Online public hearing on revised rules following the MiFIR review

28 June 2024
Welcome and opening remarks
Verena Ross – ESMA Chair
Morning session 09:00-12:00

a. Introductory remarks – Rodrigo Buenaventura, Chair, Comisión Nacional del Mercado de Valores (CNMV); Chair of the Markets Standing Committee, ESMA

b. Transparency for bonds, structured finance products and emission allowances (RTS 2 review)

c. Reasonable commercial basis (new RTS)

d. Supply of reference data (RTS 23 review)
RTS 2 review
RTS 2 review
Content and legal mandate

Article 11(4): post-trade transparency 9 months
⇒ Bond deferral regime

<table>
<thead>
<tr>
<th>Details of transactions to be made available to the public</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Details and flags for post-trade transparency</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Definition of real time</th>
</tr>
</thead>
<tbody>
<tr>
<td>• What is “close to real-time as technically possible”</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liquidity calibration for bonds, SFPs and EUA</th>
</tr>
</thead>
<tbody>
<tr>
<td>• New definition of liquidity for bonds – issuance size</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Define size of transactions and time deferrals for bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td>• What constitutes medium/large/very large sizes</td>
</tr>
<tr>
<td>• Define deferral duration (price and volume)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Arrangements for deferred publication for SFP and EUA</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Quantitative and qualitative analysis, emphasis on liquidity</td>
</tr>
<tr>
<td>• “other relevant criteria” to be included</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Criteria for sovereign bonds supplementary deferral</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Supplementary deferral up to six months – NCA discretion</td>
</tr>
<tr>
<td>• Third-country sovereigns – ESMA to set supplementary deferral</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Deferral regime for bonds:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category</td>
</tr>
<tr>
<td>----------</td>
</tr>
<tr>
<td>-</td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td>2</td>
</tr>
<tr>
<td>3</td>
</tr>
<tr>
<td>4</td>
</tr>
<tr>
<td>5</td>
</tr>
</tbody>
</table>

Time deferrals to be recalibrated – gradually decrease duration of deferral
Quantitative and qualitative analyses to analyse effects of decrease.

Definition of liquidity:

(…) where the market is assessed according to the issuance size
RTS 2 review
Content and legal mandate

Article 9(5): pre-trade transparency **12 months**

- Bundle all Bonds mandates (and then all Derivatives mandates)

- **Temporary suspension of transparency requirements**
  - Parameters and methods for calculating threshold of liquidity
  - Triggers temporary suspension

- **Details to be published under pre-trade regime**
  - Range of bids and offer prices and depth of trading interests to be made public

- **Pre-trade waivers**
  - New definition of liquidity
  - Size of orders that are large in scale
  - Deletion of SSTI

- **Trading system definition**
  - Characteristics of CLOB and periodic auction

---

**Still to come 18 Month mandate**
- Deferral regime for derivatives
- Review of package RTS
- ECB exemption
RTS 2 review
Analysis – deferral regime

ESMA to specify

- Liquidity calibration – based on issuance size for bonds
- Definition of medium / large / very large sizes
- Applicable duration for each category

Key considerations

- Increase overall real-time transparency
- Provide adequate level of transparency whilst ensuring appropriate protection for large orders
- Simplify the regime: three bond types (sovereign and other public bonds; corporate, convertible and other bonds; and, covered bonds)

Data Analysis

- Based on FITRS data
- Period between 2021 and 2023
- Analysis focused on trading volume and number of trades
RTS 2 review
Analysis and Proposal - Liquidity

<table>
<thead>
<tr>
<th>Bond Type</th>
<th>Liquidity threshold</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sovereign and other public bonds</td>
<td>&gt;= EUR 1Bn</td>
</tr>
<tr>
<td>Corporate, convertible and other bonds</td>
<td>&gt;= EUR 500Mn</td>
</tr>
<tr>
<td>Covered bonds</td>
<td>&gt;= EUR 250Mn</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Bond Type</th>
<th>Count of ISIN</th>
<th>% of Volumes</th>
<th>% of trade count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corpo, Convertible and Other</td>
<td>43,033</td>
<td>8.6%</td>
<td>27.7%</td>
</tr>
<tr>
<td>Illiquid</td>
<td>42,735</td>
<td>95.3%</td>
<td>73.1%</td>
</tr>
<tr>
<td>Liquid</td>
<td>298</td>
<td>4.7%</td>
<td>26.9%</td>
</tr>
<tr>
<td>Covered Bonds</td>
<td>2,843</td>
<td>4.1%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Illiquid</td>
<td>2,831</td>
<td>94.9%</td>
<td>85.5%</td>
</tr>
<tr>
<td>Liquid</td>
<td>12</td>
<td>5.1%</td>
<td>14.5%</td>
</tr>
<tr>
<td>Sov and Public Bonds</td>
<td>10,471</td>
<td>87.4%</td>
<td>70.3%</td>
</tr>
<tr>
<td>Illiquid</td>
<td>9,626</td>
<td>17.9%</td>
<td>22.3%</td>
</tr>
<tr>
<td>Liquid</td>
<td>845</td>
<td>82.1%</td>
<td>77.7%</td>
</tr>
<tr>
<td>Grand Total</td>
<td>56,347</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Percentage of ISINs per issuance size

Percentage of volume per issuance size

4-Jul-24
### RTS 2 review
Analysis and Proposals: Sovereign Bonds

#### Deferral regime for sovereign bonds and other public bonds

<table>
<thead>
<tr>
<th>CAT</th>
<th>Size</th>
<th>Liquidity</th>
<th>Price Deferral</th>
<th>Volume Deferral</th>
</tr>
</thead>
<tbody>
<tr>
<td>-</td>
<td>Up to €5M</td>
<td>N/A</td>
<td>Real-time</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Up to €15M</td>
<td>Liquid</td>
<td>15 minutes</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Up to €15M</td>
<td>Illiquid</td>
<td>End of trading day</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Up to €50M</td>
<td>Liquid</td>
<td>End of trading day</td>
<td>One week</td>
</tr>
<tr>
<td>4</td>
<td>Up to €50M</td>
<td>Illiquid</td>
<td>End of trading day</td>
<td>Two weeks</td>
</tr>
<tr>
<td>5</td>
<td>Above €50M</td>
<td>N/A</td>
<td></td>
<td>Four weeks</td>
</tr>
</tbody>
</table>

#### Liquidity Assessment

**Sovereign Bonds and other public bonds**

- Above €1Bln

  - For sovereign bonds - Supplementary deferral up to six months

---

**Distribution of volumes in deferral buckets**

- 0 Small: 1.0%, 1 Medium: 20.5%, 2 Medium: 22.5%, 3 Large: 40.1%

---

**Distribution of trade count in deferral buckets**

- 0 Small: 91.74%, 1 Medium: 5.42%, 2 Medium: 0.13%, 3 Large: 1.78%, 4 Large: 0.06%, 5 Very Large: 0.88%
### RTS 2 review

**Analysis and Proposals: Corporate Bonds**

#### Deferral regime for corporate, convertible and other bonds

<table>
<thead>
<tr>
<th>CAT</th>
<th>Size</th>
<th>Liquidity</th>
<th>Price Deferral</th>
<th>Volume Deferral</th>
</tr>
</thead>
<tbody>
<tr>
<td>-</td>
<td>Up to €1M</td>
<td>N/A</td>
<td>Real-time</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Up to €5M</td>
<td>Liquid</td>
<td>15 minutes</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Up to €5M</td>
<td>Illiquid</td>
<td>End of trading day</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Up to €15M</td>
<td>Liquid</td>
<td>End of trading day</td>
<td>One week</td>
</tr>
<tr>
<td>4</td>
<td>Up to €15M</td>
<td>Illiquid</td>
<td>End of trading day</td>
<td>Two weeks</td>
</tr>
<tr>
<td>5</td>
<td>Above €15M</td>
<td>N/A</td>
<td></td>
<td>Four weeks</td>
</tr>
</tbody>
</table>

#### Liquidity Assessment

<table>
<thead>
<tr>
<th>Corporate, convertible and other bonds</th>
<th>Above €500Mln</th>
</tr>
</thead>
</table>

#### Distribution of volumes in deferral buckets

<table>
<thead>
<tr>
<th>0 Small</th>
<th>1 Medium Liquid</th>
<th>2 Medium Illiquid</th>
<th>3 Large Liquid</th>
<th>4 Large Illiquid</th>
<th>5 Very Large</th>
</tr>
</thead>
<tbody>
<tr>
<td>20.7%</td>
<td>28.4%</td>
<td>6.0%</td>
<td>20.3%</td>
<td>3.2%</td>
<td>21.5%</td>
</tr>
</tbody>
</table>

#### Distribution of trade count in deferral buckets

<table>
<thead>
<tr>
<th>0 Small</th>
<th>1 Medium Liquid</th>
<th>2 Medium Illiquid</th>
<th>3 Large Liquid</th>
<th>4 Large Illiquid</th>
<th>5 Very Large</th>
</tr>
</thead>
<tbody>
<tr>
<td>88.9%</td>
<td>7.5%</td>
<td>1.6%</td>
<td>1.5%</td>
<td>0.2%</td>
<td>0.3%</td>
</tr>
</tbody>
</table>
# RTS 2 review

## Analysis and Proposals: Covered Bonds

### Deferral regime for covered bonds

<table>
<thead>
<tr>
<th>CAT</th>
<th>Size</th>
<th>Liquidity</th>
<th>Price Deferral</th>
<th>Volume Deferral</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>Up to €5M</td>
<td>N/A</td>
<td>Real-time</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Up to €15M</td>
<td>Liquid</td>
<td>15 minutes</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Up to €15M</td>
<td>Illiquid</td>
<td>End of trading day</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Up to €50M</td>
<td>Liquid</td>
<td>End of trading day</td>
<td>One week</td>
</tr>
<tr>
<td>4</td>
<td>Up to €50M</td>
<td>Illiquid</td>
<td>End of trading day</td>
<td>Two weeks</td>
</tr>
<tr>
<td>5</td>
<td>Above €50M</td>
<td>N/A</td>
<td></td>
<td>Four weeks</td>
</tr>
</tbody>
</table>

### Liquidity Assessment

- Covered bonds: Above €250Mln

---

**Distribution of volumes in deferral buckets**

<table>
<thead>
<tr>
<th>Bucket</th>
<th>0 Small</th>
<th>1 Medium</th>
<th>2 Medium</th>
<th>3 Large</th>
<th>4 Large</th>
<th>5 Very Large</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>12.9%</td>
<td>17.1%</td>
<td>32.0%</td>
<td>36.7%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Distribution of trade count in deferral buckets**

<table>
<thead>
<tr>
<th>Bucket</th>
<th>0 Small</th>
<th>1 Medium</th>
<th>2 Medium</th>
<th>3 Large</th>
<th>4 Large</th>
<th>5 Very Large</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>88.57%</td>
<td>6.24%</td>
<td>0.29%</td>
<td>3.75%</td>
<td>0.08%</td>
<td>1.07%</td>
</tr>
</tbody>
</table>
## RTS 2 review
### Analysis and Proposals: Pre-trade Thresholds

<table>
<thead>
<tr>
<th>Pre-trade transparency</th>
<th>Reduced scope – only applies to CLOB and periodic auction</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Move to static thresholds – no more annual calculations</td>
</tr>
<tr>
<td></td>
<td>Simplify – align bond type split</td>
</tr>
<tr>
<td></td>
<td>Pre-trade not applicable to SIs</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Asset class</th>
<th>Bond Type</th>
<th>LIS pre-trade (pre-MiFIR review based on the 2023 calculations)</th>
<th>LIS pre-trade (post-MiFIR review)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds</td>
<td>Sovereign Bond</td>
<td>4,000,000</td>
<td>5,000,000</td>
</tr>
<tr>
<td>Bonds</td>
<td>Other Public Bond</td>
<td>4,500,000</td>
<td></td>
</tr>
<tr>
<td>Bonds</td>
<td>Convertible Bond</td>
<td>1,500,000</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Bonds</td>
<td>Corporate Bond</td>
<td>1,500,000</td>
<td></td>
</tr>
<tr>
<td>Bonds</td>
<td>Other Bonds</td>
<td>1,500,000</td>
<td></td>
</tr>
<tr>
<td>Bonds</td>
<td>Covered Bond</td>
<td>2,500,000</td>
<td>5,000,000</td>
</tr>
</tbody>
</table>
## RTS 2 review
### Analysis and Proposals: other instruments

### ETC and ETN

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Pre-trade LIS threshold</th>
<th>Post-trade Size threshold</th>
<th>Maximum price and volume deferral</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exchange Traded Commodities (ETCs)</td>
<td>EUR 1 000 000</td>
<td>EUR 50 000 000</td>
<td>End of T+2</td>
</tr>
<tr>
<td>Exchange Traded Notes (ETNs)</td>
<td>EUR 1 000 000</td>
<td>EUR 50 000 000</td>
<td>End of T+2</td>
</tr>
</tbody>
</table>

### Emission allowances

<table>
<thead>
<tr>
<th>Sub-asset class</th>
<th>Pre-trade LIS threshold</th>
<th>Post-trade size threshold</th>
<th>Maximum price and volume deferral</th>
</tr>
</thead>
<tbody>
<tr>
<td>European Union Allowances (EUA)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All EU Allowances are considered to have a liquid market</td>
<td>5 lots</td>
<td>25 lots</td>
<td>End of T + 2</td>
</tr>
<tr>
<td>Any other emission allowances</td>
<td>Any size</td>
<td>Any size</td>
<td>End of T + 2</td>
</tr>
<tr>
<td>All other emission allowances are considered not to have a liquid market</td>
<td>Any size</td>
<td>Any size</td>
<td>End of T + 2</td>
</tr>
</tbody>
</table>

### Structured Finance Products (SFPs)

<table>
<thead>
<tr>
<th>Pre-trade LIS threshold</th>
<th>Post-trade size threshold</th>
<th>Maximum price and volume deferral</th>
</tr>
</thead>
<tbody>
<tr>
<td>EUR 250 000</td>
<td>EUR 1 000 000</td>
<td>End of T + 2</td>
</tr>
</tbody>
</table>
RTS 2 review
Questions

• For the purposes of the data analysis, should we look at other metrics?
• What are your views on the overall thresholds set for the bond deferral regime?
Coffee break
RTS on RCB
RTS on RCB
Context and legal mandate

New mandate

Long standing subject, strong opinions

Levelling up of Guidelines on Market Data

ESMA has no competition mandate
RTS on RCB
Analysis

- Complex structures
- Opaque
- Value based – cost based
Cost transparency

Reasonable margin

Categorisation
RTS on RCB

Questions

- Transparency
- Reasonable
- Monitoring
RTS 23 review
RTS 23 review
Context and legal mandate

Mandate to develop RTS specifying:

- data standards and formats for the financial instrument reference data
- methods and arrangements for supplying the data and transmitting it to competent authorities
- the form and content of such data
- the technical measures necessary for the effective receipt and exchange of data as well as data quality
- the date by which reference data are to be reported.

NEW
Reference data under Art. 27 to be collected for both transaction reporting and transparency purposes

NEW
ESMA shall consider international standards and consistency with EMIR and SFTR

NEW
Adapting reference data for transparency requirements

- Gap analysis for bonds, equity and derivatives
  → Inclusion of certain fields into RTS 23 + amendments to the existing ones
  → Proposal for derivatives may be further calibrated based on the ongoing work on transparency requirements

New OTC derivatives identifier

- OTC derivatives identifying reference data to be specified in the EC DAs
- CP provides a high-level approach on incorporating the outcomes of EC work into the RTS 23.
  → No expiry date for IRS; the identifying reference data to be included

Draft DA on the OTC derivatives identifying reference data for transparency purposes was published by the EC on 12 June for consultation by 10 July
Date by which reference data are to be reported

- Delayed date of application, aligned with other interdependent requirements
  → No need identified for a ‘date by which reference data are to be reported’ distinct from the date of application.

Alignment with EMIR, SFTR and international standards

- Relevant international standards already in use
- Field-by-field analysis to identify areas for alignment with EMIR/SFTR
  → Number of edits, incl. reporting of floating rates and indices, alignment of definitions and formats
CSDR publications

- CSDR instruments subset of FIRDS scope
  → Integrating CSDR information into FIRDS, adding a flag, potentially an indication of the relevant MIC

Other enhancements

- Based on the over 6-year experience with the current data
  → Fields to be added / modified / removed

Format for reporting

- Study on data formats in the context of the work on CTP
  → Consideration of a possibility to switch from XML to JSON
Reporting by DPEs

- DPE register and “classes of financial instrument” → question on practical implementation challenges
- Reporting by DPEs → clarification on a scenario when two DPEs involved; adjustments to reporting (DPE identifier, applicability of certain fields)

Scope of reference data to be reported

- Additional instruments: ‘pure OTC’ derivatives which are referred to under Art. 8a(2).
- The categories of derivatives in question already reportable → in principle no further specific data elements need to be added (subject to changes stemming from the EC DAs).
Questions

- Do you need any further clarification on the analysis or questions included in the CP?
Lunch break
Afternoon session 13:00-16:30

a. Introductory remarks – Armi Taipale, Head of Department, Finanssivalvonta (FIN-FSA); Chair of the Data Standing Committee, ESMA

b. Input/output data, reporting instructions and data quality (new RTS)

c. Revenue redistribution for the equity CT (new RTS)

d. Clock synchronisation (RTS 25 review)

e. Authorisation and organisational requirements for DRSPs (new RTS and review of RTS 13 and ITS)

f. Initial reflections on the assessment of prospective CT providers
RTS on CT input/output data
The new RTS should ensure consistency with other MiFIR transparency requirements (RTS 1 & 2).

ESMA shall take into account the advice of the expert stakeholder group established by the EC.
RTS on CT input/output data
Context and legal mandate

3 different deadlines

- RTS 2 Review (Bonds) – 9 months
- RTS 1 Review (Equity) – 12 months
- RTS 2 Review (Derivatives) – 18 months

Staggered approach to ensure consistency with RTS 1 & 2 review

- RTS CTP input/output data – 9 months (only Equity CTP* and Bonds CTP)
- Amend RTS CTP input/output data – 18 months (complementing with Derivatives CTP)

* Consistency with RTS1 review is ensured by incorporating in the FR of CTP input/output data (Q4 2024) feedback gathered through the CP on RTS1 Review (Q3 2024)
**Objectives of the new RTS under art 22b:**
- Introducing harmonised reporting instructions for data contributors
- Ensuring data usability for different types of users
- Defining proper data quality measures on input and output data
RTS on CT input/output data
Proposals

Introducing harmonised reporting instructions

Min. requirements for transmission protocols

Performance & Security

Reliability & Compatibility

Single set of requirements across asset classes

Subjects to consult

• Trade-off baseline vs alternative proposals
• Coherence with other CTP requirements
• Single format across asset classes?

Standards and format of input data

JSON (Baseline option)

FAST/SBE (Alternative option)

Real-time transmission requirement of input data

Post-trade: <100 ms after execution (TV transactions)
<200 ms after execution (OTC transactions)

Pre-trade: <50ms after order submission
The CTP shall receive, consolidate and disseminate the following **two datasets:**

- **Core market data**
  - Input data: Same as RTS 2 fields
  - Output data: Input data + Dissemination timestamp

- **Regulatory data**
  - Input data = Output data
  - Status of individual instrument:
    - ISIN x MIC:
      - Suspended
      - Removed
      - Trading halt
  - Status of system matching order:
    - MIC:
      - Subject to outage
      - Normal trading
RTS on CT input/output data

Proposals

Ensuring data usability for different types of users

Presentation of output data

- Publication in Graphical User Interface (GUI)
- Publication in Comma Separated Values (CSV)
- Publication in same format of input data

To ensure human-readability

To ensure machine-readability (with different degrees of complexity)
The CTP shall have in place the following arrangements to ensure quality of received and disseminated data:

**Input data**

- **Data quality checks**
  Completeness, format, timeliness and outliers identification;

- **Cooperation with data contributors**
 Confirming data flows, flagging DQ issues, requesting resubmission

- **Enforcement standards**
  Clear policies to trigger suspension of revenue distribution and notification to CAs

**Output data**

- **Periodic data reconciliation**
  Cross-checking received data vs published data

- **Continuous IT systems monitoring**
  Proactive identification of technical issues in the publication process

- **Feedback from users**
  Open communication channel with subscribers
• Do you consider that ESMA’s proposals are clear and suitable for achieving the objectives of harmonised reporting instructions, CT data quality and data usability?
RTS on revenue redistribution
RTS on revenue redistribution
Context and legal mandate

• Article 27h(5) of MiFIR: part of the revenues generated by the CTP shall be redistributed to data contributors that meet at least one of the 3 criteria

• Twofold mandate Article 27h(8)(a), (b) and (c) of MiFIR:

Method and weights for calculating amount of the revenue to be redistributed

Criteria to suspend and resume the revenue distribution scheme

* Shares or ETFs admitted to trading five years before the date of entry into force of the amending Regulation, or thereafter
RTS on revenue redistribution
Analysis and Proposals

Over year t
(1 January - 31 December)

by 15th January year t+1

by 31st January year t+1

The CTP to define the percentages for each data contributor by assessing each criterion + start applying the percentages by 1st February year t+1

ESMA to publish the list of data contributors

The CTP distribute revenue over year t+1

data contributor 1
data contributor 2
data contributor 3
...
data contributor N

send volume data
send volume and reference
## RTS on revenue redistribution

### Analysis and Proposals

#### Scenarios

<table>
<thead>
<tr>
<th>Revenue Distribution</th>
<th>Trading Venue</th>
<th>Young Instruments</th>
<th>Pre-Trade Transparent Trading Venue</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Scenario A</strong></td>
<td>6.5 (65%)</td>
<td>2.0 (20%)</td>
<td>1.5 (15%)</td>
</tr>
<tr>
<td><strong>Scenario B</strong></td>
<td>5.5 (55%)</td>
<td>3.0 (30%)</td>
<td>1.5 (15%)</td>
</tr>
<tr>
<td><strong>Scenario C</strong></td>
<td>6.0 (60%)</td>
<td>2.5 (25%)</td>
<td>1.5 (15%)</td>
</tr>
<tr>
<td><strong>Scenario D</strong></td>
<td>5.0 (50%)</td>
<td>3.5 (35%)</td>
<td>1.5 (15%)</td>
</tr>
<tr>
<td><strong>Scenario E</strong></td>
<td>4.5 (45%)</td>
<td>4.0 (40%)</td>
<td>1.5 (15%)</td>
</tr>
</tbody>
</table>

#### Total Annual Trading Volume

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Total Annual Trading Volume Traded</th>
<th>Total Annual Trading Volume in Young Instruments</th>
<th>Pre-trade Transparent Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>TV A SME</td>
<td>€ 800,000</td>
<td>NA</td>
<td>€ 800,000</td>
</tr>
<tr>
<td>TV B SME</td>
<td>€ 800,000</td>
<td>NA</td>
<td>€ 800,000</td>
</tr>
<tr>
<td>TV C</td>
<td>€ 1,600,000,000</td>
<td>€ -</td>
<td>€ -</td>
</tr>
<tr>
<td>TV D</td>
<td>€ 2,000,000</td>
<td>€ -</td>
<td>€ 100,000</td>
</tr>
<tr>
<td>TV E</td>
<td>€ 1,600,000,000</td>
<td>€ -</td>
<td>€ 320,000,000</td>
</tr>
</tbody>
</table>

---

ESMA European Securities and Markets Authority

4-Jul-24
## RTS on revenue redistribution

### Analysis and Proposals

<table>
<thead>
<tr>
<th>ESMA criteria</th>
<th>CTP assessment</th>
<th>CTP decision to suspend or not</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>#1 Timeless</strong></td>
<td>when, for three consecutive days, a data contributor has failed to submit transactions or has submitted later than as close to real time as technically possible, as defined in the RTS mandated by Article 22b of MiFIR, more than 3 transactions and those reports account for at least a number of transactions that in percentage is not lower than the 10% of the total number of transactions submitted in a single day</td>
<td></td>
</tr>
<tr>
<td><strong>#2 Quality, format and substance of data</strong></td>
<td>when, for three consecutive days, a data contributor has submitted more than 3 incomplete reports or 3 reports containing potentially erroneous data, and those reports account for at least a number of transactions that in percentage is not lower than the 10% of the total number of transactions submitted in a single day</td>
<td></td>
</tr>
<tr>
<td><strong>#3 Exceptional circumstances</strong></td>
<td>all conditions that are out of the ordinary, unavoidable or unexpected, and that cause what would have been otherwise identified as a serious and repeated breach of the data requirements referred to in Articles 22a, 22b and 22c of MiFIR by data contributors</td>
<td></td>
</tr>
<tr>
<td><strong>#4 Quality of transmission protocol</strong></td>
<td>the data contributor does no longer meet the minimum standards of the transmission protocol as defined in the RTS</td>
<td></td>
</tr>
<tr>
<td><strong>#5 Clock synchronisation</strong></td>
<td>the data contributor does no longer synchronise the business clock in line with the accuracy required by the RTS</td>
<td></td>
</tr>
</tbody>
</table>
RTS on revenue redistribution
Analysis and Proposals

CPT has proof that the data contributor "A" has seriously and repeatedly breached data requirements

- the data contributor "A" is suspended

2 days later
- the data contributor "A" is informed of the suspension, its duration and the data requirements deemed in breach
- The Competent Authority of the data contributor is informed of the suspension and its duration, pursuant to Article 22a(8) of MiFIR

1 week later
- data contributor "A" provides evidence of no breach
- CTP to abstain from redistributing revenues for the corresponding suspension days to data contributor "A" at the next redistribution window
- revenues are redistributed to the other data contributors at the next redistribution window

YES
- CTP re-assess its decision and inform data contributor "A" and its competent authority

1 week later
- CTP changes its assessment

YES
- CTP to redistribute the retained revenue with interest to data contributor "A" at the next redistribution window

following redistribution window
- revenues are redistributed to the other data contributors at the next redistribution window
RTS on revenue redistribution

Questions

• Would you consider ESMA’s proposals appropriate to contribute to the success of the CTP as envisaged in Level 1 with the introduction of the revenue distribution scheme?

• Which issues do you foresee in ESMA’s proposals? Which issues do you think were overlooked?
RTS 25 review
RTS 25 review
Context and legal mandate

Art. 50 MiFID [Deleted]

- Requirements to synchronise business clocks for trading venues and their participants
- ESMA was empowered to draft RTS to specify level of accuracy → RTS 25

Art. 22c MiFIR [New]

- Same requirements of old art. 50 MiFID, but scope extended to SIs, DPEs, APAs and CTPs.
- RTS 25 obsolete → New RTS on clock synchronisation
RTS 25 review
Analysis

RTS 25 – General approach

• **Reference time:** UTC

• **Methods of synchronisation:** timing centre or satellite system

• **Level of accuracy** measured as
  - max divergence from UTC
  - timestamp granularity

• **Different levels of accuracy** based on type of entity (TV operators vs TV participants) and type of activity (e.g. high accuracy for HFT)

New RTS on clock synchronisation

• Adapt RTS 25 requirements to CTPs, APAs, SIs, DPEs

• Explore potential revision of existing requirements for TVs
**RTS 25 review Proposals**

**Reference time**
- Confirmed reference to UTC

**Synchronisation methods**
- Confirmed timing centres and satellite systems

**Level of accuracy for operators of TV**
- Confirmed level of accuracy for latency > 1 millisecond
- Proposed to increase granularity to 0.1 microseconds for latency < 1 millisecond

<table>
<thead>
<tr>
<th>Gateway-to-gateway latency time of the trading system</th>
<th>Max divergence from UTC</th>
<th>Timestamp granularity</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; 1 millisecond</td>
<td>1 millisecond</td>
<td>1 millisecond or better</td>
</tr>
</tbody>
</table>
| ≤ 1 millisecond                                      | 100 microseconds       | **Option 1:** 1 microsecond or better (RTS 25 approach)  
**Option 2:** 0.1 microsecond or better (new approach) |
RTS 25 review
Proposals

Level of accuracy for members, participants or users of TV
- Confirmed accuracy levels of RTS 25
- Granularity of HFT activities to be aligned with the one of TV operators if increased to 0.1 microseconds

NEW
Level of accuracy for new entities in scope
- APAs/CTPs same requirements of ex-RTS 13
- SIs to be fully aligned with TV operators
- DPEs (without status of SI) less complex requirements than SIs

Traceability
- Confirmed RTS 25 approach
- All entities in scope shall establish a system of traceability to UTC and perform annual review of its compliance

<table>
<thead>
<tr>
<th>Entity</th>
<th>Max divergence from UTC</th>
<th>Min timestamp granularity</th>
</tr>
</thead>
<tbody>
<tr>
<td>CTP/APA</td>
<td>1 millisecond</td>
<td>1 millisecond</td>
</tr>
<tr>
<td>SI</td>
<td>100 microseconds</td>
<td>1 microsecond / 0.1 microseconds</td>
</tr>
<tr>
<td>SI if latency &lt; 1 millisecond)</td>
<td>1 millisecond</td>
<td>1 microsecond / 0.1 microseconds</td>
</tr>
<tr>
<td>SI if latency &gt; 1 millisecond)</td>
<td>1 millisecond</td>
<td>1 millisecond</td>
</tr>
<tr>
<td>DPE</td>
<td>1 millisecond</td>
<td>1 millisecond</td>
</tr>
</tbody>
</table>
• Do you need any further clarification on the proposed approach for the clock synchronisation requirements?
Coffee break
RTS 13
RTS 13 - Context and legal mandate

Now

RTS 13 sets out authorisation, organisational and publication of transactions requirements for all DRSPs (APA, ARM and CTP)

MiFIR Review

distinct L2 provisions for APAs/ARMs and CTPs

- For APAs/ARMs: need to amend RTS 13 + new ITS on the procedure for authorisation
- For CTPs: new RTS on authorisation and new ITS on the procedure for authorisation
Current RTS 13 on DRSPs
Chapter I: Authorisation
Chapter II: Organisational Requirements
Chapter III: Publication arrangements

Amended RTS 13 covering only APAs/ARMs
Chapter I: Authorisation
Chapter II: Organisational Requirements
Chapter III: Publication arrangements

New RTS on CTP authorisation
Chapter I: Authorisation
Chapter II: Organisational Requirements
Chapter III: Publication arrangements
# RTS 13 - Proposals

<table>
<thead>
<tr>
<th><strong>APAs/ARMs</strong></th>
<th><strong>CTPs authorisation (only)</strong></th>
</tr>
</thead>
</table>
| • Authorisation/Organisational requirements:  
  • No reference to CTPs  
  • Impact of DORA on Articles 7, 8 and 9  
• Publication arrangements:  
  To be moved in other RTSs | • Selection criteria and authorisation criteria shall always be met  
• New authorisation criteria:  
  • (i) organisation,  
  • (ii) ownership,  
  • (iii) governance,  
  • (iv) management body  
  • (v) internal controls  
  • (vi) business operativity  
• Impact of DORA |
RTS 13 - Questions

• Q43: Do you agree with the approach proposed by ESMA?

• Q44: Do you agree to include new authorisation provisions on ownership structure and internal controls for APAs and ARMs?

• Q45: Do you have any further comments or suggestions on the draft RTS? Please elaborate your answer.

• Q46: Do you agree with the approach proposed by ESMA?

• Q47: Do you foresee specific conflict of interests that may arise between (i) CTP and data contributors and (ii) CTP and clients and users?

• Q48: What other elements, if any, should be included in the RTS on authorisation of CTPs?

• Q49: Do you have any further comments or suggestions on the draft RTS? Please elaborate your answer.
CTP assessment criteria
CTP assessment criteria
Context and legal mandate

Exclusion criteria

Financial Regulation
To check if tenderers are allowed to participate in the procedure or to be awarded the contract (yes/no).

Selection criteria

Article 27da(2) MiFIR
To check that tenderers have the necessary capacity to implement the contract (yes/no).

Award criteria
To evaluate the technical and financial offer received from tenderers (rated on a scale).
CTP assessment criteria
Analysis and proposals

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Considerations</th>
</tr>
</thead>
<tbody>
<tr>
<td>b) Organisational requirements</td>
<td>Intended compliance with MiFIR art. 27db and RTS</td>
</tr>
<tr>
<td>d) Governance structure</td>
<td>Involvement of data contributors and users</td>
</tr>
<tr>
<td>n) Necessity of joint application</td>
<td>Added value of joint application, management of conflicts of interest</td>
</tr>
<tr>
<td>g) Expenditure and costs</td>
<td>On-going and initial expenditure costs, maintaining the quality of services for 5 years</td>
</tr>
<tr>
<td>h) Fees and reasonable commercial basis</td>
<td>Simplicity (tiers, types, licensing models) and intended compliance with MiFIR art. 13 and RTS</td>
</tr>
<tr>
<td>i) Revenue redistribution for bonds</td>
<td>Only assessing the existence of a scheme, recognising the role of smaller trading venues</td>
</tr>
<tr>
<td>c) Ability to process data</td>
<td>Advance technologies for data reception, consolidation and dissemination</td>
</tr>
<tr>
<td>e) Dissemination speed</td>
<td>Calibration depending on the asset class, balancing with data quality</td>
</tr>
</tbody>
</table>
# CTP assessment criteria

## Analysis and proposals

<table>
<thead>
<tr>
<th>Selection</th>
<th>Award</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Considerations</th>
</tr>
</thead>
<tbody>
<tr>
<td>f) Data quality</td>
<td>Intended compliance with MiFIR art. 22b and RTS, rewarding elaboration and additional measures</td>
</tr>
<tr>
<td>j) Modern interface and connectivity</td>
<td>Focus on reliability, scalability, low latency and security</td>
</tr>
<tr>
<td>k) Record keeping</td>
<td>Intended compliance with MiFIR art. 27ha(3)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Considerations</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Resilience</td>
<td>Intended compliance with DORA requirements</td>
</tr>
<tr>
<td>I) Business continuity and cyber risk</td>
<td>Qualitative scoring on DORA requirements and additional commitments and measures</td>
</tr>
<tr>
<td>m) Energy consumption</td>
<td>Expected Power Usage Effectiveness for 5 years</td>
</tr>
</tbody>
</table>
CTP assessment criteria
Questions

• How would you ensure the involvement of all relevant stakeholders in the CTP governance?
• What are your expectations on the simplicity of the fee models?
• How would you draw the balance between dissemination speed and data quality?
Closing remarks