

Market Watch

Newsletter on market conduct and transaction reporting issues

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Contents

MIFID II Legal Entity Identifier (LEI)	P1
What firms must do	P1
What clients must do	P2
How to get an LEI	P2
MIFID II and market data obligations	P2
MDP Entity Portal – Data Extracts Facility	P3
Outsourcing market data	P3
Transaction reporting	P3
Instrument Reference Data, Transparency Calculation Data, Double Volume Cap Data	P4
Commodity Derivatives Position Reports (CDPR)	P4
Systematic Internalisers (SIs) and the instrument reference data obligation	P4

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You can also find issues on our website at: www.fca.org.uk/firms/markets/market-abuse

MIFID II Legal Entity Identifier (LEI)

From 3 January 2018, all firms subject to MiFID II transaction reporting obligations must have a Legal Entity Identifier (LEI) and all eligible clients of these firms must have an LEI.

An LEI is a unique identifier for persons that are legal entities or structures including companies, charities and trusts. The obligation for legal entities or structures to have an LEI was endorsed by the G20 (the leaders of the 20 largest economies). Further information on LEIs, including answers to frequently asked questions, can be found on the [Legal Entity Identifier Regulatory Oversight Committee \(LEI ROC\)](#) and [Global Legal Entity Identifier Foundation \(GLEIF\)](#) [external link] websites.

What firms must do

If you are subject to transaction reporting obligations, you must make sure that you have an LEI and keep it updated. You must also ensure your eligible clients have an LEI before making transactions on their behalf.

To renew your firm's LEI you must provide the Local Operating Unit (LOU) with updated information to verify the data held on the LEI.

The requirement to renew the LEI on an annual basis applies to firms that are subject to MiFID II and MiFIR transaction reporting obligations and in the UK, under our implementation of MiFID II, to UK branches of non-EEA firms when providing investment services and activities.

This issue is covered in the ESMA guidelines which state (section 5.5):

“While executing Investment Firms should ensure that their LEI is renewed according to the terms of any of the accredited Local Operating Units for the Global Entity Identifier systems pursuant to Article 5(2) of the Commission Delegated Regulation (EU) 2017/590, there is no requirement under Article 13(3) to ensure that a LEI for a client or a counterparty has been renewed.”

What clients must do

If you are a client who is a legal entity or structure, including a company charity or trust, you will need to make arrangements to obtain an LEI code if you want the firm to continue to act on your instructions or make a decision to trade on your behalf from 3 January 2018 onwards.

How to get an LEI

An LEI is available from bodies accredited by the GLEIF, or bodies endorsed by the LEI ROC as an authorised Local Operating Unit for the global allocation of LEIs. A list of all LOUs can be found on the [GLEIF's website](#).

GLEIF has also [introduced the concept of a 'registration agent' to assist legal persons to access LOUs](#).

MIFID II and market data obligations

The FCA is launching its Market Data Processor (MDP) for firms to meet their market data obligations when MIFID II comes into effect on 3 January 2018.

MiFID II market data will be submitted to the MDP as transaction reports, instrument reference data, transparency reports, double volume cap reports and commodity derivative position reports.

Firms that want to become submitting entities and use the MDP need to sign and return a confidentiality agreement, available on the [FCA website](#), to request a copy of the Market Interface Specification (MIS). This lists the technical details required to format and submit market data to the FCA.

Before completing the form, firms should review the notes on the [FCA website](#). There are also MDP fees to pay when the form is submitted.

Once approved, the MDP on-boarding pack will be issued, outlining the process and test conditions. The FCA will support industry testing.

The industry test environment (ITE) will be available beyond the MiFID II implementation date of 3 January 2018 to support new entrants wishing to connect to our MDP and other change projects.

MDP Entity Portal – Data Extracts Facility

The MDP entity portal is already available for the ITE and will be live from 3 January 2018.

This is a web application for external users and provides access to the MDP system. The portal is designed to:

- facilitate requests for transaction reporting sample data
- enable access to the ITE for connectivity and conformance testing
- enable entities with connectivity to the MDP system to submit market data to monitor their own file submissions

From 3 January 2018, firms will need to use the MDP Entity Portal to request extracts of transaction reports from the FCA, for the review and reconciliation of the data submitted to us.

Firms must have an administrator user account in the MDP ITE Entity Portal or the MDP Production Entity Portal to request Transaction Report Data Extracts.

To create an administrator user account, firms must complete and submit [this form](#), available on the FCA website.

Each firm can have one administrator and it will be their responsibility to create other users if sample data extracts are needed.

The data will be available in XML format so firms must convert this data for their reconciliation processes. More information, including the transaction report data extract schema, can be found [here](#) on the FCA website.

There is a limit of one daily request per firm, regardless of how many users they have. There is also a 10 million record limit when a request is based on a date range.

Outsourcing market data

There are several ways that operators of trading venues and investment firms can fulfil their market data reporting obligations, but in all cases, they remain responsible for the completeness, accuracy and timeliness of reporting of the data to the FCA.

Transaction reporting

Trading venues and investment firms can use Approved Reporting Mechanisms (ARMs) or report directly to the FCA Market Data Processor (MDP).

A group of investment firms may also use a hub to collate transactions reporting data but would not be able to submit directly to the MDP and would need to use an ARM or become an ARM.

Investment firms may also use a third party technology provider to prepare and submit transaction reports, if the reports are submitted via an ARM or the third party technology provider is an ARM.

Instrument Reference Data, Transparency Calculation Data, Double Volume Cap Data

Any firm with an obligation to submit the above-market data can use a third party technology provider to submit it to the MDP. The entity with the reporting obligation will complete and sign the MDP form with details for the third party included in the application details.

Commodity Derivatives Position Reports (CDPR)

A firm that submits CDPR can arrange for the trading venue to send the report directly to the MDP if it has the relevant identification.

A firm may also use a third party technology provider to submit CDPR to the MDP. The reporting entity must complete and sign the MDP on-boarding form with details for the third party included in the application details.

Direct access to the MDP is subject to application and compliance with our market interface specification.

Please refer to FCA Policy Statement [PS17/5](#) and [PS17/14](#) for further details.

Systematic Internalisers (SIs) and the instrument reference data obligation

In accordance with Article 27(1) of Regulation (EU) 600/2014 (MiFIR), investment firms who are SIs must submit instrument reference data to the FCA for financial instruments falling under the scope of the transaction reporting regime that are traded on its system, other than instruments admitted to trading on a trading venue.

Therefore, by reference to article 26(2) MiFIR, SIs must submit reference data for financial instruments where the underlying instrument is:

- a financial instrument traded on a trading venue
- an index or a basket composed of financial instruments traded on a trading venue

SIs can refer to [SUP 17A](#) of the FCA Handbook, as published in FCA Policy Statement [17-14](#), for the Handbook provisions applicable to the instrument reference data obligation.

If you require any further clarification on any of the topics mentioned please contact the [Markets Reporting Team](#).