CTP

REPORT ON

BONDS

Expert stakeholder group on equity and non-equity market data quality and transmission protocols

October 2024

Report on bonds

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Objectives

Based on (i) the DEG's Creating Act and mandate (see here), (ii) the Rules of Procedure, (iii) the first and 2nd meeting on 16 July 2024 and 25 September 2024 in Brussels and via WebEx, (iv) the two presentations given by ESMA (CP – calibration of post-trade deferrals for bonds and CP – draft RTS on Consolidated Tape input/output data) and (v) the respective discussions on those day (minutes published here), the group focussed their main efforts on:

1) **Reference data**
   ➢ MiFIR bond type designation
   ➢ related Financial Instruments Transparency System (FITRS) data quality

2) **Definition of liquidity by assessment of issuance size**
   ➢ static initial amount issued vs
   ➢ variable current amount outstanding

3) **Bond transparency calibration**
   ➢ Large size bucket
   ➢ Corporate Bonds up to EUR 15 million trade size
   ➢ end-of-day price dissemination

4) **Bond (and Derivatives) Consolidated Tapes (CTs)**
   ➢ non-equity CT latency
   ➢ format and protocols
   ➢ regulatory and core market data

Additionally, the group took Structured Finance Products (SFPs) into consideration.

Process

In order to facilitate the group's report and advice, the rapporteur conducted seven virtual meetings on July 23 and 31, August 16, September 09, 12, 17 and 20 on Zoom and Microsoft Teams. Some of the group's members, observers and ad-hoc experts shared additional contributions via e-mail between meetings; either bilaterally with the rapporteur or with the entire group. When conducting meetings, compiling empirical evidence, producing meeting minutes and this report's recommendations, the rapporteur did not make use of any tools that are based on large language models or (generative) Artificial Intelligence.

Furthermore, the rapporteur would like to disclose that (from an early point on) he was engaged in RTS 2 CP response working groups of ICMA and EDMA, contacted the French AMF and Swedish SMA as well as attempted to contact EFAMA for their relevant insights.

General Remarks

The group underscores its full support of the European Union's Savings and Investment Union project, the timely emergence of a CT for bonds and fostering the attractiveness and competitiveness of the Union's markets.

The rapporteur would like to note that this report had to be delivered under highly challenging time constrains, compromising to some degree member's integrity and commitment to providing consensus, evidence-based and detailed recommendations. The juxtaposition of time pressure versus adequate data analysis, sufficient group deliberations and providing detailed advice is inherently difficult to manage.

It is an equally difficult juxtaposition to reconcile the general and welcomed drive for *simplification* with the broad diversity of bond markets in 27 different countries of the EU. This is further amplified by the fact that bond trading is *global*, e.g. many bonds issued in countries outside the Union trade on its markets – while many bonds issued in the EU trade in 3rd country markets too. In this context, the group debated that current EU proposals for bond liquidity and transparency calibrations do *not* take into consideration the following factors:

a) Currency: bonds issued in EUR, USD, GBP vs bonds issued in other currencies

b) Sovereign Bond issuer: larger economies (G7 for example) vs others

c) Corporate Bond credit: investment grade vs high yield

d) Maturity / duration: same trade size in two bonds with 2Y vs 30Y left to maturity

e) Return types: fixed/floating coupons, inflation-linked, zero-coupon (bills), STRIPs

During the legal finalisation of MiFID II / MiFIR Level 2 measures and in the run-up to the go-live on 3 January 2018, bond market participants had major concerns about the newly established transparency measures. Other than in (agency based) equity markets, non-equity markets were predominantly relying on liquidity providing broker-dealer's provision of balance sheet to large institutional clients. While equity markets had seen a post-MiFID I proliferation of trading venues and choice, institutional buy-side sought to reduce their execution risk of larger size trades via dark pools and smart order routers. Traditionally, in non-equity markets, such large size execution risk was managed by the sell-side, reflected in respective bid-offer spreads when trading in a principal capacity. Many institutional participants feared MiFID II transparency requirements could jeopardise their long-established trading preferences, very frequently utilising competitive Request for Quotes (RFQs).

It is often purported that MiFID II / MiFIR "did not deliver" on its non-equity transparency objectives. One could, however, argue that it is often forgotten, that the cautious initial calibration of the non-equity transparency has been very successful with respect to   (i) the continuous provision of broker-dealer's liquidity and balance sheet (amid higher capital

requirements post financial crisis), (ii) no major shift of execution risk from the sell- to buy-side, (iii) a market structure insignificantly impacted by dark pools or fragmentation and (iv) the overall efficient and resilient functioning of EU bond markets including increased trading on regulated venues subject to transparency requirements, evolving market structure and trading protocols.

The initial transparency calibration was broadened and improved by ESMA applying Stage 2 and 3 of RTS 2 bond liquidity assessments. In contrast, the UK FCA did not take these steps post-Brexit. While the group is generally supportive of further broadening the transparency calibration in the Union, we are of the view that a "big bang" approach is not necessarily guaranteeing the success of the bond CT and Savings and Investment Union. Such approach could bear the risk of unintended consequences for the effective functioning of the underlying bond markets. With more time, the group would have liked to explore the legal possibilities of "piloting", whereby new transparency calibrations could be trialled, tested and enacted in a more rapid and nimble fashion than the current legislative framework allows.

Recommendations

1) Reference data – MiFIR bond type designation

For the *consistent* application of publication parameters (real-time & deferred) between trading venues, Approved Publication Arrangements (APAs) and CTs it is paramount that operators do not assign different types of bonds to a given ISIN. The relevant bond type can either be sourced commercially from reference data providers (Bloomberg, LSEG Refinitiv, ICE, SIX – to name just a few) or free of charge from ESMA FITRS. NB: Commercial reference data providers may assign different bond types to the same ISIN between each other.

ESMA CP on RTS 23 intends to move this data field from ESMA FITRS to ESMA FIRDS (Financial Instruments Reference Data System). The published values (EUSB, OEPB, CVTB, CRPB, OTHR) are normalised/aligned across submitting entities and depend on the accurate submission of the "Relevant MIC" (R MIC). The R MIC is determined by ESMA in accordance with Article 16 of RTS 22 ("Determination of the most relevant market in terms of liquidity"). We observe a number of regulatory initiatives to establish FIRDS the "public, free-of-charge Reference Data Library (RDL)".

In this context, the group would like to underscore the need for "golden source" databases. Back in 2019 the rapporteur contributed to a report authored by Philippe Perot (Citibank) and published by the FIX Trading Community headlined "MIFID II – data elements and their authoritative, master and primary sources". Even though some elements of that paper require updates, the core message remains unchanged. With respect to instrument reference data under both the market abuse and transparency regime, the revised ESMA Financial Instruments Reference Data System will inevitably be used by investment firms, APAs, trading venues and CTPs as such "golden source".

We do not agree with the proposal to classify bonds under the ESA 2010 methodology and recommend to publish ESMA Excel "Classification of bonds issued by certain entities" in a more accessible way. This file is very hard to discover when using the search functionality of the ESMA webpage. Consequently, the group believes that some R MICs have not yet updated their submissions with the recommended bond types. NB: The same is true for the "CFI Code – MiFIR identifier mapping table". Easier discoverability and access to both files could improve submitting entities' general awareness and resulting data quality.

Empirical evidence: The group analysed 56k out of 144k ISINs in ESMA's 1 August 2024 publication of data for the systematic internaliser quarterly calculations. These ISINs traded at least once during the reference period 1 January to 30 June 2024. In order to avoid "noise" from potential intermediate data updates, the group agreed to source bond types from (i) FITRS, (ii) LSEG Refinitiv and (iii) Bloomberg on the harmonised date of Wednesday, 21 August 2024. An Excel with the values of (i) and (ii) was made available to the group and ESMA. As expected, the FITRS bond types corresponded to almost 100% with the bond types of the previous SI publication. Bond types sourced from LSEG matched FITRS values in over 90% of ISINs. However, when looking at ~3.3k ISINs where the FIRDS issuer LEI matches one of the 38 OEPB/EUSB issuers in ESMA's aforementioned publication, the match rate dropped to 70%. Bloomberg's internal analysis resulted in similar observations and match rates.

The group acknowledges and appreciates the work undertaken by ESMA in cooperation with NCAs and submitting entities as described on pages 29 and 30 of its 2023 Report on Quality and Use of Data published on 11 April 2024. The rapporteur has been very engaged with the Dutch AFM, providing ESMA with feedback on the methodology and potential improvement considerations. The DEG group's own data analysis indicates that data quality issues often concentrate on just a few R MICs. The process of channelling data quality challenges and proposals via the NCAs of various MICs is quite convoluted, time-consuming and inefficient.

We therefore recommend ESMA to continue engaging with the group, investigating in more detail how to speed-up and enhance data updates by the R MIC, with a focus on engaging actively with the main providers on how to resolve data discrepancies and improve overall reference data quality. ESMA might be able to capitalise on 'economies of scale'. To illustrate: while RTS 23 requires submitters to provide reference data, most of them are in the business of operating trading venues, not the sourcing and provision of reference data services. The majority of submitters (and R MICs in particular) rely on a small number of commercial reference data providers to source the necessary data elements. Where large reference data providers (and certain MICs) agree on a given data element, but the R MIC diverts from that value, updating data by the R MIC could possibly be 'fast-tracked'.

Continued collaboration between ESMA and the group could also be beneficial regarding other challenges mentioned in Section 4.2 of the report, particularly with respect to section 4.2.3 (comparison of MiFIR transaction and transparency data). Supporting ESMA's goal to harmonise data reporting elements across different regimes this could include potential alignment with ESMA SFTR Guidelines (see bond/collateral types GOVS, SUNS, FIDE, NFID, SEPR in section 5.4.5.2), and leveraging the mapping to CFI Codes as described in ICMA's April 2023 Recommendations for Reporting under SFTR on pages 125 to 134, based on

taxonomy issued by the [FSB](#) in its November 2015 [Standards and processes for global securities financing](#), see point 4.9 on page 9.

2) Definition of liquidity by assessment of issuance size

Generally, the group is of the opinion that the issuance size as a sole indicator for the determination of a bond's liquidity is a rather crude methodology and we refer back to our General Remarks on page 2 of this report. Concerning the competitiveness and attractiveness of EU markets in a global trading environment, the group recommends ESMA to take into consideration the UK FCA's [CP23/32 – Improving transparency for bond and derivatives markets](#), launched shortly after the finalisation of the EU MiFID Review. The suggested bond calibration details are outlined in Section 6.2.

During the 16 July 2024 meeting DG FISMA, ESMA and DEG engaged in a healthy debate about the advantages and disadvantages of a (static) amount issued vs a (variable) current amount outstanding in order to determine a bond's liquidity status. Subsequently, the group analysed data and discussed important implementation challenges.

Empirical evidence: The same data set as described under 1) was used in order to (i) check the availability and completeness of the "initial amount issued" in data made available by large reference data providers and (ii) asses the accuracy of R MIC values in FIRDS field "Total issued notional amount" – comparing them with the values sourced from reference data providers. For its advice the group took the following observations into consideration:

- the "initial amount issued" is not available in all use cases

  - see for example Danish Covered Bonds

- in the context of FIRDS/RDL "golden source" preference

  - the "current amount outstanding" is already a freely available data element

  - using the "initial amount issued" instead would require a change of RTS 23

- FIRDS data quality of "Total issued notional amount" in comparison to reference data providers is relatively poor

  - the 21 August 2024 match rate between LSEG and FIRDS R MIC was 84%

  - possibly even lower in internal analysis by Bloomberg and Ediphy (ICE data)

- 70-80% of bonds do not have a difference between "initial amount issued" and "current amount outstanding"

- Sovereign and Corporate Bonds issuance size may increase/decrease over time

    o above and/or below EUR 1bn / 500mn

    o potentially changing a bond's liquidity status

- FIRDS field "Total issued notional amount" submission requires a mandatory value

    o in only very few cases that value equals zero, mostly in case of STRIPS

- Values in field "Total issued notional amount" need to get FX converted

    o where the currency of the bond does not equal EUR

    o in order to assess the chosen thresholds (EUR 1bn / 500mn for example)

While we understand the general appeal of a static issuance size value, taking into consideration both empirical evidence and challenges of a *consistent* implementation across venues, APAs and CTs, on balance the group believes the "current amount outstanding" is the more accurate value in order to determine bond liquidity, We recommend ESMA to retain the proposal described under point 91) in the CP on RTS 2.

However, the proposal should address a number of additional measures. ESMA should consider renaming RTS 23 field 14 to "Current notional amount outstanding". It should be clear from the Annex of RTS 23 and the field description, that field 14 requires periodic updates, depending on increases / decreases – without having to (i) interpret RTS 23 recitals and articles, (ii) consult ESMA's 31 March 2023 Q&A on MiFIR data reporting,   (iii) the ability to locate QA_1691 in ESMA's Q&A IT-tool or (iv) interrogate the FIRDS Reporting instructions.

14	Total issued nominal amount	Total issued nominal amount in monetary value which means the number of bonds multiplied by their face value.	{DECIMAL-25~~18~~/5}

In the description of field 14 the new explanation of: "which means the number of bonds multiplied by their face value" should be removed. We provide two reasons for that: 1) Generally, a bond's notional amount is universally known and used in the industry without any kind of multiplication involved. 2) Data quality of current field 17 "Nominal value per unit / minimum traded value" is notoriously poor. We do not believe it will significantly improve with the suggested amendments:

17	Nominal value per unit~~minimum traded value~~	Nominal value of each instrument. ~~If not available, the minimum traded value shall be populated.~~	{DECIMAL-25~~18~~/5} if expressed as a monetary value {DECIMAL-11/10} if expressed as a percentage
17a	Minimum trading value	To specify in which multiples the minimum trading value can take place (e.g. in steps of 1000)	{INTEGER-18}

To illustrate: the current 10Y Germany benchmark, ISIN DE000BU2Z031, has an outstanding amount of EUR 19 billion, a minimum denomination and increment of 1 cent. No market participant would consider that there are 1.9 trillion "number of bonds" or "units" issued or outstanding in that ISIN.

ESMA should consider converting the issuance size of bonds issued in currencies other than EUR at the foreign exchange rates used internally for similar purposes. In combination with the relevant bond types, an unambiguous "liquid YES/NO" flag could be published per ISIN in the daily delta and weekly full files. This ensures that all operators are able to apply potential deferrals with identical, unambiguous liquidity determinations.

3) Bond transparency calibration

A significant amount of time of the discussion in the first DEG meeting on 16 July 2024 was spent on the Corporate Bond large and very large trade size buckets, whether the threshold should be at EUR 15 or 50 million, and ESMA's suggestion to shorten the price dissemination of trades in the large bucket from T+1 and T+2 to End of Day (EOD).

The group compared trade and volume distribution percentages across the trade size buckets between the figures published by ESMA and a data set provided by Propellant. While the nature of the data sets differed, relatively similar distribution percentages were observed. During the deliberations it emerged that, while for current ESMA transparency calibrations trades below EUR 100,000 are excluded from calculations, the data set used for the RTS 2 CP would have included these trades. This is having an impact on the number of trades that would be reported in real-time, often around 90% of the data set.

There is a need to simplify and calibrate the deferral regime appropriately, creating a meaningful transparency framework, assisting end-user's insights and decision-making while (at the same time) not exposing liquidity providers to undue risk (see point 72 of CP on RTS 2). The group agrees that a chosen "benchmark" of around 90% of trades being reported in real-time does not guarantee in itself the success of the emerging bond CT. Consequently, the group discussed the volume distribution of the combined medium and large buckets, where prices of trades between EUR 5 and 15 million, reported latest by the end-of-day, would cover around 60% of total volume executed. The group is further aware that EOD price disseminations may benefit NAV calculations of bond ETFs.

To ensure an accurate calibration of the deferral regime the group evaluated data analysis based on average daily volume (ADV) and a [paper](#) published by the French AMF in July 2024 which introduces a similar concept of "absorption time". The rapporteur contacted its author Clément Nouail in order to compare the three different data sets. Having considered 2021 to 2023 data, ESMA reduced the analysis to FY 2023 FITRS volumes, Propellant based its figures on trades executed in 2023 and published by APAs and trading venues, the AMF analysed transaction reports of French Corporate Bonds executed in the Union between 1Q20 and 2Q23. Reducing its data set to the most recent annual observation period (3Q22–3Q23) and applying the same Corporate Bond issuance size threshold of EUR 500 million, the AMF observed very similar trade and volume percentage distributions in the trade size buckets. This provides confidence that, despite different data sets, it should be possible to replicate ESMA's bucket distribution figures for plausibility purposes.

The group recommends ESMA to take into consideration (i) the factors mentioned under General Remarks (currency, issuer country, duration and return type) and (ii) the concept of ADV or absorption time when analysing its own data set for all bond types (not only Corporate Bonds), each trade size bucket, and the calibration of granularity of bond groups. In this context, it is worth noting that the results of the AMF paper were not impacted by *averaging* ADVs across a range of bonds. (NB: the paper does not distinguish between price and volume dissemination).

When applying the ADV metric, ESMA should be mindful of two considerations: On the one hand, a liquidity providing broker-dealer might not be able to utilise the total ADV when hedging a position. On the other hand, the group acknowledges that ADVs should not be used to allow such generous deferrals that a liquidity-provider or market-maker is able to trade out of a position "risk-free". As mentioned in the General Remarks, managing inventory-dependant hedges, running basis, cross-market, or curve risks is part of the role of a principal liquidity-provider and compensated by the relevant bid-offer spreads quoted and executed. Applying ADV metrics or absorption time will inevitably ensure that a proportionate number of trades and percentage of volume will be made public under a 4-week deferral in the very large bucket, in line with expectations from regulators and market participants alike.

Regarding price dissemination before end-of-day for large size trades, the group discussed whether trade direction and traded volume could theoretically be inferred by the executed price and its distance to mid-market at the time of trade. However, with the given timeframe, the group was not able to validate such theory with empirical evidence.

A more careful calibration of the trade size buckets in all types of bonds could indeed foster the 'fast-tracking' of price dissemination from T+1 and T+2 to EOD. Furthermore, mindful of the Union's attractiveness and competitiveness in contrast to third country jurisdictions like the US (TRACE) and the UK, the group reached a consensus for recommending ESMA to consider the distinction of investment grade (IG) vs high yield (HY) Corporate Bonds.

Data provided by MarketAxess further supports the argument. While almost one third of volume in investment grade bond volume is executed in trade sizes exceeding EUR 5mn, only 15% of volume in high yield bonds is executed in the same trade size (see below).

Effect of Credit Rating on Liquidity

- We observe meaningful differences in trading characteristics for different market segments (IG, HY, EM) within the broader Euro-denominated bond universe

Group	Unique Traded ISIN Count	Median B/A Spread	ADV per ISIN (€ '000s)	Avg Daily Trade Count per ISIN
IG Corps/Fins	6,277	€0.14	900	1.2
HY Corps/Fins	1,144	€0.32	832	1.3
EM Corps/Fins	417	€0.30	435	0.4

Figure 5: Summary of liquidity characteristics across market segments, issue size >=200MM (2022 – 2023)
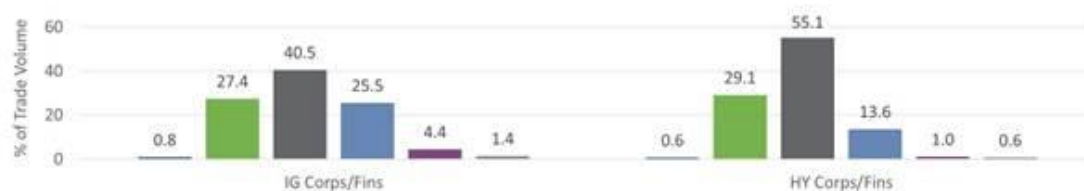

Figure 6: Distribution of total trade volume by trade size bucket for IG and HY instruments (2022 – 2023)

Trade Size:
■ <100k ■ 100k - 1MM ■ 1MM-5MM ■ 5MM - 20MM ■ 20MM - 50MM ■ >= 50MM

X MarketAxess   6

In that context, both ESMA and public consumers have access to the European Ratings Platform. Where multiple and/or different ratings apply to the same issuer, ESMA could utilise the ECAI framework, see Article 138 of EU CRR, and endorsed by BIS CRE 21:

Multiple external ratings

21.9

If there is only one rating by an ECAI chosen by a bank for a particular exposure, that rating should be used to determine the risk weight of the exposure.

21.10

If there are two ratings by ECAIs chosen by a bank that map into different risk weights, the higher risk weight will be applied.

21.11

If there are three or more ratings with different risk weights, the two ratings that correspond to the lowest risk weights should be referred to. If these give rise to the same risk weight, that risk weight should be applied. If different, the higher risk weight should be applied.

We recommend ESMA to evaluate the possibility of publishing an unambiguous "IG/HY" flag for each ISIN where the bond type indicates a Corporate Bond in the FIRDS daily delta and weekly full files, possibly benefitting reporting under SFTR too, when populating fields 51 (security quality) and 90 (collateral quality) with values INVG, NIVG or NOTR.

4) Bond (and Derivatives) Consolidated Tapes (non-equity CT)

Due to the given time constrains, the group was unable to sufficiently explore and provide any detailed recommendations and advice. Consequently, the following comments are of a relative high-level nature.

Regarding in- and outbound transmissions "as close to real-time as technically possible", the group would like to reiterate that currently, and for the foreseeable future, the majority of non-equity markets do not operate in a low latency environment. Furthermore, the group would like to draw attention to conceptual inconsistencies between the current proposals. Under point 63 in CP on RTS 2 ESMA suggests to maintain "[…] the concept of "as close to real-time as technically possible" currently allows for a maximum delay of 5 minutes. […]" It would therefore be impossible to provide post-trade input data "<200ms after *execution* of OTC transactions" as suggested in the ESMA presentation and under point 45) of CP on CTPs and DRSPs.

Particularly with respect to ("off-venue") OTC transactions, the group recommends ESMA to distinguish in more detail the time of execution, submission to an APA, the APA's processing time, its submission time to the CTP and own publication time, the CTP's processing time and its publication time. The graph illustrates those specific time requirements for the transmission of the data:

Diagram: Time requirements for the transmission of data (for the purpose of MiFIR Post-Trade Transparency and Consolidated Tape)
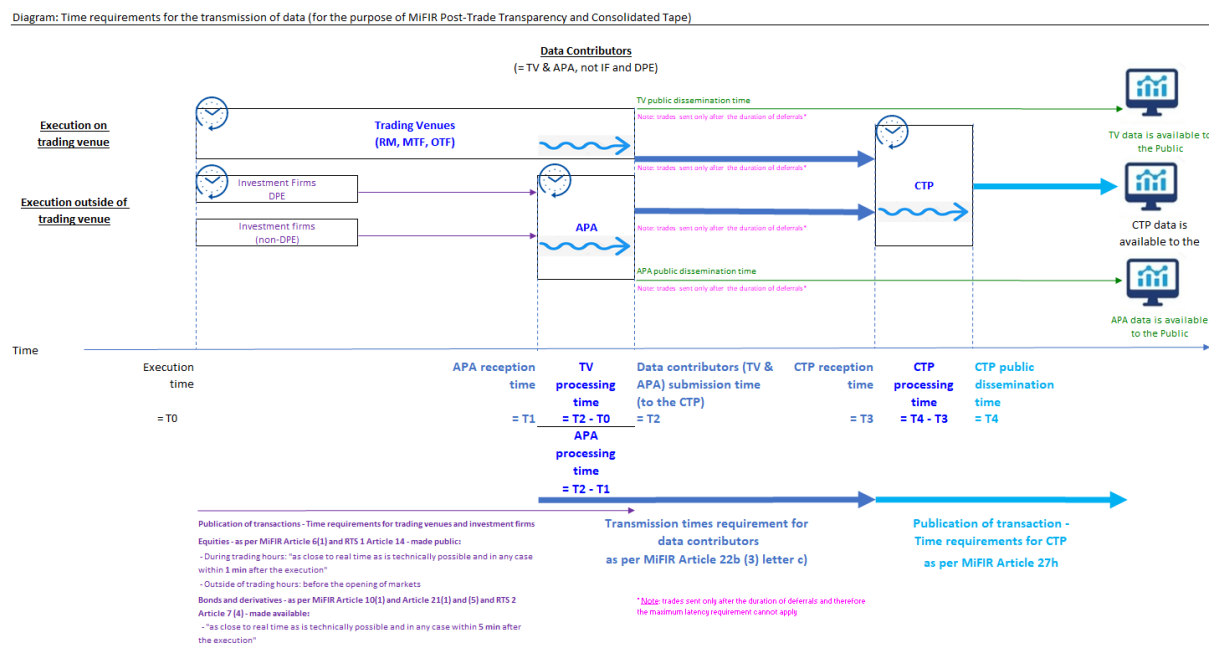
Source: BNP Paribas Global Markets Regulatory and Public Affairs

Regarding the data analysis ESMA describes under point 40) of the [CP on CTPs and DRSPs](#), we would like to highlight the following: ESMA confirmed they "have extracted the information from the "average time to publish trade from *submission*" column of the periodic information Annex IV – Outbound template received from APAs under ESMA supervision". It indicates the CPs language "[…] publication delays, measured as the difference between the *execution* timestamp and the *publication* timestamp […] does not correspond to the data used, effectively excluding the time from *execution to submission*. Additionally, instructions to report field "AVG_TIME_TO_MADE_PUBLIC_TRADES" in Annex IV are stipulated as: "Average time (seconds) in which operations are made public for a given day. This cell should not be filled in when referring to transactions subject to deferred publication (i.e. Column D = Y)." Reporting in seconds, depending on submitting APA's understanding of integers, decimals and rounding, sub-one-second time differences might have been reported as zero seconds, impacting the alleged average of 150ms.

NB: At the end of December 2022 ESMA added an additional column to the Annex IV specification via a Q&A stating: "A new column has been included to account for both statistics. It is therefore expected to calculate both, the average time from the time the transaction is submitted to the APA until it is made public and the average time from Execution until the time the transaction is made public. These statistics are only for those trades not subject to deferred publication."

The group is generally supportive of ESMA's proposal under point 39): "ESMA considers that data contributors should transmit input data to the CTP within delays that are significantly stricter than the ones applicable to post-trade transparency data publication, currently set at a maximum of 1 and 5 minutes for equities and non-equities, respectively and, allowing for even later reporting for OTC transactions concluded outside daily trading hours." However, for the non-equity CT, encompassing publications of real-time bond and derivatives transactions, the group does not support latency suggestions of 100 to 200ms for both CT input and output data and regardless of on-venue or OTC transactions.

In that context we refer to ESMA CP point 41) and the acknowledgment of "being mindful of the high costs associated to low latency IT systems". Where currently APAs and trading venues may transmit messages within 1 or 2 seconds, any requirement to lower latency to 100 - 200ms may incur additional infrastructure investments. Inevitably, that cost would not be absorbed in full by trading venues and APAs but passed down to clients and consumers via fee increases, a potential detriment to the objectives of the Savings and Investment Union. It is equally undesirable to require CTP contenders for bonds and/or derivatives to invest in 100 - 200ms latency environments before being able to operate in the Union.

The group recommends to apply similar considerations to the question of protocols, standards and formats of messages. Level 2 technical standards should cater for a possible distinction and divergence between equity and non-equity markets. While we generally support alignment with ISO standards (20022 and 3531 for example), we would not recommend to enshrine particular protocols or formats into the requirements. To illustrate: Currently, non-equity markets tend to broadly operate on the exchange of (tag value pair) messages via FIX (some data may get delivered in CSV files via SFTP.) Notwithstanding the potential benefits of JSON, an overly prescriptive Level 2 requirement may result in change

management and implementation cost, potentially disadvantaging smaller operators or increasing barrier to entry. At the same time the technical standards should allow for a certain amount of flexibility in order to "future-proof" evolving non-equity market structure changes, its related technical developments and/or evolving digital reporting solutions.

Regarding output data the group recommends a similar approach, not necessarily describing that publications (other than via GUI or CSV) have to be made in the same format as the input data. Prospect CTPs have a commercial incentive to satisfy broadly used, existing connectivity among trading venues, APAs and consumers. Overly prescriptive technical requirements could impede innovation or cloud-based solutions. To illustrate: while input data might currently be best transmitted via FIX, machine-readable output data should allow CTPs the flexibility and discretion to prioritise (unicast) FIX, multicast, CSV/SFTP, REST API or other protocols and formats over a prescribed echoing of the input data protocols and formats. The proposals should include a minimum requirement to acknowledge messages (ACK/NACK).

With respect to data quality measures the group generally agrees with ESMA's proposals. Regarding input data quality checks and cooperation with data contributors the group recommends that data corrections should not compromise the immediacy of publications. Flagging potential data quality issues and consumer's ability to monitor potential respective corrections would be beneficial. While not necessarily relevant for the non-equity regime, and only in case a bond CT would offer revenue distribution to data contributors, the group is not in favour of linking data quality improvements to financial enforcement. Bond CTPs should have escalation procedures in place and could consider a forum in which its data contributors share the work they have historically undertaken in order to significantly improve data quality. Even in light of the detailed guidance provided by ESMA in its Manual on post-trade transparency, resolution of numerous data quality issues often depends on consistent interpretation and/or consensus among investment firms, trading venue and APA operators. These deliberations could lead to broadly agreed definitions of data quality standards, the potential emergence of scorecards, KPIs, common data models or data quality indicators including their documented methodologies.

Discussing the proposals of "regulatory data" and "core market data" the group would like to underscore the significant structural differences between equity and non-equity markets. Bond markets are composed of a great variety of (secondary) market MTFs and OTFs, Systematic Internalisers and exchanges, without any reliance on a "primary / listing market". Therefore, we do not believe that *for the non-equity CT* there is demand for the dissemination of the instrument status data described in Table 1 on pages 28/29 of the CP, particularly where secondary market MTFs and OTFs may not operate with a defined list of instruments. The same is true for system status fields shown in Table 2, particularly with respect to trading venues *not* operating central limit order book or quote-driven type of trading systems.

Under point 60) of CP on RTS 2 ESMA acknowledges that "a trading venue identified with a single MIC may allow multiple trading systems under the same MIC". Since the proposal under point 61) requires the type of trading system (CLOB, QDTS, PATS, RFQT, VOIC, HYBR, OTHR) to be reported in field 20 on a trade-by-trade basis, additional reporting under field

2 of Table 2 ("Data related to the status of systems matching orders" on a MIC basis appears to be redundant.

5) Structured Finance Products (SFPs)

One observer of the DEG group highlighted a potential unintended consequence of the current drafting of transparency calibrations for Structured Finance Products: In the current transparency regime all SFPs are deemed illiquid, hence benefitting in almost all jurisdictions from the standard T+2 deferral under MiFIR Article 11(1)(b). Calibrations of LIS or SSTI do not really matter, since the ILQD deferral can always be applied, regardless of trade size. Additionally, many major NCAs authorised supplementary deferrals under Article 11(3)(b) "volume omissions" and Article 11(3)(c) "weekly aggregation". Consequently, for the absolute majority of trades in SFPs in the Union, all the details of such transactions on an individual basis (including volume) get published with a 4-week deferral, but not in real-time or T+2. The current drafting of the proposals could lead to a requirement having to make public all trades under EUR 1 million in real-time and all other trades exceeding that threshold by the EOD T+2 despite the illiquid nature of the instruments.

Due to the nature of EU SFP markets the group recommends ESMA to consider continued engagement with the DEG group on this topic and the possibility of making available supplementary deferrals to investment firms and trading venues. NB: For more detail, the group refers to ICMA's response to question 14 of the CP on RTS 2.

Annex

Summary of Recommendations

Reference Data	
1	Revised FIRDS / "RDL" the EU's instrument reference data "golden source"
2	Make "CFI Code – MiFIR identifier mapping table" and "Classification of bonds issued by certain entities" more discoverable in ESMA webpage search tool
3	Continue engagement with DEG and reference data providers to:
3a	speed up data quality remediation relating to few FIRDS Relevant MICs
3b	better reconcile transaction and transparency data
3c	align MiFIR bond types with SFTR collateral types
4	Rename field 14 of RTS 23 to "Current notional amount outstanding"
5	Remove fields 17 (nominal value per unit) and 17a (minimum trading value)
6	Perform "Current notional amount outstanding" foreign exchange conversion
7	Publish "liquid YES/NO flag" in FIRDS for all bonds
Bond Transparency Calibration	
8	Re-analyse data set and re-calibrate transparency regime
8a	aiming for a better balance between simplification and bond diversity
8b	potentially removing trades <EUR 100k from the data set
8c	considering currency, issuer country, duration, return type & ADV/absorption time
8d	distinguishing IG/HY Corporate Bonds
9	Re-evaluate large bucket trade sizes for EOD price dissemination
10	Retain proposal 91), clarify need to update notional outstanding periodically
11	Consider supplementary deferrals for SFPs
Non-equity CT	
12	Remove 100/200ms latency requirements
13	No prescription of specific (ISO compliant) protocols / formats
14	Allow flexibility of output formats
15	Encourage appropriate CTP governance to ensure data quality
16	Table 1 & 2 data not required for TVs operating systems other than CLOB / QDTS

Disclaimer

During their deliberations the group participants and rapporteur exchanged links to numerous public reports, whitepapers, position papers, and studies, either bilaterally or with all group members. While individual members might be familiar with the content of certain documents, collectively the group did not take into consideration their findings for the compilation of this report. There is no group consensus to endorse the content, accuracy, methodologies or conclusions provided in these papers. We provide the collection of links solely for the purpose of completeness:

- AFME / Finbourne: MiFIR 2021 Corporate Bond Trade Data Analysis (May 2022)

- AFME / Finbourne: MiFIR 2021 Sovereign Bond Trade Data Analysis (Oct 2022)

- AFME: Liquidity Provision & Risk Management – Corporate Bond Markets (April 2023)

- AFME / IA: Joint Press Release on UK post-trade transparency and Revised Proposal (March 2024)

- AMF: Bond transparency: how to calibrate publication deferrals? (July 2024)

- ESMA / Accenture: Study on data formats and transmission protocols (Jan 2024)

- ESMA: 2023 Report on Quality and Use of Data (Apr 2024)

- ESMA Consultation non-equity-trade-transparency responses (Aug 2024)

- ESMA SMSG Advice Consultation Papers (Sep 2024)

- Finbourne CTP whitepapers (Dec 2021 – May 2024)

- Finbourne: UK and EU Fixed Income Data Quality Project (Sep 2024)

- FIX: MiFID II – data elements and their authoritative, master and primary sources (Apr 2021)

- FSB: Transforming Shadow Banking into Resilient Market-based Finance (Nov 2015)

- Github: Common Domain Model (CDM)

- ICMA: Transparency and Liquidity in the European bond markets (September 2020)

- ICMA: Proposal for a new post-trade transparency regime for the EU corporate bond market (Dec 2021)

- ICMA: SMPC European Secondary Bond Market Data: H1 2022 | H2 2022 | H1 2023 | H2 2023

- ICMA: Liquidity and resilience in the core European sovereign bond markets (March 2024)

- IMF: Randall Dodd – Markets: Exchange or Over the Counter

- IOSCO: Liquidity in Corporate Bond Markets Under Stressed Conditions (Jun 2019)

- Optiver: "A better way to 'pilot' financial regulation" (May 2024)

- Swedish Finansinspektionen: FI Supervision 15: decreased transparency in bond trading (Oct 2019)

- Swedish SMA: Recommendation regarding transparency on the Swedish bond market (Nov 2020)

- World Federation of Exchanges: Centralising bond trading (Dec 2022)