

EDMA's response to ESMA's Consultation on transparency for derivatives, package orders and input/output for the derivatives consolidated tape

EDMA's provided the following responses to [ESMA's CP4 Consultation paper](#).

Section 3 Transparency regime for derivatives

Question 2: Do you agree with the proposed amendments to Table 2 (fields) and Table 3 (flags) of Annex II of RTS 2? Please explain.

EDMA disagrees with point 40) under section 3.3.3.1.1 of CP4. The CP focuses solely on RTS 2 (transparency), but not RTS 23 (reference data) or RTS 22 (transaction reporting). The European Commission Delegated Act makes it clear that for transparency purposes the provision of UPI, combined with additional fields (effective and expiry date) serves the purposes mentioned in point 38, e.g. "to facilitate the identification and aggregation of information across the global OTC derivatives markets". Hence, for RTS 2 transparency purposes there is no need for a "revised ISIN".

Regarding the reporting of CDS prices EDMA disagrees with the stipulation of "Currently, only the quoted spread is required to be reported in the field "Price" in point 46) under section 3.3.3.1.4 of CP4. While point 61) on page 141 of the Manual talks about 'quoted spread', field 3 on page 142 requires 'total spread' and examples on page 144 do not require the 'quoted spreads' of 50bp and -10bp, but the total spreads of 550bp and 90bp. We recommend ESMA clarify the terminology used for a) standard coupon / standardised coupon / fixed rate, b) quoted spread or price, c) total spread, and d) upfront payment / premium / net present value. ESMA should not mandate the provision of all price components because it would allow data consumers to reverse engineer the precise notional amount of (masked) large size transactions. We support alignment between RTS 2 and RTS 22 CDS price reporting.

Regarding the reporting of IRS (and the inclusion of spread) we recommend clarifying ESMA's confusing definitions and terminology of fixed/float leg, what leg 1 or leg 2 are supposed to be in cases of fixed/float or float/float (basis) swaps and multi-currency swaps. For example: On page 119 ESMA seems to suggest that "leg 1" of a fixed-to-float should carry a spread in field 3bis, but the fixed rate in field 3 is price.

Please note that EDMA members fully support and endorse ISDA's more detailed response to this question.

Question 19: Do you have suggestions on the way to implement the volume masking in the post-trade reports, including the application of flags?

We suggest leaving 'Notional Amount' blank and flag the masked publication with 'VOLO'.

Section 5 Package Orders RTS

Question 21: Do you agree with the proposed amendments to CDR 2017/2194, the RTS on package orders? Please explain.

While we agree that Commission Delegated Regulation (EU) 2017/2194 of 14 August 2017 focuses mostly on derivatives for the definition of "package orders for which there is a liquid market as a whole", EDMA would like to point out that the same concept could easily apply to securities too. The combination of 2 bonds (switch) or 3 bonds (barbell) could be seen as similarly liquid as swap spreads and butterflies. Regarding the alignment of obligations and point 258), it might be worth looking at the gaps. It is unclear how (for example) certain EUR IRS can be in scope/liquid for one regulatory purpose but not for others:

EUR IRS	1Y	2Y	3Y	4Y	5Y	6Y	7Y	8Y	9Y	10Y	12Y	15Y	20Y	25Y	30Y
DTO		✓	✓	✓	✓	✓	✓	✓	✓	✓	6M	✓	✓		✓
Art. 8a(2)	✓	✓	✓		✓		✓		✓	✓	✓	✓	✓	✓	✓
Package RTS		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓

Section 6 RTS on input/output data for OTC derivatives CTP

Question 22: Do you agree with the proposals on regulatory data for OTC derivatives? Please distinguish in your reply between regulatory data per instrument vs. regulatory data per system matching order.

In line with our response to Q2 we disagree with point 279) in section 6.2.1.2 of CP4. Field #1 in Table 63 should get populated with the UPI, not a “revised ISIN”. This is particularly relevant now that ESMA has published a final report on RTS 23, excluding any recommendations or draft RTS, and launched the Call for Evidence.

Question 23: Do you agree with the proposals on core market data for OTC derivatives?

Market Structure

Potential changes to market structure rules need to consider carefully the type of asset and instruments as well as the trading operating system before a one-size-fits-all approach is proposed. Table 65 Core market data fields include several fields related to the date and time that a given party to transparency reporting has received/published a given transaction, such as field 17 “date and time when the data contributor published the transaction”. We feel that this level of data granularity is not required or appropriate for OTC markets, such as derivatives. As is stated in supplementing Directive 2014/65/EU “...trading models for which increased accuracy might not be relevant or feasible. Voice trading systems or request for quote systems where the response requires human intervention or does not allow algorithmic trading, or systems which are used for concluding negotiated transactions should be subject to different accuracy standards... trades on those trading venues may be agreed using manual methods which can take time to agree. In those trading venues there is also an inherent delay between the moment when the trade is executed and the moment when the trade is recorded in the trading system”.

Regarding latency requirements in fields 16, 17, 20 and 21 of Table 65 EDMA would refer ESMA to the Data Expert Groups (DEG) reports for both Bonds and Derivatives, extracts follow.

Bonds DEG Report

In that context we refer to ESMA CP point 41) and the acknowledgment of “being mindful of the high costs associated to low latency IT systems”. Where currently APAs and trading venues may transmit messages within 1 or 2 seconds, any requirement to lower latency to 100 - 200ms may incur additional infrastructure investments. Inevitably, that cost would not be absorbed in full by trading venues and APAs but passed down to clients and consumers via fee increases, a potential detriment to the objectives of the Savings and Investment Union. It is equally undesirable to require CTP contenders for bonds and/or derivatives to invest in 100 - 200ms latency environments before being able to operate in the Union.

Derivative DEG Report

The DEG believes that the latency standard for OTC derivatives need not be as prescriptive as for that in equities. The US CFTC PTT regime requires as soon as technologically practicable (ASATP) but no more than 15 minutes. The fact that most OTC derivatives trades to be reported in EU PTT are trading only a few times per day means that the time sensitivity of the data is less pronounced and, as such, a similar requirement to the CFTC requirement would be sufficient. Given this, the latency of the CTP itself is a not a material factor and the OTC derivatives CTP should be required to process trades in minutes, or seconds, rather than milliseconds.

We further note that appropriate use of field 23 'suspicious data flag' heavily depends on accurate benchmarking by the CTP, their access to reference data and potential conflicts regarding 'golden source' status of any data calibration impacting the population of 'TRUE' in field 23. We believe that this is particularly challenging for OTC markets, where the level of customisation and the range of instruments traded and now subject to transparency is particularly high.

Implementation timeline

We note the proposed implementation period of 6 months referred to on page 127 and consider this too short. Our concern is that a short implementation window poses risks to a successful implementation. In general, we would request that implementation timelines become more standardised and are proportionate to the scale and complexity of change required. We note that, in the past, 12 months was granted for smaller scale changes, including Commission Delegated Regulation (EU) 2023/945 amending RTS 2 and the updates to RTS 1 transparency, where the final report was also published in December 2024 and is expected to go live from 1 June 2026. Other regulators have provided a similar time frame for changes of the same scale, e.g. the recent implementation period for FCA transparency changes.

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About EDMA

Electronic Debt Markets Association represents the common interests of companies whose primary business is the operation of regulated electronic fixed income trading venues (multilateral trading facilities and regulated markets) in Europe. EDMA seeks to foster and promote liquid, transparent, safe and fair markets and act as the voice and a source of consultation between the members in their roles as operators of such venues. EDMA projects collective views on regulatory matters and market structure topics to governments, policy makers and regulators for the benefit of the electronic fixed income markets. Our 6 members are: BGC Fenics, Bloomberg, BrokerTec, MarketAxess, Euronext MTS and Tradeweb. More information at www.edmae.org

