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MiFID II / MiFIR Flagging Requirements

Execution decision, investment decision, client ID and DMA

Frankfurter Wertpapierbörse (FWB) MiFID II / MiFIR flagging requirements and the short code solution

Since 3 January 2018, MiFID II / MiFIR requires all trading participants to identify the execution decision maker, the investment decision maker and the client (Article 48(10) Directive 2014/65 EU and Article 25(2)(3) Regulation 600/2014). These requirements were incorporated in the FWB® Exchange Rules §74 "Identification of algorithmic orders and of trading algorithms", and §114 "Requesting and Saving of Data".

The "short code solution" was introduced in order to fill in the MiFID II / MiFIR fields Execution Decision, Investment Decision and Client ID. The short code solution is an EU wide industry solution adopted by FWB and introduced to harmonise trading venues' requirements. For further details, please refer to the "Information Handbook for audit trail, transaction and other regulatory reportings" on xetra.com:
>> Newsroom >> Current regulatory topics >> MiFID II & MiFIR >> Reference data reporting

MiFID II / MiFIR fields and valid values

- Execution Decision: Algo ID (non-encrypted) in case of an algo taking the decision, or the short code for a National ID (natural person), or "NORE" if the execution decision was not taken within the member firm.
- Execution Qualifier: "22" in T7 in case of an algo; "24" in T7 in case of a natural person.
- Investment Decision: Algo ID (non-encrypted) in case of an algo taking the decision, or the short code for a National ID (natural person) or left empty if the investment decision was not taken within the member firm.
- Investment Qualifier: "22" in T7 in case of an algo; "24" in T7 in case of a natural person.
- Client ID: Legal Entity Identifier (LEI) in case the client is a legal entity, or National ID in case the client is a natural person, "PNAL" for pending allocations or "AGGR" for aggregated orders.
- Please note: You can leave the investment and execution decision blank and set the qualifiers to "human" and FWB will automatically fill in the NationalID of the trader for the audit trail records.

Proprietary account (trading capacity DEAL) and riskless principle account (trading capacity MTCH)

Flagging options	Execution Decision	Execution Qualifier	Investment Decision	Investment Qualifier	Client ID
Execution and investment decision taken by an algo.	Algo ID	T7: 22 (for an algo)	Algo ID	T7: 22 (for an algo)	-
Execution decision taken by an algo. Investment decision taken by the trader or another person within the member firm.	Algo ID	T7: 22 (for an algo)	Short code for the National ID of the trader/person	T7: 24 (for a natural person)	-

Proprietary account (trading capacity DEAL) and riskless principle account (trading capacity MTCH)

Flagging options	Execution Decision	Execution Qualifier	Investment Decision	Investment Qualifier	Client ID
Execution decision taken by the trader or another person within the member firm. Investment decision taken by an algo.	Short code for the National ID of the trader/person	T7: 24 (for a natural person)	Algo ID	T7: 22 (for an algo)	-
Execution and investment decision are both taken by the trader or another person within the member firm.	Short code for the National ID of the trader/person	T7: 24 (for a natural person)	Short code for the National ID of the trader/person	T7: 24 (for a natural person)	-
RISKLESS Principle Account ONLY Investment and execution decisions not taken within the participant firm.	NORE	T7: 24 (for a natural person)	Empty	Empty	Short code for LEI or National ID

Agent account (Trading capacity AOTC), client ID mandatory

Flagging options	Execution Decision	Execution Qualifier	Investment Decision	Investment Qualifier	Client ID
Execution and investment decision taken by an algo.	Algo ID	T7: 22 (for an algo)	Algo ID	T7: 22 (for an algo)	Short code for LEI or National ID, PNAL or AGGR
Execution decision taken by an algo. Investment decision taken by the trader or another person within the member firm.	Algo ID	T7: 22 (for an algo)	Short code for the National ID of the trader/person	T7: 24 (for a natural person)	Short code for LEI or National ID, PNAL or AGGR
Execution decision taken by the trader or another person within the member firm. Investment decision taken by an algo.	Short code for the National ID of the trader/person	T7: 24 (for a natural person)	Algo ID	T7: 22 (for an algo)	Short code for LEI or National ID, PNAL or AGGR
Execution and investment decision are both taken by the trader or another person within the member firm.	Short code for the National ID of the trader/person	T7: 24 (for a natural person)	Short code for the National ID of the trader/person	T7: 24 (for a natural person)	Short code for LEI or National ID, PNAL or AGGR

Agent account (Trading capacity AOTC), client ID mandatory

Flagging options	Execution Decision	Execution Qualifier	Investment Decision	Investment Qualifier	Client ID
Execution decision taken by a person of the member firm other than the trader or the trader and the investment decision not taken within the investment firm.	Short code for the National ID of the trader/person	T7: 24 (for a natural person)	Empty	Empty	Short code for LEI or National ID, PNAL or AGGR
Execution decision taken by an algo and the investment decision not taken within the investment firm.	Algo ID	T7: 22 (for an algo)	Empty	Empty	Short code for LEI or National ID, PNAL or AGGR
Investment and execution decision not taken within the participant firm.	NORE	T7: 24 (for a natural person)	Empty	Empty	Short code for LEI or National ID, PNAL or AGGR

Frankfurter Wertpapierbörse (FWB) Direct Market Access (DMA)

Trading participants can provide Direct Market Access (DMA) to their clients according to the Directive 2014/65/EU, Article 4 (1)(41). This requires an FWB registration as per FWB Exchange Rules §38 Direct Electronic Access, as well as a registration with both BaFIN and the Exchange Supervisory Authority Hesse.

DMA registrations

1. FWB

Please register at FWB for an "Application for Authorisation of a System granting DMA for Exchange EDP Electronic Trading (Xetra) according to Stock Exchange Act §2(9)". With this application, the trading participant applies for the DMA provider authorisation. Please contact your Key Account Manager (KAM) for further information. The form can be found on deutsche-boerse-cash-market.com under:
Secondary Market > Participation in trading > Forms

2. BaFIN

Please also register with the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFIN). The registration is done through the Standard Form DEA „Notification pursuant to section 77(2) sentence 1 of the Securities Trading Act regarding offering DEA pursuant to section 2(30) of the WpHG", available at:
https://www.bafin.de/SharedDocs/Downloads/EN/Formular/WA/fo_20180102_Formular_DEA.html
(to be submitted to BaFIN, email address: deaanzeige@bafin.de)

3. Exchange supervisory authority State of Hesse

Finally, please also register with the Exchange supervisory authority State of Hesse through "Obligation to notify provision of direct electronic access", available at:
https://service.hessen.de/html/9496.htm
(to be submitted to the Exchange Supervisory Authority Hesse, email address: reporting@wirtschaft.hessen.de)

Technical set up

To identify DMA flow, trading participants shall use the DMA flag (technical name: OrderOrigin, value 5), which is available in the order request. Please check the DMA documentation for further information. Available at xetra.com under Newsroom > Current regulatory topics > MiFID II and MiFIR > DMA

MiFID II / MiFIR regulatory flagging

All trading participants should flag their DMA flow accordingly (ESMA 70-872942901-38). See below the agent and riskless account DMA flagging.

Agent account (trading capacity AOTC) and Riskless Principle account (trading capacity MTCH)

DMA flagging	Execution Decision	Execution Qualifier	Investment Decision	Investment Qualifier	Client ID
Investment and execution decisions not taken within the participant firm.	Short code for "NORE"	T7: 24 (for a natural person)	Empty	Empty	Short code for LEI or National ID

Questions? We are happy to advise you:
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