S&P Global
Market Intelligence

Trade & Transaction Reconciliation

Most Frequently Asked Questions

In today's regulatory landscape, completeness and controls in trade and transaction reporting are vital as regulators prioritize data quality.

Reconcile Your Transaction Data

Reporting firms must systematically review their regulatory reporting submissions to comply with regulators. As regulators conduct more data quality checks, it's crucial for reporting firms to have proper tools and processes for ongoing verification.

1. What is regulatory reconciliation?

Regulatory reconciliation is the process of comparing front office transactions to those submitted to regulators and trade repositories. The review should check that all trades that are under scope are in fact reported, transactions out of scope aren't being reported, and that data received by regulators matches sent submissions.

Additionally, under EMIR and SFTR there is also a pairing and matching process (called Inter-TR reconciliation) that occurs when the TRs compare the data from both eligible reporting counterparties. Firms can see the results of that process to verify if their side of the trade matches to what their counterparty has reported (either to the same TR or to a different one).

2. Is trade/transaction reconciliation a requirement by the regulator?

Yes, ensuring data accuracy is a regulatory requirement. Some reference examples:

EMIR Section 4.29 of Final Guidelines of Technical Standards for the REFIT

Reporting counterparties, report submitting entities and entities responsible for reporting, as applicable, should investigate the data quality issues flagged by reports' rejections and unsuccessful reconciliation, and ensure data correction. The ITS on reporting also specifically requires the entities responsible for reporting and the report submitting entities, as applicable, to have in place arrangements which ensure that the feedback on the reconciliation failures provided by the TRs is taken into account.

MIFID Regulatory Requirement Reference:

Under MIFID II regulation, there is a requirement within RTS 22 Article 15 Clause 3: Investment firms shall have arrangements in place to ensure that their transaction reports are complete and accurate. These arrangements shall include testing of their reporting process and regular reconciliation of their front-office trading records against data samples provided to them by their competent authorities to that effect.

Under CFTC, Under 45.14 (B) of Dodd-Frank

Verification that swap data is complete and accurate. Each reporting counterparty shall verify that there are no errors in the swap data for all open swaps that the reporting counterparty reported, or was required to report, to a swap data repository under the requirements of this part, in accordance with this paragraph (b).

3. Who has to reconcile their trades?

All firms that have a reporting obligation should be reconciling their data, regardless if the data is submitted directly to the end point or delegated to a counterparty/ broker, etc. Regulators are increasingly focused on the quality of the data and it's imperative that reporting firms have controls in place pre and post submissions to ensure that there is a quality check on the data that sits at the endpoint.

4. How often should reconciliation be run?

Depending on the regulation, the frequency can be daily, weekly, monthly or quarterly. As a best practice and to ensure any errors or breaks are identified and resolved in a timely manner, weekly should be the minimum frequency. Many of the largest financial institutions are performing daily reconciliations.

5. When a break is identified, what should be done to correct it?

An investigation needs to happen on where the problem is to understand if it's a result of an internal system, something that the counterparty did, something at the TR or ARM, or some other issue. Getting to the root cause of the break is critical to determine how to resolve. Ultimately, if something was reported incorrectly, or not reported at all, a correction/amendment would need to be submitted to the TR and the reconciliation process would need to be run again to ensure it was resolved.

In the case of CFTC breaks, any errors or omissions discovered during the verification process, should be corrected with 7 business days of discovery.

If the error cannot be corrected within the specified timeframe, then the party with the reporting obligation must notify the CFTC that the error will not be corrected within the 7-business day period. They should also include an initial scope and remediation plan as part of their notification.

6. How can I reconcile data with my counterparty before it is submitted to the TR?

For OTC derivatives that are non-electronically confirmed, Cappitech offers an industry solution to exchange and match UTI information. This is a reconciliation process that happens prior to Trade Repository submission, helping clients to exchange the correct UTIs for OTC derivatives. This already exists today under Cappitech SFTR platform helping clients to pair and share their UTIs in a standardized and timely manner.

7. What are the different types of reconciliations?

- **EOD Reconciliation**

This reconciliation process is designed to identify inaccurate and incomplete transaction reporting data between your books and records and the Trade Repository.

- **Pairing & Matching (EMIR & SFTR)**

This reconciliation shows pairing and matching between 2 reporting parties. Trades are pulled from all TRs in the EU and UK. This helps clients visualize historical activity of unpaired, paired, matched and non-pairable submissions.

- **MIFID Reconciliation**

This reconciliation allows you to compare trade data to transaction reports with line-by-line details of submissions. The final XML reports received by the FCA are reconciled to MiFID II submissions and ensure you comply with best practices of monitoring transaction reporting.

8. Can I reconcile data without having all of the trade economics?

Yes, although a comprehensive reconciliation across all data fields is available (from the regulator, TR or source), a paired down reconciliation around the main economic terms can be performed to help identify any errors or breaks.

9. I delegate my reporting, why do I need to reconcile the data?

Delegating your reporting requirement to your counterparty, broker, venue or clearing agency does not absolve you of the requirement to ensure that what is being reported is accurate. In fact, considering someone else is doing the reporting, its more critical to have a control in place to ensure the completeness, accuracy and timeliness of those submissions meets your specific obligations based on the jurisdictions. Having a robust control framework around reporting that is delegated is critical in demonstrating to the regulators you are checking what is being submitted on your behalf.

10. What is the challenge with implementing reconciliation?

There are numerous ways to handle reconciliation and verification, specifically for trade and transaction reporting. The biggest challenge is finding the solution that works for your specific needs that is robust enough to compare data in a timely and efficient manner, allowing clients to meet their regulatory obligations. Ensuring that a reconciliation tool or process not only compares data between 2 sources, but also checks for eligibility, determination and can validate the data is critical in ensuring that clients have a comprehensive control on the data that is being submitted to the end point.

11. How can Cappitech help you with your Reconciliations?

Cappitech offers several reconciliation options to choose from to ensure the accuracy and completeness of your data. Our Reconciliation Modules can be used by both existing clients and clients that report outside of our platform and need an independent control on their reporting. To learn more contact regreporting@spglobal.com or visit cappitech.com.

About S&P Global Market Intelligence

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About Cappitech

Cappitech provides regulatory reporting, best execution analysis, and business intelligence solutions that meet the fast-evolving needs of the largest and most complex financial and non-financial institutions. Our cloud-based, cross-regulation SaaS platform fully automates the reporting process and provides a comprehensive view on a single, intuitive dashboard for reporting regimes such as EMIR, MiFID, SFTR, FinfraG, SEC, CFTC, Canadian reporting, ASIC, MAS, JFSA, and others.

Industry Recognition and Awards

RegTech Insight Awards Europe 2023 Winner — Best Regulatory Reporting Solution — S&P Global Market Intelligence Cappitech

RiskTech 100 2023 Top 10

2023 RegTech 100

Winner 2022 assetservicingtimes Industry Excellence Awards — Asset Servicing Regulatory Solution Of The Year

Buy-Side Technology Awards Winner 2022 — Best buy-side compliance product – regulatory reporting — Cappitech

RiskTech 100 2022 Top 10

RegTech Insight Awards 2022 Europe Winner — S&P Global Market Intelligence — Best Solution for Sell-Side Regulatory Compliance

2022 securitiesfinancetimes Industry Excellence Awards Winner — Regulatory Solution of the Year

Risk Markets Technology Awards 2022 Winner — Regulatory product of IHS Markit

HFM European Services Awards 2021 Winner — Best regulatory reporting solution — IHS Markit

HFM European Technology Awards 2021 Winner — Best Analytics Tool — IHS Markit (Global Regulatory Reporting Solutions)

FOW Global Investor Group — The Asia Capital Markets Awards 2021 — Best New Product – Regulatory Reporting — IHS Markit

Inside Market Data & Inside Reference Data Awards Winner 2021 — Most Innovative Regulatory Solution — IHS Markit

RegTech Insight Awards 2021 Europe — IHS Markit — Winner — Best Compliance as a Service Solution

A-Team Innovation Awards 2021 — IHS Markit — Winner — Most innovative data orchestration for regulatory reporting

RegTech Insight Awards 2021 Europe — IHS Markit — Winner — Best Transaction Reporting Solution (for MiFID/MiFIR/EMIR)

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