14.03.2018

Fitness Check on Supervisory Reporting: FIA Response to the European Commission's Consultation Paper

FIA welcomes the opportunity to respond to the European Commission's "Fitness Check on Supervisory Reporting". As part of its response, FIA focused on the reporting of Exchange Traded Derivatives (ETDs) but where relevant, raised more general concerns which its members have observed from complying with multiple pieces of legislation.

FIA has not provided consolidated estimates on the cost of complying with reporting requirements under Section 2, given that members have different methodologies for calculating costs. However, FIA member firms welcome the opportunity to engage with the European Commission on a bilateral basis to discuss the cost of reporting.

FIA has the following key recommendations:

1. ***Simplify the reporting of ETDs:*** *Switch to single-sided position reporting for EMIR ETD reporting, with the CCP reporting the transaction between the CCP and the clearing member using a single data set and the clearing member reporting the transaction between the clearing member and its client, using a single data set. Adopting a position, as opposed to a transaction reporting regime will more accurately reflect the nature of ETDs, which are standardised contracts which are 'compressed' into a net position at the end of each day. A position reporting regime would also provide a more accurate representation of ETD lifecycle events and margin/collateral changes given that these take place at position level and cannot be reported at transaction level;*

2. ***Adopt a 'report once' framework:*** *Instead of submitting separate reports under multiple reporting regimes, it is preferable to adopt a 'report once' framework which uses a single reportable dataset per transaction to serve multiple regulatory purposes (e.g. monitoring systemic risk as well as market abuse surveillance). Regulators could then extract the specific data points they require to meet the particular regulatory mandate. This would significantly reduce the compliance costs associated with supervisory reporting and eliminate inconsistencies in the interpretation of common fields (e.g. price), whilst streamlining the management of reporting and its processing;*

3. ***Remove the requirement to report the underlying static data:*** *Where a legal entity or instrument identifier, such as an LEI or ISIN, is required to be reported there should be no requirement to also report the static data that sits beneath the primary identifier. This is a duplicative requirement since regulatory authorities already have*

access to the underlying data via the Global Legal Entity Identifier Foundation (GLEIF) database or Financial Instrument Reference Data System (FIRDS); and

4. ***Collaborate on the development of a common financial language:*** *Encourage key jurisdictions to collaborate with the aim of obtaining a critical mass to support a global take up of a common financial language.*

Section 1: Assessing whether the supervisory reporting requirements are fit-for-purpose

Section 1 of the consultation therefore aims to assess whether existing supervisory reporting requirements – in particular in light of the fairly recent move to more granular reporting frameworks – are working as intended. In order to do so, it is necessary to assess their effectiveness, relevance, efficiency, coherence, and added value. For the purposes of this section, the above criteria are understood as follows:

• Effectiveness – whether the supervisory reporting requirements have produced relevant and high quality data;

• Relevance – whether all of the supervisory reporting requirements are necessary and appropriate for their intended objectives;

• Efficiency – whether the set-up of the supervisory reporting requirements is proportionate in terms of costs/burden in view of its objectives (or, for supervisors, compared to the benefit it brings);

• Coherence – whether the supervisory reporting requirements are consistent across the different reporting frameworks;

• Added value – whether supervisory reporting requirements at EU level have contributed to the achievement of the intended objectives in a better way than would have been the case if the reporting requirements were only introduced at the national level.

Question 1.1 (i): To what extent have EU level supervisory reporting requirements contributed to improving financial stability (i.e. monitoring systemic risk)?

o Very significantly

o Significantly

o Moderately

o Marginally

o Not at all

o Don’t know

Please elaborate and provide examples to justify your answer.

FIA Response: *FIA members agree that EU level supervisory reporting requirements have moderately contributed to improving financial stability.*

Prior to the implementation of EMIR, National Competent Authorities (NCAs) did not have oversight from a systemic risk perspective of over- the-counter (OTC) derivatives. The introduction of a reporting requirement under EMIR has therefore improved transparency of OTC derivatives. However, this has also largely led to the EMIR reporting regime being primarily designed with OTC derivatives in mind but not necessarily being fit for purpose for the reporting of ETDs.

Different approaches should be adopted for the reporting of OTC derivatives and ETDs because of fundamental differences in the nature of the product, as well as the way in which lifecycle events take place.

Firstly, ETDs differ from OTC derivatives as they are traded on standardised terms (as opposed to OTC derivatives which are bespoke, non-standardised instruments). This means that transactions in ETDs can be effectively netted off against one another to create a 'net end of day position' which accurately reflects the level of systemic risk that is posed by the holder.

Secondly, the "golden source" of the precise terms of an ETD contract is maintained for the life of the contract by the CCP through which the ETD is cleared. Lifecycle events for ETDs and margin/collateral changes take place at position level and not transaction level.

Our members would like to highlight that there is a way to greatly reduce the operational and financial burden on reporting firms without the loss of systemic risk oversight for regulators under EMIR for ETD data. This could be achieved by moving from a transaction based regime to a position based reporting regime for ETDs (for further details on how this could be achieved refer to the answer to question 1.2) whilst providing regulators with the necessary information required to carry out their mandate with regard to systemic risk oversight. FIA also notes that the European Union (EU) has gone beyond the approach that has been adopted in other jurisdictions, as it is one of the only jurisdictions around the globe to require ETDs to be reported for systemic monitoring purposes.

With regard to current trade reporting under EMIR more generally, FIA members consider that there is a significant amount of duplicative reporting such as having to report the underlying trade static data even where the instrument identifier has been reported. In the EU, listed contracts are now identified with an ISIN. This identifier is specific to each contract traded and there is underlying static data that sits underneath the ISIN for each contract.

In accordance with Article 27 of MiFIR, FIRDS (a financial instrument reference database managed by ESMA) holds a comprehensive list of ISINs and the associated instrument reference data for instruments that are traded on a trading venue in the EU. National competent authorities have access to this database, which is also publically available. As a result, it is unnecessary to require firms to populate both the ISIN and underlying data given that this data can be determined from the ISIN in combination with the information in FIRDs.

A similar parallel can be drawn between reporting LEIs and any underlying data (e.g. country code of the counterparty), given that this information is contained in the GLEIF database.

We therefore recommend removing reporting of the underlying static data fields in order to reduce operational burden and costs and provide a more streamlined data set.

There is also some ambiguity in how the data reported pursuant to different regulations is being utilised by the different NCAs across Europe. FIA members have received confirmation from *regulatory authorities that EMIR data is being used for purposes other than monitoring systemic risk. However, such authorities have not confirmed for what other purpose(s) the data is being used. The industry would greatly benefit from the authorities providing further clarity on the desired use cases for EMIR data, as this would better enable the industry to help regulators to design an alternative reporting framework to meet those needs.*

Question 1.1 ii): To what extent have EU level supervisory reporting requirements contributed to improving market integrity (i.e. surveillance of market abuse and orderly functioning of the markets)?

o Very significantly

o Significantly

o Moderately

o Marginally

o Not at all

o Don't know

Please elaborate and provide examples to justify your answer.

FIA Response: *Regulators have become increasingly reliant on the reporting of specific information in order to monitor market abuse, systemic risk and suspicious trading patterns. FIA members have indicated that whilst the Market Abuse Regulation and MiFIR have been (or in the case of MiFIR, will be) very useful in helping regulators combat market abuse, reporting regulation has been implemented in an increasingly fragmented and piecemeal approach, which has resulted in duplicative and complex reporting requirements, with firms submitting a number of different reports to different market infrastructures pursuant to various different regulations.*

It would be significantly more efficient, less expensive, less duplicative and less burdensome for counterparties to only be required to report a single set of data per transaction, from which regulators could then extract sections of the data to fulfil their different regulatory objectives.

Question 1.1 iii) To what extent have EU level supervisory reporting requirements contributed to improving investor protection (i.e. ensuring proper conduct by firms to ensure that investors are not disadvantaged/negatively impacted)?

o Very significantly

o Significantly

o Moderately

o Marginally

o Not at all

o Don't know

Please elaborate and provide examples to justify your answer.

FIA Response: *No comment.*

Question 1.2: Are all of the existing supervisory reporting requirements relevant for maintaining financial stability and upholding market integrity and investor protection?

o Yes, they are all relevant

o Most of them are relevant

o Some of them are relevant

o Very few are relevant

o Don't know

If you do not think that all of the requirements are relevant, please provide specific examples of any requirements which in your view are superfluous and explain why you believe they are not necessary.

FIA Response: *The EMIR regime was established post-2008 financial crisis and designed primarily with OTC derivatives in mind, but included ETDs. The two types of derivatives are fundamentally different and as such require a different approach to reporting for systemic risk purposes. Currently, under EMIR, firms are required to report ETD transactions. This adds limited value and no systemic risk oversight at great operational and financial burden. Given that ETD transaction data is reported under the MiFIR reporting regime, it would also appear duplicative.*

Before any changes are made to the EMIR reporting requirements for ETDs, a key distinction needs to be made and recognised by regulators globally.

Unlike OTC transactions, ETD transactions are compressed daily into an overall position, e.g. if a firm trades ten ETD transactions (all buys in this example), each of ten lots, throughout the day, then at the end of the day these trades will be compressed into a single net position of +100 long. Unlike uncleared OTC derivative contracts, the terms of ETD contracts are standardised and cannot be altered. It is this standardised feature that allows them to be compressed into an overall position.

It is the end of day net "position" of such ETD contracts which is the most relevant for regulators when assessing build ups of systemic risk and not the ten individual underlying transactions, which are essentially children to the parent position. This being the case, from a systemic risk perspective, the reporting of ETD transactions adds little or no value. It could be argued that reporting on a transaction, rather than position basis would in fact hinder regulators, as they would need to recreate a firm's positions from the millions of individual transactions that are reported. In addition, moving to a position based regime would more accurately reflect the specific nature of ETDs as lifecycle events and margin/collateral for ETDs occur and are managed at a position level and cannot be reported on individual transactions. This means in practice, that the majority of firms are currently reporting position data although currently it is not a regulatory requirement (see response to question 1.3).

Recommendation: *FIA members recommend a switch to single-sided position reporting for EMIR ETD reporting, with the CCP reporting for Clearing Members and the Clearing Member reporting for clients.*

In summary:

- *If ETD transaction level data is required by regulators, this can be sourced from MiFIR transaction level data;*
- *If ETD collateral and valuation data is required by regulators, this can only be obtained from EMIR **position** level reports; and*
- *EMIR transaction level reports can be discontinued without loss of regulatory oversight, as for systemic risk purposes it is the position that is the most relevant and not the individual transactions (see response to question 1.3)*

Question 1.3: Is there information that should be reported but which currently is not (i.e. there are reporting requirements that should be added)?

o Yes

o No

o Don't know

If you answered 'Yes', please provide specific examples of reporting requirements which in your view should be added and explain why you believe they are needed.

FIA Response: *Currently, there is no regulatory requirement under EMIR to report position data for ETDs. Nevertheless, the majority of firms elect to report this data to trade repositories. The rationale behind this is that ETDs lifecycle events do not occur at a transaction level, they occur at a position level. For ETD systemic risk purposes, it is the position that provides the most useful information from a supervisory perspective, as both the collateral and margin occur at the position level and not at the transaction level (further information is provided in our response to question 1.2). As a result, FIA members recommend a move to single-sided position-based reporting under the EMIR regime for ETDs to more accurately reflect the nature of ETD lifecycle events.*

Question 1.4: To what extent are supervisory reporting requirements across different EU level reporting frameworks coherent (e.g. in terms of scope, content, methodology, timing/frequency of submission, etc.)?

o Fully coherent

o Mostly coherent (a few or minor inconsistencies)

o Somewhat coherent (numerous inconsistencies)

o Not coherent (mostly or totally inconsistent)

o Don't know

Please provide specific examples of reporting requirements which in your view are inconsistent and explain why you believe they are inconsistent.

FIA Recommendation: *FIA members* suggest *adopting a 'report once' framework. Instead of submitting separate reports under multiple reporting regimes, it is preferable to adopt a 'report once' framework which uses a single reportable dataset per transaction to serve multiple regulatory purposes (e.g. monitoring systemic risk as well as market abuse surveillance). Regulators could then extract the specific data points that are required to meet the particular regulatory mandate. This would significantly reduce the compliance costs associated with supervisory reporting and eliminate inconsistencies in the interpretation of common fields (e.g. price), whilst streamlining the management of reporting and its processing.*

Question 1.5: To what extent is supervisory reporting in its current form efficient?

o Very efficient

o Quite efficient

o Rather inefficient

o Very inefficient

o Don't know

If you think that supervisory reporting is not fully efficient, please provide specific examples and explain why you believe it is not efficient.

FIA Response: *FIA members regard supervisory reporting in its current form to be very inefficient. FIA members critique that EMIR reporting was designed with a focus on OTC derivatives, yet it also included ETDs within the scope of reporting. This has resulted in the inclusion of mandatory reporting fields that, whilst appropriate for OTC derivatives (such as 'effective date'), are not a feature of ETD contracts. Such fields are nonetheless mandatorily required to be completed for ETD contracts which has led to a market practice of populating such reportable fields with default values. These manufactured values bring no benefit to regulatory oversight.*

FIA Recommendation: *FIA members outline that as the current reporting regimes (EMIR, MiFIR, MAR, AIFMD, and REMIT) use a similar core dataset, the optimum solution would be to design one reportable dataset that can serve multiple regulatory purposes (e.g. by providing data for systemic risk oversight as well as market abuse surveillance). This would enable firms to report just once per transaction and for regulators to then extract the relevant data required to fulfil the particular regulatory mandate.*

A 'report once' regime would eliminate inconsistencies in interpretation which can arise across different pieces of reporting legislation. This would also prevent duplication of fields such as the trade economics of the transaction which would remain the same, regardless of the reporting regime being used.

Question 1.6: How well are the supervisory reporting requirements adapted to developments in the fields of modern information and communication technologies (ICT) and digital processes?

o Very well

o Fairly well

o Not very well

o Not at all

o Don't know

Please elaborate and provide specific examples.

FIA Response: *FIA members consider that supervisory reporting requirements could have been implemented in a more streamlined manner. As previously stated, current reporting obligations require firms to report an identifier for both counterparties and contracts (LEI and ISIN) as well as parts of the data that sit underneath the identifier. This is both duplicative and problematic. As firms are required to build not only to the identifiers but the data that sits beneath them. This was illustrated in a recent issue with LEIs, which caused firms' trade reports to be rejected. The rejections were caused, because in addition to reporting the LEI, firms were required to report the country code of where its counterparty was legally domiciled (this data is a subset of the LEI). Unfortunately, the data was incorrectly recorded in the Global LEI database (GLEIF), so although firms were correctly reporting their trades, the reports were rejected due to trade repositories validating against incorrect data held in the GLEIF database in addition to the identifier (LEI).*

FIA Recommendation: *FIA members recommend that where a legal entity or instrument identifier, such as an LEI or ISIN, is required to be reported there should be no requirement to also report static data that sits beneath the primary identifier. This is a duplicative requirement that provides no additional benefit to the regulatory authorities. This is because the underlying static data is already available to regulators via reference databases such as the GLEIF database (for LEIs) and FIRDs (for ISINs).*

Question 1.7: To what extent has the adoption of supervisory reporting requirements at EU level facilitated supervisory reporting in areas where previously only national requirements existed?

o Very significantly

o Significantly

o Moderately

o Marginally

o Not at all

o It has made supervisory reporting more complicated

o Don't know

Please elaborate and provide specific examples.

FIA Response: *No comment.*

Question 1.8: To what extent have options left to Member States in terms of implementing EU level supervisory reporting requirements (e.g. due to their adoption as Directives rather than Regulations) increased the compliance cost?

o Very significantly

o Significantly

o Moderately

o Marginally

o Not at all

o Don't know

If you think divergent Member State implementation has increased the compliance cost, please provide specific examples of reporting frameworks or requirements where you believe this to be the case and explain your suggestions.

FIA Response: *FIA members outline that as a regulation, EMIR was not open to interpretation by member states. MiFID I was open to interpretation and this has now been addressed with MiFIR.*

Question 1.9: Are there any challenges in terms of processing the data, either prior to (i.e. within the reporting entity) or subsequent to (i.e. within the receiving/processing entity) it being reported?

o Yes

o No

o Don't know

If you answered 'yes', please elaborate and provide specific examples.

FIA Response: *FIA members consider that a number of significant challenges occur in the processing of data within the reporting entity and within the processing entity, that impact the reliability of the data reported.*

Members consider the following key challenges in processing data prior to submission to be the most critical:

1) *ensuring that the data to be reported is correct, accurate & complete;*
2) *ensuring that all eligible entities within the firm have provided the data to the internal report- generating engine; and*
3) *ensuring that before the data is submitted all the enrichments from internal clients & security static data systems are performed.*

Additionally, members consider the following examples the most challenging in processing data after report submission:

1) *ensuring that all the NACKS (rejections from Trade Repositories) are analysed;*
2) *re-reporting the NACKS;*
3) *ensuring that there are robust reconciliation systems in place to match the files and records sent to the Trade Repositories (TRs) and received from the TRs; and*
4) *the need for robust internal MIS (Management Information Systems) & Control Reports.*

As previously stated, FIA members consider that the reporting of ETD transaction data adds no value for systemic risk purposes. The volumes involved in ETD reporting are large. It is not unusual for a tier 1 bank to report around 550,000 transaction and position reports a day, of which the split is typically around 90% transaction and 10% position reports. A move to position reporting would remove a significant operational burden with no loss of oversight for systemic risk purposes.

FIA Recommendation: *FIA suggests simplifying the reporting of ETDs by switching to single-sided position reporting for EMIR ETD reporting, with the CCP reporting the transaction between the CCP and the clearing member using a single data set and the clearing member reporting the transaction between the clearing member and its client, using a single data set. Adopting a position, as opposed to transaction reporting regime will more accurately reflect the nature of ETDs, which are standardised contracts which are 'compressed' into a net position at the end of each day. A position reporting regime would also provide a more accurate representation of ETD lifecycle events and margin/collateral changes given that these take place at position level and cannot be reported at transaction level.*

Question 1.10: Are there any negative environmental and/or social impacts related to supervisory reporting stemming from EU legislation?

o Yes, both environmental and social

o Yes, environmental only

o Yes, social only

o No

o Don't know

If you answered 'yes' for either or both types of impacts, please elaborate and provide specific examples.

FIA Response: *No comment.*

Section 2: Quantifying the cost of compliance with supervisory reporting requirements

Section 2 of the consultation aims to gather concrete quantitative data concerning this compliance cost incurred by the end of 2016 for reporting frameworks in force by this date

Question 2.1: Is supervisory reporting in its current form unnecessarily costly for its intended purposes (i.e. ensuring financial stability, market integrity, and investor protection)?

o Yes

o No, it is at an appropriate level

o Don't know

Question 2.2: To what extent have the following factors contributed to the excessive cost of supervisory reporting? Please indicate the relevance of the following factors by giving each a rating from 0 to 4 (4: contributed greatly; 0: not contributed at all).

- **i)** Too many requirements: **4**
- **ii)** Need to report under several different reporting frameworks: **3**
- **iii)** Need to report to too many different entities: **1**
- **iv)** Lack of interoperability between reporting frameworks and/or between receiving/processing entities or supervisory authorities: **3**
- **v)** Need to report too frequently: **0**
- **vi)** Overlapping requirements: **3**
- **vii)** Redundant requirements: **4**
- **viii)** Inconsistent requirements: **4**
- **ix)** Unclear/vague requirements: **4**
- **x)** Insufficient use of (international) standards:**2**
- **xi)** Need to introduce/update IT systems: **4**
- **xii)** Need for additional human resources: **4**
- **xiii)** Too many/too frequent amendments in the relevant legislation: **4**
- **xiv)** Lack of a common financial language: **4**
- **xv)** Insufficient use of ICT: **0**
- **xvi)** Insufficient level of automation of the reporting process: **1**
- **xvii)** Lack of (adequate) technical guidance/specifications:**4**
- **xviii)** Other (please specify and provide a ranking from 0 to 4) **Trade Repositories having different requirements: 4**

Question 2.3: To what extent have the following types of legislative/regulatory requirements been a source of excessive compliance costs in terms of supervisory reporting? Please indicate the relevance of the following types of legislative/regulatory requirements by giving each a rating from 0 to 4 (4: very significant source of costs; 0: not at all a source of costs).

- **i)** Supervisory reporting requirements imposed by EU Regulations and/or Directives: **4**
- **ii)** Different Member State implementation of EU financial legislation, resulting in diverse national supervisory reporting requirements for the same financial entity/product: **0**
- **iii)** National supervisory reporting requirements in addition to those in EU legislation for a specific financial entity/product: **0**
- **iv)** Other supervisory reporting requirements in addition to those in EU legislation for a specific financial entity/product (please specify): **0**

Please elaborate and provide examples.

FIA Response: *Despite the reporting regimes of EMIR, MiFIR, MAR, AIFMD and REMIT using a similar core dataset, the lack of clarity and consistency imposed by EU Regulations and/ or Directives has led to the build out of several datasets to service the requirements of differing mandates.*

FIA Recommendation: *FIA members suggest adopting a 'report once' framework. Instead of submitting separate reports under multiple reporting regimes, it is preferable to adopt a framework which uses a single reportable dataset per transaction to serve multiple regulatory purposes. Regulators could then extract the specific data points they require to meet that particular regulatory mandate. This would significantly reduce the compliance costs associated with supervisory reporting and eliminate inconsistencies in the interpretation of common fields (e.g. price), whilst streamlining the management of the reporting and its processing.*

Question 2.4: Does the obligation to use structured reporting (i.e. templates or forms in which specific data elements to be reported are listed) and/or predetermined data and file formats (i.e. (i) the exact way in which the individual data elements are to be encoded or (ii) the file format in which the information to be reported is exchanged/submitted) for supervisory reporting increase or decrease the compliance cost of supervisory reporting?

(a) Increases the compliance cost

(b) Decreases the compliance cost

(c) Does not impact the compliance cost

(d) Don't know

Please provide specific examples to substantiate your answer.

FIA Response: *FIA members welcome the standardisation of reporting formats that provide a precise mandate on how the data is to be reported. This eliminates interpretational anomalies and harmonises the approach across the industry.*

Question 2.5: Please specify the supervisory reporting frameworks to which you are subject (or, in the case of entities receiving and/or processing the data or supervisory authorities, which you deal with or make use of) and estimate the cost (in monetary terms and as a percentage of operating cost) for your entity of meeting supervisory reporting requirements (or, in the case of entities receiving and processing the data or supervisory authorities, of processing the data).

i) Subject to/deal with/make use of the following supervisory reporting frameworks:
ii) Average initial implementation cost

Cost in euro	as a percentage of total assets//turnover/other (please specify), as applicable
Not possible to estimate (please elaborate)	Not possible to estimate (please elaborate)

iii) Average annual running cost (i.e. recurrent cost): i) in 2016:

Cost in euro	as a percentage of operating cost
Not possible to estimate (please elaborate)	Not possible to estimate (please elaborate)

iv) average over the last 5 years:

Cost in euro	as a percentage of operating cost
Not possible to estimate (please elaborate)	Not possible to estimate (please elaborate)

v) average over the last 10 years:

Cost in euro	as a percentage of operating cost
Not possible to estimate (please elaborate)	Not possible to estimate (please elaborate)

Please indicate whether the above figures concern your entity as a whole or only a part thereof (i.e. a department, a subsidiary, a branch, a regional division, etc.)

FIA Response: *No comment.*

FIA has not provided consolidated estimates on the cost of complying with reporting requirements under Section 2 given that members have different methodologies for calculating costs. However, FIA member firms welcome the opportunity to engage with the European Commission on a bilateral basis to discuss the cost of reporting.

Question 2.6: Which reporting frameworks contribute the most to the cost of compliance with supervisory reporting requirements? Please indicate as many frameworks as necessary and explain your answer.

FIA Response: *No comment.*

FIA has not provided consolidated estimates on the cost of complying with reporting requirements under Section 2 given that members have different methodologies for calculating costs. However, FIA *member firms welcome the opportunity to engage with the European Commission on a bilateral basis to discuss the cost of reporting.*

Question 2.7: Does your entity deal with supervisory reporting directly in-house or has this task been outsourced to an external provider?

o fully in-house

o partially outsourced

o fully outsourced

Please elaborate and, if possible, explain the reasons for your business choice.

FIA Response: *No comment.*

FIA has not provided consolidated estimates on the cost of complying with reporting requirements under Section 2 given that members have different methodologies for calculating costs. However, FIA member firms welcome the opportunity to engage with the European Commission on a bilateral basis to discuss the cost of reporting.

Question 2.8: Please indicate the size of your entity's department dealing with supervisory reporting:

Question 2.8 i): in terms of the number of employees, indicated as full-time equivalents (FTE):

a. at the end of 2016:
   - [number] FTEs
   - Not possible to estimate (please elaborate):

b. (b) In 2009:
   - [number] FTEs
   - Not possible to estimate (please elaborate):

Question 2.8 ii): as a percentage of the compliance work force:

a. at the end of 2016:
   - [number]%
   - Not possible to estimate (please elaborate):

b. In 2009:
   - [number]%
   - Not possible to estimate (please elaborate):

Question 2. 8 iii): as a percentage of the total work force:

a. at the end of 2016:
   - [number]%

- Not possible to estimate (please elaborate)

b. In 2009:
   - [number]%
   - Not possible to estimate (please elaborate):

Please indicate whether the above figures concern your entity as a whole or only a part thereof (i.e. a department, a subsidiary, a branch, a regional division, etc.).

FIA Response: *No comment.*

FIA has not provided consolidated estimates on the cost of complying with reporting requirements under Section 2 given that members have different methodologies for calculating costs. However, FIA member firms welcome the opportunity to engage with the European Commission on a bilateral basis to discuss the cost of reporting.

2.9 Have any of the EU level reporting frameworks brought (or partially brought) cost saving benefits (e.g. simplified regulatory reporting, facilitated internal data management processes, improved risk management, increased operational efficiencies, etc.)?

o Yes

o No

o Don't know

If you answered 'yes', please indicate which frameworks, explain in what way they have contributed to cost-savings, and if possible quantify the savings (with respect to previous or other similar reporting frameworks).

FIA Response: *No comment.*

FIA has not provided consolidated estimates on the cost of complying with reporting requirements under Section 2 given that members have different methodologies for calculating costs. However, FIA member firms welcome the opportunity to engage with the European Commission on a bilateral basis to discuss the cost of reporting.

Section 3: Identifying possible ways to simplify and streamline supervisory reporting

Section 3 of the consultation is therefore more forward-looking, and seeks stakeholders' views on possible future developments in supervisory reporting, in particular with regards to greater use of ICT and greater automation.

Question 3.1: Please indicate which of the following could reduce the compliance cost while maintaining a sufficient level of supervisory reporting to ensure that the intended objectives are achieved. Please select all relevant answers that apply.

	Short term	Long term	Don't know
o reduction of the number of data elements	Y	Y	
o clarification of the content of the data elements	Y	Y	
o greater alignment of reporting requirements	Y	Y	
o greater standardisation/use of international standards	Y	Y	
o development of a common financial language	Y	Y	
o ensuring interoperability between reporting frameworks and/or receiving/processing entities or supervisory authorities	Y	Y	
o greater use of ICT			x
o greater automation of the reporting process	Y	Y	
o other (please specify):			

Please elaborate, in particular explaining how you believe the answer(s) you selected could be achieved in practice.

FIA Response: *FIA members suggest the following developments would significantly help to reduce compliance costs with no loss to supervisory reporting oversight:*

1. ***Simplify the reporting of ETDs:*** *Switch to single-sided position reporting for EMIR ETD reporting, with the CCP reporting the transaction between the CCP and the clearing member using a single data set and the clearing member reporting the transaction between the clearing member and its client, using a single data set. Adopting a position, as opposed to a transaction reporting regime will more accurately reflect the nature of ETDs, which are standardised contracts which are 'compressed' into a net position at the end of each day. A position reporting regime would also provide a more accurate representation of ETD lifecycle events and margin/collateral changes given that these take place at position level and cannot be reported at transaction level;*

2. ***Adopt a 'report once' framework:*** *Instead of submitting separate reports under multiple reporting regimes, it is preferable to adopt a 'report once' framework which uses a single reportable dataset per transaction to serve multiple regulatory purposes (e.g. monitoring systemic risk as well as market abuse surveillance). Regulators could then extract the specific data points they require to meet the particular regulatory mandate. This would significantly reduce the compliance costs associated with supervisory reporting and eliminate inconsistencies in the interpretation of common fields (e.g. price), whilst streamlining the management of reporting and its processing;*

3. ***Remove the requirement to report the underlying static data:*** *Where a legal entity or instrument identifier, such as an LEI or ISIN is required to be reported there should be no requirement to also report the static data that sits beneath the primary identifier. This is a duplicative requirement since regulatory authorities already have access to the underlying data via the Global Legal Entity Identifier Foundation (GLEIF) database or Financial Instrument Reference Data System (FIRDS); and*

4. ***Collaborate on the development of a common financial language:*** *Encourage key jurisdictions to collaborate with the aim of obtaining a critical mass to support a global take up of a common financial language.*

Concerning the development of a common financial language (i.e. a set of harmonised definitions of the terms used in supervisory reporting):

Question 3.2: To what extent would the development of a common financial language help reduce the compliance cost of supervisory reporting?

o Very significantly

o Significantly

o Moderately

o Marginally

o Not at all

o Don't know

Please elaborate.

FIA Response: *The industry supports the development of a common financial language and perceives that such a language would significantly reduce the compliance costs associated with supervisory reporting.*

Currently, individual firms and trading venues have interpreted definitions within EMIR differently, leading to a nuanced approach to supervisory reporting across trading venues. FIA members anticipate that a standard definition of terms would result in a more consistent approach to EMIR reporting. This would result in greatly improved matching rates.

FIA Recommendation: *FIA members encourage key jurisdictions to collaborate with the aim of obtaining a critical mass to support a global take up of a common financial language.*

Question 3.3: To what extent would the development of a common financial language help improve the management (i.e. reporting or processing) of supervisory data required to be reported?

o Very significantly

o Significantly

o Moderately

o Marginally

o Not at all

o Don't know

Please elaborate.

FIA Response: *Please refer to question 3.2*

Question 3.4: Are there any prerequisites for the development of a common financial language?

o Yes

o No

o Don't know

If you answered ‘yes’, please elaborate and provide specific examples.

FIA Response: *FIA members suggest that for a common financial language to succeed there would need to be global agreement to facilitate advantageous data extraction for reporting regimes.*

FIA Recommendation: *FIA members recommend that key jurisdictions collaborate with the aim of obtaining a critical mass that would support a global take up of a common financial language.*

Question 3.5: Are there any obstacles to the development of a common financial language in the short term (i.e. 2 years or less)?

o Yes

o No

o Don't know

If you answered ‘yes’, please elaborate and provide specific examples.

FIA Response: *FIA members believe that developing a common financial language requires a set of key principles that are agreed upon and acknowledged around the world; for example, if the reporting of LEIs was acknowledged globally this would ensure that European institutions were not disadvantaged in having to obtain LEIs from their clients.*

Concerning interoperability between reporting frameworks (i.e. alignment/harmonisation of the reporting requirements) and/or receiving entities (i.e. the 16 ability of entities receiving supervisory data to share it amongst themselves in such a way that it remains legible):

Question 3.6: To what extent would ensuring interoperability between reporting frameworks and/or receiving entities help reduce the compliance cost of supervisory reporting?

o Very significantly

o Significantly

o Moderately

o Marginally

o Not at all

o Don't know

Please elaborate.

FIA Response: *As previously stated, the current reporting regimes (EMIR, MiFIR, MAR, AIFMD and REMIT) use a similar core dataset yet, several reports have to be submitted per transaction to meet the different regulatory requirements.*

FIA Recommendation: *FIA members consider it is preferable for the European Commission to design a 'report once' framework which uses a single reportable data set per transaction rather than requiring multiple reports to be submitted under multiple pieces of legislation. Under the 'report once' framework, the single data set could be used to serve the varying regulatory objectives, such as systemic risk oversight and market abuse surveillance, with regulators extracting the relevant data they require to meet the particular regulatory mandate. This would not only eliminate interpretational consistencies (e.g. the definition of 'price') that can occur between different pieces of legislation but it would also significantly reduce the compliance costs associated with supervisory reporting and streamline the management of reporting and its processing.*

Question 3.7: To what extent would ensuring interoperability between reporting frameworks and/or receiving entities help improve the management (i.e. reporting or processing) of supervisory data required to be reported?

<u>o Very significantly</u>

o Significantly

o Moderately

o Marginally

o Not at all

o Don't know

Please elaborate.

FIA Response: *Please refer to answer 3.6*

Question 3.8: Are there any prerequisites for introducing greater interoperability between reporting frameworks and/or receiving entities?

<u>o Yes</u>

o No

o Don't know

If you answered 'yes', please elaborate and provide specific examples.

FIA Response: *FIA members recommend developing one single data model (including standardised requirements and definitions) that is agreed between key global jurisdictions.*

Question 3.9: Are there any obstacles to introducing greater interoperability between reporting frameworks and/or receiving entities in the short term (i.e. 2 years or less)?

o Yes

o No

o Don't know

If you answered 'yes', please elaborate and provide specific examples.

Concerning greater use of ICT in supervisory reporting:

FIA Response: *Currently, NCAs reporting requirements are different. To increase interoperability, a review of all supervisory reporting requirements would be required. FIA members encourage initial discussions to begin as early as possible.*

FIA Recommendation: *Instead of submitting separate reports under multiple reporting regimes, it is preferable to adopt a 'report once' framework which uses a single reportable dataset per transaction to serve multiple regulatory purposes (e.g. monitoring systemic risk as well as market abuse surveillance). Regulators could then extract the specific data points they require to meet the particular regulatory mandate. This would significantly reduce the compliance costs associated with supervisory reporting and eliminate inconsistencies in the interpretation of common fields (e.g. price), whilst streamlining the management of reporting and its processing.*

Question 3.10: To what extent would greater use of ICT help reduce the compliance cost of supervisory reporting?

o Very significantly

o Significantly

o Moderately

o Marginally

o Not at all

o Don't know

Please elaborate.

FIA Response: *No comment.*

Question 3.11: To what extent would greater use of ICT help improve the management (i.e. reporting or processing) of supervisory data required to be reported?

o Very significantly

o Significantly

o Moderately

o Marginally

o Not at all

o Don't know

Please elaborate.

FIA Response: *If the term ICT is interpreted in line with the definition provided in the footnote on page 10 of this consultation, FIA members are of the opinion that a greater use of ICT would not improve the management of data reported under EMIR.*

Question 3.12: Are there any prerequisites for the greater use of ICT in supervisory reporting?

o Yes

o No

o Don't know

If you answered ‘yes’, please elaborate and provide specific examples.

FIA Response: *No comment.*

Question 3.13: Are there any obstacles to the greater use of ICT in supervisory reporting in the short term (i.e. 2 years or less)?

o Yes

o No

o Don't know

If you answered ‘yes’, please elaborate and provide specific examples.

FIA Response: *No comment.*

Concerning greater automation of the reporting process:

Question 3.14: To what extent would greater automation of the reporting process help reduce the compliance cost of supervisory reporting?

o Very significantly

o Significantly

o Moderately

o Marginally

o Not at all

o Don't know

Please elaborate.

FIA Response: *FIA members agree that EMIR reporting systems are already automated and greater automation would not provide additional benefits. In general this would apply to all reporting regimes which are already operating at a high level of automation.*

Question 3.15: To what extent would greater automation of the reporting process help improve the management (i.e. reporting and/or processing) of supervisory data required to be reported?

o Very significantly

o Significantly

o Moderately

o Marginally

o Not at all

o Don't know

Please elaborate.

FIA Response: *please refer to 3.14*

Question 3.16: Are there any prerequisites for a greater automation of supervisory reporting?

o Yes

o No

o Don't know

If you answered ‘yes’, please elaborate and provide specific examples.

FIA Response: *No comment.*

Questions 3.17: Are there any obstacles to a greater automation of supervisory reporting in the short term (i.e. 2 years or less)?

o Yes

o No

o Don't know

If you answered ‘yes’, please elaborate and provide specific examples.

FIA Response: *No comment.*

Question 3.18: What role can EU regulators play in facilitating or stimulating greater use of ICT in supervisory reporting?

o Crucial role

o Important role

o Moderate role

o Limited role

o No role

o Don't know

Please elaborate and provide specific examples of where and how you believe EU regulators could help.

FIA Response: *No comment.*

Question 3.19: What role can EU regulators play in facilitating or stimulating greater automation of the reporting process?

o Crucial role

o Important role

o Moderate role

o Limited role

o No role

o Don't know

Please elaborate and provide specific examples of where and how you believe EU regulators could help.

FIA Response: *No comment.*

Question 3.20: What else could be done to simplify supervisory reporting while ensuring that regulated entities continue to fulfil their supervisory reporting requirements?

FIA Response: *FIA has the following key recommendations:*

1. ***Simplify the reporting of ETDs:*** *Switch to single-sided position reporting for EMIR ETD reporting, with the CCP reporting the transaction between the CCP and the clearing member using a single data set and the clearing member reporting the transaction between the clearing member and its client, using a single data set. Adopting a position, as opposed to a transaction reporting regime will more accurately reflect the nature of ETDs, which are standardised contracts which are 'compressed' into a net position at the end of each day. A position reporting regime would also provide a more accurate representation of ETD lifecycle*

events and margin/collateral changes given that these take place at position level and cannot be reported at transaction level;

2. ***Adopt a 'report once' framework:*** *Instead of submitting separate reports under multiple reporting regimes, it is preferable to adopt a 'report once' framework which uses a single reportable dataset per transaction to serve multiple regulatory purposes (e.g. monitoring systemic risk as well as market abuse surveillance). Regulators could then extract the specific data points they require to meet the particular regulatory mandate. This would significantly reduce the compliance costs associated with supervisory reporting and eliminate inconsistencies in the interpretation of common fields (e.g. price), whilst streamlining the management of reporting and its processing;*

3. ***Remove the requirement to report the underlying static data:*** *Where a legal entity or instrument identifier, such as LEI or ISIN, is required to be reported there should be no requirement to also report the static data that sits beneath the primary identifier. This is a duplicative requirement since regulatory authorities already have access to the underlying data via the Global Legal Entity Identifier Foundation (GLEIF) database or Financial Instrument Reference Data System (FIRDS); and*

4. ***Collaborate on the development of a common financial language:*** *We would encourage key jurisdictions to collaborate with the aim of obtaining a critical mass to support a global take up of a common financial language.*

Question 3.21: Can you provide any practical example of improvements to data management processes that could be applied to supervisory reporting with a view to reducing the compliance cost and/or improving the management of supervisory reporting?

o Yes

o No

If you answered 'yes', please specify and explain your suggestions.

FIA Response: *FIA has the following key recommendations:*

1. ***Simplify the reporting of ETDs:*** *Switch to single-sided position reporting for EMIR ETD reporting, with the CCP reporting the transaction between the CCP and the clearing member using a single data set and the clearing member reporting the transaction between the clearing member and its client, using a single data set. Adopting a position, as opposed to a transaction reporting regime will more accurately reflect the nature of ETDs, which are standardised contracts which are 'compressed' into a net position at the end of each day. A position reporting regime would also provide a more accurate representation of ETD lifecycle events and margin/collateral changes given that these take place at position level and cannot be reported at transaction level;*

2. ***Adopt a 'report once' framework:*** *Instead of submitting separate reports under multiple reporting regimes, it is preferable to adopt a 'report once' framework which uses a single reportable dataset per transaction to serve multiple regulatory purposes (e.g. monitoring systemic risk as well as market abuse surveillance). Regulators could then extract the specific data points they require to meet the particular regulatory mandate. This would significantly*

reduce the compliance costs associated with supervisory reporting and eliminate inconsistencies in the interpretation of common fields (e.g. price), whilst streamlining the management of reporting and its processing;

3. ***Remove the requirement to report the underlying static data:*** *Where a legal entity or instrument identifier, such as an LEI or ISIN is required to be reported there should be no requirement to also report the static data that sits beneath the primary identifier. This is a duplicative requirement since regulatory authorities already have access to the underlying data via the Global Legal Entity Identifier Foundation (GLEIF) database or Financial Instrument Reference Data System (FIRDS); and*

4. ***Collaborate on the development of a common financial language:*** *We would encourage key jurisdictions to collaborate with the aim of obtaining a critical mass to support a global take up of a common financial language.*

About FIA

FIA is the leading global trade organization for the futures, options and centrally cleared derivatives markets, with offices in London, Singapore and Washington, D.C. FIA's membership includes clearing firms, exchanges, clearinghouses, trading firms and commodities specialists from more than 48 countries as well as technology vendors, lawyers and other professionals serving the industry.

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