ESMA_QA_1511

Submission Date
28/09/2020

Status: Answer Published

Additional Information

Level 1 Regulation
Markets in Financial Instruments Regulation (MiFIR) Regulation (EU) No 600/2014- MDP

Topic
* Transaction reporting

Historic Question Reference
ESMA70-1861941480-56 Questions and Answers on MiFIR reporting

Subject Matter
Transaction reporting

Question
Consider a scenario where an Investment Firm A executes a reportable transaction through an execution algorithm provided by another Investment Firm B .

a) How should field 59 (Execution within firm) of RTS 22 be reported when Investment Firm A uses the execution algorithm provided by Investment Firm B?
b) Would Investment Firm A's reporting differ if Firm B was not a MiFID II Investment Firm and therefore did not have the obligation to report this transaction under Art. 26 MiFIR?
c) Where Investment Firm B is using Investment Firm A's membership to access the market, is Investment Firm B executing the transaction and does Investment Firm B have to transaction report?

ESMA Answer

28-09-2020

Original language

(a) The reporting obligations are the same as where Investment Firm A decides to send an order for execution to Investment Firm B. Investment Firm A should populate field 59 with the person or algorithm identifier within their firm that is primarily responsible for using Investment Firm B's algorithm. Investment Firm A shall not populate a code for Investment Firm B's algo, only its own information.

The scenario is:

IF A ? IF B (algorithm) ? CCP (Trading Venue or Investment Firm)

Assuming that Investment Firm A is buying an instrument and dealing on own account trading capacity, and Investment Firm B is acting in "any other" trading capacity, the respective reports should be completed as follows:

N	Field	Investment Firm A's report	Investment Firm B's report
4	Executing entity identification code	{LEI} of Investment Firm A	{LEI} of Investment Firm B

N	Field	Investment Firm A's report	Investment Firm B's report
7	Buyer identification code	{LEI} of Investment Firm A	{LEI} of Investment Firm A
16	Seller identification code	{LEI} of Investment Firm B	{LEI} of CCP
29	Trading capacity	'DEAL'	'AOTC'
59	Execution within firm	Natural person's ID or code of algorithm within Investment Firm A	Code for Investment Firm B's execution algorithm

(b) No. Investment Firm A's reporting is the same as specified in a).

(c) Yes. Investment Firm B is conducting the activity of executing a client order according to Art. 3 of RTS 22[1]. The scenario is:

IF A ? IF B (algorithm) ? IF A (membership) ? CCP (Trading Venue)

Assuming that both Investment Firm A is buying an instrument and dealing on own account, and the subsequent steps in Investment Firm B and A are in "any other" trading capacity, the respective reports should be completed as follows:

N	Field	IF A's report 1	IF B's report	IF A's report 2
4	Executing entity identification code	{LEI} of Investment Firm A	{LEI} of Investment Firm B	{LEI} of Investment Firm A
7	Buyer identification code	{LEI} of Investment Firm A	{LEI} of Investment Firm A	{LEI} of Investment Firm B
16	Seller identification code	{LEI} of Investment Firm B	{LEI} of Investment Firm A	{LEI} of CCP
29	Trading capacity	'DEAL'	'AOTC'	'AOTC'
59	Execution within firm	Natural person's ID or code of algorithm within Investment Firm A	Code for Investment Firm B's execution algorithm	'NORE'

In order to match Investment Firm B's reports and reflect its involvement in more than one part of 'the chain', Investment Firm A has to submit two reports:

- one for its trade as a client with Investment Firm B (Report 1).
- one for its market-side trade with the Central Counterparty or another Investment Firm (Report 2).

---

[1] Commission Delegated Regulation (EU) 2017/590.