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MiFID II/MiFIR: Participant reference data and enhancement of order records

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Content may be most important for:	**Attachments:**
➲ All departments	none

Summary:

The regulatory changes of the revised Markets in Financial Instruments Directive (MiFID II) and the associated Markets in Financial Instruments Regulation (MiFIR) will come into effect on **3 January 2018**.

To comply with its reporting obligations, Eurex Bonds is required to collect additional Participant reference data and enhance the information that needs to be provided with order and quote messages. In addition, according to RTS 7, Art. 7 (see encl.), Eurex Bonds shall conduct an annual due diligence assessment of its Participants and verify once a year if the Participants are still registered as investment firms as defined in MiFID II Art. 4(1) (see encl.).

With this circular, Eurex Bonds informs its Participants about the required data and additional fields that will be implemented in Xetra order and quote messages in this context. Furthermore, we provide further information about additional amendments.

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MiFID II/MiFIR: Participant reference data and enhancement of order records

Overview

In order to ensure compliance with the MiFID II/MiFIR regulation, which will be applicable from 3 January 2018, Eurex Bonds will be required to enhance Participant reference data.

As a trading venue, Eurex Bonds is required to store and keep at the disposal of the National Competent Authority (NCA) the following data (among others):

Field no.	Field	Short description
1	Identification of the entity which submitted the order	The identity of the member of the trading venue
3	Client identification code	Identification of the client of the member
4	Investment decision within firm	Code used to identify the person or the algorithm within the member who is primarily responsible for the investment decision
5	Execution within firm	Identification of the person (Eurex Bonds Trader) or algorithm within the member or participant of the trading venue who is responsible for the transaction (execution of the order); or if determined by the client of the member

Table 1: Excerpt from RTS 24 Annex Table 2 (see encl.), defining the fields a trading venue has to store and keep at the disposal of the NCA

Eurex Bonds aims to minimise the impact on Participants resulting from its requirements to maintain relevant data relating to orders in financial instruments by limiting the impact on the existing order/quote message formats. New order/quote message fields, which need to be implemented, will be aligned with FIX standards. Additionally, a short code solution will be provided in order to store and maintain client and personal identification codes outside of the trading system.

In addition to those requirements, Art. 48(1) of MiFID II and Art. 7 of RTS 7 (see encl.), oblige Eurex Bonds to perform an annual risk-based assessment of its Trading Participants.

Other technical and general amendments are described in this circular.

- Section 1 of this circular outlines the implications on Participant reference data, which Eurex Bonds needs to maintain to be able to meet the regulatory reporting obligations.
- Section 2 provides information about the short code solution.
- Section 3 outlines new fields, which will be implemented with the upcoming Xetra Release 17.0 (scheduled for 20 November 2017), in order to collect the required information on an order-by-order basis and how the fields need to be populated.
- Section 4 encompasses other technical and general amendments.

1. Participant reference data

Participant reference data are the Legal Entity Identifier (legal entity), the National ID (natural person), and the Algo ID.

1.1 Legal entity identification codes of Participants

- **Regulatory requirement**
  Under Art. 25(2) MiFIR and RTS 24 (see encl.), Eurex Bonds shall keep at the disposal of the competent authority the relevant data to identify the Participant of the trading venue. In order to do so, Eurex Bonds is required to provide the Legal Entity Identifier (LEI) of the firm as defined in Field 1 “Identification of the entity which submitted the order” of RTS 24 Annex Table 2 (see encl.), which is the same requirement of Field 4 “Executing entity identification code” of Table 2 of Annex I, RTS 22 (see encl.).

- **General format**
  The LEI, as defined in ISO 17442, contains 20 alphanumerical characters. LEIs are used to uniquely identify legally distinct entities that engage in financial transactions. LEIs are issued by "Local Operating Units" (LOUs) of the Global LEI System. For more information on how to obtain a LEI, please visit http://www.leiroc.org/lei/how.htm and http://www.leiportal.org/.

- **Submission method**
  The Central Coordinator of each Eurex Bonds Trading Participant can provide and update the Participant LEI in the Member Section on the Xetra website www.xetra.com under “User Administration”.

- **Submission deadline**
  Eurex Bonds Participants shall provide their LEIs by 1 December 2017 to ensure readiness. In addition, since LEIs must be renewed by LOUs annually, Participants shall assure the renewal of their LEIs.

1.2 National ID of traders of Eurex Bonds Participants

- **Regulatory requirement**
  Under Art. 25(2) of MiFIR (see encl.) and RTS 24 (see encl.), Eurex Bonds shall keep at the disposal of the competent authority the relevant data to identify the person within the Participant firm of the trading venue who is primarily responsible for the investment decision or primarily responsible for the execution of the transaction.

  The National ID of Participants’ admitted traders is one of the options for the population of Field 4 “Investment decision within firm” or Field 5 “Execution within firm” of RTS 24, Annex Table 2 (see encl.).

- **General format – National ID**
  The National ID requires joining the country code standard ISO 3166-1 of the nationality of the person with the identifier listed in the following table 1 (identical to table 1 of Annex II of RTS 22 (see encl.)), based on the nationality of the person.

- **CONCAT**
  One of the required identifiers is the CONCAT ID, which is a concatenation of the following elements, in the following order:

  a) the date of birth of the person, using format YYYYMMDD
  b) the first five characters of the first name and
  c) the first five characters of the surname

  For more details on CONCAT, please see ESMA/2016/1452, Chapter 5.5.

- **Identifier priority**
  The highest priority identifier available to the Participants must be used. In case the first priority information is not available, other identifiers can be used strictly in accordance with the priority levels provided in the table. For traders from the UK, e.g., Participants must submit to Eurex Bonds the nationality (GB) and the UK national insurance number (first priority). If the national insurance number is not available, the nationality (GB) in combination with the CONCAT ID (second priority) can be submitted.

- **Traders with more than one nationality**
  Where a trader has more than one nationality of different European Economic Area (EEA) countries, the country code of the first nationality when sorted alphabetically by its ISO 3166-1 alpha-2 code and the applicable identifier related to the first nationality as determined shall be used. Where a natural person has an EEA and a non-EEA nationality, the identifier related to the EEA nationality as determined shall be used.

The table below gives an overview of the priorities of national IDs identifiers according regulatory requirements:

ISO 3166-1 alpha-2	Country name	1st priority	2nd priority	3rd priority
AT	Austria	CONCAT		
BE	Belgium	Belgian National Number (Numéro de registre national – Rijksregister-nummer)	CONCAT	
BG	Bulgaria	Bulgarian Personal Number	CONCAT	
CY	Cyprus	National Passport Number	CONCAT	
CZ	Czech Republic	National identification number (Rodné číslo)	Passport Number	CONCAT
DE	Germany	CONCAT		
DK	Denmark	Personal identity code 10 digits alphanumerical: DDMMYYXXXX	CONCAT	
EE	Estonia	Estonian Personal Identification Code (Isikukood)		
ES	Spain	Tax identification number (Código de identificación fiscal)		
FI	Finland	Personal identity code	CONCAT	
FR	France	CONCAT		
GB	United Kingdom	UK National Insurance number	CONCAT	
GR	Greece	10 DSS digit investor share	CONCAT	
HR	Croatia	Personal Identification Number (OIB – Osobni identifikacijski broj)	CONCAT	
HU	Hungary	CONCAT		
IE	Ireland	CONCAT		
IS	Iceland	Personal Identity Code (Kennitala)		
IT	Italy	Fiscal code (Codice fiscale)		
LI	Liechtenstein	National Passport Number	National Identity Card Number	CONCAT
LT	Lithuania	Personal code (Asmens kodas)	National Passport Number	CONCAT
LU	Luxembourg	CONCAT		
LV	Latvia	Personal code (Personas kods)	CONCAT	
MT	Malta	National Identification Number	National Passport Number	
NL	Netherlands	National Passport Number	National identity card number	CONCAT
NO	Norway	11-digit personal id (Foedsels-nummer)	CONCAT	
PL	Poland	National Identification Number (PESEL)	Tax Number (Numer	

ISO 3166-1 alpha-2	Country name	1st priority	2nd priority	3rd priority
			identyfikacjip odatkowej)	
PT	Portugal	Tax number (Número de Identificação Fiscal)	National Passport Number	CONCAT
RO	Romania	National Identification Number (Cod Numeric Personal)	National Passport Number	CONCAT
SE	Sweden	Personal identity number	CONCAT	
SI	Slovenia	Personal Identification Number (EMŠO: Enotna Matična Številka Občana)	CONCAT	
SK	Slovakia	Personal number (Rodné číslo)	National Passport Number	CONCAT
All other countries		National Passport Number	CONCAT	

Table 2: National client identifiers for natural persons (RTS 22 (see encl.), Annex II)

- **Submission method**

  (1) For existing traders, the Central Coordinator of each Eurex Bonds Trading Participant will receive a list of currently admitted traders from Eurex Bonds. Participants can then enter the National ID data for the existing traders and upload the data via CSV file. Given the effective date of the new regulation, the upload functionality is currently planned to be available by 18 September 2017.

  (2) To maintain the information for an individual trader, Participants can log in to the Xetra Member Section and select “Admissions & User IDs” to enter the information or using the upload functionality. This functionality is already available since February 2017.

- **Submission deadline – National IDs of all admitted traders**
  Eurex Bonds Participants should provide the National IDs of **all their admitted traders** latest by **1 December 2017** to ensure readiness. Traders admitted after this date need to provide their National ID during the admission process.

  On 3 April 2017, ESMA published the standards and formats for the National ID (Ref.: ESMA70-1861941480-56). For further details, please visit the ESMA website under the link:

  Questions and Answers On MiFIR data reporting

1.3 Algo IDs

1.3.1 Regulatory requirement

Under Art. 25(2) of MiFIR and RTS 24 (see encl.), Eurex Bonds shall keep at the disposal of the competent authority the relevant data to identify the algorithm that is within the Participant of the trading venue primarily responsible for the investment decision or primarily responsible for the execution of a transaction. The Algo ID is therefore one of the options for the population of field 4 “Investment decision within firm” or field 5 “Execution within firm” of RTS 24 (see encl.), Annex Table 2.

1.3.2 Regulatory requirement for certification and testing

Algo IDs are assigned by the Participant firms to their respective algorithms that comply with the requirements of Art. 48(6) of MiFID II and Art. 10 of RTS 7 (see encl.). In accordance with these requirements, Eurex Bonds requests all Participants to test their algorithms in a testing environment before the algorithms are used in production in order to avoid market disturbance.

Eurex Bonds will offer its Participants the possibility to test their algorithms in the standard simulation environment. Prior to new release rollouts, the standard simulation environment is only available for testing the new software version. During this time, the "Advanced Simulation" can be used.

Participants must certify that all deployed algorithms have successfully passed the testing requirements imposed by the MiFID II regulation. The algorithm certificates should contain the Algo ID of the algorithm that was tested and the name of the Trading Participant who would like to have the algorithm registered with Eurex Bonds.

- **General format**
  Participants shall create certificates and upload them. The FIX Trading community currently elaborates the details regarding the file formats used for the upload. The Eurex Bonds implementation will follow the FIX standards.
- **Submission method**
  Eurex Bonds plans to offer an upload functionality for algorithm certificates within the Xetra Member Section by 18 September 2017. Participants will be able to upload the certificates in bulk (csv-file) or in single transactions.
- **Submission deadline**
  Eurex Bonds Participants should upload their certificates latest by 1 December 2017 to ensure readiness. Each Algo ID used must have a certificate.

  Certificates for new algorithms must be uploaded before 23:30 CET of Day T. If a Participant fails to provide the certificate for an Algo ID submitted with an order transaction by the end of Day T, Eurex Bonds will inform the Participant about the incomplete data on the next trading day. The Participant must ensure to complete missing data at the latest the next trading day (T+1) before 23:30 CET.

2. Short code solution

Eurex Bonds follows the EU-wide industry "short code solution". Trading Participants shall insert clientID, execution decision and investment decision using this logic.

2.1 Short codes for client identification codes

- **Regulatory requirement**
  Participants have to assign short codes for the identification codes required to identify their immediate clients. Under Art. 25(2) of MiFIR and Art. 2 of RTS 24 (see encl.), Eurex Bonds shall keep at the disposal of the competent authority the relevant data to identify the client of the Participant of the trading venue. There are five possibilities for the population of Field 3 "Client identification code" of Table 2 of the delegated regulation (see above):

  1) When the client is a legal entity, the LEI code of the client

  2) When the client is not a legal entity, the National ID of the client

  3) In case of an aggregated order, the flag AGGR[1]

  4) In case of pending allocations, the flag PNAL[2]

  5) This field shall be left blank only if the Participant of the trading venue is trading on own account

  The "client identification code" refers to the immediate client of Eurex Bonds Participants. Participants shall populate only the LEI or National ID of their immediate clients.

[1] as specified in Art. 2(3) of Commission Delegated Regulation on maintenance of relevant data relating to orders in financial instruments under Art. 25(2) of Regulation (EU) No 600/2014

[2] as specified in Art. 2(2) of Commission Delegated Regulation on maintenance of relevant data relating to orders in financial instruments under Art. 25(2) of Regulation (EU) No 600/2014

2.2 Short codes for execution decision and investment decision

In addition, short codes need to be used in cases where the investment or execution decision is taken by a person within the Participant who is not an admitted Eurex Bonds trader; or in cases where the investment decision is taken by an admitted Eurex Bonds trader, but the execution decision is submitted by a different trader. As set out in Art. 2(1)(b) of RTS 24 (see encl.), the field "investment decision" should always be populated when the Participant is dealing on own account since it is putting its books at risk and is therefore deemed to be making an investment decision.

The "Execution decision" field shall be populated in every transaction report. In cases where the decision about the execution was made

- by a client (e.g. if the client instructs the details of the trade including the venue of execution, investment firms should use the default value "CLIENT" (short code = 3) in this field,
- by a person within the Participant firm (either a trader or another person who instructed the details for the execution) or
- by an algorithm.

2.3 Short code submission and formats

- **Submission method**
  Participants will be able to upload the short codes and according National IDs or LEIs in bulk or as single transactions in the Xetra Member Section. The FIX Trading community currently elaborates details regarding the file formats used for the upload. The Xetra implementation will follow the FIX standards. It is expected that the following standard short codes will be reserved:

  0 – No client for this order

  1 – Aggregated order flag "AGGR"

  2 – Pending allocations flag "PNAL"

  3 – Client

  The valid usage of the codes is described in the following chapter.

- **Submission deadline**
  Eurex Bonds has to be provided with the short codes and corresponding long codes and the relevant identifier (National ID or LEI) before 23:30 CET of Day T. If a Participant fails to provide the decrypted ID for a short code submitted by the end of Day T, Eurex Bonds will inform the Participant about the incomplete data the next trading day. The Participant must ensure completing missing data the next trading day (T+1) before 23:30 CET at the latest. The upload functionality for the mapping file is planned to be introduced by 18 September 2017.

3. Enhancement of order records in Xetra

Xetra Release 17.0, scheduled for 20 November 2017, will introduce the new fields *Client ID* (for the field "Client identification code"), *Execution ID* and *Execution Qualifier* (for the field "Execution within firm"), *Investment ID* and *Investment Qualifier* (for the field "Investment decision within firm") and *Liquidity flag* (for the field "Liquidity provision activity").

The field *Execution ID* will replace the existing *Compliance ID* field.

The existing field *Member ID* will remain to identify the Participant of the trading venue. Eurex Bonds will map the LEI of the Participant to the regulatory reporting to the competent authorities. Likewise, where a trader has taken either the execution or the investment decision, the existing *Trader ID* field is used to determine the corresponding National ID for inclusion to the regulatory reporting.

3.1 Client ID

This is an 8-byte numeric field which shall be populated with a short code of the Participant's immediate clients. The following pre-defined short codes shall be used to flag aggregated orders, pending allocations or cases where no client is involved in the order:

0 – No client for this order

1 – Aggregated order flag "AGGR"

2 – Pending allocations flag "PNAL"

Participants shall populate the field *Client ID* for all client transactions (order entry/modification).

3.2 Execution ID and Execution Qualifier

- **General format**[3]

  The following entries shall be used for the **Execution Qualifier:**

  - 22 – if the decision maker is an algorithm
  - 24 – if the decision maker is a natural person, or the execution decision was taken by the client

  The population of Execution Qualifier is mandatory.

  The **Execution ID** field is an 8-byte numeric field, which shall be populated with:

  - The Algo ID in case the execution decision was primarily taken by an algorithm.
  - The short code of the National ID of the person within the Participant firm primarily responsible for the execution decision, if this person is different from the trader submitting the order/quote message.
  - The short code "3" if the execution decision was taken by the client.

  In case the trader primarily took the execution decision, the field shall be left blank, while the Execution Qualifier needs to be populated with the value "24".

No	Scenario	Execution Qualifier	Execution Identifier	Reporting of "Execution decision within firm" to competent authority
1	The decision was taken within the Participant firm. The decision maker is primarily an algorithm.	22 (algorithm)	Algo ID	Algo ID
2a	The execution decision was taken within the Participant firm. The decision maker is a natural person different from the trader submitting the order/quote.	24 (natural person)	Short code	National ID
2b	The execution decision was taken within the Participant firm. The decision maker is the trader submitting the order/quote.	24 (natural person)	Empty	National ID of the entering trader
3	The decision was not taken within the Participant firm, but by the client	24 (natural person)	3	"CLIENT"

Table 3: Population of Execution_ID and Execution Qualifier fields

It is in the responsibility of the Participants to determine the decision maker (e.g. algorithm, legal entity, natural person or client) primarily responsible for the execution in accordance with their governance model.

[3] Values might differ with respect to different interfaces

Participants shall populate the fields Execution Qualifier and Execution ID for all transactions directly by order/entry/modification/deletion according to the methodology described in table 3.

3.3 Investment ID and Investment Qualifier

- **General format**[4]

  When a Participant is dealing on "any other capacity", both fields shall be blank. If the Participant deals on own account, the fields shall be populated, therefore the field "investment decision within firm" is mandatory for all transactions on Participants' own accounts.

  The following entries shall be used for the **Investment Qualifier:**

  - 22 – if the decision maker is an algorithm
  - 24 – if the decision maker is a natural person

  The field shall be left blank in case of a client order.

  The **Investment ID** is an 8-byte numeric field, which shall be populated with:

  - The Algo ID in case the investment decision was primarily taken by an algorithm.
  - The short code of the National ID of the person within the Participant firm primarily responsible for the execution decision, if this person is different from the trader submitting the order/quote message.
  - If the investment decision was taken by the same person submitting the order/quote message the field shall be left blank.

	Scenario	Investment Qualifier	Investment Identifier	Reporting of "Investment decision within firm" to competent authority
1	The investment decision was taken within the Participant firm and the Participant firm deals for its own account. The investment decision maker is an algorithm.	22 (algorithm)	Algo ID	Algo ID
2a	The investment decision was taken within the Participant firm and the Participant deals on its own account. **The investment decision maker is a natural person different from the trader submitting the order/quote.**	24 (natural person)	Short code	National ID of the decision maker
2b	The investment decision is made within the Participant firm and the Participant firm deals on its own account. **The investment decision maker is the trader submitting the order/quote.**	24 (natural person)	Empty	National ID of the entering trader
3	The investment decision is not within the Participant firm and the Participant is acting on "any other capacity".	Blank	Blank	Blank

Table 4: Population of Investment ID and Investment Qualifier fields

Trading Participants populate the fields "Investment Qualifier" and "Investment ID" for all transactions directly by order entry/modification/deletion, if mandatory.

[4] Please refer to reference 3

3.4 Liquidity provision activity

- **Regulatory requirement**
  In accordance with Art. 3 of RTS 24 (see encl.), Participants shall flag orders **as liquidity provision activity**, if:

  i. an order is submitted to a trading venue by a Participant as part of a market-making strategy pursuant to Articles 17 and 48 of Directive 2014/65/EU;

  ii. an order is submitted to a trading venue by a Participant as part of any other liquidity provision activity carried out on the basis of terms pre-determined either by the issuer of the instrument which is the subject of the order or by that trading venue.

- **General format**
  "true" or "false"

- **Submission method**
  A new field in trading system.

- **Submission deadline**
  Immediately with the entry of orders or quotes.

- **Default specification**
  The liquidity provision indicator is an optional field for order and quote entries. In case the Participant does not provide the liquidity provision indicator, Eurex Bonds will assume "false" per default, i.e. no liquidity provision activity.

3. Other amendments

4.1 Technical amendments

4.1.1 Tick Size

For all instruments traded on Eurex Bonds, the Tick Size regime does not apply and the existing Tick Sizes will continue to apply after 3 January 2018.

Please note that with the new Tick Size regime and hence course of conversion, all order books will be deleted at the end of 2017.

4.1.2 Business clocks

Please refer to Xetra circular 031/17.

4.2 Additional enhancements

4.2.1 Due Diligence requirements

- **Regulatory requirement**
  According to Art. 48(1) MiFID II and RTS 7, Art. 7, Eurex Bonds is required to conduct a "risk-based assessment" of its Participants and check if they are still registered as investment firms on an annual basis.

- **General format**
  Participants will receive a Due Diligence Questionnaire that contains questions covering the following areas:

  1) Pre-trade controls on price, volume and value of orders and usage of the system and post-trade controls on the trading activities of the Participants;
  2) Qualifications required of staff in key positions within the Participant firms;
  3) Technical and functional conformance testing;
  4) Policy of use of the kill functionality;

5) Registration of an “investment firm” as defined in Art. 4(1) of Directive 2014/65/EU;
6) Provisions on whether the Participant may give its own clients direct electronic access to the system and if so, the conditions applicable to those clients;
7) If the Participant is subject to MiFID II and MiFIR.

- **Submission method**
  The Due Diligence Questionnaire is planned to be available in the Xetra Member Section starting 18 September 2017. Participants shall fill in the questionnaire and upload it into the Xetra Member Section. Participants are obliged to fill in the Due Diligence Questionnaire at least once a year. Existing Participants need to complete the questionnaire by January 2019 for the first time, while new Participants admitted after 31 December 2017 need to provide the required information upon admission.

4.2.2 Participant contact persons

To ensure effective information distribution, we kindly ask Trading Participants to register in the Member Section on www.xetra.com or verify their Release Contact and Regulatory Coordinator in the Xetra Member Section.

If you have any questions or require further information, please contact your Client Services Cash & Derivatives Key Account Manager or send an e-mail to: regulatory.support@deutsche-boerse.com.

Enclosure
Directives and regulations referred to in this circular:

MiFID II:
DIRECTIVE 2014/65/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU

MiFIR:
REGULATION (EU) No 600/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012

RTS 7:
COMMISSION DELEGATED REGULATION (EU) 2017/584 of 14 July 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying organisational requirements of trading venues

RTS 11:
COMMISSION DELEGATED REGULATION (EU) 2017/588 of 14 July 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards on the tick size regime for shares, depositary receipts and exchange-traded funds

RTS 22:
COMMISSION DELEGATED REGULATION (EU) 2017/590 of 28 July 2016 supplementing Regulation (EU) No 600/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the reporting of transactions to competent authorities

RTS 24:
COMMISSION DELEGATED REGULATION (EU) 2017/580 of 24 June 2016 supplementing Regulation (EU) No 600/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the maintenance of relevant data relating to orders in financial instruments

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