

ESMA launches bond liquidity system under MiFID II

ESMA's assessment of the European bond market for the first quarter of 2018 found 220 bonds (out of 71,000 for which the assessment was executed) to be sufficiently liquid to be subject to MiFID II's real-time transparency requirements. The full list of liquid bonds is available through ESMA's [Financial Instruments Transparency System \(FITRS\)](#).

The ESMA liquidity assessment for bonds is based on a quarterly assessment of quantitative liquidity criteria, such as the daily average trading activity (trades and notional amounts) and number of days traded per quarter. The quality of ESMA's assessment depends on the data submitted to ESMA: the data received so far, for 1Q18, is not fully complete for most instruments. These data completeness and quality issues result in a lower number of liquid instruments identified compared to ESMA's earlier transitional transparency calculations.

Background

MiFID II became applicable on 3 January 2018 introducing, amongst others, pre- and post-trade transparency requirements for equity and non-equity instruments, including for bonds. Post-trade, MiFID II requires real-time publication of the price and quantity of trades in liquid bonds. It is possible to defer the publication of post-trade reports if the instrument does not have a liquid market, or if the transaction size is above large-in-scale thresholds (LIS), or above a size specific to the instrument (SSTI).

Next steps

ESMA will update its bond market liquidity assessments quarterly. However, additional data and corrections submitted to ESMA may result in further updates within each quarter, published in FITRS (which shall be applicable the day following publication). The transparency requirements for bonds deemed liquid today will apply from 16 May 2018 to 15 August 2018, the date from which the next quarterly assessment, to be published on 1 August 2018, will become applicable. The transitional liquidity assessment for bond instruments (except ETCs and ETNs) will cease to apply from 16 May 2018.

ESMA, in cooperation with National Competent Authorities, will continue to address the data quality issues mentioned above, in close interaction with reporting entities. In addition, ESMA will work further on making the publication process more robust.