ESMA_QA_1690

Submission Date
03/04/2017

Status: Answer Published

Additional Information

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

Topic
ESMA70-1861941480-56 Questions and Answers on MiFIR reporting

Subject Matter
Business Case: Inflation Indexed bond

Question
How should transactions on “inflation indexed bonds” be reported under RTS 22?

ESMA Answer

03-04-2017

Original language

[ESMA 70-1861941480-56 MiFIR data reporting Q&A, Q&A 10.1]

Example of transaction report on “inflation indexed bonds”:

An investment firm acquires a DBRI 0.1% 04/15/2026 (ISIN Code DE0001030567) by trading over the counter at 110.00%. The nominal value of the transaction is 1000000 EUR.

The net amount for this transaction is 1111274.01 EUR.

Considering that for the purpose of this example:

The static characteristics (as defined upon the issue of the financial instrument) are:

- Maturity Date: April 15th 2026
- Coupon frequency: Annual
- Day Count Convention: ACT/ACT
- Day to Settle Convention: 2 business days after the trade date

The variables (dynamic characteristics depending on the market conditions) are:

- Trade Date: July 25th 2016
- Settlement Date: July 27th 2016 (as per the Day to Settle Convention)
- Last Coupon Date: April 15th 2016
- Next Coupon Date: April 15th 2017
- Accrued number of days: 103 (i.e., the number of days between the Last Coupon Date and the Settlement Date)
- Period basis: 365 (i.e., the total number of days between the Last Coupon Date and the Next Coupon Date)
- Quantity: 1000000 (i.e., the nominal or monetary value of the transaction)
- Clean price: 110.00

- Index ratio: 1.009990
- Accrued interest: 0.02821918 (i.e., *Nominal Coupon / Annual Coupon Frequency* x *Accrued Number of Days / Period basis* = *0.1/1* x *103/365*)

The net amount will be calculated as follows (pursuant to the formula provided in field 35 of RTS 22):

Net amount[1] = [(Clean price x Nominal value) + (Accrued coupons x Nominal value)] x Index ratio i.e. [((*110/100* x 1000000 EUR) + (*0.02821918/100* x 1000000 EUR))] x 1.009990 =1111274.01 EUR.

N	Field name	Values	XML representation

30	Quantity	‘1000000’	<Tx> <New> … <Tx> … <Qty> <NmnlVal Ccy="EUR">1000000</NmnlVal> </Qty> <Pric> <Pctg>110.00</Pctg> </Pric> <NetAmt>1111274.01</NetAmt> <TradVn>XOFF</TradVn> ... </Tx> <FinInstrm> <Id>DE0001030567</Id> </FinInstrm> … </New> </Tx>

[1] Please note that this example differs from example 92 within the Guidelines by the index ratio that needs to be taken into account in the calculation of the Net Amount.