

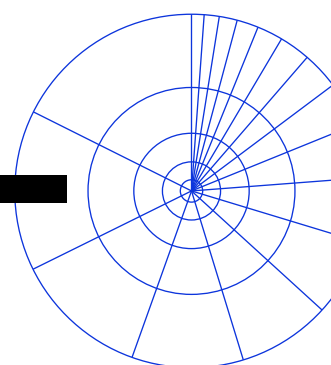


Defy. Deploy. Run.

MiFID / MiFIR Review

June 2023

Proposal of the Council on amendments and introduction of a Consolidated Tape (CT)



The European Council notified further measures to enhance market's data transparency, facilitate reporting obligations and enable the creation of a Consolidated Tape by its December 2022 proposal.

MiFIR (Markets in Financial Instruments Regulation) in addition to MiFID II, has been revolutionizing the financial market since it came into effect in January 2018. Main goal of the regulation is achieving level-playing field capital market conditions through enhancing data transparency which resulted in numerous reporting and publication obligations for financial market participants. One of the main measures derived from the Capital Markets Union (CMU) Action Plan from 2020, is the establishment of a **Consolidated Tape (CT)** to simplify and harmonize trading data throughout the market.

Since being in place for several years, the EU is continuously reviewing and improving its regulation to firstly simplify, and secondly enhance the current requirements for financial market participants. One of the latest reviews was published by the European Council in December 2022¹. For investment firms and Systematic Internalisers, the amendments refer to transparency and reporting requirements.

Pre-trade transparency for Systematic Internalisers for non-equity instruments on a bilateral basis shall no longer be required as these quotes are too bespoke/tailor-made to serve other market participants in an adequate manner. In addition, only liquid instruments and concluded derivative contracts shall be part of the pre- and post-trade transparency. For this purpose, an approach based on the scope of only centrally clearable derivatives under EMIR 648/2012 is proposed. For post-trade transparency, this new concept would replace the current "traded on a trading venue" ("TOTV") concept for OTC derivatives.

The proposal presents a new role when it comes to reporting requirements: that of a "Designated Publishing Entity". The regulator has observed that many investment firms have made an opt-in for the systematic internaliser status, only

¹ Proposal of 16th December 2022 for a Regulation of the European Parliament and of the Council amending Regulation (EU) No 600/2014

to cover reporting requirements. The new role enables counterparties to register centrally to fulfill the reporting to the APA as a one-sided reporting.

— Consolidated Tape (CT)

Consolidated Tape Providers (CTP) are defined to be responsible for collecting market data from trading venues and approved publication arrangements (APAs) about financial instruments and consolidating those data into a continuous electronic live data stream, which provides market data per financial instrument. The idea behind the introduction of a CTP is that market data from trading venues and APAs would be made available to the public in a consolidated manner, including all the Union's trading venues, using identical data tags, formats, and user interfaces. Since no entity has applied yet for authorization as a CTP, ESMA has put effort to identify the obstacles² that need to be removed within the expected MiFIR review.

Following obstacles have been identified:

1. Lack of clarity how the CTP is to procure market data from the various execution venues or from the data reporting service providers concerned.
2. Insufficient data quality in terms of the harmonization of the data reported by those execution venues to allow a cost-efficient consolidation.
3. Lack of commercial incentives to apply for authorization as a CTP.

Measures to remove obstacles:

- a. All SIs and trading venues have to provide market data to the CTPs (provision rule)
- b. Improvement of data quality by harmonizing the data reports that trading venues and SIs should submit to the CTP

The challenges for market participants will be to comply with the harmonization and quality standards laid down in the Council's draft and provide pre- and post-trade data in a timely manner to enable the CTPs to publish the market data close to real time.

² MiFID II/MiFIR Review Report No. 1 (5 December 2019 | ESMA70-156-1606)

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1. Regulatory Monitoring of the continuous developments



2. Impact Analysis on your current infrastructure



3. Process Analysis to facilitate real-time data delivery



4. Implementation recommendations and support

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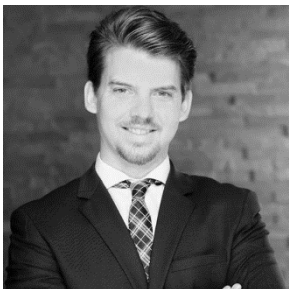


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