

Transaction Reporting Overview Technical Guide

User guide

The transaction reporting regime brought in by MiFID II imposes requirements on advice and discretionary management services.

Some clients will also be directly affected. This guide is split into two sections and seeks to explain the relevant MiFID II requirements.

Section 1 is applicable to all advisers, DIMs, and advisers with permission to manage investments.

Section 2 is only applicable to DIMs and advisers with permission to manage investments.

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).

Section 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 MiFID II regulations came into effect on 3 January 2018.

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 the below three documents:

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

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.

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).

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 FCA website.

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.

How do the regulations affect discretionary investment managers or advisers with permission to manage investments?

If you have permission to manage investments (as a linked adviser or a third-party Discretionary Investment Manager) then there is a reporting obligation. Either we can report on your behalf if you sign up to our transmission service or provide you with data so that you can report. Further information on how each of these approaches work in practice can be found [here](#) in the guide.

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.

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 (Appendix 1).

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

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>.

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.

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. Our preference is to receive the LEI of the pension trusts. However, following communication from the FCA in January 2022, where an LEI for the trust does not exist, we can accept the LEI of the pension trustee, administrator or provider.

For SSAS portfolios, we require the LEI of the trust.

Why is it important to maintain complete and accurate data?

Failure to maintain complete and accurate data can lead to your clients experiencing delays when they come to purchase, sell or transfer these investments. It is important for you to periodically review client information and inform us where any information remains incomplete or inaccurate.

Common examples include:

- having an initial for a middle name,
- a change in surname and/or nationality following marriage or divorce,
- a new passport number following renewal where this is the identifier (non-EEA nationals), or
- a UK national receiving their first National Insurance Number.

Please contact Transact for any changes to a client's personal details.

When will 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.

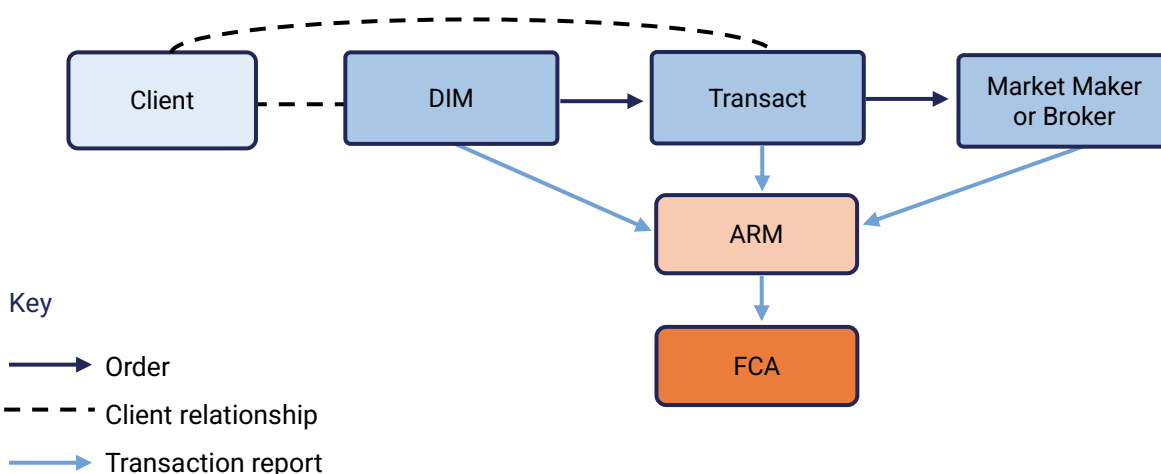
Section 2

How does MiFID affect Discretionary Investment Managers and advisers with permission to manage investments?

Investment firms making an investment decision under a discretionary mandate have a reporting obligation in the same way Transact does when executing a trade.

Article 3 of Commission Delegated Regulation (EU) 2017/590, extends the definition of 'execution' to include "making an investment decision in accordance with a discretionary mandate given by a client". With Transact this could be an adviser with discretionary permissions, or third party discretionary manager; both are collectively referred to as 'DIMs'.

Each firm in the transaction chain reports its part of the order chain. The firm with the end client relationship is required to include detailed information about the client within their own transaction reports. Where the executing firm and the discretionary firm have a relationship with the end client, it is the discretionary firm which must include the end client information in their report to the ARM (Authorised Reporting Mechanism). (See section 5.26.2.4 ESMA Guidelines). Transact would report the DIM as the buyer/seller in the example below.



Can a discretionary investment manager (DIM) avoid having to Transaction Report themselves?

Yes, DIMs that sign up to our free transmission service do not need to submit their own transaction reports for orders placed on the Transact platform. We include the LEI, or personal data, of the client within our own transaction report, along with the identifier of the person making the investment decision at the DIM.

We need DIMs to sign and return our Transaction Reporting Application Form A006, confirming acceptance of the terms of our Transmission Agreement to take advantage of this service. Please note the transmission agreement commences from when we make the necessary changes to our records, typically 2-3 days after receipt of the A006. It is not possible for us to back report any transactions prior to this point.

How will the Transact transmission service work?

DIMs need to provide information when they submit a trade instruction, but only when that instruction leads to a transaction report. This includes:

- An indication whether the instruction is discretionary or advisory
For DIMs (who are assumed to be acting on a discretionary basis) or advisers without permission to manage investments (who are assumed to be acting on an advisory basis), Transact will provide the appropriate

indication automatically. Advisers with permission to manage investments will be asked to indicate, when submitting reportable instructions on TOL, whether the instruction is discretionary or advisory.

- **The identifier of the person, who has made the decision**

DIMs can register the investment decision makers at their firm using the A006 Transaction Reporting Application Form. From then on they can select the appropriate decision maker from a dropdown list when submitting reportable instructions on Transact Online.

If the trade instructions are made up entirely of assets which are not reportable, such as OEICs and unit trusts, this additional information is not required.

We use our own records to populate the client information in the resultant transaction reports, having gone through controls to ensure the data is complete and accurate. DIMs, however, must confirm the information is complete and accurate when they submit the instruction. This is to ensure the terms of Article 4 of the RTS are met and transmission is deemed to have occurred, otherwise the DIM would retain the reporting obligation.

DIMs who sign up to our transmission service can request a report which details the client information we are including in our transaction report to support this confirmation. This enables them to identify and rectify any issues prior to providing orders.

Do discretionary investment managers (DIMs) need to provide an LEI?

DIMs who intend to trade in reportable assets do need to provide us with a valid LEI to continue to provide instructions to Transact, irrespective of whether they have signed up to our transmission service or not. The regulations prevent us from accepting instructions from DIMs which lead to a transaction report, if we cannot identify the firm in our own transaction report.

What happens where a firm has not signed up to our transmission service?

DIM firms not signing up to our transmission service will need to do their own reporting if they trade reportable assets. For reporting purposes, they can securely download trade information relating to their discretionary orders executed the previous day.

What do I need to provide?

No transmission – DIM reports	Transmission – Transact reports
LEI code for DIM firm	LEI code for DIM firm
	Adviser form A006 (required for existing DIMs and advisers with permission to manage investments to capture your LEI and, where appropriate, information about your decision makers)
	Third Party TP001 form for DIMs new to Transact (to register as a DIM with Transact, please email Will Griffiths, Online Support Manager – Third Party Specialist at wgriffiths@integrafina.co.uk).

Appendix 1

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: DDDMMYYXXXX	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
RO	Romania	National Identification Number (Cod Numeric Personal)	National Passport Number
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
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.

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