Files structure

### D.1. How are the TTC files for non-equity instruments structured?

The TTC files containing the LIS and SSTI thresholds for all non-equity asset classes are structured in line with [Annex III of RTS 2](#). Only asset classes with at least one liquid sub-class are published.

### D.2. How are the files for equity instruments structured?

There are two files for equity instruments. The first one contains the liquidity assessment, the LIS thresholds and the SMS for shares, depositary receipts, exchange-traded funds, certificates and other similar equity instruments and is structured in line with the [CDR \(EU\) 2017/567](#) and [RTS 1](#). The second one is structured in line with [RTS 11](#) and contains the calculated average daily number of transactions for shares and depositary receipts necessary to determine the liquidity band for the tick size table in the Annex of the Regulation cited above. For ETFs, whose underlyings are solely equities subject to the tick size regime under Article 2(1) of [RTS 11](#) or a basket of such equities the applicable tick size regime is defined in Article 3 of [RTS 11](#) (i.e. the tick size should be greater or equal to the one corresponding to (a) the liquidity band in the table in the Annex of [RTS 11](#) corresponding to the highest average daily number of transactions, and (b) the price range in that liquidity band corresponding to the price of the order).

## E. TOPIC – File content

### E.1. What data are included in the TTC Files for non-equity instruments?

The TTC files contain reference data (e.g., notional currency, time-to-maturity bucket, etc.) and the calculated large-in-scale (LIS) and size-specific to the instrument (SSTI) thresholds for pre-trade and post-trade transparency purposes per sub-class when they have been classified as liquid. In particular, for Equity Derivatives part I, where all sub-asset classes are considered to have a liquid market, the thresholds that will apply for the instruments that cannot be found in the file, are those applicable to the smallest average daily notional amount (ADNA) band of the sub-asset class to which the equity derivative belongs ([RTS 2 Article 13\(14\)](#)).

Only for those instruments for which data has been received, SSTI/LIS pre-and post-trade thresholds have been calculated and included in those tables. There are some additional liquidity criterion for which data has not been received, but their liquidity is interconnected with the liquidity assessment of other instruments. The affected sub-asset classes are as follows:

#### Credit derivatives - CDS index options

A CDS index option whose underlying CDS index is a sub-class determined to have a liquid market and whose time to maturity bucket is 0-6 months is considered to have a liquid market. The applicable threshold values are the ones specified in Article 13(2)(a) and 13(3)(a) in accordance with Article 13(11).



### **CFD - Equity CFDs**

An equity CFD sub-class is considered to have a liquid market if the underlying is an equity security for which there is a liquid market as determined in accordance with Article 2(1)(17)(b) of Regulation (EU) No 600/2014. The applicable threshold values for liquid equity CFD sub-classes are the ones specified in Article 13(2)(a) and 13(3)(a) in accordance with Article 13(11).

### **CFD - Bond CFDs**

A bond CFD sub-class is considered to have a liquid market if the underlying is a bond or bond future for which there is a liquid market as determined in accordance with Articles 6 and 8(1)(b). The applicable threshold values for liquid bond CFD sub-classes are the ones specified in Article 13(2)(a) and 13(3)(a) in accordance with Article 13(11).

### **CFD - CFDs on an equity future/forward**

A CFD on an equity future/forward sub-class is considered to have a liquid market if the underlying is an equity future/forward for which there is a liquid market as determined in accordance with Articles 6 and 8(1)(b). The applicable threshold values for liquid CFD on an equity future/forward sub-classes are the ones specified in Article 13(2)(a) and 13(3)(a) in accordance with Article 13(11).

### **CFD - CFDs on an equity option**

A CFD on an equity option sub-class is considered to have a liquid market if the underlying is an equity option for which there is a liquid market as determined in accordance with Articles 6 and 8(1)(b). The applicable threshold values for liquid CFD on an equity option sub-classes are the ones specified in Article 13(2)(a) and 13(3)(a) in accordance with Article 13(11).

### **Interest rate derivatives - Fixed-to-Float 'single currency swaps' and futures/forwards on Fixed-to-Float 'single currency swaps'**

A future/forward on Fixed-to-Float 'single currency swap' is considered to have a liquid market if the underlying is a Fixed-to-Float 'single currency swap' for which there is a liquid market. The applicable threshold values are those provided for the related Fixed-to-Float 'single currency swap'.

For additional information, please refer to [RTS 2](#).

All other instruments are assessed as illiquid, and their corresponding thresholds can be found in [Annex III of RTS 2](#).

## **E.2. What data are included in the TTC File for equity instruments?**

The TTC file contains the ISIN, the equity type, the most relevant market, the liquidity assessment, the calculated values for the TTC indicators (average daily turnover (ADT), average value of transactions (AVT)) and the reference values for the minimum size of LIS and the standard market size (SMS) that will apply. The field Calculations indicates if the



calculations were performed by ESMA or an NCA. The data used for the calculations of equity instruments included instruments available for trading on 12 September 2017 and still available for trading on 10 October 2017. On 19 January 2018 instruments admitted to trade between 13 September 2017 and 2 January 2018 were included. Please note that these criteria do not exclude equity instruments that are delisted before 3 January 2018.

For further information, please refer to [RTS 1](#) and [CDR \(EU\) 2017/567](#).

### **E.3. What data are included in the Tick Size file for equity instruments?**

The tick size file contains the ISIN, the equity type, the identified MRM and the calculated average daily number of transactions of the MRM and if the calculations were performed by ESMA or a NCA.

For further information, please refer to [RTS 11](#).

### **E.4. What data are included in the liquidity assessment for bond instruments?**

The TTC file provided the liquidity assessment of bonds (except ETCs and ETNs) available for trading on 31 October 2017. On 19 January 2018 the liquidity assessment for bonds (except ETCs and ETNs) admitted to trade between 1 November 2017 and 2 January 2018 were also included. Please note that these criteria did not necessary exclude bonds that were delisted before 3 January 2018. However, please be aware that this file contains results which are no longer applicable from 16 May 2018. The applicable liquidity assessment for bonds (except ETCs and ETNs) from 16 May 2018 should be the one published by the [IT system](#).

### **E.5. Why do not all asset classes specified in RTS 2, have a downloadable TTC file?**

ESMA has calculated the liquidity of instruments subject to pre-trade and post-trade transparency requirements. As a result of the liquidity assessment, some asset classes turned out to be overall illiquid (e.g. SFPs) or have no liquid sub-class (e.g. C10 derivatives). For those the applicable LIS and SSTI thresholds are defined in RTS 2. For the other 8 remaining asset classes, the LIS and SSTI thresholds were calculated and stored in individual files.

### **E.6. Why have the originally published TTC results for the asset class Credit Derivatives been modified?**

After publication of the TTC results on 03 July 2017, a TV communicated to ESMA that they had detected an error in their submitted information for the asset class Credit Derivatives. The TV subsequently resubmitted corrected data on the same date.

ESMA proceeded to review the computations with the newly provided information. The impact of this error is that out of the 11 originally published Credit Default Swaps (CDS) sub-classes, 9 sub-classes should be considered illiquid. The published file therefore contains information for only two remaining sub-classes with adjusted LIS and SSTI thresholds.

**E.7. Why have the originally published TTC results for the asset class Equity Derivatives I been modified?**

After publication of the TTC results on 03 July 2017, ESMA was notified on a data quality issue for the asset class Equity Derivatives I. TVs provided to ESMA the ISINs of underlying dividends instead of the requested information, the ISINs of the shares that pay the underlying dividends. The TVs that provided this information were informed by ESMA and resubmitted corrected data.

In addition, ESMA was informed that several reported ISINs were related to the same underlying, due to corporate actions, affecting the computed TTC. ESMA has corrected this to the best extent possible.

Finally, ESMA also corrected an error generated by a misclassification of a TV of an ETF option as a stock option.

ESMA proceeded to review the computations with the newly provided information. The impact of this error is that out of the number of liquid sub-classes in Equity Derivatives I is reduced from the 2,161 originally published to 2,106 sub-classes.

**E.8. Why have the originally published TTC results for the asset class Equity instruments and the liquidity assessment for Bonds (except ETCs and ETNs) been modified?**

After publication of the TTC results on 6 December 2017, ESMA was informed about misclassifications of instruments and related parameters. Some trading venues resubmitted data and calculations were re-done. The new versions of these TTC files are to be used by market participants, infrastructures and authorities under the new regulatory framework from 3 January 2018.

In addition, it is noted that for equity instruments, traded for the first time on a trading venue between 13 September 2017 and 2 January 2018 (included), and bond instruments, traded for the first time on a trading venue between 01 November 2017 and 2 January 2018 (included), NCAs submitted to ESMA the applicable TTC for which the NCAs are in charge and did not delegate this task to ESMA. ESMA has compiled these data with utmost care and to the best of its ability.

**E.9. What is the meaning of two ISINs, separated by pipes, reported as ISIN of the underlying instrument for Equity Derivatives I?**

Whenever two or more ISINs are provided, separated by a pipe, it means that the underlying refers to a basket of shares. In line with Table 6.1, [Annex III of RTS 2](#), the underlying of stock options and stock futures/forwards may be a share or a basket of shares resulting from a corporate action.