



## **OMIP Technical NOTICE 01/2017**



**MIFIDII/MIFIR Positions and  
Transactions Reporting**

19.Dez.2017

## **Versions Index**

### **24.Nov.17**

Initial Version

### **19.dez.17**

Modification of section describing the Spot Month and Other Months definition (7.1.4 - Classification by maturity (Spot Month or Other Months)), according to ESMA “Questions and Answers On MiFID II and MiFIR commodity derivatives topics” published on 15<sup>t</sup> December, 2017

This document is available on [www.omip.eu](http://www.omip.eu)

© Copyright/Direitos de Autor 2017  
OMIP – Pólo Português, S.G.M.R., S.

## Introduction

Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments (MiFID II) and Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments (MiFIR), together with lower level legislation, require namely:

- a) Pursuant to Article 58 (1) of MiFID II, investment firms and market operators operating trading venues which trade commodity derivatives or emission allowances or derivatives thereof:
  - i. To make public a weekly report with the aggregate positions held by the different categories of persons for the different commodity derivatives or emission allowances or derivatives thereof traded on their trading venue.
  - ii. To provide the competent authority with a complete breakdown of the positions held by all persons, including the members or participants and the clients thereof, on that trading venue, at least on a daily basis.
- b) Pursuant to Article 58 (3) of MiFID II, members or participants of regulated markets, MTFs and clients of OTFs to report to the investment firm or market operator operating that trading venue the details of their own positions held through contracts traded on that trading venue at least on a daily basis, as well as those of their clients and the clients of those clients until the end client is reached.
- c) Pursuant to Article 26 (1) of MiFIR, investment firms which execute transactions in financial instruments shall report complete and accurate details of such transactions to the competent authority as quickly as possible, and no later than the close of the following working day.
- d) Pursuant to Article 26 (5) of MiFIR, the operator of a trading venue shall report details of transactions in financial instruments traded on its platform which are executed through its systems by a firm which is not subject to this Regulation in accordance with paragraphs 1 and 3.

Reporting regulatory framework is further specified in second level documents, the following ones being applicable to positions and transactions:

Positions Reporting	Commission Implementing Regulation (EU) 2017/1093 of 20 June 2017 laying down implementing technical standards with regard to the format of position reports by investment firms and market operators (ITS 4)
Transactions Reporting	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 22)

Under MIFID II/MIFIR framework OMIP, as a regulated market, must report positions and transactions to its National Competent Authority – Comissão do Mercado de Valores Mobiliários (CMVM). To fulfil its reporting obligations, OMIP must collect from its members and from its members' clients the required regulatory information, as defined in Level 1 texts (MIFID II/MIFIR) and in the applicable Commission Delegated Regulations (Level 2).

OMIP offers a reporting service to its members, clients and non-members that is described in this Technical Notice.

## 1 Document Scope

In this document OMIP's technical reporting model under MIFID II/MIFIR is described, which includes the following topics:

- a) Positions reporting (Article 58 of MiFID II)
- b) Transactions reporting (Article 26 of MiFIR)

## 2 Reporting Service Scope

The scope of OMIP reporting services includes the following:

- a) Positions registered at OMIClear, coming from:
  - i. Transactions concluded in continuous trading ("screen trading").
  - ii. Transactions registered on OMIP for clearing on OMIClear
- b) Positions resulting from Transactions on OTC contracts economically equivalent to contracts traded on OMIP, not registered at OMIClear.
- c) Transactions concluded in continuous trading ("screen trading").
- d) Transactions registered on OMIP for clearing on OMIClear.
- e) Transactions on OTC contracts economically equivalent to contracts traded on OMIP.

Based on available information on OMIP and OMIClear trading and clearing systems, OMIP builds draft positions and transactions reports which can be viewed, validated or amended on a web GUI or by download/upload of a XML file through a ftp process.

As for services b) and e) there is no information available, draft reports are not built and reporting agents must provide all required reporting information.

## 3 Reporting Agents

**Reporting agents are the participants in OMIP reporting service, including:**

- a) OMIP members.
- b) OMIP members' clients.
- c) OMIClear clearing members
- d) OMIClear clearing members clients

In the case of clients, the draft reports are only provided for those clients for which static data and activity data are individualized and identified in OMIP/OMIClear systems.

#### **4 OMIP Reporting Model**

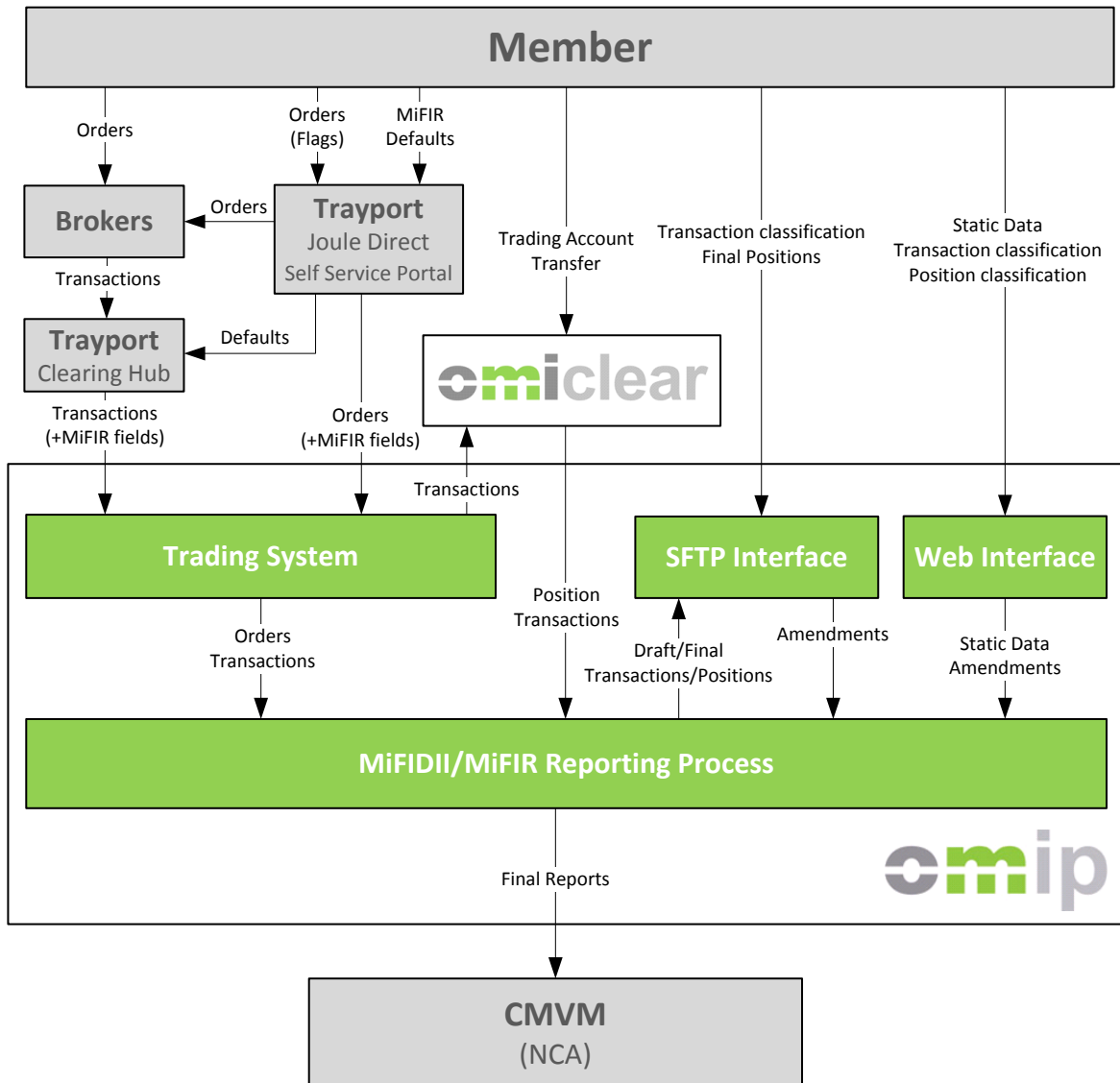
All transactions executed on the Exchange or on a broker (registered as ETD in OMIP through the Trayport Clearing Hub for clearing in OMIClear), are collected from the Trading System and pre-classified according to information provided by the Reporting Agent (e.g. Liquidity Provision/Risk Reducing according to the trader decision upon order entry (Exchange only) or a default value if none was provided).

After the market closes and the End-of-day process is concluded in OMIClear, the positions are calculated based on the active transactions available. At this point OMIP produces two draft reports per member: one for positions and one for transactions.

Members have until the following market day to validate or amend the Risk Reducing classification on transactions, declare the position Hedge/Spec split (Risk Reducing flag) and, if applicable, the client identification in positions.

After the amendment period is closed the transactions for non-IFs and positions for all members are reported to the NCA.

The diagram below presents an overview of the reporting workflow set up by OMIP for MiFID II/MiFIR compliance.



## 5 Input of Static Data

ITS 4 and RTS 22 specify the information required for positions and transactions reporting purposes. That information comprises market, position and transaction specific data (dynamic data) as well as other information that applies to different positions and transactions reports (static data), namely company information and personal information of persons involved in the transaction.

OMIP offers a web solution where static data can be uploaded by filling relevant fields on the GUI (OMIP Reporting Portal). In addition, Trayport will provide a Self Service Portal as part of its Joule Direct solution where each member will be able to setup defaults that will be populated in orders and transactions submitted to OMIP (more on section 6.1).

The static data to be collected comprises the following:

## A – Company information

### General Fields:

- a) Legal Entity Identifier
  - i. E-mail
  - ii. Indication if the member is an Investment Firm;

### Transaction Reporting

- a) Default Risk Reducing classification;
- b) Mapping between Trayport users and people responsible within the member;
  - i. OMIP Trader Id;
  - ii. Default Execution Maker;
  - iii. Default Investment Decision Maker;
  - iv. Trayport Self Service Portal short code;
  - v. National ID;
  - vi. Country of Branch;

### Position Reporting

- a) Ultimate Parent LEI
- b) Ultimate Parent Email
- c) Parent of Collective Investment Scheme
- d) Client Identification (only for Investment Firms):
  - i. Trading Account
  - ii. LEI
  - iii. E-mail
  - iv. Ultimate Parent LEI/National ID
  - v. Ultimate Parent Email
  - vi. Parent of Collective Investment Scheme

## B – Personal Information

OMIP will be required to identify the person(s) who was (were) responsible for the Investment and Execution decision within the firm. This identification will be composed by:

- a) National ID
- b) Country of Branch

At the very least, OMIP will require one person per member to be used as the default for reporting these fields.

## 6 Transaction Reporting

### 6.1. MiFIR fields input

If properly configured, the Trayport Joule screen will enable traders to set the following fields upon order entry which will be inherited by resulting transactions:

- Liquidity provision Indicator - RTS 24, field 8;
- Commodity derivative indicator (Risk Reducing or Hedge/Spec flag) – RTS 22, field 64;

Furthermore Trayport will provide a Web Self Service Portal, as a part of its Joule Direct solution, where each member will be able to setup defaults at different levels for a given set of fields. If necessary, these defaults will be used by Trayport to fill in the blanks both in orders and OTC transactions before they are submitted to OMIP.

OMIP will capture the values set on transactions only for the following fields:

- Company, Venue and Trading Account-level:
  - Commodity derivative indicator – RTS 22, field 64;
- Trader-level:
  - Investment decision within firm (short code) – RTS 22, field 57;
  - Execution within firm (short code) – RTS 22, field 59;

If no value is available for the fields above OMIP will use a final default value which is part of the static data set that will be maintained for each member (modifiable via the Web Interface of the OMIP Reporting Platform).

Please notice that the fields below will always be defined by OMIP:

- Trading capacity – RTS 22, field 29 – the following rule will be applied:
  - DEAL: Non-investment firms or investment firms trading on own accounts;
  - MTCH: Investment firms trading on client accounts;
- Liquidity provision Indicator – RTS 24, field 8 - known by OMIP on order reception if any liquidity provision agreement in place;
- Direct Electronic Access – RTS 24, field 2 – always false;
- Client / DEA User ID – RTS 24, field 3 – not applicable;

**Note:** ISINs will be available in the OMIP GV API inside each trade, specifically in an annotation named “ISIN”. This method is already being used to publish the UTI (“OMIP\_UTI” annotation). Notice that if the transaction is OTC, post-trade annotations will not flow back to the initial transaction executed on the broker (OMIP is currently looking for a solution to this issue).

### 6.2. Risk Reducing Classification

In order to classify a transaction as risk reducing or non-risk reducing, trading members can choose one of the following models:

1. **Classification directly on the transaction (Transaction model);**
  - Uses the flag selected during order entry or a default value if no flag is provided;
  - Reclassification can be performed on the Web or File Interface:
    - Only if no position was explicitly declared by the member on or after the transaction date (more on section 7.1.1);



- Can be done until the contract is no longer traded or, in case it cascades into shorter contracts, until the last underlying contract is no longer traded;
  - Position reports can be modified when using this model by making new declarations;
2. **Classification by Trading Account (Trading Account model - under consideration):**
- This model is provided for members that wish to separate the classification at the trading account level (as it is already being done for OMIClear clients in the scope of EMIR);
  - Each trading account must be classified as Risk Reducing or Non-Risk Reducing;
  - Transactions are tied to the classification of the trading account in which they are registered. If the trading account switches classification all underlying transactions also switch classification;
  - Transactions can be individually reclassified in the OMIClear Clearing System, through an account transfer operation to an account with the desired classification;
  - The Web Interface will be updated with any reclassifications only after the final reports are published on the following business day;
  - Position reports cannot be modified when using this model;

The transaction classification model can be modified by the member on the Web Interface of the OMIP Reporting Platform and will take effect on the following reporting cycle.

### 6.3. Reporting process

OMIP will produce a draft transaction report for each member after the continuous phase of the trading session closes at 17:00 CET, based on the defaults and the Risk Reducing classification available at execution time according to the model chosen by the member, as explained above. Afterwards members will be able to amend these reports either through the Web Interface or via SFTP upload.

Amendments can be done until 14:00 CET of the following market day, after which the transaction report is reconstructed and reported to the regulator.

OMIP is planning to allow post-report transaction amendments however this is still subject to confirmation from the Portuguese regulator.

### 6.4. Reporting interfaces

OMIP will support a Web and an SFTP interface to view and amend transactions:

- Web Interface:
  - Only general transaction details are available;
  - Initial and final reports available for download
  - Only the Commodity Derivatives Indicator field will be available for amendment.
- SFTP Interface:
  - All reports and amendments will be available;
  - All fields described in section 6.1 (applicable to transaction reporting) can be amended;
  - Partial amendments are supported (modify only a subset of transactions);
  - Reports will be produced using the transaction reporting schema provided by ESMA. Members will be able to submit amendments using a lightweight version of this schema;
  - A specific manual for this interface will be provided by OMIP at a later date.

## 7 Positions Reporting

OMIP will support a flexible model for building members to amending the Risk Reducing Classification according to the transaction classification model chosen by the member.

### 7.1 Risk Reducing Classification

The Hedge/Spec split (Risk Reducing flag) provided on the draft reports is determined based on the transaction classification model chosen by the member (see section 6.2):

#### 7.1.1 Risk Reducing Classification

In this model, the Hedge (Risk Reducing) draft position for each ISIN is calculated by taking into account the last declaration provided by the member (if any) and the classification of any transactions that have been executed after the declaration date. The actual calculation formula is the following:

$$P_{Hedge}(I, D) = LD_{Hedge}(I) + \sum_{d=D_{LD}+1}^D T_{Hedge}(I, d)$$

- $I$  = Contract ISIN;
- $D$  = Day for which the Hedge position is being calculated;
- $LD(I)$  = Last position declared by the member for contract  $I$  (zero if it was never declared);
- $D_{LD}$  = Day on which the position was last declared by the member;
- $T(I, d)$  = Net volume traded for contract  $I$  on day  $d$ ;

The position will have a positive value if it is buying or a negative value if it is selling.

Specifically for Month and Quarter contracts the position must also be adjusted to account for the cascading that could have occurred on longer contracts (Year and Quarter for Month contracts and Year for Quarter contracts) but only if the cascading occurred after the day on which the position was last declared by the member (if any):

$$\sum_{c \in \text{Cascading} > D_{LD}} P_{Hedge}(c, D)$$

The positions in the contracts that have been cascaded will no longer be reported, as those contracts have expired and been “replaced” by new ones.

The Spec (Non-Risk Reducing) position can be calculated, *mutatis mutandis*, using the methodology above but applied to positions and transactions classified as Spec.

Members will be able to explicitly declare the Hedge/Spec split on each contract, provided that it is consistent with its net position:

$$N(I, D) = P_{Hedge}(I, D) + P_{Spec}(I, D)$$

- $N(I, D)$  – Net position volume of contract  $I$  on day  $D$ ;

Furthermore, to ensure consistency with the underlying transactions an additional check is done on member declarations:

$$N_{Sell}(I, D) \leq P_{Hedge}(I, D) \leq N_{Buy}(I, D)$$

This position calculation model provides complete flexibility for reporting positions since it allows members to choose whether they wish to declare positions on a daily basis, use only the classification provided on transactions to calculate the positions or a mixture of both (declare when necessary).

A few weeks before the MiFID II regulation is live, OMIP will make an initial declaration on behalf of the members who have chosen to use this model. Members can then rectify these positions as they wish so that the initial report in January 2018 is accurate.

### 7.1.2 Trading Account Model

In this model positions cannot be explicitly declared by the member. Instead, the Hedge (Risk Reducing) position is calculated by summing the net position under trading accounts with the same classification.

$$P_{Hedge}(I, D) = \sum_{t \in TradAccountsHedge} N(I, D, t)$$

- $N(I, D, t)$  = Net position volume of contract  $I$  on day  $D$  and trading account  $t$ ;

The same methodology applies for the calculation of the Spec (Non-Risk Reducing) position.

### 7.1.3 Changing classification model

As described in the previous section, the transaction classification can be modified by the member if necessary.

It is important to notice however, that if the client has decided to switch from the transaction model to the trading account model, any declarations provided will not be considered as only the transactions and the trading accounts they are registered into, are relevant for the calculation.

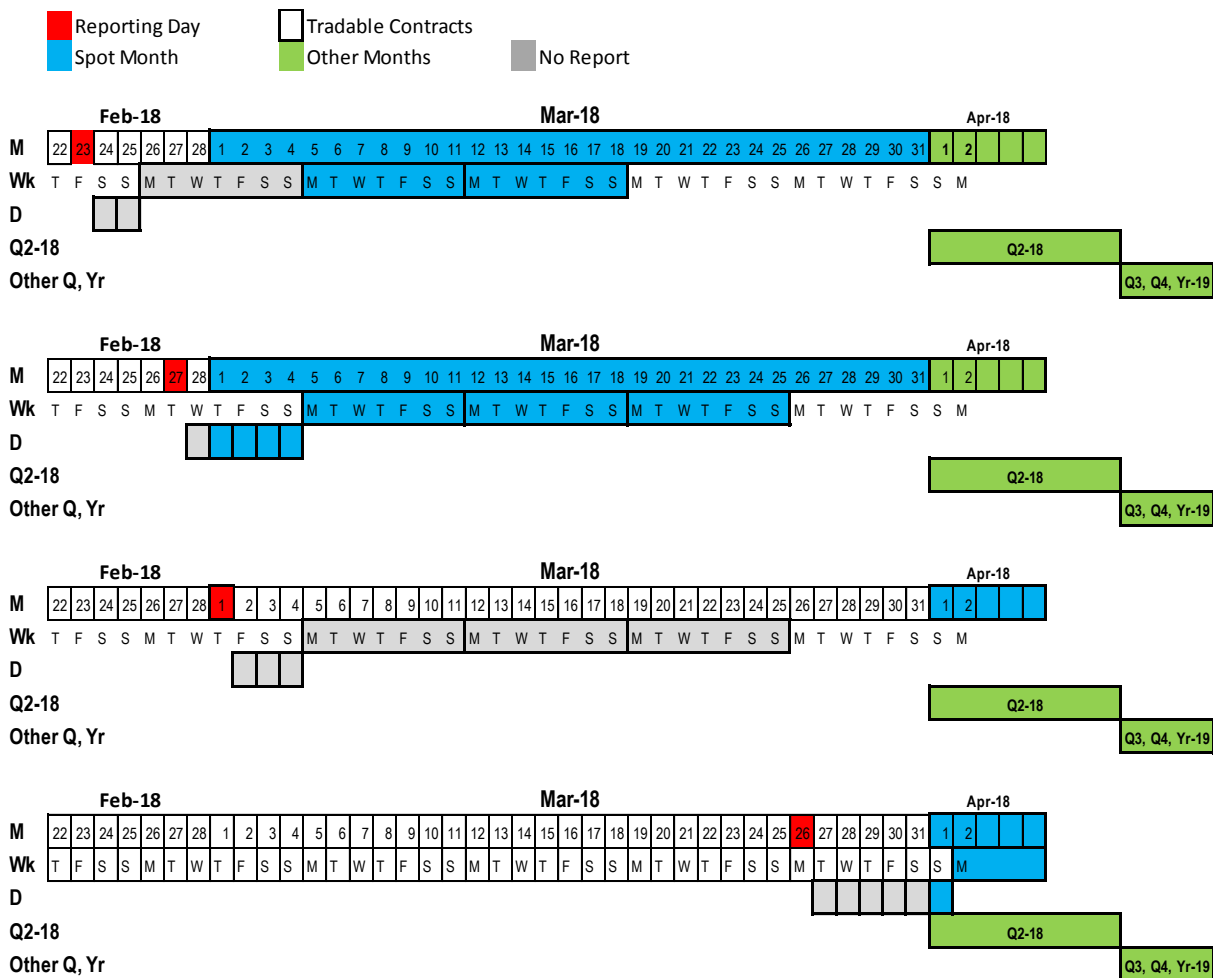
### 7.1.4 Classification by maturity (Spot Month or Other Months)

According to ESMA “Questions and Answers On MiFID II and MiFIR commodity derivatives topics” published on 15<sup>th</sup> December, 2017, contracts do not split between Spot Month and Other Months, i.e. in a reporting day a reportable contract must be classified as a Spot Month contract or as an Other Month contract. Moreover, contracts that overlap Spot Month and Other Months should be classified as Other Months.

Taking into account ESMA guidelines as well as OMIP contracts’ features and current maturities, namely the expiry date which is the contract Last Trading Day, the following table applies:

Days	Spot Month or not reported
Weeks	Spot Month or not reported
Months	<ul style="list-style-type: none"> <li>• Current month: not reported</li> <li>• Front Month: Spot Month</li> <li>• Following months: Other Months</li> </ul>
Quarters	Other Months
Years	Other Months

In the following image some examples of the SPOT/Other Months classification in the case of OMIP contracts are shown.



## 7.2 Reporting Process

After the EOD process is concluded in OMIClear (around 19:30 CET), the positions and underlying transactions are captured from the Clearing system by the reporting process and the draft position reports are created for each member, based on the Risk Reducing calculation model chosen by the member and its static data.

Members will then have until CET 14:00 of the following business day to amend and declare new positions, subject to the validations above, after which the last valid positions will be reported to the regulator.

Please notice that OMIP is not currently planning to allow post-report position amendments.

## 7.3 Reporting Interfaces

OMIP will support a Web and an SFTP interface to view and amend positions:

- Web Interface:
  - Only general position details are available;
  - Draft and Final reports available for download;
  - Only the Hedge/Spec positions will be available for amendment (only for Transaction classification model);
- SFTP Interface:
  - Possible to report positions separated for each client (full chain);
  - Amendments must contain the full set of positions properly separated between Spot and Other Months;
  - Reports will be produced using the FIA/EFET schema (provided as an attachment to this document). Members must also use this schema to submit amendments;
  - A specific manual for this interface will be provided by OMIP at a later date;

## 7.4 Reporting client positions

MiFID II states that Investment Firms must report positions fully discriminated up to the end-client.

OMIP will provide initial positions reports identifying the direct clients of IF members by aggregating the positions in the trading accounts associated to each IF client. This mapping is part of the static data set and can be modified on the Web Interface of the OMIP Reporting Platform.

## 7.5 Backup procedure for reporting positions under Article 58 (3)

Article 58(3) of MiFID II states members or participants of regulated markets shall report to the market operator operating that trading venue the details of their own positions held through contracts traded on that trading venue at least on a daily basis, as well as those of their clients and the clients of those clients until the end client is reached.

OMIP will provide draft position reports that members can leverage to fulfil their obligation under Article 58 (3). However in the event that OMIP is not able to produce the draft reports the following backup procedure may be activated:

1. OMIP sends an email notification to the relevant contacts at each member, indicating that an incident has occurred and the draft position reports will not be provided for the specified date;

2. In attachment to this notification an Excel template will be provided containing the instruments / ISINs that are open for trading for the day in question;
3. Members shall populate this template for each instrument where there are open (flat or non-flat) positions:
  - a. Position Holder LEI
  - b. Risk Reducing Volume
  - c. Non-Risk Reducing Volume
4. Members shall upload this information on the Secure FTP Platform using the instructions provided in the e-mail;

Concrete SLAs for this backup procedure will be established after the daily reporting processes are stabilized in Q2 2018.

## 8 Ancillary Information

OMIP will provide some ancillary files in CSV format in order to assist in this regulatory process:

- **Instrument List:** the instrument list is already available but it will be extended to include several new fields and additionally the field names/values will be adjusted in alignment with REMIT and EMIR. This file is produced on a yearly basis (file for 2018 should be available in Dec 2017) and rectified whenever new contracts/products are launched;
- **MiFIDII daily:** produced on a daily basis which contains information per ISIN which is necessary for building position reports and also to validate that positions are within regulatory limits. It contains the following fields, among others;
  - Maturity (Spot Month or Other Months);
  - Delta equivalent for options contracts;
  - Open Interest and Deliverable Supply;
  - Spot Month and Other Months Limit;
- **Non-Market days:** published each year alongside the trading calendar listing the calendar days when the market is closed;

These files will be available on OMIP's website and through our FTP service.