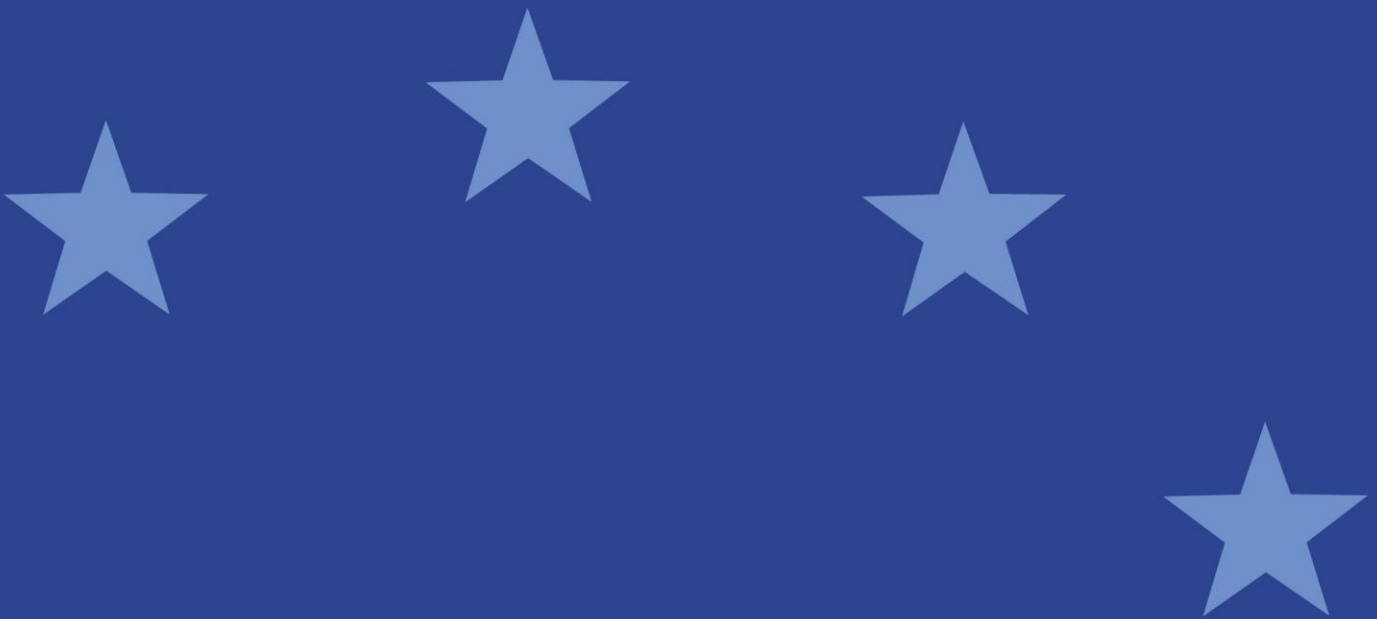**2 March 2022**

# ICMA RESPONSE TO ESMA CALL FOR EVIDENCE ON THE DLT PILOT REGIME

esma European Securities and Markets Authority

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

4 January 2022

## 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](www.esma.europa.eu) under the headings 'Legal notice' and 'Data protection'.

## General information about respondent

| | |
|---|---|
| Name of the company / organisation | ICMA |
| Activity | Other Financial service providers |
| Are you representing an association? | ☒ |
| Country/Region | Europe |

**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.**

&lt;ESMA_QUESTION_DLTP_1&gt;
International Capital Market Association (ICMA) welcomes the opportunity to respond to ESMA's Call for Evidence on "DLT Pilot Regime and review of MiFIR regulatory technical standards on transparency and reporting".

ICMA promotes well-functioning cross-border capital markets, which are essential to fund sustainable economic growth. It is a not-for-profit membership association with offices in Zurich, London, Paris, Brussels, and Hong Kong, serving around 617 members active in all segments of international debt capital markets in 66 jurisdictions globally. Among its members are private and public sector issuers, banks and securities dealers, asset and fund managers, insurance companies, law firms, capital market infrastructure providers and central banks. It provides industry-driven standards and recommendations, prioritising four core fixed income market areas: primary, secondary, repo & collateral and sustainable finance. ICMA works with regulatory and governmental authorities, helping to ensure that financial regulation supports stable and efficient capital markets.
www.icmagroup.org

ICMA welcomes the objectives set out of the DLT Pilot Regime (DLT PR), to support the development of secondary markets for tokenised financial instruments and promote the uptake of distributed ledger technology (DLT) in the financial sector while ensuring market integrity and financial stability. The DLT PR provides a cross-border framework for raising capital, which is why it is important for ICMA members, many of which are based in the EU.

ICMA's response to the Call for Evidence is based on views shared by a limited number of members and therefore does not represent the views of all ICMA constituents. However, several ICMA members have been involved in recent digital bond transactions. The regulatory framework plays a key role to provide certainty where ambiguities arise, notably in relation to the use of DLT. However, some ICMA members have raised concerns on the limitations and usefulness of the DLT PR due to the regime's limited duration and narrow scope.

Implementation timelines and uncertainty on the duration of the DLT PR may reduce incentives for firms to invest in building a DLT market infrastructure. Some ICMA members noted the speed of current market innovation in developing DLT-based securities may see the DLT PR redundant by the time it enters into force. As per Article 10 of the DLT PR legislative text, ESMA is due to present a report to the European Commission within 3 years from entry into application, to determine whether the regime will be extended for another period of up to 3 years, modified, made permanent, or terminated. Uncertainty around the regime's future limits investment in building an infrastructure based on DLT for this pilot.

In addition, the narrowly defined scope for both bond initial issuance/recording sizes and total market value limit the incentives for firms to commit resources within the DLT PR. Bonds with an issuance size of less than €1bn are within the scope of the regime. There is also a cap of €6 billion total market value for all instrument recordings. This is probably the most dissuasive limit and should be significantly enhanced. While ICMA welcomes the €9 billion total value threshold for already issued/recorded bonds, coupled with the transition strategy as set out in Article 6, the maximum threshold still limits the scope of issuance/recording of DLT financial instruments to a small deal set. Additionally, while the €1 billion threshold doesn't appear to apply to corporate bonds with issuer market capitalisation of €200, the instruments issued by such corporates are likely to be less liquid.

Per ICMA's *Proposal for a new post-trade transparency regime for the EU corporate bond market* (Dec 2021), one of the factors in the determination of liquidity is issuance size/amount outstanding. The report determined the appropriate point for corporate bonds between 'illiquid' to 'liquid' on issuance size to be €1

billion. On this basis, the DLT PR scope appears to focus on the less liquid spectrum of corporate bonds and will be less likely to see active secondary trading (and therefore testing) of DLT infrastructure.

ICMA recognises ESMA's call for evidence focuses on those DLT financial instruments traded 'on-venue'. However, most DLT financial instruments to date have traded OTC under domestic law. ICMA's *New FinTech applications in bond markets* compendium show examples of digital bond transactions predominantly traded OTC.

ICMA recognises it will be important to ensure 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.

To fully realise the expected benefits of tokenised securities, such as reduced counterparty risk and (near) instant settlement, there is a need for credible digital currencies available on DLT to implement on-chain delivery versus payment (DvP) mechanisms. Ideally, this would be in the form of Central Bank Digital Currency (CBDC), and/or other forms of digital cash such as tokenised commercial bank money or stablecoins.
<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>
TYPE YOUR TEXT HERE
<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 in financial services include cost savings, process efficiencies (eg through direct connections between issuers and investors), transparency, and better risk management.

While ICMA acknowledges that digital cash is outside the remit of this Call for Evidence and the EU's DLT Pilot regime, Central Bank Digital Currency (CBDC) plays a key role to support the settlement of tokenised securities in a DLT environment and realise the expected efficiency gains. Concerns also remain around the carbon footprint of blockchain protocols for a situation where a DLT-based financial instrument utilises blockchain validation protocols (also referred to as "proof of work") that lead to excessive energy consumption. However, the real carbon footprint could potentially be different to other native crypto-assets, such as Bitcoin or Ethereum, and dependent on the transactional level of activity on the blockchain. Furthermore, it is understood that no objective comparison has occurred for the carbon footprint between DLT-based and traditional instruments (in particular, taking into account intermediaries between the issuer and final investor).
<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>
From an investor's perspective, the two main cases for DLT securities include (i) the use of tokenised DLT securities as fund assets, benefiting from DLT post-trade processes, and (ii) for the distribution of fund units. In all cases, the advantages of DLT are expected to be realised more from a post-trading perspective.

From a market infrastructure's perspective, the use of DLT could support a number of other instruments and could be relevant for certain types of assets currently not issued on FMIs, or very often barely transferable or not transferable at all.
<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>
The core characteristics of DLT financial instruments (ie tokenised financial instruments) are the same as traditional, non-tokenised financial instruments as per MiFID/R.
<ESMA_QUESTION_DLTP_6>

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

<ESMA_QUESTION_DLTP_7>
ICMA's comments relate to ESMA's Call for Evidence paragraph 32 {*It is ESMA's understanding that interoperability, i.e. trading of the same DLT financial instruments on more than one DLT MTF or TSS or using more than one DLT SS, is very limited. Moreover, it does appear challenging to trade DLT financial instruments OTC. Therefore, this call for evidence focuses on on-venue trading.*} and paragraph 44 {*As mentioned above, it is ESMA's understanding that the DLT Pilot will cover only on-venue trading. Therefore, any consideration related to off-venue trading (trading executed by systematic internalisers and OTC) are not tackled in the context of pre-trade transparency for the different trading systems.*}:

Tokenised bonds to date appear to mainly be OTC and traded under national law. ICMA's *New FinTech applications in bond markets* compendium show examples of digital bond transactions predominantly traded OTC. In the context of the DLT PR, a market participant for example may wish to execute a trade OTC and then utilise a CSD operating a DLT SS for the recording of transaction details. This is one scenario as outlined by the ECB AMI-SeCo report on *The use of DLT in post-trade processes* (Apr 2021), where securities are initially issued within the traditional system and recording and other post-trade processing is subsequently enabled in a DLT environment.

ICMA members note that the pace of change continues to accelerate, and new platforms and exchanges are under development to facilitate the trading of DLT-based financial instruments.
<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>
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<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>
One market participant involved in DLT bond transactions commented for the time being they make use of their current systems. It would be difficult to answer for the longer term.
<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>
It is understood the use of either restricted or unrestricted DLT is not expected to impact the application of pre-trade transparency. Instead, main concerns around the use of permissionless DLT relate to the restriction of information to relevant participants. ICMA members in particular highlight concerns on the ambiguity of responsibility for AML/KYC checks. From a bond market perspective, most DLT-based transactions to date appear to be utilising permissioned distributed ledgers.

Additionally, the hybrid case of "permissioned security tokens" on a permissionless DLT may warrant further examination. This scenario is understood to combine (i) the level of control and permission needed for investors to hold security tokens, and (ii) the accessibility of permissionless DLTs (to reduce the risk of multiple "siloed" permissioned DLTs).
<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 wavers also taking into account the above considerations?**

<ESMA_QUESTION_DLTP_17>
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<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>
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<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>

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<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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**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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**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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**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>
From a market infrastructure perspective, short selling could be facilitated on a DLT and embedded in the design of smart contracts used for settlement on the DLT. However, counterparties must decide between themselves, possibly on a trade-by-trade basis, between allowing short-selling and instant settlement.
<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>
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<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>
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<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>
Prior to a trade taking place, some form of order negotiation would occur between the buyer and seller of securities regardless of whether in a DLT context. The transaction details would subsequently be stored to satisfy order record keeping requirements. The sequence and timing for trade orders would also depend on whether the order books (and associated services) and trading will be implemented on-chain or off-chain, prior to on-chain execution on the DLT involved. Institutions participating in the DLT PR may maintain current infrastructures where order books and trading would remain off-chain, and only once matched that the trades would be sent to execution on the relevant DLT. In the case of a DLT MTF, the infrastructure would integrate pre- and post-trade functions and it may be possible for settlement to take place shortly after execution. Although the timeframe between negotiation and settlement has the potential to be significantly reduced, some form of order would be advertised, and a matching process would take place. In such a context, the notion of order is still fully relevant.

It is worth noting within a DLT context, it may not be possible to cancel an order once submitted. This may be the case for example within a scenario where order books are maintained on-chain, with on-chain matching and execution, including instant settlement. However, the sequences to arrive at settlement finality and the time in which this occurs would be dependent on the technology used and the settlement process set by the entity running the platform. For instance, an embedded checking process may occur during matching to ensure both security and cash funds are available to the seller and buyer respectively for settlement. In a scenario where order books are maintained on-chain, with on-chain matching and execution, the clear sequence and timing between order and execution may require further analysis. This model, however, was noted as unlikely to be leveraged by institutions within the DLT PR. It would be appropriate for requirements to be flexible for the possibility of both instant settlement and traditional settlement processing.
<ESMA_QUESTION_DLTP_37>

**Q38** **Can chains of transmission on DLT financial instruments occur?**

<ESMA_QUESTION_DLTP_38>
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**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>
Further to the response for Q37, matching of selling and purchasing interests still applies within a DLT context. A key question is whether an intermediary is present and how the DLT system will operate to facilitate matching and final agreement between buyer and seller.

As noted in ICMA's response to Q37, the settlement process may occur differently for DLT-based transactions and is dependent on the technology used (eg type of DLT and protocol used) and the settlement process set by the entity running the platform. It would also be dependent on whether short selling is allowed. Phases of a DLT transaction may take the form of (i) inclusion of an order in an order book; (ii) provision checking and possibly blocking; (iii) matching; and (iv) execution on DLT. Provision checking, for example, would be a verification process to ensure securities are available to sell when a seller sends interest to sell securities. Similarly, a buyer sending interest to purchase securities would need to verify the availability of equivalent funds available for cash leg settlement. ICMA is conscious the DLT PR focuses on processes relating to the securities leg.
<ESMA_QUESTION_DLTP_41>

**Q42      Do you think the definition of "transaction" is still applicable to the DLT context?**

<ESMA_QUESTION_DLTP_42>
Please see response to Q37 and Q41.
<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>
The identification of a digital bond within a DLT-based environment may require additional information beyond the current ISIN, instrument name, and CFI code fields. In parallel with market developments of DLT-based digital assets, standards to identify such assets have emerged. New identifiers may capture additional information, such as technical details of the DLT on which an instrument is issued within a blockchain data structure or the address of a digital token to accurately identify DLT-based assets. ESMA should further investigate this topic and potential requirements for additional identifiers for DLT-based securities.
<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>
Further to the response for Q43, it would be useful to further explore the potential limitations of ISINs to adequately capture relevant information to correctly identify and locate tokenised financial instruments.
<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>
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<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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<ESMA_QUESTION_DLTP_48>

**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.**

<ESMA_QUESTION_DLTP_49>
TYPE YOUR TEXT HERE
<ESMA_QUESTION_DLTP_49>

**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?**

<ESMA_QUESTION_DLTP_50>
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<ESMA_QUESTION_DLTP_50>

**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.**

<ESMA_QUESTION_DLTP_51>
From a market infrastructure perspective, settlement in more than one currency or e-money token should be possible. Conversion may occur off-chain when e-money tokens are converted back to fiat. Other potential options requiring further investigation include on-chain conversions using FX oracles or e-money token parities from crypto-exchanges.
<ESMA_QUESTION_DLTP_51>

**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?**

<ESMA_QUESTION_DLTP_52>
From a market infrastructure perspective, at least technically it should not be challenging to grant such access to regulators.
<ESMA_QUESTION_DLTP_52>

**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.**

<ESMA_QUESTION_DLTP_53>
TYPE YOUR TEXT HERE
<ESMA_QUESTION_DLTP_53>

**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.**

<ESMA_QUESTION_DLTP_54>
TYPE YOUR TEXT HERE
<ESMA_QUESTION_DLTP_54>

**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.**

&lt;ESMA_QUESTION_DLTP_55&gt;
TYPE YOUR TEXT HERE
&lt;ESMA_QUESTION_DLTP_55&gt;

**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.**

&lt;ESMA_QUESTION_DLTP_56&gt;
TYPE YOUR TEXT HERE
&lt;ESMA_QUESTION_DLTP_56&gt;

**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.**

&lt;ESMA_QUESTION_DLTP_57&gt;
From a market infrastructure perspective, at least technically it would be feasible although it may be preferable in a permissioned environment (permissioned DLT or permissioned token) to register the regulator as an observer and grant the corresponding permissions.
&lt;ESMA_QUESTION_DLTP_57&gt;

**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.**

&lt;ESMA_QUESTION_DLTP_58&gt;
As mentioned in Q57, in the context of permissioned environments (permissioned DLTs or permissioned tokens) the regulator would be one of the "admitted" counterparts with the adequate rights associated with its profile and whenever relevant (which might not necessarily be the case for all regulators and all types of instruments).
&lt;ESMA_QUESTION_DLTP_58&gt;

**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.**

&lt;ESMA_QUESTION_DLTP_59&gt;
TYPE YOUR TEXT HERE
&lt;ESMA_QUESTION_DLTP_59&gt;

**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.**

<ESMA_QUESTION_DLTP_60>
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<ESMA_QUESTION_DLTP_60>