IHS Markit®

20+ EMIR, MiFID & SFTR reporting errors your peers are making

We can strive to achieve perfect reporting, but errors are a part of life. Companies add new products and funds, staff turns over, and regulators make updates to regulation. This increases the likelihood that various aspects of transaction reporting get missed. Knowing what and where to look for problems makes it easier to spot and correct errors.

Luckily, ESMA and local regulators are publishing their findings that provide a foundation of common issues to monitor against. In this piece, we have compiled a list of typical reporting errors brought up by them as well as common issues we've come across in IHS Markit's years of experience as a reporting vendor. (We have included the source from the regulator in many of the cases cited below.)

EMIR

- **Non-Termination of UTIs**
  Common for CFDs and other products that don't have an expiration date is an error where a firm fails to properly terminate UTIs for positions that been closed internally. This error gets picked up by regulators in their reviews when they notice large numbers of live UTIs compared to a company's new UTIs that are opened daily.

- **Valuation gaps**
  Failure by firms to report updated mark to market values. Within ESMA's data quality reviews include monitoring for UTIs where a UTI's last valuation report is greater than 30 days prior.

- **Incorrect use of minor currencies (ie GBP/GBp, ZAR/ZAr)**
  Transaction reporting regulation requires firms to report in major currencies. In many cases such as shares traded on the LSE, prices and quoted and traded in pence (minor currency). Hence, when reporting, firms should divide by 100 to report correctly.

- **T+1 and UTC**
  Failure to report all new transactions and valuation updates in T+1. Common problem are cases where a company's trading system doesn't correctly adjust for UTC time and thereby processes and submits a section of their transactions in T+2.

- **FX Swaps**
  In their September 2019 EMIR Q&A update, ESMA defined that firms should report both Legs of a FX Swap within a single report line instead of submitting each leg separately. Due to how various trading and back-office systems capture transaction data for FX Swaps, it has been found that many firms continue to report FX Swaps incorrectly under EMIR.

- **Pairing and Matching gaps**
  Failure between counterparties to Pair the same UTI for their submission and Matching Of key economic data fields.

- **CFI code mismatches**
  EMIR reporting requires each product to identified with a CFI code. Regulators have highlighted cases where firms are entering non-complete CFIs that rely on the 'X' variable to pass validations instead of fully filling out the size letter code such as FCXXXX vs FCAPSX for a Commodity Future. In addition, mismatches are also being submitted such as indicating a contract is cash settled (C) when it is in fact physically settled.

MIFIR

- **Minor currencies**
  See above 'Incorrect use of minor currencies (ie GBP/GBp, ZAR/ZAr)' in EMIR section that is applicable to MIFIR

- **Price inconsistencies**
  Flagged by both the FCA and CySEC have been submissions by firms in Price (Field 33) of 0 in situations where zero price isn't applicable. The FCA has also noted cases where Price Currency (Field 34) doesn't match correctly with the report's price.

- **Default transaction times**
  Execution time on submissions doesn't account for seconds. When found across a large percentage of trade may be rooted in systemic issue of trade data capture.

- **Venue (field 36)**
  Reviews have found firms reporting the Reporting MIC code instead of the correct Segment MIC code when it is available. In addition, trades with Systematic Internalisers (SI) are reported incorrectly as XOFF instead of using the SI's MIC Code.

- **Buyer/Seller Trading Capacity mismatch**
  In cases where an Executing Entity reports their trading capacity as 'DEAL', they are required to be a counterparty to the transaction and appear in either the 'Buyer' or 'Seller' fields. In cases of trading capacity listed as 'AOTC' or 'MTCH', the Executing Entity isn't a counterparty, and this not listed in the Buyer or Seller fields. Reviews by the FCA and other NCAs have found cases where firms aren't following these rules and applying mismatches to the Buyer/Seller fields from that indicated as their Treading Capacity.

- **Buyer/Seller Decision Maker**
  Regulators have noted cases where the Decision Maker fields (field 12 & 21) are populated incorrectly. Examples are Asset Managers not entering their LEI as the decision maker for transactions made on behalf of their client funds.

- **Aggregation (INTC)**
  In cases where an order has numerous fills which are aggregated into a single position which is then split among clients, MIFIR requires firms to use the Aggregation notation of INTC in the buyer/seller field. The FCA has noted the INTC flow either not being used or entered into reports incorrectly.

- **TVTIC**
  For on venue traded transactions, MIFIR requires entering of a Trading venue transaction identification code (TVTIC Field 3). The TVTIC is to be provided by the venue and shared with members. Regulators have noted dissemination of TVTICs to be inconsistent. Similar to problems affecting sharing of UTIs under SFTR and EMIR, venues need to have proper procedures in place to disseminate TVTICs in a timely fashion to investment firms.

- **Default CONCAT of personal identifiers**
  For various fields, MIFIR includes submission of private individual identifiers. In these cases, Annex II of RTS 22 (link https://www.esma.europa.eu/sites/default/files/library/2016-1064_rts_22_annex_ii.pdf.pdf) includes the format of identifiers required to be entered per country such as Tax ID, Passport number or National number. Many countries permit as a last resort the use of a CONCAT of First/Last name plus DOB. NCAs have alerted submitting firms of cases where they are defaulting to the CONCAT format instead of entering the correct identifiers.

- **Non-Valid ISIN for in scope products**
  Trading venues and SI's are responsible for sharing ISINs on their platforms with ESMA. Once approved, the ISINs are updated to the FIRDS list and used to determine in/out of scope products for MIFIR. Regulators have raised some problems with late ISIN updates from venues which trigger the CON-412 and CON-472 errors from NCAs when firms attempt to submit transaction reports with these ISINs. For submitting firms, they are advised to document their submissions and resubmit in a number of days later.

- **Derivatives and baskets of non-EU indices**
  Under scope for MIFIR are products where an Underlying Trades on Trading Venue (UTOTV). This includes cases where even a component of the underlying product trades on a EU/UK venue. According to definitions of many NCAs, derivatives such as futures or CFDs that are based on popular non-EU Indices including the Dow Jones 30 and S&P 500 are deemed under scope as they include components that are traded on MIFIR reportable venues. Due to feedback from regulators, many firms have been required to report historical trades of these products that they had previously believed to be out of scope.

SFTR

As a relatively new regulation, the main focus of regulators on SFTR has been data quality via paring and matching of counterparty submissions and compliance by required firms. Nonetheless, there are no shortage of errors the industry is facing. Leveraging insights of feedback messages by IHS Markit client submissions we are able to review a number of the key challenges of participants

- **Collateral breaks (SLEB)**
  Perhaps the biggest issue since SFTR went live has been matching breaks of counterparties of collateral data. For Securities Lending trades, the top mismatches have been reporting of Cash Collateral Components, correctly listing the Haircut figures and entering the Type of Collateral Component identifier.

- **Collateral breaks (REPO)**
  Among Repos, NACKs and pairing breaks have focused on collateral reference data. Examples include errors related to LEI of collateral issuer and security quality. In addition, breaks exist due to incorrect identification of Taker/Giver among counterparties as well as mismatches in notional amount values.

- **Action Types**
  Among common NACK messages from Trade Repositories are mismatches of mandatory data fields with the submitted Action Type. Examples Collateral Updates (COLU) that include a UTI, but no previous New Transaction (NEWT) with the UTI was submitted and submissions made to a UTI after an Error message (EROR) was submitted to cancel out the use of the UTI.

- **Dates**
  SFTR includes multiple time and date related fields. Among requirements are for Event dates to be greater or equal to Execution Timestamps, Start Dates to be greater or equal to Execution Timestamps and Termination Dates being before or equal to the Reporting Timestamp. Errors in these and other data and time related validations are found among common NACKs from TRs.

Sources:

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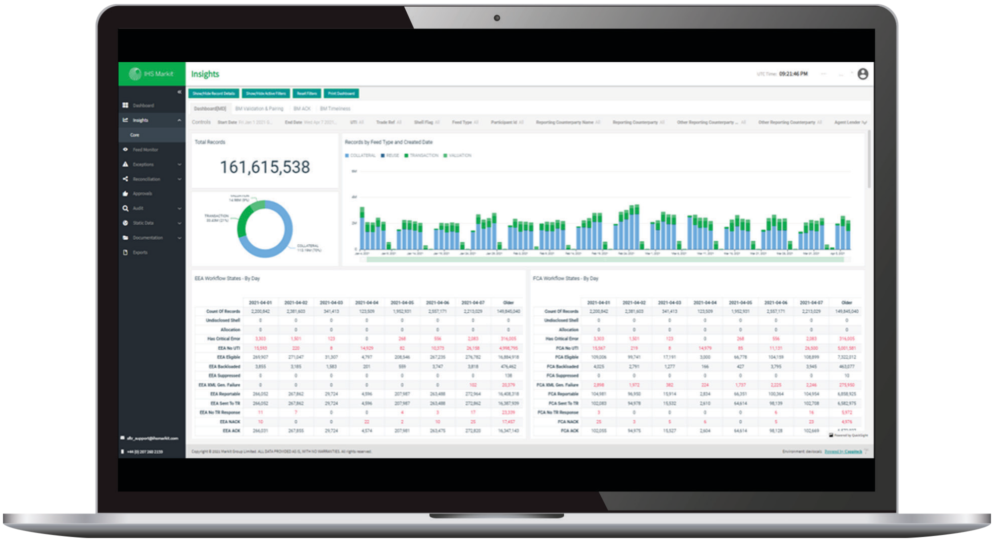
How can IHS Markit Help?

Compliance Technology & Expertise

Monitoring regulatory reporting is complex, IHS Markit Insights tools make it easy. To ensure clients have proper controls in place, Global Regulatory Reporting Solutions provide robust tools to review when and why reporting errors are taking place, setting KPIs and improving performance.



Knowledge center

Supporting our client's regulatory journey, IHS Markit hosts a robust Knowledge Center to keep firms abreast of market updates and best practices. Initiatives include:

- **Webinars**
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- **Blogs**
  IHS Markit and guest authors cover key compliance news firms should be aware of
- **Subject Matter Experts**
  Clients have access to our SMEs to review specific regulatory questions applicable to their reporting
- **Case studies and details articles**
  Longer form pieces focused on coverage of regulatory changes and best practices to handle specific reporting scenarios across all asset classes
- **Personalized client reviews**
  Periodic reviews managed by the IHS Markit Client Services team to analyze customer reporting KPIs

Contact Us

At IHS Markit we help over 400 clients globally to manage, automate and future proof their regulatory reporting obligations. We offer a multi-jurisdictional trade and transaction solution across CFTC, SEC, EMIR, SFTR, MiFID, MAS and other regimes. Join the network of clients that rely on our regulatory expertise, award-winning technology and around the clock support.

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