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**2022 Roundtable meeting with OMPs**  
**DISCUSSION WITH BROKERS (PARALLEL SESSION)**

**16 June 2022 from 14:00 to 16:15**

Microsoft Teams session

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**MINUTES**

**(Chatham House Rule, no names in quotes during the meeting)**

<b>Represented institutions</b>	<b>Remarks</b>
ACER, MIT department	
Marex Spectron Europe Limited	
Cavendish Markets B.V.	
Evolution Markets Limited	
GFI EU	
Tradition Financial Services Ltd	
LEBA	
Griffin Markets Europe SAS	
Aurel BGC SAS	

## **1. DISCUSSION WITH BROKERS (PARALLEL SESSION)**

### **1.1 Direct Market Access**

First, ACER presented to the broker-type OMPs its understanding on the concept of Direct Market Access (DMA), the role of the involved parties, i.e. DMA Provider and DMA Client, and also on the concept of cascading DMA service (several layers of clients involved in the DMA service). In this regard, ACER indicated its intention to provide guidance on the reporting of transactions concluded under DMA. Slides and questions were shared ahead of the Roundtable meetings in order to facilitate discussion.

ACER's understanding is that brokers do not necessarily know if their clients offer DMA services. ACER asked for an explanation on how brokers gain knowledge on whether certain transactions are facilitated via DMA on their platform. Some stakeholders pointed out that they always know whether and when an MP acts as a service provider, but that they have no knowledge on the identity of the DMA clients and simply record them as Client 2, Client 3, etc. There is no obligation on the DMA provider to communicate the identity of the client, only that clients exist. The stakeholders added that the system mostly used for trading on broker OMPs is limited in the sense that it can record DMA clients, but does not include linking to identity or nesting clients when cascading the DMA service.

ACER asked if brokers were aware of how frequent the cascading DMA service is. Some stakeholders confirmed that they were not aware of cascading. Furthermore, ACER asked who is reported as the beneficiary of a transaction if the DMA provider is reported as the market participant. A stakeholder representative argued that the actual beneficiary of a transaction is the DMA provider and it has a secondary transaction with its client. Some stakeholders indicated that in their view the transactions concluded between DMA clients involved in the cascading DMA should be considered as bilateral transactions.

ACER also tackled the topic of brokers acting as DMA providers on exchange-type OMPs and asked the brokers to elaborate on their role and how REMIT reporting looks like in such cases.

A stakeholder explained that brokers offer more of an operational service (executing trades) being a temporary intermediary never holding the position – technically, the broker acts as an executing broker.

ACER continued with the presentation by providing the current guidance on DMA provider as an MP in the current TRUM. Concerning the draft proposal for the updated FAQ on DMA, ACER pointed out that clarifications on DMA would be provided based on the discussion on information provided during the Roundtable.

### **1.2 Clearing of brokered trades on Exchange**

ACER presented the proposal on how to report transactions concluded on a broker-type OMP (or bilaterally) and subsequently cleared on an exchange-type OMP.

ACER opened a discussion on whether any communication between MP, exchange and broker exists in the case of lifecycle events (modification or cancellation) happening to the trade after it is sent to clearing and whether the trade can be cancelled after it is sent to clearing.

Moreover, ACER asked stakeholders about whether the exchange-type OMP could cancel the cleared transaction. A stakeholder pointed out that exchanges should be contacted to clarify this point.

At the end of the session, stakeholders expressed the need for a clarification of transaction reporting guidance, since there might be different interpretations of a concept from brokers, due to the potential different definitions of such a concept under the financial regulation and REMIT.

### 1.3 Data quality analysis on broker-type OMP data

ACER presented the results of a data quality analysis on broker-type OMP data collected via Table 1. The results can be grouped in 13 key findings, which were presented at the Roundtables. While they had already been shared with LEBA and individual brokers in July 2021, ACER invited all brokers once again to go through the findings to get a better picture of all data quality issues.

ACER also presented the relevant developments in the last year, explaining that positive bilateral follow-ups and clarifications had been carried out with individual brokers. These discussions revealed several reasons affecting data quality. First, data originates from a trading system adopted by most brokers, but not managed by them, and currently not aligned with the transaction reporting guidance. Once data reaches brokers, each of them translates trading system data into “REMIT data” on their own. This is linked to the second reason affecting data quality, namely that the awareness of the guidance and its changes needs to be further improved by brokers and MP trading on brokers. Thirdly, the discussion revealed that the current guidance could better cover some broker-specific trading styles and should, among others, minimise the confusion created by the overlap between REMIT and financial regulations.

While ACER recognises the benefit of bilateral discussions with brokers, individual bilateral discussions with all brokers are not feasible due to resource constraints. ACER expressed the need of finding an agreement on how to scale up this approach – how to find a good format to share potential solutions for the identified DQ issues and how to collect input from brokers to better understand trading activity on broker OMPs.

ACER’s proposal for scaling was to organise webinars to discuss key topics (reporting, how it works on brokers, where guidance is clear and where it is not, etc.) and each broker would have to check for each of the topics whether their reporting is in line with the guidance in a limited period (for example, 6 weeks).

The presentation concluded with discussion points, which included a proposal for scaling, brokers’ willingness for data quality improvement and how broker OMPs would address the trading system adopted by most of the broker specificities.

Stakeholders positively welcomed the proposed approach for the scaling-up and the brokers’ willingness for data quality improvement. A stakeholder pointed out that the issue is how to address the areas where specific changes are needed. ACER explained that the idea is to find the best approach within the current data reporting regime. Some brokers suggested that ACER should prioritise topics that present the most challenges and only have workshops dedicated specifically to those topics. Brokers’ representatives who engaged in the discussions agreed with ACER’s proposal on scaling up and organising workshops in order to jointly solve pending data quality issues.

Furthermore, some stakeholders engaged in a discussion on how broker OMPs will address the trading system adopted by most of the brokers specificities. They felt that such trading system specificities are really one of the largest causes of data quality issues. While ACER

acknowledges this, ACER's intention is to help OMPs (and their MP clients) to align their reporting with REMIT guidance; in the current legal setup, ACER is unable to reach out directly to the trading systems adopted by most brokers to change their setup, as such systems currently do not clearly fall under the definition of organised market place. A stakeholder suggested the use of a glossary to work with the representatives of the trading systems adopted by most brokers, which could help to improve data reporting for brokers. Roundtable stakeholders seemed to support this idea.

## **2. AOB**

No other business to discuss.