



Date: 15th December 2006

Ref: MiFID JWG RDSG/1

Dear Mr Demarigny

SPECIFICATION OF REFERENCE DATA

ISITC EUROPE'S RESPONSE TO CALL FOR EVIDENCE

ISITC Europe would like to thank CESR for the opportunity to respond to you more formally following our informal meetings with Carlo Comporti and yourself during October. This document references work that has been done since that meeting.

ISITC Europe is a forum where investment managers, broker/dealers, custodian banks, clearers, market infrastructure providers and industry suppliers can debate the issues and evolve solutions that support improved market practices, better STP and improved operational compliance concerning matters of reference data. ISITC Europe also facilitates the Reference Data Subject Group of the MiFID Joint Working Group.

MiFID Level 2 Commission Regulation Annex 1 published a “**List of fields for reporting purposes**” to be used in Transaction Reports. A high proportion of these data items represent reference data such as counterparty, instrument, venue etc. The Level 2 documents also specify a range of data items to be provided in other Reports and in mandatory internal records that have several data items in common with the data in the Transaction Reports.

For successful and timely implementation of the relevant MiFID systems, these data items will now need to be specified at the next level of detail. We believe that these specifications will need to be accurate and reliable and should be as consistent, open and non-discriminatory as possible.

Without the clear and timely specification of the data items, there is danger that the reports and records will become inconsistent and implementation projects will face time and cost over-runs and in some cases fail. We have responded to requests from the industry to support the setting of clear definitions by each competent authority of the meaning, structure and range of possible values of individual data items and message types, including the relevant open ISO data standards wherever feasible or advisable.

We also appreciate that, in order to provide continuity with current reporting regimes, there may be demands on some regulatory authorities to extend the range of data to be reported within their national jurisdiction. However, extensive “gold-plating” is likely to result in significant additional complexity and cost for regulators and reporting institutions and potential regulatory arbitrage. We would suggest that where national regulators need to extend the range of data to be reported, this is treated as a short term transitional arrangement, beyond which the reporting requirements should revert back to the core data sets defined in the L2 documentation.

ISITC Europe is willing to share the results of discussions which are the result of our ongoing dialogue and debate involving industry associations and practitioner and supplier communities as to how this can be achieved. The attached schematic shows our work in progress, illustrating the scope of the work done to date, the relevant ISO designations, and indicative core fields that need to be specified against the current data items covered in current national transaction reporting equivalents. Our intent is to build on this work in collaboration with

practitioners across the EU in order to develop a more consistent picture in readiness for the Transposition (Level 3) process due by the end of January 2007.

We are also in the process of developing an Open Issues document, which is being drafted by the Information Model sub-group of the Reference Data Subject Group and the Cross-jurisdiction Subject Group of the MiFID Joint Working Group. This Open Issues document lists outstanding MiFID Reference-data issues and will be used as reference for follow-up and resolution. We would be willing to share such a document with CESR early in the New Year if this is deemed useful and timely by CESR. A related Conceptual Model is being developed to assist in understanding and resolving these issues, and the intent is to document this model at a later date.

Our activities in this area follow and extend upon our published recommendations for the usage of reference data in the Draft Discussion Paper titled **“The Implications for Reference Data under the Markets in Financial Instrument Directive”** in December 2005 and our written response to the CESR Call for Evidence per ref: CESR 06-134. Our recommendations have been:

- ♦ The rigorous adoption of the ISO 10383 MIC (Market Identification Code) to identify Place of Listing (POL), Place of Trade (POT), and Place of Quote (POQ) for both instrument and venue identification;
- ♦ To extend the ISO 10383 MIC to cover all MTFs (Multilateral Trading Facilities) as well as RMs (Regulated Markets).
- ♦ To utilize the IBEI (International Business Entity Identifier) to identify business entities and possibly Systematic Internalisers, pending scope clarification by the European Securities Commission and review of feedback to ISO regarding ISO 16372 IBEI. As the full ISO IBEI standard is unlikely to be available in time for MiFID implementation, an interim identifier may need to be used in the short term.
- ♦ The use of appropriate instrument codes to identify the instrument, where necessary in conjunction with POL and POT/POQ;
- ♦ To encourage the use of ISO 10962 CFI (Classification of Financial Instrument) codes for the classification of instruments where there is uncertainty regarding instrument coding or precise type;

We would propose that we meet with CESR in order to discuss the opportunities for standardisation and the potential deficits in market practices that exist today in advance of any advice which CESR might publish during Q1 2007.

It is also anticipated that other Subject Groups of the MiFID Joint Working Group and its other supporting associations will also be interested in entering this dialogue. We would be happy to co-ordinate any meeting on behalf of these groups.

I look forward to your response with respect to the above issues and our opportunity to engage in further dialogue with CESR early in the New Year.

Yours sincerely

Dr Anthony W Kirby

Member of the Executive Committee, ISITC Europe
Chair, Reference Data Subject Group, MiFID Joint Working Group
anthony.kirby@accenture.com.

ISITC Europe is a working committee of securities operations professionals representing custodian banks, investment managers, brokers, and vendors. The group's mission is to foster alliances and advocate standards that promote straight through processing (STP) of securities transactions. The members of ISITC Europe actively participate in and influence industry-wide initiatives that promote direct electronic processing and information flow among all industry participants, throughout the entire trade life cycle. www.isitc.org

The Reference Data Users Group (RDUG) enables representative members of the global securities markets and suppliers to debate the issues and evolve solutions which support improved market practices, better STP, and improved operational compliance given the growing awareness of the costs risks and value associated with market reference and descriptive data. The RDUG was founded in June 2002, and now comprises over 200 investment manager, broker/dealer, custodian banking, market infrastructure, and supplier entities. The RDUG merged with ISITC Europe in March 2006. www.isitc.org

The MiFID Joint Working Group was created by four industry associations – FIX Protocol Ltd, ISITC Europe, RDUG, and FISD/SIIA (see below) on 04 April 2005. Subsequently TWIST joined the sponsoring organisations. The MiFID Joint Working Group operates as an inclusive, pan-European body of representatives from all sectors of the financial services industry. Its aim is to be a primary industry reference point for the technology-related business areas impacted by MiFID – liaising with the European Commission, CESR, national market regulators and relevant national and European bodies. The four industry associations pool their efforts and resources to develop best-practice recommendations, appropriate standards and increased industry awareness of issues such as:

- how to achieve best execution for their clients for all relevant asset classes
- how to address reference data issues relating to instruments and entities
- how to publish/report quotes, trades and transactions, especially for off-exchange trading
- how to meet the European Commission's request that the industry should agree and develop a standard protocol to help with MiFID compliance. www.mifid.com

Date: 12th January 2007
Ref: MiFID JWG RDSG/1

Dear Mr Voipio

SPECIFICATION OF REFERENCE DATA

Following my earlier letter of December 15th 2006 addressed to Mr Demarigny and also the communication from Mr Justin Chapman, Chair of ISITC-Europe on 5th January 2007, I am pleased to write to you to further clarify the joint position of several industry bodies with regard to the critically-important area of reference data specification in the context of transaction reporting.

As you know, several bodies were unfortunately unable to present their views at CESR's open hearing earlier this week in view of the relatively short notice and the location. A variety of industry groups share a goal to promote standardisation and encourage the use of non-discriminatory standards with regard to the specification of the various elements required for MiFID transaction reporting.

In particular, we are acutely aware that time is rapidly running out if firms are to make changes to their systems to accommodate the changes recommended under MiFID. The greater the number of extensions made to the number and range of the base-level 23 fields already specified and the larger the number of formats specified by individual regulators, the greater the potential for processing costs, complexity and risk. We would request consideration by CESR to facilitate joint discussions with the competent authorities in the Member States to address these issues as a matter of relative urgency. The industry would be looking for guidance and specified requirements by ideally early next month and certainly no later than the beginning of March 2007.

We would also vigorously support the use of an interim universal International Business Entity Identifier syntax under MiFID but will be taking a neutral position over who or how this will be provided and will not align ourselves behind any individual provider or solution. We would like to jointly stress our growing concern over the potential for National Numbering Associations (NNAs) to independently issue IDs using varying formats, syntax and ranges and the operational impact of this in terms of complex issuance, cross referencing and ongoing maintenance.

I look forward to your response with respect to the above issues and our opportunity to engage in further dialogue with CESR in due course.

Yours sincerely

Dr Anthony W Kirby

Member of the Executive Committee, ISITC Europe
Chair, Reference Data Subject Group, MiFID Joint Working Group

Simon Leighton-Porter

Member of FIX Global Technical Committee
Chair Standards Protocols Subject Group, MiFID Joint Working Group

cc: David Wright/Nathalie de Basaldua: European Commission, DG Markt 3

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