TO : Reporting Entities:
    i. Cyprus Investment Firms[1]
    ii. Credit Institutions[2]
    iii. Market operators of trading venues
    iv. Approved Reporting Mechanisms

FROM : Cyprus Securities and Exchange Commission

DATE : 28 Φεβρουαρίου 2020

CIRCULAR No : C356

SUBJECT : Publication of CySEC's Review of compliance with the Transaction Reporting obligation under Article 26 of Regulation (EU) No 600/2014 on markets in financial instruments('MiFIR')

The Cyprus Securities and Exchange Commission ('CySEC') carried out a review of the quality of data reported to CySEC under Article 26 of MiFIR by Reporting Entities ('the Review').

MiFIR obligations

According to Article 26 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. (…)*"

As per Recital 16 of Commission Delegated Regulation (EU) 2017/590, "*complete and accurate transaction reporting data is essential to market abuse surveillance. Trading venues and investment firms should therefore have methods and arrangements to ensure that complete and accurate transaction reports are submitted to competent authorities*".

The purpose of the Review was to assess the completeness and accuracy of the transaction reports submitted by the Reporting Entities to the Transaction Reporting Exchange Mechanism ('TREM'). As a result of this work, CySEC has identified a number of data quality issues with which **all** Reporting Entities must consider whether they comply or otherwise to take the relevant corrective measures immediately.

A.   <u>Scope of the Review</u>

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[1] Including branches of Cyprus Investment Firms established in another member state (article 14 of Commission Delegated Regulation (EU) 2017/590).
[2] Credit institutions as defined in article 2 of the Business of Credit Institutions Laws of 1997 to 2017 (Law No. 66(I)/1997), which they are allowed to provide/perform investment services/activities.

The Review assessed the quality and completeness of the data reported by Reporting Entities to TREM in 2018 and 2019.

B.   Areas of concern/ Observations identified

1.   Timing of Reporting

A number of Reporting Entities did not submit the transactions to TREM within the timeframe required by the Article 26(1) of MiFIR. (i.e. the transactions executed on day T, must be reported no later than 23:59:59 of day T+1).

2.   Use of invalid index name (field 48)

Some Reporting Entities had incorrectly populated field 48 (Index Name) with the name of other financial instruments instead of an index. Specifically, CySEC observed that when Reporting Entities are not aware of the ISIN of a financial instrument or they are unclear whether the financial instrument is reportable or not, they incorrectly reported the name of these financial instruments in the field of 'index name'.

3.   Use of default trading time (field 28)

CySEC identified instances of using the default trading time instead of the actual execution time by the Reporting Entities.

4.   Use of default price (field 33)

A number of Reporting Entities used a default price (price = 0) when reporting their transactions.

5.   Use of Classification of Financial Instruments ('CFI') codes (field 43)

There have been cases where Reporting Entities used incorrect CFI codes in their transaction reports (field 43). Incorrect CFI codes are considered those where an 'X' is placed for unknown attribute. An 'X' can be used only where the specific attribute is not applicable.

C.   Cancellations and Omissions of Transaction Reports

CySEC has noticed that many Reporting Entities are cancelling reports or submitting reports after T+1 without first notifying CySEC.

According to Article 15(2) of the Commission Delegated Regulation (EU) 2017/590 with regard to regulatory technical standards for the reporting of transactions to competent authorities:

"*Where the trading venue or investment firm becomes aware of any error or omission within a transaction report submitted to a competent authority, any failure to submit a transaction report including any failure to resubmit a rejected transaction report for transactions that are*

reportable, or of the reporting of a transaction for which there is no obligation to report, it shall promptly notify the relevant competent authority of this fact."

Therefore, all Reporting Entities are required to notify CySEC in the following cases:

- The Reporting Entity will cancel erroneous reports and not resubmit them
- The Reporting Entity will cancel erroneous reports and resubmit them
- The Reporting Entity omitted to submit reports in due time (T+1)
- A report was rejected and the Reporting Entity wishes to resubmit it after T+1
- A transaction report was rejected and the Reporting Entity will not resubmit it.

The notification should be made by completing and submitting the [attached form](#) to [transaction.reporting@cysec.gov.cy](#) with the subject "Cancellations and Omissions Form" BEFORE proceeding with any of the above mentioned actions and await for CySEC' s response in order to proceed with the necessary corrective actions.

D. Next steps

The publication of the common deficiencies identified by CySEC's Review is designed to assist Reporting Entities in ensuring full compliance with their MiFIR reporting obligations. With the Review's findings as a basis, all Reporting Entities must undertake a full review of their MiFIR reports in order to ensure that information is complete and accurate.

Reporting Entities are advised to nominate a person within their firm who will be responsible for the daily monitoring of MiFIR reporting. Fulfilling the MiFIR reporting obligation will require dedicated oversight to ensure any issues and/or failures are rectified appropriately.

CySEC will continue monitoring the above mentioned areas, as well as other areas, such as rejected transactions, clients' identifiers etc.

Reporting Entities not complying with the above will encounter enforcement actions.

cc.   Cyprus Stock Exchange
        Central Bank of Cyprus