IDENTIFYING REFERENCE DATA FOR OTC DERIVATIVES SUBJECT TO TRANSPARENCY

ESMA'S CONSULTATION

AMAFI's answer

AMAFI is the trade association representing financial markets' participants of the sell-side industry located in France. It has a wide and diverse membership of more than 170 global and local institutions notably investment firms, credit institutions, broker-dealers, exchanges and private banks. They operate in all market segments, such as equities, bonds and derivatives including commodities derivatives. AMAFI represents and supports its members at national, European and international levels, from the drafting of the legislation to its implementation. Through our work, we seek to promote a regulatory framework that enables the development of sound, efficient and competitive capital markets for the benefit of investors, businesses and the economy in general.

AMAFI welcomes the opportunity to comment on ESMA's proposed guidance regarding the identifying reference data to be used for OTC derivatives subject to the MiFIR post-trade transparency regime.

AMAFI supports the objective of ensuring consistent implementation and high-quality data publication by trading venues, APAs and the consolidated tape provider. At the same time, the final approach should avoid duplicative requirements and minimise implementation costs.

AMAFI encourages ESMA to favour solutions that rely on internationally recognised standards and avoid additional EU-specific reporting requirements unless they deliver a clearly demonstrated and proportionate transparency benefit.

The impact on competitiveness should be a central consideration. In globally integrated wholesale markets, unnecessary divergence or additional EU-specific fields may increase costs and reduce the attractiveness of EU capital markets without commensurate benefits for data users.

A. FIELDS EMBEDDED IN THE UPI

AMAFI supports the use the UPI to identify interest rate swaps and credit default swaps. The UPI is increasingly established as the relevant international product identifier for OTC derivatives. Its use under the MiFIR transparency regime should therefore facilitate regulatory convergence, avoid singling out the EU on this matter, hence supporting its attractiveness, and allow market participants to build on infrastructure already implemented for other reporting purposes.

As regards the options proposed in the consultation paper, **AMAFI supports Option 2**, consisting of using the UPI together with four additional fields.

In our view, this option strikes the most appropriate balance between transparency objectives and operational efficiency.

- First, it is better aligned with international standards. The UPI has now become the global reference identifier for OTC derivatives and has already been implemented across numerous jurisdictions for regulatory reporting purposes. For this reason, the UK Financial Conduct Authority just decided to rely on the UPI in its post-trade transparency regime, noting that "*In many cases, these same market participants have already deployed the infrastructure to support reporting of UPIs elsewhere. Indeed, the UPI has already been adopted by seven jurisdictions globally [...]*" (*UK FCA, Policy Statement PS24/14, p. 64*).
- Second, Option 2 is the most supportive of the competitiveness of EU markets. Requiring the publication of eleven product fields, while comparable jurisdictions such as the United Kingdom have adopted a more proportionate approach, would introduce an additional regulatory burden for firms operating in the Union without delivering commensurate transparency benefits. Preserving international consistency wherever possible is essential to avoid placing EU markets at a competitive disadvantage.
- Third, it significantly reduces the operational burden for reporting entities. A single UPI can be used for multiple transactions sharing the same product characteristics, avoiding the need to populate and publish a larger number of individual data fields for each transaction.
- Finally, provided that the UPI is published under both options considered by ESMA, Option 2 avoids requiring market participants to publish information that is already embedded within the UPI. This reduces unnecessary duplication and, importantly, minimises the risk of inconsistencies, and need for reconciliation, between the product attributes contained in the UPI and the information disclosed through the post-trade transparency regime.

AMAFI recognises ESMA's concern that the UPI is not self-explanatory and that data users may need to access an ANNA DSB reference data library. However, this should be assessed against the nature and purpose of the UPI, which is precisely to provide a common and standardised identifier linked to a reference data set. The relevant question should not be whether users must enrich the UPI, but whether the same information should be duplicated in each post-trade publication. In AMAFI's view, such duplication would create significant costs and data-quality risks.

B. Fields that could be proxied from other fields

Contractual term

AMAFI does not support Option 1.

AMAFI supports Option 3 under which the existing Expiry date field would be replaced by the more standardised Contractual term field, as defined in CDR 1003, while "Expiry date" would be inferred from other fields (trade date + contractual terms + roll convention + standard business terms).

This approach would avoid increasing the total number of fields reported while relying on standardized information. It would also prevent the need to maintain consistency between two fields describing closely related characteristics of the same contract.

More fundamentally, a Contractual term reflects the way standard OTC derivatives are identified, quoted and traded in the market. Market participants refer to instruments by their tenor (e.g. a standard 5-year EURIBOR interest rate swap), rather than by their maturity date, which is transaction-specific and evolves with the trade date.

The Contractual term field is also more suitable for aggregation and comparison, as it would be populated using standardised values such as 1Y, 2Y, 5Y or 10Y. ESMA also recognises that such a field is easier to manipulate for aggregation purposes than an individual expiry date.

Conversely, an Expiry date-based approach raises important practical challenges. Depending on their internal systems, firms may report either adjusted or unadjusted expiry dates to reflect weekends and holidays. As a result, economically identical transactions may be published with different maturity dates, reducing the comparability of the data made available by the CTP. Moreover, users wishing to analyse trading activity by tenor would first need to reconstruct the contractual term from the published dates, taking into account business day adjustments and market conventions. While technically feasible, this process is unnecessarily complex, prone to inconsistencies and would need to be replicated by every user of the transparency data, or alternatively by the CTP itself. Moreover, since the Expiry date can be inferred from the contractual characteristics of the transaction, AMAFI considers that developing standardised inference rules is preferable to permanently requiring reporting entities to report and reconcile two closely related fields.

AMAFI therefore encourages ESMA to develop sufficiently precise inference rules to support Option 3

Effective date

For similar reasons, AMAFI does not support ESMA's proposed Option 1, which would add an Effective date offset field while retaining the existing Effective date field. **AMAFI supports Option 3**, under which Effective date would be replaced by Effective date offset.

Option 3 would avoid adding a further field to the reporting scheme and would provide more standardised information. The Effective date is redundant to the extent that it can be derived from the contractual terms. In addition, like for the Expiry date, depending on firms' internal systems, the reported Effective date may correspond either to the adjusted or unadjusted date, particularly for forward-starting swaps. This may result in economically identical transactions being reported with different dates, thereby reducing the consistency and comparability of the published transparency data. As above, AMAFI recognises the need for clear and standardised inference rules. However, it considers that replacing the existing field is preferable to adding a new field and creating a continuing obligation to reconcile Effective date and Effective date offset.

Although this approach differs from the UK framework, it remains the most proportionate option among those considered by ESMA and is consistent with the broader objective of limiting the overall number of fields while improving their standardisation.