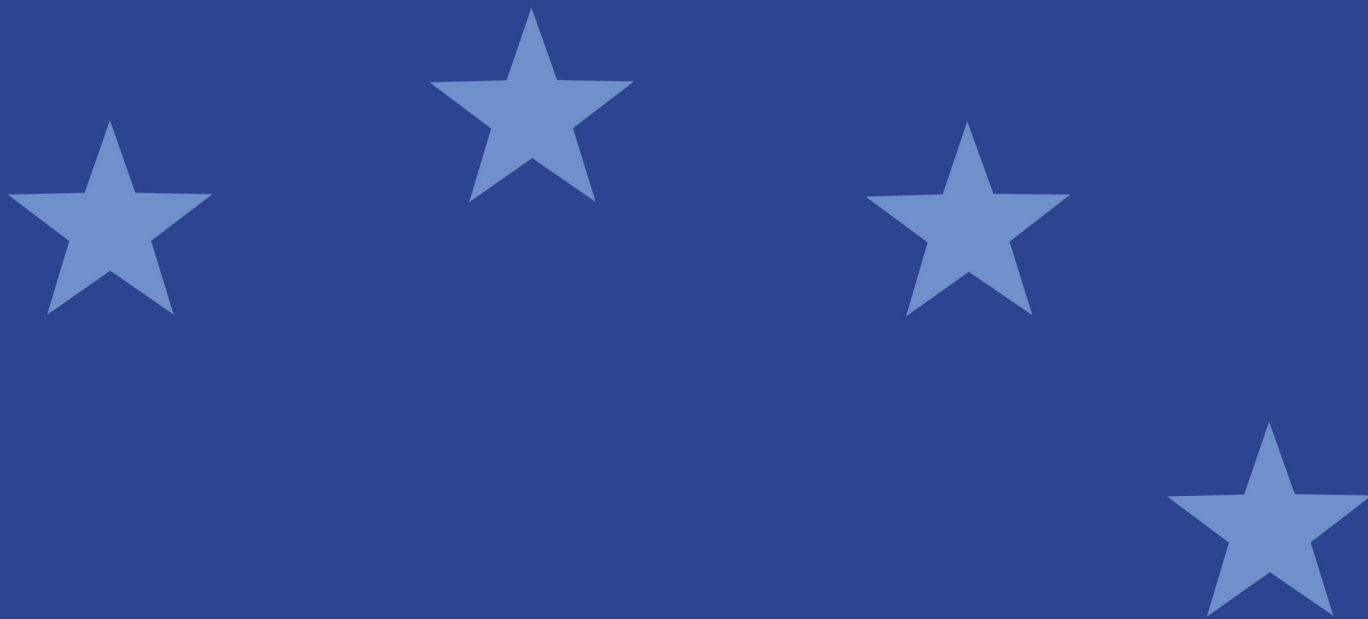


Reply form for the Call for Evidence (CfE) on the DLT Pilot Regime



Responding to this paper

The European Securities and Markets Authority (ESMA) invites responses to the specific questions listed in the Call for Evidence (CfE) on the DLT Pilot Regime for published on the ESMA website.

Instructions

Please note that, in order to facilitate the analysis of the large number of responses expected, you are requested to use this file to send your response to ESMA so as to allow us to process it properly. Therefore, ESMA will only be able to consider responses which follow the instructions described below:

- use this form and send your responses in Word format (pdf documents will not be considered except for annexes);
- do not remove the tags of type <ESMA_QUESTION_DLTP_1> - i.e. the response to one question has to be framed by the 2 tags corresponding to the question; and
- if you do not have a response to a question, do not delete it and leave the text “TYPE YOUR TEXT HERE” between the tags.

Responses are most helpful:

- if they respond to the question stated;
- indicate the specific question to which the comment relates;
- contain a clear rationale; and
- describe any alternatives ESMA should consider.

Naming protocol

In order to facilitate the handling of stakeholders' responses please save your document using the following format:

ESMA_DLTP_NAMEOFCOMPANY_NAMEOFDOCUMENT.

e.g. if the respondent were ESMA, the name of the reply form would be:

ESMA_DLTP_ESMA_REPLYFORM or

ESMA_DLTP_ANNEX1

Deadline

Responses must reach us by **4 March 2022**.

All contributions should be submitted online at www.esma.europa.eu under the heading 'Your input - Consultations'.

Publication of responses

All contributions received will be published following the end of the consultation period, unless otherwise requested. **Please clearly indicate by ticking the appropriate checkbox in the website submission form if you do not wish your contribution to be publicly disclosed. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure.** Note also that a confidential response may be requested from us in accordance with ESMA's rules on access to documents. We may consult you if we receive such a request. Any decision we make is reviewable by ESMA's Board of Appeal and the European Ombudsman.

Data protection

Information on data protection can be found at www.esma.europa.eu under the headings 'Legal notice' and 'Data protection'.

General information about respondent

Name of the company / organisation	Association of the Luxembourg Fund Industry
Activity	Other Financial service providers
Are you representing an association?	<input checked="" type="checkbox"/>
Country/Region	Luxembourg

Q1 Please provide any general observations or comments that you would like to make on this call for evidence, including any relevant information on you/your organisation and why the topics covered by this call for evidence are relevant for you/your organisation.

<ESMA_QUESTION_DLTP_1>

The Association of the Luxembourg Fund Industry (ALFI) represents the face and voice of the Luxembourg asset management and investment fund community. The Association is committed to the development of the Luxembourg fund industry by striving to create new business opportunities, and through the exchange of information and knowledge.

Created in 1988, the Association today represents over 1,500 Luxembourg domiciled investment funds, asset management companies and a wide range of business that serve the sector. These include depository banks, fund administrators, transfer agents, distributors, legal firms, consultants, tax advisory firms, auditors and accountants, specialised IT and communication companies. Luxembourg is the largest fund domicile in Europe and a worldwide leader in cross-border distribution of funds. Luxembourg domiciled investment funds are distributed in more than 70 countries around the world.

As stipulated, ALFI also represents the fund and asset management industry through the various stakeholders involved in the "fund value chain". Accordingly, market players such as transfer agents, depository banks, central administrations, FinTech companies, service providers, securities exchanges are represented within ALFI membership. Throughout the Digital and FinTech Forum of ALFI, these market players have expressed the very high relevance of this consultation and more generally of the establishment of a harmonized digital finance framework in terms of both principles and local interpretations. This interest is related to several Distributed Ledger Technology ("DLT") projects contemplated or already undertaken across the industry.

Some members will be impacted indirectly by the MiFIR practical aspects of the DLT Pilot Regime through the provision of services to their clients and investors. Other participants are likely to be impacted more directly. Furthermore, while some of the DLT applications considered are not directly link to tokenized securities, those initiatives have provided ALFI members with an understanding of the pragmatic challenges posed by the DLT.

In order to provide evidence stemming from indirect exposures to the pre- and post-trade transparency and data reporting requirements as well as to share generic DLT considerations also relevant in the MiFIR context, answers will be given on a number of selected questions focusing on the high-level implications rather than on the most technically detailed questions (left to the entities directly impacted such as MI, MTF, TSS).

As a preamble, the key ALFI considerations triggered by this call for evidence relate to the following aspects:

Substance over form – The practical implementation of DLT Pilot Regime should be achieved with a technological neutral stance where the focus should be on the substance over the form. Accordingly, similar activities involving comparable risks should be subject to related requirements. It will be important to ensure that any amendments made to relevant RTS under MiFID II/R are technology-neutral to avoid any regulatory and/or process arbitrage between traditional and tokenised securities.

Off-chain trading environment – The questions related to the trading environment seem to assume an on-chain environment where the transactions would be realized on the distributed ledger. However, this seems not to reflect the direction taken by the industry where off-chain transactions, realized outside the distributed ledger, would constitute a non-negligible, if not dominant, part of the transactions. A framework aiming at regulating the trading environment should consider these arrangements too.

Interpretation of principles – The DLT Pilot Regime framework relies on principles to be harmoniously adopted. In practice, principles require practical interpretations at the level of the local National Competent Authorities (“NCA”). The prevalence of interpretations in the definition of the regulatory framework is reinforced by the multiplicity of DLT specifications (such as consensus mechanism, private versus public, permissioned versus permissionless). A harmonization mechanism at the level of the local interpretations would be required to ensure a consistency of the deemed “acceptable and compliant” set-ups to reach a level playing field.

Transition from sandbox to final regime – The DLT Pilot Regime is a sandbox regime and therefore raises questions on when and how it will translate in a final regime once it will be integrated into a complete environment (MIFID, settlement finality...). Derogatory rules are helping developing the DLT framework, however, they, if prolonged, risk to create an uneven playing field with the more traditional banking and financial systems. For example, this could prevent supervisory authorities to monitor and track the application of relevant standards (such as for MAR application under certain transaction regime scenarios). Additionally, this poses the question on the interest for operators to limit issuances and market sizes, creating a potential cliff edge effect, when arriving to the boundaries. More regulatory information on how to transition from one regime to the other would provide more clarity for the establishment of a consistent financial instruments (traditional and tokenised) market infrastructure regulatory framework.

<ESMA_QUESTION_DLTP_1>

Q2 Please indicate whether you/your organisation is planning to operate a DLT MI under the DLT Pilot and provide some high-level explanation of the business model

<ESMA_QUESTION_DLTP_2>

Referring to Question 1, as an association representing investment funds, asset management companies and a wide range of businesses that serve the sector, the question regarding an ambition to operate a DLT MI is not directly applicable. The same applies for other following questions (e.g. Question 4) that will accordingly not be addressed.

Publicly available information can indicate the presence of a few entities that could classify as Market Infrastructures and could operate a DLT in Luxembourg.

It is important to underline that, beyond MI, Luxembourgish providers are tackling different pieces of the value chain (also other than MI). Accordingly, the DLT is looked under different perspectives at fundamental points of the value chain that significantly affect Luxembourg. Examples of such projects are currently under development (e.g. Transfer Agent services) and planned to be implemented in Luxembourg.

<ESMA_QUESTION_DLTP_2>

Q3 What are the key elements supporting the increased use of DLT in the field of financial services? What are the main obstacles, including in the technical standards, for the development and up-take of DLT-based solutions (listing, trading and settlement)? Do you plan to operate a restricted (permissioned) or unrestricted (permissionless) distributed ledger?

<ESMA_QUESTION_DLTP_3>

- Key elements supporting the increased use of DLT

The DLT framework should be as robust and strong as the current (regulatory) environment with the advantage of being fully integrated and in near real-time (benefits from a cash and treasury perspective).

One of the key elements supporting the increased use of DLT in the field of financial services relates to cost reduction. Leveraging on the technological capabilities unlocked by DLT in terms of reduced intermediation, efficiency, security and transparency would allow the reduction of costs, including transaction

costs, passed on to end investors. Accordingly, the majority of the observed initiatives related to the tokenisation of securities are supply driven and not triggered by specific investors' demand to hold tokenised securities.

In addition, and in particular, DLT may provide specific benefits for less liquid instruments, new financing/investment products, and give an opportunity for non-liquid instruments to potentially create a representation that is tradeable (i.e. PERE funds shares, or ESG-related products, loans securitization, etc.).

Another important motivation lies with the ambition to become acquainted with the new technology through a concrete and tangible application. The tokenisation of securities provides market players with the opportunity to learn about the practical challenges specific to the technology as well as to uncover its potential for further applications. Therefore, for several participants, the tokenisation of securities gives the ability to test a new type of innovation with a larger scope of applications possible at a later stage.

Finally, the use of DLT would support the financial industry in embracing the trends of decentralisation, disintermediation, information accessibility, and real time execution, that investors and consumers are increasingly provided with and increasingly seeking for. This adoption of the technology will also help being more aligned with realities of our time.

All in all, key elements supporting the increased use of DLT in financial services include cost savings, process efficiencies (e.g. through direct connections between issuers and investors), transparency, and better risk management.

- Remaining obstacles

The traditional environment has a long track record and the implementation of a new infrastructure has to be achieved incrementally. Therefore, a challenge exists in the interaction between a DLT and the traditional environments. This interoperability challenge results from the fact that the current infrastructure, also incrementally developed, has not been designed to interact with a DLT environment. In the context of tokenised securities, the interfacing with crypto custodian and trading facilitators are examples, among others, of such connexions that require further developments of the technology and agile market participants. Interoperability also remains a hurdle within the DLT frameworks due to the multiplicity and heterogeneity of potential distributed ledgers (networks).

This heterogeneity of the different possible set-ups offered by the DLT also poses challenges for the regulatory framework, including the DLT Pilot Regime and implication for MiFIR RTS, to remain technologically neutral. On the one hand, the framework should not favour a particular set-up. For example, some sentences of this call for evidence might be interpreted that permissioned DLT would be more common or more adapted to the requirements considered. In order to foster innovation and exploit the depth and breath of the benefits offered by the technology, the framework should not become excessively prescriptive with respect to specific DLT features. On the other hand, the local interpretations of the overarching principles should not result in discrepancies across NCAs with respect to the solutions "authorised". A certain level playing field should be ensured at both the principle and interpretation level. This is particularly important to promote a certain openness to different DLT specifications and new developments.

Finally, the establishment of DLT based solutions overlaps with a larger scope of regulatory frameworks and concepts (e.g. corporate law, liability regime) than the financial regulations (market, securities, etc.). Uncertainty remains regarding the ability to reach a convergence on this larger scope of frameworks and concepts.

<ESMA_QUESTION_DLTP_3>

Q4 Would you consider operating a DLT MTF Would you consider operating a DLT SS without operating at the same time a DLT MTF? If yes, under which conditions?

<ESMA_QUESTION_DLTP_4>
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<ESMA_QUESTION_DLTP_4>

Q5 Please provide an overview of how DLT securities trade in the current market structure (incl. what types of trading system are used, the relevance of secondary market trading)? Do you see any challenges with the current market structure following the application of the DLT Pilot?

<ESMA_QUESTION_DLTP_5>

There are currently a few market infrastructures allowing trading of DLT securities. While tokenised securities can generally be traded on unregulated platforms ("off-shore"), there are some examples of DLT trading facilities in the United States authorised and regulated by the Securities and Exchange Commission.

In general, including the considerations for market infrastructures, it is relevant to highlight that the DLT Pilot Regime is not aiming to provide a regulatory frame of reference for a new form of securities. The securities' attractiveness is not derived from a particularly different feature of the securities themselves. The novelty stems from the technology which supports the issuance, recording, transfer and storage of these securities. Accordingly, the existing traditional trading systems, despite some technical adjustments, could be used in a DLT environment.

In relation to the preamble provided in Question 1, a distinction is to be made between on-chain and off-chain trading environments. An on-chain environment refers to a structure where the transactions are matched on the distributed ledger. An off-chain environment refers to a structure where the transactions are matched outside the distributed ledger. Although the latter could be overlooked, it is likely to be widely adopted and should therefore be considered in both the consultation and the application of MiFIR requirements to tokenised securities.

As per the market structure and trading environment, the main hurdle remains in the challenge of interoperability. This interoperability challenge is posed for the connexion of different networks (distributed ledgers) together, the connexion with a legacy system and the connexion with additional operational layers (such as in the case of an off-chain environment).

Beyond interoperability, the coexistence of alternative market infrastructures, also raises level playing field challenges. This may arise for securities that could be both on DLT and traditional trading venues.

<ESMA_QUESTION_DLTP_5>

Q6 Instrument status: Do DLT financial instruments have different characteristics than 'standard' shares, UCITS-ETFs and bonds? If yes, please elaborate and explain whether these different characteristics call for a different approach for the application of the transparency requirements?

<ESMA_QUESTION_DLTP_6>

In line with the answers provided in Questions 1, focusing on the substance rather than the form, the tokenisation of securities does not represent a fundamental change with respect to the financial instruments' characteristics.

Tokenised securities present benefits like the possibility to have the conditions pertaining to additional asset servicing functions hard coded within the asset. This could cover functions like the payment of interests, dividends or be linked to other conditions if they evolve into real smart contracts as for example allowing holders to have "benefits" if they stay a certain amount of time invested.

The novelties, main differences, new challenges/considerations associated with tokenised securities lie in two aspects:

- The admission to trading of these instruments on exchanges implying the qualification as a financial instrument and the provision of transparent information, such as risk and environmental factors information, to potential investors.
- The way to recognise settlement finality, both within the framework, within the EU, but also regarding the non-EU holders.

<ESMA_QUESTION_DLTP_6>

Q7 Transactions: Where are DLT financial instruments traded? Could there be OTC trading in those instruments?

<ESMA_QUESTION_DLTP_7>

Although it is expected that several players have built the technical capabilities to issue tokenized securities, very few have publicly disclosed their ambition and positioned themselves. This situation still creates uncertainty as to where the DLT financial instruments would be traded.

With the exception of Over-The-Counter (“OTC”) markets, this limited experience with markets for the trading of DLT financial instruments can be partially attributed in Europe to the pending entry into force of the DLT Pilot Regime. Nevertheless, the standard financial markets - organized market exchanges, proprietary exchanges and OTC - seem to be viable alternatives.

<ESMA_QUESTION_DLTP_7>

Q8 Transactions: Do the lists of transactions in Article 13 of RTS 1 and Article 12 of RTS 2 reflect relevant transaction types for DLT financial instruments? If not, please explain which types of transactions are missing and why they should be added to the lists of transactions.

<ESMA_QUESTION_DLTP_8>

Yes

<ESMA_QUESTION_DLTP_8>

Q9 Can the current transparency requirements in RTS 1 and 2 be applied for DLT financial instruments (e.g. liquidity assessment, thresholds, flags, reporting fields) or would they need to be adjusted? If not, what should be the appropriate approach?

<ESMA_QUESTION_DLTP_9>

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<ESMA_QUESTION_DLTP_9>

Q10 Are there any standards (e.g. messaging, identification of accounts/users, product identifiers, reporting, etc.) in a DLT environment that should be taken into account when revising the RTS 1 and 2?

<ESMA_QUESTION_DLTP_10>

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<ESMA_QUESTION_DLTP_10>

Q11 Do you anticipate any problems that may emerge from the current liquidity concepts in Delegated Regulation (EU) 2017/567 and RTS 2 for the application of related transparency requirements for DLT financial instruments? Please explain and make proposals on how such problems could be solved.

<ESMA_QUESTION_DLTP_11>

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<ESMA_QUESTION_DLTP_11>

Q12 Are DLT securities traded on different trading systems as ‘standard’ shares and UCITS-ETFs (mostly continuous trading and periodic auctions) or bonds (RFQ, voice trading)? Please explain.

<ESMA_QUESTION_DLTP_12>

The role of the DLT in the price discovery mechanism remains an open question. The regulatory framework (MiFIR) encompasses a limited number of proven trading protocols. It is indeed not yet known whether the sandbox provided by the DLT Pilot Regime will result into the emergence of new and fundamentally different trading protocols. Currently, the perspectives to discover (form) price on the DLT (on-chain) are limited. At the time of writing, the on-chain built in capabilities would not widely support this function (e.g. reduced matching order capabilities). Accordingly, it can be assumed that price discovery could initially be predominantly achieved off-chain. In this context, the standard trading systems do not contradict with the off-chain structure but a particular operational attention is to be given to the interoperability between the on-chain and off-chain environment.

Additional considerations, for organized exchanges, are related to:

- the disclosure and qualification requirements of the tokenised securities admitted to trading as mentioned in Question 8.
- the interactions scheme between DLTs to allow for tokenised securities to be exchanged across platforms.

This relates to the interoperability hurdle. As a matter of illustration, this could be done through the form of wallet providers as seen in the crypto-currency world. Those exchanges could potentially enable access to different DLTs in order to "swap" instruments but in effect it will likely be two separate trades, one on each respective DLT. This example shows the relevance of the potential layering beyond the DLT in establishing a market infrastructure.

<ESMA_QUESTION_DLTP_12>

Q13 To what extent would the choice of trading protocols and applications have an impact on the trading of instruments and on the requirements to publish information according to RTS 1 and 2?

<ESMA_QUESTION_DLTP_13>
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<ESMA_QUESTION_DLTP_13>

Q14 Do the systems on which DLT financial instruments trade require tailored pre-trade transparency requirements as those per Table 1 Annex I of RTS 1 and Annex I of RTS 2?

<ESMA_QUESTION_DLTP_14>
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<ESMA_QUESTION_DLTP_14>

Q15 Would the use of restricted (permissioned) vs unrestricted (permissionless) DLT represent any difference in how the pre-trade transparency requirements should be applied?

<ESMA_QUESTION_DLTP_15>

As introduced in Question 1, technological neutrality is advocated for. Accordingly, similar and comparable requirements in terms of pre-trade transparency should apply.

While DLTs can take very different forms and shapes (e.g. access rights, validation rights, consensus methods), it is important that DLT specifications are not restricted in the DLT Pilot Regime to avoid hindering the innovation capability of the still evolving technology. Permissionless DLT should therefore be considered as a real and viable (not only bound to theory) alternative for the tokenisation of securities. Accordingly, in order to avoid discrepancies or technological arbitrage, requirements should focus on similar principles across DLT specifications.

It is relevant to notice that other specifications, such as the off-chain characteristics, the interoperability mechanisms, the consensus methods are as important as the participation rights (permissioned vs permissionless) when considering the transparency capabilities of a network (DLT).

<ESMA_QUESTION_DLTP_15>

Q16 Is it in your view necessary to make changes to the calibration of waivers for DLT shares and UCITS-ETFs in RTS 1? Do you expect any implementation issues in the application of waivers also taking into account the above considerations?

<ESMA_QUESTION_DLTP_16>

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<ESMA_QUESTION_DLTP_16>

Q17 Is it in your view necessary to make changes to the calibration of waivers for DLT bonds in RTS 2? Do you expect any implementation issues in the application of waivers also taking into account the above considerations?

<ESMA_QUESTION_DLTP_17>

TYPE YOUR TEXT HERE

<ESMA_QUESTION_DLTP_17>

Q18 What can be considered as close to real-time as possible for the publication of post-trade reports in the context of DLT-securities on DLT MIs?

<ESMA_QUESTION_DLTP_18>

Similarly, to Question 15, the rich heterogeneity of existing DLT specifications should be considered in addressing this question. In particular,

- the variety of consensus mechanisms (Proof of Work, Proof of Stake, Proof of History);
- the structure of the off-chain layer(s); and
- the interoperability mechanism

have an impact on the timing of recording and execution of transactions.

<ESMA_QUESTION_DLTP_18>

Q19 Are the current deferral periods for equity and non-equity instruments appropriate for DLT securities? Please, distinguish between DLT shares, ETFs and bonds.

<ESMA_QUESTION_DLTP_19>

TYPE YOUR TEXT HERE

<ESMA_QUESTION_DLTP_19>

Q20 Is it necessary to amend the current fields and flags for post-trade transparency (modifications/cancellations/additions) for their application to DLT shares,

ETFs (Tables 2, 3 and 4 of Annex I of RTS 1) and bonds (Annex 2 of RTS 2)? Do you expect any implementation issues on basis of the current fields and flags?

<ESMA_QUESTION_DLTP_20>
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<ESMA_QUESTION_DLTP_20>

Q21 Is it necessary to amend RTS 3 for the purpose of the DLT Pilot? Do you anticipate any problems with the application of RTS 3 under the DLT Pilot?

<ESMA_QUESTION_DLTP_21>
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<ESMA_QUESTION_DLTP_21>

Q22 Do you agree with the approach indicated in the above paragraph? Please justify your answer.

<ESMA_QUESTION_DLTP_22>
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<ESMA_QUESTION_DLTP_22>

Q23 Private individuals: Do you agree that DLT MTFs could report transactions on behalf of the private individual as part of the compensatory measure foreseen by Article 4(1)(c) of the pilot regime? Please explain your statement. What other solutions can be explored to address this data gap?

<ESMA_QUESTION_DLTP_23>
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<ESMA_QUESTION_DLTP_23>

Q24 Reporting status and transaction reference numbers (Fields 1 and 2): How will DLT MTF treat cancellations to correct previously submitted information as per Section 5.18 of ESMA Guidelines on transaction reporting being the information stored on DLTs immutable? Is it necessary to amend the current fields 1 and 2 for their application in the context of a DLT environment? Do you foresee any other reporting status other than New and Cancellation in the context of a DLT environment?

<ESMA_QUESTION_DLTP_24>
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<ESMA_QUESTION_DLTP_24>

Q25 Trading Venue Transaction Identification, TVTIC (Field 3): Is it necessary to amend the current field for its application in the context of a DLT environment? Do you expect any implementation issues on basis of the current fields? Should new fields be added in the context of a DLT environment?

<ESMA_QUESTION_DLTP_25>
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<ESMA_QUESTION_DLTP_25>

Q26 Executing entity and submission entity identification codes; MiFID II Investment Firm indicator (Fields 4-6); Buyer details and decision maker (Fields 7-15); Seller details and decision maker (Fields 16-24): Is it necessary to amend the current fields for their application in the context of a DLT environment? Do you expect any implementation issues on basis of the current fields? Should new fields be added in the context of a DLT environment?

<ESMA_QUESTION_DLTP_26>
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<ESMA_QUESTION_DLTP_26>

Q27 Transmission of an order (Fields 25-27): Is it necessary to amend the current fields for the application in the context of a DLT environment? Do you expect any implementation issues on basis of the current fields? Should new fields be added in the context of a DLT environment?

<ESMA_QUESTION_DLTP_27>
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<ESMA_QUESTION_DLTP_27>

Q28 Trader, algorithms, waivers and indicators (Fields 57-65): Is it necessary to amend the current fields for the application in the context of a DLT environment? Do you expect any implementation issues on basis of the current fields? Should new fields be added in the context of a DLT environment?

<ESMA_QUESTION_DLTP_28>
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<ESMA_QUESTION_DLTP_28>

Q29 Short selling field (Field 62): Is short selling possible? Does it depend whether it is a DLT MTF or a DLT MTF+DLT SSS? Is it necessary to amend the current field for the application in the context of a DLT environment? Do you expect any implementation issues on basis of the current fields?

<ESMA_QUESTION_DLTP_29>
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<ESMA_QUESTION_DLTP_29>

Q30 Transaction details (Fields 28-40): Is it necessary to amend the current fields for their application in the context of a DLT environment? Do you expect any implementation issues on basis of the current fields? Should new fields be added in the context of a DLT environment?

<ESMA_QUESTION_DLTP_30>
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<ESMA_QUESTION_DLTP_30>

Q31 What are your views on the arrangements that DLT MTFs would need to establish to ensure the provision of complete and accurate reference data to ESMA?

Do you think that the current arrangements described in RTS 23 should be amended to ensure its application in the DLT environment? Do you expect any implementation issues on basis of the current RTS 23?

<ESMA_QUESTION_DLTP_31>
TYPE YOUR TEXT HERE
<ESMA_QUESTION_DLTP_31>

Q32 Issuer related fields (Field 5): Is it necessary to amend the current field for the application in the context of a DLT environment? Do you expect any implementation issues on basis of the current fields? Should new fields be added in the context of a DLT environment?

<ESMA_QUESTION_DLTP_32>
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<ESMA_QUESTION_DLTP_32>

Q33 Venue related fields (Fields 6-12): Is it necessary to amend the current field for the application in the context of a DLT environment? Do you expect any implementation issues on basis of the current fields? Should new fields be added in the context of a DLT environment?

<ESMA_QUESTION_DLTP_33>
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<ESMA_QUESTION_DLTP_33>

Q34 Notional (Field 13): Is it necessary to amend the current field for the application in the context of a DLT environment? Do you expect any implementation issues on basis of the current fields? Should new fields be added in the context of a DLT environment?

<ESMA_QUESTION_DLTP_34>
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<ESMA_QUESTION_DLTP_34>

Q35 Bonds or other forms of securitised debt related fields (Fields 14 – 23): Is it necessary to amend the current field for the application in the context of a DLT environment? Do you expect any implementation issues on basis of the current fields? Should new fields be added in the context of a DLT environment?

<ESMA_QUESTION_DLTP_35>
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<ESMA_QUESTION_DLTP_35>

Q36 Do you agree with ESMA's assessment that no major amendments to RTS 25 appear necessary for the implementation of the DLT Pilot?

<ESMA_QUESTION_DLTP_36>
TYPE YOUR TEXT HERE
<ESMA_QUESTION_DLTP_36>

Q37 Do you think the definition of “order” is still applicable to the DLT context? Are the order record keeping requirements in Article 25 and related RTS 25 applicable in the DLT context? If yes, how do you envisage to comply with such requirements? If no, please justify your answer.

<ESMA_QUESTION_DLTP_37>
TYPE YOUR TEXT HERE
<ESMA_QUESTION_DLTP_37>

Q38 Can chains of transmission on DLT financial instruments occur?

<ESMA_QUESTION_DLTP_38>
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<ESMA_QUESTION_DLTP_38>

Q39 Is it possible to split or aggregate orders? In or out the DLT? Or both?

<ESMA_QUESTION_DLTP_39>
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<ESMA_QUESTION_DLTP_39>

Q40 Does the concept of “Transmission of an order” defined in Article 4 of RTS 22 make sense in the context of DLT? If so, when would you consider an order to be transmitted?

<ESMA_QUESTION_DLTP_40>
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<ESMA_QUESTION_DLTP_40>

Q41 What do you consider are the phases of a DLT transaction? At what point in time can such a transaction in DLT securities be considered executed? How do you think “broadcast the transaction to the network” should be defined?

<ESMA_QUESTION_DLTP_41>
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<ESMA_QUESTION_DLTP_41>

Q42 Do you think the definition of “transaction” is still applicable to the DLT context?

<ESMA_QUESTION_DLTP_42>
Yes, the DLT framework brings a different way to perform exchange of values (e.g. delivery versus payment) but this remains a transaction recorded in a ledger, materialised on a different medium and in a different way.<ESMA_QUESTION_DLTP_42>

Q43 General fields (Fields 1 - 3), ISIN for RTS 1-3: Is it necessary to amend the current fields for the application in the context of a DLT environment? Do you expect any implementation issues on basis of the current fields? Should new fields be added in the context of a DLT environment?

<ESMA_QUESTION_DLTP_43>
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<ESMA_QUESTION_DLTP_43>

Q44 Should a new field indicating the DTI be added to RTS 23 and RTS 1-3? What kind of analysis could be performed on a tokenised security by coupling ISIN and DTI information?

<ESMA_QUESTION_DLTP_44>
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<ESMA_QUESTION_DLTP_44>

Q45 Is the ISIN sufficient to ensure uniqueness of a given tokenised financial instrument? Is there any element of the DTI standard that you consider should be added as a separate field in RTS 23 and RTS 1-3?

<ESMA_QUESTION_DLTP_45>
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<ESMA_QUESTION_DLTP_45>

Q46 Traditional reporting systems - RTS 22/23: Does the setting up of the traditional reporting systems as illustrated in Annex 1 of the ESMA Guidelines on transaction reporting make sense in the context of the pilot regime?

<ESMA_QUESTION_DLTP_46>
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<ESMA_QUESTION_DLTP_46>

Q47 Execution and IT infrastructure - RTS 22/23: Does the fact that execution takes place on a DLT has an impact on the investment firm's reporting system and requires setting up of separate/new IT infrastructures?

<ESMA_QUESTION_DLTP_47>
TYPE YOUR TEXT HERE
<ESMA_QUESTION_DLTP_47>

Q48 ISO standards 20022 and RTS 22/23: Can ISO 20022 be implemented and used by DLT MTFs or DLT TSS and/or their members/participants to comply with the reporting required under Article 26 and 27 of MiFIR. Do you think ISO 20022 would represent an opportunity or an issue for DLT MTF? Please explain your statement.

<ESMA_QUESTION_DLTP_48>
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Q49 XML template of RTS 22/23: do you think that different formats might be more suitable to the DLT while keeping the common ISO 20022 methodology? If yes, please explain what the most appropriate format would be and for which reasons.

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Q50 Do you/your organisation plan to offer settlement of DLT securities in e-money tokens? If yes, what would be the most appropriate way for reporting these transactions? Do you agree with ESMA's proposal on how to populate the currency fields when the financial instrument is priced in e-money tokens?

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Q51 Do you consider it possible that transactions in DLT securities could be settled in different currencies and/or different e-money tokens? If yes, please explain what would be the most appropriate way for converting such transactions in EUR.

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Q52 What are your views on the arrangements that DLT MTFs and DLT TSSs would need to establish to grant direct and immediate access to transaction data to regulators by admitting them as regulatory observer participants? Do you expect any implementation issues in relation to the obligation to make MiFIR transaction data available to the NCAs and MiFIR transparency/ reference data to ESMA?

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Q53 Is it technically feasible to store on the DLT the details of the transaction according to ISO 20022 methodology in order to enable regulators to pull that data directly into a readable format without any transformation of the data? Do you believe that the use of ISO 20022 could have a significant negative impact in terms of scalability of the system and the related congestion risk? If yes, please justify your answer and specify if the impact is dependent on the type of governance model and technology that the DLT is using.

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Q54 Can all information to be reported under MiFIR Article 27 pursuant to Table III of the Annex to RTS 23 be recorded on the DLT according to the ISO 20022 methodology? Please explain your answer also in relation to scalability impact at DLT level.

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Q55 Can all data necessary to perform the transparency (Article 2 of RTS 3) and DVC (Article 6 of RTS 3) calculations be recorded on the DLT according to the ISO 20022 methodology? Please explain your answer also in relation to scalability impact at DLT level.

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Q56 Do you see any issue with obtaining the data elements required by RTS 22 and 23 from external databases like GLEIF, ISO 4217 list (currencies), ISO 10383 (MIC) or ANNA-DSB (ISIN) before the data is permanently stored into the distributed ledger? Please explain your answer.

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Q57 Do you see any major impediments for the regulator as a regulatory observer participant to pull large size of encrypted data from the distributed ledger? Please explain your answer in the context of encryption of data and key management, and in relation to any scalability impact at DLT level.

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Q58 Taking into consideration the variety of technologies available in the DLT world, what is, in your opinion, the most efficient way to admit regulators as regulatory observer participants? Please explain your answer.

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Q59 Do you have any suggestion to ensure interoperability among DLT MTFs, DLT TSS and the regulators as described in Paragraph 126? Please explain your answer.

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Q60 Do you have any suggestion to ensure interoperability among different DLT MTFs and/or DLT TSS as described in Paragraph 127? Please explain your answer.

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