Payou+

Call for evidence

DLT Pilot Regime and review of MiFIR regulatory technical standards on transparency and reporting

March 2022

Referenced document:

4 January 2022 | ESMA70-156-4957
https://www.esma.europa.eu/press-news/consultations/call-evidence-dlt-pilot-regime

Responding to this paper

ESMA invites comments on all matters in this paper and in particular on the specific questions summarised in Annex 1. Comments are most helpful if they:
1. respond to the question stated;
2. indicate the specific question to which the comment relates;
3. contain a clear rationale; and
4. describe any alternatives ESMA should consider.

about us

Payout is a licensed payment institution, established in 2016, suitable for online e-commerce payment processing with a design to meet online e-commerce requirements. Payout offers software focused on processing a large number of transactions, automatically with an emphasis on the development of functionality according to the current needs of the client. **Payout software is an infinitely scalable solution to support your growth and streamline operations.** Any payment. Any channel. Anytime. In any quantity.

With the help of intelligent tools, we keep the level of fraudulent transactions at zero. Behind our product's quality is a team of certified specialists and technology enthusiasts who keep up with the future's technological visions.

Payou+   Orgán dozoru: Národná banka Slovenska

Call for evidence

DLT Pilot Regime and review of MiFIR regulatory technical standards on transparency and reporting

March 2022

Call for evidence

DLT Pilot Regime and review of MiFIR regulatory technical standards on transparency and reporting

March 2022

Item #1: Investment firm agent involvement

3 Main elements of the DLT Pilot

10. A DLT MTF is an MTF as defined in MiFID II operated by an investment firm or a market operator. …..

Q1: **Although in the regulatory framework for investment firms and market operators only investment firms or a market operator is usually involved, for DLT MTF it shall be considered, if investment firms agents could operate within the scope of investment firm MTF. Would an investment firm agent be a considerable pilot participant?**

Item #2: DLT SS Pilot at Payout

4 Use of DLT for trading and settlement

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.

A2: **DLT market infrastructures (DLT MI), in the concrete of DLT Settlement Systems (DLT SS), would be a point of interest of our company for a pilot for a transactional settlement system on top of DLT MI. Due to matter of how a SS (Settlement System) could advance actual operation of our Payout Payment account (corporate account with API first access providing advanced feature set comparable with PSD2 PISP), having a DLT MI for SS would greatly benefit abilities to be implemented for corporate transactions settlement automation.**

Item #3: DLT SS Pilot at Payout - DLT SS without MTF

Q4.Would you consider operating a DLT MTF? Would you consider operating a DLT SS without operating at the same time a DLT MTF (i.e. combined infrastructure DLT TSS)? If yes, under which conditions?

A4: **Operating DLT SS without DLT MTF is for us a preferable option (it is a generic market assumption across payment service providers). The significance of SS**

Call for evidence

DLT Pilot Regime and review of MiFIR regulatory technical standards on transparency and reporting

March 2022

advancing the traditional settlements of transactions is for payment providers not related to trading facilities.

Item #4: 5.2.1 RTS 22 on transaction reporting

Q23. Private individuals: Do you agree that DLT MTFs and DLT TSS 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?

A23: Yes, DLT TSS itself would provide a transaction report itself on behalf of a private individual, As is a digital system for recording the transaction of assets in which the transactions and their details are recorded in multiple places at the same time, thus it is a sufficient report of transactions.

Item #5: 5.3 Common aspects RTS 1/2/3/22/23/24

Q37. Do you think the definition of "order" specified in paragraph 93 is still applicable to the DLT context? Are the order record keeping requirements in Article 25 of MiFIR and related RTS 24 applicable in the DLT context? If yes, how do you envisage to comply with such requirements? If no, please justify your answer.

Order is applicable by default. As regards other features of DLT and also blockchain, the chronological order of transactions in different blocks is ensured and the inclusion of digital signatures aims to guarantee authentication, non-repudiation and integrity of transactions in the ledger.

Item #6: Common aspects RTS 1/2/3/22/23/24

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?

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

A41: A DLT transaction is any activity initiated by a non-contract entity (human/robot). Similar to ethereum definition. It shall be considered executed

Call for evidence

DLT Pilot Regime and review of MiFIR regulatory technical standards on transparency and reporting

March 2022

when it is submitted. Broadcast shall be described first after detailed description of DLT used.

A42: yes, "transaction" is fully applicable in the DLT context. Due to the feature set implemented, the known context of onsite and offsite transactions are applicable also.

Item #7: Common aspects RTS 1/2/3/22/23/24

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.

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.

A48 A49: Implementing ISO 20022 would represent an Issue due to XML limitations. DLT TSS would greatly benefit from mixed data which are possible with JSON and not applicable by XML. XML Schema Complex Types or XSD Mixed Content would be an option still, bringing ISO/IEC 21778:2017 - The JSON data interchange syntax would be a great benefit compared to ISO 2022.

Payou+

FINAS®
FINTECH & INSURTECH ASOCIÁCIA SLOVENSKA

Call for evidence
DLT Pilot Regime and review of MiFIR regulatory technical standards on transparency and reporting

March 2022

"
Payout offers more,
more than a fintech product,
more than a payment gateway,
more for your business and your clients.

Payou+

Payout offers **more**, more than a **fintech product**,
more than a **payment gateway**, more for your **business and your clients**.

Payout a.s.
Juraja Slottu 4, 010 01 Žilina

Kontakt:
Martina Hanusová, Vice president of Business Development
martina.hanusova@payout.one, +421 918 802 907

Payou+