

An APARMA proposal on
Backward Compatibility & Late Reporting

The ongoing changes impacting transparency reporting, including those resulting from RTS 1 & 2 amendments in January 2024 and the more recent changes to the transparency regime for derivatives, as outlined in interpretive guidance provided on March 27th 2024 create a situation where APAs and Investment Firms need to maintain rule engine logic to account for the periods before and after each change.

By way of example, the transparency flag, 'TNCP' cannot be submitted for RTS 1 trades executed after 31st December 2023. However, TNCP is still required for late trades or amendments on trades executed prior to 31st December 2023.

TNCP (Transaction not contributing to the price discovery process) flag

- 1) **Trade submitted before cut-over date** – please see a examples of a real time / deferred final publication below. Note, execution flags are not populated on any aggregated publications.

a. New trade

TRADE DATE EXECUTION TIME	PUBLICATION DATE	VENUE OF EXECUTION	ISIN	PRICE	PRICE NOTATION	PRICE CURRENCY	QUANTITY	QUANTITY TYPE	NOTIONAL AMOUNT	NOTIONAL CURRENCY	FLAGS
2022-10-28T18:53:47.253Z	31/10/2022 06:00	XOFF	DE000MC9ATD6	5.03	MONE	EUR	241	Units	1212.23	EUR	TNCP

b. Amended trade

TRADE DATE EXECUTION TIME	PUBLICATION DATE	VENUE OF EXECUTION	ISIN	PRICE	PRICE NOTATION	PRICE CURRENCY	QUANTITY	QUANTITY TYPE	NOTIONAL AMOUNT	NOTIONAL CURRENCY	FLAGS
2022-10-28T18:53:47.253Z	31/10/2022 06:00	XOFF	DE000MC9ATD6	5.03	MONE	EUR	241	Units	1212.23	EUR	TNCP, AMND

- 2) **Trade submitted after cut-over date** - firms will not be permitted to supply to the TNCP flag in their NEW and AMEND trade submissions.

a. New trade executed after cutover

TRADE DATE EXECUTION TIME	PUBLICATION DATE	VENUE OF EXECUTION	ISIN	PRICE	PRICE NOTATION	PRICE CURRENCY	QUANTITY	QUANTITY TYPE	NOTIONAL AMOUNT	NOTIONAL CURRENCY	FLAGS
2024-01-06T18:53:47.253Z	06/01/2024 18:53	XOFF	DE000MC9ATD6	5.03	MONE	EUR	241	Units	1212.23	EUR	

b. Amended trade – Where original trade was booked prior to the cut-over

TRADE DATE EXECUTION TIME	PUBLICATION DATE	VENUE OF EXECUTION	ISIN	PRICE	PRICE NOTATION	PRICE CURRENCY	QUANTITY	QUANTITY TYPE	NOTIONAL AMOUNT	NOTIONAL CURRENCY	FLAGS
2022-10-28T18:53:47.253Z	06/01/2024 06:00	XOFF	DE000MC9ATD6	5.03	MONE	EUR	241	Units	1212.23	EUR	AMND

Future changes through the MiFIR Review will only compound the complexity of managing and applying these changes. For example, the forthcoming changes in reporting obligations will introduce Designated Reporting Entities ('DPE'), requiring investment firms to retain and support existing logic and reference data for amending historical trades whilst also developing and maintaining new reporting responsibility logic for DPE. Other examples include the transition from ToTV to a new scope for OTC Derivatives or changes to the deferral regimes.

APARMA remains concerned that complexities required to continue supporting 'old' schemas and requirements indefinitely may introduce errors and potential confusion for data consumers. Furthermore, as raised during our meeting in Paris on Wednesday 24th April 2024, APARMA believes there is limited value in providing transparency to late, amended and cancelled trades where the original trade may have been executed as long ago as 2018.

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In addition, APARMA believes transparency for such aged late, amended, and cancelled trades introduces unnecessary complexity to the public data and by association, makes reviewing and interpreting this data harder.

Consideration should also be given to the impact of DATEQU/DATNQU submissions to FITRS. Currently, ESMA T-7 reporting instructions are intentionally designed to account for cancellations/amendments following the initial trade before submitting 'clean' records to FITRS.

The longest calculation reference period is one year, after which ESMA allows itself a further 1-4 months in order to perform calculations prior to the new calibrations being published.

ESMA's Annual Report on the application of waivers and deferrals is usually produced within 11-12 months after the end of the calendar year. Respective data downloads from FITRS will naturally be performed by ESMA much earlier than publication.

APARMA does not believe there is any purposeful use for submitting EQU/NQU reports for reporting days that are more than two years old.

With these points in mind, APARMA recommends that ESMA adopts a policy whereby investment firms are exempt from publishing late reports or aged amendments or cancellations for trades older than two years, and APAs are exempt from reporting aged amendments or cancellations to FITRS.

APARMA believes a two-year period is more than sufficient and recommends this be incorporated in upcoming changes to regulations as part of the MiFIR Review. Additionally, implementing a cut-off period will enable investment firms, APAs, Consolidated Tape Providers and other market participants to phase out outdated requirements, logic and reference data, thereby lowering the ongoing costs of maintaining old logic and data.

About APARMA

The APA & ARM Association, APARMA, represents common APA and ARM interests on regulations and laws impacting APA and ARM businesses in the EU and UK and the associated supervisory framework to ensure efficient dialogue with regulatory policymakers. APARMA focuses on developing and supporting the adoption of best practices with the common aim of improving industry data quality. APARMA aims to assist authorities and regulators with advice on practicalities related to implementing laws and rules, bearing in mind the practicalities of the data sets involved. Its six members are affiliates of Bloomberg, Cboe Europe, London Stock Exchange, MarketAxess, Nasdaq Nordic and Tradeweb Markets.

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