

Finalised guidance

Transaction reporting of strategy trades

May 2012



- 1.1 This guidance applies to exchange traded strategy trades whereby two or more legs that are dependent on each other are executed simultaneously. This guidance applies to transaction reports submitted to the FSA. Other competent authorities may have different requirements. This guidance will be effective from 15th August 2012.
- 1.2 All transactions that include the combined execution of multiple legs should be reported with each reportable leg as an individual transaction to the FSA.
- 1.3 The individual legs of the strategy trades should be reported with the correctly populated venue identification field for that individual leg. This may be a different venue from where the strategy trade order was placed. For example, a firm may enter into a strategy trade on a derivatives exchange, whereby the cash equity leg is executed on a cash equity exchange (see example 1).
- 1.4 One exception to this approach is for strategy trades involving derivative and cash equity legs entered into on the Alternative Instrument Identifier (Aii) exchanges¹ where both legs are executed on the same Aii exchange. The FSA will not accept ISIN-based cash equity transactions from Aii exchanges. In this instance firms should report the ISIN cash equity leg with the venue 'XOFF' (see example 2).
- 1.5 Firms who rely on the NYSE Liffe (London market) feed to the FSA to report their transactions should note that they will need to report any ISIN-based legs to the FSA separately as the feed only includes Aii transactions.

¹ The list of designated Aii exchanges is available on the ESMA website:
http://mifidatabase.esma.europa.eu/Index.aspx?sectionlinks_id=23&language=0&pageName=REGULATED_MARKETS_Display

Example 1

1.6 A strategy trade entered into on NYSE Liffe (Amsterdam market), an Aii exchange, that combines a transaction in an equity option and a transaction in the underlying cash equity. For example a strategy trade that includes an ING Groep N.V. equity option transaction executed on the Aii exchange and a ING Groep N.V. cash equities transaction executed on NYSE Euronext Amsterdam, an ISIN exchange. The strategy trade is therefore executed on two separate exchanges:

- NYSE Liffe (Amsterdam market) is an Aii exchange; and
- NYSE Euronext Amsterdam is an ISIN exchange.

The two legs should therefore be reported as follows²

1. The ING Groep N.V. equity option leg is reported using:
 - instrument code: NYSE Liffe (Amsterdam market) Exchange Product Code for the relevant ING Groep N.V. option; and
 - venue: 'XEUE'.
2. The ING Groep N.V. cash equity leg is reported using:
 - instrument code: ISIN for the ING Groep N.V. cash equity; and
 - venue: 'XAMS'.

Example 2

1.7 A strategy trade on NYSE Liffe (London market) that combines a transaction in an equity option on BP plc and a transaction in BP plc cash equities. NYSE Liffe (London market) is an Aii exchange, but the BP cash equity is an ISIN-based instrument. The two legs should therefore be reported as follows³:

1. The BP plc equity option leg is reported using:
 - instrument code: NYSE Liffe (London market) Exchange Product Code for the relevant BP plc option; and
 - venue: 'XLIF'.

² All other relevant fields will need to be reported in accordance with the guidance set out in the Transaction Reporting User Pack (TRUP).

³ All other relevant fields will need to be reported in accordance with the guidance set out in the Transaction Reporting User Pack (TRUP).

2. The BP plc cash equity leg is reported using:
 - instrument code: ISIN for the BP plc cash equity; and
 - venue: 'XOFF'.