**Call for evidence by ESMA on transaction reporting**

**Response of MarketAxess Europe Ltd**

**Introduction**

We are pleased to respond to ESMA’s call for evidence on transaction reporting.

MarketAxess operates a leading electronic trading venue that enables investment industry professionals to efficiently trade corporate bonds and other types of fixed-income cash and derivative instruments. Over 850 institutional investors are active users of our trading venue, accessing the global liquidity provided by 80 broker-dealer clients. MarketAxess also offers a number of trading-related products and services.

Our clients are located in Europe, Asia, North America and South America. Our institutional investor clients are investment advisers, mutual funds, insurance companies, public and private pension funds, bank portfolios, hedge funds and sovereign wealth funds.

MarketAxess Europe Limited is regulated by the FSA in the UK as a multilateral trading facility (MTF).

Our response to the call for evidence is set out in two sections. Section 1 highlights a number of general comments relating to transaction reporting, and section 2 sets out our specific responses to the questions posed in the call for evidence.

**SECTION 1 – General Comments**

1. Need for harmonisation between EU member states. We are fully supportive of ESMA’s expressed intention to harmonise the transaction reporting arrangements across European member states. The current arrangements differ materially between member states, both in terms of fields reported and reporting practices, including for example the market practice relating to the responsibility for reporting. Whilst some of these differences are relatively detailed, they hinder efficiency by preventing users employing common processes. Harmonisation of arrangements would be a very positive development. It would further assist efficiency to put in place wherever possible common arrangements between Europe and the USA, particularly for derivatives products, given the global nature of many of the products traded by market participants, and the increasingly global trading platforms.
2. Desirability of harmonisation between products where appropriate. In order to allow further efficiencies to be realised, there are clearly advantages available by adopting similar transaction reporting processes for different products. As identified by ESMA, there will inevitably be a need for different reporting fields for different products. In addition, the arrangement for derivatives should take into account that EMIR will require reporting of all trade details through Trade Repositories. The transaction reporting arrangements should avoid duplication of reporting requirements.
3. Combination of post-trade price reporting and transaction reporting. There are potential efficiency savings available through the use of common mechanisms covering both post-trade price reporting and transaction reporting. Such a structure permits simplification of post-trade feeds from trading venues, and is the model adopted in the USA through FINRA. We would encourage ESMA in its review of transaction reporting arrangements to facilitate and encourage such a structure wherever possible.

**SECTION 2 – Specific Responses to Questions**

***Q1 What transaction schemes should ESMA consider in its work on harmonised transaction reporting guidelines? Please explain and justify.***

MarketAxess conducts a range of business between sell-side organisations and buy-side firms. MarketAxess is regulated as an MTF, and following the execution process, trades take place on a bilateral basis between the counterparties. The participants vary in terms of organisation structure and form and are based in a wide range of jurisdictions globally. MarketAxess does not categorise the different types of execution into separate transaction schemes, as the treatment of all transactions is standardised, irrespective of the transaction scheme that gave rise to the trade. Most transactions transacted on the MarketAxess platform would fall under more than one transaction reporting scheme. The different schemes which are represented on the platform include the following:

1. Investment firm dealing as principal with an investor (i.e. natural person or non-MiFID firm)

2. Investment firm dealing as principal with another investment firm

3. Investment firm dealing as agent with another investment firm

7. On-exchange execution of a client order

8. Firm executing a transaction for an EEA investment firm on-exchange

9. Two investment firms executing a proprietary transaction on-exchange

10. Execution of an order through a chain of investment firms

12. Order execution through several transactions.

***Q2 What updates and clarifications need to be introduced to the OTC derivatives reporting guidelines?***

1. As highlighted in point 2 under the section entitled General Comments, the guidelines should take into account the requirement in EMIR for derivatives transactions to be reported to Trade Repositories, and avoid the compulsion for duplicative reporting. In particular, transaction reporting of derivatives trades through trade repositories should be accommodated.
2. Transaction reporting should cover all relevant transaction events as well as trades, particularly in relation to derivatives. The scope and form of reporting with respect to such events (including novation, tear-ups, qualifying credit events, exercises, etc.) should be clarified.
3. Finally, further clarification in the guidelines on the use of LEIs would be welcome. Standardised arrangements would improve the efficiency of the reporting process and the efficacy of the data.

***Q3 What other aspects of transaction reporting should ESMA consider in its work on harmonised guidelines? Please explain and justify.***

1. As highlighted in point 1 under the section entitled General Comments, there are variations between member states in the responsibilities assumed for reporting (e.g., whether one or both counterparties perform reporting, or whether reporting takes place through the trading venue). Whilst these differences are often driven by market practice or convention rather than regulation, greater harmonisation would lead to increased efficiency, particularly for pan-European participants.