

Financial Services Authority

# Guidelines on reporting of On-Exchange derivatives (AII and ISIN derivatives)



# 1 Transactions in securities derivatives admitted to trading on a regulated market

This document aims to confirm the way in which transactions in reportable derivatives (i.e. equity and debt related derivatives sometimes referred to as securities derivatives) admitted to trading on a regulated market should be reported to us.

Transaction reports should contain all mandatory fields in line with SUP 17 Annex 1 Minimum Content of a Transaction Report. Where we refer to specific fields in a transaction report, firms should complete these fields in the formats described or be assured that these will be the formats that their ARMs will use when sending their transaction reports to us. Additional guidelines in respect of certain of these fields have been provided below. Reporting transactions in line with these guidelines will greatly reduce the number of requests for information that we make to firms. This will help to reduce the resources that firms would otherwise need to dedicate to those enquiries.

## **1.1. Summary of reporting guidelines**

### **1.1.1. Principal Transactions**

The firm will transaction report to the FSA identifying themselves as the reporting firm, Trading Capacity as 'P' for Principal and the BIC, FRN or internal code (where the BIC/FRN have not been assigned to that entity) of their counterparty or the BIC of the exchange central counterparty (CCP).

### **1.1.2. Principal Cross Transactions where the client's identity is known**

Where the firm executes a transaction on a regulated derivative market in a Principal Capacity on behalf of a client, the firm must submit details of the transaction to the FSA. This can be done by submitting either:

- a single principal cross transaction report identifying the client and the central counterparty, or
- two principal transaction reports identifying the client in one and the central counterparty in the other.

#### 1.1.3. **Principal Cross Transactions where the client's identity is not known**

In circumstances where the identity of the client is not known, firms should submit either:

- a single principal cross transaction report identifying the details of the central counterparty and the identity of the party who passed the order as the Customer/Client, or
- two principal transaction reports identifying the details of the central counterparty in one transaction report and the identity of the party who passed the order in another transaction.

Where the firm passes the order to a third party for execution, on behalf of the client (but does not pass on the details of the ultimate client) the firm passing on the order is requested to transaction report to the FSA either:

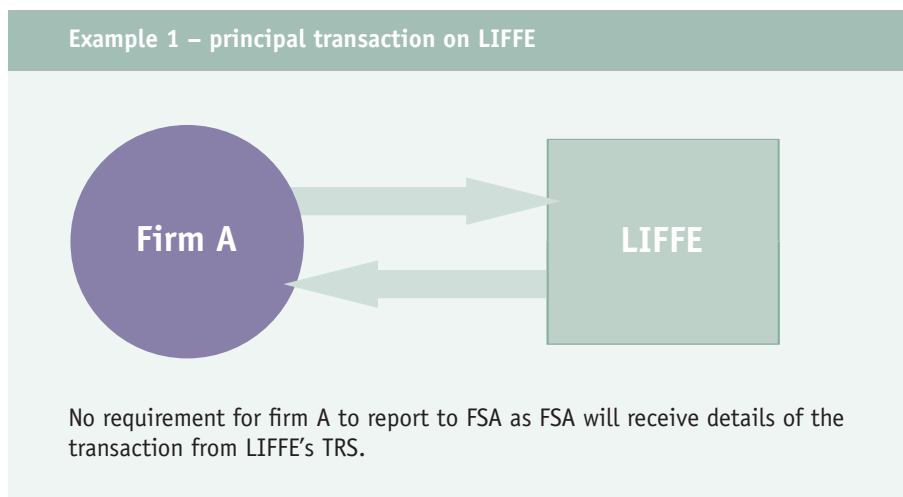
- a single principal cross transaction report identifying the client and identity of the counterparty the order was passed to, or
- two principal transaction reports identifying the client in one and the identity of the counterparty who executed the transaction in the other.

#### 1.1.4. **Agency transactions**

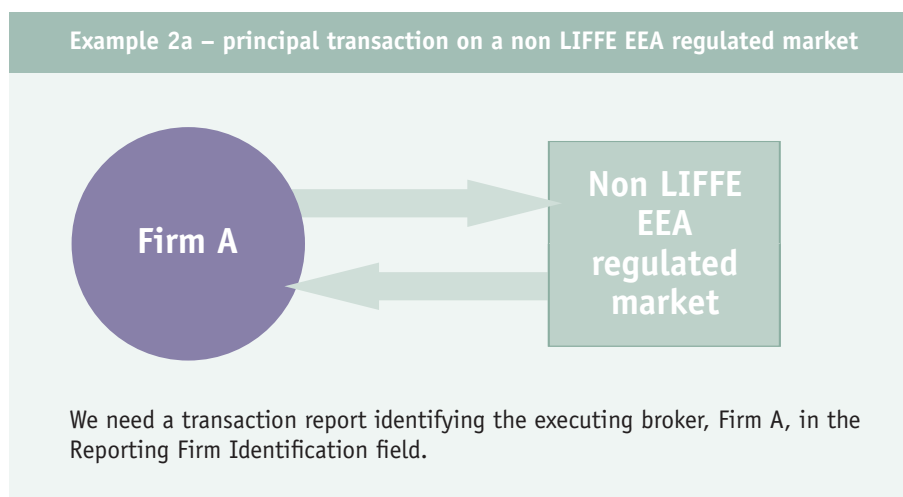
On some derivative markets, transactions may be undertaken in an agency capacity. Where this is the case, firms may report by submitting an agency transaction report identifying the details of the central counterparty and details of the client.

Detailed examples of various reporting scenarios follow.

## 1.2. Transactions executed on a firm's own account



- 1.2.1. Following on from the above, firms will be relieved of the obligation to report transactions executed in reportable LIFFE derivatives on LIFFE as LIFFE will provide us with reports for these transactions if the firm has informed the FSA it wants LIFFE to report these transactions on its behalf. Please see section 1.4.4 for reporting obligations where a transaction is executed in reportable LIFFE derivatives on behalf of a client.
- 1.2.2. Where a firm executes a transaction on a regulated market that is not LIFFE, in a reportable derivative, the firm has a responsibility to make arrangements for the transaction to be reported to us. This responsibility does not change as a result of clearing arrangements.



- 1.2.3. **Example 2b:** Firm A buys a derivative contract on IDEM the Italian Derivatives Market (an ISIN regulated market). Firm A has a responsibility to make arrangements for the transaction to be reported to us. This responsibility does not change as a result of clearing arrangements. Firm A reports the transaction itself in line with the table below:

Submitting organisation	Reporting firm	Dealing capacity	Buy/sell indicator	Counter-party	Client/customer identification	Trading venue
BIC or FRN of Firm A	BIC or FRN of Firm A	Principal	B	BIC of CCP		XDMI

### 1.3. Transactions reported by a third party

- 1.3.1. Where a firm executes a transaction in a reportable derivative and makes arrangements for a third party to report, the firm executing the transaction on the regulated market must be identified in the reporting firm field. The firm submitting the transaction report on their behalf is normally identified in the submitting organisation field in line with the table below however, this may be dependent on what Approved Reporting Mechanism (ARM) is used to submit the transaction to the FSA.
- 1.3.2. **Example 3:** Firm A buys a derivative contract on IDEM the Italian Derivatives Market (an ISIN regulated market) and makes arrangements for a third party, Firm B, to report. Firm B submits the transaction report in line with table below:

Submitting organisation	Reporting firm	Dealing capacity	Buy/sell indicator	Counter-party	Client/customer identification	Trading venue
BIC or FRN of Firm B	BIC or FRN of Firm A	Principal	B	BIC of CCP		XDMI

## 1.4. Transactions executed on behalf of a client

1.4.1. Where a firm executes a transaction on a regulated market, in a reportable derivative, on behalf of a client, the firm has a responsibility to make arrangements for the transaction and the identity of the client to be reported. This responsibility does not change as a result of clearing arrangements. Such a transaction and the identity of the client can be reported in two transaction reports or, to minimise transaction reporting fees, in a single transaction report. Whether the firm, or a third party (e.g. a clearing broker), reports the transaction to us the firm executing the transaction on the regulated market must be identified in the reporting firm field.

1.4.2. **Example 4:** Firm A buys a derivative contract on IDEM the Italian Derivatives Market (an ISIN regulated market) as principal on behalf of Client C. Firm A has a responsibility to make arrangements for the transaction and the identity of the client to be reported to us. Firm A can report the transaction and the identity of the client in a single transaction report, to minimise transaction reporting fees, in line with the table below:

Reporting firm	Dealing capacity	Buy/sell indicator	Counterparty	Client/customer identification	Trading venue
BIC or FRN of Firm A	Principal cross	B	BIC of CCP	BIC, FRN or, where neither exist, unique internal code for Client C	XDMI

1.4.3. **Example 5:** Alternatively, Firm A reports the transaction and the identity of the client in two transaction reports in line with the table below:

Reporting firm	Dealing capacity	Buy/sell indicator	Counterparty	Client/customer identification	Trading venue
BIC or FRN of Firm A	Principal	B	BIC of CCP		XDMI
BIC or FRN of Firm A	Principal	S	BIC, FRN or, where neither exist, unique internal code for Client C		XDMI

NB: Some firms may also operate on an agency basis.

- 1.4.4. Where a firm executes a transaction on LIFFE in a reportable derivative the firm can be relieved of the obligation to report transactions executed in reportable LIFFE derivatives if it informs the FSA that it wants LIFFE to report on its behalf. However, where a transaction is executed on LIFFE on behalf of a client, as LIFFE's TRS is not suitable for identifying the client on whose behalf a transaction was executed, the firm has a responsibility to make arrangements for the identity of the client to be reported. This responsibility does not change as a result of clearing arrangements.
- 1.4.5. We recognise it may be difficult for firms to amend their systems to avoid reporting transactions executed in reportable LIFFE derivatives and so, where a firm executes such a transaction on behalf of a client, we are happy for a firm to make arrangements to report in line with 1.4.2 or 1.4.3 above.

## **1.5. Transactions where the client order is received and transmitted to another firm for execution on market**

- 1.5.1. Where a firm receives an order from a client and transmits the order to another firm who executes the transaction on a regulated market, the firm executing the transaction has a responsibility to make arrangements for the transaction and the identity of the client to be reported to us. As in the scenarios above, such a transaction and the identity of the client can be reported in two transaction reports or, to minimise transaction reporting fees, in a single transaction report.
- 1.5.2. **Example 6:** Firm A receives an order from Client C to buy a derivative contract on IDEM the Italian Derivatives Market (an ISIN regulated market) and transmits the order to Firm B who executes the transaction on IDEM on behalf of Client C. Firm B has a responsibility to make arrangements for the transaction and the identity of the client, Client C, to be reported to us. Firm A has received and transmitted the order and has not executed a transaction and so has no obligation to transaction report to us. Firm B reports the transaction and the identity of the client in a single transaction report, to minimise transaction reporting fees, in line with 1.4.2 or 1.4.3 above.

## **1.6. Transactions where the firm executing the transaction does not have a relationship with the client**

- 1.6.1. Where a firm receives an order from a client and gives the order to another firm who executes the transaction, there may be instances where the firm who executes the transaction on the regulated market does not know the identity

of the client (and may only have been instructed to book the derivative contract position to a particular account reference as instructed by the referring firm; this will often be the internal client account reference of the referring firm or the house account of the referring firm). The firm executing the transaction has a responsibility to make arrangements for the transaction and the identity of the client to be reported to us; however, in this scenario their client is the firm from whom they have received the order.

- 1.6.2. The industry accepts that in this scenario, in order to monitor effectively for market abuse, we need to know the identity of the client. We, therefore, request that the firm that gave the order to the firm that executed the transaction on the regulated market makes arrangements to report the transaction from their perspective together with their unique client reference. This responsibility does not change as a result of clearing arrangements. Such a transaction and the identity of the client can be reported in two transaction reports or, to minimise transaction reporting fees, in a single transaction report.
- 1.6.3. We would like to confirm that the transaction reporting obligations of a firm are independent of the obligations of another firm and so a firm executing a transaction on a regulated market is not obliged to ensure the firm that gave the order has fulfilled their transaction reporting obligations, if any, and vice versa.
- 1.6.4. **Example 7a:** Firm A receives an order from Client C to sell a derivative contract on IDEM, the Italian Derivatives Market (an ISIN regulated market), and because it is not a member of IDEM, Firm A gives the order to Firm B who executes the transaction on IDEM. Firm A instructs Firm B to book the IDEM derivative contract to the client or house account of the client's clearer and Firm B does not know the identity of the client. Firm B has a responsibility to make arrangements for the transaction and the identity of the client to be reported to us. However, in this example, Firm B does not know the identity of Client C and so reports the transaction and identifies Firm A as the client in a single transaction report in line with the table below:

Reporting firm	Dealing capacity	Buy/sell indicator	Counterparty	Client/customer identification	Trading venue
BIC or FRN of Firm B	Principal cross	S	BIC of CCP	BIC or FRN of Firm A	XDMI

- 1.6.5. **Example 7b:** Alternatively, Firm B reports the transaction and the identity of the client in two transaction reports in line with the table below:

Reporting firm	Dealing capacity	Buy/sell indicator	Counterparty	Client/customer identification	Trading venue
BIC or FRN of Firm B	Principal	S	BIC of CCP		XDMI
BIC or FRN of Firm B	Principal	B	BIC or FRN of Firm A		XDMI

- 1.6.6. **Example 8a:** Where Firm A has not passed the identity of the client to Firm B, we would request that Firm A makes arrangements to report the identity of Client C. Firm A reports in a single transaction report in line with the tables below:

Reporting firm	Dealing capacity	Buy/sell indicator	Counterparty	Client/customer identification	Trading venue
BIC or FRN of Firm A	Principal cross	S	BIC or FRN of Firm B	BIC, FRN or, where neither exist, unique internal code for Client C	XDMI

- 1.6.7. **Example 8b:** Alternatively, we would request that Firm A reports in two transaction reports in line with the table below:

Reporting firm	Dealing capacity	Buy/sell indicator	Counterparty	Client/customer identification	Trading venue
BIC or FRN of Firm A	Principal	S	BIC or FRN of Firm B		XDMI
BIC or FRN of Firm A	Principal	B	BIC, FRN or, where neither exist, unique internal code for Client C		XDMI

## **1.7. Transactions executed where one party is a non UK EEA firm**

- 1.7.1. Where a firm receives an order and gives the order to another firm, in line with 1.4.1 above, that is a non UK EEA firm we would expect the transaction to be reported to the home competent authority of the non UK EEA firm. The majority but not all other competent authorities also require the identity of the client to be reported.
- 1.7.2. **Example 9:** As in 1.5.2 Example 6, if Firm A receives an order from a client and passes the order to Firm B where Firm B is a non UK EEA firm, Firm B has a responsibility to report the transaction to its home competent authority and, where applicable, the identity of the client in line with the local transaction reporting rules of their home competent authority. Similarly, in line with Example 6, we would not expect Firm A to report the transaction to us.

## **1.8. Transactions where the firm executing the transaction is a non UK EEA firm and does not have a relationship with the client**

- 1.8.1. Where a firm receives an order and gives the order to another firm that is a non UK EEA firm, in line with 1.5.1 above, the firm executing the transaction has a responsibility to make arrangements for the transaction to be reported to their home competent authority including the identity of the client if required; however, as in the scenario outlined in 1.6.1 the client is the firm from whom they have received the order.
- 1.8.2. The industry accepts that, in this scenario, in order to monitor effectively for market abuse, we need to know the identity of the client. We therefore request that the UK firm, which gave the order to the non UK EEA firm that executed the transaction on the regulated market, to report the transaction from their perspective together with the appropriate client reference, either a BIC, FRN or unique internal client reference. This responsibility does not change as a result of clearing arrangements. Such a transaction and the identity of the client can be reported in two transaction reports or, to minimise transaction reporting fees, in a single transaction report as in 1.4.2 or 1.4.3.
- 1.8.3. **Example 10a:** UK Firm A receives an order from Client C to sell a derivative contract on IDEM the Italian Derivatives Market (an ISIN regulated market) and because UK Firm A is not a member of IDEM, UK Firm A gives the order to Italian Firm B who executes the transaction on IDEM. UK Firm A instructs Italian Firm B to book the IDEM derivative contract to the client or house account of the client's clearer and Italian Firm B does not know the identity

of the client. Italian Firm B has a responsibility to make arrangements for the transaction to be reported to their home competent authority in line with the reporting rules of that competent authority.

- 1.8.4. Where UK Firm A has not passed the identity of the client to Italian Firm B, we would request that UK Firm A makes arrangements to report the identity of Client C. UK Firm A reports in a single transaction report in line with the table below:

Reporting firm	Dealing capacity	Buy/sell indicator	Counterparty	Client/customer identification	Trading venue
BIC or FRN of UK Firm A	Principal cross	S	BIC or FRN of Italian Firm B	BIC, FRN or, where neither exist, unique internal code for Client C	XDMI

- 1.8.5. **Example 10b:** Alternatively, we would request that UK Firm A reports in two transaction reports in line with the table below:

Reporting firm	Dealing capacity	Buy/sell indicator	Counterparty	Client/customer identification	Trading venue
BIC or FRN of UK Firm A	Principal	S	BIC or FRN of Italian Firm B		XDMI
BIC or FRN of UK Firm A	Principal	B	BIC, FRN or, where neither exist, unique internal code for Client C		XDMI

## 1.9. Transactions where the firm executing the transaction is a non EEA firm

- 1.9.1. Where a UK firm receives an order and gives the order to a non EEA firm we would not expect the transaction to be reported to us or another competent authority.
- 1.9.2. In such circumstances, it is optional for the UK firm to report the identity of the client to us. If reporting the transaction to us, the UK firm should report in line with Example 10a above when reporting using a principal cross or as in Example 10b above where using two separate transaction reports.

# 2 Transactions reported through clearing platforms

## 2.1. Reporting AII derivative transactions executed through derivative exchange clearing platforms (e.g BClear)

2.1.1. When a transaction conducted through the clearing platform is in a true AII instrument (exactly the same in all respects as the exchange traded instrument – ‘Fungible’ with the exchange traded instrument) a reporting firm has the choice whether to report as an AII transaction (exactly the same as for an on-exchange transaction) or to report these as OTC transactions using the MIC of XXXX.

2.1.2. Where the derivative instrument differs in any characteristics from an exchange traded instrument (e.g. Strike Price, Maturity Date – an ‘Isotope’ of the exchange traded instrument) or is a completely bespoke instrument the transaction should always be reported as an OTC transaction using the MIC of XXXX. It is important that the correct time and date should be reported for all transactions.

### 2.1.3. Example 1:

- Buy 10 Vodafone Mar 2010 120 Calls on LIFFE. The Firm will report this using the AII code. The counterparty will be the Exchange CCP.
- The AII code for this transaction will contain the following components: Instrument Identification ‘VOD’ (Exchange Product Code of Vodafone), Strike Price 1.20, Expiry Date 19/3/2010, Derivative Type: ‘O’, Put/Call Indicator ‘C’, Venue Identification ‘XLIF’.

### 2.1.4. Example 2:

- Buy 10 Vodafone Mar 2010 120 Calls through BClear (Fungible instrument).
- Option 1: The Firm may report this transaction using the AII code. The counterparty will be the actual counterparty to the transaction.

- The AII code for this transaction will contain the following components: Instrument Identification 'VOD' (Exchange Product Code of Vodafone), Strike Price 1.20, Expiry Date 19/3/2010, Derivative Type: 'O', Put/Call Indicator 'C', Venue Identification 'XLIF'.
- Option 2: Where reporting using the Market Identifier Code (MIC) of XXXX, the counterparty will be the actual counterparty to the transaction.
- Other components of the report will include: Underlying Instrument Identification 'GB00B16GWD56' (ISIN of Vodafone), Instrument Type 'A' (Equity), Strike Price 1.20, Expiry Date 19/3/2010, Derivative Type: 'O', Put/Call Indicator 'C'.

#### 2.1.5. Example 3:

- Buy 10 Vodafone 5/4/2010 123 Calls on BClear (Isotope).
- The firm will report using the Market Identifier Code (MIC) of XXXX, the counterparty will be the actual counterparty to the transaction.
- Other components of the report will include: Underlying Instrument Identification 'GB00B16GWD56' (ISIN of Vodafone), Instrument Type 'A' (Equity), Strike Price 1.23, Expiry Date 5/4/2010, Derivative Type: 'O', Put/Call Indicator 'C'.



The Financial Services Authority  
25 The North Colonnade Canary Wharf London E14 5HS  
Telephone: +44 (0)20 7066 1000 Fax: +44 (0)20 7066 1099  
Website: <http://www.fsa.gov.uk>

Registered as a Limited Company in England and Wales No. 1920623. Registered Office as above.