18 September 2025

Via online submission

European Securities & Markets Authority
201-203 rue de Bercy
CS 80910 - 75589
Paris Cedex 12
FRANCE

Re: European Securities and Markets Authority Call for Evidence on Financial Transaction Reporting

Dear Sir/Madam,

MFA[1] appreciates the opportunity to represent the views of the global alternative investment industry in this written response to the European Securities and Markets Authority's ("**ESMA**") Call for Evidence on financial transaction reporting (the "**Call for Evidence**").[2] We have set out our responses to the relevant questions of the Call for Evidence in the Annex hereto.

At a high-level, MFA supports the simplification of financial transaction reporting and the reduction of duplicative and inconsistent requirements. We agree that the complexity and financial resource cost of transaction reporting compliance is substantial and poses a considerable cost on buyside firms launching and operating in the European Union ("**EU**"). In many cases such costs are passed on to investors, thereby lowering their investment returns. To make the EU more attractive for investors, it is critical that ESMA and the European Commission ("**EC**") seize this opportunity to integrate, streamline, and simplify transaction reporting, with a view to reducing the burden of complying with reporting requirements without compromising the robustness of supervisory oversight.

Careful consideration of implementation is also required for changes to the financial transaction reporting regimes. Implementation should occur across the different regulations on a piecemeal basis, rather than as a 'big bang' approach in which all the regimes are changed simultaneously. Furthermore, the period around the start/end of a calendar year (*i.e.* January and December) also should be avoided, since systems changes are more difficult for firms at these times owing to IT change 'freezes' and staff holidays.

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1 Managed Funds Association ("**MFA**"), based in Washington, D.C., New York City, Brussels, and London, represents the global alternative asset management industry. MFA's mission is to advance the ability of alternative asset managers to raise capital, invest it, and generate returns for their beneficiaries. MFA advocates on behalf of its membership and convenes stakeholders to address global regulatory, operational, and business issues. MFA has more than 180 fund manager members, including traditional hedge funds, private credit funds, and hybrid funds, that employ a diverse set of investment strategies. Member firms help pension plans, university endowments, charitable foundations, and other institutional investors diversify their investments, manage risk, and generate attractive returns throughout the economic cycle.

2 ESMA, Call for evidence: On a comprehensive approach for the simplification of financial transaction reporting (June 23, 2025), available at: https://www.esma.europa.eu/sites/default/files/2025-06/ESMA12-437499640-3021_Call_for_evidence_on_a_comprehensive_approach_for_the_simplification_of_financial_transaction_reporting.pdf.

In addition, we would urge ESMA to coordinate with international partners – including the UK's Financial Conduct Authority ("**FCA**") – on its approach to reforming financial transaction reporting so as to avoid unnecessary divergence in regimes. Any such divergence risks making the EU less competitive and less attractive to investors.

Executive Summary

In our detailed comments that follow in the Annex, MFA addresses certain specific questions important to member firms. MFA's comments are summarised as follows:

- MFA agrees that the complexity and financial and human resource cost of transaction reporting compliance is substantial.
- MFA agrees that the substantial cost of transaction reporting deters new investment fund management firms from launching in the EU.
- MFA strongly supports ESMA's efforts to reduce duplicative or inconsistent requirements for transaction data reporting under multiple reporting regimes; ESMA should be clear on the purpose of the data it collects.
- MFA strongly opposes the imposition of dual-sided reporting obligations, and favours single-sided reporting where the dealer is responsible for fulfilling the reporting obligation.
- Reporting overlaps across AIFMD, EMIR, SFTR, and MiFIR cause redundancy and inefficiency; MFA urges a "report once, use many times" model.
- MFA supports the creation of a single data hub for transaction reporting by developing a framework to which entities would report consistent and harmonised data directly.

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MFA appreciates your consideration of our recommendations. We look forward to working with ESMA to improve the EU financial transaction reporting framework in order to reduce the compliance burden on asset managers, reduce costs for investors, and support economic growth. We would be pleased to discuss our recommendations in further detail. Please do not hesitate to reach out to me on +44 20 3585 2300 or rhailey@mfaalts.org.

Yours sincerely,

/s/

Rob Hailey
Managing Director, Head of EMEA Government Affairs
MFA

ANNEX

QUESTIONS AND RESPONSES

Q1. Do stakeholders agree with the description of the key challenges outlined above? Is there any other issue linked to multiple regulatory regimes with duplicative or inconsistent requirements that is not reflected in this section? Out of the 10 sources of costs identified in this section and the ones that you may add, what are the three main cost drivers in your view?

MFA Response

Section 2 of the Call for Evidence clearly recognises that the existing transaction reporting requirements "impose significant costs on reporting entities, including inconsistent and duplicative reporting" (¶2). MFA strongly agrees with this assessment.

Substantial financial and human resources must be deployed for transaction reporting compliance. This typically includes developing and maintaining coding rules, monitoring, deploying health checks or building inhouse diagnostic tools, and employing sufficient human resources in operations and compliance to monitor and supervise accurate transaction reporting. Additional costs typically incurred include quality assurance and legal advice to aid rule interpretation when engaging in new trading flows or when new guidance is issued by ESMA or National Competent Authorities ("**NCAs**").

Section 3 of the Call for Evidence identifies a number of key issues related to multiple regulatory regimes with duplicative or inconsistent requirements. Where member vehicles (funds, SPVs, *etc.*) are in scope, they are required to report similar data fields on counterparty and transaction data under MiFIR, EMIR, and REMIT transaction reports, but with different formats, taxonomies, and submission channels. This imposes a cost that makes the EU a less competitive place in which to invest and do business.

In addition, MFA agrees that one of the key issues shared by market participants relates to dual-sided reporting. Because many reporting obligations are dual-sided, both sell-side and buy-side market participants are independently required to file transaction reports. Buy-side market participants typically will delegate reporting to their sell-side broker/dealer, which means that in practical terms, both sides to the dual-sided reporting obligation are often being fulfilled by one side to the transaction, rendering the buy-side report redundant. Nonetheless, these redundant obligations result in higher compliance costs and operational inefficiencies. As discussed further below, we agree that "improvements can be made to ensure the quality and scope of data reported, without the need for dual reporting" (¶21).

Furthermore, as the Call for Evidence acknowledges, reporting under MiFIR, EMIR, SFTR, and REMIT follows different reporting channels and logic (¶24). We believe this creates inefficiencies and increases costs for market participants. For this reason, as discussed below, we support the "report once" principle.

Q2. Do stakeholders agree with the proposed principles and related description? Is there any other aspect/principle that should be considered?

MFA Response

We agree with the four key principles set forth in Section 4.1:

(1) Preserve information scope

(2) Decrease overlaps to reduce reporting burden.
(3) Ensure global alignment.
(4) Balance cost and benefit.

Q3.-Q16. Identification of Simplification Options

<u>MFA Response</u>

We support a mix of Options 1 and 2, without agreeing with any one option or suboption in its entirety.

We strongly support the "report once" principle, with reporting obligations for each trade falling on a single counterparty (*i.e.* no dual-sided reporting and by default the party with more information reports) and to one regime only (depending on the type of instrument) similar to the MiFIR post-trade transparency regime. The instrument scope should be segregated per regime to ensure firms truly report only once: cash products are reported under MiFIR; derivatives are reported under EMIR; SFTs are reported under SFTR; and physical commodities/non-derivatives are reported under REMIT.

Market participants should be able to report transactions to a single portal, with the various competent authorities having the ability to access the data. Such an approach would significantly reduce the reporting burdens on market participants, who are now frequently required to report transactions to as many as 27 separate portals, with many requiring different reporting formats. Not only would this reduce the costs of reporting, and thereby benefit investors who bear the ultimate cost of reporting requirements, but it also would provide regulators with more consistent data and make it easier for them to aggregate data across the EU to monitor for systemic risk.

While we support the "report once" principle, we do not believe the goal should be to create a unified template for reporting information that was previously distributed across various regimes. A different reporting template may be appropriate for each type of instrument. It is unnecessary, and likely counterproductive, to create a unified template—divergence may be desirable. Furthermore, creating a unified reporting template would be extremely time-consuming given the number of different reporting regimes in the EU.

ESMA should consider, whenever possible, assigning the transaction reporting and post-trade reporting obligations to financial market infrastructure (*i.e.* trading venues and clearing houses, as applicable) rather than market participants.

Q19. Additionally, what are your views on enhancing ESMA's role as data hub by developing a framework where entities would report consistent and harmonised data directly to ESMA? Should this option consider direct reporting to ESMA coupled with EU and national authorities' access to the centrally held data, eliminating multiple submissions?

<u>MFA Response</u>

As discussed above, we support the creation of a single, central data hub in the EU by developing a framework where entities would report consistent and harmonised data directly to the hub, with NCAs having access to the centrally held data.

However, any such arrangements should not change the fundamental supervisory structure of investment fund management firms in the EU.

Q22. Where do you think the cost associated with dual sided reporting is generated? What would be the cost impact of removing dual-sided reporting (e.g. Substituting reconciliation requirements with other measures such as audits against internal record systems as required in the U.S. or increase interaction among counterparties and NCAs)? Do you consider that dual sided reporting may reduce the ability of reporting entities to fully control the data submitted to authorities? Do you consider that the reporting should be strictly from one side?

<u>MFA Response</u>

MFA recommends that the EU eliminate dual-sided reporting obligations in favour of single-sided reporting where the dealer—the party executing the transaction that is currently subject to a myriad trade reporting obligations—is solely responsible for fulfilling the reporting obligation.

There is no need for dual-sided reporting, which is duplicative, and increases the likelihood that regulators will receive inconsistent data covering the same trade. We note that often (but not always) the executing dealer has entered into an agreement with the non-dealer (buy-side) counterparty to report transactions on the non-dealer's behalf.

From a policy perspective, the regulatory authorities will receive more than sufficient information from the sell-side dealer in the transaction; the sell-side dealer is usually also in a better position in terms of systems and infrastructure to gather and report information (given it has systems and infrastructure to deal with typically large numbers of clients).

Furthermore, firms are typically required to maintain transaction data for a period of five years. Thus, regulators can always request data from the buy-side in the event it is necessary to confirm the details of transactions.

Imposing the reporting obligation also on buy-side firms places a considerable burden on asset managers, particularly smaller firms, with no measurable benefit. The cost associated with dual-sided reporting is a significant barrier to entry for new asset managers, which is contrary to the EC's stated objective of enhancing the integration of the EU capital markets and supporting their modernisation.

Finally, eliminating dual-sided reporting obligations would also result in the EU being more aligned with other global financial centres including the U.S. and Hong Kong; we note also proposals currently under consideration by the UK's FCA in relation to the scope of MiFID transaction reporting.

In the U.S., transaction reporting for equity securities is governed by rules of the Financial Industry Regulatory Authority ("**FINRA**") and the Securities and Exchange Commission ("**SEC**"). For OTC equity securities, FINRA rules provide that (i) in transactions between two broker-dealer members, the executing party shall report the trade and (ii) in transactions between a broker-dealer member and a non-member or customer, the broker-dealer member shall report the trade. A fund manager providing asset management services does not need to report under the FINRA rules unless it is dually-registered as a broker-dealer. Similarly, only FINRA-regulated firms report fixed income security transactions to the Trade Reporting and Compliance Engine ("**TRACE**"). Exchange-traded equity securities are reported by national securities exchanges according to FINRA and SEC Rules. The trade reporting obligation, therefore, does not lie with asset managers.

In Hong Kong, discretionary investment managers are not subject to transaction reporting. Reporting requirements can apply to 'relevant regulated intermediaries' ("**RRIs**"), i.e. persons who, for Hong Kong-listed securities, (i) submit on-exchange orders for execution, or (ii) conduct off-exchange trade reporting. Fund managers would only be considered RRIs (and therefore be subject to the reporting regime), if they provide certain services, such as brokerage services. By doing so, the fund manager is acting in a 'securities broker' role. However, if the fund manager were providing asset management services instead, the executing broker would instead be responsible for such identification/tagging. A licensed manager of a fund or investment account would only be providing brokerage services (and therefore be considered an RRI subject to reporting) by executing trades on a non-discretionary basis (e.g. where it acts as a central dealing desk to execute trades on behalf of offshore affiliate that makes the investment decision). However, a discretionary manager would not be considered an RRI and would therefore not be subject to reporting.

In Singapore, there are no equivalent transaction reporting requirements analogous to those under MiFID. Instead, the Monetary Authority of Singapore ("**MAS**") relies on the Singapore Exchange to conduct market surveillance, monitor for market manipulation, and report suspicious trading behaviour to the MAS as necessary.

In the Abu Dhabi Global Market ("**ADGM**") and Dubai International Financial Centre ("**DIFC**"), there are no equivalent transaction reporting requirements on buyside firms that are analogous to those under MiFID. In these jurisdictions, a combination of reporting from trading venues, suspicious transactions and order reporting from authorised firms, and other monitoring tools provide a framework to support the regulators' market monitoring capabilities.

These examples demonstrate support internationally for the notion that buyside firm reporting is not a necessary component of regulators' market monitoring tools, and that sell-side reporting is a more appropriate means of providing this data.