Cappitech Newsletter

Third Quarter 2022

S&P Global
Market Intelligence

What's inside this issue?

Activity Never Stops

New Regulations, New Services and New Industry Collaborations

With less than three months to go until the CFTC Rewrite deadline, we're extremely pleased that most of our in-scope clients are well on track.

Our UAT environment is live and connected to the DTCC, and clients already reporting under old requirements are ready for a simple switchover on 5 December. Both our team and our clients' teams have worked hard to meet this milestone, proving yet again that forward planning and collaboration across clients, vendors and regulators can smooth the process of new regulations. Well done to all.

Of course, CFTC being complete won't slow things down. We're continuing to expand our offering to meet the needs of an ever-growing client base and a changing market. We've added a new End-of-Day Trade Repository Reconciliation feature that provides a daily output showing field by field comparison of the data held at the TR versus the data within our platform. This helps our clients conduct systematic reviews of their submissions, in line with regulators' requirements. Furthermore, we have launched other exception management tools to handle tasks such as pairing and matching, eligibility and more.

We continue to value feedback from our clients and the market and are ensuring that services developed for one regime are, when appropriate, incorporated into other regulatory reporting requirements. Most recently, we've seen this with UTI Connect. Originally created as an enrichment and sharing tool for SFTR, we're now bringing this powerful engine to EMIR. By connecting UTI generators and receivers, UTI Connect reduces UTI pairing breaks and makes it easier for reporting firms to correct and replace incorrect UTI details.

Collaborative processes are now baked into our approach and we're proactively working with the industry ahead of the EMIR REFIT, including holding our first strategic design group meeting with customers in September and October. Existing EMIR customers are taking part in our Best Practice EMIR working groups as a way to review details of the REFIT, how it affects them and what their peers are doing.

S&P Global Market Intelligence Cappitech Today

>50m
transactions processed each day

>500
customers across all financial client-types globally

Servicing **27** out of **30**
global-systemically important banks

10
TRs & ARMs connected

>240
colleagues

14
jurisdictions

18
countries with direct presence

Something else we're excited about is the feedback on our managed services offering, providing assessment, implementation and managed services support. Increasingly it's clear that our approach of going beyond technology is in high demand and this is just one example of how we'll be doing this in the future.

Finally, as we enter the last leg of the year, I feel humbled by what we have achieved over the last three years thanks to our leading-edge technology, our global coverage along with the local expertise of our 240+ fantastic colleagues, and our network of 550+ client partners. I look forward to what we will achieve over the next three years and beyond. As we deploy further advancements onto our platform, S&P Global Market Intelligence Cappitech remains as committed as ever to providing the best-in-class reporting solution in the market and will continue to set the industry standard for how market participants comply, monitor and perfect their regulatory reporting.

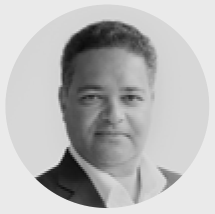
Since Acquisition of Cappitech (2021-2022)

94
net new institutions

25%
total team growth

60%
increase in customer success team

13
new North American reg team members



Pierre Khemdoudi
Senior Vice President,
Network & Regulatory Solutions,
S&P Global Market Intelligence

US Regulations

The CFTC Rewrite compliance date of December 5th, 2022 is fast approaching and the industry is working hard to be ready for the go live.

The CFTC has published a late revision to the technical specifications on September 15th, 2022. The full details are available on the CFTC's website linked here. The revision relaxes validations on 14 data elements pertaining to clearing, party identifiers, price, valuation, collateral and margin reporting.

Clients have been actively integrating with the UAT environment to test the new submissions and backload/update existing trades and positions in the SDRs. The relaxed validations published in September are not expected to impact client readiness by the compliance date of December 5th, 2022.

The backloading process is designed to satisfy the update requirements by pushing dedicated reports to the SDR on all outstanding swaps to bring the swaps in line with the rewrite specifications.

As a reminder for those clients reporting to the DTCC GTR, the requirements are changing for all North America jurisdictions (CFTC, SEC, and Canada).

Just as the industry is absorbing the Phase 1 changes, they need to keep a close eye on Phase 2 which introduces the Unique Product Identifiers (UPIs) by early 2024 and ISO requirements. The Derivatives Service Bureau (DSB) within the Association of National Numbering Agencies (ANNA) published UPI templates and technical specifications on September 7th, 2022. Additional details can be found here.

Implementing the industry standard for product identifiers will help unify the cross SDR positions to better assess systemic risk of the reported transactions. Existing product identifiers vary by SDR and range from proprietary product codes to the current standard that utilizes the ISDA Taxonomy. Additionally, the UPI will help expedite reporting integrations by clearing up ambiguities around classifying firms' internal products within the relevant SDR's specifications.

The rewrite also provides guidance for reporting package transactions. The updated guidance requires process changes by decomposing derivates previously reported under a single identifier or linking individual derivatives by a common identifier with package level pricing reported on each derivative. These changes will unify the reporting but have required firms to rethink how the reporting party is identified and how to determine the overall package pricing and consistently report these attributes on all derivatives within the package.

We hosted an in-person client event in Boston on September 14th titled "The Future of Regulatory Compliance". This was our second such event and we welcomed a full room of clients and partners across the market to join us in hearing from industry experts on key topics such as the crypto regulatory framework in the U.S., the regulatory reporting roadmap and how clients can 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 a very insightful fireside chat with AIMA (Alternative Investment Management Association) to better understand the regulatory landscape impacting buyside market participants and hear expert panelists from GMO, Cutter Associates, CubeLogic, TRM Labs, Deep Knowledge Investing and Vega Investment Technologies.

Content Worth Noting

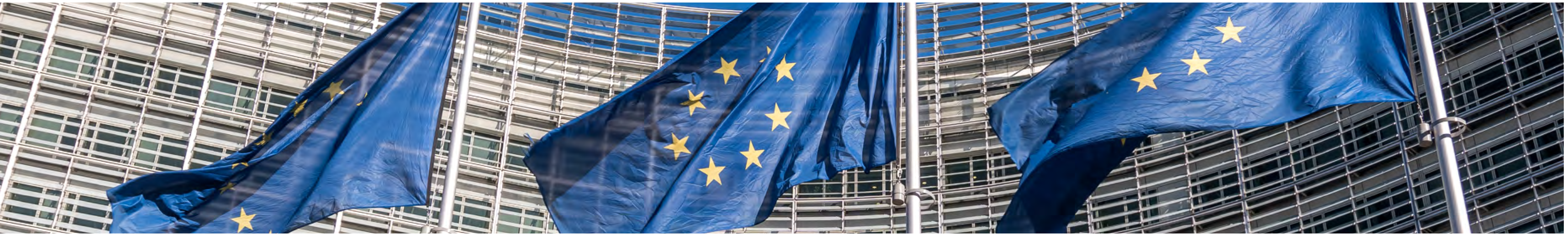
CFTC rewrite: Weathering the storm successfully
READ NOW >

Essential guide for the CFTC rules rewrite
DOWNLOAD NOW >

Igor Kaplun
Executive Director,
Business Development,
S&P Global Market Intelligence

Peter Keller
Product Manager Director,
S&P Global Market Intelligence

EMEA Regulations



EMIR REFIT - Should you start preparing?

We've spoken a lot about EMIR REFIT, and will continue to do so until it goes live on April 29, 2024. With the date still far in the future, a question we are often asked is how much preparation should be taking place now?

While every firm's scenario is different, we've started to focus on a number of key areas firms can already be considering for their REFIT preparations:

Resources – Do you have staff and budget in place to handle the EMIR REFIT (keep in mind similar changes are coming to ASIC and MAS reporting at about the same time)? Feedback from clients has shown that now is a great time to start evaluating both internally and externally what is needed to handle the REFIT update. If you are a larger firm and planning on issuing an RFP to gather details about vendors, keep in mind that "earlier is better". As we move closer to the go-live timelines, the number of companies soliciting RFP information will grow, reducing the speed at which vendors can provide answers.

New fields with new systems – Are you making internal changes such as replacing back-office systems or moving to an internal data lake? If yes, it's worth checking how data capture of these systems fits with the field and lifecycle reporting obligations of the updated REFIT regulation. Special focus should be made on new asset specific fields.

Lifecyle Events – You'll also want to be looking now at the new types of Lifecycle Event being introduced. Examples include corporate events, derivative exercises and risk mitigation processes that are reported as part of a New, Modification and Termination message. Whether you are planning on using existing data sources or migrating to new ones, now is a good time to map how these lifecycles are captured and can be reported from company systems.

Counterparty data – MIFID II introduced 'No LEI, No Trade'. For EMIR REFIT, this trend continues as firms will need to collect more information about their counterparties and customers such as whether they are above clearing thresholds, their corporate sector and NFC/FC status. Being aware of what new data is required to be captured internally, and putting in place a plan to collect it, can be done now. This will reduce situations where transactions are unable to be reported in the future due to lack of data.

Working groups – It goes without saying that compliance personnel should be reading consultation papers from ESMA and the FCA and taking notes on how the changes affect their firms. Joining industry working groups is a great way to enhance internal REFIT reviews, by asking others about their interpretations of the changes, and learning how they are planning to solve the challenges ahead.

Cappitech Regulatory Reporting Working Groups

On the topic of working groups, Cappitech has launched two initiatives around EMIR REFIT. After going public with our plans in Q2 to extend our UTI Connect, UTI Sharing and Enrichment platform to EMIR, in September we held our first strategic design group meeting with customers, which is helping us to learn the challenges for both the buyside and sellside in order to better meet their needs.

Existing EMIR customers will also benefit from our Best Practice EMIR working groups. The initiative is a chance for firms to review specific details of the REFIT, how it affects them, and learn what their peers are doing.

FinFrag

Elsewhere during the quarter, Cappitech finalized connectivity with REGIS TR for FinFrag reporting. Firms reporting under the Swiss derivative reporting regime and using REGIS TR, or looking to move to the repository, can now utilize our solution for end-to-end connectivity for submissions along with our dashboard for exception management handling.

Introducing MiCA (Markets in Crypto Regulation)

During the quarter, ESMA introduced new regulation around crypto currency trading. While still in its initial planning stages, MiCA will cover issuance of new coins and transaction transparency. As part of the regulation, a transaction reporting component is expected to be included. This will be similar to disclosures that exist under EMIR and MIFID II in which counterparty and economic details of trade will need to be submitted.

Timelines are yet to be set, but initial opinions are a 2024 or 2025 go-live of the regulation. Our regulatory SMEs are currently working on better understanding the regulation so that we can provide updates to our customers as they become available.

Notable MiFIR Q&A Update

In their latest Q&A update, ESMA clarified that transactions between two branches of single legal entity or between a branch and parent company aren't under scope for post trade transparency reporting. The exemption removes the requirement to report in real time for such intragroup trades.

Content Worth Noting

Preparing for EMIR REFIT – Should you start preparing
READ NOW >

EMIR REFIT survey results
DOWNLOAD NOW >

Ron Finberg
Product Specialist Director,
S&P Global Market Intelligence

APAC Regulations

This quarter sees no tangible updates to APAC regulations as we continue to await several consultation papers from the various regimes as described below. Despite this, we know that major changes are coming and that preparation will be key to successful implementations.

MAS OTC Derivative Reporting

The MAS Consultation Paper is currently in process with the below timelines for defining the requirements until implementation of the revised reporting requirements.

April 2023	**Singapore**	Expected publication of the updated MAS reporting regime, with a 1-year implementation period
April 2024	**Singapore**	Expected go-live of the updated MAS reporting regime

ASIC

The second consultation paper, CP361, is currently in progress with the below proposed changes that will split the new rules across two go-live dates:

October 2023	**Australia**	Expected go-live of the “Remade ASIC Rules”
April 2024	**Australia**	Expected go-live of the “Amended ASIC Rules”

In line with other G20 regimes, ASIC will be mandating ISO 20022 from April 2024. For more information click here.

HKMA

While HKMA has not published a consultation paper on data harmonization and UTI yet, we expect that they will follow other regulators and do so. This is a key step for HKMA to align with other G20 regimes and enforce better data quality and make full use of the trade repository data.

To be prudent, we recommend that clients should start planning for these changes in advance by streamlining their reporting process. To ensure accurate reporting and seamless change management, clients should be prepared to translate their existing data source files to the HKTR specifications based on various asset classes and trade events. As a licensed agent in Hong Kong, we act as a reporting agent for our clients that need to report their OTC derivatives transactions to the Hong Kong Monetary Authority (HKMA) through the licensed trade repository, the Hong Kong Trade Repository (HKTR) and would be happy to answer any questions around Hong Kong reporting. For more information click here.

Equity Swap between Chinese Dealers and US Hedge Funds

In the past two years, there has been increasing demand for equity swap contracts from global hedge funds on the A-shares market due to 1) the attractive environment for long-short strategies and 2) the absence of a securities lending market for offshore investors into the onshore A-shares market. If a U.S. hedge fund enters into a swap contract with Chinese dealers in HK, they are required to report such transactions to the CFTC or SEC depending on the underlying products. They may also delegate the reporting process to the dealers.

The key challenge is that US swap reporting is completely new to all Chinese dealers and most U.S. hedge funds. Given the complexity of CFTC and SEC regimes, we are seeing increased engagement from Chinese who are seeking reporting expertise to set up the workflow either for self-reporting (for the U.S. person) or delegated reporting (for the Chinese dealer).

APAC Regulatory Reporting Networking Events

Over the past couple of months and as the world opens to in-person events, we have held a number of informal networking events in Australia and Singapore. We welcomed more than 70 clients from different segments to exchange thoughts and ideas with their peers. The community of clients are our greatest assets as we continue to learn from each other to further improve our services and solutions.

Content Worth Noting

ASIC derivative reporting for CFD brokers in Australia
DOWNLOAD NOW >

Trade reconciliation for APAC derivative reporting
DOWNLOAD NOW >

Yuting Cai
Senior Sales Executive,
S&P Global Market Intelligence

Product

Product velocity, the pace at which we apply updates to our reporting solution is one of the key metrics our product team focuses on.

This includes adapting our technology for new regulations such as the upcoming CFTC rewrite this year and Australia/EMIR/Singapore updates in 2024, as well as building new features to our platform. One area we continue to focus on are the Completeness, Accuracy and Timeliness (CAT) tools on our dashboard. These features allow customers to best monitor their data quality and verify they comply with Regulatory Reporting KPIs.

Many of our new additions are client driven, with greater functionality of Exception Management corrections on the dashboard often topping the list of requests. Although we have always advocated primarily fixing information in source systems and resubmitting trade data from the source, we understand that there are cases in which such a process will result in untimely resolution and reporting. Therefore, our roadmap includes a dedicated track for adding functionalities that enable our customers to amend and resubmit data via the dashboard and, in parallel, work to update the source system to verify continuous accurate reporting.

Earlier this year, we released the Static Data Management functionality through the dashboard. The product allows customers to update static data (such as instrument and counterparty data) used to enrich their reporting, and then replay trade dates for which this data was missing or wrongly reported. In later releases, Counterparty Management will include additional fields to support new counterparty fields required under the new EMIR REFIT technical standards.

We are also happy to announce the release of the Exception Data Management functionality through the dashboard. This feature enables customers to update previously rejected trades and resubmit those to the ARM / TR to verify timely reporting.

The above functionalities are supported with 4-eye check capabilities for those customers requiring this added security measure. As next steps, we are working to introduce the Transaction Data Management functionality in which customers can update previously accepted trades and resubmit those to the ARM/TR. This will enable alignment in reporting based on Pairing and Matching or Reconciliation discrepancies as well as general updates found by internal audit.

For more information about these functionalities, please contact our support and CAM team at GRRS-Support@ihsmarkit.com

Ayelet Har
Executive Director,
Product Management,
S&P Global Market Intelligence

Managed Services

With the multiplication of transaction reporting obligations across Europe (EMIR, FinFrag, Mifid, SFTR), North America (Canada, CFTC, SEC) and Asia (ASIC, HKMA, MAS, JFSA) financial companies find it increasingly challenging to keep up with their corresponding requirements. A few years ago, transaction reporting obligations in any particular jurisdiction was often dealt with in a tactical way, and in isolation from other reporting obligations. However, today firms are seeing increasing complexity, cost and resource constraints with their transaction reporting obligations, alongside rewrites/refits of existing ones. This is putting pressure on their existing compliance and reporting teams' workloads, and requires ever more subject matter expertise.

The use of Managed Services can be the answer to some of these constraints. We have experience in providing Assessments and Health Checks to firms ranging from banks, hedge funds, asset managers to corporate treasuries, reviewing their existing reporting processes, operating model and implementing industry best practice.

Additionally, our managed services offering can provide staff augmentation for specific projects/engagements. Where SME's of these firms may also be lacking the internal manpower to run such projects, they can supplement their efforts with external, targeted staff augmentation for the length of the Integration of a new reporting platform.

Another area we are seeing a lot of feedback and interest from is Managed Support which is an area where financial institutions can fully benefit from the expertise of their provider in running and monitoring their transaction reporting platform. This can help to avoid or minimise the burden of finding the right talent, internal training, knowledge maintenance, while still maintaining cross jurisdiction oversight and optimizing their costs. Through the use of flexible remote onshore and offshore resources, firms can focus their efforts on higher value items, whilst retaining the overall ownership of the transaction reporting chain. To learn more, click here.

Fabien Romero
Executive Director,
Managed Services,
S&P Global Market Intelligence

Customer Success

The summer months have been busy ones for our global Customer Success teams, including some important time taken to rest and recharge our batteries. The Customer Account Management team has been executing our plans for periodic customer reviews. We've been out and about engaging with a wide variety of our customers, presenting in depth analysis and insight into reporting patterns and highlighting focus areas, as well as promoting the breadth and depth of functionality available on our platforms. Since the spring, we have proactively engaged with around 75% of our customer base. Through these meetings, a common theme has been substantial interest in our SFTR Insights product, which provides pre-canned and customisable dashboards to capture unique MI trends from SFTR transaction reporting.

We recently introduced end of day reconciliation from the trade repositories, based on direct user feedback, and it is great to see it is also being met with enthusiasm from our end-users.

Client feedback on our platforms is very important to us and we will engage with all of our customers before the end of the year to better understand what you would like to see in the roadmap. If there is anything you would like to propose, please contact your Customer Account Manager directly or get in touch with us at: grrs-support@ihsmarkit.com.

The rapidly approaching CFTC rewrite go live date of 5th December is a big focus area for our global Onboarding team and we are working closely with our customers to reach the deadline. Nonetheless, everyone else in the team continues to work across regimes and on other client projects. We pride ourselves on the skills and expertise that we bring to each and every integration project. No two projects are the same and the professionalism of our team to adapt to these and really understand the unique nature of each provides an essential introduction to the customer journey with us. You don't need to just take our word for it, here's some soundbites from some satisfied customers:

“Thanks for all the help getting to this point so smoothly”

New integration project for an existing EMIR customer

“Let’s migrate the UAT configuration to production, thanks so much for your help, we are good to go”

CFTC and SEC reporting to support a new buyside client product launch

Last but not least are the team that are the real glue in the whole process, our Support team. This is the team that provides our first, and in the majority of cases the last, response to all emailed customer queries. They all have an incredible wealth of knowledge across our platforms and understand the need for a swift response and resolution.

Looking ahead to our focus areas for the coming quarter, there’s plenty to be keeping us busy. Alongside the Product Management team we are working through the analysis and scoping for the EMIR REFIT and the impact this will have for each of our customers as every implementation is different. Helping our customers through this process will be a key success factor in 2023 and into 2024. We will also continue our strategic projects across all our functional teams to be reviewing and improving processes in every way we can as well as continuously training and motivating our teams.

Meg Francis
Executive Director,
Customer Success,
S&P Global Market Intelligence

Trade Associations Corner

BVI

Current opportunities and challenges on data and reporting

The MiFIR transaction obligation (Article 26 MiFIR) requires investment firms to report executed trades (e.g. equities/bonds) to the competent authority. Such a reporting obligation help regulators to detect market abuse. In the context of the review of MiFIR the legislators consider the possibility to extend the transaction reporting obligation to fund management companies (UCITS/AIF) engaged in ancillary MIFID activities. Within the current AIFMD review, the EP is also debating this issue. Furthermore, ESMA has made also the same proposal to the EU Commission.

In sum, we do not see the requirement to expand the scope of the MiFIR reporting obligation to UCITS/AIF managers. We expect significant and complex challenges for UCITS/AIF managers to provide MiFIR transaction reports to the NCAs. UCITS/AIF managers are today not in the scope of Article 26 MiFIR transaction reporting and have therefore not built up any technical capabilities to manage and report transactions to the NCAs.

Also, transactions in MiFID financial instruments executed between UCITS/AIF managers and investment firms are already reported today to the regulators. The operator of a trading venue shall report details of transactions in financial instruments traded on its platform which are executed through its system by a firm (e.g. UCITS/AIF managers) which is not subject to the MiFIR reporting obligation.

Sell-Side firms are already required today to also report transactions to the NCAs executed with their Buy-Side clients. This includes also transactions executed off venue.

Investment funds (UCITS/AIFs) are among the most strictly regulated and transparent financial products. Fund management companies (UCITS/AIF) report data for each fund or share class to their respective regulators at regular intervals. There are regulatory fund reports (UCITS, AIFM and reporting to the National Central Bank), transaction reportings (EMIR, SFTR, as well as reports to institutional investors (CRR, Solvency II). Additionally, there are numerous special reports and ad hoc queries by regulators on various risks and reward as well as other economic factors relating to funds.

The extension of the reporting obligation will enhance the reporting burden for the fund industry. This approach is not in line with the long-term supervisory reporting vision initiated by the EU Commission for their European strategy for data (EDS) and the Digital Finance Strategy (DFS). The EU Commission overall objective is to have a reporting environment that delivers accurate, comparable, and timely data to supervisory authorities at EU and national level, while at the same time minimising the reporting costs and burden for supervised entities (e.g. UCITS/AIF managers) and supervisors.

We strongly encourage ESMA and the legislators to take into consideration the long-term supervisory reporting vision of the EU Commission and the EU principle of proportionality and not to implement a new reporting obligation for funds without any transparent impact assessment.

Rudolf Siebel
Managing Director (Geschäftsführer), BVI

ISDA

In just two months' time, on December 5, major changes to swap data reporting rules set by the US Commodity Futures Trading Commission (CFTC) will come into effect. A key feature of these changes will be the inclusion of internationally agreed data standards, an important step towards greater consistency in trade reporting that could further enhance transparency in the over-the-counter (OTC) derivatives market.

Trade reporting was first proposed by the Group-of-20 nations in 2009 as part of the post-financial crisis reforms to the global OTC derivatives market. One of the challenges that arose was a lack of consistency in the way the reporting rules were implemented – each jurisdiction took its own unique approach to rulemaking and each in-scope firm interpreted the requirements in its own way, meaning there has been little commonality in the way trades are reported.

As a result of widespread inaccuracies, duplications and omissions in reported data, global regulators do not yet have the insight into potential systemic risk they had hoped for.

By adopting the relevant critical data elements (CDEs) developed by the Committee on Payments and Market Infrastructures and the International Organization of Securities Commissions, the forthcoming CFTC swap data reporting amendments, which will be followed by similar regulatory changes in Europe and Asia, will address some of these issues – but they won't solve the problem on their own. Some jurisdiction-specific reporting requirements that fall outside of the CDEs will still be required by individual regulators. Market participants will also need to interpret and implement the rules accurately and consistently to avoid further divergence in reporting practices.

A digital approach offers a means to achieve this. ISDA's Digital Regulatory Reporting (DRR) initiative leverages the Common Domain Model (CDM) to provide a mutualized, industry-agreed interpretation of the CFTC's amended rules, expressed as open-source, human-readable, machine-executable code. As part of the DRR, industry working groups are developing a collective interpretation of the rules and using the CDM to turn the mutualized interpretation into code that can be deployed as the basis of a peer-agreed implementation.

A great deal of industry effort has been required to codify the CFTC rules over the past year, but much of this work can be applied to rule amendments in other regions too. An estimated 70% of the coded CFTC rules are expected to directly transfer to the DRR that is already in development for reporting rule changes under the European Market Infrastructure Regulation, while as much as 90% of the combined coded US and European rules may transfer to Asia Pacific.

As the countdown towards the December 5 deadline continues, almost all of the relevant CFTC rules have now been coded. With this mutualized interpretation in hand, firms can use the code to implement the rule changes in a way that is consistent with other firms, or they may choose to use it as a benchmark to validate their own independent interpretation. In either scenario, the DRR has the potential to be a real game changer that ensures the rule changes make a material difference to the quality of derivatives trade reporting.

Tara Kruse
Global Head of Infrastructure, Data and Non-Cleared Margin, ISDA

Contact Us

United Kingdom
+44 808 189 1177

Americas
+1 617 866 5118

France
+33 7 55 54 92 98

Israel
+972 9 9702700

Asia Pacific
+604 291 3600

regreporting@spglobal.com

SPEAK TO OUR REGULATORY REPORTING EXPERTS

See for yourself why 500+ firms trust us with their regulatory compliance and save money doing so.
Contact our experts

Visit our website

Follow us on LinkedIn

Read our blog

S&P Global Market Intelligence

At S&P Global Market Intelligence, a division of S&P Global (NYSE: SPGI), our team of experts delivers unrivaled insights and leading data and technology solutions, partnering with customers to expand their perspective, operate with confidence, and make decisions with conviction. S&P Global Market Intelligence Cappitech provides trade and transaction reporting for regimes such as EMIR, MiFID, SFTR, FinfraG, SEC, CFTC, Canadian reporting, ASIC, MAS, HKMA, JFSA and others. For more information, visit cappitech.com

Copyright © 2022 S&P Global. All Rights Reserved.

964970371_0922_TS