

Submitted under Article 16(2), ESMA Regulation (EU) 1095/2010

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Submission to ESMA — Call for Evidence on a comprehensive approach for the simplification of financial transaction reporting

Executive Summary

Certain retail leveraged certificates (examples: ISINs GB00BTL03R58, GB00BTL03S03 and related products) contain issuer-driven mechanics (daily leverage resets, “good faith” valuation fallbacks, knock-out triggers and voluntary liquidity withdrawal) that are insufficiently captured by current transaction reporting regimes. These reporting gaps impede market surveillance, increase supervisory workload, and contradict the simplification objectives of MiFIR/MiFID II reporting reform. We propose a concise set of standardized, machine-readable event fields and delivery requirements to (i) simplify reporting by eliminating ambiguous free-text/attachments, and (ii) surface issuer adjustments that currently mask harmful outcomes.

Problem statement — how product design defeats current reporting

- Opaque issuer actions: Determination Agent resets and ad hoc fallback valuations are often not recorded in a standardized event field.
- Undetected liquidity withdrawal: Quote withdrawal and periods with no two-way quotes are not flagged uniformly.
- Non-machine readable termination events: Knock-out or issuer call events lack standard classification linking them to preceding issuer actions.
- Manual reconciliation burden: Issuers/NCAAs rely on PDFs or ad-hoc notices, undermining simplification goals.

Objective for reporting reform

- Simplification: Replace ambiguous free-text descriptions with standardized fields.
- Visibility: Ensure issuer discretion events are reported and identifiable in real time.
- Harmonization: Provide a common event code list and schema for NCAs.
- Practicability: Limit new fields to high-value items with phased rollout.

Proposed new event fields and standards (summary)

Real-time mandatory event fields (per occurrence): `product_id`, `product_class`, `declared_leverage`, `current_leverage`, `reset_flag`, `reset_timestamp_utc`, `reset_value`,

reset_reason_code, determination_agent_id, determination_agent_affiliation_flag, knockout_flag, knockout_timestamp_utc, minimum_amount_paid, liquidity_quote_presence, bid_ask_spread_pct, liquidity_provider_id, compensation_trigger_flag.

Daily aggregated fields (T+1): daily_reset_count, daily_avg_spread_pct, daily_liquidity_void_minutes, daily_knockouts_count.

Standardised event codes: EV_RESET_TLF, EV_KNOCKOUT, EV_LIQUIDITY_WITHDRAWAL, EV_PRICE_FALL_FALLBACK, EV_MM_EXIT.

Reporting frequency and delivery channels

- Critical events — within 5 minutes via transaction reporting/event feed.
- Daily aggregates — by T+1 08:00 UTC.
- Timestamps: ISO8601 UTC; venue identifiers.
- Single endpoint to reduce fragmentation.

Surveillance rules enabled (illustrative examples stated formally)

- Rule 1: If EV_RESET_TLF is followed by EV_LIQUIDITY_WITHDRAWAL and EV_KNOCKOUT, flag for immediate review.
- Rule 2: If liquidity_quote_presence = false during market hours and bid_ask_spread_pct > 2.0 for >15 minutes, trigger compensation.
- Rule 3: If determination_agent_affiliation_flag = true and EV_PRICE_FALL_FALLBACK frequency exceeds norms, require governance review.

Mapping to ESMA simplification objectives

These measures reduce manual reconciliation, create a harmonised machine-readable standard across NCAs, and enable automated detection of abusive issuer sequences.

Proposed legal and technical instruments

- Draft RTS under MiFIR for event fields and delivery timing.
- ITS / Schema publication (JSON with XML/CSV mappings).
- Product reference data linkage: include leverage, KID identifier, URI.
- Determination Agent identification: require LEI and affiliation flag.

Operational, privacy and transitional considerations

- Confidentiality: event data restricted to NCAs/ESMA.
- Data protection: no personal data.
- Pilot: 6-month limited rollout before full implementation.
- Enforcement: NCAs to order remediation/compensation.

Implementation timeline (proposed)

Q4 2025: Draft RTS/ITS published

Q1 2026: Pilot with issuers/NCAs

Q3 2026: Mandatory reporting for new issuances

Q1 2027: End of transitional phase

Annexes (attached)

Annex A: Letter 1 — MiFID II Product Governance Reform

Annex B: Letter 2 — Prospectus Regulation Disclosure Reform

Annex C: Letter 3 — Retail Investor Protection Reform

Annex D: Extracts of empirical datasets

Annex E: Draft JSON schema and sample CSV mapping

Offer of assistance

We can provide regulator-ready .docx annexes, draft JSON schema, sample CSV mappings, and pilot scripts to validate schema with NCAs.

Conclusion

Standardizing a small set of issuer-event fields and delivery rules will simplify transaction reporting while exposing issuer behavior that currently evades supervision. These changes are feasible, cost-effective, and consistent with ESMA's simplification objectives.

Respectfully submitted,

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