
Agenda: EVIA FX Working Group
Date: Monday, 8th October 2018
Time: 10.30am
Venue: Conference Call – 0845 401 9029 – 856 59 06#

1. Regulatory updates

a) ESMA updates Q&A on FX Swap Reporting

Following the publication of this update, EVIA discussed feedback received on the impact on the issue of reporting FX swaps as a single instrument. Venues should set up the instrument as a swap but may possibly offer options to clients on how they wish to transact and therefore to report either as the new swap as individual legs or as a package. There is a 6-month implementation period after this publication and 12 months for FX swap reporting under EMIR.

However, other associations have requested a longer term implementation date to allow time for scheduling the instruments to be set up.

Comments raised included the fact that the implications of reporting swaps does mean re-engineering both trading screens and the post-trade confirmations architectures. Also, admitting to trade as a single instrument means that venues will need to request ISINs for each leg and append these to a further new ISIN for the package, therefore expecting an increased quantum of new ISINs from ANNA DSB and increased time to pre-load due to the volume. A particular concern is the DSB inability to apply ISINs to Spot or shorter instruments which are usually the near leg of the FX Swap. This could also impact reaching threshold conditions as defined in each contract. However, this could be avoided if clients had already requested these ISINs but if not, the cost of the new ISINs will be borne to the venue.

b) FCA Market Watch 56

FCA reported on market surveillance systems and setting of calibrations. We will be discussing details of this paper in the next MAR Forum in November 2018.

2. Brexit

a) The EU Commission DG FISMA securities had further exchanged views with EVIA last week on the third country equivalence regime.

AJM will be writing to each of the members to ask whether they have a list of trading venues to be registered on a revised Memorandum of Understanding (MoU) from the EU Commission to the US and MAS as part of the Brexit work. The initial list compiled in December 2017 was US and

EU focused on common approach to trading obligation on instruments and now revisited to extend beyond STP and CCP connectivity. The approach now is to reinstate MoU beyond the definition including where FX financial instruments are traded.

- b) Discussion was held around the announcement by ESMA in respect of MiFID/MiFIR third country regimes provision of investment services and activities at the exclusive initiative of the client reverse solicitation and outsourcing of functions to third country entities.

ESMA is tightening its rules on third country firms providing investment services to the EU to reverse solicitation as under the current regime, third country firms are not subject to the relevant framework if the service is initiated at the client's own request. ESMA is also reviewing outsourcing of critical or important functions to third country providers and applying a stricter regime under MiFID II.

- c) GFXD (AFME FX) organising an FX TV Brexit roundtable on 16th October to discuss TV plans under Brexit. The basis of the information sought has been collated by GFXG into a questionnaire that looks at TV plans under Brexit to offer and/or move the following market sectors into EU:
- i. FX Spot
 - ii. FX Forwards (Swaps)
 - iii. FX Packages
 - iv. FX NDFs and Options (Derivatives)

EVI A had confirmed its own attendance but had recommended to GFXD/AFME that it may be better if they seek bi-lateral discussions with the respective firms rather than a roundtable.

- d) **FCA: Discussion on Transaction Reporting at the Compliance monthly**

The meeting on Wednesday 3rd October with the FCA was well attended by the members and there were plenty of Q&As from the group on some of the transaction reporting issues raised by the FCA. The FCA has issued the slides and these have been distributed to members.

- e) **Fines**

- Brokerage fined \$1.5m into FX Currency options and the Chairman charged with failing to diligently supervise activities.
- CFTC fines NatWest \$750,000 for failing to report swap transactions including FX asset classes.

3. AOB



European
Venues &
Intermediaries
Association

- Marex Spectron returned to the FX markets with the launch of a new platform that includes a desktop and mobile app for FX and precious metal spot trading and market monitoring.
- NEX Markets says it handled average daily volume of \$86.1 billion, up 1.6% from August but also down from the previous September, by 11.6%.
- CME Group FX Link service launched in March has already begun to allow market participants to manage market exposures and credit utilisation across the over-the-counter spot FX and FX futures markets.
- David Clark will be chairing the P&L conference in Scandinavia in October and also chairing the three Asian conferences they will hold in November. These events each features panels of active market participants on a range of subjects from the macro outlook through to critical market structure issues such as managing risk in machine driven markets.