FIA Europe response to ESMA Consultation paper "Review of the technical standards on reporting under Article 9 of EMIR"

FIA Europe and its members welcome the publication of the consultation paper and the subsequent opportunity to respond. Please see below the FIA Europe Response to the consultation questions. Outside of the response to the individual questions we would like to propose an implementation timeline that gives the industry at least 9 months to implement changes post the publication of the revised Regulatory Technical Standards (RTS). Furthermore, we recommend ESMA to provide guidance concerning the impact on previously submitted trade reports once the changes are implemented. ESMA's guidance will be required as transactions that have been reported under the current RTS will not meet the revised RTS. The industry seeks clarification concerning these already reported historic trades.

Question	Wording	Response
1	**Do you envisage any difficulties with removing the 'other' category from derivative class and type descriptions in Articles 4(3)(a) and 4(3)(b) of ITS 1247/2012? If so, what additional derivative class(es) and type(s) would need to be included? Please elaborate.**	For ETD (Exchange Traded Derivatives) we do not believe there would be an issue with removing the "other" category from the derivative class and derivative type
2	**Do you think the clarifications introduced in this section adequately reflect the derivatives market and will help improve the data quality of reports? Will the proposed changes cause significant new difficulties? Please elaborate.**	For ETD (Exchange Traded Derivatives) we support the changes to improve data quality, we do not foresee any new difficulties for the ETD asset class

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<tr>
<td>3</td>
<td>What difficulties do you anticipate with the approaches for the population of the mark to market valuation described in paragraphs 21 or 19 respectively? Please elaborate and specify for each type of contract what would be the most practical and industry consistent way to populate this field in line with either of the approaches set out in paragraphs 21 and 23</td>
<td>
We agree that for futures and options the mark to market valuation should be represented as the size of the contract and the current (CCP observed) settlement price. This is, in our view, preferable to use than a definition of replacement cost, which is not commonly defined for futures and options.

It is common practise to value ETD contracts at a position level and thus the fields relating to the value of the contract (fields 17 -21 within the proposed annex) will often may be left blank for transactions, the value of the contract will subsequently be reported at an end of day at position level.

We agree that cash flows related to these contracts should not be taken into account in reporting valuations, therefore meaning that the unrealised profit or loss or, the day on day change in value of the contract will not be reported. Instead we would be reporting the total value of the contract. Specifically we would propose the below approaches for Table 1 Field 17 'Value of the contract' as representing industry norms:

Table A

<table>
<tr><th>Derivative type</th><th>Calculation for Value of the Contract</th></tr>
<tr><td>Futures</td><td>Settlement Price * Quantity * Multiplier</td></tr>
<tr><td>Premium Held Option</td><td>Settlement Price * Quantity * Multiplier</td></tr>
<tr><td>Premium Upfront Option</td><td>Underlying Reference Price * Quantity * Multiplier</td></tr>
</table>

It is important to note the differences of premium held options compared to premium paid.
Premium held options, alternatively known as future style options are marked to market and margined like a futures contract, with the premium paid upon expiry.
In contrast for premium paid options, the premium is paid upfront by the buyer, which in turn is credited to the seller, these contracts are not marked daily and no variation margin is exchanged due to the payment of the premium.

The premium can be calculated by Trade Price * Quantity * Multiplier.

In order to capture the changes in value, Net Liquidating Value (NLV) is calculated on a daily basis. NLV is the cumulative valuation of the premium paid option. To calculate NLV, the following formula should be used: Option Settlement Price * Quantity * Multiplier. Long option positions will create credit NLV which can be used
</td>
</tr>
</table>

		to offset collateral requirements whereas short option positions will create debit NLV which will impact any margin call requirements. One difficulty that will arise from this approach is how to distinguish within the reports what type of option it is. We recommend the addition of fields in order to identify the type of option within the option specific fields, section 2h of the common data fields. We believe the following fields may be beneficial in order to distinguish between the two types of options; • A field indicating if the option is premium paid or held. • A premium field which will contain the value of the premium • A premium currency field • A premium settlement date field For both type of options the premium field would have Trade Price * Quantity * Multiplier, however for the premium held options the settlement field will typically be the same day as the expiry date of the contract, and for premium up front it will typically be trade date +1. Aggregated trade price will be used at position level to show the total premium. To date there is only one field available for "price". We propose the addition of a field within counterparty data to enable the reporting of the price used to derive the value of the contract. With reference to paragraph 21, "For futures and options the mark to market valuation should be calculated using the size of the contract and the current market price (or model price, when appropriate). This is generally expected to be a positive number." With following the above approach we agree that in general the value of the contract will be a positive value, and that the counterparty side e.g. the buyer or seller will not have an impact on the sign reported. In the case that an ETD contract has a trade price or settlement price which is negative, we would report the price with a negative value; however we would welcome ESMA's guidance with regards to the expectation of an absolute value in the mathematical sense for both value of the contract and notional value. We believe a consistent approach is required for both the value of the contract and notional. The industry would welcome clarification in the RTS in the form of a calculation methodology using the formula detailed in Table A above.

4	**"Do you think the adaptations illustrated in this section adequately reflect the derivatives market and will help improve data quality of reports? Will the proposed changes cause significant new difficulties? Please elaborate."**	The main issues/concerns regarding paragraphs 27-42 are as follows: • **28 – Date and Timestamp fields** The proposed Date format of YYYY-MM-DD presents no issues. Existing ITS refers to UTC *format* , we believe that ESMA should explicitly state that times are to be reported as UTC – rather than local time – using 'zero hour' format of Thh:mm:ssZ (to distinguish from local time in UTC format i.e. Thh:mm:ss±hh:mm), e.g. an Execution Time of 9:30am Chicago in Winter would be reported as T15:30:00Z and not T09:30:00-06:00 • **29 – Counterparty Identifiers** We believe the continued use of BIC will be beneficial and should continue to be accepted until the MiFID requirement for global use of LEI is applicable, i.e. January 2017 • **30 – Corporate Sector of the counterparty** Corporate Sector of the counterparty should be included in the reference data stored in the LEI data base for each entity. If this were not to be the case we believe this will require a considerable overhead in terms of data gathering, administration, maintenance and system enhancements, achieving minimal improvement of data quality of the reports. Specific issues if not included in underlying LEI reference data include : • Only the Main Business of the LE will be reported. • Data gathering – Reaching out to all NFC clients in order to identify which NACE codes best reflects their business sector. • Building of NACE codes into relevant IT static data systems in order to be able to report these for NFC clients. • Current Corporate sector field is for FC clients covering 8 Letters A,C,F,I,L,O,R and U. • This means there is separate logic to be defined for 6 of these letters for FC and NFC as A,C,F,I,L and O share the same value. • Timeframe to allow institutions the relevant testing of the new NACE codes on EMIR reporting. • **31 – Corporate Sector of the counterparty**

		Corporate Sector of the counterparty should be included in the reference data stored in the LEI data base for each entity. If this is not to be the case, we believe this will require a considerable overhead in terms of data gathering, administration, maintenance and system enhancements, achieving minimal improvement of data quality of the reports. Specific issues if not included in underlying LEI reference data include : • Only the Main Business of the LE will be reported. • Data gathering – Reaching out to all NFC clients in order to identify which NACE codes best reflects their business sector. • Building of NACE codes into relevant IT static data systems in order to be able to report these for NFC clients. • Current Corporate sector field is for FC clients covering 8 Letters A,C,F,I,L,O,R and U. • This means there is separate logic to be defined for 6 of these letters for FC and NFC as A,C,F,I,L and O share the same value. • Timeframe to allow institutions the relevant testing of the new NACE codes on EMIR reporting. • **32 – Financial or Non-financial nature of counterparty** Financial or Non-Financial nature of the counterparty should be included in the reference data stored in the LEI data base for each entity , once again we believe this will be an overhead in terms of data gathering, administration, maintenance and system enhancements, achieving minimal improvement of data quality of the reports. • **33 – Trade with non-EEA counterparty/Country of the other counterparty** Where an LEI is populated we recommend that this field should be left blank as it is included in the reference data stored in the LEI data base for each entity. Where an LEI is not available, population of this field will improve the data quality of reports and should not be problematic for TRs and reporting parties to provide the required data.

- **34 – Notional Amount**

The description detailed within paragraph 34 makes reference to the term "actual notional" reflecting the current reference amount from which the contractual payments are determined if the terms of the initial contract have changed. For exchange traded derivatives, the initial terms of the contract do not change and therefore this field will be left blank at both a transaction and a position level for futures and option traded on an exchange, irrespective of the market location.

Our view of original notional is related to the definition of the value of the contract, at question 3. To keep the approach for both consistent we propose:

Derivative type	Calculation of Original Notional	Calculation of Value of contract
Futures	**Trade Price * Quantity * Multiplier**	**Settlement Price* Quantity * Multiplier**
Premium Held Option	**Trade Price * Quantity * Multiplier**	**Settlement Price * Quantity * Multiplier**
Premium Upfront Option	**Strike * Quantity * Multiplier**	**Underlying Reference Price* Quantity * Multiplier**

It is common practise to value ETD contracts at a position level and thus the fields relating to the value of the contract (fields 17 -21 within the proposed annex) will often be left blank for transactions, the value of the contract will subsequently be reported at an end of day at position level.

The original notional field would be populated at both a transaction and at a position level. For position level reporting for futures and premium held options, the aggregate traded price of the overall position will be used to calculate notional. The difference between value of the contract field and notional field value will result in the unrealised profit or loss, commonly referred to as open trade equity. In this way the notional is reported at the point in time the contract was initiated, and the value of the contract shows the change in this over the life of the contract.

		• **35 – Product ID** For listed derivative markets we believe MIC codes are always available, as such the industry prefers to use the relevant MIC code rather than NEEA. Using the assigned MIC code would increase transparency for regulators. We agree that the proposed construct for Aii will improve data quality and matching for EEA markets. We recommend that there should be a clarification for both the EEA and Non-EEA markets that are not listed in the MiFID database. • **36 – Transaction Reference Number** If this field were not to be moved to table 1 there will be significant operational issues around matching this field similar to that experienced in attempting to match the UTI field for EMIR reporting. We would further welcome a phased approach to implementing this requirement with the CCP vs Clearing Broker being implemented initially and the Clearing Broker vs. Client report implemented at a later stage; again moving the field to Table 1 may also ease its implementation. • **37 – Sections 2e to 2h** We recommend that these clarifications remain available. It should also be noted that irrespective of the roll out of a UPI there are going to be cases for ETD where these fields remain blank. As per ESMA Questions and Answers: Implementation of the Regulation (EU) No 648/2012 on OTC derivatives, central counterparties and trade repositories (EMIR) ***TR Question 1*** *[last update 5 August 2013]* ***Article 9 of EMIR –Classification of financial instruments*** *How should the following financial instruments be classified for reporting and other purposes under EMIR?* *(a) ETD on government bonds (e.g. Bund, Bobl)* ***TR Answer 1*** *(a) These financial instruments should be classified as interest rates. The dedicated fields for this asset class should not be filled, since they are not relevant.* • **38 – Interest Rate Payment Frequency** This field is not applicable for ETD • **39 – Action Type** We agree that the removal of 'Other' as a valid type would improve the data quality of the reports

		• **40 – Action Type** This will not impact ETD • **41 – Action Type** We agree that the proposed change to introduce 'R' in lieu of 'Error' and 'New' will be beneficial if the TRs will be able to receive a single message to effect the correction • **42 – Action Type** We agree that the proposed change to introduce 'P' to indicate 'New' and 'Compressed' will be a major benefit to all parties, it adequately reflects the ETD markets and will significantly improve the data quality of the reports On a general note we would like to highlight that the proposed changes for certain fields (i.e. Action Type) will require significant operational cost both in time and resource for both reporting firms and trade repositories. The industry would welcome further consultation over proposed implementation timelines.
5	Do you think the introduction of the new values and fields adequately reflect the derivatives market and will help improve the data quality of reports? Will the proposed changes cause significant new difficulties? Please elaborate.?	The main issues / points raised on this question relating to paragraph paragraphs 43-55 are below: • **43 – Position Level Reporting** Reporting parties welcome this additional field as we believe as stated it will bring additional clarity to reporting. • **44 – Negative Values** Were commend the following fields to accept negative values: • Common data field 16*, Price/ Rate • Common Data field 67*, Strike Price *Field numbers have been used with reference to the annex within the consultation paper. In the case that an ETD contract has a trade price or settlement price which is negative, we would report the price with a negative value; however we would welcome ESMA's guidance with regards to the expectation of

		an absolute value in the mathematical sense for both value of the contract and notional value. We believe a consistent approach is required for both the value of the contract and notional. • 45 – Identification of Natural Person We note that further clarification on the terminology used by ESMA is required where the counterparty to the trade is not a Legal Entity and instead a Natural Person, namely: • 'residency' (where client lives), • 'domicile' (in the UK, this is actually a terms used in tax law, and means how a client defines themselves), • 'nationality' (definitions of this vary by member state, but is not always aligned to citizenship) • 'citizenship' (definitions vary by state, but generally refer to passport-holders) all mean different things It should also be noted that it is not always possible for firms to accurately validate or verify a clients' designation for any/all of these pieces of information. It is important to provide clarity as to what is expected of firms concerning the accompanying validation. A Natural Person may legitimately have multiple instances of any/all of the above and that these could also be subject to change during the course of a client's life, and so may change during the life of a trade. • **46 –Non financial Counterparty Corporate Sector-add in question 31 response** The industry recommends that the Non-financial Corporate Sector of the counterparty should be included in the reference data stored in the LEI data base for each entity. If this is not to be the case, we believe this will require a considerable overhead in terms of data gathering, administration, maintenance and system enhancements, achieving minimal improvement of data quality of the reports. Specific issues if NACE codes are not included in underlying LEI reference data include : • Only the Main Business of the LE will be reported. • Data gathering – Reaching out to all NFC clients in order to identify which NACE codes best reflects their business sector.

		• Building of NACE codes into relevant IT static data systems in order to be able to report these for NFC clients. • Current Corporate sector field is for FC clients covering 8 Letters A,C,F,I,L,O,R and U. • This means there is separate logic to be defined for 6 of these letters for FC and NFC as A,C,F,I,L and O share the same value. • Timeframe to allow institutions the relevant testing of the new NACE codes on EMIR reporting. **47 & 48 – Product Identifiers** We believe for listed derivative markets. MIC codes should always be available; as such the industry would prefer to use the relevant MIC code rather than NEEA. Using the assigned MIC code would increase transparency for regulators . We do however believe that the proposed construct for Aii will improve data quality and matching for EEA markets. We suggest some clarifications should be made for both the EEA and Non-EEA markets that are not listed in the MiFID database. • **49 – Basket Identification** It is important to note regarding Baskets, that in order to provide the underlying components, a significant IT build would be required to provide that level of data. As with all ETD products any product considered a Basket would be defined by the Exchange before being available for trading. Therefore firm's use of this identifier will allow competent authorities to recognise the Basket in question which in turn will have its component parts identified in the exchange contract specification. It should also be noted that these should not be classified as matchable fields as the reported fields could be reported differently (e.g. Standard and Poor's 500 vs S&P 500) • **51 – Actual Notional** The description detailed within paragraph 34 with reference to the term "actual notional" reflecting the current reference amount from which the contractual payments are determined if the terms of the initial contract have changed. For exchange traded derivatives, the initial terms of the contract do not change. Therefore, this field will be left blank at both a transaction and at a position level for futures and option traded on an exchange, irrespective of the market location.

Our view of original notional is closely related to the definition of the value of the contract at question 3. To keep the approach for both consistent we propose:

Derivative type	Calculation of Original Notional	Calculation of Value of contract
Futures	**Trade Price * Quantity * Multiplier**	**Settlement Price* Quantity * Multiplier**
Premium Held Option	**Trade Price * Quantity * Multiplier**	**Settlement Price * Quantity * Multiplier**
Premium Upfront Option	**Strike * Quantity * Multiplier**	**Underlying Reference Price* Quantity * Multiplier**

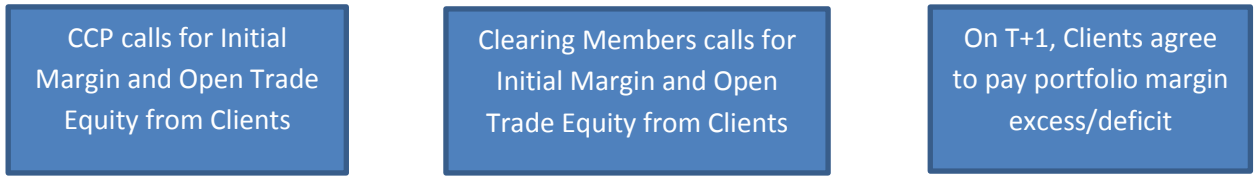
It is common practise to value ETD contracts at a position level and thus the fields relating to the value of the contract (fields 17 -21 within the proposed annex) will often be left blank for transactions The value of the contract will subsequently be reported at an end of day at position level.

The original notional field would be populated at both a transaction and at a position level. For position level reporting for futures and premium held options the aggregate traded price of the overall position will be used to calculate notional. The difference between value of the contract field and notional field value will result in the unrealised profit or loss, commonly referred to as open trade equity. In this way the notional is reported at the point in time the contract was initiated, and the value of the contract shows the change in this over the life of the contract.

- **52 –Collateral Value**

While the industry welcomes the proposal to introduce more granularity into reporting collateral, it is important that we also specifically detail our recommendations on how to populate the 'initial margin posted' and 'variation margin posted' fields based on ETD industry product knowledge and current industry daily margining processes.

Current EMIR collateral reporting is at the 'portfolio' level using one overall 'single currency' and we recommend that this is continued. Under current guidance, only the pledger of the collateral has a requirement to report so introducing posting of initial and variation margin implies that both the pledger and receiver of the collateral is now required to report.

		The following is a diagram to illustrate current industry practise of posting both Initial and Variation margin:  Current industry practise is for each of the CCPs to calculate daily the initial margin and variation margin requirement, for each of its members. Clearing Member's will through their internal systems, calculate their own client's portfolio margin requirements. As a reminder, industry practise to calculate overnight variation margin is as follows: CCP : Variation Margin (VM) Method :(Previous Nights Settlement Price – Current Settlement Price)*Quantity*Multiplier Clearing Member : Open Trade Equity (OTE) Method :(Trade Price – Current Settlement Price)*Quantity*Multiplier Therefore, we recommend that Clearing Members will report at the portfolio level using a single converted currency balance the new 'initial margin posted' and 'variation margin posted fields' with the following : • Clearing Member to CCP reporting leg -> CCP Initial Margin requirement and OTE requirement • Clearing Member to Client reporting leg -> Clearing Member generated margin requirement and generated OTE requirement We welcome ESMA's view on this statement.

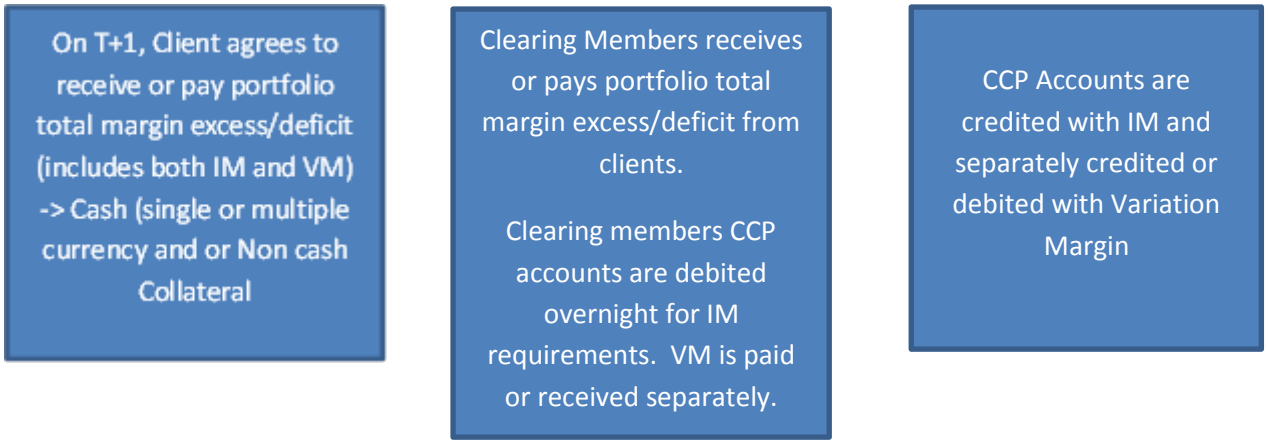
- **53 - Collateral**

The industry again welcomes the introduction of more collateral reporting clarity. However, while it is easier to implement the population of the initial and variation margin 'posted' field, introducing new initial margin and variation margin 'received' fields will be very difficult to implement and maintain.

Current EMIR collateral reporting requires the reporting of one overall portfolio collateral amount (Debit or Credit). This amount represents the following components:

- Total Open Trade Equity
- Total Cash Collateral
- Total Non-Cash Collateral

The following diagram illustrates current industry practise on paying and receiving Initial Margin and Variation Margin :



Common practise is for clients to pay or receive on T+1, one overall portfolio surplus or deficit amount as

		calculated on their ETD statement. In the majority of cases, payment to the Clearing Member will be a single cash amount. Clearing Members will apply the receipt of cash to the client's portfolio as one single money line. This amount is not split between initial and variation margin. It is also important to be aware that clients may commonly post extra cash or non-cash collateral and this client surplus collateral will not be reported under the new reporting guidelines. While some of the larger CCPs will debit or credit Clearing members for 2 amounts overnight – One for initial margin and a separate debit or credit for variation margin, this will not apply to all CCPs where one cash amount may be paid or received, thereby again creating splitting complexities. Therefore, the industry recommends that in response to this question, the reporting parties continue to report a single value of collateral at the portfolio level which includes initial margin, variation margin as well as any surplus provided by the client thus providing a truer reflection of the balances of the portfolio. • 54. Initial and Variation Margin: The industry agrees to report both Initial Margin and the replacement cost. Under current market practise, the industry calculates replacement cost under the Open Trade Equity model which is different to the CCP variation model : CCP : Variation Margin (VM) Method :(Previous Nights Settlement Price – Current Settlement Price)*Quantity*Multiplier Clearing Member : Open Trade Equity (OTE) Method :(Trade Price – Current Settlement Price)*Quantity*Multiplier We recommend that Clearing Members and Clients continue to report OTE. **55 UTI Generation-** – We agree that this is needed.

6	In your view, which of the reportable fields should permit for negative values as per paragraph 40? Please explain.	We recommend the following fields to accept negative values: • Common data field 16*, Price/ Rate • Common Data field 67*, Strike Price *Field numbers have been used with reference to the annex within the consultation paper In the case that an ETD contract has a trade price or settlement price which is negative, reporting parties would report the price with a negative value; however we would welcome ESMA's guidance with regards to the expectation of an absolute value in the mathematical sense for both value of the contract and notional value. We believe a consistent approach is required for both the value of the contract and notional.
7	- do you anticipate any difficulties with populating the corporate sector of the reporting counterparty field for non-financials as described in paragraph 46? Please elaborate?	Corporate Sector of the counterparty should be included in the reference data stored in the LEI data base for each entity. If this is not to be the case we believe this will require a considerable overhead in terms of data gathering, administration, maintenance and system enhancements, achieving minimal improvement of data quality of the reports. Specific issues if not included in underlying LEI reference data include : • Only the Main Business of the LE will be reported. • Data gathering – Reaching out to all NFC clients in order to identify which NACE codes best reflects their business sector. • Building of NACE codes into relevant IT static data systems in order to be able to report these for NFC clients. • Current Corporate sector field is for FC clients covering 8 Letters A,C,F,I,L,O,R and U. • This means there is separate logic to be defined for 6 of these letters for FC and NFC as A,C,F,I,L and O share the same value. • Timeframe to allow institutions the relevant testing of the new NACE codes on EMIR reporting.
8	Do you envisage any difficulties with the approach described in paragraph 45 for the identification of indices and baskets? Please elaborate and specify what would be the most	Could ESMA please clarify that the question refers to paragraph 49 and not paragraph 45 ? With regard to Baskets we note that to provide the underling components would require a significant build to provide that static. As with all ETD products any product considered a Basket would be defined by the Exchange before being available for trading. Therefore firm's use of this identifier will allow competent authorities to recognise the Basket in question which in turn will have its component parts identified in the exchange contract specification . It should also be noted that these should not be matchable fields as the reported fields could be

	practical and industry consistent way to identify indices and baskets.	reported differently (e.g. Standard and Poor's 500 vs S&P 500)
9	Do you think the introduction of the dedicated section on credit derivatives will allow to adequately reflect details of the relevant contracts? Please elaborate	This section is not relevant for ETD products. For OTC centrally cleared products populating fields 68 (Seniority), 71(Series) and 72 (Index Factor) would provide further contract clarity. The characteristics to populate these fields are available on the Exchange Product Symbol. An alternative suggestion would be to add a new field (Exchange ID or Symbol) to reporting, thereby removing the requirement to populate fields 68,71,72. Populating field 69 (Coupon Value) would further cement the contract details. This is an integral offering of the OTC CC Credit Derivative product and available in Clearing Member's OTC CC booking systems. To populate field 70 (Date of Previous Life-cycle Event) would be challenging. OTC CC Life cycle events are currently reported as separate messages (Terminations, Compressions etc) and to link the date from previous position event to a new transaction would be difficult systematically to derive, maintain and map.
10	The current approach to reporting means that strategies such as straddles cannot usually be reported on a single report but instead have to be decomposed and reported as multiple derivative contracts. This is believed to cause difficulties reconciling the reports with firms internal systems and also difficulties in reporting valuations where the market price may reflect the strategy rather than the individual components. Would it be valuable to allow for strategies to be reported directly as single reports? If so, how	For ETD and OTC centrally cleared trading, strategies are traded, cleared and booked as multiple trades and not as one single strategy trade – each trade will have a unique product identifier and price. Valuations are calculated at the product position level based on the EOD CCP settlement price and therefore should not create reconciliation issues. Linking ETD and OTC CC trades to strategies is currently difficult internally and externally. Executing Brokers, Exchanges and CCPs do not always include or populate strategy indicators. Initial margining systems do not include strategy portfolio methods and therefore the indicators are not maintained or populated in clearing systems. To achieve this effectively, executing brokers, exchanges and CCPs would need to correctly agree a strategy short code, add and carry the indicators from source to clearing. Adding a new optional reporting field may be beneficial where strategy indicators are booked rather than increasing values in the Option Type Field. The other issue would be how to identify and report correctly which trade is part of which trading strategy. Any account at any time could carry a number of different strategies (example calendar spreads, portfolio strategy, Option strategies).

<table>
<tr><td></td><td>should this be achieved? For example, would additional values in the Option Type field (Current Table 2 Field 55) achieve this or would other changes also be needed? what sorts of strategies could and should be identified in this sort of way?</td><td></td></tr>
<tr><td>11</td><td>Do you think that clarifying notional in the following way would add clarity and would be sufficient to report the main types of derivatives:</td><td>The description detailed within paragraph 34 with reference to the term “actual notional” reflecting the current reference amount from which the contractual payments are determined if the terms of the initial contract have changed. For exchange traded derivative, the initial terms of the contract do not change and therefore this field will be left blank at both a transaction and a position level for futures and option traded on an exchange, irrespective of the market location.

Our view of original notional is very much related to the definition of the value of the contract, in question 3. To keep the approach for both consistent we would propose:

<table>
<tr><th>Derivative type</th><th>Calculation of Original Notional</th><th>Calculation of Value of contract</th></tr>
<tr><td>Futures</td><td>Trade Price * Quantity * Multiplier</td><td>Settlement Price* Quantity * Multiplier</td></tr>
<tr><td>Premium Held Option</td><td>Trade Price * Quantity * Multiplier</td><td>Settlement Price * Quantity * Multiplier</td></tr>
<tr><td>Premium Upfront Option</td><td>Strike * Quantity * Multiplier</td><td>Underlying Reference Price* Quantity * Multiplier</td></tr>
</table>

It is common practise to value ETD contracts at a position level and thus the fields relating to the value of the contract (fields 17 -21 within the proposed annex) will often be left blank for transactions, the value of the contract will subsequently be reported at an end of day at position level.

The original notional field would be populated at both a transaction and at a position level. For position level reporting for futures and premium held options the aggregate traded price of the overall position will be used to calculate notional. The difference between value of the contract field and notional field value will result in the unrealised profit or loss, commonly referred to as open trade equity. In this way the notional is reported at</td></tr>
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		the point in time the contract was initiated, and the value of the contract shows the change in this over the life of the contract. For premium held options we believe we should use the settlement price for value of the contract and trade price for the notional. The alternative would be to use the strike price for notional and underlying reference price for value of the contract. The difficulty is, that there is often no observable underlying reference price reported (there are normally choices in terms of what physical underlying can be delivered at expiry for example). Furthermore, the profiles of these contracts mean that the industry norm is to risk manage in the same way as risk management conducted in futures markets. For premium upfront options we believe that the underlying asset price should be used for value of the contract, and the strike price for the notional. It is important to note the differences of premium held options compared to premium paid. Premium held options, alternatively known as future style options are marked to market and margined like a futures contract, with the premium paid upon expiry. In contrast for premium paid options, the premium is paid upfront by the buyer, which in turn is credited to the seller, these contracts are not marked daily and no variation margin is exchanged due to the payment of the premium. The premium can be calculated by Trade Price * Quantity * Multiplier. In order to capture the changes in value Net Liquidating Value (NLV) is calculated on a daily basis, NLV is the cumulative valuation of the premium paid option. To calculate NLV the following formula should be used Option Settlement Price * Quantity * Multiplier. Long option positions will create credit NLV which can be used to offset collateral requirements whereas short option positions will create debit NLV which will impact any margin call requirements. One difficulty that will result from this approach is how to distinguish within the reports what type of option it is. We recommend the addition of fields in order to identify the type of option within the option specific fields, section 2h of the common data fields. We believe the following fields would be beneficial in order to distinguish between the two types of options; • A field indicating if the option is premium paid or held. • A premium field which will contain the value of the premium • A premium settlement date field • A premium currency field

		For both types of options the premium field would have Trade Price * Quantity * Multiplier, however for the premium held options the settlement field will typically be the same day as the expiry date of the contract, and for premium up front it will typically be trade date +1. Aggregated trade price will be used at position level to show the total premium. To date, there is only one field available for "price" we would propose the addition of a field within counterparty data to enable the reporting of the price used to derive the value of the contract.