

Build your business on ours



For Adviser Use Only

USER GUIDE

TRANSACTION REPORTING TECHNICAL GUIDE

The transaction reporting regime brought in by MiFID II imposes requirements which impact advice and discretionary management services for the first time. Some clients will also be directly affected. This guide seeks to explain the relevant requirements, help you meet the challenges and manage the potential client impact.

This is one of two transaction reporting guides available. The other is:

- [Transaction Reporting for DIMs and advisers with permission to manage investments](#)

Questions

1. What is transaction reporting and from when did changes under MiFID II apply?
2. Where can you find the transaction reporting requirements?
3. What are the key changes?
4. Which transactions are affected?
5. Which assets are affected?
6. Do adviser firms have a reporting obligation when they pass a client instruction to Transact following advice?
7. How do we identify Natural Persons clients? (i.e. Individual and Joint Portfolio clients)
8. What happens to individuals where the identifier isn't a National Insurance Number?
9. How do you identify other legal entity clients (such as companies, trusts and charities) and how much does it cost to buy an LEI?
10. Do legal entity clients such as trusts have to get an LEI?
11. What about pension provider General Investment Account Portfolios?
12. When will the trading restrictions affect clients?

Definitions

Natural Person – term used to describe a living person in the regulation.

Legal Entity – term used to describe any entity which is not a natural person. It includes trusts, companies, charities and pension schemes.

Client decision maker – in certain scenarios where the client has not made the investment decision, the regulation requires us to identify the person or entity responsible for the decision. The most common example is a Discretionary Investment Manager. Other examples are an appointed attorney, or in the case of a minor, the registered contact.

Financial instrument – term used to describe a reportable asset. It is defined by article 26(2) Markets in Financial Instruments Regulation (MiFIR).

Answers

1. What is transaction reporting and from when did changes under MiFID II apply?

Transaction reporting is where investment firms report post-trade transaction information to regulators, providing transparency to help in the detection and deterrence of market abuse. MiFID II substantially increased the quantity of data to report and the scope of reportable transactions, and introduced associated trading restrictions. The new MiFID II regulations came into effect on 3 January 2018.

2. Where can you find the transaction reporting requirements?

The transaction reporting requirements are EU regulations which apply directly to UK firms. The requirements can be found in three European documents:

- [Markets in Financial Instruments Regulation \(MiFIR\)](#);
- [Commission Delegated Regulation \(EU\) 2017/590](#); and
- [ESMA Guidelines: transaction reporting, order record keeping and clock synchronisation under MiFID II](#).

3. What are the key changes?

MiFID II introduced a new transaction reporting regime which, for the first time, has an impact on advisers and clients.

Key changes include:

- Reporting client personal data, rather than codes generated by the reporting firm, requiring us to hold complete and accurate client data;
- The use of Legal Entity Identifiers (LEI) to identify companies, charities and trusts in transaction reports;
- Reporting client decision makers in transaction reports. Relevant decision makers for Transact include Registered Contacts for minors and attorneys with authority under a Power of Attorney. N.B. an adviser making a personal recommendation is not a client decision maker; and
- Expanding the scope of activities that carry a reporting obligation beyond executing purchase and sale transactions to include when an investment firm makes an investment decision under a discretionary mandate.

4. Which transactions are affected?

The types of reportable transaction to report increased from purchases and sales on regulated markets to also include:

- Off market transactions;
- Some primary market transactions and corporate actions; and
- Asset transfers where there is a change in ownership or beneficiary, (e.g. from joint to individual portfolio, or from the settlor to a trust portfolio).

5. Which assets are affected?

Only financial instruments, as defined by Article 26(2) MiFIR are reportable. Financial instruments on Transact include company shares, ETFs, VCTs, investment trusts, closed-ended investment companies and bonds executed on a trading venue. Warrants and most

structured products offered on Transact are also caught, based on the underlying asset being an instrument traded on a trading venue.

Transactions in some unit trusts and OEICs are reportable if they are admitted to trading or traded on a trading venue. We only report when the relevant funds are transferred between Portfolios and not when they are purchased or sold. Purchases and sales are not reportable because firms do not need to report when cancelling and creating units with a fund manager.

Our transaction reporting and associated controls will be based on a list of financial instruments available from the [ESMA website](#).

6. Do adviser firms have a reporting obligation when they pass a client instruction to Transact following advice?

In our opinion the receipt of instructions, following advice, falls within the passive role of facilitating the passing of information related to an order. This constitutes "arranging", but not "receipt and transmission" for the purposes of Article 3 (1) Commission Delegated Regulation (EU) 2017/590. We will report the client as the buyer/seller in our reports, but the adviser firm will not appear in the transaction report because it is not part of the transaction reporting chain.

7. How do we identify Natural Persons (i.e. Individual and Joint Portfolio) clients?

Effective from January 2018, we need to include personal data when identifying clients, or client decision makers, in transaction reports. We are required to have controls to ensure the information we report is 'complete and accurate'.

For natural persons the information to report consists of date of birth, name and a unique identifier based on nationality. The ESMA guidelines state that all first names must be included in reports and shortened names cannot be used.

National Insurance Number (NINO) is the identifier for UK nationals. Other nationalities have different identifiers which we are obliged to use even if we hold a NINO for the person. Where a client has multiple nationalities we have to select the identifier based on the alphabetical country code, with EEA states having priority over countries outside the EEA. Therefore we need to know all nationalities a client has to ensure we are reporting complete and accurate information. Further information on how a natural person identifier is created can be found in Annex II of Delegated Regulation (EU) 2017/590 reproduced in the [Appendix](#) of this guide.

8. What happens to individuals where the identifier isn't a National Insurance Number?

Some individuals require an identifier other than a National Insurance Number. This is because the identifier is based on nationality, with each EEA country specifying the identifier for their nationals. It can range from passport number (Non EEA) to personal identity card number. Annex II of Delegated Regulation (EU) 2017/590 details both the specific identifier for each country and the hierarchy where the individual has multiple nationalities.

We must receive confirmation of all a clients' nationalities to report accurately.

9. How do you identify other legal entity clients (such as companies, trusts and charities) and what are the costs?

Any client who is not a natural person is a legal entity, and these are identified by a Legal Entity Identifier (LEI). This includes trusts, companies, partnerships and charities.

We have received a number of queries regarding whether bare trusts require LEIs. Section 5.8 of the ESMA guidelines explains that a firm should use an LEI to report a trust, unless the firm knows the client and sets up the trust arrangement. While we provide sample trust deeds, we do not 'set up' (or establish) trusts for our trust clients. We have taken legal advice and have concluded that bare trusts are no different to other trusts that we have not 'set up', in terms of the LEI requirements. In addition, the trustees are the decision makers and the beneficiaries are typically not 'known to us' in the way our individual clients are. Therefore a bare trust portfolio cannot be considered in the same way as an individual's account where we would report the natural person.

In order to get confirmation of our stance, we asked the FCA to comment and they have confirmed that as we don't 'set up' the trust we have to report the trust's LEI.

LEIs can be bought from many accredited providers and suppliers. For example, EQS charge £44 for an initial application and £61 for a renewal. A complete list can be found here:

<https://www.gleif.org/en/about-lei/how-to-get-an-lei-find-lei-issuing-organizations>

You can use this LEI look up website to determine if a company or trust already has an LEI - <http://www.lei-lookup.com>.

10. Do legal entity clients such as trusts have to get an LEI?

No, we do not insist they obtain an LEI. You should consider the cost of obtaining an LEI when assessing whether reportable financial instruments are suitable for your legal entity clients such as trusts.

11. What about pension provider General Investment Account Portfolios?

In most instances the pension provider, or administrator, applies for a trust portfolio for each policy. Therefore, we have to report the LEI of the relevant trust. It is not the underlying individual(s) who are our client, indeed we often do not hold their details.

The pension provider might use a master trust for all its clients under the same plan or might use a bespoke trust for each client. Where it is set up under a master trust we can sometimes use an LEI for the master trust for all of the underlying portfolios, saving the cost of obtaining LEIs on a portfolio by portfolio basis. However, where individual trusts have been set up, we require an LEI specific to the individual trust.

We are liaising with pension administrators to ensure we have the correct LEI for each portfolio.

12. When will the trading restrictions affect clients?

The regulations prevent us from executing instructions which would result in a transaction report where:

1. We do not have a validated LEI for a legal entity client such as a trust or company.
2. We have missing or inaccurate reportable personal data for one individual linked to a Portfolio, including clients, registered contacts and attorneys where a power of attorney is in place.

With effect from 3 January 2018 we cannot trade reportable financial instruments for these clients, nor facilitate inter-portfolio transfers, essentially making existing holdings illiquid until the issues with reportable personal data are remedied.

Appendix

ISO 3166 - Alpha	Country Name	1 st Priority Identifier	2 nd Priority Identifier	3 rd Priority Identifier
AT	Austria	CONCAT*		
BE	Belgium	Belgian National Number(Numéro de registre national – Rijksregisternummer)	CONCAT*	
BG	Bulgaria	Bulgarian Personal Number	CONCAT*	
CY	Cyprus	National Passport Number	CONCAT*	
CZ	Czech Republic	National identification number (Rodné číslo)	Passport Number	CONCAT*
DE	Germany	CONCAT*		
DK	Denmark	Personal identity code 10 digits alphanumerical: DDMMYYXXXX	CONCAT*	
EE	Estonia	Estonian Personal Identification Code (Isikukood)		
ES	Spain	Tax identification number (Código de identificación fiscal)		
FI	Finland	Personal identity code	CONCAT*	
FR	France	CONCAT*		
GB	United Kingdom	UK National Insurance Number	CONCAT*	
GR	Greece	10 DSS digit investor share	CONCAT*	
HR	Croatia	Personal Identification Number (OIB – Osobni identifikacijski broj)	CONCAT*	
HU	Hungary	CONCAT*		
IE	Ireland	CONCAT*		
IS	Iceland	Personal Identity Code (Kennitala)		
IT	Italy	Fiscal code (Codice fiscale)		
LI	Liechtenstein	National Passport Number	National Identity Card Number	CONCAT*
LT	Lithuania	Personal code (Asmens kodas)	National Passport Number	CONCAT*
LU	Luxembourg	CONCAT*		
LV	Latvia	Personal code (Personas kods)	CONCAT*	
MT	Malta	National Identification Number	National Passport Number	
NL	Netherlands	National Passport Number	National identity card number	CONCAT*
NO	Norway	11 digit personal id (Foedselsnummer)	CONCAT*	
PL	Poland	National Identification Number (PESEL)	ax Number (Numer identyfikacji podatkowej)	
PT	Portugal	Tax number (Número de Identificação Fiscal)	National Passport Number	CONCAT*
RO	Romania	National Identification Number (Cod Numeric Personal)	National Passport Number	CONCAT*
SE	Sweden	Personal identity number	CONCAT*	
SI	Slovenia	Personal Identification Number (EMŠO: Enotna Matična Številka Občana)	CONCAT*	
SK	Slovakia	Personal number (Rodné číslo)	National Passport Number	CONCAT*
All other countries		National Passport Number	CONCAT*	

*Concatenation – for MiFID II purposes, this is a sequence of personal unique information used to identify the natural person. It is an 18-digit alphanumeric code made up of the individual's date of birth and their name, taking up to the first five characters of their first name only (padded with '#' marks if less), followed by the first five characters of their family name (padded with '#' marks if less). For example, Mary Pamela Miggins, born on 21st August 1936, would concatenate to '19360821MARY#MIGGI'. This will be used by some countries in place of a unique national identifier e.g. NI number.

This document is for use by financial advisers only. Unless stated otherwise any opinions expressed are our own and based on our interpretation of relevant rules and regulation. This document is for information purposes only and firms cannot rely solely on the information to ensure compliance with the rules.

M143 Version (5) July 2019

"Transact" is operated by Integrated Financial Arrangements Ltd, 29 Clement's Lane, London, EC4N 7AE
Tel: (020) 7608 4900 Fax: (020) 7608 5300 email: info@transact-online.co.uk web: www.transact-online.co.uk
(Registered office: as above; Registered in England and Wales under number: 3727592)
Authorised and regulated by the Financial Conduct Authority
(entered on the Financial Services Register under number: 190856)