

**Mr Roberto Gualtieri, MEP
Chair of the Committee on Economic
and Monetary Affairs (ECON)
European Parliament
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**Professor Scicluna
Minister of Finance of Malta and
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**Valdis Dombrovskis
Vice-President for the Euro and Social
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European Commission
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**Ref: Update on the implementation of ESMA's IT projects regarding MiFID II /
MiFIR**

Dear Mr Scicluna, dear Mr Gualtieri, dear Vice-President Dombrovskis,

As you know, in a letter addressed to the European Commission on 2 October 2015, ESMA highlighted the difficulties that regulators, at EU and national level, and market participants were facing in developing the necessary IT infrastructure and having it in place by the original MiFID II / MIFIR application start date of January 2017. The subsequent approval of a one year delay for the implementation of MiFID II / MIFIR has provided ESMA, national competent authorities (NCAs) and market participants with sufficient time in which to develop the necessary systems.

We are now six months ahead of MiFID II / MiFIR coming into force and we are pleased to inform you that the related ESMA IT projects are developing according to the planned time schedules, and in line with 3 January 2018 start date.

In this context, we would like to provide you with an update on the implementation of some IT projects that are being executed by ESMA and which are key for the smooth implementation of the MiFID II / MiFIR framework. This includes, in particular, setting up IT infrastructures to allow (i) the reception and publication of reference data, (ii) the computation and publication of the various liquidity assessments and thresholds to be used for the new transparency and tick size regimes, (iii) the implementation of the double volume cap mechanism (DVCM), (iv) the coordination of suspensions through the Suspensions and Restoration Information System (SARIS) and (v) the changes to the transactions reporting exchange mechanism (TREM).

The projects listed above, with the exception of DVCM and TREM which are funded by ESMA's regular budget, have been funded directly by competent authorities who opted for delegating certain tasks to ESMA to benefit from a single central development in a harmonised manner. For this purpose, ESMA entered into formal delegation agreements with NCAs, under Article 28(1) of the ESMA Regulation, to directly fund the aforementioned projects until completion. Under these delegated projects, ESMA coordinates the development of the systems necessary for the performance of the delegated tasks enabling a streamlined exchange of information using common formats leading to harmonised outcomes. The number of interfaces and IT systems needed across the EU to support the requirements set by the relevant regulations has been optimised, thereby reducing the expenditure of NCAs, and ensuring full harmonisation of the systems. This will facilitate firms operating on a cross-border basis.

Let me outline the developments under each of the projects:

- (i) The collection and publication of reference data is one of the cornerstones of the MiFID II / MiFIR data system. ESMA is centralising the collection of reference data directly from trading venues or from NCAs, depending on the level of delegation decided on by each NCA. The IT system required is being implemented according to the projected timelines. The development phase is complete and we are currently in the last phase of testing with NCAs and trading venues. The scheduled go-live date is set for 17 July 2017 subject to the approval of the relevant ESMA/NCA governance group. ESMA would like to emphasise the time constraints involved in the construction of a system to collect and process reference data and, to this end, our go-live date six months in advance of the legal deadline. This timeline aims to provide trading venues sufficient implementation time and ensure a smooth transition from the MiFID I reporting regime. It should be noted that the reference data system ESMA is building will also support the submission of reference data under Article 4 of the Market Abuse Regulation.
- (ii) The transparency IT system, necessary to collect, store, and process the data necessary to perform the relevant calculations, will be delivered in two phases. The first phase, where testing began in May 2017, concerns the collection of transparency data required to

perform calculations such as the liquidity assessment, Large-In-Scale (LIS) thresholds, Standard Market Size (SMS) thresholds or Size Specific to an Instrument (SSTI) thresholds. The target go-live for starting collection of transparency data is September 2017. The second phase of the delivery of the IT system for transparency concerns the performance of the transparency calculations. The development phase is underway and final testing should commence in September 2017 with go-live set for 3 January 2018.

It is also to be noted that ESMA accepted, following requests received from market participants, to expand the project scope to ensure the systems can compute and publish information regarding the total number of transactions and total turnover executed in the EU for a specific instrument or class of financial instruments. This information is crucial to allow European investment firms to determine whether they are systematic internalisers in specific financial instruments. While the publication of such information does not fall under the remit of competent authorities and ESMA according to level 1 and level 2 provisions, it has been decided to include the publication of this information on a voluntary basis. This feature is planned to be tested and delivered during the first half of 2018, with the aim to publish for the first time the necessary EU-wide data by 1 August 2018.

- (iii) With respect to the Double Volume Cap Mechanism (DVCM), the IT project is being developed according to the timeline. The development phase will be finalised by the end of June 2017 and the testing phase (by NCAs and trading venues) will be held during the summer with the aim of rolling out the system in September 2017. In ESMA's view, the main challenge is that some of the stakeholders may not be ready when MiFIR enters into application (the first report from trading venues being expected on the first date of application of MiFID II / MiFIR). In order to mitigate this risk, ESMA plans to have the system ready in the autumn of 2017 to give market participants sufficient time to prepare and send any queries they may have to ESMA before 3 January 2018.
- (iv) The IT system for the Suspensions and Restoration Information System (SARIS) is currently under development and proceeding in line with projected timelines. The system will support suspensions communication amongst NCAs in addition to providing the platform for the publication process required. Testing will begin in September 2017 with the go-live date set for 3 January 2018. Whilst the other projects mentioned involve trading venues from across the EU, SARIS is a communications tool built solely for NCAs. Therefore, it is imperative that ESMA maintains open lines of communication with all NCAs to ensure the successful delivery of this IT project.
- (v) Development of the Transactions Reporting Exchange Mechanism (TREM) system is advanced and on schedule with the testing phase with all NCAs planned for September. This system permits for efficient and effective exchange of financial instrument transaction data between NCAs for the purpose of market abuse surveillance. It is essential in order to facilitate NCAs activities related to monitoring investment firms to ensure that they act honestly, fairly and professionally and in a manner which promotes integrity of the market.



ESMA is receiving more and more queries for clarification regarding specific and concrete implementation issues and we are doing our best to answer all requests in an expeditious and transparent manner. In order to help market participants prepare for the application start date of MiFID II / MiFIR and related IT systems, ESMA devised and implemented a communication plan with the aim to hold at least six workshops, with trading venues from all over the EU, during the implementation process. To date, ESMA organised four workshops with the remaining two to be set for Q3/Q4 2017. The workshops have proven to be a very useful tool to ensure efficient communication between ESMA and the future users of those systems (trading venues and NCAs) and to address issues encountered by those users when implementing the provisions relating to the provision of data to ESMA.

In parallel, ESMA, via its IT Management and Governance Group and its Secondary Markets Standing Committee, coordinates and monitors the work executed by NCAs and their communication to their stakeholders on these projects. These groups meet at least every two months and allow follow up of the work of all NCAs, alignment of requirements, interoperability of systems and alignment of plans to ensure readiness as of 3 January 2018 of all actors involved in these projects.

Given the above-mentioned funding mechanisms of these IT projects (ESMA budget or full NCA funding via delegation), it is crucial that ESMA ensures a very rigorous budget management of those projects. Currently, all projects listed above are not only implemented on schedule but also on budget.

ESMA stands ready to provide to you any further information and clarification on the IT projects discussed above and that are a central piece of the implementation of MIFID II / MIFIR.

Yours sincerely,

A handwritten signature in blue ink, consisting of a large, stylized 'S' followed by a series of loops and a horizontal stroke at the end.

Steven Maijoor