APA ATHEX

Quotes & Trades Reporting

Service Description

1. What is an APA

The Approved Publication Arrangement (APA)[1] is a person authorized under MiFID II[2] to provide **the service of publishing trade reports** on behalf of investment firms pursuant to Articles 20 and 21 of MiFIR[3].

Also the APA, in addition, may provide the service of publishing Systematic Internalizers Quotes, according to MiFID II/MiFIR chapter III.

The Systematic Internalizer (SI) is 'an investment firm which, on an organized, frequent and systematic basis, deals on own account by executing client orders outside a regulated market or an MTF'. The SI regime is laid down in Article 4(1) (20) of MiFID II and specified in Commission Delegated Regulation (EU) No 2017/565 supplementing Directive 2014/65/EU of the European Parliament.

Initially MiFID I introduced the SI regime for stocks. MiFID II has enhanced the scope of the SI regime which now, practically, applies for all Instrument categories, including Bonds and Derivatives.

Investment firms acting as SIs bear both pre and post trade transparency obligations that can be fulfilled through an APA.

APAs are authorized and supervised by the Competent Authority (CA) of their home Member State. For Greece the CA is the Hellenic Capital Market Commission (HCMC).

The APA is required to comply with:

- The requirements set out in Art. 64 of MiFID II, as well as
- MiFID II/MiFIR RTS 13 and
- Any domestic requirements

1.1. APA Services

The APA authorization grants a license to **APA@ATHEX** to operate throughout the EU and entails the obligation to disseminate the information received from investment firms as close to real time as it is technically possible, on a non-discriminatory basis and on a reasonable commercial basis. Besides, the **APA@ATHEX** is to rely on systems that allow it to thoroughly monitor the information it publishes and inform clients of the result. Details on the reported trades will be disseminated through ATHEX's Data Feed, the ATHEX website and other means.

In essence, during the MiFID review, ESMA has recommended[4] that the 2010 guidelines issued by the Committee of European Securities Regulators ("CESR") on the organization of APAs[5] should be used as a basis for the organizational requirements for APAs under MiFID II/MiFIR.

The organizational requirements for APAs are described in article 64 of the MiFID II Directive:

[1] MIFID II Directive, article 4(1)(52
[2] Directive 2014/65/EU
[3] Regulation (EU) No 600/2014
[4] ESMA, Discussion paper: MiFID II / MiFIR, 22 May 2014, chapter 5.1
[5] CESR Technical Advice to the European Commission in the Context of the MiFID Review: Equity Markets (July 2010) (CESR/10-802)

- APAs need to have adequate policies and procedures to make the required information available to the public as close to real time as is technically possible, at a reasonable commercial basis
- Information provided by APAs shall be free of charge 15 minutes after publication
- APAs must be able efficiently and consistently to disseminate information in such a way as to ensure fast access, on a nondiscriminatory basis, and in a format that facilitates its consolidation with similar data from other services
- The data provided by APAs must contain a list of minimum information specified in article 64, which includes the instrument identifier, price, volume, and time of the transaction
- APAs must have arrangements to avoid conflicts of interest
- APAs must have sound security mechanisms, maintain adequate resources, and have backup facilities; and
- APAs must check trade reports for completeness, omissions, and obvious errors.

Like other categories of data reporting service providers (e.g. ARMs, CTPs) APAs must also meet governance requirements[6] in accordance to MiFID II. Therefore:

- All members of its management body must be of sufficiently good repute, possess sufficient knowledge, skills and experience, and can commit sufficient time to their duties
- Together they must have the right knowledge, skills and experience to understand the activities of the APA
- Each member of the management body must have the honesty, integrity and independence of mind to effectively challenge the decisions of the senior management where necessary and to effectively oversee and monitor management decision-making

1.2. What is happening under MiFID today

MiFID[7] introduced in 2007 a requirement for all investment firms to publish over the counter (OTC) trades executed outside the rules of a trading venue in instruments that are admitted to trading on a Trading Venue. This requirement was initially introduced for shares.

In particular, MiFID states that an investment firm trading OTC, must use either a third party or proprietary arrangements to publish post-trade data. If it chooses to use third party arrangements, it must ensure that that the third party:

a. Has systems which ensure that the information is reliable, is monitored continuously for errors and is corrected as soon as errors are detected
b. Facilitates the consolidation of data with data from other sources. Data is made available to the public on a nondiscriminatory commercial basis at a reasonable cost

ATHEX is already catering for this service as it is currently operating PTTS (Post-Trade Transparency Service) for equities in order to provide to its Members and clients efficient publication of OTC transactions in equities. Therefore, it receives the reported information and makes it available to all its data vendors.

[6] MiFID II Directive, article 63
[7] Directive on Markets in Financial Instruments - Directive 2004/39/EC

1.3. What is changing under MiFID II / MiFIR

Under MiFID II:

a. The third party that provide the service of publishing trade reports on behalf of investment firms needs to be authorized
b. The scope of products for reported trades is significantly increased

While under MiFID pre-trade transparency applied to just shares admitted to trading on a RM, MiFID II extends its scope to:

- Depository receipts (DRs) and exchange traded funds (ETFs)
- Certificates and other similar financial instruments admitted to trading on a trading venue
- Bonds and structured finance products admitted to trading on a Regulated Market or for which a prospectus has been published; and
- Emission allowances and derivatives that are admitted to trading or traded on a trading venue

Therefore, investment firms, with the introduction of MiFID II in January 2018 will have **increased post-trade transparency requirements for OTCs concluded in all asset classes**.

For each trade executed OTC, the investment firm is required to publish, along with various other data elements for the individual trade:

- The price
- The volume and
- The time of agreement

This information has to be made public as close to real-time as possible. However, the competent authority can authorize deferral of publication. Such deferrals vary according to the instrument and may be granted for only a short period of minutes and up to as much as four weeks. The deferrals described in RTS 1 and RTS 2 unless there is any other Competent Authority's decision require:

- For shares, depository receipts, ETFs, and other similar instruments the deferral allowed may be between 60 minutes and end of next trading day, in accordance to MiFID II/MiFIR RTS 1 (and its Annex)
- The deferral allowed for bonds, structured finance products, emission allowances, and derivatives may typically be two days but can in certain cases up to four weeks, in accordance to MiFID II/MiFIR RTS 2 (and its Annex).

1.4. What should be included in the trade report

The details of the fields of the trade report to an APA are included

- in the Annex of the RTS 1 for equity and equity like instruments and
- in the Annex of RTS 2 for non-equity instruments

The technical specifications of APA@ATHEX provide detailed information of all required fields for such a report to take place.

1.5. Who needs to report

According to MiFIR post-trading reporting obligations apply to Trading Venues (TVs), Systematic Internalisers (SIs) and Investment Firms that qualify.

Trading Venues (TVs) refer to an EU trading venue which include: Regulated Markets (RMs), Multilateral Trading Facilities (MTFs) or Organised Trading Facilities (OTFs). Non-EU trading venues that are recognised by ESMA as third-country venues for the purpose of transparency under MiFID II / MiFIR will not need to submit a report in addition to the venue's obligations stemming from third-country rules. Normally, TVs have already established their own trade reporting facilities, hence they do not need the services of an APA.

Systematic Internalisers (SIs) are a qualifying investment firm which, on an organised, frequent systematic and substantial basis, deals on own account when executing client orders outside a Regulated Market, an MTF or an OTF without operating a multilateral system.

Qualifying Investment Firms (QIFs) are any legal person whose regular occupation or business is the provision of one or more investment services to third parties and/or the performance of one or more investment activities on a professional basis (MiFID II, Article 4(1)).

1.6. When shall the trade report take place

The trade reporting must take place

- Within 1 minute from the time of execution of the trade for equity and equity-like products
- Within 15 minutes from the time of execution of the trade for non-equity products (this will be reduced to 5 minutes as of 2020)

1.7. Which is the pecking order for trade reporting

In order to avoid double reporting from any two parties involved in a transaction, rules of the trade reporting obligation are established under MiFIR.

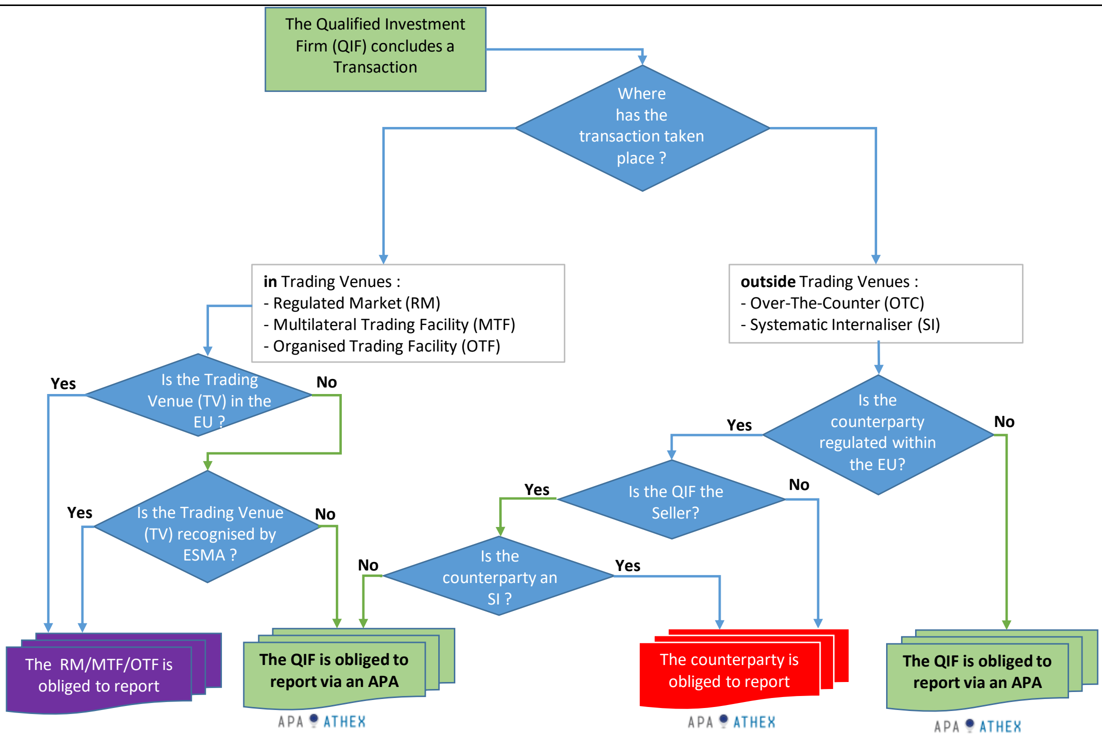
Under those rules, **for OTC trading** the generic obligation to report lies with the seller. However, as there are 3 different possibilities regarding the distinct statuses of the parties (i.e. SI, QIF, non-QIF) 9 cases are identified regarding, the trading obligation under MiFIR and can be summarized as follows:

- If **both parties are SIs** => the Seller SI is obliged to report
- If **one party is SI** and the other is QIF or non-QIF => the SI is obliged to report
- If **both parties are QIFs** => the Seller QIF is obliged to report
- If **one party is QIF** and the other is non-QIF => the QIF is obliged to report
- If **both parties are non-QIFs** => NO trade reporting obligation

For QIFs that execute a trade on a Trading Venue then :

- If the **Trading Venue is in the EU** (and it is, therefore, an RM, MTF or OTF) then the **TV** has the trade reporting obligation
- If the **Trading Venue is NOT in the EU**
  - If the **TV is recognized by ESMA** as a third-country venue, the **TV** is obliged to report
  - If the **TV** is **NOT recognized by ESMA** as a third-country venue, the **QIF** is obliged to report

The graph below depicts when a Qualified Investment Firm(QIF) is obliged to report a trade that it has concluded with a counterparty and the cases where the services of APA@ATHEX could be provided for the post-trade reporting of that QIF. Please note that in case the counterparty of the QIF trades on a matched principle trading capacity, then the DUPL flag needs to be considered in order to avoid duplicate reporting.



1.8. Why the APA@ATHEX service

The service will be ready for use as of the 3rd of January 2018. Clients wishing to join **APA@ATHEX** will enjoy many advantages such as:

- **Experience and know-how in transactions reporting**
  - Regulatory reporting on behalf of Investment Companies over a long time period, even before MiFID
  - Reporting for MiFID on behalf of Investment Firms via the PTTS system
  - Experience with the setup of the FIRDS reporting, and
  - ISO 20022 / XML experience
- **One-stop shop**
  - Validation services in accordance with ESMA requirements
  - Members portal in ATHEX can be used for all markets that our Clients are active
  - ARM transaction reporting service under MiFID II/MiFIR will also be available
  - Reference Data Services (RDS) to 3rd parties will also be available
  - SFTR reporting will be also be implemented for borrowing and lending products of ATHEX in 2018
- **Efficient Publication of trades and quotes**
  - The use of the ATHEX Real Time Data Feed infrastructure and the wide network of International Data Vendors connected, ensures the effective and continuous publication of the trades and quotes
- **Obligatory use of ATHEX for Transaction Reporting for Non-MiFID Members**
  - Members located outside European Economic Area (EEA)
  - Members falling in the exemption in MiFID Article 2
- **Competitive pricing**
  - Economies of scale give the opportunity for competitive pricing

2. The APA@ATHEX services

As part of its application to HCMC, and due its current set-up and infrastructure ATHEX can meet the requirements set in MiFID II/MiFIR RTS 13:

- Its general organizational structure including information on:
  - Compliance policies and procedures
  - Possible outsourced functions
  - Any non-data services that it provides
  - Its corporate governance
  - The members of its management body
- Its detailed organizational structure in relation to:
  - Prevention of conflicts of interests
  - Business continuity and backup facilities
  - Testing and capacity
  - Security
  - Management of incomplete or potentially erroneous information
- Technical arrangements that ensure:
  - Machine readable data formats
  - Trade ID assignment (for OTC reported trades)
  - All appropriate trade flags along with date and time of publication
  - Duplicative reports identification
  - Publication of the information through all its distribution channels

The **APA@ATHEX** service will:

- Cover all relevant instruments, based on the ESMA reference database
- Support the use of deferred publication of trades, where applicable and allowed. This will allow the client to administer deferrals in accordance to the relevant deferral specification per trade, to the extent this is allowed / specified by the competent authorities. In such case, publication will occur by the deferred publication date/time as required by the client through the available field and flag.
- Publish OTC reported trades via ATHEX's data feed which provides extensive coverage globally.
- Offer to Systematic Internalisers Quotes the functionality for new Quotes or amend or cancel Quotes and publish them to data vendors via ATHEX's data feed which provides an extensive global coverage (see ANNEX B).
- Possibility to provide for SIs statistical reports that will assist them in their quantitative thresholds calculations (see ANNEX B).

The **APA@ATHEX** data feed stream will be transmitted by the existing infrastructure and connectivity. This means clients that currently connect via the ATHEX Data Feed Environment (IOCP) will only have to setup one more IOCP account connection account.

Furthermore, the Clients of **APA@ATHEX** will have the ability to upload their trade reports automatically, via an API service (REST API).

The option of manual uploading of the trades' files, will also be available to the users.

3. Important Information

3.1 Is an ISIN required for data reported through an APA?

- In accordance to the ESMA Q&As on MiFIR data reporting the possibility of not using an ISIN at the time of the trade report is possible: *"For the purpose of reporting reference data under the requirements of MiFIR Article 27, ISO 6166 ISINs, ISO 10962 CFI codes and ISO 18774 FISNs issued by the relevant National Numbering Agency (NNA) should be used"*.
- However, the ISIN is required eventually to be submitted as the **ISINs "have to be allocated in time to be included in the submission of reference data required"** under Article 2 of RTS 23. This implies that ISINs are required:
  - by the end of day (21:00 CET) if trading has taken place by 18:00 CET of that day;
  - by the end of T+1 day (21:00 CET) if trading has taken place after 18:00 CET of day T.

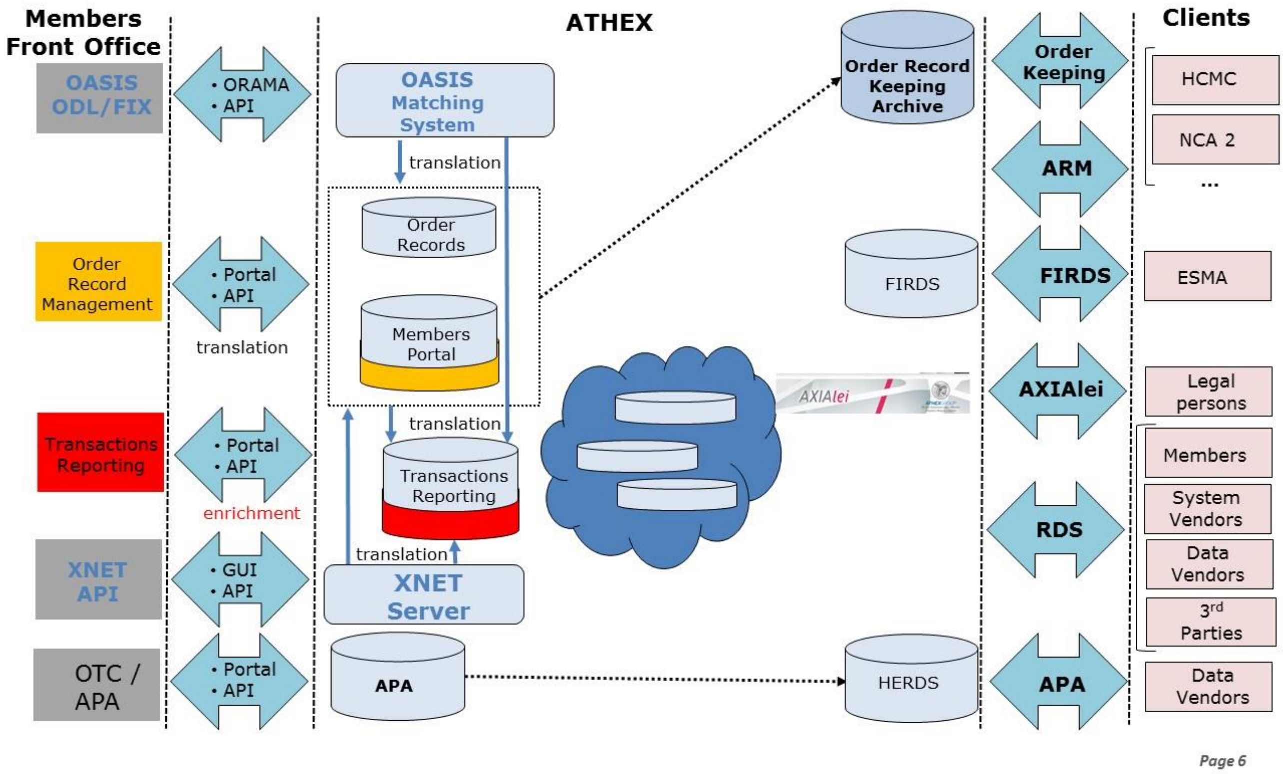
3.2 The "traded on a Trading Venue"(TOTV) concept and how it applies to OTC derivatives trade reporting

The concept of TOTV is not defined in MiFID II/MiFIR. However, ESMA has provided clarifications regarding the meaning of TOTV for the purpose of the correct application of trade reporting (among others) especially in respect of OTC derivatives.[8] As explained by ESMA in this Opinion:

- *ESMA is of the view that only OTC derivatives sharing the same reference data details as the derivatives traded on a trading venue should be considered to be TOTV and, hence, subject to the MiFIR transparency requirements and to transaction reporting according to Article 26(2)(a) of MiFIR. 12.*
- *In this context, "sharing the same reference data details" should mean that the OTC derivatives should share the same values as the ones reported in accordance with the fields of Regulation (EU) 2017/5856 for derivatives admitted to trading or traded on a trading venue, except fields 5 to 12 (the trading venue and issuer-related fields).*
- *Since the trading venue and issuer related fields are only applicable to trading venues when submitting reference data for derivatives but are not applicable for trading those contracts bilaterally outside of trading venues, ESMA considers it appropriate not to take into account these fields when determining whether an OTC derivative traded outside of a trading venue is to be considered TOTV.*
- *ESMA is aware that what is to be considered the "same" reference data details may need to be revisited by ESMA taking into account the evolution of markets post 3 January 2018.*

[8] https://www.esma.europa.eu/sites/default/files/library/esma70-156-117_mifir_opinion_on_totv.pdf

4. ANNEX A – APA@ATHEX / Workflow overview



5. ANNEX B – Services to Systematic Internalisers

Any investment firm shall qualify as an SI if, on an organised, frequent systematic and substantial basis, deals on own account when executing client orders outside a regulated market, an MTF or an OTF without operating a multilateral system. According to the MiFID II/MiFIR regime:

- The frequent and systematic basis shall be measured by the number of OTC trades in the financial instrument carried out by the investment firm on own account when executing client orders.
- The substantial basis shall be measured either by the size of the OTC trading carried out by the investment firm in relation to the total trading of the investment firm in a specific financial instrument or by the size of the OTC trading carried out by the investment firm in relation to the total trading in the Union in a specific financial instrument.
- The definition of an SI shall apply only where the pre-set limits for a frequent and systematic basis and for a substantial basis are both crossed or where an investment firm chooses to opt-in under the SI regime.

The quantitative thresholds for the identification of a Systematic Internaliser are summarized in the Table below:

5.1 Quantitative Thresholds for the identification of SIs

Systematic Internalization Criteria : THRESHOLDS (based on the PAST 6 MONTHS)	DESCRIPTION	SHARES, DEPOSITARY RECEIPTS, ETFS, CERTIFICATES AND OTHER SIMILAR FINANCIAL INSTRUMENTS	BONDS (bonds belonging to a class of bonds issued by the same entity or by any entity within the same group)	STRUCTURED FINANCE PRODUCTS (structured finance products belonging to a class of structured finance products issued by the same entity or by any entity within the same group)	DERIVATIVES	EMISSION ALLOWANCES
Frequent and systematic basis (there is a liquid market)	Number of OTC transactions carried out by it on own account when executing client orders is equal to or larger than X% of the total number of transactions executed in the Union on any trading venue or OTC.	0.4%	2.5%	4%	2.5% in the relevant class of derivatives	4% in the relevant type of emission allowances
	Minimum frequency on average	Daily	Once a week	Once a week	Once a week	Once a week
Frequent and systematic basis (there is not a liquid market)	Minimum frequency on average	Daily	Once a week	Once a week	Once a week	Once a week
Substantial basis	Volume traded by it on own account when executing client orders is equal or larger than X% of the total volumen traded by the investment firm on own account or on behalf of clients and executed on a trading venue or OTC.	15% (turnover)	25% (nominal)	30% (nominal)	25% (nominal)	30% (nominal)
	Volume traded by it on own account when executing client orders is equal or larger than X% of the total volumen traded in the Union on a trading venue or OTC.	0.4% (turnover)	1% (nominal)	2.25% (nominal)	1% (nominal)	2.25% (nominal)

For equity and equity-like instruments traded on a trading venue, Article 14 of MiFIR obliges firms that qualify as SIs to make public quotes for which there is a liquid market. This obligation applies to systematic internalisers when they deal in sizes up to standard market size. SI shall make their quotes public regularly and continuously within the normal operating hours of the trading venue. When there is not a liquid market, SIs shall disclose quotes to their clients upon request.

In respect of bonds, structured finance products, emission allowances and derivatives traded on a trading venue, Article 18 of MiFIR establishes the general rule that SIs shall make public firm and shall make these quotes available to other clients of theirs if they are prompted for a quote by the client and if they agree to provide such quotes.

The context of the pre-trade service of **APA@ATHEX** is for SIs to fulfill the dissemination of their quotes to the public via the arrangements of the service. The SI will chose to send new quotes or cancel existing quotes and the service will disseminate the quotes to the data vendors.

The SI needs to provide the market the relevant instrument information (reference data) which is also a requirement to provide to the Competent Authority (FIRDS reporting).