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## **FCA Market Watch 74 and Supervisory Flexibility on UK MiFIR Transaction Reporting**

*Of particular interest to: all MiFID Firms*

### **In brief**

At the end of July 2023, the FCA published Market Watch 74, which provides insight into their recent supervisory observations regarding RTS 22 transaction reporting practices. The report addresses several areas of concern, urging proper practices and adherence to regulations from firms.

Additionally, during this period, the FCA released a statement to introduce temporary measures for the reporting of certain fields in transaction reports.

### **Market Watch 74 Key Findings**

**MDP Entity Portal Usage and Breach Notifications** – Firms were unaware of the MDP portal or relied on ARMs for data extracts to conduct their mandatory three-way data reconciliations. The FCA reminds firms that they are obligated to reconcile their records with FCA-provided data and where errors or omissions are identified, firms reporting the transaction must cancel and resubmit a corrected report to the FCA.

**Primary Investment and Execution Decision Makers** – The FCA identified firms assigning inappropriate investment and execution decision makers to their transaction reports. Firms are required to report the person or algorithm with primary responsibility at a transaction level.

**Complex Trades** – There were instances of transaction reports submitted for spread trades that did not conform to ESMA transaction reporting guidelines as a complex trade. The FCA emphasises that market participants should continue to review and apply ESMA guidelines to the extent that they remain relevant.

**Transmission Agreements** – The FCA observed firms failing to submit their transaction reports based on unclear procedures and transmission agreements. Firms are advised to review their existing transmission arrangements and ensure all relevant conditions outlined in Article 4 of RTS 22 are being met.

**Inconsistencies in Instrument Details and Reference Data** – The FCA identified inconsistencies in notations used by firms for price, quantity, and instrument detail fields 42-56. Firms are urged to follow market convention to ensure these fields are complete and accurate.

**Chain of Intermediaries** – Some firms have misidentified funds as the buyer or seller in transaction reports when dealing with a fund manager. Similarly, firms have incorrectly identified a subsidiary's client as the buyer or seller in intragroup transactions.

**Cancelled Instrument Reference Data** – Instrument data submitted to the FCA in error should be cancelled by the submitting entity. This includes spot FX instruments which are not viewed as financial instruments under the UK MiFID framework.

**Transactions Executed Under the Rules of a Trading Venue** – The FCA received queries on populating venue (field 36) and trading venue transaction identification code (field 3) when reporting transactions negotiated off-exchange and brought under the rules of a trading venue. In such cases, both parties are expected to report the market identifier code (MIC) of the trading venue, meanwhile the TVTIC (field 3) is optional.

### **Supervisory Flexibility on UK MiFIR Transaction Reporting**

The FCA is applying additional temporary measures for fields:

- Waiver indicator (field 61)
- OTC post-trade indicator (field 63)
- Commodity derivative indicator (field 64)
- Securities financing transaction indicator (field 65)

During the review of these fields, the FCA will not take action against firms failing to populate these indicators correctly. The above fields are in addition to the current temporary measure in respect of the short selling indicator (field 62).

The FCA is also in the process of updating the UK MiFIR transaction reporting schema. This schema will be communicated to MDP submitting entities ahead of the implementation date for the new rules introduced in PS23/4.

If you need support with your transaction reporting reconciliations or review, then please do get in touch with your usual Optima contact.

### **Useful Links**

[FCA: Market Watch 74](#)

[FCA: Supervisory flexibility on transaction reporting](#)

[FCA: Supervisory flexibility on the short selling indicator](#)

[FCA: PS23/4 - Improving Equity Secondary Markets](#)

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