

## ATHEX & its Members in the process of bridging MiFID II

Market Operation & Member Support Division Members Support Dpt



Athens Exchange Group

Scope of presentation:

To provide the status of ATHEX's services & systems in the context of its obligations towards the requirements of MiFID II.

It should be clarified that the aforementioned ATHEX's obligations will eventually create, through ATHEX's regulatory framework, obligations for its Members, too.

To stimulate Members' compliance (apart of the above) towards MiFID II.



## ORK **ATHEX** Order Record Keeping

ORK as a Trading Venue Obligation

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**Trading Venues** are required to collect and maintain in a specified format data relating to all orders and trades realized, for at least five years. This obligation is called Order Record Keeping (ORK) for Trading Venues.

- In line with the above requirements, ATHEX has added several new fields to OASIS order transactions, as dictated by MiFID II.
- Most of the them are identification codes (short codes) for legal entities, persons & algorithms taking part in the process of order acceptance, submitting and execution.
- However, ESMA requires that the orders and trades have to be maintained with enhanced information for those fields, hence the Short Codes have to be replaced with Long Codes.
- In order ATHEX to be able to comply with the ORK requirement, the trading Members are obliged to upload information, actually a Mapping Table, such as the Short Codes to be translated by ATHEX to Long Codes, as ESMA dictates. This is called Short/Long Mapping process.

### **ORK for Trading Venues**

#### Fields to be translated to Long Codes

#### Client Identification code – Client ID {Short Code}

- The (direct) client on behalf of which the Member insert the order
- Long Code {LEI for legal clients/ National\_ID (for Greek investors: DSS investor code for physical clients, or the CONCAT if the DSS investor code is unknown)}

#### Investment Decision within the firm – Investment ID {Short Code}

- Person or algorithm within firm responsible for the investment decision related to particular order
- Long Code {National\_ID (for Greek investors: DSS investor code for physical clients, or the CONCAT if the DSS investor code is unknown)/ Algo ID}

#### Execution within the firm – Executing ID {Short Code}

- Person or algorithm within firm responsible for the execution of the particular order
- Long Code {National\_ID (for Greek investors: DSS investor code for physical clients, or the CONCAT if the DSS investor code is unknown)/ Algo ID}

#### Non Executing Broker {Short Code}

Long Code {LEI}

### **ORK for Trading Venues**

- ATHEX will offer a web based access to its Members in order for them to upload the Short/Long code Mapping Table
- > Technically, this access will be given to the members by two ways
  - REST services
  - CSV files
- Processing cycles
  - Cycle 1: Short codes fixing and codes translation End of Day processing (T+0 18:00 local time)
  - Cycle 2: Long codes fixing Next trading day (T+1 23:00 local time)



## RDS ATHEX Reference Data Service

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### **Reference Data System – RDS**

The **ATHEX Members** and the **Data Vendors** need the reference data information **at the start of every day** in order to set up their systems and processes.

#### CURRENT SITUATION

- > The Market participants (ATHEX Members and ATHEX Data Vendors) are receiving every morning the static data (reference data) for all the ATHEX / CSE Products via:
  - ATHEX GW (for Members)
  - IOCP Feed Server (for Data Vendors)

#### **NEW SITUATION**

- > The ATHEX GW and the IOCP will stop disseminating the reference data
- This will be replaced by the Reference Data Service (RDS). The RDS service will replace the CA messages of ATHEX GW and the baselines messages of current Data Feed service.
- This web based service will be used for propagating\* all useful non-real time information (reference data) of the OASIS accommodated exchanges to Members and Data Vendors.
- > ATHEX will create different files of reference data information for such clients

\*By ASCII delimited and XML files retrieved by the participants through web based standardized procedures (physical log-in and /or API)



# **Clock Synchronization**

Clock Synchronization as a Trading Venue Obligation

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## **Clock Synchronization**

- Trading Venues and their Members will synchronize their business clocks used to timestamp with the Coordinated Universal Time (UTC).
  - Dates and Times formatted for ESMA reporting will be defined with a string YYYY-MM-DDThh:mm:ss.ddddddZ
- > **ATHEX** is required to achieve:
  - Maximum divergence from UTC: 1ms or better
  - Granularity of the timestamp: 1ms or better



# ORK for Investment Firms

Mandatory change for the Investment Firms

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**Investment Firms** are required to collect and maintain in a specified format data relating to all orders and trades realized, for at least five years.

- > This obligation is called Order Record Keeping (ORK) for Investment Firms
- > ATHEX's ORK obligation should be distinguished from Members' ORK obligation



# **Clock Synchronization**

Mandatory change for the Investment Firms

Athens Exchange Group

## **Clock Synchronization**

- Members will have to synchronize their business clocks used to timestamp with the Coordinated Universal Time (UTC).
  - Dates and Times formatted for ESMA reporting will be defined with a string YYYY-MM-DDThh:mm:ss.ddddddZ
- Members have to ensure the following accuracy for their own business clocks:
  - Other order book trading activity: max divergence and granularity of 1ms or better
  - Activity on concluding negotiated transactions: max divergence and granularity of 1s or better
- > ATHEX is not offering any kind of service to the Investment Firms related to the clock synchronization



## **Transaction Reporting**

Mandatory change for the Investment Firms

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### **Transactions Reporting – General info**

- > Transaction reporting regime has been **expanded** to include financial instruments:
  - admitted to trading/traded in a Trading Venue (Regulated Markets, MTFs, OTFs)
  - for which a request for admission to trading has been made
  - where the underlying financial instrument is traded on a Trading Venue and
  - where the underlying instrument is an index or a basket composed of financial instruments traded on a Trading Venue.
- Who must report
  - Investment Firms which execute transactions in equities, ETFs, fixed income & Derivatives shall report complete and accurate details of such transactions to their competent authority by the next working day
- What does execute transaction means
  - An investment firm executes a transaction (with regard to Transaction reporting) where it performs the following MiFID activities:
    - reception and transmission of orders,
    - execution of orders on behalf of clients or dealing on own account,
    - makes the investment decision in accordance with a discretionary mandate given by a client, or
    - transfers financial instruments to or from accounts, provided that in each case such services or activities have resulted in a transaction.

- Conclusion
  - Investment Firms which execute transactions must report to their National Competent Authority "as quickly as possible" and no later than the close of the following working day, i.e. T+1, using the proper format.
  - The NCA forwards them to the ESMA, which puts them through the Transaction Reporting Exchange Mechanism (TREM), which allows NCAs from other EU Member States to look at the information.
- MiFID II, gives two options to the Investment Firms, in order to cover their Reporting obligations
  - By direct reporting to its National Competent Authority, or
  - By using an Authorized entity, called Approved Reporting Mechanism (ARM)



# **Trades Publication Obligations**

Mandatory change for the Investment Firms

Athens Exchange Group

## **Trades Publication Obligations**

- MiFID II requires that the Investment Firms should publish their OTC trades on cash or derivatives assets classes via Regulated Markets, or MTFs, or SIs, or OTC, in a specified format
- Systematic Internalisers (SIs), that deal on own account by executing client orders outside of a trading venue without operating a multilateral system, have a pre-trade transparency obligation. They have to make public their pre-trade quotes

The **Approved Publication Arrangement (APA)** is a person authorized under MiFID II to provide the service of publishing trade reports on behalf of investment firms that allows trade details to be made public in the required timeframe, with publication

- either as close to instantaneous as possible or
- deferred publication



## ARM **ATHEX** *Transactions Reporting Service*

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### **ATHEX as Transactions Reporting Service Provider**

clearing settlement clearing settlement settlement membership clearing settlement registry

ATHEX is going to apply to the HCMC in order to become an ARM (ARM@ATHEX), offering a commercial service to any Investment Firm wishing to use ARM@ATHEX to cover their reporting obligations.

#### Why the ARM@ATHEX service

- Experience and know-how in transactions reporting
  - Regulatory reporting, even before MiFID
  - Reporting for MiFID on behalf of investment Firms and the TRS system for MiFID
  - Experience
  - ISO 20022 / XML experience
- One-stop shop
  - Validation services
  - Members portal in ATHEX can be used for all markets
  - Information from order record keeping in ATHEX may be used for additional validations
  - Validation of information from other data sources
  - APA post-trading service for MiFID II OTC trade reporting will also be available
  - RDS to 3rd parties will also be available
  - SFTR reporting is also planned to become available for borrowing and lending products of ATHEX in 2018
- Competitive pricing
  - Economies of scale give the opportunity for competitive pricing
- > Obligatory use of ATHEX for Transaction Reporting for Non-MiFID Members
  - Members located outside European Economic Area (EEA)
  - Members falling in the exemption in MiFID Article 2

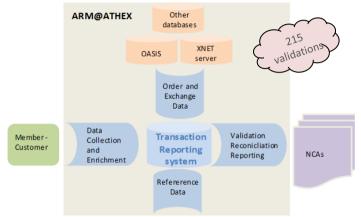
### **ATHEX as Transactions Reporting Services Provider**

clearing settlement clearing settlement membership clearing settlement membership clearing settlement registry

The following steps are performed by the **ARM@ATHEX** service for each transaction:

- 1. The transaction details file is submitted to the ARM@ATHEX Service by the Investment Firm
- 2. The ARM@ATHEX Service:
  - a. Notifies the ARM Client that the file is received and is under processing
  - b. Proceeds to the necessary data checks and:
    - i. Sends to the Client a message of acceptance, or
    - Sends to the Client a message of rejection, by notifying the exact errors to each transaction and asking the Client for a recheck and correction of erroneous data
- 3. The service transmits the report to the relevant Competent Authority in the appropriate XML format and timeframe
- 4. The service receives the message of acceptance from the relevant Competent Authority
- 5. Until T+7, the service receives the acceptance or rejection message from ESMA

The service archives transaction data for 5 years or as required by the relevant Competent Authorities



For any enquiry or support on the **ARM@ATHEX** services: <u>ARM@athexgroup.gr</u>

#### ATHEX as Reporting Services Provider



## APA ATHEX OTC Trades Reporting

Athens Exchange Group

### **ATHEX as Trades Publication Service Provider**

clearing settlement clearing settlement settlement settlement registry

- ATHEX will apply to be an Approved Publication Arrangement (APA@ATHEX), offering the relevant services to Investment Firms
  - This services will be available to both Members and non-Members of ATHEX
  - It allows trade details to be made public in the required timeframe
  - Effective dissemination to all Data Vendors which are already ATHEX clients

For more information regarding APA@ATHEX: <u>APA@athexgroup.gr</u>



## APPENDIX

- 1. Regulatory Technical Standards under MiFID II
- 2. Timetable to Go-Live

### **Appendix 1. Some useful RTS**

RTS	Short description	English version	English version - Annex
RTS 1	Algorithmic trading	<u>14/07/2016</u> <u>C(2016) 4390</u>	annex to RTS 1
RTS 2	Pre-trade Transparency	<u>14/07/2016</u> <u>C(2016) 4301</u>	annex to RTS 2
RTS 3	Pre-trade Transparency - Volume Cap Mechanism	<u>13/06/2016</u> <u>C(2016) 2711</u>	annex to RTS 3
RTS 7	Trading Venues - Organizational requirements	<u>14/07/2016</u> <u>C(2016) 4387</u>	annex to RTS 7
RTS 8	Market Making	<u>13/06/2016</u> <u>C(2016) 3523</u>	
RTS 9	Order to Trade Ratio	<u>18/05/2016</u> <u>C(2016) 2775</u>	annex to RTS 9
RTS 11	Tick sizes	<u>14/07/2016</u> <u>C(2016) 4389</u>	annex to RTS 11
RTS 22	Transactions Reporting	<u>28/7/2016</u>	annex to RTS 22
RTS 24	Order Record Keeping	<u>24/06/2016</u> <u>C(2016) 3821</u>	annex to RTS 24
RTS 25	Clock synchronization	<u>07/06/2016</u> <u>C(2016) 3316</u>	annex to RTS 25
RTS 27	Trading Venues - Execution Quality Requirements	<u>08/06/2016</u> <u>C(2016) 3333/4</u>	annex to RTS 27
RTS 28	Investment Firms - Execution Quality Requirements	<u>08/07/2016</u> <u>C(2016) 3337/3</u>	annex to RTS 28



MifID II / MiFIR External Planning	Specs OASIS	Specs ORK	Specs ORK	External	Co-ordinated	General	MiFID II /
		and	and	testing	UAT general	Mock to GO	<b>MiFIR</b> Goes
		Members	Members	initiation (*),	tests	LIVE on T+1	Live
		Portal	Portal	(**)			
	12/6/2017	10/8/2017	20/8/2017	16/10/2017	TBA	10/12/2017	3/1/2018
					(~24/11/2017)		
OASIS specs - Draft version (for feedback)	٧						
OASIS specs - Final version		v					
ORK and Members Portal specs - Draft version (for feedback)		v					
ORK and Members Portal specs - Final version			V				
UAT - System Vendors participation				V	V		
UAT - Data Vendors Participation				v	v		
UAT - Members participation				v	V		
PROD - System Vendors participation						√	٧
PROD - Data Vendors Participation						√	٧
PROD - Members participation						√	٧

Note that as of 16/10/ ' the UAT will be running under MiFID II / MiFIR specs - No availability for current UAT.

<sup>(\*\*)</sup> The new version of ATHEX Gateway will be provided in advance

### **Contacts for MiFID II/MiFIR**



For more information regarding MiFID II/MiFIR:

#### **Members Support Department**

Tel: (+30) 210 - 33.66.393 & (+30) 210 - 33.66.385

E-mail



Service Desk



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	Τ,	R,	Α,	<b>D</b> <sub>2</sub>	E,	S,		Ο,				
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