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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
FX Swaps reporting

Question
How should a transaction in an FX swap admitted to trading on a trading venue or traded on a trading venue be reported under Article 26 and Article 27 of MiFIR?

ESMA Answer

26-09-2018

Original language

[ESMA 70-1861941480-56 MiFIR data reporting Q&A, Q&A 15.1]

If the instrument executed on a trading venue was an FX swap, it should be reported as an executed FX swap based on the requirement of Article 26(1) and in accordance with this Q&A. The same principle will apply to trading carried out outside of the trading venue.

If the instrument executed on a trading venue was an FX forward, it should be reported as an executed FX forward based on the requirement of Article 26(1). The same principle will apply to trading carried out outside of the trading venue.

If the instrument admitted to trading or traded on a trading venue was an FX swap, it should be reported as an FX swap based on the requirement of Article 27(1) and in accordance with this Q&A.

If the instrument admitted to trading or traded on a trading venue was an FX forward, it should be reported as an FX forward based on the requirement of Article 27(1).

Examples

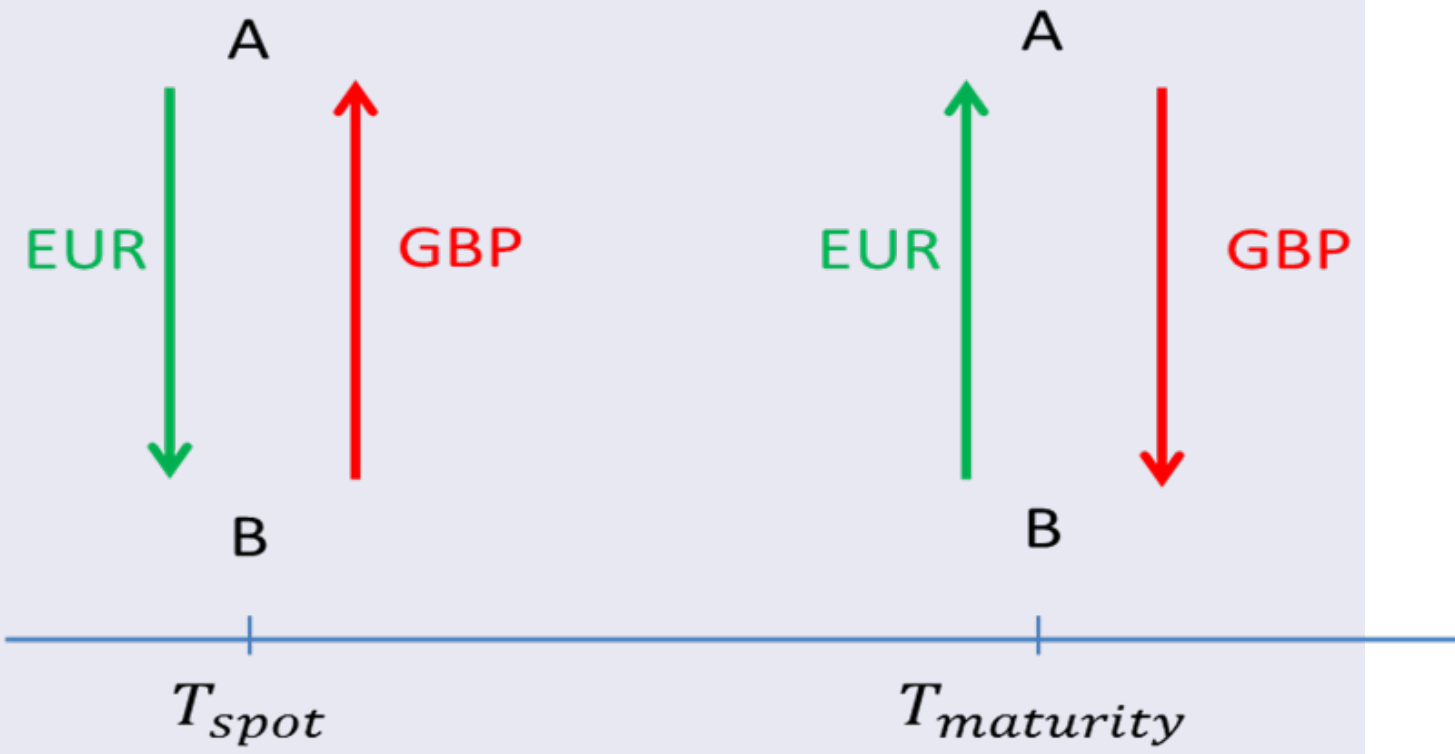
On March 13th 2018, investment firms A and B enter in a EUR/GBP (the currency mentioned first is the ‘base’ currency. The other currency is the ‘terms’ or ‘quote’ currency) spot-forward swap or a forward starting swap instrument on a trading venue regardless of how the instrument has been subsequently confirmed or settled. The instrument has the following characteristics:

- notional of the instrument: 1M€;
- maturity date of the instrument: September 15th 2018;
- the tenor of this instrument is 6 months
- ISIN code of the financial instrument: EZ0123456789;

- the price of the instrument is given in 5 swap points[1] expressed in units of terms currency per unit of base currency according to the market convention for the currency pair which is this example is 0.0001£ per 1€;
- The EURGBP FX spot rate reference is 0.8200.

The counterparty[2] that for the far leg (which is closer to the maturity date) is delivering the currency which is first when sorted alphabetically by ISO 4217 standard should be identified as seller. Therefore, the party which, on the near leg, delivers the currency which is first when sorted alphabetically should be identified as buyer.

In our example, investment firm B who will (in 6 months) receive the GBP and deliver the EUR is the seller of the FX Swap. Investment firm A who will (in 6 months) deliver the GBP and receive the EUR is the buyer of the FX swap.



The relevant fields in the transaction reporting as per article 26 of MIFIR should look like:

#	Field	Reporting of IF A	Reporting of IF B
7	Buyer	LEI of IF A	**LEI of IF A**
16	Seller	LEI of IF B	**LEI of IF B**
28	Trade date time	2018-03-13:Thh:mm:ss:ddddddZ	2018-03-13:Thh:mm:ss:ddddddZ
30	quantity	1,000,000	**1,000,000**
31	quantity currency	EUR	EUR
33	price	0.0005	0.0005
34	Price currency	GBP	GBP
36[1]	Venue	{MIC}	{MIC}
41	instrument identification code	EZ0123456789	EZ0123456789

[1] If this transaction is carried out outside the trading venue, then field 36 should be populated with XOFF.

The price should be populated with the swap points and the monetary value XML tag should be used[3].

In the quantity field #30 the executing entity (buyer and seller) should report the amount of the FX SWAP in the base currency for the front (near) leg.

In the quantity currency field #31, the executing entity (buyer and seller) should report the base currency of the FX SWAP.

The price currency field should be populated with the terms currency i.e. GBP in this example.

The below table shows how the transaction reports would change if the amount or currency of the notional differed. The fields 13 and 47 (see next page) in the reference data (RTS 23) will remain unchanged.

	Scenario 1 (example above) EURGBP; Notional amount: EUR 1 million	Scenario 2 EURGBP; Notional amount: GBP 1 million
	Firm A: "I want a EURGBP FX Swap. The notional amount is EUR 1 million." Firm B: "My offer is 5 (swap points). The EURGBP FX spot rate reference is 0.8200."	Firm A: "I want a EURGBP FX Swap. The notional amount is GBP 1 million." Firm B: "My offer is 5 (swap points). The EURGBP FX spot rate reference is 0.8200."
FX spot rate reference (applies to front leg)	0.8200	0.8200
Swap points	0.0005	0.0005
FX forward rate reference (applies to far leg)	0.8205	0.8205
Cash flows[1]		
Front leg (EUR payment)	-1,000,000	-1,219,512
Front leg (GBP payment)	820,000	1,000,000
Far leg (EUR payment)	1,000,000	1,218,769
Far leg (GBP payment)	-820,500	-1,000,000
Transaction report		
Field 4 executing entity identification code firm	LEI of IF A	LEI of IF A
Field 7 Buyer	LEI of IF A	LEI of IF A
Field 16 Seller	LEI of IF B	LEI of IF B
Field 30 quantity	1,000,000	1,219,512
Field 31 Quantity currency	EUR	EUR
Field 33 Price (monetary value)	0.0005	0.0005
Field 34 Price currency	GBP	GBP
Field 41 instrument identification code	EZ0123456789	EZ0123456789

[1] The sign for the cash flow indicates whether payment is being made or received. A negative cash flow indicates that firm A is making the payment.

The quantity in field 30 in the transaction report is always shown as positive.

The examples show the reports of firm A but the reports of firm B would be identical.

As per article 27 of MiFIR, the trading venue or SI admitting to trade or trading this instrument shall report it in FIRDS. The following table shows the expected reporting of the instrument reference data by trading venues or SI (only the relevant fields are displayed):

#	Field	Value
1	Instrument identification code	EZ0123456789
3	Instrument classification	SFA*** or SFC***[1]
13	Notional currency 1	EUR
24	Expiry date	2018-09-15
34	Delivery type	'PHYS'[2]
47	Notional currency 2	GBP

[1] SFA*** for a spot-forward swap and SFC*** for a forward starting swap.
[2] For populating the delivery type field, the definitions in the ISO 10962:2015 CFI standard should be considered. The value 'PHYS' should be populated in the following case: "delivery of traded currencies on settlement date". The value 'CASH' should be populated in the following case: "on settlement date of the trade, if the settlement amount is positive, then the currency buyer will pay that amount in the settlement currency to the currency seller; if that amount is negative, the seller will make that payment to the buyer".

Notional currency 1 should be populated with the 1st currency when sorted alphabetically by ISO 4217 standard.

Notional currency 2 should be populated with the second currency when sorted alphabetically by ISO 4217 standard.

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[1] The swap points are the difference between the rate for the near leg and the rate for the far leg

[2] As per Article 9 EMIR, and Question 24 of the Q&A No 648/2012 on OTC derivatives

[3] Notional currency 1 may not be the base currency of the contract.