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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
How should transactions be transaction reported where portfolio management has been outsourced?

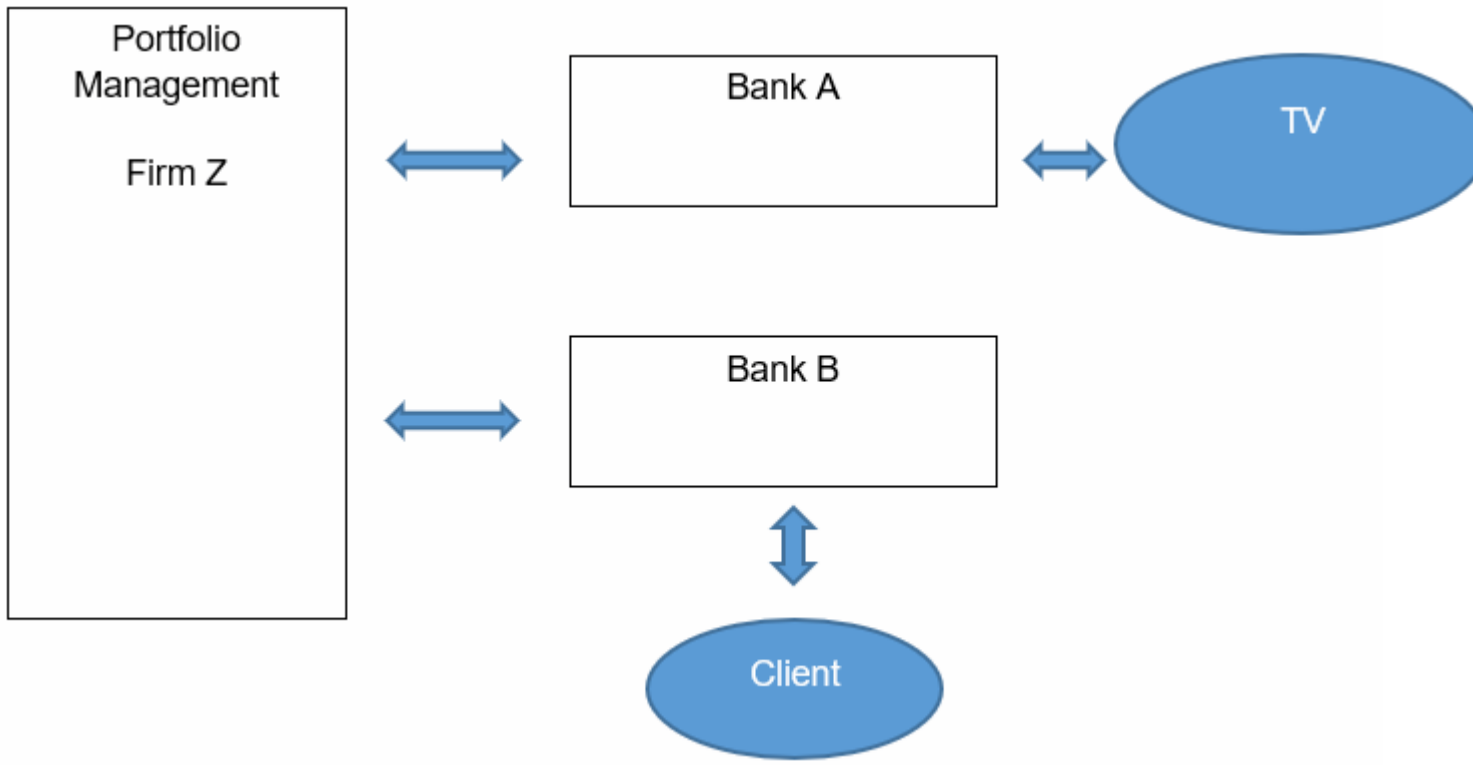
ESMA Answer

17-11-2017

Original language

[ESMA 70-1861941480-56 MiFIR data reporting Q&A, Q&A 24.7]
Consider the following example, where Banks A, B and Firm Z are investment firms:

- Client has a portfolio at Bank B.
- The client is a German national, Max Mustermann. His date of birth is 01/04/1974.
- Bank B has outsourced the portfolio management (discretionary mandate) to Firm Z, which is an investment firm undertaking portfolio management.
- Firm Z sends a purchase order to Bank A for execution without meeting the conditions for transmission under article 4 of Commission Delegated Regulation (EU) 2017/590. Firm Z is acting in an ‘any other’ trading capacity.
- Firm Z does not have a contract with the Client.
- Bank A executes the order on a Trading Venue.
- Bank A transfers the financial instruments from its own account to the account of Bank B just for settlement purposes.
- Bank B books the financial instruments from its account into the account of the Client.



1. Bank A and Bank B are acting in an own account trading capacity

The reports by Bank A and Bank B will be as follows:

		Bank A's reports		Bank B's reports	
N	**Field**	**Report 1 Values**	**Report 2 Values**	**Report 1 Values**	**Report 2 Values**
3	TVTIC	'1234'			
4	Executing entity identification code	{LEI} of Bank A	{LEI} of Bank A	{LEI} of Bank B	{LEI} of Bank B
7	Buyer	{LEI} of Bank A	{LEI} of Firm Z	{LEI} of Bank B	'DE19740401MAX##MUSTE'
12	Buyer decision maker code				{LEI} of Firm Z
16	Seller	{LEI} of CCP	{LEI} of Bank A	{LEI} of Firm Z	{LEI} of Bank B
21	Seller decision maker code				
29	Trading capacity	'DEAL'	'DEAL'	'DEAL'	'DEAL'
36	Venue	{MIC} of TV	'XOFF'	'XOFF'	'XOFF'
57	Investment decision within firm	Algo or national ID	Algo or national ID	Algo or national ID	Algo or national ID
59	Execution within firm	Algo or national ID	Algo or national ID	'NORE'	'NORE'

Bank A is receiving instructions from Firm Z without the transmission requirements being met so it will report Firm Z as the buyer in its client side report.

Bank B's counterparty for execution purposes is Firm Z and since Bank B has not met the transmission conditions it will report its client as the buyer and itself, Bank B, as the seller.

Bank B has outsourced the discretionary management for its client to Firm Z so there is a power of representation. However, field 12 is only populated where the decision is made under a power of representation and the buyer is a client of the executing entity. Therefore field 12 is only populated in Report 2 of Bank B, since in Report 1 Bank B is itself the buyer.

Even though Firm Z is making the investment decision on behalf of Firm B, field 57 is a mandatory field where a firm is acting in an own account trading capacity since the firm is accepting the risk. Therefore this should be populated with the algo or person in Bank B that is primarily responsible for the decision to delegate.

Field 59 is a mandatory field but where the execution decision is made outside the firm it is populated with ‘NORE’. In this scenario the execution decision is being made by Firm Z as it is deciding when and how to execute (by sending orders to Firm A) and therefore this field is populated with ‘NORE’ in Bank B’s reports .

Reporting by Firm Z

		Portfolio Management Firm Z
N	**Field**	**Report X Values**
3	TVTIC	
4	Executing entity identification code	{LEI} of Firm Z
7	Buyer	{LEI} of Bank B
12	Buyer decision maker code	{LEI} of Firm Z
16	Seller	{LEI} of Bank A
21	Seller decision maker code	
29	Trading capacity	‘AOTC’
36	Venue	‘XOFF’
57	Investment decision within firm	Algo or national ID
59	Execution within firm	Algo or national ID

Firm Z is acting on behalf of Bank B and since Bank B has not met the transmission conditions it will report Bank B as the buyer and Bank A as the seller.

Firm Z is making an investment decision on behalf of Bank B so it will populate field 12 with its LEI and will populate field 57 with the algo or national ID of the person responsible for the investment decision within the firm.

2. Bank A and Bank B are acting in any other trading capacity and Bank B is not meeting the conditions for transmission under article 4 of the Commission Delegated Regulation (EU) 2017/590.

Bank A and Bank B are acting in any other trading capacity and Bank B is not meeting the conditions for

Since the buyer in Bank B’s report is its client and there is a power of representation field 12 is populated with the LEI of Firm Z in Bank B’s report.

Since the execution decision is made outside the firm (being made by Firm Z) field 59 is populated with ‘NORE’ in Bank B’s report.