Futures & Options Association

EMIR TR Operations Working Group

Discussion Document

DRAFT

12th August 2013 – v0.13

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Summary

Section	Topic	Status	Industry Proposal
1	Mark-To-Market (M2M)	In progress	- M2M will be reported by Clients, CBs and CCPs. - M2M will be reported for positions only as per ESMA Q&A of 20-Mar-2013. M2M for Trades will be reported as zero ("N/A" if the numerical field allows it). - M2M will be reported by CBs vs CCPs per each margin account (House, Client Omnibus, ISA). - Valuation type will always be "M" ("Mark-to-market"). - M2M valuation method is to be agreed between CBs and CCPs. - Valuation date and time is to be agreed between CBs and CCPs.
2	Collateral	Agreed	- Industry agreement is that ETD contracts are always one-way collateralised ("OC"), in line with the CFTC definition that one party agrees to regularly post initial and variation margin, i.e. CBs post margin to CCPs, and Clients to CBs. - Industry recommendation to increase the Portfolio ID field to 50 alphanumeric characters, in order to allow for individually segregated accounts in the future.
3	Trade Identifier	In progress	<u>Status:</u> - Agreement that the UTI template allows all reporting parties to self-populate for any market. - Action: CCPs to revert with proposal, providing example specifications including frequency and methodology by which they construct the UTI.
4	Product Identifier	Agreed	- Use Taxonomy "I" with ISIN/Aii and CFI. - The ETD Industry agreed that were ISIN product codes are present, counterparties to a trade may use either ISIN or Aii in "Product ID 1" interchangeably. - "Product ID 2" field will be populated with the CFI, and a classification of products is to be provided by EEA CCPs.

Summary (contd.)

Section	Topic	Status	Industry Proposal
5	Entity Identifier	In progress	Status: - Industry agreement on the hierarchy for Entity Identifier: LEI, Pre-LEI, BIC, or a client code. - Status: ROC meeting on 11/12 June may provide more clarity on development of LEI.
6	Scope of reporting obligation	In progress	Status: - The proposal on Scope of Reporting has been sent to Norton Rose for opinion along with feedback received via the FOA website.
7	Execution & Clearing Timestamps	Agreed	- Trades: the Execution Timestamp and Clearing Timestamp are the same, and will be populated with the timestamp provided by the CCP, in the case of CB vs CCP. - Positions: populate Execution Timestamp with "N/A" , and Clearing Timestamp with "23:59:00" (UTC).
8	Lifecycle Events	In progress	Status: - Lifecycle events to be aligned with the proposal on UTI for positions. - Further discussion required on whether netting will be reported.
9	Back-reporting	Agreed	- Provide a snapshot of positions as of the previous day to the start of the Transaction Reporting obligation.
10	Archiving	Agreed	- Reporting parties will be responsible for keeping records of reported transactions for 5 years (non-CCPs) and 10 years (CCPs).
11	Notional Amount	In progress	Status: - CCPs to revert with calculation used for each product.

1. MTM Open Questions IN PROGRESS

Questions		MTM/ Collateral	Slide
1.1	Who should report the value of MTM	MTM	6
1.2	How should you calculate MTM	MTM	7-10
1.3	How to source valuation date and time	MTM	11-12
1.4	How to obtain valuation type	MTM	13

1.1 Reporting Responsibility for MTM

Description
1. Who should report the value of MTM?

Fields	ESMA Text
Fields 17-21 affected	Refer to annex Ref 1, Ref 3 and Ref 4

Issues	Assumptions
• Different options are available for whom the reporting obligation will fall to • CCP does not have underlying client information	• Matching of counterparty data is not required as per 20th March Q&A TR Answer 7

Options	Benefits	Points for consideration
Option 1 **Client, CB and CCP all report**	• Only way to capture a valuation where a client trades with a non EEA CB and CCP	• Possibility to have different valuations but in practice unlikely given CCP closing prices will be used by both
Option 2 **CCP and CB both report valuation**	• CB as complete picture of client accounts as well as positions against CCP. • CB valuation provides the linkage between the net positions at the CCP and the client position	• Possibility to have different valuations but in practice unlikely given CCP closing prices will be used by both • Does not capture scenario where EEA client trades with non EEA CB and CCP
Option 3 **CCP only reports valuation**	• Only one valuation provided to the TR	• Client omnibus accounts will only be reported on a net basis vs. CB • Does not capture scenario where EEA client trades with non EEA CB and CCP

ETD Industry recommendation is Option 1.

The industry opinion greatly favours Option 1, as this is the most transparent method. The CCP does not have the information pertaining to the underlying client for trades and positions only the CB and the client have this information. The CCP will only be able to be report at an omnibus client level.

1.2 Mark-to-market value of the contract IN PROGRESS

Description
2. How to determine the Mark-to-Market Valuation Method

Issues	ESMA Text
Field 17: Mark to market value of the contract Details to be reported: Mark to market valuation of the contract, or mark to model valuation where applicable under Article 11(2) of Regulation (EC) No 648/2012 Format: Up to 20 numerical digits	Refer to annex Ref 1

Issues	Assumptions
• Numerous valuation methodologies for trades and positions • CCPs, CBs and Clients may apply different approaches for Mark-to-market	• Matching of counterparty data is not required as per 20th March Q&A TR Answer 7 • Mark-to-market can only be reported on position level (otherwise, e.g. for a closed position MTM would have to be reported daily for each constituent trade, leading to circa 400 mio MTM updates daily)

Below lists the different valuation methods for trades and positions

Valuation Type	Option	Trade	Position
Open Trade Equity	1	(Today Settlement Price - Trade Price) *Quantity*Multiplier	(Today Settlement Price - Aggregate of all open trades Prices) *Quantity*Multiplier
Market Value/ Notional	2	MV =Today Settlement Price*Quantity*Multiplier Notional =Trade Price*Quantity*Multiplier	Today Settlement Price*Quantity*Multiplier
Daily Variation Margin	3/4	(Trade Price - Previous Settlement Price) *Quantity*Multiplier	(Today Settlement Price - Previous Settlement Price) *Quantity*Multiplier

1.2 Mark-to-market valuation methods IN PROGRESS

Options	Definition	Benefits	Points for consideration
Option 1 **Open Trade Equity** Unrealised profit or loss on open futures position	• Unrealised profit or loss on open futures position • Excludes premium paid options	• Transparent - Currently clearing brokers and clients account on OTE	• If reported at position level, will be reported with original trade price and will take aggregate of original trade prices vs. current settlement price
Option 2 **Market Value/ Trade & Position Notional** Notional value of the position	• Notional value of the position taken with current settlement prices • Notional value of the trade taken with original trade prices	• Simple notional value of current position	• Very large number which does not tie back directly to actual risk • Repeating Field 14 of counterparty data used for notional. For trades - trade price will be used. For positions - settlement price will be used.
Option 3 - Trade **Daily Variation Margin** @ Settlement Price vs. Trade Price	• Daily change in OTE plus P&S (closed out trades) and any adjustments that result in P&L • Excludes fees or commissions		• If reported at position level, will be reported with original trade price and will take aggregate of open position price vs. previous day price
Option 4 - Position **Daily Variation Margin** @ Settlement Price vs. Settlement Price	• Change in value of open positions only as a result of change in market price • Excludes P&S, fees, commissions & adjustments	• Simple representation of the P&L impact of the move in market prices • Shows the daily movement of risk using published prices at a position level • Currently used by majority of CCPs	• Ignores other events which impact P&L • Does not take into account original trade prices

1.2 Mark-to-market worked example IN PROGRESS

Day 1

SOD Position

UTI	Description		Long	Short
No open position			0	0

Price Activity

Previous Day Settlement Price	5614
Today Settlement Price	5617

Trade Activity

UTI	Description	Trade Price	Buy	Sell
T1	Buy 100 NYSE FTSE DEC13	5615	100	
T2	Buy 10 NYSE FTSE DEC13	5616	10	
T3	Sell 30 NYSE FTSE DEC13	5618		-30
T4	Buy 10 NYSE FTSE DEC13	5615	10	

Trade Valuations

Option 1	Option 2		Option 3
OTE	Market Value	Notional	Daily VM
2,000	5,617,000	5,615,000	1,000
100	561,700	561,600	200
300	- 1,685,100	- 1,685,400	- 1,200
200	561,700	561,500	100

EOD Open Postion

UTI	Description	Trade Price	Long	Short
P1	Long 80 NYSE FTSE DEC13	5615	80	
P1	Long 10 NYSE FTSE DEC13	5616	10	
Totals			**90**	

Position Valuations

Option 1	Option 2	Option 3	Option 4
OTE	Market Value	Daily VM	Daily VM
1,600	4,493,600	800	2,400
100	561,700	200	300
1,700	**5,055,300**	**1,000**	**2,700**

Day 2

SOD Position

UTI	Description	Trade Price	Long	Short
P1	Long 80 NYSE FTSE DEC13	5615	80	
P1	Long 10 NYSE FTSE DEC13	5616	10	

Price Activity

Previous Day Settlement Price	5617
Today Settlement Price	5616

Trade Activity

UTI	Description	Trade Price	Buy	Sell
T5	Sell 40 NYSE FTSE DEC13	5619		-40
T6	Buy 10 NYSE FTSE DEC13	5615	10	

Trade Valuations

Option 1	Option 2		Option 3
OTE	Market Value	Notional	Daily VM
1,200	- 2,246,400	- 2,247,600	- 800
100	561,600	561,500	- 200

EOD Open Position

UTI	Description	Trade Price	Long	Short
P1	Long 40 NYSE FTSE DEC13	5615	50	
P1	Long 10 NYSE FTSE DEC13	5616	10	
Totals			**60**	

Position Valuation

Option 1	Option 2	Option 3	Option 4
OTE	Market Value	Daily VM	Daily VM
500	2,808,000	-1,000	-500
0	561,600	-100	-100
500	**3,369,600**	**- 1,100**	**- 600**

Day 3

SOD Activity

UTI	Description	Settlement Price	Long	Short
P1	Long 40 NYSE FTSE DEC13	5615	50	
P1	Long 10 NYSE FTSE DEC13	5616	10	

Price Activity

Previous Day Price	5616
Today Settlement Price	5612

Trade Activity

UTI	Description	Trade Price	Buy	Sell
No Trade Activity			0	0

Trade Valuations

Option 1	Option 2		Option 3
OTE	Market Value	Notional	Daily VM
-	-	-	-

EOD Open Position

UTI	Description	Trade Price	Long	Short
P1	Long 40 NYSE FTSE DEC13	5615	50	
P1	Long 10 NYSE FTSE DEC13	5616	10	
Totals			**60**	

Position Valuation

Option 1	Option 2	Option 3	Option 4
OTE	Market Value	Daily VM	Daily VM
-1,500	2,806,000	-500	-2,000
-400	561,200	400	-400
- 1,900	**3,367,200**	**- 100**	**- 2,400**

Contract	Multiplier (tick value)
NYSE.LIFFE FTSE 100 Futures	£10 per index point

Example of 3 days worth of trades converted into net positions EOD, showing the values of the different MTM valuation and notional value options available on a futures contract as stated on the previous two slides. EOD total positions are reflected at a net level.

Both previous day settlement price and current settlement price are illustrated in the days activity.

EOD position totals for OTE have used current settlement price vs. the original open trades price.

Market value at position level is calculated with current settlement price.

Daily VM for positions, option 3, uses previous settlement price vs. original trade price on open positions valuation is calculated with previous settlement price.

Daily VM for positions, option 4, uses current settlement price vs. previous settlement price. Showing the day on day change in market price and position.

Notional has been included to add perspective to the reportable fields. i.e. market value will always equal notional for positions. Position and trade notional will be represented in field 14 of common data for EMIR reporting.

1.2 Mark-to-market analysis for positions IN PROGRESS

Option	Day 1 Value	Day 2 Value	Day 3 Value	Analysis
Option 1 **Open Trade Equity**	£1700	£500	-£1900	FOA consensus - Favoured approach for CBs and clients. Transparent calculation representing the overall difference off original trade price vs. Current settlement price. Some CCPs do not maintain the original trade price and mark position daily.
Option 2 **Market Value**	£5,055,300	£3,369,600	£3,367,200	This would be reported in Field 14 of common data.
Option 3 **Daily Variation Margin** @ Settlement Price vs. Trade Price	£1,000	-£1,100	-£100	Previous settlement price used vs. current day position would not give accurate representation of present value.
Option 4 - **Daily Variation Margin** @ Settlement Price vs. Settlement Price	£2,700	-£600	-£2,400	EACH consensus - Favoured approach for CCPs. EACH believe this give ESMA the information they require for MTM.

The industry opinion is currently divided between option 1 and option 4.
CBs and clients favour option 1 as this represents the changes based on the original trade vs current settlement price representing the unrealised gain or loss on the open positions whereas CCPs favour option 4 representing the profit and loss impact of the day on day change of market prices.

1.3 Valuation Date and Time IN PROGRESS

Description
3. How to source the valuation date and time

Fields	ESMA Text
Field 19: Valuation date Details to be reported: Date of the last mark to market or mark to model valuation Format: ISO 8601 date format Field 20: Valuation time Details to be reported: Time of last mark to market or mark to model valuation Format: UTC time format	• Refer to annex Ref 1

Issues	Assumptions
• It is not prescriptive on how to interpret valuation date and time	• Matching of counterparty data is not required as per 20th March Q&A TR Answer 7

1.3 Valuation Date and Time IN PROGRESS

Options	Benefits	Points for consideration
Option 1 **Batch completion time**	• Simple implementation ➢ Internal time stamps ➢ EOD Default time No manual touch points	• Will not be consistent through different firms and therefore can never be a matching field
Option 2 **Date and time prices are published by the CCP**	• All time stamps should be consistent throughout the industry for the different CCPs	• Reliance on external data feed from CCP to consume data internally before reporting can be done • Complex technical build required to source data from exchange
Option 3 **Industry determines generic CCP valuation point**	• All time stamps should be consistent throughout the industry for the different CCPs	• Requires static data maintenance for all reporting parties

ETD Industry recommendation is Option 3, using 23:59:00 as the valuation point, as ETD are valued on a daily basis.

1.4 Valuation Type

Description
4. How to obtain the information of valuation type

Fields		ESMA Text
Field 21: Details to be reported: Format:	Valuation Type Mark to market valuation of the contract or mark to model valuation where applicable under Article 11(2) of Regulation (EC) No 648/2012 M = mark to market / O = mark to model	• Refer to annex Ref 1

Issues	Assumptions
• Clearing firms will need to obtain valuation type from CCPs per contract • Not known if valuation method will remain static once a method has been adopted	• Matching of counterparty data is not required as per 20th March Q&A TR Answer 7 • Majority of contracts will be mark to market

Options	Benefits	Points for consideration
Option 1 **Use CCP official published settlement price**	• Simple implementation direct from internal database. • Limited technology build required	• For Client vs. CB valuation will always be mark to market as client and CBs are taking official market prices • CCP may use mark to model valuations to create market price

ETD Industry recommendation is to populate with “M”, as the prices used by CBs are provided by the exchanges and are therefore official market prices.

2. Collateral Open Questions

Questions		MTM/ Collateral	Slide(s)
2.1	How to determine the category of collateralisation	Collateral	14-15
2.2	Which party should report collateral	Collateral	16-17
2.3	How to report collateral portfolio in numerical format	Collateral	18
2.4	Determine how to represent multiple currency portfolio that is covered by both non-cash and cash collateral	Collateral	19-21

2.1 Collateralisation

Description
1. How to determine the category listed derivatives will fall in to

Fields		ESMA Text
Field 22: Details to be reported: Format:	Collateralisation Whether collateralisation was performed U = uncollateralised, PC = partially collateralised, OC = one way collateralised or FC = fully collateralised	

Issues	Assumptions
• Listed derivatives are both fully collateralised and one way collateralised	• Matching of counterparty data is not required as per 20th March Q&A TR Answer 7 • Listed derivative contracts will never be uncollateralised or partially collateralised

2.1 Collateralisation

Options	Points for consideration
Option 1 **One way collateralised**	
Option 2 **Fully collateralised**	

ETD Industry recommendation is:

- ***Industry proposal is to always populate with "OC", following the CFTC definition of ‘‘One-way Collateralized’’ — one party agrees to post initial margin, regularly post variation margin or both.***

2.2 Collateralisation (who should report)

Description
2. Which party should report the collateral?

Fields		ESMA Text
Field 22: Details to be reported: Format:	Collateralisation Whether collateralisation was performed U = uncollateralised, PC = partially collateralised, OC = one way collateralised or FC = fully collateralised	
Field 25: Details to be reported: Format:	Value of the collateral Value of the collateral posted by the reporting counterparty to the other counterparty. Where collateral is posted on a portfolio basis, this field should include the value of all collateral posted for the portfolio. Specify the value the total amount of collateral posted; up to 20 numerical digits in the format xxxx,yyyyy.	
Field 26: Details to be reported: Format:	Currency of the collateral value Specify the value of the collateral for field 25. Specify the currency of field 25; ISO 4217 Currency Code, 3 alphabetical digits.	

Issues	Assumptions
	• Matching of counterparty data is not required as per Q&A TR Answer 7

2.2 Collateralisation (who should report)

Options	Benefits	Points for consideration
Option 1 **Collateral Giver**	• Simple approach.	• There will be no collateral comparison
Option 2 **Both parties**	• Facilitate collateral valuation comparison	• None.

ETD Industry recommendation is Option 2.

2.3 Collateral Portfolio Code

Description
3. How to report collateral portfolio in numerical format

Fields		ESMA Text
Field 24: Details to be reported: Format:	Collateral Portfolio code If collateral is reported on a portfolio basis, the portfolio should be identified by a unique code determined by the reporting counterparty Up to 10 numerical digits	Refer to annex Ref 3

Issues	Assumptions
• Majority of firms use alphanumeric formats to name portfolios • Restriction on 10 digits is restrictive	• Matching of counterparty data is not required as per 20th March Q&A TR Answer 7 • Unique code is unique to counterparty not unique at an industry level

Options	Benefits	Points for consideration
Option 1 **Allow for alphanumeric format**	• Simple implementation • Firms will be able to utilise internal codes already in use	• Some portfolios could be used across the all reporting counterparties however should be linked to reporting counterparty for grouping purposes within TR

ETD Industry recommendation is to increase the field to be 50 alphanumeric characters, in order to allow for individually segregated client accounts.

2.3 Collateral Value

Description
4. Determine how to represent multiple currency portfolio that is covered by both non-cash and cash collateral

Fields		ESMA Text
Field 25: Details to be reported: Format: Field 26: Details to be reported: Format:	Value of the collateral Value of the collateral posted by the reporting counterparty to the other counterparty. Where collateral is posted on a portfolio basis, this field should include the value of all collateral posted for the portfolio. Specify the value the total amount of collateral posted; up to 20 numerical digits in the format xxxx,yyyyy. Currency of the collateral value Specify the value of the collateral for field 25. Specify the currency of field 25; ISO 4217 Currency Code, 3 alphabetical digits.	Refer to annex Ref 2 - 5

Issues	Assumptions
• How can collateral be presented; ➢ Single currency vs. Multi currency ➢ Cash vs. Non Cash ➢ Debit balances vs.. Credit balances • Illustrating FX rates used to convert into base currency • Illustrating pricing source for non cash	• Matching of counterparty data is not required as per 20th March Q&A TR Answer 7 • Collateral will be valued without haircut applied.

2.4 Collateral Value

Options	Benefits	Points for consideration
Option 1 Aggregate single currency equivalent reporting	• Simple technical implementation • Reduced mismatches • Easier to compare data across TR's – does not require TR to calculate/concert for reconciliation	• No transparency on components of collateral received or prices / FX rates
Option 2 Aggregate multi-currency reporting	• Simple technical implementation • Reduced mismatches • FX sourcing is not required	• Does not differentiate between cash and non cash
Option 3 Hybrid – Cash as equivalent value & Non Cash reported 'asset by asset'	• Increased transparency between cash / non-cash • Negative cash balances not reported (converted to equivalent and offset vs.. credit)	• Multiple lines per report to TR • Complicated reporting logic • Repeat of data for every report to TR
Option 4 Individual 'Asset by Asset' reporting	• Full transparency on all collateral received	• Multiple lines per report to TR • Complicated reporting logic • Repeat of data for every report to TR

ETD Industry recommendation is Option 2.

The industry opinion greatly favours Option 2, as we feel that the aggregate multi currency value meets the requirement to 'know' the value of collateral reported by each counterparty whilst limiting the amount of TR reconciliation necessary, and mitigating issues that may present if Option 3 or 4 is adopted.

2.4 Collateral (worked example)

Below is an example of a cross currency portfolio, which has both cash and non cash collateral.

Global Alpha Master Fund (GMAF) PC: 123456789					
Cash					
CCY	**IM**	**VM**	**Sum**	**FX Rate**	**Converted £**
EUR	-€1,300	€200	€-1,100	EUR/ GBP = 1.1	-£1,000
GBP	£2,500	£100	£2,600	GBP/GBP = 1	£2,600
USD	-$1,200	-$300	$-1,500	USD/GBP = 1.5	£-1,000
				Total	**£600**

Non-Cash										
Qty	**Description**	**Identifier**	**CCY**	**Market Price**	**Market Value**	**Hair Cut**	**Hair Cut Value**	**FX Rate**	**MV = £**	**HCV =£**
1,000	BTF 09JAN2014	99E9483B0	EUR	99.97	€999.70	5%	€949.72	EUR/ GBP = 1.1	£908.82	£ 863.38
2000	BILL 05/02/13	9127956L0	USD	99.99	$1,999.80	1%	$1,979.80	USD/GBP = 1.5	£1,333.20	£1,319.87
								Total Value	**£2,242.02**	**£2,183.25**

2.4 Collateral (worked example)

Below details how option 1-4 would be reported from the previous slide. There are no applicable fields to detail underlying non cash collateral details. Market values have been taken from above.

Option 1			
Field	**Value of collateral**	**Field**	**CCY**
25	2842.02	26	GBP

Option 1 - Aggregate single currency equivalent reporting

Sum of cash portfolio in single currency + cash equivalent of non cash collateral in single currency

Option 2			
Field	**Value of collateral**	**Field**	**CCY**
25a	-100.30	26a	EUR
25b	2,600	26b	GBP
25c	499.80	26c	USD

Option 2 - Aggregate multi-currency

Cash portfolio in multi currency + cash equivalent of non cash collateral in native currencies

Option 3			
Field	**Value of collateral**	**Field**	**CCY**
25a	600	26a	GBP
25b	999.70	26b	EUR
25c	1,999.80	25c	USD

Option 3 - Hybrid – Cash as equivalent value & Non Cash reported 'asset by asset'

Sum of cash portfolio in single currency + underlying non cash collateral values

25a = Cash
25 b = 1000 BTF 09JAN2014 99E9483B0
25 c = 2000 BILL 05/02/12 9127956L0

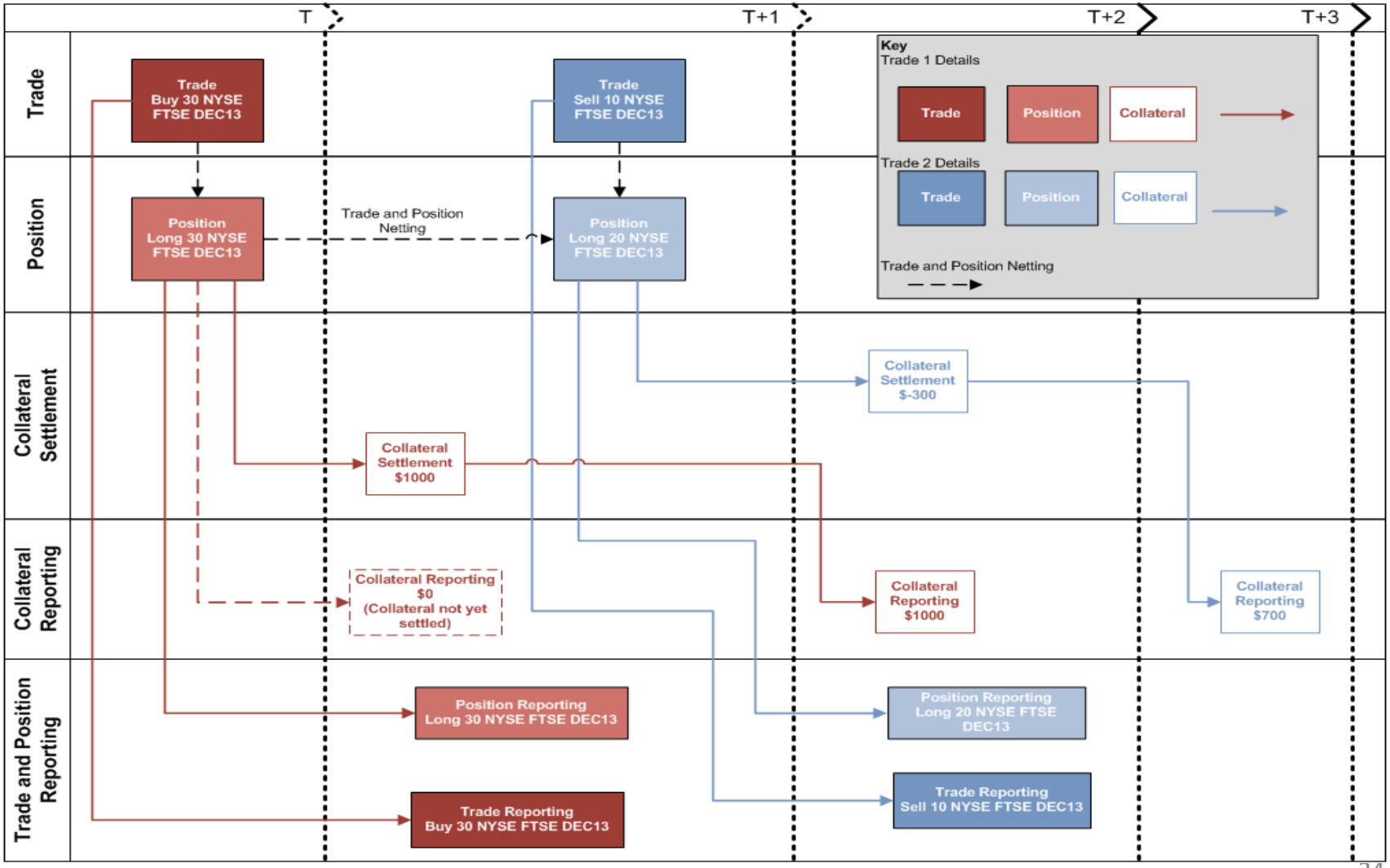
Option 2			
Field	**Value of collateral**	**Field**	**CCY**
25a	-1,100	26a	EUR
25b	2,600	26b	GBP
25c	-1,500.00	26c	USD
25d	999.70	26d	EUR
25e	1,999.80	25e	USD

Option 4 - Individual 'Asset by Asset' reporting

Cash portfolio in multi currency + underlying non cash collateral values
25a = EUR cash
25b = GBP Cash
25c = USD Cash
25d = 1000 BTF 09JAN2014 99E9483B0
25e = 2000 BILL 05/02/12 9127956L0

2.4 Collateral Reporting Time Lag

Description
Trades settles on T, collateral settles on T+ 1. There will always be a one day reporting gap for collateral vs. trade



2. Annex – ESMA Text

REF 1

REGULATION (EU) No 648/2012 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 4 July 2012

Article 11(2)

Financial counterparties and non-financial counterparties referred to in Article 10 shall mark-to-market on a daily basis the value of outstanding contracts.

Where market conditions prevent marking-to-market, reliable and prudent marking-to- model shall be used.

REF 2

Ref 2 Regulation - COMMISSION DELEGATED REGULATION (EU) No 148/2013 of 19 December 2012

Article 3 Reporting of Exposures

1. The data on collateral required under Table 1 of the Annex shall include all posted collateral.
2. Where a counterparty does not collateralise on a transaction level basis, counterparties shall report to a trade repository collateral posted on a portfolio basis.
3. Where the collateral related to a contract is reported on a portfolio basis, the reporting counterparty shall report to the trade repository a code identifying the portfolio of collateral posted to the other counterparty related to the reported contract.
4. Non-financial counterparties other than those referred to in Article 10 of Regulation (EU) No 648/2012 shall not be required to report collateral, mark to market, or mark to model valuations of the contracts referred to in Table 1 of the Annex.
5. For contracts cleared by a CCP, mark to market valuations shall only be provided by the CCP

2. Annex – ESMA Text

REF 3

Questions and Answers Implementation of the Regulation (EU) No 648/2012 on OTC derivatives, central counterparties and trade repositories (EMIR)
20 March 2013 | ESMA/2013/324

TR Question 3

Article 9 of EMIR – Reporting of collateral and valuation

How should information on collateral and valuation be reported to TRs?

TR Answer 3

As specified in Article 3 of Commission Delegated Regulation (EU) No 148/2013 (RTS on reporting to TR), collateral can be reported on a portfolio basis. This means the reporting of each single executed transaction should not include all the fields related to collateral, to the extent that each single transaction is assigned to a specific portfolio and the relevant information on the portfolio is reported on a daily basis (end of day). With reference to transactions cleared by a CCP, the fields on the contract valuation should be reported on a daily basis at position level, as maintained and valued by the CCP.

REF 4

Questions and Answers Implementation of the Regulation (EU) No 648/2012 on OTC derivatives, central counterparties and trade repositories (EMIR)
20 March 2013 | ESMA/2013/324

TR Question 7

Article 9 of EMIR – Reporting to TRs: Avoidance of duplication

In order to avoid the duplication of reported details (according to Article 9(1) of EMIR), could the CCP impose on its clearing members (and, consequently, on counterparties represented by the clearing members in clearing) that transactions accepted by the CCP for clearing are reported only by the CCP to the TR selected by the CCP?

TR Answer 7

Article 9 provides that counterparties and CCPs should ensure reporting, not only CCPs. Counterparties and CCPs should ensure that there is no duplication of the reporting details by way of agreeing on the most efficient reporting method, to avoid duplication. In the scenario where the CCP and counterparties use different TRs, it is possible that the CCP reports that the contract has been cleared in a TR different from the TR in which the contract has been originally reported by the counterparties. CCPs and counterparties should then do so with consistent data, including the same trade ID and the same valuation information to be provided by the CCP to the counterparties.

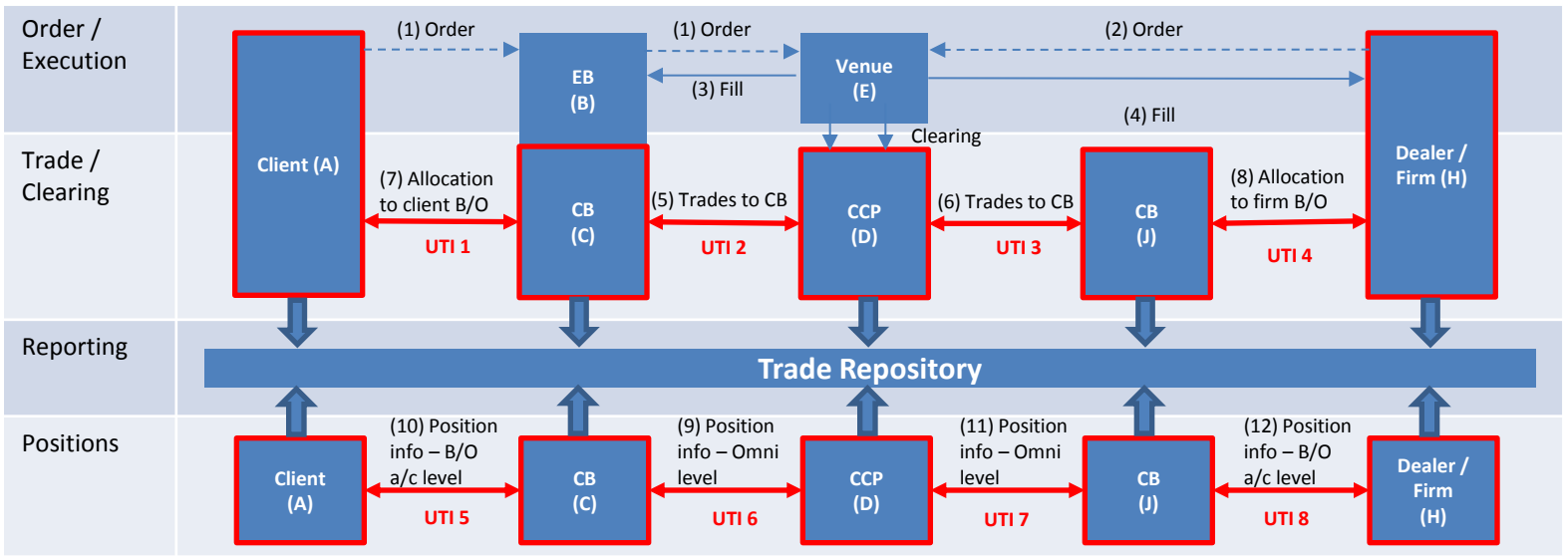
Under Article 9 of EMIR, both the counterparties and the CCP have an obligation to ensure that the report is made without duplication, but neither the CCP nor the counterparties have the right to impose on the other party a particular reporting mechanism. However, when offering a reporting service the CCP can choose the TR to be used and leave the choice to the counterparty on whether to accept or not the service for its trade to be reported by the CCP on its behalf.

3. Unique Trade Identifier IN PROGRESS

Description
ESMA believes that in order to effectively match counterparties to a contract, a Unique Trade Identifier (UTI) should be reported with each counterparty to allow for pairing contracts. This will be particularly relevant when counterparties are reporting to two different TRs. *[EMIR, 303 p 57]* Therefore, in order to have a trade ID on time for the implementation of EMIR reporting, ESMA has taken the view that it should be the responsibility of the counterparties to a contract to generate a UTI which will enable aggregation and comparison of data across TRs. *[EMIR, 305 p 57]*

Issues	Assumptions
• Existing transaction identifiers are not unique across CCPs and in some cases are reused within an exchange or CCP. • There is no universal format for transaction identifiers, they vary in string length and alphanumeric pattern across CCPs. • Generating and storing brand new transaction identifiers across markets is complex, costly, and probably unrealistic in the current timeframe for September 2013 live date.	• Counterparties that are principal to a trade will report cleared executions and positions, as illustrated below.

UTIs for reported trades and positions



3. Unique Trade Identifier IN PROGRESS

Trade Level UTI		
Trade Level UTI	**Benefits**	**Points for consideration**
Option 1 CCPs to generate and distribute Trade UTIs to CBs, and CBs to do the same for clients.		• Trade level UTIs to be delivered electronically with cleared trades in real-time, not via a separate feed, and not in batch-mode. • Development and implementation in time for go live • CBs will still need a standard template for non-EU markets.
Option 2 Develop a universal format UTI template that can be self-populated by all reporting parties, on any market.	• Common approach for all markets, both EU and non-EU. • Can be derived from existing transaction data, and does not require new information to be circulated between counterparties, nor additional referential data.	• Difficult to ensure uniqueness within current allowed length of 52 characters • Industry consensus required. • Development required.

Position Level UTI		
Design Principle: The construct of the Position level UTI should be such that all market participants are able to independently generate it with standard market identifiers.		
Position Level UTI	**Benefits**	**Points for consideration**
Option 1 Constant UTI: Each day's position has the same UTI.	• No logic required to link the positions. This easily provides a view of the history of the position. • After the initial period, the incremental volume of brand new positions with new Position UTIs would be relatively lower, allowing for more manageable reconciliation.	• If a position has been traded out i.e. zero for a period of time, and traded back in, it will have the same Position UTI. Potential requirement to check if a UTI has ever previously been used. • Industry consensus required. • Development required.
Option 2 Changeable UTI: Each day's position will have component(s) that changes.	• Every non-zero position will be reported as "new" everyday, therefore no requirement to maintain a list of used UTIs	• Even if the changing components are known, logic is still required to obtain a view of the history of the position. • Every day, all counterparties will report all non-zero positions with new Position UTIs, which would result in massive reconciliation efforts. • Industry consensus required. • Development required.

Under review with CCPs.

3. Trade UTI IN PROGRESS

RTS Field Definition
A Unique Trade ID must be agreed at the European level, which is provided by the reporting counterparty. If there is no unique trade ID in place, a unique code should be generated and agreed with the other counterparty. **Field length:** 52 alphanumeric.

Proposed Solution
• Each reporting party generates trades and positions UTIs using fixed components available using available standard data.

Under review with CCPs.

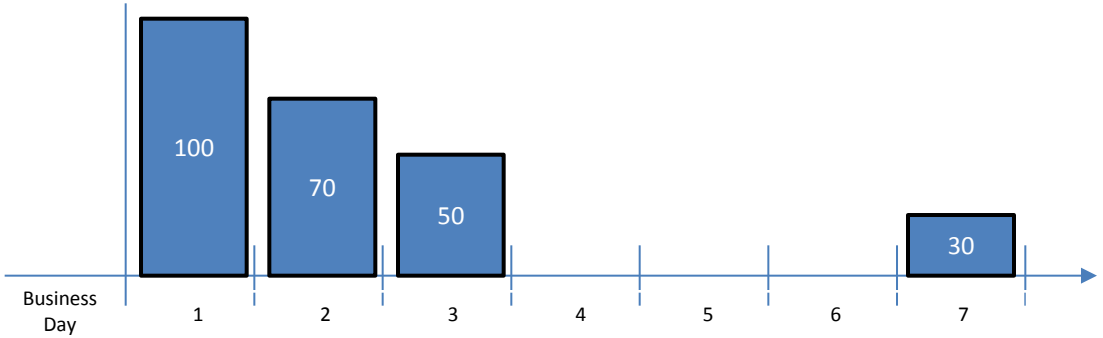
3. Position/LifeCycle Events UTI IN PROGRESS

Design Principle
All market participants should be able to independently generate the Position UTI using standard identifiers.

		Option 1: Constant UTI	Option 2: Variable UTI	Option 3: Constant EOD UTI / Variable Lifecyle Event UTI
		• Each day's position has the same UTI. • No logic required to link the positions. This easily provides a view of the history of the position.	• Each day's position will have component(s) that changes. • If the changing components are known, logic is still required to obtain a view of the history of the position.	• Each day's position has the same UTI. • Lifecycle events will have their unique UTI, with a fixed component to link them to a positions and component(s) that will change.
Lifecycle Events	**Amount**	**Option 1 example**	**Option 2 example**	**Option 3 example**
EOD Position (T-1)	Long 100	Previously reported as Position: UTI: ABC123 Amount: Long 100 Action Type: New/Modify Report Type: Position	Previously reported as Position: UTI: ABC123-20120604-X0* Position: Long 100 Action Type: New/Modify Report Type: Position	Previously reported as Position: UTI: ABC123 Amount: Long 100 Action Type: New/Modify Report Type: Position
Event 1 – Position Transfer (T)	Short 10	Reported as Event Transaction: UTI: ABC123 Amount: Short 10 Action Type: OTH; Position Transfer Report Type: Position	Reported as Event Transaction: UTI: ABC123-20120605-X1* Amount: Short 10 Action Type: OTH; Position Transfer Report Type: Position	Reported as Event Transaction: UTI: ABC123-20120605-X1* Amount: Short 10 Action Type: OTH; Position Transfer Report Type: Position
Event 2 – Early Exercise (T)	Short 20	Reported as Event Transaction: UTI: ABC123 Amount: Short 20 Action Type: OTH; Early Exercise Report Type: Position	Reported as Event Transaction: UTI: ABC123-20120605-X2* Amount: Short 20 Action Type: OTH; Early Exercise Report Type: Position	Reported as Event Transaction: UTI: ABC123-20120605-X2* Amount: Short 20 Action Type: OTH; Early Exercise Report Type: Position
EOD Position (T)	Long 70	Reported as Position: UTI: ABC123 Amount: Long 70 Action Type: New/Modify Report Type: Position	Reported as Position: UTI: ABC123-20120605-X0* Amount: Long 70 Action Type: New/Modify Report Type: Position	Reported as Position: UTI: ABC123 Amount: Long 70 Action Type: New/Modify Report Type: Position

*Assumes a date field that changes daily, and a component that changes per transaction.

3. Position UTI IN PROGRESS



Days 1-3	Days 4-6	Day 7
Option 1: Constant UTI		
Day 1: **new** EOD position of Long 100. Day 2: **modified** EOD position of Long 70. Day 3: **modified** EOD position of Long 50.	A. Days 4-6: report **modified** EOD position of 0 for each day.	A. Day 7: report **modified** EOD position of Long 30 for Day 7
	B. Days 4-6: no positions reported.	B. Day 7: report **new** EOD position of Long 30.
	C. Day 4: report **modified** EOD position of 0. Day 5: expired or cancelled by message or TR, no position reported. Day 6: no position reported.	C. Day 7: report new EOD position of Long 30.
Option 2: Variable UTI		
Day 1: **new** EOD position of Long 100. Day 2: **new** EOD position of Long 70. Day 3: **new** EOD position of Long 50.	A. Days 4-6: report **new** EOD position of 0 for each day.	Day 7: report **new** EOD position of Long 30 for Day7.
	B. Days 4-6: no positions reported.	
Option 3: Option 3: Constant EOD UTI / Variable Lifecyle Event UTI		
As for Option 1.	As for Option 1.	As for Option 1.

4. Product Identifier

Description
"As regards product codes, there was general industry support for the development of a Unique Product Identifier (UPI) […]" *[EMIR, 300 p 57]* "Existing ISO standards […] would involve using the International Securities Identification Numbers (ISIN), the Alternative Instrument Identifier (AII) as product and underlying identifiers and a Classification of Financial Instruments Code (CFI) code to identify the type of derivative." *[EMIR, 301 p 57]* "In the absence of a globally agreed product identifier, ESMA agrees that the ISIN, AII and the CFI may be used to correctly identify the derivative product […]. Where a CFI does not exist, counterparties should report the derivative type by using the taxonomy outlined in the draft ITS." *[EMIR, 302 p 57]*

Issues	Assumptions
• ISIN and CFI are not available for all EU CCPs, e.g. LIFFE, ICE. • Non EU CCPs may not have a requriement to provide a product ID. • For new same day contracts e.g. Flex, Euronext, firms may currently rely on overnight batch, and the ID is required for reporting on T+1.	• When a UPI is reported, no further contract details have to be included, as these can be obtained from the exchange.

Options	Benefits	Points for consideration
Option 1 Develop a brand new product identifier to be used globally.	• Common approach for all markets.	• Development and implementation not possible in available timeframe. • Cost of generating, distributing and storing additional static data.
Option 2 Use ISIN where available at series Level and Aii where ISIN not available at series level plus a derived CFI.	• Existing standard for EU markets.	• Not a common approach for all markets. • CFI requires additional static data to be setup and maintained (this also applies to the Interim Taxonomy).
Option 3 Use Aii universally plus derived CFI.	• Immediate full coverage of the full ETD product spectrum. • Can be derived from existing transaction data, and does not require new information to be circulated between counterparties, nor additional referential data. • Relative low-cost.	• Industry consensus required. • Development required. • CFI requires additional static data to be setup and maintained (this also applies to the Interim Taxonomy).

ETD industry recommendation is Option 3, detailed proposal overleaf.

4. Product Identifier

Alternative Instrument Identifier (Aii) Format	Format / # of chars
Exchange MIC (ISO 10383) of the regulated market where the derivative is traded.	Alphanumeric / 4
Exchange Product Code - the code assigned to the derivative contract by the regulated market where it is traded.	Alphanumeric / 12
Derivative Type - identifying whether the derivative is an option or a future.	Alpha / 1
Put/Call Identifier - mandatory where the derivative is an option.	Alpha / 1
Expiry Date - exercise date/maturity date of a derivative.	Date (YYYYMMDD) / 8
Strike Price - mandatory where the derivative is an option.	Numeric (float) / 14,5

Classification of Financial Instruments Code (CFI) Format					
Option	Call Put	American European	Stock Index Debt Currency Option Future Commodity Swap Basket Other	Cash Physical	Standard Non Standard
Future	Commodity	-	Agriculture Extraction Industrial Service	Cash Physical	
	Financial	-	Stock Index Debt Currency Option Future Commodity Swap Basket Other	Cash Physical	Standard Non Standard

4. Product Identifier

RTS Field Definition
The 4 reportable fields relevant for Product ID are covered in the table below.

Field Name (EMIR RTS)	Example for Eurex Euro-Bund Future	Details to be reported (EMIR RTS)	Format (EMIR RTS)
Taxonomy used	I	The contract shall be identified by using a product identifier.	U=Product Identifier [endorsed in Europe] I=ISIN/Aii + CFI E=Interim taxonomy
Product ID 1	Aii: XEUR FGBL F 201312	The contract shall be identified by using a product identifier.	For taxonomy = U: Product Identifier (UPI), to be defined For taxonomy = I: ISIN or Aii, 12 digits alphanumerical code For taxonomy = E: Derivative class: CO=Commodity CR=Credit CU=Currency EQ=Equity IR=Interest Rate OT= Other
Product ID 2	CFI: FFDPSX	The contract shall be identified by using a product identifier.	For taxonomy = U: Blank For taxonomy = I: CFI, 6 characters alphabetical code For taxonomy = E: Derivative type: CD= Contracts for difference FR= Forward rate agreements FU= Futures FW=Forwards OP=Option SW=Swap
Underlying	B	The underlying shall be identified by using a unique identifier for this underlying. In case of baskets or indices, an indication for this basket or index shall be used where a unique identifier does not exist.	ISIN (12 alphanumerical digits); LEI (20 alphanumerical digits); Interim entity identifier (20 alphanumerical digits); UPI (to be defined); B= Basket; I=Index.

5. Entity Identifiers IN PROGRESS

Description
Counterparty (reporting and other), broker, beneficiary and clearer requires to be populated with either LEI, Interim LEI, BIC or client code. There is a hierarchy of options in a waterfall order of LEI, Interim LEI, BIC and finally client id (an internal identifier unique to the entity).

Issues	Assumptions
1. No official LEI exist currently and there are no firm dates of when they will be ready. 2. Need to confirm with ESMA the fields that do not need to be populated if a BIC or LEI is used. 3. BIC codes are not persistent and there is a many to one relationship between BIC and the entities it identifies. 4. If a non individual entity does not have a LEI or BIC, the only option that remains is client ID. EMIR text is unclear on whether this is allowable.	None.

Options	Benefits	Points for consideration
Issue 1 FOA members and other industry participants should make every effort to register and obtain LEI.	• Favoured id, reduction in number of counterparty fields that need to be populated.	• Serious concern that LEI regime will not be ready for go live. A timetable should be pushed for so industry can plan appropriately.
Issue 2 Obtain clarity from ESMA on the use of internal client codes if BIC or LEI not available.	• Would remove the risk of having to stop trading with smaller client who do not have a BIC or LEI.	• What is the mechanism for obtaining this clarity.

6. Scope of Reporting Obligation IN PROGRESS

Description
Under EMIR article 9 counterparties and central counterparties have an obligation to report derivative contracts concluded, modified or terminated to a trade repository no later than the following working day. To establish whether a reporting obligation exists, an assessment must be made as to whether the entity and instrument is in scope for the reporting obligation. **EMIR entity scope** EMIR identifies counterparties and Central counterparties as within scope for the reporting obligation[1]. Counterparties are further categorised and the definitions for each are included in appendix I: • Financial counterparty (FCs) • Non-financial counterparty (NFC+/- above/below the clearing threshold) • Significant Third country counterparty (STCs) • Third country counterparty (TCs)

	FC	NFC+/NFC-	Authorised CCP[2]	Recognised CCP[3]	Third country Financial Entity	Third county non-financial entity
Worldwide activities	Yes	Yes	Yes	No	No	No
Branches located in the EEA	Yes	Yes	Yes	No	Yes[4]	No[5]
Branches outside EEA	Yes	Yes	Yes	No	No	No

Assumptions
Individuals: ESMA confirmed in their FOA response that individuals and consequently sole traders are not subject to EMIR and consequently the reporting obligation. **Counterparties:** ESMA have stated in their response to the FOA letter that the obligation applies to counterparties as defined in EMIR article 2(8) and (9). That limits counterparties to FCs and NFCs rather than all counterparties. As such third country entities are out of scope for the reporting obligation other than where they have EU branches which would be classified as FCs. **Third country entities:** We would expect that only the branch would be classified as an FC rather than the legal entity as it is the branch not the entity that is authorised. **CCPs:** EMIR defines CCPs in terms of their activity and is silent on jurisdiction. However, EMIR does refer to activities of CCPS and identifier CCPs authorised in a member state per article 14 and third country CCPs providing services into a member state under national law per Article 25. Under Article 25 third country CCPs are to be registered where their local regulations are deemed to be equivalent and in such circumstances the local regulatory requirements apply rather than EMIR. Given that EMIR acknowledges there is an equivalent regime such that EMIR does not apply to those CCPs extending this logic to the reporting obligation would seem to be appropriate.

6. Scope of Reporting Obligation IN PROGRESS

Entities and individuals excluded from the reporting obligation under EMIR
There is a category of special entities per Article 1 (4) which are exempt from EMIR reporting obligation as follows: • Individuals and consequently sole traders are not subject to the reporting obligation. • Members of the ESCB and other member state bodies performing similar functions • Other union public bodies charged with or intervening in the management of public debt • The Bank Of International Settlements An industry solution is needed to develop a list of exempt entities. There is also another class of entity which is exempt from EMIR save for the reporting obligation under Article 1 (5).

7. Timestamps

Description
Timestamps - EMIR Fields in scope for time designation

Issues	Assumptions
• Define types of time stamp e.g. clearing, execution. • If CB to report then execution timestamp is not known. • Default timestamp – is it allowed and what would it be e.g. 12:01 am/pm, etc. • Agree that default timestamp is to be used for valuations. • Do ESMA want to see local time or CET time - \ European time zone differences. • What is currently used for FSA / BAFIN reporting. • ISO 8601 UTC extended or basic.	Fields that require timestamp analysis are : • Table 1 fields 1 and 20 (TR to report field 1, CB to report field 2 as a default time). • Section 2C field 26 (not required for listed derivatives). • Section 2B field 19 (not known to CB – leave blank or populate with cleared timestamp). • Section 2D field 30 (CB to report using ISO/UTC timestamp). • CB to report trades and positions therefore execution timestamp will not be available. • Valuation timestamp to be a default timestamp and agreed by CBs and CCPs.

Options	Benefits	Points for consideration
Option 1 Use UTC and ISO timestamps as required. Both are industry standards.	• Common approach for all markets and participants. Currently used for existing transaction reporting in Europe	• Make the requirement as simple as possible and do not try to over complicate. Assumption is made that the CB will be reporting trades at a cleared level.

ETD Industry agreement that as the Execution Timestamp and Clearing Timestamps are the same for trades , they will be populated with the timestamp provided by the CCP, in the case of CB vs CCP.

Positions should have the Execution Timestamp populated with “N/A” , and Clearing Timestamp with “23:59:00” (UTC).

8. Lifecycle Events IN PROGRESS

Description
ETD products have many predictable and unpredictable events, many of which are only applicable to the position created from a series of trades over a long period of time.

Issues	Assumptions
• Only Clearing Brokers will be able to support Lifecycle Event reporting but it's not yet clear if CBs should report at all. • Available action types may not cover all lifecycle events and therefore be misunderstood by TRs and regulators • Clearing House view of lifecycle event may be different to that of the Reporting Entity	None.

Options	Benefits	Points for consideration
Option 1 Outside of Trade related events (see over), do not report any lifecycle events separately, merely reflect the change in the (valuation of) the position as a position refresh daily	• Reduces complexity of reporting logic especially on events which are unpredictable or controlled by external bodies	• What is the value of reporting Trade Level events at all ? If a trade is "wrong" on T (reported on T+1), it will be corrected on T+1 (as balances will be out
Option 2 Outside of Trade Related Events, report all lifecycle events at the position level either as "Modification", or "Other" as the action type	• Will provide full clarity of the changes to the construction of the position	• Requires a detailed review of all market practices, nuances between markets with same "lifecycle" events and likely significant development requirements to cater for these. • Given the lifecycle Events in the Listed ETD market, what is the benefit in reporting these in detail ?

ETD Industry recommendation is Option 1 – Refresh Position Report (Cancel / Replace linked on Unique Position ID) each day as a result of the "lifecycle event". Only report trade events where it effects the matching with the CCP report.

8. Lifecycle Events IN PROGRESS

Trade Capture Event Type				Event Description	Trade Event	Report it ?	Position Event	Report it ?
New	✓	✓	Y	A newly executed trade / contract creation event - also called Open	Y	Y		
Amendment (Economic) (correction to booking)	✓	✓	Y	An amendment to the trade which will have an impact on the PV of the transaction; e.g. amendment of Day Count Fraction which was orignally booked incorrectly	Y	Y		
Amendment (Non-economic) (correction to booking)	✓	✓	Y	An amendment to the trade which will not have an impact on the PV of the trade, e.g. amendment to Counterparty name	Y	Y		
Exercise (in the money) - see also Expiry (out of the money) and Abandon	×	✓	Y	Exercise (Cash): Buyer exercises their right to settle the trade. Exisiting booking is terminated and fee is generated			Y	Y
	×	✓	Y	Exercise (Physical): Buyer excercises right to settle the trade and requires actual delivery of underlier. For some OTC: Exisiting booking terminated *and new booking created to represent Swap??*			Y	Y
Abandon	×	✓	Y	To elect not to exercise or offset a long option position.			Y	Y
Expiry	×	✓	Y	Expiry (Trade matures):			Y	Y
	×	✓	Y	Expiry (Option) :			Y	Y
Call	×	✓	Y	Buyer of Option exercises their right to terminate the swap or option. When a call option is exercised, the underlying asset is transferred from one owner to another.			Y	Y
Mature	✓	✓	Y	Trade reaches the End Date of the trade and terminates			Y	Y
Cancellation	✓	✓	Y	Trade is cancelled in booking system before original trade was reported (within T+1)	Y	N		
	✓	✓	Y	Trade is cancelled in booking system after original trade was reported (T+2)	Y	Y		
Clearing	✓	✓	Y	Trade is cleared	Y	N		
Block trade allocation	✓	✓	Y	Block trade submission: New trade created in system	Y	Y		
	✓	✓	Y	Block trade cancellation: Trade terminated in system	Y	Y		
Book Transfer	✓	✓	Y	Trading book is amended intra-group	Y	N		
	✓	✓	Y	Trading book is amended intra-entity	Y	N		
Give-up	✓	✓	Y	A contract executed by one broker for the client of another broker that the client orders to be turned over to the second broker. The broker accepting the order from the customer collects a fee from the carrying broker for the use of the facilities. Often used to consolidate many small orders or to disperse large ones.	Y	N		
Take-up	✓	✓	Y	The broker at the receiving end of a give-up	Y	N		
Assignment	×	✓	Y	Designation by a clearing organization of an option writer who will be required to buy (in the case of a put) or sell (in the case of a call) the underlying futures contract or security when an option has been exercised, especially if it has been exercised early.			Y	Y
Corporate action	✓	✓	Y	A corporate action is an event initiated by a public company that affects the securities (equity or debt) issued by the company. Per NYSE Liffe: a. a cash and/or scrip dividend, a bonus or scrip issue, a rights issue, a share split, subdivision or consolidation, a demerger or any other event affecting or giving rise to a right or entitlement attaching or accruing to the shares of, or ownership of shares in, a company; or b. a takeover, merger or any arrangement, transaction or series of transactions which will or may result in the acquisition by any person or persons or any associated person or persons of a substantial proportion of the shares of a company; or c. any other event which necessitates an amendment to be made to terms of an Option Contract and/or Futures Contract in respect of the shares of a company			Y	Y
Position Transfer	✓	✓	Y	Transfer of position between one clearing member and another with the same beneficial owner			Y	Y
Account Transfer	✓	✓	Y	Transfer between accounts - appear as Cancel / Add			Y	Y
Transformation of Contract	✓	✓	Y	Cascading (New for Old), Erosion (Reduction in available size)			Y	Y
Explosion of Contract	✓		Y	Traded as a strip of X, cleared as seperate 6 mths...	Y	N		
OM Monthly Rolls	✓		Y	Amalgam of forward contracts which are offset, netted off and replaced at new settlement place (future-like)			Y	Y
Flex to Listed Conversion	✓		Y	Flex Products converted to vanilla listed product based on future date			Y	Y
Freight Index Rebasing	✓		Y	Revalaution of Index based on Baltic Frieght "Committee"			Y	Y

Examples of esoteric Lifecycle Events , non exhaustive, mostly commodities based which, if reported as discrete events would prove to be especially challenging

9. Back Reporting

ESMA Requirement
Technical Standards: ANNEX VII, Article 5: Reporting Start Date Those derivative contracts which were outstanding on 16 August 2012 and are still outstanding on the reporting start date shall be reported to a trade repository within 90 days of the reporting start date for a particular derivatives class. Those derivative contracts which were entered into before, on or after 16 August 2012, that are not outstanding on or after the reporting start date shall be reported to a trade repository within 3 years of the reporting start date for a particular derivatives class.

Previous ESMA Guidance/Correspondence	Assumptions
ESMA Q & A document from 20th March 2013: **TR Question 4** **Reporting of outstanding positions following the entry into force of EMIR** *Article 5 of the Trade Report Regulation appears to require the reporting of every exchange-traded derivative contract entered into from 16 August 2012. Given that the ETD industry maintains positions at contract levels aggregated from daily transactions, would the provision of position level data be more practical, and more meaningful?* **TR Answer 4** The reporting obligation applies equally to OTC derivatives and ETDs. As such, as specified in Article 5(3-4) of Commission Implementing Regulation (EU) No 1247/2012 (ITS on TR reporting), ETDs which were still outstanding on 16 August 2012 will have to be reported within 90 days of the date of the reporting obligation coming into force if they are still outstanding on that date, and within 3 years of the date of the reporting obligation coming into force, if they are not. However, for reporting of those transactions, there is no need to report separately any life cycle events which occurred before the reporting date. The contract can be reported in its final state or, for contracts which are still outstanding, its state at the time the report is submitted.	Position level data is considered to be more meaningful for the purposes of back reporting within the context of ETD. Trade level reporting has been considered but has been dismissed as an option based on the reasons provided on slide 2. Open position data represents contracts in its “final state” as referenced in TR Question 4 of the Mar 20th Q & A document.

9. Back Reporting *continued*

Options	Trd	Pos	Benefits	Points for consideration
Option 1 – 'Key date' Snapshot • Back reporting will be provided in the form of open position reporting only. Full Open Position data will be provided as at 16th August 2012 and as at the reporting start date (e.g. 23rd September 2013). • UTI's (at position level) will be provided on all Open Positions for both the CCP and Client reportable legs. The UTI's will need to be communicated (or derived by pre-defined logic) between CCPs, Clearing Members and Clients. • Data field population will be consistent with the approach for ongoing daily open position reporting. • Trade level reporting and the reporting of lifecycle events will not be included within the back reporting scope.	N	Y	• This is consistent with the industry approach to provide open position snapshots on a daily basis and will most accurately reflect the true exposure against all of the reporting counterparties. • This eradicates the need to back report at trade level, whilst still complying with the technical standards . • Position UTIs can be provided on all transactions enabling TR matching between counterparties. This is not possible at trade level given that UTIs do not currently exist with the exchange/CCP.	It is the industry's view that open position reporting is the only viable way to address the back reporting obligation, trade level reporting has been dismissed as an option for the following reasons: • Given the time period for back reporting, the reporting of trade level data would result in millions of transactions being back reported by each clearing member, it would be impossible to make sense of data on this scale. • UTIs are not available at Trade level since they do not currently exist within the industry, reconciliation of large volumes of data would therefore be impossible if trade level data was reported. • There will no doubt be timing differences in when counterparties complete their back reporting obligations; this could lead to archiving complexities if trade level data was to be required.
Option 2 - Monthly As above but additionally open position snapshots will be provided as at each month end date between 16th August 2012 and first reporting date.	N	Y	• Provides increased frequency of ongoing changes to open positions.	• Risk of data overload.
Option 3 - Daily As per Option 1 but provide daily open position snapshots between 16th August 2012 and first reporting date.	N	Y	• Provides daily and continuous view of all open positions from 16th August 2012 onwards.	• Risk of data overload, consideration needs to be given to the significant time period between 16th August 2012 and the reporting start date.

ETD industry recommendation is Option 1.

As Option 1 captures the exposure against all counterparties at the start of the regulation (16th Aug 2012) and at the reporting start date, the industry believes that this fully meets the back reporting obligation, any additional data would be surplus to requirements and simply result in unnecessary data overload

10. Data Retention/Archiving

ESMA Requirement
Regulation No 648/2012 Article 9 Reporting Obligation, Paragraph 2 **Counterparties** shall keep a record of any derivative contract they have concluded and any modification for at least five years following the termination of the contract. Additionally, in relation to **CCPs** Article 29, paragraph 2 states: A CCP shall maintain, for a period of at least 10 years following the termination of a contract, all information on all contracts it has processed. That information shall at least enable the identification of the original terms of a transaction before clearing by that CCP.

Previous ESMA Guidance/Correspondence	Assumptions
• We have not seen any further guidance from ESMA on the points around data retention and the technical standards appear to be silent on the matter	None.

ETD Industry recommendation for Data Retention/Archiving:

Clearing Members and CCPs should review their internal data retention policies to ensure compliance with the standard set within Article 9.

11. Notional Amount IN PROGRESS

ESMA Requirement
Common data field 14 on table 2b requires the notional amount of the contract. This is defined as the original value of the contract (up to 20 numerical digits in the format xxxx.yy)

Previous ESMA Guidance/Correspondence	Assumptions
• We have not seen any further guidance from ESMA on the points around notional amount and the technical standards indicate only that the original value of the contract be reported.	Notional amount as defined in the RTS looks at the original value of the contract and so there will be no revaluation required. Unlike OTC, the notional value is not used as a quantifier in the normal course of trading, clearing or processing ETDs. Instead, the quantity is the pertinent metric used to quantify open interest in particular contracts/products.

Recommendation for Notional Amount:

Definition of notional amount needs to be agreed by the industry to avoid inconsistency in reporting.

Futures = Quantity x multiplier x trade price – where multiplier is defined as nominal amount of underlying and trade price may be adjusted to a % if a bond/IR product [E.g. one Liffe gilt future @ 119.09 = £100,000 x 119.09/100 = £119,090; one Liffe 3M-euribor future @ 99.80 = €1,000,000 x 99.8/100 = €998,000]

Options on Futures = Quantity x multiplier x strike – where multiplier is defined as nominal amount of underlying futures and strike price may be adjusted to a % if a bond/IR product [E.g. one Liffe gilt option @ 11100 = £1,000 X 11100/100 = £111,000; one Liffe 3M-euribor option @ 9980 = €2,500 x 9980/100 = €249,500]

Options on stock or Index = Quantity x multiplier x strike – where multiplier is defined as number of stock deliverable or value of each index point [E.g. one Liffe BTG option @ 200 = 10 x 2.00 = £20; one Liffe FTSE-100 Index option @ 6100 = £10 x 6100 = £61,000]

For discussion:

For an FX future or option, we should report only one side.
E.g. GBP/USD Future – if CP1 buys then report GBP and CP2 sells then report USD, or should both report GBP or both report USD