When the FPL Trust assumed control of the MMT (Market Model Typology) project, it assured the openness of the standard, but it also brought it into the well-oiled mechanism of FIX Trading Community’s technical committees.

In the two years since, the FIX MMT Technical Committee has achieved much of its to-do list in terms of developing the standard and preparing both the industry and regulators for its full rollout. Today, MMT logic is ready to begin lowering post-trade costs across the buy-side, sell-side and at trading venues.

The makeup of the committee has been one of its strengths all along, as we have involved venues, vendors, sell-side and buy-side to ensure all angles of the implementation are covered. This broad cross-section will certainly aid in speeding adoption and implementation of MMT.

Since the MMT initiative came under the umbrella of the FIX Trading Community, a state-of-the-art and neutral management of the MMT standard has been implemented and the governance structure of MMT has been aligned to FIX guidelines.

During 2015, the MMT model entered a mature phase and is currently being actively used and published by exchanges and vendors alike. By the end of 2015, 15 trading venues had implemented the MMT logic into their market data systems.

In the summer of 2016 we officially introduced MMT v 3.01 that accommodates the applicable MiFID II Regulatory Technical Standards (RTSs):

- The trade flags stipulated within RTS 1 for equities and equity-like financial instruments
- The trade flags stipulated within RTS 2 for non-equity financial instruments

Transparency in fragmentation

The MMT was designed to find a practical solution for standards on post-trade equity data that could be adopted industry-wide.

Following the implementation of the original MiFID rules in 2007, and the competition that fostered in the trading venue space, market fragmentation became an inevitable by-product. Action was needed to meet the challenges in the area of equity market data, in particular post-trade transparency, in order that the management and development of the relevant standards could be established.

The commercial value for the market is in the expected efficiency gains, which will create cost savings for all
MMT will provide a consistent yet more efficient MiFID II conforming view of the trade type descriptors, facilitating tighter compare-and-contrast analysis across market data from multiple sources.”

Communication, cooperation
Interaction between regulators and the MMT working groups was a challenge during 2015 and 2016, in order to clarify the MiFID II requirements for MMT. Steering Committee members as well as Technical Committee members (all chairs) engaged in constructive dialogue with regulators seeking clarification in order to make sure the FIX MMT data model fulfills all trade flagging requirements for post-trade transparency purposes (RTS 1 and RTS 2 especially).

Commenting on the transparency flags, Irina Sonich-Bright, Credit Suisse’s Head of Business Development AES Europe and Co-chair of the FIX Transparency Working Group, said: “The MMT standard was developed to address the issues of post-trade...
“The co-operation was swift and without problems and initially confirmed that MMT will be suitable to all asset classes alike.”

transparency under MiFID 1. Being one of the earlier adopters of the standard meant that there was no second thought on how the challenges of the MiFID II post-trade transparency flags should be addressed. The shares trading community has been using MMT standard to flag different types of trades for a number of years now which means that the standard is already fully integrated into the existing equities trading systems.

“MiFID II post-trade transparency requirements outlined by ESMA in its technical standards document echoed and enhanced the work MMT has achieved in equities so far. The new challenge was to extend the standard to the non-equity products. The FIX MMT team and Transparency Working Group collaboratively jumped to the challenge to provide the industry with the optimal solution for the MiFID II mandated post-trade transparency flags across multiple asset classes.”

The MMT Technical Committee also delivered a well-documented statement to ESMA as part of the consultation. Feedback is positive from the regulators about MMT. The final draft RTS will not, however, directly endorse MMT but both of the MMT committees have maintained compatibility with the regulatory requirements supporting ISO 20022.

During the formalisation of the draft RTSs (regulatory technical standards), it became clear that MiFID II covers more asset classes than shares only and that the MMT working groups would need to verify if MMT would be applicable to other asset classes as well. This required cooperation with other FIX work streams across the Technical Committees active in MiFID/MiFIR issues (the Transparency Subgroup in particular). The co-operation was swift and without problems and initially confirmed that MMT will be suitable to all asset classes alike.

Christiane Baumgarten, Head of Regulation, Regulatory Services at Deutsche Börse AG and Co-chair on the MMT Steering Committee, notes: “The MMT TC did an amazing job in evaluating the compatibility of MMT, originally developed for equity trades, also for non-equity trades in a very short time span. This was only possible due to the strong commitment of our colleagues in the TC, as well as the close liaison with other FIX Trading Community’s Technical Committees.”