



European
Venues &
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Association

Subject: European Venues & Intermediaries Association FX Working Group
Date: 9th April 2018
Time: 10.30am

1) NCA's recent discussion on level 3 Q&A on treatment of FX Swaps as a single RTS MiFID instrument

Several of the NCAs have confirmed that the ESMA Data Committee is looking at publishing a Level 3 Q&A (but unclear when) on the treatment of FX Swaps as a single RTS2 MiFID instrument. Currently the industry reports both legs individually but tagged as linked.

NCAs stated that there will be Q&A to clarify its position but unclear when and we have urged the topic to be referred to the ESMA Secondary Markets Standing Committee ("SMSC") because there are substantive reference data and transparency angles as well, where the creation of more instruments product could be material, as well as the convention by market participants who have implemented the legged approach as it suits the feed into risk systems. EVIA have written to the SMSC chair on this point as well as raising with the FCA (who commented that the Q&A could be more binding than industry currently imagine).

Arising from some wide-ranging discussions, the general comment from members is to maintain the current approach. The industry has implemented a 2-ISIN Packaged Transaction solution that works for the Swaps market and it would be a huge amount of work for all parties to change to a 1-ISIN approach. EVIA have also spoken to GFMA to agree an industry push back, an approach that they set out at the stakeholder advisory group to the ESMA Market Data Taskforce.

One member stated that they were asked by BAFIN why they have adopted the 2-legged reporting and not ESMA RTS 2 approach. The response was that they have adopted the industry standard until there is further clarity from ESMA on reporting FX swaps as an individual leg.

Next steps:

Urge Carsten Ostermann to consider the topic from the standpoint of SMSC. Liaise with the sell-side associations and FCA in respect of continued evidencing cost-benefits.



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2) FCA papers

- a. DP 18/2 discussion paper on Transforming culture in financial services: what are the expectations?

FCA stated that this was the key root of the recent major conduct failing within the industry, so given its impact, and culture is a priority for the FCA. FCA has requested the industry to consider the issues and proposes to debate on what constitutes '*a healthy culture*'. EVIA is aware that some members have already rolled out culture training programmes, in many cases as classroom based, which is recognised good practice as evidence of an effective method of training rather than online training.

- b. GC1 P8/1 guidance on financial crime systems and controls to be extended to insider dealing and market manipulation

FCA has extended financial crime risk assessment to insider dealing and market manipulation. The paper outlines good and bad market practises around the requirement to detect and report. Recent studies have shown that \$1.5 trillion is laundered globally each year and only a small percentage is identified as money laundering.

3) Global Financial Markets Association (GFMA) issues paper on Security Penetration Testing Framework

Cyber security continues to be a major threat for firms. GFMA has produced a framework of an effective testing programme for cybersecurity assessments and recognised that a number of jurisdictions already leverage penetration testing in their regulatory regime. This programme is to support and enhance cyber resilience.

4) Post Trade Data

- a) APA issues: AFME spoke to us last week about concerns on data quality coming from APA's following a recent article on this and looking to assemble a cross industry working group to debate on how best to proceed. AJM stated that this is a discussion in a joint working group with EDMA on TV costs.
- b) PII Record Retention: We were approached conjointly by Goldman Sachs, JP Morgan and Barclays via Oliver Haste, who was the founder of IFPD for the short code initiative of PII data before passing it over to ISDA. This project appears not to have moved forward and therefore Oliver has picked this up again to request a meeting with TV's on how PIID could be uploaded in as few locations as possible, with short-codes referring to these secure locations from TVs.

This was discussed in several MiFIR and Monday morning calls, restating the member views that most member TVs have already something in place whereby



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the APA holds the actual PIID and would not be willing to make any substantial changes from that approach unless there was a buy-in from both the FCA and across the APAs, plus a cost-benefit gain and further, that it was a simple technological process.

- 5) **Cross Border Equivalence:** AFME has built a list of FX TVs seeking the equivalence deemed under December's EU/CFTC agreements. AFME has asked for feedback across the venues as to who are in the process of application list or recently admitted. The list currently includes, 360t, Tradition, Thomson Reuters and GFI. AJM has re-circulated for comments.

- 6) **Europex** has requested EVIA/LEBA support to their position paper on pre-trade transparency to transactions pre-agreed outside a trading venue and registered with an exchange for clearing purposes. The position paper states that the pre-arrangement part of the trade is not subject to pre-trade transparency nor on registration of a block trades under the rules of the exchange as the exchange has no oversight of the pre-arranged prices throughout the negotiation process.

We have discussed this amongst our members and have not received a unanimous support on this view.