Global Regulatory Reporting Solutions Newsletter

Second Quarter 2022

S&P Global
Market Intelligence

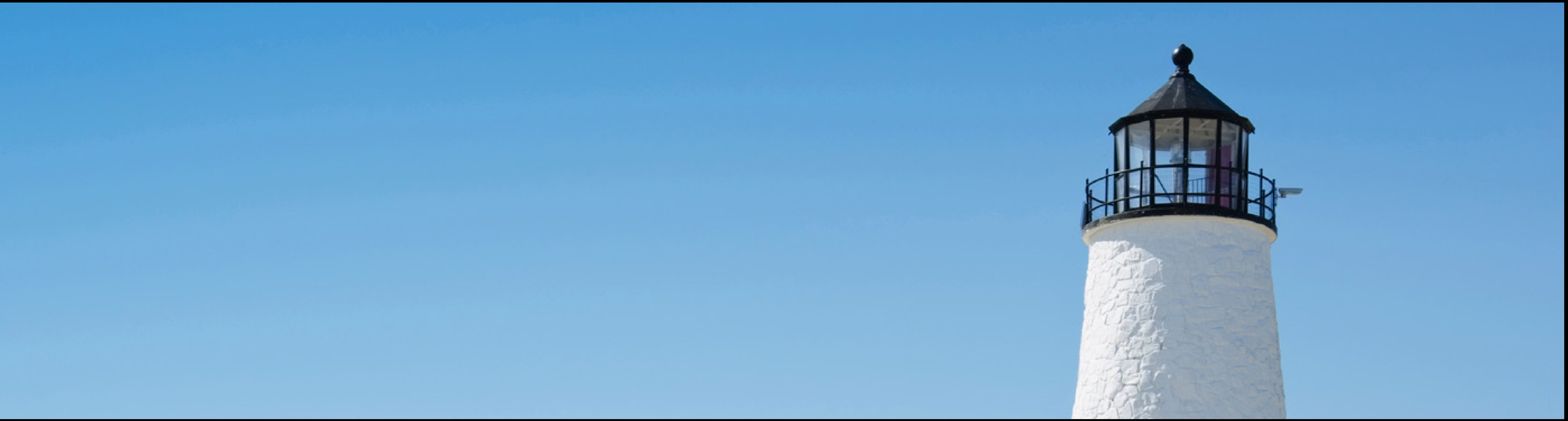
What's inside this issue?

Winner of "Best Regulatory Solution of the Year Award" at the Securities Finance Times Industry Excellence Awards 2022

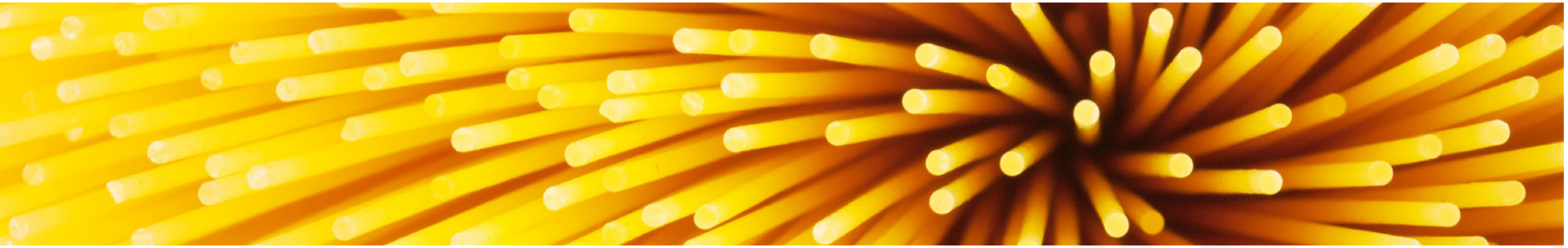
Preparing for EMIR REFIT Blog Series

Latest Update on JFSA Go-Live Date Blog

Technology Meets Compliance Webinar



Change Is the Only Constant in Regulatory Reporting



As we head into the summer, and the traditional "quiet-time" for the financial services industry, we're nonetheless aware that there's a great deal happening on the regulatory reporting front.

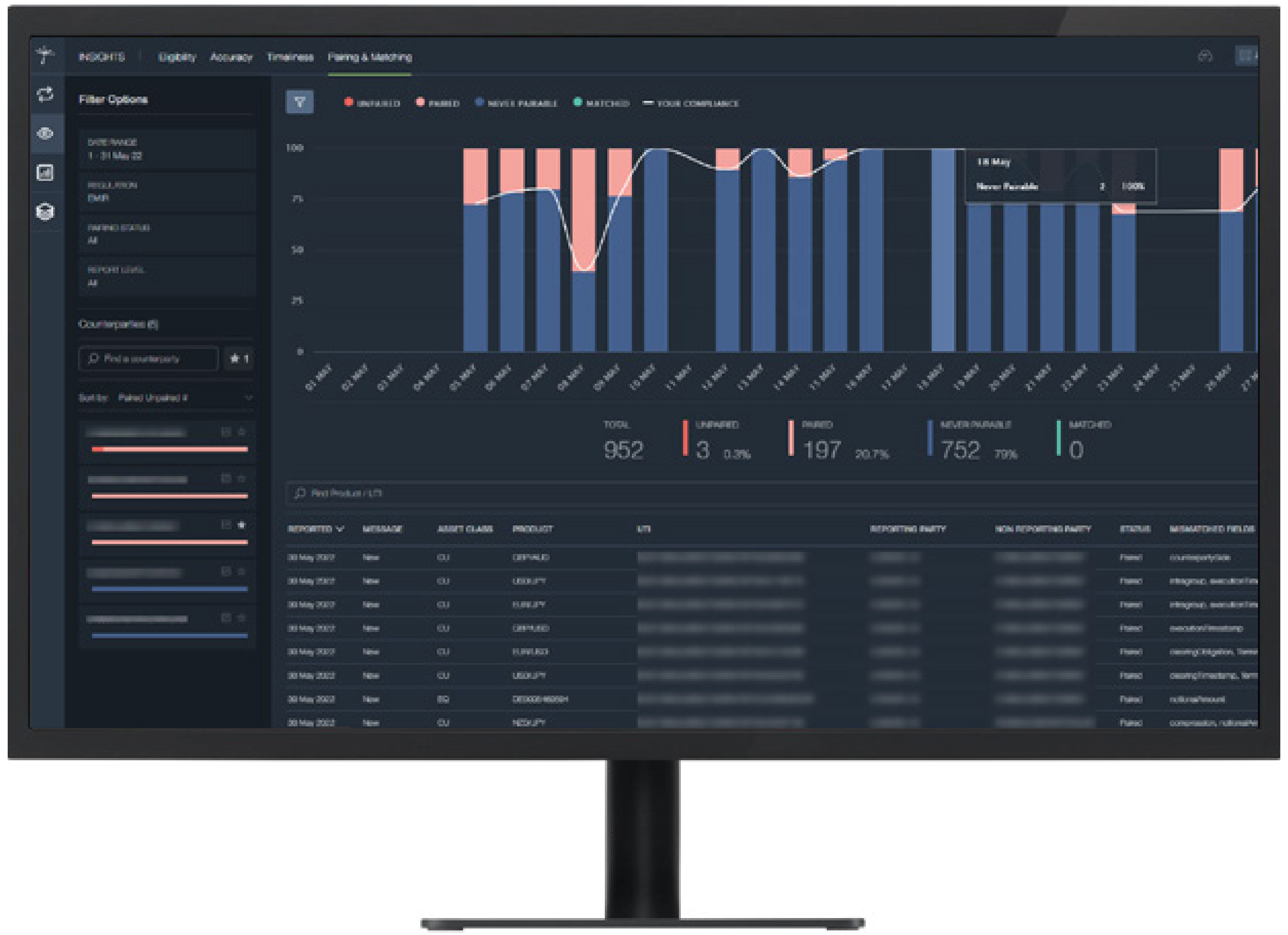
Most topical for us and our clients right now is, of course, the looming deadline for the CFTC Rewrite, due to go live on 5 December 2022. With the changes for this Rewrite, the most substantial since CFTC trade reporting was implemented in 2013, we continue to encourage market participants, who are not yet ready, to become laser focused on the new requirements to get in touch if they need help.

We're also continuing to work with clients and the industry ahead of other regulatory changes. These include the EMIR REFIT, for which the updated technical standards are expected to go live in H1 2024 and the JFSA rewrite, also due to go live in 2024. The JFSA rewrite is particularly challenging as reporting firms will need to shift their reporting processes completely, including the need to report to a trade repository for the first time as well as a significant increase in the number of data fields required.

While work on new and changing regulations remains essential, regulators haven't forgotten about existing reporting requirements and we're seeing a notable increase in enquiries from National Competent Authorities (NCAs) regarding reporting correctness. One area of particular focus is EMIR UTI matching – possibly ahead of the EMIR REFIT, where we see NCAs approaching firms with queries around their pairing levels. This was the impetus for our improved pairing and matching functionality. Dual-sided reporting for regimes such as EMIR and SFTR require both sides of the transaction to report the same data for the same trade, which is now visible via our platform at an overall and counterparty level.

For us, it's also been a busy time as we continue to expand our global presence and domain expertise. The ongoing investment in our world class trade and transaction offering includes enhancing our managed services that help clients reduce costs and allows them to focus on their core business. We're grateful for positive feedback from our clients and the market, in particular, we were thrilled to receive two industry awards recently – Regulatory Solution of the Year at the Securities Finance Times Industry Excellence Awards and Best Solution for Sell-Side Regulatory Compliance at the RegTech Insight Awards Europe 2022.

Have a wonderful summer and, if you're going to be away, we'll look forward to reconnecting after the holidays.



Ronen Kertis
Head of Global Regulatory Reporting Solutions,
S&P Global Market Intelligence

US Regulations

The CFTC issued an advisory outlining how to communicate Swap Data errors to the CFTC.

After December 5, 2022, a SEF, DCM, or reporting counterparty that discovers data errors that it cannot timely correct must notify staff as required by the regulations including submitting a Swap Data Error Correction Notification Form. The form can be found here: Data Recordkeeping | CFTC.

The advisory clarifies a long-standing open item in the rules rewrite as to how firms will be able to meet their verification requirements under part 43 and 45, who they need to contact and what data is required. The data points that need to be provided to the CFTC when such notification is made can be found here.

Additionally, the advisory also requires reporting parties to review, as early as possible, their open swaps data in order to identify and correct any errors. Correcting outstanding errors in swap data, including swap data for swaps that are no longer open swaps but are maintained by an SDR as if the swaps were still open swaps, 13 in advance of 5 December 2022.

First Reg and Compliance Event in the US!

As thought leaders in the industry we hosted on June 14th "The Future of Regulatory Compliance" client event in New York City welcoming clients and partners to hear from industry experts on key topics around the crypto regulatory framework in the U.S., the regulatory reporting roadmap, challenges and what clients can do to stay ahead and the case for managed services to help clients resource, scale and reduce key person risk for business-critical tasks in their organizations. We had panellists from OSTTRA, EY, ISDA, S&P, tZERO, Hogan Lovells, SEI & Align with a full room of firms across sell-side, buyside and partners to join in a very topical and engaging discussion.

Canada

On June 9th, the Canadian regulators , through the Canadian Securities Administrators (CSA) issued a proposal to change their reporting rules. The comment period is 6 months, with responses due by 7th October 2022.

The key driver behind the proposal is to align the Canadian rules to industry standards set by CPMI-IOSCO and global regulators.

Some key changes as outlined by the Ontario Securities Commission:

- Alignment of UTI generation hierarchy
- Introduction of UPI
- Technical specifications aligning with Critical Data Elements (CDE)
- Definition clarity of affiliated entities
- Definition clarity for derivatives dealers
- Introduction of counterparty masking for trades executed on a trading facility
- Verification requirements to ensure data quality (similar to CFTC)
- Allowance for position level reporting (alternative to lifecycle reporting)
- Introduction of collateral/margin reporting for dealers and clearing agencies
- For any trades executed on a derivatives trading facility (similar to SEF or OTF/MTF), the trading facility has to report trades
- Reducing burden for non swap dealers
  - No valuation or collateral reporting
  - Limited partnerships and trust covered under affiliated entities, excluded from reporting
  - Data accuracy has to be verified, but not every 30 days like for swap dealers

Content Worth Noting

Takeaways from the New York compliance event
READ NOW >

Companies prefer regtech vendors than in-house solutions
READ NOW >

Igor Kaplun
Executive Director and Head of Business Development for Global Regulatory Reporting Solutions, S&P Global Market Intelligence

EMEA Regulations

The wait is over - the European Commission endorsed the ESMA proposed RTS and ITS of EMIR REFIT.

Assuming no issues from the European Parliament's approval of the regulation within their three month review period, it means we can finally state with more certainty that EMIR REFIT's go live will occur during Q1 2024.

In anticipation of the coming regulation, we have begun a series of monthly blog posts focusing on the new standards. Initial articles covered the new counterparty details and direction fields. Later posts this year will cover ISO 20022 XML submission standards (available from Global Regulatory Reporting Solutions), UTI logic requirements and per asset class reviews of new fields.

In terms of UTI creation, ESMA is making a push for continued improvement of pairing and matching rates of counterparty UTIs and submitted data. Low pairing rates were again spotlighted in ESMA's 2021 EMIR & SFTR Data Quality Report. To support the industry and assist with UTI sharing and matching, Global Regulatory Reporting Solutions announced in June that we are launching the popular UTI Connect and Enrichment solution for EMIR. Currently available for SFTR, the product connects UTI generators and receivers to share trade data and enrich UTIs to their submission files. Contact us to learn more and register interest to be part of the matching network.

Also occurring in Q2 was the abovementioned data quality report from ESMA. Among the interesting points of the report were details on ESMA's monitoring work of abnormal values where they filter submitted EMIR data for numerical fields where data is beyond expected high and low numerical values. Examples where ESMA spotted notable amounts of abnormal ranges were in the interest rate, notional amount, price and quantity fields. Read the whole review via our content worth noting.

Content Worth Noting

Preparing for EMIR REFIT – The new direction fields format
READ NOW >

EMIR REFIT – New counterparty fields
READ NOW >

Ron Finberg
Product Specialist Director at Global Regulatory Reporting Solutions, S&P Global Market Intelligence

APAC Regulations

ASIC

ASIC Consultation Paper 334 (CP 334) is currently in flight.
Please see our comments on the consultation to date:

Phase 1 – Oct 2023

- Mainly to tighten data quality
  - Update format and validation of existing fields.
- Focus on UTI and LEI
  - UTI – Relook into defining waterfall logic on who shall generate UTI.
  - LEI to be mandatory – Looks like there will be no requirement to update non-LEI transactions retrospectively.
- Clean up rules, remove outdated provisions and consolidating exemptions.

Phase 2 – Apr 2024

- CDE, UPI and ISO 20022XML
  - CDE – ASIC proposes some adjustments which are not inline to the CPMI ISOCO recommendation.
  - UPI – Mandatory
  - ISO 20022XML - Mandatory
- Re-reporting of existing transaction with a minimal remaining maturating
  - In line with MAS and ESMA proposals.

JFSA

Derivatives trade reporting was first introduced in Japan in 2012. New reporting rules and field requirements targeted to go live in October 2022, have been pushed out to April of 2024. There are two key proposed changes in Japan of which firms need to be aware

1. Rewrite – JFSA plans to amend the existing JFSA OTC Derivative Reporting requirements so all firms will be required to change their reporting specifications.
2. JFSA will stop supporting direct submissions – All firms reporting to JFSA today will be required to submit all trades to DDRJ. This has a significant impact from a timing, connectivity and validation perspective.

For more information on how firms should prepare for the JFSA rewrite, please read content worth noting.

MAS

MAS Consultation Paper, is currently in flight with the below timeline for defining the requirements to implementation of the revised reporting requirements.

Q2 2022	**Singapore**	Expected publication of the updated MAS reporting regime, with a 1-year implementation period.
Q2 2023	**Singapore**	Expected go-live of the updated MAS reporting regime.

Content Worth Noting

JFSA Go-Live Date
READ NOW >

Technology Meets Compliance webinar
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Struan Lloyd
Global Head of Sales at Global Regulatory Reporting Solutions, S&P Global Market Intelligence

Product

As the December 5th, 2022 deadline draws closer, the industry is working on implementing changes for the CFTC rewrite.

Changes in the first phase includes but not limited to data elements, action and event type, continuation data, Unique Transaction Identifier (UTI) and counterparty identifier. Firms of all sizes must examine their current reporting mechanisms to ensure compliance with the updated rules. Several challenges continue to be discussed within the industry group to identify options and approaches that will allow the rewrite implementation to be aligned in some ways, as much as possible, to other jurisdictions' rules as their rewrite are still under review.

Data Elements

CFTC technical specifications (Appendix 1 to CFTC Part 45) prescribe new reporting data points, of which many aligns to CPMI IOSCO Critical Data Elements (CDE), field definitions and data type and validation. Additional elements include package related fields, notional schedule related fields which will require reporting clients to re-analyze their upstream systems to understand how trades are being executed, booked and transmitted downstream to ensure these additional data elements are being picked up and reported.

Action and Event Type

Action and Lifecycle Events are introduced with large similarity to ESMA requirements. Notably, the technical specification explicitly details the manner to submit an updated report to add missing information (to a previous submission) will be different from that to correct a misreported information. Reporting entities must review and ensure their source systems are able to inform the downstream reporting platform of the lifecycle events that has caused the action / event to be reported.

Continuation Data

The definition of continuation data now includes margin and collateral. This will only be applicable for Swap dealers, who will need to report collateral, in addition to valuation reporting, daily. Firms with ESMA obligation are likely familiar with collateral reporting but CFTC has included more data elements such as identifying portfolio at initial margin and variation margin level and margin posted or collected pre & post haircut. For valuation, the list of data elements required has been expanded to include Delta, initial/variation margin portfolio code, margin collected and posted between counterparties and floating reference reset amount / date.

UTI

UTI will replace USI post rewrite. Firms must review their systems and trade confirmation process to ensure that they are consuming, generating and/or transmitting UTI consistently. DTCC SDR has published that it will update trade uniqueness logic on their platform to be UTI/USI + Trade Party 1 (TP1). Reporting firms will need to perform a clean-up ahead of the rewrite release where same USI/UTI + TP1 are used for different counterparties. This is a critical action point to ensure that DTCC will initialize the correct population of open positions. After that, firms will need to update the existing positions to conform with the rewrite requirements.

Counterparty Identifier

The final rules will mandate swap dealer, major swap participant, swap execution facility, designated contract market, derivatives clearing organization, and swap data repository to maintain and renew LEI as well as for each financial entity reporting counterparty to use best effort to cause a LEI to be assigned to its trading counterparties.

Looking beyond 2022, we are expecting more regulatory changes, including but not limited to adopting Unique Product Identifier (UPI), ISO 20022 XML as the message format for reporting, rewrites from other regulators including ASIC, MAS and ESMA. Global Regulatory Reporting Solutions (GRRS) has been providing best-of-breed, award-winning reporting solution for our clients for the past decade and we are here to help you. Our expert team will work with you to navigate through complex implementations across multiple jurisdictions to implement a cost effective and compliant trade reporting solution.

Shuwen Lin
Product Management Director,
Global Regulatory Reporting Solutions,
S&P Global Market Intelligence

Customer Experience

It's that time again to take stock and to reflect on what my teams and I have been busy working on over the last quarter. Which serves a dual purpose as a great reminder to me of all we have achieved outside of the BAU. We continue to welcome new colleagues to all functions around the globe, bringing a customer first mentality to each and every aspect of the customer journey post Sales from Onboarding to Client Project Management to Support to Customer Account Management. We are busier than ever, in a good way!

I'm going to draw on the 3 pillars of perpetual focus for us.

Discovery

With the world opening up again post pandemic and lockdown, our global Customer Account Management team are out meeting our users both in person and virtually. Building relationships and listening to feedback on the platform, services and product roadmap has been very insightful. We are discovering opportunities and showcasing our new product functionality around Pairing and Matching for EMIR and SFTR and the MIS Insights Analytics for SFTR.

Collaboration

Although the exact details for the upcoming EMIR Refit are yet to be communicated by ESMA and FCA, we are well aware it is coming and have been making preparations. We will be opening up inclusion into our Working Groups for this in the near future to explain the changes that are coming and detail how our Global Regulatory Reporting Solutions teams will help support you through the Refit process. This support, access to a dedicated UAT environment and assistance comes as part of your subscription, so there's no additional charge for this for existing customers.

Integrity

We are passionate about what we do and every interaction that we have with our end users but do know that sometimes things can go awry. If you have any feedback on our services, our support, what we offer as part of our product suite, please do not hesitate to contact us. We appreciate and value your input.

Meg Francis
Executive Director, Customer Experience, Global Regulatory Reporting Solutions, S&P Global Market Intelligence

Trade Repositories Corner

Across Europe, Trade Repositories and market participants have one topic at the forefront of their minds – the timeline and implementation of EMIR REFIT.

Preparations have been well underway for some time now and the increasing pressure on participants to futureproof their reporting and mitigate increased costs is leading many institutions to look at their existing set-ups and reassess the value in using external vendors for data management services. Similarly, the need to quickly disseminate the constant drip of updated information received from the Authorities, and through the various industry working groups, means that we are in a critical stage where market participants are increasingly dependent on cross-industry support.

Now that the European Commission has endorsed EMIR REFIT's draft RTS and ITS, the industry is drawing closer to the reporting start date for EU REFIT, which is likely to have a very tight time lapse with other jurisdictions such as the UK. The recent endorsement means that once the RTS and ITS are published in the Official Journal, the 18-month countdown to the go-live of EMIR REFIT begins. The three-month non-objection period is expected to finish on 10 September 2022, with the publication in the Official Journal shortly following, meaning that the go-live of REFIT can be expected in the first half of 2024. With this just on the horizon, the adaptation to these new standards will now become a key topic in most roadmaps throughout the industry - mostly due to the magnitude of the changes, but also due to the opportunities they will bring.

When it comes to changes introduced by the regulation, the prominent increase in the number of reportable fields will represent a great challenge for counterparties, but this is only the tip of the iceberg. Following our experience with SFTR, submitting entities will comply with the reporting obligations using ISO20022, which will benefit standardisation whilst simultaneously representing a technical burden to many entities.

Another key aspect following implementation is the requirement to upgrade all outstanding derivative contracts to REFIT data quality within the first six months. This could pose significant challenges to counterparties in the retrieval of the specific details to be reported, particularly when relating to legacy contracts. However, coexistence of data types reported under different quality standards proved to be a challenge after the implementation of the 2017 RTS, creating substantial issues for counterparties, TRs, and Authorities alike. With this requirement to upgrade, EMIR REFIT will, at least in a mid-term, avoid the repetition of the issues experienced historically.

In addition to the reporting requirements, we will see a significant spike in the number of fields exchanged amongst TRs for reconciliation. The new requirements also foresee the reconciliation of dynamic data such as valuation updates, which will diverge for entities calculating the valuation amounts in different timestamps or reporting on equally valid dates such as t and t+1. These scenarios, and the need for counterparties to put in place efficient procedures to resolve reconciliation mismatches, leave open questions and key issues to be addressed ahead of the implementation.

In ESMA's most recent data quality reports, we have seen that reconciliation rates, misreporting and late reporting are three issues of notable concern on the supervisory side. EMIR REFIT will facilitate the monitoring of these vital parameters by introducing new standardised reports for entities and Authorities that provide information around missing valuation and collateral data, or flags on potential misreported lifecycle events. It also foresees the adaptation of existing reports – currently made available to Authorities in a statistical manner – to provide breakdown information on rejections and reconciliation mismatches.

The direction of regulatory changes towards harmonisation and standardisation is clear. With this standardisation, we can expect to see a significant increase on data quality from various perspectives, which will potentially be observed – after the initial six months – through increases on the reconciliation rates. Improvements on data quality will ultimately lead to better usability and data comparability, opening a myriad of new opportunities to explore in the mid-term.

At REGIS-TR, we are committed to the continued support of our clients through the preparations ahead of REFIT. We are interoperable with a diverse portfolio of industry-leading partners which affords our clients significant benefits and greater support. We have been working with S&P Global for some time now and are extremely proud of our close partnership and the benefits that it allows our clients. We continue to work together to help deliver integrated solutions to our mutual clients and ensure the effective dissemination of critical information with respect to EMIR REFIT.

Jesús Benito
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