



TRANSACTIONAL REPORTING REGULATIONS

Some Practical Insights covered by RegTechs

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Taleo Reporting is a **RegTech** and shares its insights related to Transactional Reporting Regulations in the present paper.

1 Transactions Reporting Regulations Overview

A storm of post trade transactions reporting will impact the players in the coming year, 2018.

The table below summarizes the main transactions reporting areas.

| Covered Areas | EMIR II | FIRDS | MiFID II | MiFIR | SFTR | MMS |
|-----------------------------|----------------|--------------|-----------------|--------------|-------------|------------|
| Reporting to | TR | CA | CA | CA | TR (ESMA) | NCB |
| By | FI | Venues -SI | FI (ARM) | FI (ARM) | All | FI |
| Starting from | Nov. 2017 | Jan-18 | Jan-18 | Jan-18 | 2018 - 2019 | Jan 2018 |
| On a daily frequency | T+1 | T+1 | T+1 | T+1 | T+1 | T+1 |

This article will summarize the key components per listed regulation, demonstrate the overlap of data and reporting format and propose a common approach to cope with them.



🎯 **EMIR II - European Market Infrastructure Regulation II**

EMIR Regulation is revised and the revision should be applied from November 1st 2017. The revised version of EMIR amends the format and the frequency of data to be reported to Trade Repositories. The amendments concern the mandatory use of LEIs, specific rules for the reporting of swaps and collateral exchanged, update of the identification of derivatives to comply with FSB Aggregation of OTC Derivatives Trade Repository Data, the addition of swaptions and spread bets to the list of reported derivatives, criteria for the generation of UTIs, the extension of the reporting period of terminated trades to 5 years and the clarification of data standards and formats more generally.

In addition, the revised version of EMIR Introduces new data fields, refines the definition of existing fields and clarifies the used formats. The total of fields on the **EMIR revised reporting is 129**.

🎯 **FIRDS - Financial Instruments Reference Data System**

FIRDS Regulation starts applying from January 3rd 2018. This regulation requires the production, the validation and the communication of the static reference data used by each financial institution to its NCA. The NCAs should communicate **Reference Data to the ESMA** (hub) who shall validate the received Reference Data.

Excluding the classifications of commodity products and the legends definition, **FIRDS reporting is formed by 51 fields**.

🎯 **MiFID II - Market in Financial Instruments Directive II**

MiFID II is a directive, hence each jurisdiction can adapt the directive depending on the structure of financial services offered in the country in question. MiFID II Regulation starts applying from January 3rd 2018.

MiFID II's obligation of transaction report applies to all financial institutions including investment managers providing investment advice and portfolio management on a client-by-client basis (e.g. managed accounts). However, MiFID II does not apply to investment managers who purely carry out collective portfolio management of Alternative Investment Funds ("AIF") and UCITS.

MiFID 2 reporting is formed by 65 fields covering transactions and instruments details, the counterparties, the buyers and sellers and the waivers.



🎯 **MiFIR - Market in Financial Instruments Regulation**

MiFIR is a regulation and needs to be implemented as it is written. MiFIR is an European law and member states need to comply with the new regulation. MiFIR Regulation starts applying from January 3rd 2018.

MiFIR Reporting is formed by 129 fields covering transactions and instruments details, the counterparties, the collateral and margins and the clearing.

🎯 **SFTR – Securities Financing Transactions Regulation**

SFTR Regulation introduces the obligation to report to TR with details of SFTs concluded by all market participants including both financial and non-financial counterparties. SFTR does not cover derivatives as defined in the EMIR. SFTs include: Repos, SB, Liquidity Swaps, Collateral Swaps, Repos, Collateral transactions.

The level 2 of SFT Regulation has been endorsed by the ESMA on March 2017 and consequently, the reporting should be applied by March 2018 for Investment firms authorized under MiFID2, Credit institutions authorized under CRD IV legislation and third country entities equivalents. Six months later, the report should be produced by UCITS, AIFs managed by AIFMs and third countries entities equivalents. The report for Non-financial counterparties and third country entities equivalents should be applied by 2019.

SFT Reporting is formed by 153 fields covering counterparties, loans and collateral data, margin data and Re-use, Cash Reinvestment and Funding Sources Data.

🎯 **MMS - Money Market Statistics**

This report should be done transaction by transaction on 4 Euro Money Market Segments: Secured, Unsecured, FX Swaps, and OIS and communicated to NCB.

The report is formed by 73 fields and should be done by MFIs (interbank market), Central Banks and General Government, OFIs, Pension Funds and Insurance Corporations and “wholesale” NFCs classified as such by Basel 3 LCR framework.



2 Transactions Reporting Regulations Data and formats

⊕ Regulatory data

After getting through the distinct Transactional Reporting Regulations, it appears that regulatory data are covering various fields and that a great overlapping among the regulations is done.

Therefore, it is just increasing the complexity of computations and gathering.

⊕ Regulatory Formats

All the files should be harmonised and compliant with the ISO 20022 specifications. In non-technical terms ISO 22 is an XML (Extensible Markup Language) schema that defines a set of rules for encoding documents in a format that is readable by both humans and machines.

In other words, this XML is a map of which fields need to be populated in what sequence, and a data dictionary prescribing which data elements can be used.

Although ESMA provided technical reporting details on how to report the data, the XML schemas to be used for reporting the data and the description of data validation rules, National Competent Authorities (NCAs) may issue additional reporting instructions on the technical aspects of the data submission process that are specific to them.

3 RegTech as a practical answer

⊕ Single Transactions Reporting Database

In order to optimize the regulatory data related to transactions reporting, a single dedicated database could be the right answer. The database would be populated by the various regulatory dictionaries to cover the numerous rules of classifications of the counterparties, trading details, the assets classes, the sub-assets classes, the sectors, the instruments details, etc.

The single database should include the required archiving procedures, the events and the status of the reported files and the reported transactions.



🎯 Regulatory Formats

On the top of the single database, all the required XML schemas and the necessary procedures to populate, to validate and to transmit them automatically to the target TR or NCAs should form the adequate computations engine.

🎯 Enhancements to address local requirements

The reporting database could be enhanced to address local reports for NCAs to optimize the various costs and efforts and to have common definitions and audit data and procedures.

To cover all those Regulations at the same time, TALEO Reporting will propose to its Clients a full Transactions Reports Pack.

To get more pragmatic information, please:

- 🎯 Join us at the: **1st Luxemburgish RegTech Summit**, October the 12th, where we will develop this subject in an operational way with our **full transactional module**.
 - Send us an email to get your free entrance invitation.
- 🎯 Send us an email at: information@taleo-reporting.com to plan a demo.

Back to website: www.taleo-reporting.com

